

THE ARAB-ISRAELI CONFLICT: TO REACH A LASTING PEACE

Middle East Report N°58 – 5 October 2006

TABLE OF CONTENTS

EXECUTIVE SUMMARY AND RECOMMENDATIONS	i
I. INTRODUCTION	1
II. ASSESSING THE LANDSCAPE	2
A. THE PALESTINIAN SCENE.....	2
1. A tentative agreement about an agreement.....	2
2. The role of the International Community	6
3. What kind of peace process?	8
B. THE ISRAELI SCENE.....	8
C. THE SYRIAN SCENE.....	11
D. THE LEBANESE SCENE	13
E. THE ARAB AND EUROPEAN SCENES	14
1. The Arab world and the peace process after the “Two-Soldier” War.....	14
2. The EU in search of a role	16
III. A NEW MIDDLE EAST PEACE INITIATIVE?	17
A. REVIVING AND REINFORCING THE QUARTET.....	17
B. RELAUNCHING THE BEIRUT INITIATIVE AND PROMOTING AN ARAB-ISRAELI DIALOGUE.....	18
C. ACHIEVING AN ISRAELI-PALESTINIAN ACCOMMODATION	18
D. ENGAGING SYRIA, EXPLORING AN ISRAELI-SYRIAN AGREEMENT.....	19
E. IMPLEMENTING UNSCR 1701 WISELY AND PRUDENTLY.....	19
APPENDICES	
A. MAP OF ISRAEL.....	21
B. MAP OF THE OCCUPIED PALESTINIAN TERRITORIES	22
C. GLOBAL LEADERS STATEMENT, 4 OCTOBER 2006	23
D. THE ABBAS-HANIYA ACCORD	27

THE ARAB-ISRAELI CONFLICT: TO REACH A LASTING PEACE

EXECUTIVE SUMMARY AND RECOMMENDATIONS

If there is a silver lining in the recent succession of catastrophic developments in the Middle East, it is that they may impart renewed momentum to the search for a comprehensive settlement of the Arab-Israeli conflict. It is, admittedly, a slender hope. Since the collapse of the peace process in late 2000, none of the region's parties has displayed the requisite capacity or willingness to reach an acceptable compromise, while the international community has shown more fecklessness than resolve. But the Lebanon war must serve as a wake-up call: so long as the political roots of the Arab-Israeli conflict are not addressed, it will remain a bottomless source and pretext for repression, radicalisation and bloodletting, both in the region and beyond. Now is the time for an international push to launch a new peace initiative.

Reasons for scepticism abound. Six years after the last genuine peace effort, whatever modicum of trust existed between the parties has collapsed. The Palestinian polity, battered from without and within and increasingly fragmented, verges on outright disintegration. It is hard to imagine which political forces could negotiate effectively with Israel, with what mandate, and with what capacity to translate any eventual agreement into new realities on the ground. Israel, fresh from its Lebanese trauma, still struggling in Gaza and shaken by a perceived growing trend in the Muslim world that rejects its very existence, hardly seems in the mood for political concessions. Instead, its political class appears torn between a desire to revive Israel's power of deterrence, which it believes has been seriously eroded, and the inevitable finger-pointing following the war, which threatens to bring the government down. Neither is conducive to grand peace moves.

Israeli-Syrian negotiations came to a grinding halt in 2000, with anticipated ripple effects in Lebanon, Palestine, and elsewhere in the region. Today, Syria is isolated, ostracised by key international players and intent on waiting out the Bush and Chirac presidencies. Arab regimes allied to Washington, many of whom had banked on a quick Israeli victory over Hizbollah and hoped to mobilise their citizens against a so-called Shiite crescent led by Tehran, were doubly wrong: Hizbollah held on, and their Sunni publics rallied around the Shiite Islamist movement, not against it. Today, these regimes' legitimacy

deficit stands as plain as ever. Arab advocates of a diplomatic option increasingly are on the defensive, promoters of armed resistance on the ascent. The U.S. administration, preoccupied by Iraq and Iran, is giving scant sign of reconsidering its approach: no dealings with Hamas until it meets the Quartet conditions; no serious engagement with Syria; and a general lack of interest in the Arab-Israeli conflict. Indeed, with its regional legitimacy and credibility in tatters, some question whether the U.S. would be in a position to lead a renewed effort even if it wanted to.

And yet this desultory state of affairs is an important reason why an urgent, ambitious international effort is required. Years of culpable neglect have crippled forces of pragmatism throughout the region and made the achievement of peace immeasurably more difficult. Another several years of waiting would only make it harder still. Some promising ingredients exist: the possibility of a Palestinian national unity government, Syria's repeated call for a resumption of negotiations, increased eagerness on the part of Arab regimes for a renewed peace process and even Israel's search for an alternative way forward after the collapse of its unilateralist experiment.

Moreover, the absence of initiative is itself a policy choice that inevitably will have a significant negative effect. Perpetuation of the Arab-Israeli conflict, with all the anger it generates, fuels extremist, jihadi movements in the Muslim world; intensifies animosity toward the West and the U.S. in particular; radicalises Muslim populations in Western Europe; discredits pro-Western governments; deepens the damaging divide between the Islamic and Western worlds; and, as both Syrian and Israeli officials have warned, sows the seeds of the next Arab-Israeli war. Resolving the conflict clearly would not be a sufficient condition to tackle such deep-seated problems; but it is, on all available evidence, a necessary one.

American and Israeli reluctance to move, coupled with the extreme fragility of the situation, means that others – the UN, EU and Arab world – must now step forward with fresh ideas and initiatives, optimally to persuade

Washington to act, at a minimum not to be held fully hostage to its passivity. The challenge is to devise an initiative or series of initiatives bold enough to alter regional perceptions and realities, yet not so audacious as to provoke U.S. or Israeli obstruction. Many have advanced the notion of an international peace conference; the Arab League has called on the UN Security Council to take the lead in shepherding a comprehensive settlement. Both ideas have merit; at this point, however, neither is likely to materialise due to opposition from Washington and Israel. A conference coinciding with the fifteenth anniversary of the Madrid peace conference and attended by all relevant current players could well be the most visible launching pad for renewed negotiations. The idea is worth pursuing but it could take months to organise and reach agreement on invitees and terms of reference; substantive progress, not a procedural battle, is what the region desperately needs.

In devising a new mechanism, principal lessons of the past must be kept in mind: the need to define early on the endgame, i.e., the shape of a settlement; the importance of an active third party to oversee negotiations and compliance with whatever interim agreements are reached; and the necessity to avoid a discrepancy between lofty talks at the negotiating table and destructive developments on the ground. More concretely, a new mechanism should:

- *be comprehensive and inclusive*, enabling all parties with a recognised stake in the outcome to participate. As the Lebanese crisis once more illustrated, the problems are closely interconnected. Hizbollah was motivated, at least in part, by intensified conflict in Gaza; Syria's and Iran's marginalisation did not give either a reason to restrain the Islamist movement; Hamas and Hizbollah have strong ties to Damascus and Tehran; both the U.S. and Israel saw the Lebanon war as a proxy war with Iran; Lebanon has made clear it would not sign a peace treaty with Israel before Syria does; and, more broadly, Arab normalisation with Israel (a key prize of any peace deal) will require settlement of *all* outstanding Arab-Israeli disputes. Dealing with Lebanon is an urgent priority but, alone, will not suffice; the Lebanese conflagration is intimately related to broader regional issues which, if not addressed, risk pushing the Middle East over the brink. Likewise, it will be hard to achieve stability in the Middle East without a peaceful resolution of the Iranian nuclear question and a broader U.S./Iranian dialogue;
- *provide from the outset a clear political horizon* as well as a credible means of getting there. The goal must be unambiguously stated as security and full recognition of the state of Israel within

internationally recognised borders, an end to the occupation for the Palestinian people and an independent, sovereign state based on the 1967 borders with East Jerusalem as its capital, a just resolution of the refugee issue, recovery of lost land by Syria and a fully sovereign and secure Lebanese state;

- *be realistic* and reflect conditions on the ground, in other words begin with what is achievable: a mutual ceasefire between Israelis and Palestinians, coupled with steps to allow the Palestinian government to govern and the Palestinian economy to revive;
- *build on existing, accepted instruments*, such as the Quartet, but give them a more inclusive character, greater oversight and facilitating role and ensure that European and Arab actors seize the initiative rather than await an increasingly unlikely U.S. reawakening; and
- *involve far greater engagement of Arab states*, which have both an incentive to reach a settlement (to boost their legitimacy and prove that diplomacy, not armed action, works) and a means to do so (the ill-utilised 2002 Arab League Initiative in Beirut, which calls for full normalisation with Israel in exchange for its full withdrawal).

The Middle East is immersed in its worst crisis in years with no stable resolution in sight. Observers and analysts are quick to point out that circumstances are far from ideal for an Arab-Israeli initiative. They are right. But time for a negotiated settlement is quickly running out.

RECOMMENDATIONS

To the United Nations Security Council:

1. Pass a resolution calling on members of the Quartet (UN, represented by the Secretary-General, U.S., EU, and Russia) to work closely with regional partners (the Arab League, Arab countries and Turkey) to implement an initiative aimed at achieving a comprehensive Arab-Israeli settlement based on UN Security Council Resolutions 242 (1967) and 338 (1973), the 2002 Arab League Beirut Initiative and the 2003 Roadmap.
2. Instruct the Quartet and its regional partners to report every 30 days on progress toward this goal.
3. Pass a follow-up resolution to Resolution 1701 calling for:
 - (a) comprehensive Lebanese security reform with the assistance of outside parties, based

on the need to effectively assert the state's sovereignty and defend its territorial integrity;

- (b) sustained and substantial international financial assistance, channelled through the government and focused on the neglected and war-damaged areas of the South and the Bekaa valley; and
- (c) intensive efforts to address outstanding Israeli-Lebanese issues, including a prisoner exchange, a halt to Israeli violations of Lebanese sovereignty, and resolution of the status of the contested Shebaa farms, by transferring custody to the UN under UNIFIL supervision, pending Israeli-Syrian and Israeli-Lebanese peace agreements.

To the Members of the Quartet (UN, U.S., EU, Russia):

- 4. In concert with a core group of regional actors (Arab League, key Arab countries, Turkey), pursue the following initiatives:
 - (a) facilitate an agreement between Israel and the Palestinian Authority (PA) entailing an immediate prisoner exchange, a mutual and comprehensive ceasefire, resumption by Israel of Palestinian tax revenue transfers to the PA, a settlements freeze, implementation of the November 2005 Agreement on Monitoring and Access, and gradual withdrawal of Israeli troops, first to the positions they held prior to 28 September 2000, and later from other West Bank areas;
 - (b) establish a monitoring presence on the ground to verify both sides' adherence to the ceasefire;
 - (c) end the financial and diplomatic boycott of the Palestinian Authority based on steps it takes toward a mutual ceasefire;
 - (d) facilitate discussions between the PLO and Israeli leaderships on the core political issues that stand in the way of achieving a final status agreement;
 - (e) conduct parallel discussions with Israel, Syria and Lebanon to prepare the ground for a resumption of Israeli-Syrian and Israeli-Lebanese negotiations on peace agreements;
 - (f) at the appropriate time, but without unnecessary delay, put forward more detailed parameters of a viable Arab-Israeli peace,

in its Israeli-Palestinian, Israeli-Syrian, and Israeli-Lebanese components; and

- (g) report to the Security Council on a monthly basis about progress on these various tracks.

To the Arab League:

- 5. Propose direct talks with the Israeli government to describe and discuss the 2002 Beirut Initiative and launch a public diplomacy campaign aimed in particular at the U.S. and Israel to explain that initiative.

To UN Secretary-General Kofi Annan:

- 6. Prior to completing his term, deliver a major Middle East speech that states the outlines of a comprehensive Arab-Israeli settlement, underscores the need for rapid movement and the risks inherent in delay, points out how close the parties are on the substance of the issues and makes clear that his successor needs to take this issue on.

To the PLO, the Palestinian Authority, Fatah, Hamas and Other Relevant Palestinian Organisations:

- 7. Make every effort to establish a government of national unity on the basis of the Palestinian National Conciliation Document and reform the Palestine Liberation Organisation as provided in March 2005 Cairo agreement.
- 8. Release Corporal Shalit in the context of a prisoner swap, reinstate the truce and stop all militias from firing rockets.
- 9. Formally empower the PLO leadership to conduct political discussions with Israel on a longer-term political settlement, announce that any agreement will be put to a national referendum and pledge to adhere to the outcome of such a referendum.

To the Government of Israel:

- 10. Release recently jailed Palestinian cabinet members and parliamentarians and begin the release of other Palestinian prisoners (such as those who have not been charged with an offence, have been convicted of minor charges or are seriously ill or under age).
- 11. Agree to a ceasefire providing for an end to its military operations in the occupied territories while simultaneously opening border crossings in accordance with the Agreement on Movement and Access, lifting the ban on travel imposed on segments of the Palestinian population, removing outposts, halting settlement activity, resuming tax

- transfers to the PA and gradually withdrawing the IDF from Palestinian population centres.
12. Begin political discussions with the Palestinian leadership on a longer-term political settlement.
 13. Agree to talks with the reinforced Quartet on the parameters of Israeli-Syrian and Israeli-Lebanese deals, as well as the 2002 Arab League peace initiative.
 14. Assist in implementation of UNSCR 1701 by:
 - (a) halting, to the extent Hizbollah refrains from hostile activity, all operations in Lebanese territory, including the capture of militants and civilians in Southern Lebanon, violations of Lebanese waters and airspace and the distribution of propaganda leaflets;
 - (b) renouncing assassination of Hizbollah officials; and
 - (c) cooperating with UN efforts to address remaining Israeli-Lebanese issues, including through a prisoner exchange and resolution of the status of the Shebaa Farms.

To the Government of Syria:

15. Agree to talks with the reinforced Quartet on the parameters of an Israeli-Syrian deal.
16. Support Arab League discussions with the Israeli leadership on the Beirut Initiative and consider its own, symbolic overture to the Israeli people (e.g., a proposed Assad/Olmert meeting) to jump-start negotiations;

17. Engage in an open dialogue with Lebanon aimed at clarifying and addressing both sides' legitimate interests.

To the Government of Lebanon:

18. Agree to talks with the reinforced Quartet on the parameters of an Israeli-Lebanese deal.
19. Assist in implementing a follow-on UN resolution by:
 - (a) undertaking, in cooperation with international partners, thorough security reform aimed at re-establishing and defending the state's sovereignty over its territory, emphasising defensive capabilities and reinforcing the army as an instrument of national defence;
 - (b) ensuring that such security reform not be used to further any international or partisan domestic agenda;
 - (c) concentrating economic assistance on the neglected South and Bekaa valley; and
 - (d) facilitating Hizbollah's gradual demilitarisation by addressing outstanding Israeli-Lebanese issues (prisoner exchange, violations of Lebanese sovereignty and Shebaa farms); reforming and democratizing Lebanon's political system; and more fairly allocating resources.

