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Palestinians and Middle East Peace: Issues for the United States

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CONTENTS

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SUMMARY

The United States began contacts with the Palestine Liberation Organization (PLO) in December 1988, after the PLO accepted Israel's right to exist, accepted U.N. Resolutions 242 and 338 that call for an exchange of land for peace, and renounced terrorism. The United States continues its contacts with the PLO and the Palestinian Authority elected in January 1996, and is an active broker in the continuing Middle East peace process.

Congress gave the President the authority to waive previously passed legislation prohibiting U.S. contributions to the United Nations from funding any PLO activities, threatening to withdraw U.S. membership from international organizations that recognize the PLO, prohibiting U.S. government employees from negotiating with the PLO, and labeling the PLO a terrorist organization. The waiver authority was extended in P.L. 104-107 (February 12, 1996), but expired August 12, 1997. Congress also ordered closed PLO offices in Washington and New York, although the New York office serving the U.N. remains open under a U.S. court decision.

In opening remarks to the Madrid conference on October 30, 1991, the Palestinian delegation accepted transitional phases for the peace process and accepted confederation of a Palestinian state with Jordan. Despite accepting confederation, most Palestinians want an independent Palestinian state.

The Israeli and Palestinian delegations did not appear to be making any progress in resolving any of the issues: elections for an interim Palestinian administration, the future national status of the West Bank and Gaza Strip, borders, peacekeeping forces, demilitarized zones, water and natural resource sharing, population exchanges, economic cooperation, diplomatic relations, and the status of Jerusalem. Then on August 19, 1993, Israeli and PLO representatives initialed a secretly arranged Declaration of Principles to guide future negotiations. On September 10, the PLO and Israel exchanged letters of mutual recognition, and on September 13, the two signed the Declaration of Principles, that called for Israeli withdrawal from Gaza and Jericho, the election of a Palestinian Council, and negotiations for future withdrawals and a permanent settlement in 5 years.

On May 4, 1994, Israel and the PLO signed an agreement providing for the Israeli withdrawal from Gaza and Jericho (withdrawal completed May 11, 1994). The Interim Agreement signed on September 28, 1995 (also called Oslo II or the Taba Agreement), provided for elections for the 88-seat Palestinian Assembly, the release of Israeli-held prisoners, Israeli withdrawal from six West Bank cities, and other issues. The Israelis withdrew from the West Bank cities by the end of 1995, and the Palestinian Assembly was elected on January 20, 1996, and sworn in on March 7, 1996.

Israel and the Palestinians agreed to an Israeli withdrawal from Hebron in January 1997, and on October 23, 1998 signed the Wye agreement to meet previous commitments. The peace talks stalled at Camp David in July 2000, and remain suspended since the Palestinian uprising began in September. Some 600 Palestinians and 150 Israelis have died in the continuing confrontation. Also see CRS Issue Brief IB91137, *The Middle East Peace Talks*.

MOST RECENT DEVELOPMENTS

The Washington Post *reported on January 25, 2002, that the Bush Administration was considering cutting ties with Palestinian President Yasir Arafat.*

A suicide bomber killed himself and wounded 14 Israelis at a Tel Aviv shopping mall on January 25, 2002. Hamas announced on January 24, 2002, that it was ending the month-long cease-fire after an Israeli raid on a Nablus bomb factory killed four Hamas members, including the reputed Hamas West Bank chief. On January 23, a Palestinian gunman killed two and wounded several others at a bus stop shooting near Jerusalem. Israel retaliated by attacking Palestinian police posts. Israel also attacked Hizballah sites in southern Lebanon after Hizballah fired rockets at Israeli positions near Shabaa farms. Israeli forces remained in Tulkarim, re-occupied on January 21 following the Bat Mitzva shooting in Hadera that killed six. Arafat remained trapped in his Ramallah headquarters, surrounded by Israeli tanks and armored personnel carriers.

As of January 18, 2002, the death toll rose to 809 Palestinians and 246 Israelis since the beginning of the uprising on September 29, 2000.

BACKGROUND AND ANALYSIS

The United States and the Palestinians

U.S. Policy Toward the Palestinians

Between World War II and the 1991 collapse of the Soviet Union, U.S. policy toward the Middle East was based on several broad goals, the most noteworthy of which were (1) stop Soviet expansion into the region; (2) keep open the Middle Eastern lines of communication and trade; (3) maintain Western access to Middle Eastern oil; (4) foster democracy and free market economies; and (5) protect Israel's security.

There appear to be many reasons why U.S. citizens have favored Israel: Israel and the United States espouse shared Judeo-Christian principles; both countries were "pioneering" in their early years; both countries are democracies; the United States has empathy for Israel's position as an embattled "underdog"; Israel and the United States opposed Soviet expansion during the cold war years; the United States has sympathy for the experience of European Jews in World War II; Jewish-Americans have a very effective pro-Israel political support organization; and the United States is more aware of Israel's point of view. In short, Israelis "are like us." Conversely, there is less empathy among Americans for Arab viewpoints because Arabs are "not like us." Eastern Arab culture (dress, food, music, art, written and spoken language, religion) appears to have little in common with Western American culture, and Arab-Americans in the past have tended to assimilate more than some other ethnic groups and to avoid the public stage of advocacy for Arab causes.

