

International Monetary Fund

From the Selected Works of Warren Coats

October, 2005

The view from the West Bank

Warren Coats



Available at: https://works.bepress.com/warren_coats/26/

The view from the West Bank

Over the past ten years I have visited the land of Canaan many times, first to help establish the Palestine Monetary Authority (PMA) and later to advise the central bank of Israel. I recently returned for the first time since the second Intifada had helped destroy the hope created by the Oslo peace process. This visit was to again advise the PMA. My visits to the Bank of Israel, Israel's central bank, between 2000 and 2001, showed me the situation through the eyes of my Jewish Israeli friends and counterparts. My current reflections present more of a Palestinian perspective.

Much has changed in the West Bank since my first trip there ten years ago. The most striking contrast with ten years earlier are the large number of check points that now disrupt mobility for Palestinians and the decline of life in East Jerusalem (the Palestinian part of the city) and the virtual economic death of Bethlehem.

Palestinians are predominantly Muslim Arabs. They tend to be what you might call modern Muslims. Like Jordan, which is 80 percent Palestinian anyway, the West Bank is a liberal and relatively modern place. I found restaurants, bars, and social life that you might find in Turkey or Greece. The liberalism of the society is most quickly and easily seen in the women. There are none of the fully covered women so prominent in Afghanistan and Saudi Arabia. A few wear scarves to cover their heads, but most do not. I was surprised at the number of women smoking "Hubbly Bubbly" (large water pipes with pleasant smelling tobacco) in restaurants while having cocktails with their friends.

My goal here is to acquaint you with the current situation in the West Bank and Gaza in its historical context and to share with you my views on the way forward to peace and prosperity for both Palestine and Israel.

A Very Brief Ancient History

The history of Palestine is very long and complicated and what we might call Jewish people (Israelites, Hebrews) occupy only a relatively small part of it. The real history of the Hebrews in this area began from the time that Moses lead 12 Hebrew tribes out of Egypt into the land of Canaan (after wandering for 40 years in the dessert, of course). Canaan comprised what is now Israel, the West Bank and Gaza and much of Jordan. About 1000 B.C. David conquered Jerusalem and made it the capital of his Kingdom. It thus became a center of Judaism (and later of Christianity and still later of Islam).

The Assyrians toppled the Hebrew Kingdoms in 722 B.C. and were followed by the Babylonians (Iraqis) around 586 B.C. They destroyed Solomon's Temple in Jerusalem, and exiled a large number of Jews. Over four hundred years later in 167 B.C. the remaining Jews revolted against the rules of the time and established another Hebrew Kingdom with Jerusalem again as its capital. By the time Jesus was born in Bethlehem,

the Roman's ruled Jerusalem and the region, which they called Judea. In A.D 135 the Romans drove most of the religious Jews out of Palestine, as it was by then called, resulting in the second Jewish Diaspora.

Muslim Arab armies conquered Jerusalem in A.D. 638 and ruled most of the Middle East. When combined with Ottoman rule, Muslims ruled Palestine over most of the next 1,200 years until the early 1900s. They allowed Christians and Jews to keep their religions but most of the inhabitation of the area became Muslims. Jerusalem is holy to Muslims as the place from which Muhammed ascended to heaven (and for Christians as the place from which Jesus ascended to heaven). Muslim rule was briefly broken when the Christian Crusaders captured Jerusalem in 1099 and held it until 1187. They slaughtered many Jewish and Muslim defenders and forbade Jews to live in Jerusalem.

In the early 19th century the Ottoman Empire opened Palestine to foreigners and both Arab and Jewish populations increased. In 1880 a Palestine population of about 400,000 included about 24,000 Jews. By 1914, at the beginning of World War I, a Palestinian population of around 700,000 included over 85,000 Jews as the result of increased immigration following the establishment of the Zionist movement in 1897.