Jerusalem/Amman/Brussels, 5 October 2006

THE ARAB-ISRAELI CONFLICT: TO REACH A LASTING PEACE

I. INTRODUCTION

Seldom in the past several years has the Middle East appeared so adrift and lacking a diplomatic way out. Virtually all dynamics – Palestinian disintegration and chaos, Israeli anxiety after the Lebanon war, the discrediting of pro-Western Arab governments, the absence of a credible U.S. peacemaking role, the rise of militancy and Islamism and Iran's greater assertiveness – point in the direction of conflict.

It is difficult in such a hostile environment to even contemplate the possibility of a new initiative without heavy scepticism; certainly, the region is more likely to greet it with cynicism than conviction. Yet, at the same time, the weakness of so many of the parties, Israel and most Arab countries first and foremost, may offer an opportunity to fill the vacuum with more constructive ideas. The sense of fear, alarm even, about where developments might lead and the very real possibility of another Israeli-Arab war could inject a sense of urgency and induce parties to take a role they have been unwilling to take in the past.

There are interesting signs already. In Israel, Prime Minister Olmert has had to suspend his plans for a unilateral withdrawal from parts of the West Bank, and is in need of a substitute plan. Palestinians, driven to despair by their catastrophic security and economic situation, have signalled interest in a long-term ceasefire that could turn into something more. Arab countries, foremost among them Egypt, Jordan and Saudi Arabia, having been doubly exposed before their publics – first because of their decision to oppose Hizbollah, next by Hizbollah's military prowess – are eager to show that diplomacy too can produce results and, therefore, are more prepared than before to help on the Israeli-Palestinian front. Syria, emboldened by Hizbollah's performance and its alliance with Iran, yet hampered by its relative isolation, has repeatedly asserted its desire to resume negotiations with Israel. The U.S., without an Iraq exit strategy, facing a confident Iran and with its image in the region fading at dramatic speed, would like to show some success on the Israeli-Palestinian front. And the EU, buoyed by its role in Lebanon and frightened by the spread of Muslim anger on its soil, appears able and willing to play a more

active part, all the more so given Washington's relative passivity.

Israel needs an agenda, Palestinians a way out, Arab countries a success, Syria re-engagement, the EU a more assertive role and the U.S. some, even minor, achievement. It is not, all things considered, the worst possible starting point.

None of this is a valid argument for high-risk, high-gamble diplomacy. Rather, it presents a case for a determined, albeit careful effort to capitalise on the possibilities and appetite for diplomatic progress by focusing on what can be done while testing the waters for a more inclusive Arab-Israeli peace. That effort must be ambitious if it is to inspire, yield rapid gains if it is to revive confidence, and be comprehensive – in other words, include Syria and Iran – if it is to have a chance of success.¹

¹ Reflecting the strong international sentiment that urgent action is required from policymakers to generate new momentum for a comprehensive settlement, 135 respected global leaders – former presidents, prime ministers, foreign and defence ministers, congressional leaders and heads of international organisations, and Nobel Peace Prize winners – signed a statement calling for such action which was published in the *New York Times* and *Financial Times* on 4 October 2006 and received wide editorial attention elsewhere: for text and signatories see Appendix C.

II. ASSESSING THE LANDSCAPE

A. THE PALESTINIAN SCENE

As the diplomatic and economic stranglehold of the Palestinian Authority (PA) continues, chaos and strife increasingly are becoming the order of the day in the occupied territories. Whether it concerns their internal situation, the conflict with Israel or relations with the outside world, many Palestinians view their future with greater anxiety and uncertainty than at any time since the 1991 Madrid peace conference. Most alarming are domestic developments. The disruption of PA services; the growth of parallel, ad hoc delivery systems; increased food insecurity; collapsing health indicators; the exhaustion of private coping mechanisms: all are generating long-term societal changes that will not be easily reversed even were money to begin flowing tomorrow. Palestinians increasingly are resorting to arms in order to attain what money no longer can buy; guns and armed gangs have become the critical means to obtain access to public and private services, whether food, medical care, electricity or water. Israeli policies are equally debilitating. As a consequence of closures² and Israel's freeze on the transfer of tax revenues, the Palestinian economy is in dizzying decline. The PA is still standing, but mostly in name only, lacking both governance capacity and political authority. Gaza in particular is in free fall.³

No significant step – whether restoration of domestic law and order, an end to Israeli-Palestinian violence, or the reorganisation and revitalisation of security forces – can or will take place unless these trends are quickly reversed. This in turn will require two critical moves: a reconfiguration of the domestic political scene, preferably through the establishment of a national unity government in which both the Palestinian National Liberation Movement (Fatah) and the Islamic Resistance Movement (Hamas) occupy their rightful space; and a change in relations between the PA on the one hand and Israel and the international community on the other, in order to decrease the level of violence and provide room for the Palestinian economy to recover and its government to govern. The latter must immediately follow the former. Current domestic politics are “dysfunctional and lacking coherence” to the point that forging a Palestinian

consensus (through a government of national unity or other formula acceptable to both Hamas and Fatah) has become the “precondition” for anything else,⁴ and failure by Israel and the international community to swiftly capitalise on a national unity government (by agreeing to a reciprocal Israeli-Palestinian ceasefire, lifting the diplomatic and financial embargo and allowing Palestinians freedom of movement and access) would represent a huge setback and deprive Palestinians of all remaining hope.⁵

The formation of a new PA government, an Israeli-Palestinian prisoner exchange and restoration of relations between the PA and Quartet have become inseparable to the point where all need to be resolved for any to be satisfactorily concluded. The flip side is that if these issues are not resolved, and Hamas concludes that it is being deprived of its legitimate electoral victory, it could well contemplate one of several options: abandoning the process of political integration and reverting to armed conflict or seeking to bring the PA down.⁶

1. A tentative agreement about an agreement

On 11 September 2006, PA President Mahmoud Abbas (Abu Mazen) and Prime Minister Ismail Haniya reached a tentative agreement to form a government of national unity. Expected to comprise the gamut of political organisations represented in the Palestinian Legislative Council (PLC), and perhaps others as well, it first and foremost would represent a functional rapprochement between Fatah and Hamas.⁷ The draft agreement does not cover the composition of a coalition government, but sets forth its overall political framework. Based on the National Conciliation Document, it initially consisted of eight and ultimately seven points, among them the following:

... 3. The government will respect the agreements signed by the PLO, the political frame of reference

² Within the West Bank, the UN says, Israel maintains 547 roadblocks restricting Palestinian movement, an increase of 47 per cent since August 2005. UN Office for the Coordination of Humanitarian Affairs, Report on Access and Protection in Occupied Palestinian Territory, August 2006.

³ The catastrophic situation in Gaza will be examined in greater depth in a forthcoming Crisis Group report.

⁴ Crisis Group interview, independent Palestinian legislator, Ramallah, September 2006.

⁵ Crisis Group interview, Palestinian analyst, Ramallah, September 2006.

⁶ “We are on the verge of having no PA. Nothing is left. And when you starve a lion, it lashes out. We will have no choice but to return to *jihad* and continue the intifada. A violent, destructive war is fast approaching”. Crisis Group interview, Hamid Baitawi, Hamas parliamentarian, Nablus, September 2006.

⁷ For background and analysis see Crisis Group Middle East Report N°21, *Dealing With Hamas*, 26 January 2004; Crisis Group Middle East Report N°49, *Enter Hamas: The Challenges of Political Integration*, 18 January 2006; Crisis Group Middle East Report N°54 *Palestinians, Israel and the Quartet: Pulling Back From the Brink*, 13 June 2006.

for the PA, insofar as this may uphold the basic interests of the Palestinian people and protect their rights.

4. The government will support the PA president in his efforts to develop a Palestinian plan of political action designed to fulfill national objectives on the bases of the Arab peace initiative and the resolutions of international legitimacy related to the Palestinian cause, as long as they do not impinge on the rights of the Palestinian people.⁸

This went a significant way toward meeting the Quartet's three conditions. While it did not specifically recognize Israel, unqualifiedly endorse past accords or specifically renounce violence, its reference to the Arab initiative, PLO commitments and international legitimacy are real steps in that direction. Hamas would not admit as much. Indeed, when President Abbas claimed in his UN General Assembly speech on 21 September that the program was strictly in line with Quartet conditions, he was immediately rebuked by Prime Minister Haniya and the Islamist organisation as a whole, a development that has dealt the intra-Palestinian negotiations a serious blow.⁹ Since then, various Hamas leaders unfortunately have indicated they were backtracking on the agreement, and in particular on acceptance of the Arab League Initiative.¹⁰ But the lesson is not that a national unity government is a lost cause; rather, it is that the endeavour to achieve such a government is both necessary and extremely fragile.

A number of versions about the chain of events are circulating. Some have suggested that Haniya gave only his provisional approval to Abbas pending consultations with the Hamas leadership within the occupied territories and abroad.¹¹ Others maintain that, faced with widespread opposition from his colleagues Haniya began to backtrack almost immediately.¹² This notwithstanding, some Hamas

officials reportedly assured Abbas that he had a free hand to take appropriate steps during his forthcoming visit to the UN to break the siege and "would not be undercut by Hamas".¹³ Yet no sooner had Abbas departed for New York than Hamas leaders issued objections to the draft agreement, escalating to outright condemnation in the wake of his General Assembly speech. The most problematic provision appears to be that dealing with the Arab Initiative, which Hamas saw as tantamount to recognition of Israel and insisted be replaced with the term "Arab legitimacy".¹⁴ According to foreign minister Mahmoud Zahar:

The National Conciliation Document forms the framework for any new government, and this says nothing about recognition of Israel. We won't participate in a government of recognition [*hukumat I'tiraf*]. Will the Quartet compose the new government and appoint its premier? Dismissal, resignation, these are all illegal moves. If the purpose is to get rid of this government, it will create chaos. This is a political recipe for civil war.¹⁵

These developments once again eroded whatever trust Abbas and Haniya had managed to develop in previous weeks between their respective constituencies. As the situation became increasingly dire in early October, with deadly clashes between Fatah and Hamas throughout the occupied territories, Ahmad Yusif, one of Haniya's leading advisors, explained:

There is no choice but to establish a government of national unity on the basis of the national conciliation document. As for the Arab Initiative, we will find a formula to accommodate this, perhaps by noting our reservations and emphasising our platform of a long term armistice. In any event, the Quartet appears to have understood the serious changes that have occurred: we gave Abbas the political file [of negotiations with Israel] in full. The only alternative to a new government is a West Bank and Gaza Strip that resemble Iraq and Afghanistan. Now is not the time for elections, nor are the funds for them available. Fatah and Hamas are caught in the same trap and both will lose if the unity government fails.¹⁶

The U.S. administration, Israel, many Arab governments, and much of Fatah – including most of Abbas' key

⁸ *Al-Ayyam*, 21 September 2006. Translated by *MidEast Mirror*, 21 September 2006.

⁹ "Abbas and his cohorts and merchants, trying to sell a plot to Israel, the U.S., the EU and Arab governments to subvert the elections. Abbas has an investment plan, not a national plan". Crisis Group interview, Hamid Baitawi, Hamas parliamentarian, Nablus, September 2006.

¹⁰ Ahmad Bahar, PLC Deputy Speaker and Hamas parliamentarian, while reiterating that "our only option is the national conciliation document", added that Hamas was not agreeing to the Arab Initiative. "We replaced it with Arab legitimacy". Crisis Group interview, Gaza, 1 October 2006.

¹¹ Crisis Group interview, Palestinian analyst, Ramallah, October 2006.

¹² Crisis Group interview, Palestinian journalist, Gaza Strip, October 2006.

¹³ Crisis Group interview, PA cabinet minister, Gaza Strip, October 2006.

¹⁴ Crisis Group interview, Ahmad Bahar, Gaza City, October 2006.

¹⁵ Crisis Group interview, Zahar, Gaza City, 22 September 2006.

¹⁶ Crisis Group interview, Ahmad Yusif, Gaza City, 1 October 2006.

advisors – have a different view.¹⁷ They continue to believe that if Hamas does not unambiguously accept the Quartet's conditions, it should and can be forced out of power, through early elections, its dismissal and appointment of an emergency government or a popular referendum seeking Palestinian agreement to the Quartet's conditions. They continue to pressure Abbas in that direction.¹⁸ But by now it should be clear this is a dangerous chimera.. Politically, there is absolutely no guarantee that early elections would return Fatah to power.¹⁹ Legally, none of these three options (which were put forward by President Bush in his September 20 meeting with Abbas) has standing. Nathan Brown, a leading expert on the Palestinian Basic Law, makes this clear: a new government can be formed "only with the support of Hamas" because it controls the legislature; Abbas cannot hold early elections, and while he can declare a state of emergency, he can do so only "for up to thirty days", after which "it may be renewed...only with the consent of two thirds of the Legislative Council"; finally, he lacks both the constitutional authority to call a referendum and the practical means to carry it out without the cooperation of bodies – the PLC, ministry of interior and education – that are controlled by Hamas.²⁰

Hamas cannot be ignored or wished away. Legal obstacles aside, any attempt to force it out of power undoubtedly would provoke significant internal strife, escalation of the conflict with Israel, and a possible split between the West Bank (where Fatah is strongest) and Gaza (where Hamas predominates and has consolidated its position).²¹ Hamas' forces in Gaza are said to be far more effective than those of Fatah loyalists. According to various sources, the Executive Force, a security

service several thousand strong that operates under the auspices of the Interior Ministry and staffed largely by Hamas and allied militiamen, is the most powerful in Gaza.²² The Islamists also have made headway in augmenting the civil service with their loyalists; according to one count, government decisions have resulted in the appointment or promotion of (though not necessarily payment of salary to) 11,000 public employees – 5,000 security services staff, 3,000 teachers, 2,500 casual workers, and 500 others.²³ Even were a new government somehow to be formed without Hamas, it would not have the capacity to deliver security, whether to the Palestinian people or to Israel. In other words, though Hamas may have shown it does not have the ability to govern without cooperation from Israel and the international community, it certainly has the power to disrupt. This was dramatically illustrated in early October when clashes between the Executive Force and striking PA security personnel, mainly the Presidential Guard and Preventive Security, left nine dead and dozens wounded.²⁴

Abbas appears to have understood this. During his visit to New York in September, he made clear his determination to pursue a nation unity government, in spite of U.S. opposition, Arab reluctance and Fatah's less than enthusiastic reaction.²⁵ While not overly optimistic about

¹⁷ Crisis Group interviews, U.S., Arab and Palestinian officials, Washington, New York, September 2006.

¹⁸ That clearly was the message delivered by President Bush to Abbas at their September meeting on the margins of the UN General Assembly. Crisis Group interviews, U.S. and Palestinian officials, New York, September 2006.