The United States, until recently, treated the Palestinians as one of the problems to be solved in ending the Arab-Israeli dispute rather than as participants in the peace process. From 1948 until the 1967 war, the United States, like many other countries, considered the Palestinian people in the context of the refugee problem and not as an independent national movement. Beginning with a series of terrorist incidents starting in 1968, most added "terrorist" to the "refugee" image of Palestinians. President Carter shifted the terrorist-refugee perception on March 16, 1977, when he said the Palestinians deserved a homeland, and on January 4, 1978, when he said that the Palestinians had legitimate rights and should participate in any deliberations about their future. The Camp David agreements of September 1978 mentioned "the legitimate rights of the Palestinian people." Early in the Reagan Administration, officials returned to referring to Palestinians as "refugees" and "terrorists" and did not mention Palestinian rights or self-determination. But in his September 1, 1982, Middle East address, President Reagan said that the Palestinian problem was more than refugees.

The United States changed its policy toward the PLO in 1988. In 1975, one year after the Arab League stated that the Palestine Liberation Organization (PLO) was the sole representative of the Palestinian people, Secretary of State Henry Kissinger informed Israel that the United States would not recognize or negotiate with the PLO unless and until the PLO recognized Israel and accepted U.N. Resolutions 242 and 338. Congress codified the pledge into law (Section 535, P.L. 98-473, October 12, 1984), and added that the PLO also must renounce terrorism. PLO chairman Yasir Arafat told the U.N. General Assembly meeting in Geneva (because the United States would not grant Arafat a visa to attend the U.N. session in New York) that the PLO recognized Israel, accepted U.N. Resolutions 242 and 338, and renounced terrorism. Secretary of State George Shultz stated on December 14, 1988, that the PLO had met the conditions stipulated by the United States, and that the United States would open a dialogue with the PLO in Tunis, Tunisia, on December 16, 1988. It was not made public why the Reagan Administration, considered by most to be pro-Israeli, chose to open the dialogue with the PLO at that time. Some speculate that President-elect George Bush asked President Reagan for the gesture as part of a Bush plan to address the Arab-Israeli issue.

The United States maintained the dialogue with the PLO in Tunis until June 20, 1990, when President Bush ended the talks because the PLO did not denounce an attempted terrorist attack near Tel Aviv on May 30, 1990. President Bush announced on March 6, 1991 (in the wake of the Gulf war), that he would pursue Arab-Israeli peace negotiations; he dispatched Secretary of State Baker to the Middle East where he met with Palestinian leaders from the occupied territories. Baker's 8 trips to the region and his contacts with the Palestinians, Jordanians, Israelis, Syrians, Egyptians, and others led to peace talks in Madrid on October 30, 1991. But at Madrid and the subsequent meetings, the United States (and Israel) treated the Palestinians as part of the Jordanian delegation, not as a separate entity.

On September 10, 1993, following the Israeli-PLO mutual recognition, President Clinton announced that the United States would resume the dialogue with the PLO. PLO leader Arafat, representing the national aspirations of the Palestinian people, shared the spotlight with Israeli Prime Minister Rabin and President Clinton at the signing of the Declaration of Principles on the White House lawn on September 13, 1993. U.S. official attitudes toward the Palestinians had evolved from seeing them only as refugees to according them a form of recognition that approached, but did not reach, nationhood. Following a pledge made at the

Wye River conference, President Clinton visited Gaza to attend the December 14, 1998 meeting of the PLO National Council, at which the Council voted by show of hands to reaffirm that the PLO Covenant had been amended to remove anti-Israeli references.

Many observers believed President George W. Bush favored Israeli positions because he ended the close involvement in the peace process followed by President Clinton; the Israelis preferred that the United States be less engaged in the peace process. Clinton used a special envoy for the Middle East negotiations, but Bush did not name a special envoy, retired Marine General Anthony Zinni, until November 2001. Zinni returned to the United States on December 14. Bush met three times with Prime Minister Sharon in the White House during the first year but did not meet with Arafat. President Bush did say that there should be a Palestinian state. On December 15, 2001, President Bush blamed Arafat for the failure of the Zinni peace initiative.

U.S. Aid for the Palestinians

At an October 1, 1993, Washington meeting, 46 donor nations pledged $2.4 billion for the Palestinian entity. The U.S. Administration offered $500 million ($125 million in loans or loan guarantees and $375 million in grants) over 5 years for economic development of the Palestinian entity. Of the $125 million available in loan guarantees, only $3 million had been drawn through April 2001. The United States provided funding for the Palestinian Authority through the Holst Fund of the World Bank, through private voluntary organizations (PVOs), and through USAID contracts. No U.S. aid went directly to the PLO.

Of the total $49.268 million obligated for the "transition to self rule" function, $46 million was scheduled to go to the Palestinian Authority through the World Bank Holst Fund. Of the $46 million scheduled to be transferred to the Holst Fund for the PA, $36 million was transferred in FY1994-1995, and the remaining $10 million, obligated for FY1997, was transferred to Jordan in the 1998 appropriations bill after the Chairman of the House International Relations Committee had placed a hold on transferring the funds to the PA. The remaining $332 million provided through FY1998 went to the Palestinians through PVOs (20%) and contractors (80%).