May promises were allegedly made by the French, British, Germans, Russians and Turks (who still ruled Palestine) during WWI in the search for allies for one side against the other. In 1916, T. E. Lawrence (Lawrence of Arabia) led an Arab revolt against the Turks in the belief that the British had promised them self rule, including in Palestine. He was one of many famous people to stay in the American Colony Hotel in Jerusalem, from where I am writing this. For reasons that are still debated, the British responded to a request from the Zionist organization in Great Britain by writing a letter that became known as the Balfour Declaration. The letter stated Britain's support for the creation of a Jewish state in Palestine, as long as it respected the civil and religious rights of the existing non-Jewish residents.

Following the war, the League of Nations carved up the Ottoman Empire into mandate territories. In the Middle East the debate was primarily how control of the area would be divided between the French and the British. The British pressed to receive the Palestine mandate (which included the modern day Israel, West Bank and Gaza and most of Jordan) with the stated aim of implementing the Balfour Declaration. This was strongly opposed by the residents of Palestine and their Arab allies. The British got their way and the stage was set for the struggle between Palestinians and Jews over the lands of Palestine that goes on to this day.

The history of the British mandate is fascinating for those interested. But the key issues are the basic incompatibility between the British commitment to a Jewish homeland in Palestine and U.S. insistence that the post war mandates must eventual end in democratic independence for the residence. Jews were only a small fraction of the population of Palestine and would never be democratically brought to power. Massive Jewish immigration offered the only possible route to a democratic Jewish state in Palestine and the Arab Palestinians strongly opposed it. In a 1939 White Paper the British

in effect abandoned the Balfour Declaration. Its new policy restricted Jewish immigration to Palestine to 15,000 per year for five years after which immigration would be subject to Palestinian, i.e., Arab, approval.

On top of Zionist pressures for more immigration, the rapidly rising persecution of Jews in Europe and subsequently the revelation of the extermination of six million Jews by Nazi Germany in the Holocaust put enormous pressure on British limits on Jewish immigration. Wide spread illegal immigration was aided and supported by private and governmental groups. In frustration, Britain gave up its mandate to the newly formed United Nations, which on November 29, 1947 adopted the partition of Palestine into a Jewish state and an Arab state with Jerusalem under international control thus throwing open the doors to Jewish immigration into the Jewish state (UN Resolution (GA 181)). At that time there were about 600,000 Jews and 1,200,000 Arabs in Palestine. Most of the Jews lived in the areas assigned to the Jewish state. However, around 100,000 of them lived in greater Jerusalem, which was cut off from the Jewish state area by Arab territory. The partition was embraced by the Jews and rejected by the Arabs. The Arab League declared war on the Jews in Palestine. In the following weeks and months Jewish and Arab irregulars periodically attacked Arab and Jewish towns and even blockaded Jerusalem.

The History after 1948

The Jews proclaimed the Independent State of Israel on May 14, 1948 and the British promptly withdrew. Within days Israel was attacked by Egypt, Jordan, Lebanon, and Syria. Israel came out of these battles stronger and with more territory than assigned to a Jewish State in the UN partition plan. The 1949 plan put forth by the armistice commission at the end of this war established the enlarged borders of Israel along the so called “green line” that became the internationally recognized borders of the state of Israel, except by the Arab countries, which never signed a permanent peace treaty with Israel or ever recognized the State of Israel. One sticking point, which remains a sticking point today was Israel’s refusal to readmit more than a small number of the over 700,000 Palestinians driven from their homes in Israel during this war. They became, and many of them remain, refugees in the West Bank and neighboring Arab countries.

In the years that followed, the Soviet Union began arming Israel’s Arab neighbors and France supplied arms to Israel. Arab anti Israeli rhetoric built until Israel launched a preemptive strike against Egypt on June 5, 1967, destroying most of the Egyptian air force in one day. Over the next five days Israeli forces occupied the Sinai desert, Gaza Strip, West Bank and Golan heights. The Six Day War sent shock waves through the Arab world and ended Nasser’s Egyptian aspirations for Pan-Arabism. It also put about a million Palestinians under Israeli rule. UN resolution 242 called for the negotiation of a permanent peace and Israel’s withdrawal from all of the territories it had just occupied.