¹⁹ An opinion poll conducted between 19 and 22 September and published this week showed support for Fatah and Hamas equally balanced: "Poll: Fatah, Hamas tied in voter support", Associated Press, 3 October 2006.

²⁰ Nathan Brown, "What Can Abu Mazin Do", Carnegie Endowment for International Peace, 29 September 2006.

²¹ According to a Fatah leader in the Gaza Strip, "in Gaza, we can't take on Hamas because they are strong. It's not possible to go to war against them. There is an important element of Fatah in the Gaza Strip that thinks our strategy should reflect the reality that Hamas won the elections. The majority of Fatah in the West Bank, however, wants early elections. We asked them, 'do you want civil war?'. There is also an element within Hamas that is very violent and wouldn't think twice about killing Fatah people out of revenge [for the anti-Hamas campaigns of the mid-1990s]". Crisis Group interview, Alaa-al-Din Yaghi, Fatah parliamentarian, Gaza City, 24 September 2006.

²² Crisis Group interviews, Palestinian analysts, September 2006

²³ Crisis Group interview, Palestinian analyst, Ramallah, September 2006. See also Crisis Group interview, Palestinian activists and observers and diplomats in Gaza, September 2006.

²⁴ The clashes apparently began on 1 October 2006 when Interior Minister Siam sent the Executive Force to the streets to remove striking security personnel who had continued blocking roads and intersections and firing randomly into the air despite having received an advance on their salaries the day before. Siam also stated that unlike civil servants, security forces did not have the right to strike, particularly if this involved threats to public order. The clashes left many Hamas leaders accusing Fatah of seeking to mount a "coup" against the government. A leaflet attributed to the Al-Aqsa Martyrs' Brigades, published on 3 October, in turn denounced Hamas in unprecedented terms and threatened to kill its leaders.

²⁵ Opposition to a unity government appears to have remained widespread within Fatah, for a variety of reasons, ranging from genuine ideological distaste for the Islamists to the more partisan goal of speeding Fatah's return to power. "Some oppose joining a coalition because they don't want to legitimise Hamas' ideology; others because they don't want Fatah to be blacklisted by the U.S.; others because they think the quickest path back to power is to ensure a Hamas government fails, and Fatah picks up the spoils". Crisis Group interview, Palestinian activist, September 2006. A minority disagreed. For example, Mohammad Hourani, a Fatah Revolutionary Council member, emphasised the futility and impossibility of seeking a return to power without a popular mandate. He believes Fatah and Hamas will not cohabit for long, however, and views a coalition government as a stepping

his chances of success, particularly given such reception, he remains determined to give it a try and avoid an internecine conflict he sees as a catastrophe for his people.

The experience of the past several months – the growing crisis in governance and the cost to their stature this is exacting – suggests that the Islamists may be ripe for a power-sharing coalition and for a more pragmatic attitude toward Israel. Although public opinion has not shifted back toward Fatah, it has grown increasingly disillusioned with Hamas' performance in government and frustrated by its commitment to principle over pragmatism,²⁶ forcing the Islamists to seek a way to restore economic normalcy. The public sector strike launched on 2 September 2006 was particularly critical because it coincided with the beginning of the school year and thus affected society as a whole rather than the PA alone. Two days later Jamal Khodari, an independent member of the cabinet, tendered his resignation to Haniya "in order to facilitate the process of forming a government of national unity".²⁷ While supporting the teachers' and other civil servants' right to strike, Islamist leaders were also quick to suggest such protests should be aimed at those withholding their salaries, and that they were being guided by hostile forces.²⁸

A Fatah activist, himself a civil servant, readily agreed that "like all strikes this one is political, and Hamas should stop expressing amazement in this regard. It was they who promised that 'if the doors of the West close upon us those of the East will open', and should put their money where their mouth is rather than tarring the civil service with the brush of treason".²⁹ Fatah Revolutionary Council member Muhammad Hourani suggested that if the strike had indeed been ordered by Fatah, "people would not have responded in large numbers. The response shows the depth of anger, and this is what has Hamas worried".³⁰ Tellingly, the strike has continued after the announcement of the Abbas-Haniya agreement, on the grounds that its objective is the payment of salaries rather than the formation of a new government.

In interviews with Crisis Group, Islamist leaders emphasised their ability and determination to withstand pressure – particularly of the Israeli and foreign variety – and insisted that Palestinians would not hold them responsible for a siege imposed by others. Those "who waited twelve years for the previous government to deliver results" would not break after a mere six months of pressure.³¹ Such sentiments notwithstanding, Hamas is increasingly keen to find a way to overcome the siege. It therefore came to consider an agreement with Fatah that preserved its leadership and did not violate its fundamental principles – particularly no explicit recognition of Israel and no formal renunciation of the right to resistance – as the best method of achieving this objective. "Hamas initially construed its [January 2006] landslide as there being no need to share power, but in light of the subsequent difficulties in governance, this position was no longer tenable".³²

As part of this evolution, part of the Hamas leadership has begun to explore in private discussions with third parties the terms of a long-term ceasefire (*hudna*), which would entail a complete and reciprocal cessation of Israeli-Palestinian violence, free movement for the Palestinians, economic cooperation, a settlement freeze and an Israeli withdrawal to somewhere short of the 1967 lines.³³ While the terms of this *hudna* are highly unlikely to be accepted by Israel, they nonetheless reflect an effort to grapple with longer-term issues of coexistence. For now, in any event, Hamas appears to be broadly abiding by its unilateral truce, though without taking steps to rein in others.³⁴

In the quest for a unity government, several considerations must be kept in mind. Hamas' evolution, should it occur, will at best be slow, gradual and fall short of hopes that it will explicitly recognise Israel. The reasons are partly ideological, as such recognition would fly in the face of deeply held beliefs. Moreover, much of the senior Islamist leadership is utterly bereft of international exposure or experience, its world-view confined to Gaza or the occupied territories and limited areas beyond. As a result, it often lacks the ability both to understand how its actions will play elsewhere and to anticipate regional

stone to early parliamentary and presidential elections – which can only be conducted on the basis of agreement.

²⁶ Crisis Group interviews, former Hamas voters, Nablus and Bethlehem, September 2006.

²⁷ Crisis Group interview, Jamal Khodari, 6 September 2006. Khodari withdrew his resignation later that day after meeting with Haniya.

²⁸ Crisis Group interview, Ahmad Bahar, PLC Deputy Speaker, Gaza City, 6 September 2006.

²⁹ Crisis Group interview, Ramallah, 7 September 2006.

³⁰ Crisis Group interview, Muhammad Hourani, Ramallah, September 2006.

³¹ Crisis Group interview, Mushir Masri, Hamas spokesman and parliamentarian, Gaza City, 6 September 2006.

³² Crisis Group interview, Gaza City, September 2006.

³³ Crisis Group interviews, September 2006. In conversations with Crisis Group, Hamas officials queried whether Israel would accept a long term truce that resolved all issues "aside from the refugees and recognition of Israel". Crisis Group interview, Ramallah, June 2006. Others contrasted what they called a "political solution" - two states based on the 1967 borders – which they contrasted with the "historic" one-state solution. Crisis Group interview, Beirut, June 2006.

³⁴ Crisis Group interview, U.S. official, September 2006.

and international reactions. “They were perfectly cut out to be excellent town council chairmen, not leaders who must deal on a world stage”.³⁵ Faced with clear signals that the U.S. would not alter its position toward the PA in the event a unity government were formed, and ambiguous signals from the EU that it might, some within the Hamas leadership argued against compromise in exchange for uncertain international gains.

Moreover, for a group accustomed to consensual decision-making after widespread consultation, heavy restrictions on movement and communications (with one part of the leadership in Gaza, another in the West Bank, another in Israeli prisons and the rest abroad) coupled with fear of Israeli arrest or assassination have made it extremely difficult to develop new positions.³⁶ Hamas leaders also must contend with a local core constituency that, subjected to constant Israeli pressure and attacks, has radicalised and hardly is in a mood for concessions. Attempts to achieve quick, dramatic changes, therefore, are bound to backfire, producing retrenchment and hardening rather than flexibility and moderation. The reaction to Abbas’ UN speech is a case in point: by making explicit what Hamas preferred remain implicit, it triggered the counterproductive response that has set negotiations back.

Poor handling of Abbas’ speech, the Islamists’ “maladroit” manoeuvrings and provocative statements since the 11 September agreement,³⁷ and strong external – predominantly U.S. – pressures have, for now, sent negotiations over the formation of a new government once again into a tailspin. A number of Fatah leaders have pointed the finger at Damascus, and specifically at Hamas Politbureau head Khaled Mashal. This analysis misunderstands the nature of Hamas decision-making: “It is important to understand that Hamas Politbureau leader Khalid Mashal is not Arafat. He is not even Shaikh Ahmad Yasin. Hamas has a different method of decision-making than those who have dealt with the previous Palestinian leadership are used to”.³⁸ While Mashal is important, the more basic reality is that the Hamas-led government cannot make a decision on its own without concurrence of the broader leadership – the Shura Council – so attempts to play Haniya against Mashal – or to empower the former while sidelining the latter – are doomed to fail.³⁹ Moreover, geography is only

one among various elements that define internal differences within Hamas, and Haniya, while indeed the premier, is not the only leader of the movement within the occupied territories.⁴⁰

2. The role of the International Community

A principal obstacle to the formation of a unity government has been the attitude of the outside world. Fatah and Hamas leaders and independents alike concur that breaking the international siege is a primary reason for seeking to form this new government.⁴¹ As a result, so long as doubts remain as to whether a coalition between Hamas and Fatah based on the Prisoners’ Initiative (an agreement reached by Palestinians held in Israeli jails, including prominent Fatah and Hamas members) would lead to a lifting of the diplomatic and financial embargo, the two parties will be reluctant to go forward – the Islamists because they do not want to concede some of their power without obtaining real gains in return; Fatah because it does not want to share blame for the Palestinians’ misery.

The U.S. position toward a unity government formed on the basis of the Prisoners’ Initiative has been negative, primarily on the grounds that Hamas still refuses to recognise Israel.⁴² But different sounds gradually have emerged from Europe. Particularly in the wake of the Lebanon war, which further radicalised Arab public opinion and boosted Islamists throughout the region, EU officials expressed growing misgivings about maintaining a hostile stance toward the PA. For reasons both domestic (the presence of large Muslim communities in their midst) and foreign (the growing alienation of Arab and Muslim populations toward the West), the EU has sought to modify its position and signal to Hamas that it would be ready to cooperate should the Islamists move in the right direction.⁴³

³⁵ Crisis Group interview, NGO activist with close relations with Hamas leadership, September 2006.

³⁶ Ibid.

³⁷ Crisis Group interview, Palestinian diplomat, September 2006.

³⁸ Crisis Group interview, Palestinian analyst, Ramallah, September 2006.

³⁹ Crisis Group interview, former security chief, Ramallah, September 2006. See further Crisis Group Middle East Report

No. 57, *Israel/Palestine/Lebanon: Climbing out of the Abyss*, 25 July 2006.

⁴⁰ Crisis Group interview, Azzam Tamimi, Director of the Institute for Islamic Political Thought (London), Amman, 30 August 2006.

⁴¹ Crisis Group interviews, Ahmad Bahar; Mushir Masri; Ziad Abu Amr, independent Palestinian parliamentarian, Gaza City, 6 September 2006; Crisis Group interview Muhammad Hourani, Ramallah, 7 September 2006.

⁴² For the U.S. administration, talk of a long-term *hudna* in the absence of acceptance of the two state solution is a deadly trap. “It would simply serve as a cover for Hamas to arm itself in anticipation of the next phase of the conflict”. Crisis Group interview, Washington, October 2006.

⁴³ Crisis Group interviews, EU officials, Brussels, New York, August-September 2006.

The 20 September Quartet statement represents an EU and UN achievement in this respect and was obtained only after arduous discussions with the U.S.⁴⁴ Of greatest import, the Quartet for the first time “welcomed the efforts of Palestinian President Mahmoud Abbas to form a Government of National Unity” and, even more significantly, expressed the “hope that the platform of such a Government would *reflect* Quartet principles and allow for early engagement” [emphasis added]. Use of the word “reflect” as opposed to “adhere to” or “comply with” signalled a softening of the Quartet’s stance, seen as such both by Hamas (which called it a “step forward”) and Israel (where Likud members denounced a “stab in the back”).⁴⁵

That said, Abbas and his delegation departed New York not only with the Quartet statement, but with the different message conveyed by President Bush – no support for a government that does not strictly abide by the three conditions – leaving many Palestinians sceptical that Brussels ultimately would break with Washington and lift a siege the U.S. was determined to maintain. “I think it is inconceivable that the Europeans will genuinely revise their policies on its basis – I don’t think they’re being sincere. And once this becomes clear we’re going to have a real problem”.⁴⁶ Palestinian analysts told Crisis Group:

What we need is an unambiguous indication from the EU and others that they will resume

assistance and contacts with the PA as soon as a unity government is formed. There needs to be a quid pro quo: they tell us what they need to change their policy, Hamas tells them what it is they can do. Short of that, Hamas is concerned that their political concessions will go unrewarded.⁴⁷

There is also significant apprehension that movement by the EU will amount to very little if the U.S. does not alter its banking restrictions on dealing with the PA and if Israel does not agree to resume the transfer of Palestinian tax revenues to the PA – the single most important source of PA funds.

Whether or not the U.S. would nuance its position faced with a different position from the EU and UN is an open question. At this point, U.S. officials are unlikely even to hint at flexibility, still hoping that Abbas will forego the very idea of a coalition. But were such a coalition to take shape, were it to receive Abbas’ blessing, and were it to include some of those considered most trustworthy by Washington – such as former Finance Minister Salam Fayyad – there is at least a chance that a new dynamic would take root, and the administration would be willing to adjust.

If Abbas comes to Bush and tells him: “This is it. I have a government that I consider acceptable and will put my weight behind, and which includes some of your best friends”, what will the U.S. do? The administration will have to face the fact that there no longer is another option, that its dreams of getting rid of Hamas are over, and that if they reject this government, they have nothing and no one to count on after it. At that point, they either give up on the Palestinians completely at considerable regional cost, or they swallow hard and judge the government on its performance.⁴⁸

The most desirable scenario is for a national unity government that will then trigger a more open attitude on the part of the Quartet, most crucially because such a government would be best equipped to clamp down on the militias that for the most part are loosely connected to the al-Aqsa Martyrs’ Brigades, themselves loosely connected to Fatah. As a Palestinian analyst explained, “the formation of a national unity government would be a turning point; if the Quartet reacts as if nothing meaningful has happened, it will be disastrous, sending the message that there is nothing they can do to satisfy the West”.⁴⁹ But even if such a government does not emerge, the

⁴⁴ Crisis Group interviews, EU and UN officials, New York, September 2006.