The Administration requested $80 million for the Palestinians for FY1995 and the House Appropriations committee report on H.R. 4426, the foreign operations appropriations bill, recommended $78.4 million for the West Bank and Gaza for FY1995. The Administration requested $76 million for the West Bank and Gaza for FY1996, and the House Appropriations Committee recommended $75 million for the Palestinians for FY1996 (H.R. 1868, H.Rept. 104-143, June 15, 1995). The Administration requested $75 million for the West Bank and Gaza for FY1997, the House recommended funding the West Bank and Gaza at the requested level (H.R. 3540, H.Rept. 104-600), but the Senate neither supported nor opposed the funding level, calling instead for an assessment of projects funded by U.S. aid (S.Rept. 104-295). The Administration requested $75 million for the West Bank and Gaza for FY1998, $75 million for FY1999, and $100 million for FY2000. There are no earmarks for the Palestinians in the FY1995 through FY2001 appropriations legislation. The conference report on the FY2000 Foreign Operations Appropriations bill (H.R. 2606, H.Rept. 106-339) said funding for the Palestinians should remain at the previous year's level ($75 million): President Clinton vetoed the bill.

Section 563 of S. 2522, introduced on May 9, 2000, prohibits U.S. aid for the Palestinian Authority, but provides a presidential waiver if such aid is in the U.S. national interest. The United States has not given any aid to the PA since 1995. H.R. 5272, which passed the House on September 27, 2000, by a vote of 385 to 27, would stop all U.S. aid to the Palestinians except humanitarian aid if the Palestinians unilaterally declare a state.

On November 14, 2000, President Clinton requested an emergency appropriation that included an unspecified amount for FY2002 for the Palestinians to be drawn from $150 million to be shared among Egypt, Jordan, and the Palestinians. The request submitted to Congress also included $450 million for Israel, $225 million for Egypt, and $75 million for Jordan for FY2001, and an additional $350 million for Israel for FY2002. The 106th Congress adjourned without acting on the request.

Table 1. U.S. Aid Obligations to the Palestinians, 1994-1998
(millions of dollars)

Program	Totals*	FY1994-1995	FY1996	FY1997	FY1998
Expand Economic Opportunity	65.814	26.410	16.182	14.219	9.003
Scarce Water	193.269	69.832	32.764	50.969	39.704
Governance	35.160	3.073	9.364	11.500	11.223
Transition to Self Rule	49.268*	39.132	.136	10.000	0
Short Term Develop. Needs	24.754	17.839	5.860	.300	.755
Totals	368.265	156.286	64.306	86.988	60.685

Source: USAID Statistical Annex - FY1997, p. 139-141, and telephone conversation January 1999.

Wye Agreement Funding. On November 30, 1998, President Clinton told the donors conference in Washington that the United States would provide $400 million in grants for the Palestinians, $200 million of which would be provided in FY1999, $100 million in FY2000, and $100 million in FY2001. (The President also requested $1.2 billion for Israel and $300 million for Jordan to implement the Wye Agreement.) Congress did not include funding for the Wye Agreement in the Foreign Operations Appropriations bills for FY2000 (H.R. 2606, S. 1234). The President vetoed H.R. 2606 in part because it did not contain funding for the Wye Agreement. After negotiations with the White House, the House of Representatives passed H.R. 3196 on November 5, 1999, that included the Wye Agreement funding; $1.2 billion for Israel, $200 million for Jordan, $25 million for Egypt, and $400 million for the Palestinians. H.R. 3196 was set aside and replaced with H.R. 3422, which was included by reference in H.R. 3194, the consolidated appropriations bill passed by the House on November 18, by the Senate on November 19, and presented to the President on November 22, 1999. The $400 million Wye supplemental was in addition to annual aid levels of about $75 million.

According to a State Department report presented to Congress in late October 1999, the Wye funding for the Palestinians would be spent as follows:

Palestinians: $400 million
$100 million — Community Development (health, education, water, infrastructure, services)
$30 million — Rule of Law (law enforcement, human rights, train judges, prosecutors, lawyers, etc.)
$10 million — Industrial Estate - West Bank
$100 million — Gaza Port, Gaza-West Bank passageway
$30 million — Scholarship Fund
$100 million — Janin-Nablus Road
$30 million — Contingency Fund

(See CRS Report RS20895, *Palestinians: U.S. Assistance*, April 17, 2001, 6 p.)

Congress and the PLO

Congress stated its opposition to the U.N. special committee on Palestinian rights (Section 614, P.L. 95-426, October 7, 1978), opposed U.S. participation in the International Monetary Fund if the IMF granted membership to the PLO (Section 7, P.L. 96-389, October 7, 1980), and stated that U.S. funds contributed to the U.N. could not be used to support the PLO (Section 154, P.L. 97-377, December 21, 1982). In 1984, Congress prohibited U.S. government employees from negotiating with or recognizing the PLO unless and until the PLO recognized Israel's right to exist, accepted U.N. Resolutions 242 and 338, and renounced terrorism (Section 535, P.L. 98- 473, October 12, 1984).

In 1987, Congress declared the PLO to be a terrorist organization and a threat to U.S. interests, and ordered the PLO information office in Washington and the office of the PLO U.N. mission in New York to be closed (Title X of P.L. 100-204, December 22, 1987). The Department of State closed the Washington office, but the New York office remained open after a judge ruled that the office was legal under the U.N. treaty signed by the United States. The Washington office reopened in September 1993, after the PLO and Israel signed the Declaration of Principles under waiver provisions in the Middle East Peace Facilitation Act. The PLO office closed on August 12, 1997, when the Middle East Peace Facilitation Act expired because the presidential waiver expired with the act. The PLO office reopened on December 6, 1997, when the President exercised the waiver in Section 539(d) of P.L. 105-118, the foreign operations appropriations law. The office remains open under subsequent presidential waivers provided in the foreign operations appropriations bills.