The Israeli government initially offered to return all captured land except Jerusalem in exchange for peace treaties with its Arab neighbors. However, Israeli Jews

quickly divided on this issue, with some calling for annexation and settlement of the West Bank and Golan heights. All offers were quickly rejected by Arab states in any event, which remained publicly committed to Israel's extinction. Some religious and nationalist Jews began to build settlements in the occupied territories with the tacit support of the Israeli government. The expansion of the number of these illegal settlements continues to this day.

The period between the Six Day War until the launch of the Oslo Peace in 1994, 95 and 96 was punctuated by a number of wars—the 1970 War of Attrition with Egypt; the Yom Kippur War with Egypt and Syria in October 1973; the War in Lebanon in June 1982; and the first Intifada, or uprising, from 1986 to 1991 (largely a rock throwing revolt of Palestinian youth to Israeli occupation). These wars were about what most wars are about—territory. The core of the problem was stated clearly by David Ben Gurion in 1919, almost 30 years before he became Israel's first Prime Minister: *“We as a nation want this country to be ours; the Arabs as a nation want this country to be theirs.”*

The More Recent History

The Six Day War reaffirmed that Israel could not be driven out of the area, but Israelis remained rightly concerned for their safety in the face of Arab hostility. The most immediate threat came from Palestinian militants wanting their land back. A strong but beleaguered Israel was itself increasingly divided over the way forward.

Israel and the WBG are highly interdependent economically. Overwhelmingly the largest share of the WBG's trade is with Israel (though a significant amount of this is actually trade with the rest of the world through Israel). More importantly, the WBG provided a significant part of Israel's skilled laborers. These workers contributed to economic growth in Israel and to employment for the WBG. During the 1980's, unemployment in the WBG was generally under 5 percent.¹

The onset of terrorist attacks in Israel in the early 1990's was countered by an Israeli policy of border closures that periodically stopped the flow of goods and workers between Israel and the WBG. It is questionable whether Israel's collective punishment of all Palestinians (and of its own economy) with the goal of gaining their cooperation in stopping terrorism coming from the WBG was effective in reducing terrorism. It was very effective, however, in damaging the Palestinian economy. Real per capital income fell almost a third between 1992 and 1996. By 1994, Palestinian unemployment jumped to almost 25 percent.

The Oslo accords in 1993 and 95, agreed to by the “peace camp” in Israel and Yasser Arafat of the Palestine Liberation Organization (PLO) on behalf of Palestinians, seemed to point the way to a future two state resolution of the Israeli Palestinian conflict based on the swapping of land (the return of occupied territories to the Palestinians) for

¹ CIA Factbook: West Bank and Gaza Strip

peace (Arab recognition of the State of Israel and pledges of peaceful coexistence). It provided for a one step at a time process meant to build sufficient trust and confidence that the next step could be taken. To overcome the fractious leadership on the Palestinian side, the Oslo agreement embraced Arafat as the spokesman for Palestinians, and thus Israel's partner for peace.

Over the next four years the WBG economy flourished. From 1996 through 1999 real output (GDP in U.S. dollars) rose from almost \$1,400 to almost \$1,500 per capital.² This compares with real output per capital in Israel of \$20,800 in 2004.³ Unemployment in the WBG fell from 23.8% to 11.8% over the same period.⁴

The hopes spawned by the Oslo process were dashed when Palestinian terrorist attacks and suicide bombers inside Israel aroused Israeli fears and led to the election of Bibi Netanyahu, who did not really embrace the assumptions of the Oslo accord. Furthermore, Arafat proved an unreliable peace partner and failed to build an effective government or contain terrorism.