⁴⁵ Sami Abu-Zuhri, a Hamas spokesman, said: “The decision by the Quartet... is a progressive position, and we hope that this position will contribute to stopping all forms of political and economic siege”. According to Ahmad Yusif, a Haniya adviser, the statement shows “political flexibility and understanding”. *Haaretz*, 21 September 2006. Mushir Masri, a Hamas spokesman and lawmaker, added that “the statement is a step forward, but it’s not enough. We are waiting for and expecting the siege on the Palestinian people to be totally lifted with the formation of the national unity government”. *AFP*, 21 September 2006. Silvan Shalom, a former foreign minister and leading member of the opposition Likud party, said: “the quartet stabbed Israel in the back and has given a green light for Hamas to participate in the Palestinian government”. *AFP*, 22 September 2006. U.S. officials downplayed the significance of this word change, arguing that the conditions had not been watered down. According to them, they never insisted that Hamas dutifully regurgitate the Quartet conditions, but that its shift be unambiguous on issues of violence, recognition and respect for past agreements. That, they claim remains the case, which is why the Abbas-Haniya agreement falls short. Crisis Group interview, Washington, October 2006.

⁴⁶ Crisis Group interview, Fatah Revolutionary Council member, Ramallah, and UN officials, Jerusalem, September 2006.

⁴⁷ Crisis Group interview, Palestinian analyst, September 2006.

⁴⁸ Crisis Group interview, former U.S. official, Washington, September 2006.

⁴⁹ Crisis Group interview, Palestinian analyst, September 2006.

international community should seriously reevaluate its approach, which has deepened Palestinian poverty and chaos without promoting Israeli-Palestinian peace. A Hamas government needs to be put to the test, of course, but one that is based on its performance – can it impose a ceasefire assuming Israel reciprocates? – not on its words.

3. What kind of peace process?

If a way is found around the PA's isolation, the priority issue will have to be reaching a mutual accommodation with Israel. The pillars of such an accommodation should be a mutual ceasefire and prisoner exchange along with steps to allow the Palestinian government to govern and improve movement and access for its people. These steps also should lead to Israeli military disengagement from populated Palestinian areas, a critical measure to allow a resumption of normalcy.

For now, neither Palestinians nor Israelis seem able to digest a quick reversion to final status talks: there is too much distrust and, given domestic conditions, too little capacity on the Palestinian side to carry through on a putative agreement. That said, ignoring such political issues risks dooming any short term Israeli-Palestinian stabilisation and strengthening the sense of hopelessness on the Palestinian side. Since the tentative Hamas-Fatah accord empowers Abbas to conduct political negotiations with Israel, and Hamas has repeatedly made clear that it will abide by any agreement approved by the Palestinian people, preliminary discussions on a longer-term settlement ought to be initiated parallel to the consolidation of the Palestinian government. Surveys taken over the past several years remain, on this point, clear-cut: even amid support for armed resistance against Israel and admiration for Hizbollah's performance, a large majority of Palestinians continues to support a two-state negotiated solution.⁵⁰

If coupled with real improvements on the ground and steps to allow Hamas to govern, the resumption of political discussions could bolster Abbas and eventually help mobilise pragmatic elements – within Fatah but also among Islamists – around a viable peace plan. As discussed below, however, chances that such a process will succeed depend on whether the international community will be more directly and energetically involved than in the past, and whether Syria also can be brought into the negotiating circle.

B. THE ISRAELI SCENE

Among its many casualties, the war in Lebanon has wounded, fatally perhaps, the agenda around which the Kadima party was formed and Olmert was elected: the convergence plan, otherwise known as a unilateral disengagement from parts of the West Bank. The recent war exposed the dangers inherent in withdrawing from occupied territory without an agreement. As the prime minister himself has conceded, convergence no longer is the priority:⁵¹ with conflicts emanating from two areas which Israel had unilaterally left, Gaza and Lebanon, public tolerance for yet another such move has collapsed.⁵² In both South Lebanon and Gaza, uncoordinated withdrawals enabled non-state actors to fill the vacuum. Israel's land defences – erected at vast expense – proved incapable of thwarting missile strikes on its urban centres.

The Lebanon war, with Israel's remarkably inconclusive military performance, has had a much deeper effect. By eroding Israel's sense of deterrence and invulnerability and, simultaneously, boosting morale among Arab militants, it has dealt a significant blow to the country's self-confidence. Little wonder that Israeli politicians and journalists have come to evoke the war's outcome in existential terms. In the words of Dan Meridor, an Olmert confidante and former justice minister:

After 1967, there was a process toward acceptance of Israel and we heard no more about the refusal of Israel's right to exist. Now there's a new axis of delegitimizing Israel that is centred in Iran with its two main allies (Hamas and Hizbollah) saying that in the end you will not exist, using the threat of nuclear attack, guerrilla war and demography.⁵³

According to an opinion poll published six weeks after the war, 54 per cent of Israelis now fear for their state's survival.⁵⁴ All in all, the summer has left Israel without a program, sense of direction, or hope.

In the immediate aftermath of the war, the Israeli polity has been consumed by introspection. Its principal preoccupation has been finger-pointing, examining intelligence and military failures in the confrontation, fighting for the government's survival (or ouster), and investigating various charges against President Katsav or former Justice Minister Ramon. Yet, Olmert himself

⁵⁰ According to one poll, some 64 per cent of Palestinians support a peace agreement with Israel. Near East Consultants, *Monthly Monitor* N° 8, 9 September 2006.

⁵¹ Olmert reportedly told his cabinet that the convergence plan was "no longer appropriate at this time". *Haaretz*, 18 August 2006.

⁵² According to one poll, 60 per cent of Israeli Jews opposed a unilateral withdrawal from areas of the West Bank. *Maariv*, 1 October 2006.

⁵³ Crisis Group interview, Dan Meridor, Tel Aviv, September 2006.

⁵⁴ *Maariv*, 1 October 2006.

inevitably will need to find a new *raison d'être*; the vacuum can be filled by one of several things: a diplomatic move toward the Palestinians in the hope of stabilising at least this front; a diplomatic move toward Syria, seen by some as the linchpin to regional stability; or round two of a military offensive against Hizbollah (or Syria) that so far has not gone well. Several factors will help determine which Olmert's significantly weakened government will pursue.

Militating in favour of a diplomatic approach is the country's underlying mood. Unlike previous confrontations, most recently the Intifada, the Lebanon war did not trigger a substantial lurch to the right,⁵⁵ and support for a peace process has held steady since the March 2006 elections.⁵⁶ According to one recent poll, 67 per cent of Israelis support negotiating with a Palestinian unity government that includes Hamas, and a majority (56 per cent) supports negotiating with a government wholly in Hamas' hands.⁵⁷ In particular, the war has done nothing to erode the sentiment among wide segments of the population that control over much of the occupied territories represents more of a security liability than a benefit. What is in question is the preferred *means* to relinquish such control – i.e., unilaterally versus through negotiations – rather than the principle itself.

Militarily, the status quo on the Palestinian front may seem manageable in the short term; indeed, so far it has meant strikingly few Israeli casualties. But such a policy cannot continue indefinitely without leading to significant change in the balance of forces. Israeli intelligence officials predict that without a central Palestinian authority to enforce law and order and a government to provide services, militancy in the occupied territories would increase exponentially. Palestinian groups, they say, would acquire greater rocket and fire capabilities.⁵⁸

Among some military analysts, moreover, continued military control of the Palestinian territories is seen by some as a liability, undermining Israel's combat effectiveness in the Lebanon war. By focusing on the Palestinians, senior commentators and generals maintained,

the armed forces prepared for the wrong war.⁵⁹ In the ensuing debate, some officials and commentators have voiced backing for the idea of delegating responsibility for the occupied territories to European and Arab forces, a view embraced by many Israelis.⁶⁰ In particular, they have expressed interest in proposals for expanding European security monitoring at border crossings used by Palestinians and providing auxiliary support for Palestinian forces deployed in northern Gaza to enforce a ceasefire.⁶¹ Israel's decision to withdraw from Lebanon and lift its blockade in tandem with the deployment of international forces could set a precedent in the occupied territories.

The Syrian case is somewhat different. Although popular support for negotiations with Damascus may have increased since the war,⁶² public opposition to a full Golan withdrawal, even in exchange for a peace agreement, remains very high.⁶³ Among political and defence officials, views are highly divided. Since the war, Olmert – in part due to deference to the U.S. view – has maintained that engagement with Syria is off the table and admonished his cabinet members who strayed from that line.⁶⁴ In contrast, Amir Peretz, the defence minister, has repeatedly described Syria as “the key to stability in the Middle East” and argued that “the minute conditions are made for talks with Syria, it must be done”.⁶⁵

⁵⁵ “There was no major swing to the right as a result of the war”. Crisis Group interview, Tamar Hermann, pollster and director of the Tami Steinmetz Centre, Tel Aviv University, Raanana, September 2006.

⁵⁶ “In the last elections, Israelis very clearly said that they were not ready to continue the burden of occupation and settlements. The electorate was very clear.” Crisis Group interview, Yonatan Tzoref, Raanana, September 2006.

⁵⁷ Palestinian Centre for Policy and Survey Research, 26 September 2006. Polling on this question is not consistent, however.

⁵⁸ Crisis Group interviews, Israeli defence and UN officials, Tel Aviv and Jerusalem, September 2006.

⁵⁹ Crisis Group interview, Israeli official, Tel Aviv, August 2006. Military correspondents dubbed the Israel Defence Force (the IDF) the IPF – the Israeli Police Force, a reference to its role in clamping down on Palestinian militants.

⁶⁰ An early September 2006 poll found 51 per cent of Israelis backing such an arrangement. Tami Steinmetz Center, Peace Index.

⁶¹ Crisis Group interviews, Israeli defence ministry official, Tel Aviv, September 2006 and foreign ministry official, Jerusalem, August 2006. See an opinion piece by former Israeli Foreign Minister Shlomo Ben-Ami, “An international force would help stabilize Gaza”, *The Daily Star*, 20 September 2006.

⁶² Crisis Group interview, Tamar Hermann, pollster and director of the Tami Steinmetz Centre, Tel Aviv University Raanana, September 2006. Support for negotiations with Syria rose from about one third to 50 per cent. Tami Steinmetz Center, Peace Index, August 2006. More (55 to 60 per cent) favour negotiations with Palestinians.

⁶³ Opposition ranges from 56 per cent in some polls to an impressive 71 per cent. *Ibid.*

⁶⁴ On 27 September 2006, Olmert chastised cabinet ministers – such as the defence minister – who had evoked possible negotiations with Syria, reportedly asserting that there was no basis for such negotiations given the Baathist regime's support for terrorist organisations. *Yediot Aharonot*, 28 September 2006.

⁶⁵ *Ha'aretz*, 27 September 2006. A former Israeli official made the case as follows: “We must pick up the gauntlet of peace thrown down by Syria's President Bashar al-Assad... If the Syrians halt their support for terror, we have a strategic

More generally, in the words of a former Israeli foreign minister:

A tie on the battlefield or the fragility of the Israeli home front [traditionally has been] the start to promising diplomatic processes. Such was the case after the Yom Kippur War, which led to peace with Egypt, and the Scuds of the Gulf War, which brought about the Madrid Conference. War has also proven the limits of power, especially in the face of a terror movement or a nationalist opposition with wide popular support and religious motivation.⁶⁶

International factors also could promote renewed diplomatic engagement, especially on the Palestinian front. Burdened by a series of damaging investigations into both the conduct of the war and his personal affairs which daily chip at his credibility and surrounded by advisors and ministers whose competence has been called into question, Olmert and his coalition are struggling for political survival. With public support nose-diving⁶⁷ and dissension being voiced from within his own party, Olmert could find himself more vulnerable to foreign pressure or receptive to foreign encouragement. By deploying thousands of soldiers into South Lebanon, and assuming UNIFIL performs adequately, Europe may be in a position to increase its credibility and therefore leverage should it choose to push on the Palestinian (or Syrian) front.

Olmert also may be tempted to capitalise on growing trepidation among pro-Western Sunni Arab regimes about the rise of Islamism, radicalism and Iranian regional influence and their growing desperation for some diplomatic movement.⁶⁸ Unconfirmed reports of a secret meeting between the prime minister and a senior Saudi official

lent further credence to this thesis and could herald an initiative on the Israeli-Palestinian front. Foreign Minister Livni has made clear she believes that Israel must work with Arab countries to forge a new diplomatic path, while insisting that the Israeli consensus still solidly backs an evacuation of many West Bank settlements.⁶⁹ According to a Labour party leader, “if the government is to survive, it has to coin a new political vision which listens to the voice of the Arab world. They have to negotiate. It’s in our interest to begin as soon as possible”.⁷⁰ Overall, the government possibly could find itself forced to respond to diplomatic manoeuvres launched from abroad. Even a far stronger prime minister, Ariel Sharon, felt the need to respond to the combined effect of the private Geneva accords initiative and the Arab League’s Beirut initiative, when developing his Gaza disengagement plan.

All that said, there remain reasons for pessimism. As Olmert declared soon after the ceasefire, “it will take a great deal of imagination to see in this situation potential for dialogue”.⁷¹ Bruised by their poor performance in Lebanon⁷² and concerned about the defiant mood throughout the region – expressed by Hizbollah and Iran, but also Arab media and public opinion – many in Israel believe the priority must be to reassert the country’s deterrence through military action.⁷³ Israeli media is replete with reports of an impending Israeli-Arab confrontation, either on the Palestinian front (where, according to Israeli intelligence services, weapons smuggling into the Gaza Strip has “dramatically increased” in quantity and quality)⁷⁴ or with Syria (which the IDF’s intelligence branch claims is “seriously considering the possibility of war”).⁷⁵

opportunity to smash the Iran-Syria-Hizbollah axis... We will pay a high territorial price – the return of the Golan Heights. But we have surely learned that the significance of territory has decreased in the age of terrorism and ballistic warfare”. Uri Savir in *Maariv*, 27 September 2006.

⁶⁶ Shlomo Ben-Ami, “The divisions of the international community” *Haaretz*, 23 August 2006.

⁶⁷ A Dahaf poll conducted on 23 August 2006 claimed 63 per cent of voters wanted him to resign. *Yediot Aharonot*, 25 August 2006. A month later Olmert’s support as prime minister had fallen to 7 per cent. “Poll: right person for PM”, *Yediot Aharonot*, 21 September 2006.

⁶⁸ In the first weeks of the Lebanon war, Israeli officials consistently claimed that Sunni Arab regimes were encouraging them to fight Hizbollah. Crisis Group interviews, Israeli officials, July 2006. Nasrallah buttressed such views by accusing Arab leaders of providing “cover” for Israel’s raids: “I can decisively say that were it not for certain Arab positions, this war would not have continued; it would have stopped within hours”. Interview with *al-Jazeera*, 20 July 2006.

⁶⁹ *Yediot Aharonot*, 29 September 2006.

⁷⁰ Crisis Group interview, Ami Ayalon, senior labour party member and former head of the General Security Service, Tel Aviv, September 2006.

⁷¹ *Ha’aretz*, 5 September 2006.