In 1989, Congress added Title VIII, the PLO Commitments Compliance Act, to P.L. 101-246, signed into law on February 16, 1990, which repeated the prohibition against negotiating with the PLO, stated the sense of Congress that the United States should seek to prevent PLO involvement in terrorism, said the United States should obtain an accounting from the PLO of several listed incursions into Israel, required the Secretary of State to report to the Congress on the PLO explanation of the incursions, and required the President to file quarterly reports on several listed PLO activities and positions. The Secretary of State sent the first PLO Compliance Act report to Congress on January 11, 1994, stating that the PLO remained opposed to terrorism and that the United States would continue the dialogue resumed on September 10, 1993.

Following the signing of the Declaration of Principles on September 13, 1993, Congress passed the Middle East Peace Facilitation Act (MEPFA) granting the President the authority

to waive sections of existing law that forbid contacts with the PLO, that prohibit the PLO from opening an office in the United States, or that constrict providing aid to the PLO through the United Nations. (The Middle East Peace Facilitation Act of 1993, P.L. 103-125, October 28, 1993; amended and renewed several times, most recently in P.L. 104-107, February 12, 1996). The current MEPFA and the President's waiver authority expired on August 12, 1997. The most recent combined MEPFA-PLOCCA report to Congress appeared on January 12, 1997, covered both the PLO Commitment Compliance Act and the Middle East Peace Facilitation Act, and found that the PLO was complying with its commitments, and the most recent PLOCCA report, filed on March 31, 2001, for the June-December 2000 period, found the PLO in compliance with their commitments.

In May 1997, Members of Congress threatened to cut U.S. aid to the Palestinians because Palestinian leaders advocated applying a 1973 Jordanian law that called for the death penalty for Palestinians who sold land to Israelis or Jews. On June 10, 1997, the House passed by voice vote an amendment to H.R. 1757, the Foreign Relations Authorization bill, that called upon Palestinian leaders to renounce the death penalty, and stated that the President and Congress will consider Palestinian actions when considering renewal of the Middle East Peace Facilitation Act that expired on August 12, 1997. Other Members of Congress suggested cutting aid to the Palestinians because they believed that the PLO or the Palestinian Authority incited recent terror attacks against Israel. News reports that an internal PA audit released on May 25, 1997, disclosed corruption and waste prompted other Members of Congress to question U.S. aid to the Palestinians. After allowing the Middle East Peace Facilitation Act to expire on August 12, 1997, Congress added sections to the Foreign Operations Appropriations bill, H.R. 2159, that gave the President waiver authority similar to the MEPFA waivers. (See Sections 539(d), 552, and 566 of P.L. 105-118, November 26, 1997, and Sections 553, 556, and 566 of P.L. 105-277 of October 21, 1998, Section 538(d) of H.R. 3194 of November 19, 1999.) On December 6, 1997, June 3, 1998, and October 22, 1999, the President exercised his waiver to allow the PLO office in Washington to remain open.

Section 584 of P.L. 105-277 of November 21, 1998, and Section 578 of H.R. 3194 of November 19, 1999, and Section 574 of P.L. 106-429 of November 6, 2000, prohibit any aid funds for the Palestine Broadcasting Corporation (PBC). The United States provided about $250,000 for training and equipment for the PBC in 1995 but withdrew the aid when it was feared that Arafat would use the public station for political purposes. The United States continues to help Palestinian journalists, but does not provide direct support to the PBC.

The House of Representatives passed H.Con.Res. 426 by a vote of 365 to 30 on October 25, 2000; the resolution expressed solidarity with Israel and condemned Palestinian Arab leaders for encouraging violence in the continuing confrontations that began following Likud Party leader Sharon's visit to the Haram al-Sharif/Temple Mount area of Jerusalem on September 28.

Eighty-seven U.S. Senators and 209 Representatives signed similar letters to President Bush on April 5, 2001, advising that Palestine President Arafat not be invited to the White House until the Intifadah ended, that the Palestinian leadership was responsible for orchestrating the Intifadah, and that the United States should stop aid to the Palestinians.

P.L. 107-115 (H.R. 2506), the foreign operations appropriations bill for FY2002 signed into law on January 10, 2002, requires the President to report to Congress on PLO compliance with past commitments. If not in compliance, the President may close the PLO office in Washington, designate the PLO as a terrorist group, and limit humanitarian assistance to the Palestinians.

Palestinian Statehood. On November 15, 1988, the Palestine Liberation Organization National Council declared a Palestinian state with its capital in Jerusalem. Some 100 nations recognized the new state even though it did not have a government or any territory under its sovereignty. Despite the 1988 declaration, in February 1998, Palestinian leader Arafat said he would declare a state unilaterally on May 4, 1999, the date set in the 1994 Gaza-Jericho Agreement for completing the permanent status talks. Later Arafat delayed the declaration while Israel held its elections and during the negotiations that led up to the Wye and Sharm al-Shaykh agreements, but he later renewed his threat to declare the state, selecting September 13, 2000, the new date the two sides set for completing the permanent status negotiations. The PLO Central Council announced on September 10, 2000, that the declaration of statehood would be delayed pending the outcome of the current peace negotiations, but the declaration is further delayed by the Intifadah. Israeli leaders oppose the Palestinian declaration of statehood because they feel that the future status of the Palestinian entity should be a subject in the talks.