What became known as the Al-Aqsa Intifada, or second Intifada, started with Ariel Sharon's controversial visit to the Temple Mount near the Al-Aqsa Mosque, Islam's third most sacred sight, on September 28, 2000 and lasted until early 2005. Sharon was then the leader of the opposition. The day before a 19 year old Israeli Army Sargent was killed by a road side pipe bomb. The day after Sharon's visit riots broke out around Old Jerusalem in which several Palestinians were shot dead. Riots quickly spread throughout the West Bank and Gaza. According to Israeli sources, Palestinians killed 1001 Israelis during this four year period. Estimates of the number of Palestinians killed range from 2,124 to 3,671. Of these, Shin Bet (the General Security Service of Israel) claims 2/3 were combatants. B'Tselem (an Israeli human rights organization) claims the only 1/3 were combatants. The Israeli and Palestinian economies were hard hit by the Intifada.

"In 2001, and even more severely in 2002, Israeli military measures in Palestinian Authority areas resulted in the destruction of much capital plant and administrative structure, widespread business closures, and a sharp drop in GDP. Including Gaza Strip, the UN estimates that more than 100,000 Palestinians out of the 125,000 who used to work in Israel, in Israeli settlements, or in joint industrial zones have lost their jobs. In addition, about 80,000 Palestinian workers inside the Territories are losing their jobs."⁵

A second Intifada drove the two sides even further from resolution. The impact on the economy in the WBG was devastating. Real GDP declined for several years even in Israel.

On 24 June 2002, US President Bush laid out a "road map" for resolving the Israeli-Palestinian conflict, which envisions a two-state solution. However, progress

² Statistical Bulletin, Palestine Monetary Authority <http://www.pma-palestine.org/statistical/statistical.html>

³ CIA Factbook: Israel

⁴ Statistical Bulletin, Palestine Monetary Authority

⁵ CIA Factbook: West Bank and Gaza Strip

toward a permanent status agreement has been undermined by Palestinian-Israeli violence ongoing since September 2000. The conflict may have reached a turning point with the election in January 2005 of Mahmud Abbas as the new Palestinian leader following the November 2004 death of Yasser Arafat.

The recent removal of Israeli settlements in Gaza and the withdrawal of the Israel Defense Forces (IDF) that protected them have raised hopes that these directions can be reversed. Hope among Palestinians cannot be sustained if jobs and economic growth do not follow soon. Patience among Israelis will not be sustained if the ineffective and corrupt Palestinian Authority (PA) does not clean up its act and gain reasonable control over Palestinian militants. The Palestinian mainstream will give up on the PA in favor of the Islamic Resistance Movement (Hamas) or more militant groups for the same reasons.

The question on Israel and Palestinian minds today is whether the new undertaking toward peace will be different this time.

The West Bank and Gaza today

In another world most Jews might see the best interests of Israel in annexing the West Bank and Gaza and getting rid of the Palestinians. The Palestinians would see their best interest in the return of all of their (pre 1948) homeland and getting rid of the Jews. In this world, i.e., the real one we live in, most Jews⁶ see their best interests in living peacefully with an independent, democratic Palestine occupying most of the West Bank and Gaza and most Palestinians see their best interests the same way.

So what is preventing the achievement of this mutually desired outcome? On the Israeli side it is concern for security (fear of continued Palestinian terrorist attacks) and the difficulty of breaking the political hold of those who still want to settle the West Bank. On the Palestinian side it is establishing an effective government (reducing corruption and efficiently delivering needed services) and gaining control over, isolating, and breaking the political hold of those still intent on driving the Jews out of the area (and still willing to use terrorism). And then there are the difficult but ultimately resolvable issues (by compromises on both sides) of Jerusalem, the Palestinian right of return, some sticky issues about water rights (most of it comes from the West Bank and most of it is used in Israel) and Israeli defense outposts in the West Bank.