⁷² Israel’s desultory performance is all the more striking when set against its initial claims. Presenting his war aims on 19 July, Olmert said: “Israel will wage the war against Hizbollah as long as it takes in order to return the abducted soldiers, implement Resolution 1559 in full and apply the blueprint contained in the G-8 resolution: the unconditional return of the abducted soldiers, the dismantlement of Hizbollah and the cessation of the missile threat against Israel”. Quoted in *Haaretz*, 1 October 2006.

⁷³ Crisis Group interview, Hani al-Masri, Ramallah, September 2006.

⁷⁴ *Yediot Aharonot*, 28 September 2006. See also *Yediot Aharonot*, 27 September 2006 on the purported upgrading of Palestinian weaponry in Gaza.

⁷⁵ *Maariv*, 28 September 2006.

Moreover, a wounded, fragmented and divided coalition government may find it too risky to take any political initiative, all the more so at a time when the failures of unilateral disengagement have revitalised the settler community. With the government weak, divided and without a policy for the future of the occupied territories, settler groups – put on the defensive by the withdrawal from Gaza – again are seeking to determine the agenda and will put up strong resistance to any attempt to dismantle a settlement outpost, let alone embark on a major withdrawal. Illustrating the settlers' continued clout, the Olmert government in September 2006 authorised the construction of hundreds of new housing units and leaked plans to regularise illegal outposts banned by the Roadmap.⁷⁶

Internationally, European and perhaps Arab pressure for movement risks being neutralised by Washington's posture. Left to its own devices, Israel might feel the need to reach an accommodation with the PA, especially under a unity government, even one under Hamas' control. But opposition from the U.S., together with the diplomatic cover provided by Washington, might obstruct this possibility. This is even more so when it comes to Syria. "For Israel to engage with Syria would be to stick a finger in Bush's eye. It would contradict everything that he has done in the last five years in the Middle East. This government is weak. Olmert cannot launch negotiations without U.S. (and French) support"⁷⁷ – although both the Egyptian and Palestinian precedents suggest that once Israel initiates a peace process, Washington follows.

C. THE SYRIAN SCENE

Recent developments have encouraged the Syrian leadership to clamour for peace even while warning of war. The paradox is more apparent than real: buoyed by Hizbollah's performance in Lebanon, Iran's resistance to Western pressure and the U.S.'s growing quagmire in Iraq, the Baathist regime seems convinced that an opportunity for a comprehensive settlement exists, but also that it can withstand confrontation if that opportunity is not seized. On one point, however, Israeli and Syrian officials agree: in the absence of some kind of agreement in the near term, chances for an outbreak of Israeli-Syrian hostilities will grow exponentially.⁷⁸

For some time now, President Bashar al-Assad has conveyed his willingness to restart negotiations regardless of developments on the Palestinian track, only to be rebuffed by Israel.⁷⁹ Most recently, when asked about Iranian President Ahmadi-Nejad's claim that Israel should be "wiped off the map", Assad replied: "I don't say that Israel should be wiped off the map. We want peace – peace with Israel".⁸⁰ More recently, he asserted that peace talks with Israel could conclude within six months were they to resume from where they left off.⁸¹

Interpretations regarding his motivation differ. Some see it as a genuine desire to recover the Golan which, the president has confided to more than one interlocutor, would make him a "hero" in his citizens' eyes.⁸² Some believe it is merely an attempt to break out of international isolation. Others are persuaded that Assad is eager to distract attention from the investigation into Hariri's assassination and avoid the fallout from the forthcoming Brammertz report on the subject.⁸³ Even some members of the Syrian opposition believe the regime is sincere, though they add that the move is intended to prolong its stay in power.⁸⁴ Whatever the intent may be – and there is reason to believe it is a combination of the three – the signals emanating from Damascus are worthy of note; indeed, that Assad may be prompted by multiple reasons and see more than one benefit accruing from a reinvigorated peace process makes it all the more important to pursue.

peace prospects". He added that "resistance" was above all a way to "achieve peace by deterring aggression", but that, if all else were to fail, war was an option "in order to liberate the land". SANA, 15 August 2006.

⁷⁹ Crisis Group first heard this in an interview with a senior Syrian official in October 2004. See also *An Nahar*, 10 October 2004. Numerous reports suggest Israel rejected Syrian overtures. Crisis Group interviews, European officials and others engaged in back channel talks, July-September 2006.

⁸⁰ Interview with *Der Spiegel*, 24 September 2006. Assad added: "Even my personal opinion, my hope for peace, could change one day. And when the hope disappears, then maybe war is the only solution".

⁸¹ *El Pais*, 2 October 2006. In the interview, Assad stated that the U.S. "was not a fair co-sponsor" of the peace process. "Regrettably, there is not another international power that can replace it, and at the same time, the United States should not be alone, and here is where Europe's role comes in". Ibid.

⁸² Crisis Group interview, New York, September 2006.

⁸³ Crisis Group interviews, U.S., EU and UN officials, New York, September 2006.

⁸⁴ Crisis Group interviews, Syrian opposition, August-September 2006. Syrian analysts argued that the regime wants to resume negotiations and recover the Golan both to enhance its legitimacy at a time when it has little else to go by and to break out of its international isolation. Crisis Group interviews, Damascus, September 2006.

⁷⁶ *Haaretz*, 28 August 2006.

⁷⁷ Crisis Group interview, Eyal Zissel, Tel Aviv, September 2006.

⁷⁸ Crisis Group interviews, Israeli officials, September 2006. In his 15 August speech, the day after the Israeli-Lebanese truce came into effect, the Syrian President explained that the international community, by ignoring his country's "interests, feelings, and rights, was pushing it toward war for lack of any

The president's domestic status also plays a part. Although there is widespread agreement that his position has been bolstered as a result both of the Lebanon war and of personnel changes he methodically has been initiating over the years,⁸⁵ he contemplates an uncertain future. The economy is deteriorating,⁸⁶ reform "has reached a dead end",⁸⁷ the Braemertz investigation is hanging over the regime's head, formerly friendly Arab regimes such as Saudi Arabia are turning a cold shoulder, and the alliance with Iran is raising eyebrows at home and abroad.⁸⁸ These complications arguably could induce Assad to try to capitalise on his present situation to achieve what his father could not. "Recovering the Golan Heights may be the sole way for an exhausted regime to reclaim some of its lost legitimacy".⁸⁹

The positive effects of renewed engagement with Syria are clear, just as are the risks inherent in continued rebuff of Assad's entreaties. Although the Israeli-Palestinian dispute unquestionably remains the heart of the Arab-Israeli conflict, striking a deal with Syria arguably is both the most attainable goal and the one most likely to deliver immediate dividends, leading Damascus to play a moderating role vis-à-vis Hamas and Hizbollah and modifying the landscape with regards to Iran. Syria is not about to fundamentally alter its position on either of these, even if negotiations commence; the relationship with Iran in particular has proven to be its only trustworthy and solid one over the past many years, and Damascus will not jeopardize it for the sake of a fragile rapprochement with the U.S. and pro-Western Arab states. Still, as one Arab analyst put it: "America's most powerful move in the region would be to try to forge an Israeli-Syrian deal. I cannot fathom why they don't do it".⁹⁰

In private discussion with a wide range of interlocutors, Syrian officials have gone into the details of a putative peace agreement, something they had resisted in the past. The outlines are for the most part well-known, though not without interesting openings. On the territorial aspect, the demand remains an Israeli withdrawal to the lines of 1967, which means up to the Kinneret (Lake

Tiberias). But on other aspects, the exchanges reflect renewed flexibility. These concern the timetable for the withdrawal, the pace of normalisation, as well as the establishment of a non-militarised park or nature preserve around the Kinneret to assuage Israeli concerns. In July 2002, Crisis Group put forward its proposal for an agreement, which included:

- Israel's withdrawal to the lines of 4 June 1967 within two years of a treaty entering into force, ensuring Syrian sovereignty over the land up to the Kinneret and the Jordan River and access to the adjoining water and Israeli sovereignty over the lake and river and access to the adjoining land;
- creation of a nature preserve under Syrian administration in the area immediately east of the lake to help safeguard water resources and facilitate mutual access;
- establishment of demilitarised zones and areas of limitation in armament in Syria and in Israel; and
- rapid establishment of diplomatic relations once the treaty comes into effect and further gradual steps in parallel to Israel's withdrawal.⁹¹

When Crisis Group went over the details of its proposal with Syrian officials, the answer was generally positive, with one well-informed source asserting that "this could be a basis for future talks".⁹² None of this suggests a deal is readily within reach, particularly given the wide distrust and gaps in substantive positions. But it suggests that Syria's intentions at the very least ought to be seriously tested.

For its part, Syria also should consider what it needs to do to maximise prospects of a revitalised peace process. Officials appear to be counting on growing international realisation in the wake of the Lebanon war that Syria remains a critical piece of the regional puzzle; the extent to which European ministers sought out Foreign Minister Mouallem during the recent UN General Assembly meeting certainly bolstered the view that the war "opened a window of opportunity for a peace settlement".⁹³ As some see it, European pressure to end Syria's isolation is but a first step toward a broader global shift in attitude

⁸⁵ Crisis Group interviews, Syrian and international analysts, Damascus and New York, June-September 2006.

⁸⁶ According to a recent International Monetary Fund study, written in consultation with Syrian officials: "Syria faces daunting economic challenges" at best mitigated by "the mixed blessing" of the recent surge in oil prices. *Syrian Arab Republic: 2006 Article IV Consultation*, IMF Country Report No. 06/294, August 2006.

⁸⁷ Crisis Group interview, Syrian analyst, 4 September 2006.

⁸⁸ Crisis Group interviews, Syrian and European analysts, Damascus and Brussels, March-September 2006.

⁸⁹ Crisis Group interview, Syrian analyst, 4 September 2006.

⁹⁰ Crisis Group interview, Arab analyst, September 2006

⁹¹ Crisis Group Middle East Report N°4, *Middle East Endgame III: Israel, Syria and Lebanon – How Comprehensive Peace Settlements Would Look*, 16 July 2002.

⁹² Crisis Group interview, Damascus, October 2004. In contrast, many opposition members and activists were critical of the Crisis Group plan, which they found biased in favour of Israel. Crisis Group interviews, Damascus and Beirut, October-December 2004. See also *As Safir*, 25-26 February 2004.

⁹³ Crisis Group interview, Syrian officials, September 2006; Crisis Group interview, Syrian analyst, 4 September 2006.

which ultimately will reach the U.S. (which, even more than Israel, Damascus considers as the real obstacle). This is an unlikely scenario. Positions within the U.S. administration do not appear to have altered as a result of the war; in fact, the desire to isolate Syria and ensure it cannot play a role in Lebanon appears only to have increased.⁹⁴ In the words of a U.S. official:

Engagement with Syria makes no sense. Our goal is to strengthen Lebanese sovereignty and Prime Minister Siniora – and Syria wants neither of those. People who think Syria's priority is to get the Golan back are mistaken. The regime wants Lebanon, and we should not give it to them. They want engagement in order to end their isolation and in order to find a way back into Lebanon. Besides, those who think they will break with Iran are dreaming. Damascus will not return to the Sunni Arab fold as some appear to believe. It is an alliance that began in 1980. They will not give it up for us. Plus, Syria and Iran feel confident today. Why should they give us what we want?⁹⁵

Far more promising would be a direct Syrian overture to Israel. A spectacular gesture – such as an invitation to direct talks, a meeting held with prominent Israelis – would have tremendous impact on a public that is deeply sceptical yet eager to see some change in Syrian attitude. As one Israeli commentator put it, “Israelis are suckers for a good schmooze”.⁹⁶

D. THE LEBANESE SCENE

The end of military hostilities between Israel and Hizbollah marked the beginning of a new stage in both the internal confrontation among Lebanese and the international confrontation over Lebanon's future. If implementation of UNSCR 1701 is poorly handled, either of these dynamics could trigger a new round of violence.

Resolution 1701 left behind an awkward situation. At some level, and in terms of perception, Hizbollah was the war's clear winner. It withstood 34 days of intense bombardment, put up a far more honourable defence than any Arab army, and surprised Israel with regard to its battlefield intelligence, continues to hold the Israeli soldiers whose capture prompted the war, and retains a sizeable proportion of the military arsenal whose destruction was Israel's purported reason for sustaining its offensive. Having proved its inability to defend the nation's sovereignty, the Lebanese state will find it difficult to ask, let alone compel, Hizbollah to disarm. Meanwhile, Nasrallah has acquired mythical status not only among Lebanon's Shiites but throughout the Muslim world. Hizbollah stands as a model of resistance to perceived U.S. and Israeli regional plans.⁹⁷ In contrast, a severely weakened Israeli prime minister and defence minister struggle for political survival.

At closer look, however, the picture gets murkier. Hizbollah's principal argument for holding on to its weapons was that they deterred Israel from attacking Lebanon; if nothing else, that case has been seriously eroded by Israel's relentless military campaign. Domestically, Hizbollah also faces uncertain prospects. Whatever superficial national unity existed during the war quickly evaporated with its end. Political tensions have been exacerbated, with Hizbollah and its allies accusing its adversaries of treason for their passivity (or worse) during the battle and the March 14 forces blaming the country's destruction on the Islamists' recklessness and calling for its disarmament.⁹⁸ At Hizbollah funerals attended by Crisis Group, a blunt message is conveyed: the martyrs died for their country's honour, resistance is sacred, the state showed itself incapable of either defending or rebuilding the nation and the movement's disarmament is an American/Zionist project, support of which is

⁹⁴ Crisis Group interviews, U.S. officials, Washington, August-September 2006.

⁹⁵ Crisis Group interview, U.S. official, Washington, August 2006.

⁹⁶ Crisis Group interview, Israeli analyst, Washington, September 2006. An Israeli expert on Syrian affairs, while calling for resumed negotiations, expressed deep scepticism his call would be heeded: “Assad is probably convinced that Olmert and most Israelis are not prepared to give back the Golan even in return for peace with Syria. He certainly knows that Bush will prevent Olmert from negotiating with Damascus unless Assad capitulates to Washington's demands to stop helping Hizbollah, Hamas, and Islamic Jihad as well as the Iraqi insurgents”; Olmert “is not likely to [resume the peace process] because of the negative attitude of Bush and most Israelis”. Moshe Ma'oz in *Bitterlemons*, 28 September 2006.

⁹⁷ Nawaf al Moussawi, Hizbollah's head of international relations, explained: “Israel and the U.S. now know that it is impossible to achieve their goals through military means; they need to go through diplomatic and political means....We also know we have to take the diplomatic and political path. But for that we need an Arab resistance that will compel a solution that is as close as possible to our interests. This is the great lesson provided by Hizbollah to other Arab countries”. Crisis Group interview, Beirut, 16 August 2006.