Several U.S. Administrations have decried unilateral actions that could interrupt the peace talks, and the Clinton Administration had cautioned Arafat not to declare a state unilaterally. H.Con.Res. 24, passed by the House on March 16, 1999, and the Senate on April 12, 1999, states that a unilateral declaration of Palestinian statehood would draw strong congressional opposition and that the President should assert that a statehood declaration would violate the Oslo accords. (Palestinian statehood is not mentioned in the Oslo agreements.) The House voted 385 to 27 (with four present) on September 27, 2000, to pass H.R. 5272, which would have cut off U.S. foreign assistance to the Palestinians if the Palestinians declared a state without Israeli agreement.

On September 24, 2001, President Bush said that a state of Palestine was part of the vision for a future resolution of the Arab-Israel problem. The statement was reinforced by other Administration spokesmen in the following months.

Current Negotiations Between Israel and the Palestinians

Former Marine General Anthony Zinni returned to the United States on December 14, 2001, after three weeks of trying to restart the security talks. The next day, President Bush blamed Arafat for the failed talks because Arafat would not stop terrorism. After three days of fighting with Palestinian police, Hamas announced on December 20 that it was calling a halt to bombings and mortar attacks, which revived hope that the security talks could restart.

Unresolved Issues in the Palestine Problem

Jerusalem

Palestinians claim that Israel must withdraw from east Jerusalem, seized by Israel in the 1967 war along with the rest of the West Bank. Palestinians maintain that east Jerusalem will become the capital of the Palestinian state. Israel, which has claimed Jerusalem as its capitol since 1948, annexed east Jerusalem in 1967, and claims that Jerusalem's status is not negotiable. No other country recognizes Israel's annexation of east Jerusalem.

The July 25, 1994 Jordan-Israel non-belligerency agreement states that Israel "respects ... the special role" played by Jordan in Muslim religious shrines in Jerusalem. Arafat had stated in the past that the Palestinian entity would be responsible for non-Jewish religious shrines in the holy city. The Jordan-Israel agreement appears to set the stage for a future contest or cooperation between Jordan and Palestine over the religious sites.

The United States has maintained a policy since 1967 that the future of the city must be negotiated and cannot be decided unilaterally, and that the city should not be divided as it was between 1948 and 1967. In 1990, Congress opposed the Administration position and passed resolutions acknowledging that Jerusalem was the capital of Israel and should not be a divided city (H.Con.Res. 290, passed on April 24, 1990, and S.Con.Res. 106, passed on March 22, 1990). In 1995, Congress passed S. 1322 (P.L. 104-45, November 8, 1995) that states that the U.S. embassy should be moved from Tel Aviv to Jerusalem. (See CRS Report 94-755, *Jerusalem*, dated February 25, 1995.) The Senate added Section 575 to H.R. 3540, the appropriations bill, in July 1996, that stated that henceforth all U.S. government publications would have to refer to Jerusalem as the capital of Israel, but the section was dropped in conference. On July 27, 2000, President Clinton told an Israeli interviewer that he favored moving the embassy to Jerusalem and would review the decision before the end of the year.

Boundaries

The Palestinians would prefer a return to the boundaries recommended by the United Nations in Resolution 181 of 1947, but since 1974, have accepted the 1948-1967 boundaries between the West Bank/Gaza and Israel. The Shamir government (1988- 1992) claimed all of the West Bank as part of Israel, and would have made the boundary the Jordan River. It is not clear what compromise the Rabin-Peres government (1992- 1996) would have offered or accepted.

The Palestinian-Israeli Interim Agreement, September 1995, partitioned the 2,200 square mile West Bank into a patchwork quilt composed of three different jurisdictions: Area A, under full Palestinian control, about 1% of the total, was comprised of the seven largest cities (excluding Jerusalem), primarily populated by Palestinian Arabs; Area B, under shared Palestinian and Israeli control, about 27% of the West Bank, was comprised of Arab villages around the cities; and Area C, under full Israeli control, about 72% of the total, was comprised of Israeli settlements, so-called "state land," highways, public areas, and Israeli military bases. Israel withdrew from the Area A cities in December 1995-January 1996 (and Hebron February 1997) and a few of the Area B villages, leaving the Palestinian Authority in control of about 3% of the West Bank. Israel also withdrew from 70% of the Gaza Strip,

but retained four areas where there are Jewish settlements. The Netanyahu government ceded another 7% of the West Bank in November 1998, in keeping with the Wye agreement, but postponed further withdrawals until after the May 1999 election. The government of Ehud Barak, sworn in July 1999, agreed in September 1999 to further withdrawals in September and November 1999, and March 2000, that left about 18% of the West Bank in Palestinian hands, 22% under shared Israeli-Palestinian control, and 60% under Israeli control.

According to press reports in early May 2000, Israel offered to withdraw from a total of 80% of the West Bank, withdrawing from 66% now and the remaining 14% after a couple of years. Israel would annex the remaining 20%. The Palestinians rejected the offer. The press reported on May 20 that Israel raised the offer to 90% of the West Bank, and an unconfirmed rumor circulating in August 2000 said that the United States proposed that Israel retain only 5% of the West Bank. Reports from the Camp David talks of July 2000 said the figures under discussion ranged from 90% to 97%.

The United States has stated that boundaries should be negotiated and mutually recognized, "should not reflect the weight of conquest," and that adjustments in the pre- 1967 boundaries should be "insubstantial." (See the statements by Secretary of State William Rogers, December 9, 1969, President Lyndon Johnson on June 19, 1967, and President Jimmy Carter, on March 16, 1977.)