Given the mutual self interest of the vast majority of Israelis and Palestinians, whether Jewish, Muslim or Christian, in a peaceful two state solution, what policies should be adopted? Israel has a self interest in the success of the Palestinian National Authority (PA) as a government, in containing and eliminating the WBG's terrorists, and in the success of the Palestinian economy in restoring jobs and hope to the Palestinian people. Israel should pursue policies that will lead as rapidly as possible to a stable, effective, democratic government in the WBG and a healthy prosperous Palestinian economy.

⁶ According to Thomas L. Friedman, "Right now, two-thirds of Israelis support a two-state solution with the Palestinians." The *International Herald Tribune*, September 24-25, page 7.

What is actually going on?

Gaza disengagement

In the spring of 2004, Israeli Prime Minister Ariel Sharon announced a plan to unilaterally dismantle all Israeli settlements in Gaza (and four settlements in the West Bank) and withdraw the Israeli Defense Forces (IDF) that protected them. His controversial plan was formally approved by the Israeli Parliament in August 2005 and successfully implemented in September. “Having 8,000 Jews living in one third of the land in the Gaza Strip, surrounded by over 1.3 million Palestinians had become utterly insane.”⁷ Immediately following the completion of Israeli disengagement from Gaza, Israeli Deputy Prime Minister Shimon Peres “declared that the Israeli presence in Gaza for over 38 years had been ‘a grave historical mistake.’”⁸

The IDF completed its removal of Israeli settlers and its own withdrawal from the Gaza Strip during my current visit to the West Bank and with it some optimism has returned to Israeli/Palestinian relations. However, this optimism is surrounded by a lot of skepticism. On the Israeli side there is concern that Gaza will become a Palestinian terrorist haven and will be utilized by them to rearm and attack Israel. This concern was heightened by the seeming chaos in Gaza following the IDF’s withdrawal, which included burning the Jewish synagogues abandoned by the Jewish settlers when they were forced by the IDF to withdraw, and uncontrolled movement of Palestinians across the unguarded boarder with Egypt. In his recent speech at the United Nations, Ariel Sharon declared that the ball was now in the Palestinian’s court. It is now up to the Palestinian Authority, he said, to demonstrate that it can govern Gaza and control terrorism against Israel coming from Gaza and the West Bank.

On the Palestinian side there are doubts that Sharon’s government really wants the PA to succeed. Though the withdrawal from Gaza went better than many expected, Israel suddenly completed their withdrawal over two weeks earlier than planned without forewarning or consultation with the PA. This caught the PA police and security forces unprepared to move into the void thereby created. Palestinian celebrations after 38 years of Israeli occupation sometimes got out of hand. Hamas ruled the streets. Dan Kurtzer, departing U.S. Ambassador to Israel stated that: “Changing the decision literally 12 hours before the evacuation didn’t give the [Palestinian] side a chance to deal with it. There were no discussions, no prior coordination, nothing.”⁹

When the IDF withdrew early they closed the Rafah crossing between Gaza and Egypt because Israel had not yet concluded an agreement with the PA and Egypt on how to operate the crossing. Their early withdrawal also caught the PA and Egyptian border guards unprepared to take up the control of the crossing. Thousands of Palestinians

⁷ Ibid.

⁸ Uri Dromi, “Out of Gaza; West Bank: still ticking” in the *International Herald Tribune*, September 24-25, page 7.

⁹ In an interview with Herb Keinon in *The Jerusalem Post*, September 18, 2005, page 9

rushed across the unprotected border into Egypt in what appeared on TV as chaos. It was not what it seemed. The border itself, set up by the Israelis in the early 1970s, cut through the town of Rafah. Palestinians rushed across the border in part to see their Palestinian relatives, friend and fiancées. *The Jerusalem Post* commented that many of them returned with brides. Much of the apparent chaos was actually jubilant celebration reminiscent of what we saw when the Berlin wall fell between East and West Berlin.¹⁰

After catching his breath and marshalling his troops, PA Chairman Mahmoud Abbas reclosed the border until an agreement could be concluded with Egypt for its operation, thus complying with the demands of Israel. While this was the appropriate thing to do, it put him in the position of doing Israel's bidding, which does not help his efforts to gain control of Gaza from Hamas—especially its militant wing, which has not renounced the use of violence to drive Israel from the WBG. Hamas is more popular with the public in Gaza than the PA because it has delivered the social services (schools, food, jobs) that are needed, while the PA has not. Hamas is also better armed than the PA police and defense forces as Israel does not allow the Palestinian police to have guns and strictly limits the arms available to the defense forces—Israel has no such control over Hamas.