⁹⁸ The March 14 forces – a reference to the massive anti-Syrian demonstration that took place on that day – form a majority in parliament, and include Saad Hariri's Future Trend, Samir Geagea's Lebanese Forces, Amin Gemayel's Christian Phalangists, and Walid Jumblatt's Socialist Progressive Party. A Lebanese official stated: “Over the years, decisions of war and peace have always been forced upon the government by a group of Lebanese. Hizbollah makes a decision, and we clean up the mess. We don't want to play that role anymore”. Crisis Group interview, Neirut, 11 August 2006.

tantamount to treason.⁹⁹ Among the rank-and-file, feelings are rawer still. In the southern suburbs of Beirut, Shiites inveigh against all March 14 figures, the prime minister included.¹⁰⁰ Recent street fights opposing Amal and Future Current sympathisers suggest that in a worsening economic context, political tensions rapidly can escalate into violence.¹⁰¹

Hizbollah's situation is further complicated by the presence of thousands of international forces and of the Lebanese army which necessarily limits and constrains the movement's freedom of action in the South, regardless of whether it is disarmed. Over time, pressures for disarmament will grow, due both to this military presence and to foreign pressure. Nasrallah's gradually more forceful public interventions, denunciation of the March 14 forces, and public calls for a new national unity government (in which his organisation and allies would gain greater representation), first via the media, then in person at the massive 22 September demonstration, were indicative of both his unprecedented strength and new worries.

Two opposing visions of Lebanon face each other, roughly organised around two coalitions: on the one hand, a more Western-oriented outlook centred on the March 14 alliance (essentially Walid Jumblat's Socialist Progressive Party, Saad Hariri's Future Current, and the Lebanese Forces); on the other, a rejectionist front determined to resist Western influence¹⁰² and organised around Hizbollah together with the Amal movement, General Aoun's Free Patriotic Current and a variety of Sunni Islamists and pro-Syrian politicians, both Sunni and Christian.

⁹⁹ At a funeral held in the village of Labwa, in the Bekaa valley, Mohammed Yazbeck, one of Iranian Supreme Leader Khamenei's representatives in Lebanon and a member of Hizbollah's shura council, stated: "Those who bet on the neutralization of the Resistance's weapons are making a mistake. Because our weapons are our life, soul and blood... We will keep our weapons because... we will never relinquish our dignity, our honour, our glory". Quoted in www.shiaweb.org/hizbulla/waad_alsadeq.

¹⁰⁰ Crisis Group interviews, southern suburbs of Beirut, August 2006.

¹⁰¹ The clashes were triggered by an effort to put up Jumblatt posters in a poor area of Beirut, which was resisted by Amal supporters. The incident quickly escalated, leaving several wounded and shops damaged. Posters featuring Nabih Berri, Rafiq al-Hariri and Walid Jumblatt were all torn up. Only after 250 soldiers and policemen intervened and ten were people arrested was order restored. *Al Akhbar*, 2 October 2006.

¹⁰² Nasrallah invoked Hugo Chavez's support in his 22 September 2006 speech, contrasting Venezuela's attitude to that of most Arab regimes; Chavez's poster was visible at the rally and a banner on a car transporting displaced Lebanese back to their homes read, "Hugo Chavez, first Arab *zaim* [leader]". Crisis Group observation, August 2006.

Regionally and internationally as well, nothing has been resolved, with destructive repercussions for Lebanon. While the U.S. and its allies hope to consolidate Prime Minister Siniora's position and thereby accelerate Hizbollah's disarmament as a means of weakening Syria and Iran, Damascus and Tehran have no intention of remaining passive. A high-level Syrian official candidly said, months prior to the latest conflict: "Given its location, ethnic composition, and weak institutions, Lebanon has no choice but to fall under Israel's or Syria's sphere of influence. Given our strategic interests, we simply cannot allow it to fall under Israel's".¹⁰³ And, just as the U.S. administration views Hizbollah as an Iranian/Syrian instrument, so the Islamists see a broad effort initiated by Washington, Israel, pro-Western Arab regimes and the March 14 forces to impose a new regional order. Ghalib Abu Zeinab, a member of Hizbollah's politbureau, asserted: "We want Lebanon to be with those who reject the American project".¹⁰⁴ The superimposition of domestic and international battle-lines – the very development against which Crisis Group warned in earlier reports – thus threatens to tear the country apart.

Progress toward an Israeli-Lebanese peace agreement will depend, inevitably, on ending the political gridlock in Beirut but also on a normalisation of relations between Beirut and Damascus and progress on the Israeli-Syrian front.

E. THE ARAB AND EUROPEAN SCENES

1. The Arab world and the peace process after the "Two-Soldier" War

If it could be said that Israel's past conflicts with its neighbours served to unify the Arab world, the most recent round, dubbed the "two-soldier" war by some commentators, indisputably exacerbated deep rifts that have been evident for some time.¹⁰⁵ These have exposed the vulnerability of regimes that are in desperate need of some diplomatic progress to demonstrate that their way, rather than militant, armed action, produces results.

The most important divide separates regimes from their public opinions. By standing up to Israel, Hizbollah accomplished what no Arab state has been able to do since the 1973 war: restore a measure of pride in a people who feel they have been victims of aggression,

¹⁰³ Crisis Group interview, Syrian official, Damascus, March 2006.

¹⁰⁴ Crisis Group interview, Ghalib Abu Zeinab, Beirut, 15 August 2006.

¹⁰⁵ The only precedent in the past fifteen years, Iraq's invasion of Kuwait, did not directly involve Israel, even as it led to deep Arab divisions.

occupation and internal oppression. Public criticism of Hizbollah by Arab regimes (which, privately, went as far as encouraging Israel to cut the Islamists down to size)¹⁰⁶ during the early days of the war triggered a popular backlash, and countries such as Saudi Arabia, Egypt and Jordan were forced to retreat, expressing their support for Lebanon and denouncing the Israeli campaign. Hamas' electoral victory followed by Hizbollah's performance also strengthened the hand of Islamists throughout the region.

Overall, within this new landscape, Arab regimes allied to the U.S. increasingly are perceived as defeatist, while the model of resistance offered by Hizbollah as well as Iraqi militants is viewed as successful. Not a few Arab commentators have noted with astonishment that the two most popular leaders in the Arab world were now Nasrallah and President Ahmadi-Nejad – both Shiites, and one not even Arab.¹⁰⁷ The result has been a serious erosion of the credibility and legitimacy of Arab regimes, as Islamist non-state actors have prospered on the notion that Israel no longer may be invincible.¹⁰⁸ Moreover, Hizbollah's surprising muscle and perceived victory strengthened Iran's and Syria's position in the region, thus further weakening the Arab regimes.

Faced with an increasingly hostile and perilous political environment, a number of Arab regimes have been scrambling for a diplomatic initiative. In September, Arab calls for a second Madrid peace conference and/or for a more assertive Security Council role mushroomed. According to the Arab League's proposal, the Security Council was to order a complete cessation of Israeli-Palestinian hostilities with a threat of sanctions for any violator; the Security Council was also to convene an international conference before the end of 2006 in order to launch direct negotiations under its auspices between

Israel, the PLO, Syria and Lebanon. If the negotiations lasted more than one year, the Council would intervene. Saudi Arabia has sought to revive the Beirut initiative, engaging with U.S. officials and members of the U.S. Jewish community as well as – if one is to believe press reports – Israeli officials.

So far, none of this has led to tangible results. The Arab League effort to bring the issue to the Security Council gave rise to a ministerial-level Council meeting which the Israeli foreign minister refused to attend and which – faced with U.S. and Israeli opposition – failed to generate a joint statement.¹⁰⁹ Saudi Arabia's activities have generated some positive reactions in Israel, but again little that is concrete.

The challenge is to find ways to channel such Arab activism productively; the Security Council initiative unfortunately was not one of them. Constructive Arab action is hampered by lack of clarity over the ultimate goal (to genuinely activate the peace process or rather to placate public opinion and discredit Islamist movements) and by divisions over two key issues: whether to support Abbas' efforts to forge a unity government (some regimes, alarmed at the prospect of an Islamist success, still wish to see Hamas fail), and whether to push for renewed engagement with Syria (Jordan in particular has stressed that revival of the Syrian track would be an untimely diversion).

In seeking a way forward, a number of analysts express basic distrust of any American or British initiative given their track record in Iraq and Palestine, preferring to see the Europeans and others take the lead.¹¹⁰ Adnan Abu Odeh, a former adviser to Kings Hussein and Abdullah II of Jordan, has called for an international conference, a "Madrid II", as the springboard for the endgame process. Such an event, he claims, would "rejuvenate" the peace process and "draw a political horizon" for all the parties to the conflict, and thereby offer hope that a solution was within reach. Abu Odeh proposed aiming for a broad definition of the endgame parameters, starting with President Bush's endorsement of a two-state solution, adding the terms of the reference of the 2002 Arab initiative and seeking to pre-empt Israeli rejection by offering the prospect of greater regional interdependence in security, economic relations, the refugee question, transportation and water.¹¹¹ He also suggested that the

¹⁰⁶ Crisis Group interviews, Israeli, UN, EU and U.S. officials, September 2006.

¹⁰⁷ Crisis Group interviews, Arab analysts, September 2006. "According to the preliminary results of a recent public opinion survey of 1,700 Egyptians...Nasrallah led a list of 30 regional public figures ranked by perceived importance. He appears on 82 percent of responses, followed by Iranian President Mahmoud Ahmadinejad (73 percent), Khaled Meshal of Hamas (60 percent), Osama bin Laden (52 percent) and Mohammed Mahdi Akef of Egypt's Muslim Brotherhood (45 percent). The pattern here is clear, and it is Islamic....None of the current heads of Arab states made the list of the 10 most popular public figures", Saad Eddin Ibrahim, "The New Middle East Bush is Resisting", *Washington Post*, 23 August 2006.

¹⁰⁸ Jordanian officials explained that the king was particularly concerned that "moderate Arab regimes are being undercut and the street is being lost". Crisis Group interview, September 2006.

¹⁰⁹ Crisis Group interviews, UN and Arab officials, New York and Cairo, September 2006. The effort itself was questioned by several Arab officials, who doubted the effectiveness of the Security Council. Crisis Group interview, senior Arab official, 8 September 2006.

¹¹⁰ See Abd-al-Bari Atwan, *Al-Quds al-Arabi*, 22 August 2006; Mahmoud al-Rimawi, *Al-Ra'i* (Jordan), 21 August 2006.

¹¹¹ Crisis Group interview, Amman, 4 September 2006. Abu Odeh is a member of Crisis Group's Board of Trustees.

Arab regimes, though weakened by the Lebanon war, still have leverage. As the Bush administration steps up efforts to contain Iran, including by building an “Arab wall”, Arab states could agree to participate in such a campaign only if there were a tangible pay-off on the Israeli-Palestinian front. “If the U.S. wants to build a real wall against Iran, it must have popular support in the region, and it can only have this if there is real progress on the Palestine question”.¹¹²

2. The EU in search of a role

Alarmed at the vertiginous collapse of the West’s reputation in the Arab and Muslim worlds, worried about being tarnished by the same brush as the U.S, mindful of domestic repercussions¹¹³ and convinced it could play a role, the EU has sought to assert a more independent, autonomous stance. In the Lebanese case, many important European voices (the French in particular) came out in favour of an immediate truce, unlike Washington. At war’s end, European troops essentially reinforced UNIFIL in a clear attempt – as articulated by Italy – to stake out a more assertive role in Middle East peacemaking. Although the U.S. clearly pressed the Europeans to dispatch their forces, the result was nonetheless remarkable: only a few years ago, it would have been unthinkable for Israel to agree to an international presence on its borders without a strong, if not leading, American component. The fact that this time no one ever seriously contemplated U.S. participation is a stark indication both of Washington’s unprecedented low standing and reputation in the region and of the EU’s newfound eagerness to step into the void.

As some European officials see it, the stakes are clear: a successful intervention in Lebanon – one that satisfies both Israel’s and Lebanon’s security needs without endangering Lebanon’s fragile domestic equilibrium – could serve as a model and precedent for future involvement in Palestine. Already, there is talk of a possible expansion of the European presence currently at Rafah to encompass more Gaza border crossings and assist PA forces in the event of a ceasefire in northern Gaza, as well as speculation regarding an eventual EU military presence in areas of the West Bank from which Israel might withdraw.¹¹⁴

The EU also is adopting a somewhat different approach to the situation in Palestine. By June-July 2006, high level EU officials had reached the conclusion that the inflexible Quartet policy was unproductive, unlikely either to compel Hamas to change or force it from power. They began to search for a more pragmatic way of dealing with the Islamists. Unlike the U.S., the EU early on supported efforts to form a unity government and signalled the Europeans boycott would be loosened should one arise.¹¹⁵ On 1-2 September 2006, EU foreign ministers signalled their support for a national unity government and encouraged Javier Solana to consult with Syria. Finally, at the September Quartet meeting, EU officials (along with UN Secretary-General Annan) strongly pressed U.S. Secretary of State Rice to accept more nuanced language regarding the three conditions.

As they, along with UN officials, explained it, the Quartet statement should be read by the Palestinians as saying that they will look at the PA’s performance in assessing whether to lift the boycott, despite any declaratory shortcomings; they also pointed to Annan’s decision to dispatch James Wolfensohn to report on the situation on the ground as an important signal of renewed engagement.¹¹⁶ In private conversations, EU officials went further, suggesting they might move regardless of U.S. opposition if Fatah and Hamas could bridge their differences.¹¹⁷

The EU’s challenge is threefold: whether it can find ways to communicate more precisely (directly or through third parties) what exactly it would be prepared to do should a unity government on the basis of the Prisoners’ Initiative be formed and a ceasefire imposed; whether it will be prepared to break with Washington under this scenario; and – not the least of the three – whether it would maintain its own unity in such circumstances.

missions in Tel Aviv, the EU mission currently monitoring the Rafah crossing could within a matter of weeks expand its operations to include the primary crossing points for goods between Israel and the Gaza Strip.

¹¹⁵ Javier Solana told President Abbas: “I welcome your efforts deployed in order to form a national unity government and I hope you will succeed very soon. That development could have a very positive influence to re-energize the peace process”, www.consilium.europa.eu; Massimo d’Alema, the Italian foreign minister, echoed this view: “We agreed that we have to support the new Palestinian government. It’s a very important turning point for the situation”. Reuters, 15 September 2006.

¹¹⁶ Crisis Group interviews, EU and UN officials, New York, September 2006. “We did not ritualistically repeat the language of past Quartet statements on the three conditions. We showed flexibility, and the Palestinians should take note”. Crisis Group interview, EU official, September 2006.

¹¹⁷ Crisis Group interviews, EU officials, September 2006.

¹¹² Crisis Group interview, Amman, 29 August 2006.

¹¹³ An adviser to Prime Minister Blair explained that “the global has become local. What happens in Palestine, Iraq or Lebanon has an immediate impact on our communities given the large number of Muslims”. Crisis Group interview, September 2006.