Israeli Withdrawal from Occupied Territories

Israeli governments prior to 1977 said they would withdraw from parts of the occupied territories, after boundary adjustments, although rejecting any withdrawal from Jerusalem, which Israel annexed in 1967. The Begin government, elected in 1977, agreed to the Sinai withdrawal as part of the 1979 Egyptian-Israeli peace treaty, but the Shamir government claimed that the Israeli withdrawal from Sinai fulfilled any U.N. Resolution 242 obligation for withdrawal, and that Israel should not withdraw from the West Bank, Gaza, or Golan (242, passed in 1967, established the "land-for-peace" formula). The Declaration of Principles signed in September 1993 called for a partial withdrawal from Gaza and Jericho, accomplished in May 1994, and the September 1995 Agreement called for further Israeli withdrawals from West Bank cities, accomplished in early 1996 and February 1997. Israel offered to withdraw from 9% of the West Bank following the January 17, 1997 Hebron agreement, but the Palestinians opposed the move because the amount of land was too small and the Israelis did not negotiate the areas from which they withdrew.

Israel postponed implementing the Wye Agreement in December 1998 because the Israelis said the Palestinians threatened to declare a Palestinian state. Further action under the Wye Agreement was delayed in January 1999 by the call for Israeli elections in May 1999. Newly elected Prime Minister Ehud Barak reopened talks with the Palestinians at Sharm al-Shaykh, Egypt, on September 4, 1999, and Israel withdrew from about 7% of the Israeli controlled section. A second withdrawal scheduled for November 15 (2% from shared to Palestinian and 3% from Israeli to shared) was delayed until January 5, 2000, because the Palestinians claimed the land in question should be negotiated and Israel claimed that only it could select the parcels of land from which it would withdraw. Israel postponed another 6.1% withdrawal scheduled for January 20, 2000, because the Israelis refused to surrender land around Jerusalem .

The United States maintains that Israel should withdraw from the occupied territories to negotiated boundaries. The U.S. position acknowledges the Israeli need for defensible borders (erase some of the anomalies along the 1948-1967 armistice lines) and also acknowledges the Palestinian desire for a territorial entity separate from Israeli rule. (For example, see the statements of President Lyndon Johnson on June 19, 1967, Secretary of State William Rogers on December 9, 1969, Secretary of State Henry Kissinger on August 15, 1975, President Jimmy Carter on January 4, 1978, President Ronald Reagan on September 1, 1982, or Secretary of State James Baker on May 22, 1989.)

Palestinians consider the Golan Heights part of Syria, not Palestine, but the Syrian-Israeli negotiations over the Golan may affect Palestinian-Israeli negotiations over the West Bank and Gaza. Persistent rumors from Israel and unconfirmed reports from Syria claim that the Rabin-Peres government agreed to withdraw from most of the Golan Heights. The Netanyahu government elected in May 1996, appeared less inclined to withdraw from Golan and not inclined to meet a commitment made by its predecessor government. Periodic unconfirmed rumors circulating in Israel suggest that Israeli-Syrian talks continue in secret.

Israeli Settlements in the Occupied Territories

The Arab nations maintain that Israeli settlements in the occupied territories are illegal under international law, specifically paragraph 6 of Article 49 of the Fourth Geneva Convention on the Protection of Civilian Persons in Time of War, which states: "The occupying power shall not deport or transfer parts of its own civilian population into territories it occupies." Israel maintains that Jordan's 1950 annexation of the West Bank was not recognized by the international community, and therefore is illegal. Egypt never claimed the Gaza Strip. Israel maintains that the two regions are not "occupied territories," and are not subject to the Geneva Convention and rightfully belong to Israel. Many nations, as reflected in the votes on several U.N. General Assembly and Security Council resolutions, believe that Israel is the occupying power, that the Geneva Convention applies, and that the Israeli settlements are illegal. United States' spokesmen, such as Ambassador George Bush on September 25, 1971, Ambassador William Scranton on May 26, 1976, and Secretary of State Cyrus Vance on March 21, 1980, have stated that the settlements are illegal. On March 12, 1999, U.S. special envoy for the Middle East Dennis Ross said that continued Israeli expansion of settlements was "destructive to the pursuit of peace."

The Arabs contend that Israel should stop settlement construction and expansion, and that Israelis will have to withdraw from the settlements once the parties agree to peace. Israel maintains that it has the right to continue settlement expansion until there is an agreement on the permanent status of the territories. One pertinent example of Israeli settlement policy is Jabal Abu Ghanaim (in Arabic or Har Homa in Hebrew) in southeast Jerusalem, where Israel built 6,500 housing units for 30,000 Israeli settlers. Only about 2,000 of the units are occupied, but the Israeli government announced in April 2001 that an additional 3,000 units will be built. In early April Israel also announced that 700 home sites would be auctioned at two other settlements in the West Bank. The United States issued a statement saying that the Israeli expansion was "provocative" and inflaming an already volatile situation." (*Washington Post*, April 16, 2001.)

Compensation/Repatriation for Palestinian Refugees

Palestinians argue that paragraph 11 of U.N.G.A. Resolution 194 of December 11, 1948, states that the Arab refugees have a choice between returning to the homes now in Israel that they left during the 1947-1948 war, or receiving compensation for the lost property. Israel argues that the Arabs abandoned their property voluntarily, and that the international community should provide funding for resettling the Palestinian refugees in Arab countries. Arabs claim the Jews drove them from their homes in 1948-1949. Some Israelis counter with a claim for compensation for property abandoned by Jews who left or were driven from Arab countries in the aftermath of the 1948-1949 war.