It is frightening to see the Hamas banners in Gaza proclaiming: “What ten years of negotiating failed to achieve we have achieved with four years of Intifada.” In its first ten years the PA has been inept and corrupt and frankly hasn't deserved public respect. Arafat was not good at building modern, accountable, democratic institutions and he proved a very unreliable Israeli “partner” in the peace process. Now it is an up hill struggle for Chairman Abbas and the PA to clean up their act and gain control of the situation. It is understandable that Israel now expects the PA to deliver on its responsibility to control Palestinian terrorism. There is some hope on the Palestinian side that Abbas can do so. But how does Israel expect the PA to pass this test when Israel seems to undermine the PA's ability to succeed at almost every turn? Cooperation, i.e., bringing most Hamas supporters into the political process along the lines that have worked with the IRS in Northern Ireland, seems to be the only hope.

Israel has indicated that it will not accept Hamas participation in the Palestinian elections scheduled for January. As Sharon has pointed out, the elections cannot take place without Israeli cooperation (they must loosen the strangle hold they now have in the WBG if Palestinians are to get to the polls). The U.S. has indicated that Israel should back off and give Abbas enough room to maneuver.

Despite Hamas's unhelpful boasts that it is terrorism that has driven Israel out of Gaza, it is reassuring that no Israeli settler or soldier was hurt during the withdrawal and Hamas has largely honored the temporary truce.

¹⁰ For a first hand account of the exuberant rush across the unprotected border, see “Unoccupied: No Israelis in Gaza. No Jobs, Either” by Abdallah Al Salmi, in Outlook, *The Washington Post*, October 2, 2005.

The economy

During this visit I have traveled every day from East Jerusalem to Ramallah and had to pass two and sometimes three Israeli check points. These did not exist when I helped establish the PMA in 1995 and 1996. Ramallah is sealed off from the rest of the West Bank and no one can go in or out without Israeli approval. Hundreds of road blocks (check points) are now in place throughout the West Bank making travel very difficult. Israeli troops have reoccupied the West Bank cities that had been turned over to the PA under the Oslo process.

About 70 percent of the WBG's trade is with (or through) Israel. All goods crossing the borders between Israel and the WBG must be unloaded and inspected at the border check points. The WBG has no currency of its own and largely uses the Israeli shekel. Thus new currency notes come from Israel and old notes are returned to Israel. The armored cars bringing the notes to the WBG unload at the border under the protective eyes of Israeli soldiers and the cash is picked up by regular vans on the WBG side (because Israel will not allow banks in the WBG to buy armored ones—though the few that were there before 1967 remain in use). The West Bank is in danger of becoming a collection of isolated islands.

Gaza is completely isolated. It does not connect with the West Bank, and travelers and traders require permission from Israeli to travel to the West Bank. The border with Egypt now under Palestinian control provides a new option and James Wolfenson, former World Bank President and now Special Envoy for Disengagement, is negotiating with Israel to establish escorted convoys for the movement of commerce out of Gaza. He is also seeking the adoption of technology and procedures to facilitate the freer flow of commerce in and out of Gaza, the establishment of an airport and sea port in Gaza to open up alternatives for transport, and freer movement within the West Bank. Israel has made Gaza a big prison in the past and is threatening to do so again if the PA cannot bring Hamas and other militant groups under control.