¹¹⁴ Crisis Group interview, EU officials, Jerusalem, September 2006. According to a proposal circulating among diplomatic

Finally, new tones also can be discerned regarding Syria, which some European countries consider a vital player, and one which can gradually be drawn away from Iran. At their September meeting in Finland, EU foreign ministers empowered their high representative, Javier Solana, to pursue efforts with *all* parties, including Damascus. At the recent UNGA gathering, numerous European ministers sought meetings with their Syrian counterpart. Intra-European divisions in this area already are evident, however, with French President Chirac signalling in undiplomatic language that he considered President Assad a lost cause and saw no interest in engagement,¹¹⁸ while Spain and Germany in particular took an opposite approach.¹¹⁹

III. A NEW MIDDLE EAST PEACE INITIATIVE?

A. REVIVING AND REINFORCING THE QUARTET

Over the past weeks, frustration with the diplomatic impasse and impatience with the Quartet's performance have led many, particularly in the Arab world, to advocate alternative mechanisms and forums, principally the UN Security Council and an international peace conference. On the merits, both are eminently reasonable. As Secretary-General Annan asserted, resolution of the Arab-Israeli conference is a quintessential UN issue, and the "our continued failure to resolve this conflict calls into question the legitimacy and the effectiveness of the Council itself".¹²⁰ The symbolism alone of a Madrid II conference bringing together Israel, its Arab neighbours and the Palestinians along with other major countries might jump-start renewed diplomacy.

But substantial obstacles stand in the way of both. Israel and the U.S. have expressed opposition to a prominent Security Council role, and they deprived the recent ministerial-level meeting of any real significance. They are equally sceptical regarding an international conference; agreeing on the specifics of such a gathering (what would be the terms of reference? Would the U.S. agree to Syrian attendance? Who would represent the Palestinians?) would entail arduous and lengthy negotiations.

Better to settle for a mechanism that meets the various sides' essential demands without getting diverted by months of procedural wrangling:

- ❑ the Security Council should pass a resolution instructing the Quartet to reactivate its efforts aimed at achieving a comprehensive Arab-Israeli settlement based on Security Council Resolutions 242 (1967) and 338 (1973), the Arab League Initiative and the Roadmap for Peace;
- ❑ it would request the Quartet to work closely with regional partners (the Arab League and key countries such as Egypt, Saudi Arabia, Qatar and Turkey); and
- ❑ it would instruct the Quartet, reinforced by such regional partners, to report every 30 days on progress.

Such an approach would leave the initiative in the Quartet's hands (as per Washington's preference), give an oversight role to the Security Council (as per the Arab

¹¹⁸ In a widely noted interview in which he advocated engagement with Iran, President Chirac spoke of his "lack of trust" in the Syrian regime and in particular its president, stressing that this was a lesson learned from years of trying to deal with him: "There was a time when I talked with Bashar al-Assad. I used to talk with his father. To be perfectly honest with you, we no longer talk. He was the one who broke it off. And also, I realised that it was achieving nothing. That the regime embodied by Bashar al-Assad seemed to me difficult to reconcile with security and peace". *Le Monde*, 27 July 2006.

¹¹⁹ During the course of the Lebanon war, Miguel Moratinos, Spain's foreign minister, travelled to Syria and stressed the need to engage all parties in the region, saying that "Syria was part of the solution to the region's problems". A planned visit by the German foreign minister to Syria was cancelled at the last minute in response to President Assad's 15 August speech; nonetheless, Germany has reiterated its desire to involve Syria in a regional peace process. See for instance the minister's interview Deutschlandradio, 17 August 2006.

¹²⁰ Secretary-General, SG/SM/10654, 21 September 2006.

World's request) and provide much-needed regional involvement.

B. RELAUNCHING THE BEIRUT INITIATIVE AND PROMOTING AN ARAB-ISRAELI DIALOGUE

There are many reasons why little came out of the Arab League's ground-breaking 2002 resolution proposing full normalisation with Israel in exchange for withdrawal to the borders of 1967 and a negotiated solution to the refugee issue. It came amid intense Israeli-Palestinian violence and was overshadowed first by a particularly gruesome Palestinian suicide bombing at a Netanya hotel on Passover eve that claimed 29 lives and then by Israel's Operation Defensive Shield and re-occupation of West Bank cities which contributed to it being stillborn.

Yet, it also is clear that the Arab roll-out and public diplomacy were extremely poor; it was as if the Arab League "put its idea on the table, ran away from it, and expected Israel and the United States to embrace it".¹²¹ Subsequent and repeated pledges by the Arab League to launch a proper campaign, including in Israel, have yet to materialise. "In 2002 the Israeli government succeeded in undermining the Beirut initiative. They ignored it, and there was hardly any public debate, so it is not a surprise that it was seen as irrelevant. The Arab League needs to sell its proposal and engage in direct public diplomacy in Israel".¹²² For this, it needs to learn the lessons of its first, aborted try and undertake a vigorous public relations effort directed at an Israeli public opinion increasingly doubtful of Arab willingness to accept Israel's existence, as well as at the United States (the administration, but also the Congress and critical segments of the public). As an initial step, it could delegate a team of countries, ideally led by Saudi Arabia, to propose a meeting with Israeli officials to describe and discuss the initiative.

C. ACHIEVING AN ISRAELI-PALESTINIAN ACCOMMODATION

The first, imperative step is to put the Palestinian house in order, optimally through establishment of a unity government on the basis of the Abbas/Haniyah agreement and the National Conciliation Document;¹²³ without that, it will be virtually impossible to restore the central authority

required to achieve a ceasefire with Israel. While this essentially must be a Palestinian endeavour, signals emanating from the international community can play a constructive or – as has mainly been the case to date – destructive role. The EU in particular should take an immediate lead in signalling its readiness to lift its diplomatic and financial boycott and resume money transfers to the PA's single treasury account if a unity government is formed on this basis and if it engages in efforts to achieve such a ceasefire. A united EU/Russian/UN front on this matter will be absolutely essential to overcome or at least moderate U.S. and Israeli objections. For further reassurance as to the ultimate destination of any donor assistance, the Palestinian government could consider establishing an independent body with both local and international participation to monitor transparent use of funds.

Whether or not a unity government is established, the Palestinian leadership and Israel must urgently seek an accommodation around the following points:

- ❑ a thorough Palestinian ceasefire, entailing a halt to attacks on Israel or Israelis and enforced by the government on all factions;
- ❑ a reciprocal Israeli ceasefire, entailing a halt to military operations, including assassinations;¹²⁴
- ❑ a prisoner exchange;
- ❑ resumed Israeli transfers of Palestinian taxes to the PA, possibly coupled with establishment of a transparent Palestinian body with international cooperation to verify expenditure of donor funds;
- ❑ implementation of the Israeli-Palestinian Agreement on Movement and Access that was reached under U.S. supervision in November 2005, specifically by reopening border crossings and restoring traffic and trade between Gaza and the West Bank;
- ❑ Israeli evacuation of settlement outposts and a settlements freeze; and
- ❑ gradual withdrawal of Israeli troops, first to positions held prior to 28 September 2000, and later – in conjunction with security improvements – from other West Bank areas.

¹²¹ Crisis Group interview, Arab official, January 2006.

¹²² Crisis Group interview, Tamar Hermann, pollster and government policy advisor, Tel Aviv, September 2006.

¹²³ See Crisis Group Middle East Report N°57, *Israel/Palestine/Lebanon: Climbing out of the Abyss*, 25 July 2006, p. 3., for a text of the document.

¹²⁴ A Hamas spokesperson made clear that a unilateral ceasefire was unsustainable. "The *tahdi'a* [calm] in fact expired on 1 January 2006, but was in practice maintained until it was renounced in July. Even now Hamas is deploying only limited capabilities. But it will under no conditions renew the *tahdi'a* unless it is reciprocal". Crisis Group interview, Gaza City, 6 September 2006.

To facilitate several of these steps, the Quartet – and chiefly the EU – should be willing to build on the Lebanese model and agree to dispatch a presence on the ground to:

- monitor both sides' implementation of these understandings;
- beef up the security presence at various Gaza crossings, in addition to Rafah, such as Karni; and
- enhance security should it be needed to fill the vacuum in West Bank areas vacated by Israel.¹²⁵

Such immediate, on-the-ground improvements would go a long way toward stabilising the situation. But to more profoundly alter the popular mood, a set of political discussions between Abbas and Olmert ought to take place in parallel. These should be facilitated by the Quartet, as reinforced by regional participation, and deal with the longer-term political issues that stand in the way of a peaceful settlement. Since the intra-Palestinian agreement stipulates that President Abbas is responsible for the “management of negotiations”, Hamas would have to accept this; furthermore, pursuant to that document, any political agreement reached with Israel would need to be ratified by the Palestinian National Council (the PLO's governing body) or through a referendum, and the Islamists would have to abide by the outcome. As part of this effort either the Quartet or, more immediately, outgoing Secretary-General Annan, could lay out a more detailed set of parameters for a viable resolution of the conflict. In the case of the Secretary-General, it also would be an important opportunity to again acknowledge the failure of the UN on this file and its responsibility in the coming period to help produce a just and viable peace agreement. Such a speech could also serve as a useful message to his successor.

What to Avoid: There is a strong temptation in the U.S. in particular to find ways to bolster Abbas and weaken Hamas in anticipation of early elections or a military confrontation. This would be done by strengthening the presidential security guard, ensuring all funds transit through the presidency, or getting Israel to deliver any results (e.g. a prisoner release, opening of border passages) to him alone.¹²⁶ But as seen most tragically in the past few days, seeking to play Fatah against Hamas is a dangerous game, most likely to provoke continued

internecine violence. Hamas will not sit idly by if it sees Abbas (and Fatah) receiving military assistance, nor will it allow calm to prevail if it lacks the funds to govern. More broadly, restoring law and order in the territories and vis-à-vis Israel depends on Hamas/Fatah cooperation, which will not occur if the U.S. and others seek to strangle one while boosting the other.

D. ENGAGING SYRIA, EXPLORING AN ISRAELI-SYRIAN AGREEMENT

Engaging Syria and testing its willingness to reach a peace agreement with Israel must become a priority. For all the reasons described in this report, the risks associated with a prolonged policy of isolating that country are too great, just as the potential positive fallout from an Israeli-Syrian accord is too significant. The Quartet – consistent with the Roadmap's mandate of reaching an Israeli-Syrian peace – should begin serious, parallel discussions with both countries, with the aim of exploring their positions and possibilities of a deal; while the U.S. is unlikely to want to participate in such a dialogue, it should at least acquiesce in other Quartet members doing so.

At the same time, and in order to break the current impasse, the Syrian regime should consider taking its peace feelers to another, far more promising level by engaging Israelis directly. A proposal for immediate unconditional, high-level talks clearly would have the most profound impact in Israel and would help shift public opinion.¹²⁷

E. IMPLEMENTING UNSCR 1701 WISELY AND PRUDENTLY

Although UNSCR 1701 helped bring about a cessation of hostilities, it did little to address underlying causes of the violence – regarding the Arab-Israeli conflict, of course, but also narrower Lebanese issues. Instead, it focused principally on disarming Hizbollah, an issue that cannot be tackled either alone or upfront without endangering the country's fragile balance. As a result, 1701 ought to be conceived at best as launching a process that, to avoid precipitating a new round of intra-Lebanese or Israeli-Lebanese confrontation, must be prudently and wisely implemented. In particular, Hizbollah's disarmament should not be seen or treated as the most urgent priority, nor implemented in a vacuum, oblivious to domestic and regional considerations. It can only occur gradually and

¹²⁵ A former Palestinian cabinet official said that if a political horizon were provided that clearly identified the 1967 borders as the basis for a two-state solution, the Palestinians should openly consider “deployment of international forces even if in the short term it detracts from Palestinian sovereignty”. Crisis Group interview, Ramallah, September 2006.

¹²⁶ It is, reportedly, one of the goals of Secretary Rice's early October trip to the Middle East. *Haaretz*, 1 October 2006.

¹²⁷ In his *Der Spiegel* interview, Assad was asked whether he would meet with Olmert. “Whether I will ever sit down with Olmert, whether I ever shake his hand, I'll decide when the time comes”. *Der Spiegel*, 24 September 2006.

in parallel to steps designed to address the justifications invoked by the Islamists for their continued military status.¹²⁸ This involves:

- strengthening the capacity, credibility and legitimacy of the central state and its army, all goals to which Hizbollah purportedly subscribes. This can only be done if the state is seen as asserting its sovereignty vis-à-vis domestic militias and Syria, but also vis-à-vis Israel, in other words if the state can address Hizbollah's core arguments: that the army is impotent, that the international community's guarantees regarding Lebanese sovereignty are worthless and that only Hizbollah can defend the homeland and extract Israeli concessions.¹²⁹ Former Prime Minister Salim al-Hoss put it as follows: "The American attitude is 'how do we protect Israel?' We want a formula on how to protect Lebanon".¹³⁰

These considerations are not unique, but are of particular importance, to Shiites who, more than others, have felt the brunt of Israeli attacks, from almost twenty years of occupation in south Lebanon to the recent war which they experienced as a targeted operation against them. One of the most critical steps will be to define a national defence strategy that entails transforming the army (one of the country's rare multi-confessional bodies) from an auxiliary police force charged with maintaining law and order to a genuine military institution entrusted with the nation's protection;

- giving the state a central role in rebuilding the country by channelling donor funds through the government and focusing assistance on areas long neglected and hardest hit during the war, chiefly the South and Bekaa valley;
- tackling unresolved issues with Israel, chiefly the status of the Shebaa farms, the Lebanese prisoners held by Israel and Israeli violations of Lebanese sovereignty; and

- democratising the political system by giving the Shiite community its rightful place. Shiites consider Hizbollah as their principal and most effective representative in an inherently unequal and discriminatory system; the movement's disarmament in the absence of a political quid pro quo (principally a new electoral law), would be seen as significantly weakening their status.

Finally, any genuine stabilisation will require progress on the Arab-Israeli and, preferably also U.S.-Iranian, front. As to the latter, this would entail a genuine dialogue between the two sides that, going beyond the nuclear issue, also would address Iraq, Iran's legitimate security concerns, the Arab-Israeli conflict, and U.S. economic sanctions. Over three decades of U.S. attempts to alter Iranian behaviour through political and economic isolation have borne little fruit. Instead of insisting on preconditions for the onset of discussions, thereby treating dialogue as a reward rather than an imperative, the U.S. should offer immediate talks on a wide range of matters.

What to Avoid: In the early aftermath of the war, some Israeli officials expressed interest in improving relations with Lebanon and, possibly, reaching a full-scale settlement.¹³¹ Seeking to move swiftly on this front would be extremely costly to Lebanon; as history teaches, it would likely provoke immediate and violent reaction by both Lebanese elements and Syria, for whom it is an absolute red line. Prime Minister Siniora reflected this fear when he asserted that Lebanon "will be the last Arab country to sign a peace agreement with Israel after 300 million Arab citizens sign it".¹³² Instead, and simultaneous to its discussions with Israel and Syria, the Quartet should talk to Lebanon about its views of a comprehensive settlement.