Israel claims that allowing Palestinian refugees to return to homes left in 1948-1949 or 1967 will destroy the Jewish nature of Israel. Palestinians claim the right of return is a matter of justice encased in international law. The argument may be one of perception rather than physically moving a number of Palestinians into Israel: by accepting the right of return, Israel may be accepting blame for forcing the refugees out of their homes in the first place, and the Palestinians may be more interested in such a confession of guilt than in the actual return to abandoned properties. (See CRS Report RS20616, *Middle East Peace: The Refugee Issue*, June 29, 2000, 6 p.)

Demilitarized Zones and Peacekeeping Forces

In the past, both Arabs and Israelis have accepted demilitarized zones and peacekeeping forces stationed in the zones or along the borders, although Israel will not accept peacekeeping forces in its territory. PLO leader Yasir Arafat told Radio Cairo on October 25, 1991, that the Palestinians would accept an international peacekeeping force to guarantee Israel's security. Many believe the Palestinians will accept demilitarizing the West Bank/Gaza state they hope to form. Israel rejected a Palestinian suggestion that the Israeli Defense Forces withdraw from the occupied territories to be replaced by an international peacekeeping force to maintain order during the 5-year interim period, but Israel did accept Temporary International Presence in Hebron (TIPH) in 1994 (primarily composed of Danish, Norwegian, Swedish, Swiss, Italian, and Turkish police officers) to monitor the boundaries between the 120,000 Palestinians and 450 Israeli settlers living in Hebron. Arafat suggested, in September 1996, that the United States send a peacekeeping force to police Hebron, but the suggestion was dismissed immediately by Israel and the United States. TIPH announced it would pull out of Hebron on August 23, 2001, because of continuing harassment by the Israeli settlers. The United States vetoed a U.N. Security Council resolution on March 27, 2001, that would have created a U.N. observer force to monitor Israeli actions against Palestinians in the occupied territories but signed the G8 foreign ministers declaration on July 19 that endorsed monitors.

Palestinians and the Peace Process

The Palestine Liberation Organization and Palestinian Representation

The PLO was founded by the Arab League in 1964 (although some claim predecessor groups date back to the 1950s). The PLO is an umbrella organization composed of many constituent groups, the most prominent of which are the several military groups that have been involved in unconventional warfare against Israel. Other groups represented within the PLO are humanitarian agencies, welfare organizations, educational groups, medical institutions, professional organizations, women's groups, workers, and others. These groups are represented in the Palestine National Council (PNC), the 600+ member parliament, in the 90-member Central Council, which acts as a steering committee when the PNC is not in session, and the 18-member Executive Committee (four of whom resigned in opposition to the Declaration of Principles), which acts as a cabinet. The PLO is supported by taxes collected from Palestinian workers in Arab countries, from donations, from contributions from other Arab governments, and from profits of PLO business enterprises. Several Arab governments stopped their contributions to the PLO because of PLO support for Iraq's invasion of Kuwait in 1990.

In the past, Israeli leaders rejected the PLO as the Palestinian representative, claiming that the PLO is a terrorist organization committed to destroying Israel. On September 10, 1993, Prime Minister Rabin and Chairman Arafat exchanged letters granting mutual recognition.

Opposition

Not all Palestinians support the peace talks. A few Palestinians, primarily represented by groups headquartered in Damascus, prefer to maintain the state of war until Israel is defeated and the state of Israel is removed from the Middle East. Another group of Palestinians reject the September 1993 PLO-Israel agreement because it does not provide for an independent Palestinian state, does not call for an immediate and complete Israeli withdrawal from occupied territory, ties the Palestinian economy to Israel, and did not provide for immediate release of all Palestinian prisoners in Israeli jails. Among the groups opposing the peace process are the Popular Front for the Liberation of Palestine (PFLP), the Palestine Liberation Front (PLF), the PFLP-General Command (all in Damascus), and Hamas in the occupied territories. The Democratic Front for the Liberation of Palestine (DFLP) shifted to supporting the talks.

The Palestinian Entity

Government

On May 12, 1994, PLO Chairman Arafat named 15 members of a 24-person cabinet to govern the Gaza/Jericho enclaves. On May 24, 1994, Arafat canceled all Israeli laws and reinstated pre-1967 laws in Gaza and Jericho in an attempt to erase the Israeli occupation presence. Under terms of the September 13, 1993 Declaration of Principles, the Palestinian cabinet assumed responsibility for health, education and culture, social welfare, direct taxation, and tourism. The 88-seat Palestinian Authority (also called the Palestinian Legislative Council or the Palestinian National Authority), elected on January 20, 1996, and sworn in on March 7, 1996, and the 26-person cabinet named by "President" Yasir Arafat on May 9, 1996, assumed responsibility over other functions of government except for security and foreign relations, which Israel controlled through the 5-year interim and into the final negotiating period. Arafat named a new 34-person cabinet on August 5, 1998, to avoid a vote of confidence in the Palestinian Legislative Council. There was wide-spread criticism of the new cabinet because Arafat retained most of the old members, many of whom were the targets of corruption charges.