Last Friday afternoon I visited Bethlehem. Israel has recently reopened it for travelers. The once bustling tourist city, the birth place of Jesus, is now almost a ghost town. Many shops have been boarded up. Arafat's house that had been hit by an Israeli missile (before the U.S. extracted Israel's promise not to assassinate him) is still a pile of rubble. If the same conditions had been present during the time of Jesus, it is doubtful that Joseph and Mary would be able to travel from Nazareth to register in Bethlehem.

The Wall

Do good fences make good neighbors? The meaning of this bit of folk wisdom, as I understand it, is that well-defined property rights and clear rules help make relationships peaceful and fruitful. Of course, I am an economist and thus naturally think that most good things start with clear property rights. However, I don't think the old saying meant

that something like the Berlin Wall makes good neighbors. Unfortunately the security wall that the Israeli's are building is more like the latter.

If it was built along the Green Line, the border of Israel before the Six Day War, and to which it is required by various UN resolutions to retreat, it would be merely ugly. However, the wall extends well into the West Bank and thus into territory reserved for Palestinians in the UN partition of Palestine that led to the establishment of the State of Israel. The wall has been declared illegal by the International Court of Justice. Even the Israeli Supreme Court has ruled that parts of it must be torn down and relocated. The wall wanders all over the country side doubling back on itself and cutting some Palestinians off from their neighbors and their own fields. This strange pattern results from Israeli efforts to connect Israeli settlements illegally built in the West Bank with Israel and thus to protect (if not annex) the settlers. The Israeli Supreme Court based its decision on Israel's obligation as an occupying authority to strike a reasonable balance between Israel's need for security and the costs to Palestinians in lost income and quality of life.

Since the Six Day War, the number of Israelis living in occupied territories rose from zero to over 400,000. Above half of that growth in the populations of the so-called "settlements" occurred after the 1993 Oslo Accords. An official Israeli government report on the settlements headed by Talia Sasson, the former head of the State Prosecution Criminal Department, and published March 8, 2005, stated "that Israeli state bodies have been secretly diverting millions of dollars to build West Bank settlements which were illegal under Israeli law."¹¹ These facts and Israeli actions on the ground feed Palestinian suspicions that Israel never intends to return Palestinian lands. The U.S. has largely turned a blind eye to the continued growth of the settlements in the West Bank.

Israel's policies are crippling the PA and crippling the Palestinian economy. A widely held view among Palestinians is that the Israeli government does not want Palestine to succeed so that they can eventually annex the West Bank and continue settling it, something that world opinion will not allow now. Israeli writer Ari Shavit recently wrote that, "Following the disengagement, it is now clear that these are two different states: Israel on the one hand, and the Likud state on the other. Israel wants sovereignty, a border and a clear national identity; the Likud state wants settlements, a mixed population and a blurred identity."¹²

New York Times columnist Thomas Friedman, anticipating that the Likud party would kick Sharon out and give control of the party to Bibi Netanyahu, stated that "Likud under Bibi, and without Sharon, will be free to be itself—to represent the lunatic right in Israel."¹³

Jerusalem

¹¹ http://en.wikipedia.org/wiki/Israeli_settlement

¹² *Haaretz*, September 20, 2005

¹³ *The International Herald Tribune*, September 24-25, page 7.

Jerusalem is a special case. Israel has been slowly squeezing Palestinians and economic life out of East Jerusalem (the West Bank side of the Green Line). During dinner one evening, Israeli soldiers raided our restaurant near our hotel in East Jerusalem. Half of the staff ran out the back door. They did not have permits to work in Jerusalem (even the Palestinian part of it). Israel has made acquisitions of such permits increasingly difficult.

During my stay, *The Jerusalem Post*, a right wing Israeli newspaper, published an article about the start of the new school year and the thousands of Palestinian school children who had no classrooms in which to be taught. As the occupying power, Israel has an obligation to provide basic services to the territories it occupies. In recognition of this, the Israeli Supreme Court ruled several years ago that the Municipality of Jerusalem must build several hundred classrooms for the Palestinian children living within its borders. They have not done so. They collect taxes from the Palestinian residents but don't collect the garbage on the grounds that it is too dangerous to do so.