Jerusalem/Amman/Brussels, 5 October 2006

¹²⁸ These questions will be more fully developed in a forthcoming Crisis Group briefing on the post-war situation in Lebanon.

¹²⁹ Walid Charara, a Lebanese analyst considered close to Hizbollah, explained: "Concepts such as the international community or international law are vacuous and ridiculous, with no purchase on reality. Whatever results we obtained were obtained not because of the international community or international law, but because of the steadfastness of the Islamic resistance on the ground. It's the balance of power, and nothing else, that led to the ceasefire". Crisis Group interview, Beirut, 9 August 2006.

¹³⁰ Crisis Group interview, Salim al-Hoss, Beirut, 8 August 2006.

¹³¹ Three weeks into the ceasefire Prime Minister Olmert said: "How natural and understandable it would be for the Lebanese PM to respond to the many calls I have made toward him, through various people, and say 'Let's sit, shake hands, make peace and end once and for all the hostility, the jealousy, the hatred that some of my people have toward you'". Quoted, *The Jerusalem Post*, 4 September 2006.

¹³² *The Daily Star*, 31 August 2006.

APPENDIX A

MAP OF ISRAEL



APPENDIX B

MAPS OF THE OCCUPIED PALESTINIAN TERRITORIES

MAP OF THE GAZA STRIP



<http://www.cia.gov/cia/publications/factbook/geos/gz.html>

MAP OF THE WEST BANK



<http://www.cia.gov/cia/publications/factbook/geos/we.html>

APPENDIX C

GLOBAL LEADERS STATEMENT, 4 OCTOBER 2006

TOWARDS A COMPREHENSIVE SETTLEMENT OF THE ARAB-ISRAELI CONFLICT

With the Middle East immersed in its worst crisis for years, we call for urgent international action towards a comprehensive settlement of the Arab-Israeli conflict.

Everyone has lost in this conflict except the extremists throughout the world who prosper on the rage that it continues to provoke. Every passing day undermines prospects for a peaceful, enduring solution. As long as the conflict lasts, it will generate instability and violence in the region and beyond.

The outlines of what is needed are well known, based on UN Security Council resolutions 242 of 1967 and 338 of 1973, the Camp David peace accords of 1978, the Clinton Parameters of 2000, the Arab League Initiative of 2002, and the Roadmap proposed in 2003 by the Quartet (UN, US, EU and Russia). The goal must be security and full recognition to the state of Israel within internationally recognized borders, an end to the occupation for the Palestinian people in a viable independent, sovereign state, and the return of lost land to Syria.

We believe the time has come for a new international conference, ideally held as soon as possible and attended by all relevant players, at which all the elements of a comprehensive peace agreement would be mapped, and momentum generated for detailed negotiations.

Whether or not such an early conference can be convened, there are crucial steps that can and should be taken by the key players, including:

- Support for a Palestinian national unity government, with an end to the political and financial boycott of the Palestinian Authority.
- Talks between Israel and the Palestinian leadership, mediated by the Quartet and reinforced by the participation of the Arab League and key regional countries, on rapidly enhancing mutual security and allowing revival of the Palestinian economy.
- Talks between the Palestinian leadership and the Israeli government, sponsored by a reinforced Quartet, on the core political issues that stand in the way of achieving a final status agreement.
- Parallel talks of the reinforced Quartet with Israel, Syria and Lebanon, to discuss the foundations on which Israeli-Syrian and Israeli-Lebanese agreements can be reached.

Nobody underestimates the intractability of the underlying issues or the intensity of feelings they provoke. But if the Arab-Israeli conflict, with all its terrible consequences, is ever to be resolved, there is a desperate need for fresh thinking and the injection of new political will. The times demand no less.

Peter Barry

Former Foreign Minister, Ireland

Shlomo Ben-Ami

Former Foreign Minister, Israel

Alexander Bessmertnykh

Former Foreign Minister, Soviet Union

Carl Bildt

Former Prime Minister, Sweden

Valdis Birkavs

Former Prime Minister, Latvia

James Bolger

Former Prime Minister, New Zealand

Kjell Magne Bondevik

Former Prime Minister, Norway

Boutros Boutros-Ghali

Former Secretary-General, UN

Lakhdar Brahimi

Former Foreign Minister, Algeria, and UN Special Representative

Gro Harlem Brundtland

Former Prime Minister, Norway

Zbigniew Brzezinski

Former National Security Advisor to the President, United States

Kim Campbell

Former Prime Minister, Canada; Secretary General, Club of Madrid

Ingvar Carlsson

Former Prime Minister, Sweden

Frank Carlucci

Former Secretary of Defense, United States

Jimmy Carter

39th President, United States; Nobel Peace Prize 2002

Maria Livanos Cattai

Former Secretary-General, International Chamber of Commerce

Naresh Chandra

Former Indian Cabinet Secretary and Ambassador to US

Claude Cheysson

Former Foreign Minister, France

Jean Chrétien

Former Prime Minister, Canada

Wesley Clark

Former NATO Supreme Allied Commander, Europe

Gerard Collins

Former Foreign Minister, Ireland

Pat Cox

Former President, European Parliament

Jacques Delors

Former President, European Commission

Gianni De Michelis

Former Foreign Minister, Italy

Ruth Dreifuss

Former President, Switzerland

Roland Dumas

Former Foreign Minister, France

Shirin Ebadi

Nobel Peace Prize 2003; Iran

Uffe Ellemann-Jensen

Former Foreign Minister, Denmark

Gareth Evans

President, International Crisis Group; Former Foreign Minister, Australia

Mark Eyskens

Former Prime Minister, Belgium

José María Figueres

Former President, Costa Rica

Vigdís Finnbogadóttir

Former President, Iceland

Joschka Fischer

Former Foreign Minister, Germany

Malcolm Fraser

Former Prime Minister, Australia

Anil K Gayan

Former Foreign Minister, Mauritius

Leslie H Gelb

President Emeritus, Council on Foreign Relations, United States

Bronisław Geremek

Former Foreign Minister, Poland

Kiro Gligorov

Former President, Macedonia

Richard Goldstone

Former Prosecutor, International Criminal Tribunal for the former Yugoslavia

Felipe González Márquez

Former Prime Minister, Spain

Mikhail S Gorbachev

Former President, Soviet Union; Nobel Peace Prize 1990

I K Gujral

Former Prime Minister, India

Tenzin Gyatso

14th Dalai Lama; Nobel Peace Prize 1989

Vahit M Halefoğlu

Former Foreign Minister, Turkey

Lee Hamilton

Former Congressman, United States; Director, Woodrow Wilson International Center for Scholars

Bob Hawke

Former Prime Minister, Australia

Bill Hayden

Former Governor-General and Foreign Minister, Australia

Carla Hills

Former Trade Representative, United States

Lena Hjelm-Wallén

Former Deputy Prime Minister and Foreign Minister, Sweden

Raffi K Hovannisian

Former Foreign Minister, Armenia

Lord Howe of Aberavon

Former Foreign Secretary and Deputy Prime Minister, UK

John Hume

Nobel Peace Prize 1998; Northern Ireland

Lord Hurd of Westwell

Former Foreign Secretary, UK

George Iacovou

Former Foreign Minister, Cyprus

Anwar Ibrahim

Former Deputy Prime Minister, Malaysia

James Ingram

Former Executive Director, UN World Food Programme

Asma Jahangir

Chair, Pakistan Human Rights Commission; UN Special Rapporteur

Max Jakobson

Former Ambassador of Finland to the UN

Lionel Jospin

Former Prime Minister, France

Marwan S Kasim

Former Foreign Minister, Jordan

Kim Dae-jung

Former President, Republic of Korea; Nobel Peace Prize 2000

F W de Klerk

Former President, South Africa; Nobel Peace Prize 1993

Wim Kok

Former Prime Minister, Netherlands

Bernard Kouchner

Founder, Médecins Sans Frontières; Former Minister, France, and UN Special Representative

Milan Kučan

Former President, Slovenia

Aleksander Kwaśniewski

Former President, Poland

Ricardo Lagos

Former President, Chile

Zlatko Lagumdžija

Former Prime Minister, Bosnia & Herzegovina

Anthony Lake

Former National Security Advisor to the President, United States

Lee Hong-Koo

Former Prime Minister, Republic of Korea

Ahmed Maher

Former Foreign Minister, Egypt

Abdul Salam Majali

Former Prime Minister, Jordan

John Major

Former Prime Minister, UK

Barbara McDougall

Former External Affairs Secretary, Canada

Matthew F McHugh

Former US Congressman and World Bank Counselor

Robert McNamara

Former Secretary of Defense, United States

Rexhep Meidani

Former President, Albania

Najib Mikati

Former Prime Minister, Lebanon

Mike Moore

Former Prime Minister, New Zealand; Former Director-General, WTO

Marwan Muasher

Former Foreign Minister and Deputy Prime Minister, Jordan

Klaus Naumann

Former Chairman, North Atlantic Military Committee of NATO, Germany

Boyko Noev

Former Minister of Defence, Bulgaria

Ayo Obe

Chair, World Movement for Democracy, Nigeria

Sadako Ogata

Former UN High Commissioner for Refugees

Lord Owen of the City of Plymouth

Former Foreign Secretary, UK

Anand Panyarachun

Former Prime Minister, Thailand

Andrés Pastrana

Former President, Colombia

Lord Patten of Barnes

Co-Chair, International Crisis Group; Former European Commissioner for External Relations

Thomas Pickering

Co-Chair, International Crisis Group; Former US Ambassador to the UN, Russia, India, Israel, Jordan, El Salvador and Nigeria

Josep Piqué

Former Foreign Minister, Spain

Surin Pitsuwan

Former Foreign Minister, Thailand

Yevgeny Primakov

Former Prime Minister, Russia

Jorge Quiroga

Former President, Bolivia

Augusto Ramírez Ocampo

Former Foreign Minister, Colombia

Fidel V Ramos

Former President, Philippines

Poul Nyrup Rasmussen

Former Prime Minister, Denmark

Abdur-ra'uf Rawabdeh

Former Prime Minister, Jordan

Malcolm Rifkind

Former Foreign Secretary, UK

Lord Robertson of Port Ellen

Former Defence Secretary, UK, and NATO Secretary-General

Mary Robinson

Former President, Ireland, and High Commissioner for Human Rights

Michel Rocard

Former Prime Minister, France

Petre Roman

Former Prime Minister, Romania

Adam Daniel Rotfeld

Former Foreign Minister, Poland

Nafis Sadik

Former Executive Director, UN Population Fund

Mohamed Sahnoun

Former Algerian Ambassador; UN Special Adviser

Ghassan Salamé

Former Culture Minister, Lebanon

Salim Ahmed Salim

Former Secretary General, OAU, and Prime Minister, Tanzania

Jorge Sampaio

Former President, Portugal

Gonzalo Sánchez de Lozada

Former President, Bolivia

Mario Soares

Former President, Portugal

Stephen Solarz

Former Chair, Africa & Asia Subcommittees, US Congress

Cornelio Sommaruga

Former President, International Committee of the Red Cross

George Soros

Chairman, Open Society Institute

Pär Stenbäck

Former Foreign Minister, Finland

Thorvald Stoltenberg

Former Foreign Minister, Norway

HRH El Hassan bin Talal

Founder, Arab Thought Forum, Jordan

Leo Tindemans

Former Prime Minister, Belgium

Alex S Trigona

Former Foreign Minister, Malta

Desmond Tutu

Archbishop Emeritus of Cape Town; Nobel Peace Prize 1984

Cassam Uteem

Former President, Mauritius

Hans van den Broek

Former Foreign Minister, Netherlands, and European Commissioner for External Relations

Ed van Thijn
Former Minister and Mayor of
Amsterdam, Netherlands

George Vassiliou
Former President, Cyprus

Hubert Védrine
Former Foreign Minister, France

Richard von Weizsäcker
Former President, Germany

Baroness Williams of Crosby
Former Cabinet Minister, UK

Ernesto Zedillo
Former President, Mexico



*Organized by Crisis Group with assistance from the Club of Madrid and placed with support from the **Radcliffe Foundation, Iara Lee & George Gund Foundation and Hamza Al Kholi.***

www.crisisgroup.org

This statement was published as a half page advertisement in the *New York Times* and *Financial Times* of 4 October 2006 and received wide editorial coverage elsewhere.

APPENDIX D

THE ABBAS-HANIYA ACCORD

*The full text of the agreement on a national unity government between the PA's President and Prime Minister, as published by the Palestinian daily **al-Ayyam**, 20 September 2006*

PROGRAM FOR A NEW GOVERNMENT: In recognition of the Document of National Accord ['Prisoners Document'] signed by the PA presidency, the Palestinian government, the Palestinian Legislative Council, and various Palestinian factions, and considered by all to be the main frame of reference for the Palestinian people at this juncture, in recognition of the sacrifices made by our martyrs, prisoners, injured, and deportees, with a desire to uphold the rights of the Palestinian people, and defend their national will, stressing Palestinian national unity, and in order to fulfill the principle of partnership, the program adopted by the new government includes the following:

20. The government will uphold the right of the Palestinian people to strive and struggle to liberate their land and end the occupation using all legitimate means, and to eradicate settlements and the racist separation wall, and establish an independent and sovereign Palestinian state on all lands occupied in 1967 with contiguous territory and Jerusalem as its capital.
21. The government will support all efforts designed to implement the points agreed upon in Cairo in March 2005 regarding reforming and revitalizing the PLO as the sole legitimate representative of the Palestinian people. It emphasizes the need to undertake urgent action to complete this process by the end of this year.
22. The government will respect the agreements signed by the PLO, the political frame of reference for the PA, insofar as this may uphold the basic interests of the Palestinian people and protect their rights.
23. The government will support the PA president in his efforts to develop a Palestinian plan of political action designed to fulfill national objectives on the bases of the Arab peace initiative and the resolutions of international legitimacy related to the Palestinian cause, as long as they do not impinge on the rights of the Palestinian people.
24. The government and PA presidency will cooperate to lift the unjust blockade imposed on the Palestinian people. The government will spare no effort in ensuring that the blockade is lifted, and in mobilizing Arab, Muslim, and international political, financial, economic, and humanitarian support.
25. The government will endeavor to free all Palestinian prisoners held in Israeli jails with no exception or prejudice, and will do all it can to ensure that deportees return to their homes.
26. The government reaffirms the right of return and its commitment to it, and will call on the international community to implement the clauses in UN resolution 194 concerning the right of Palestinian refugees to return to and receive compensation. The government will multiply its efforts to support and care for Palestinian refugees, and will continue to defend their rights.
27. (Subsequently revoked) The Supreme Committee for Negotiations will be reorganized in order to consolidate political participation and better defend the national interest.