Police. According to negotiations following the May 4, 1994 agreement, the Palestinian enclaves were to be protected by a Palestinian police force drawn from the Palestine Liberation Army (PLA) units stationed in Egypt, Jordan, and Iraq, and Palestinians recruited from the occupied territories, Jordan, Egypt, Yemen, Tunisia, and other Palestinian concentrations. The Palestinian police began arriving in Gaza on May 11 and in Jericho on May 12, 1994, replacing the Israeli Defense Forces and Israeli border police. Other nations have provided training (Egypt, Jordan, Great Britain, Iraq), vehicles (the United States donated 200 light and heavy trucks, Russia donated armored vehicles, Greece donated 58 trucks), uniforms (Norway), communications equipment (Spain), anti-riot gear (Great Britain), housing and offices (Japan and Germany), and cash (the United States $5 million, European Union). The Palestinian police will have to cooperate with the Israeli police in patrolling the borders and the villages, manning crossing points, and maintaining order. Paragraph 3 of Article IV of Annex I of the Interim Agreement of September 28, 1995, states that the Palestinian police force shall number 12,000 in the West Bank and 18,000 in the Gaza Strip. According to Palestinian reports, there are about 30,000 uniformed Palestinian police and another 3 to 4,000 clerical and support personnel. Israel claims that there are between 36,000, and 40,000 Palestinian police in uniform; some Israelis claim there are 50,000 police.

Economy

Israel's closure of the occupied territories has forced the near collapse of the Palestinian economy. Israel has closed Palestinian borders with Egypt, Israel, and Jordan, and has cordoned off Palestinian towns and villages to prevent traffic between Palestinian areas. About 100,000 Palestinian workers cannot cross into Israel to jobs; the unemployment is at 50% (*Middle East*, May 2001). Observers estimate that the Palestinian gross domestic product has fallen by 50% (*Jerusalem Post*, June 6, 2001) and that total losses have reached $5 billion. Israelis have destroyed 2,500 farms, thousands of fruit and olive trees, irrigation systems for 3,800 acres, and hundreds of wells (*BBC*, May 7, 2001). The Palestinian

Authority relies upon grants from the Arab states and the European Union to meet its payroll. Current food shortages could lead to further disaster (*BBC*, June 7, 2001).

Other Aspects of the Palestinians

Terrorism

Individual Palestinians and Palestinian military groups, both PLO and non-PLO, have launched terror attacks against Israeli people and facilities. Palestinian terrorists also have attacked people or institutions that, in the Palestinians view, support Israel, including U.S. citizens, property, and installations. One of the conditions set by Congress in 1984 for beginning a U.S. dialogue with the PLO was that the PLO renounce terrorism, which it did in November and December 1988. But when the PLO refused to renounce the May 30, 1990, attempted military landing near Tel Aviv, the United States broke off the dialogue. Israel maintained that the PLO is a terrorist group. Until January 1993, any contact between an Israeli or anyone under Israeli occupation and the PLO was a crime in Israel. Many Palestinians view the attacks against Israel and its supporters as part of the legitimate Palestinian armed struggle to secure Palestinian rights, and view Israeli attacks against Arab civilians as terrorism. On October 8, 1999, the Democratic Front for the Liberation of Palestine was removed from the State Department's terrorism list after the DFLP had agreed to rejoin the PLO and accept a peaceful resolution of the dispute with Israel.

Intifadah, 1987

In December 1987, an incident in the Gaza Strip touched off a continuing anti- Israeli civil uprising throughout the occupied territories that left about 1,900 Palestinians and almost 400 Israelis dead through April 1996. Some claim the Intifadah succeeded because the uprising compelled Israel to join the Madrid peace talks in October 1991. Others disagree, claiming Israel joined the Madrid talks at the insistence of the United States.

Palestine Refugees

Almost one-half of the world's 6 million-plus Palestinians live in Israel or under Israeli occupation. About 1 million Palestinian Arabs live in Israel and are Israeli citizens, who may vote and are eligible to serve in the Knesset (11 Arabs were elected to the Knesset in May 1996). The 2 million Palestinians in the occupied territories are not Israeli citizens and do not vote in Israeli elections. The 250,000 Israeli Jews who live in the occupied territories (including east Jerusalem) do vote in Israeli elections. Jordan made all Palestinians in Jordan citizens, but other Arab states have not offered blanket citizenship.

Of the 6 million Palestinians, 3 million are registered with the United Nations Relief and Works Agency (UNRWA) as refugees from the 1947-1948 war. There is disagreement over why the Palestinians became refugees: Israeli sources claim the Palestinians left their homes voluntarily or because the Arab governments told them to leave; Arab sources claim the Israelis forced the Palestinians to leave. Some but not all of the UNRWA registered refugees receive food, shelter, clothing, medical treatment, education, and training from UNRWA.

Table 2. World Population of Palestinians, 1998

Jordan	2,328,308
West Bank (Israeli occupation)	1,596,554
Israel	953,497
Gaza Strip (Israeli occupation)	1,004,498
Lebanon	430,183
Kuwait	37,696
The Americas	203,588
Syria	465,662
Saudi Arabia	274,762
Egypt	48,784
Other Persian Gulf States	105,578
Iraq, Libya	74,284
All Other	264,792
Total	7,788,186

Source: Miftah [http://www.miftah.org/FactSheets/sheets/refugees.htm].

Table 3. Palestine Arab Refugees Registered with UNRWA

Countries	1950 Total Registered	2000 Total Registered	No. of Camps	No. in Camps
Lebanon	127,600	376,472	12	210,715
Syria	82,194	383,199	10	111,712
Jordan	506,200	1,570,192	10	280,191
West Bank	—	583,009	19	157,676
Gaza Strip	198,227	824,622	8	451,186
Israel	45,800	—	—	—
Total	**960,021**	**3,737,494**	**59**	**1,211,480**

Source: *Report of the Commissioner-General for UNRWA*, Supplement 13 (A/55/13) 2000.
Note: West Bank included in Jordan in 1950. UNRWA stopped operating in Israel in 1952, when Israel resettled its Arab refugees.