It is tit for tat—the Hatfields and the McCoys. The Palestinians ask “if the Israelis want us to be nice to them why aren't they nice to us?” The Israeli's say “why should we be nice to the Palestinians when they send suicide bombers into our restaurants?” Collective guilt and collective punishment are practiced by both sides with increasingly negative results for both.

One explanation for Israeli policies in Jerusalem is that it is needed to insure security of the area. A more likely explanation is that it reflects a deliberate policy to drive Palestinians out of east Palestine by making it economically unviable. This would facilitate the desire of some Israeli right wingers to (largely) return the occupied territories to Palestine, except Jerusalem. The highest concentration of settlements, containing almost half of all Israeli settlers, is in and around Jerusalem. Such a strategy would continue the unilateral, non negotiated ending of Israel's occupation of the WBG started in Gaza. A border defined by Israel would be protected by the security wall Israel is racing to complete. I doubt that a policy that has not been negotiated with and accepted by Palestinians will bring peace to the area.

U.S. Policy toward Israel

For many years the U.S. has supported the dictatorships in Egypt, Jordan¹⁴, Pakistan, and Saudi Arabia in exchange for their help in U.S. efforts to protect Israeli security. Undoubtedly this is in America's self interest, but it may be at the expense of other American interests. It has certainly undermined the confidence of the man in the street in Cairo or Amman in American commitment to democracy.

Karim Nashashibi, the IMF resident representative to the West Bank and Gaza, described the first meeting between an American delegation and Algerian officials that he attended as the U.S. undertook to reestablish relationships with the Algerian government

¹⁴ Jordan's King is considered modern and progressive, but Jordan is not yet fully democratic.

a few years ago. Of all of the issues that needed to be discussed as part of the reengagement, the first point raised by the U.S. delegates was Algeria's relationship with Israel. It brings to mind Condoleezza Rice's famous remark to Douglas Feith, then still the Defense Department's undersecretary for policy, at a National Security Agency meeting on the Middle East: "Thanks Doug, but if we had wanted the Israeli perspective, we would have invited the Ambassador."

Most Americans did not appreciate Israel's deep concerns about the threat of an Iraqi invasion under Saddam Hussein. We knew that Iraqi missiles could land in Israel, but not many looked at the map to see just how close Iraq is to Israel. Neocons favored attacking Iraq because they gave more importance to removing Israeli fears of an Iraqi attack on Israel through Jordan than they gave to other American interests. Removing this fear may be the only accomplishment of that disastrous war.

Like any country, the U.S. has limited political capital to spend at any particular time. It seems to have chosen promoting the interests of Israel over promoting U.S. interests in Afghanistan, for example. The U.S. apparently decided that it was more important to press Pakistan's President Pervez Musharraf's outreach to Israel at the September meetings at the U.N. than to press him to deal more forcefully and effectively with the Taliban training and supply camps across the Afghan boarder in Pakistan. According to Seth Jones of the Rand Corporation, "a complex support network in Pakistan is the key to the Afghan insurgency's survival," and revival.¹⁵ I repeat again that the security of Israel is in our national interest, but should it have a higher priority than routing out the Taliban from Afghanistan?

The key questions underlying resolution of the Israeli/Palestinian problem are whether the vast majority of Palestinians are prepared to accept the State of Israel and give up terrorist attacks in Israel and whether the vast majority of Israeli Jews are prepared to accept a Palestinian state and give up policies to annex and settle the West Bank. America's role should be to maximize the prospects of affirmative answers to these questions.

A key question underlying peace and eventual democracy in the Middle East is whether the U.S. will play this role with some measure of honesty and skill.

¹⁵ The *International Herald Tribune*, September 24-25, page 6.