



The Palestinians

Between State Failure and Civil War

Michael Eisenstadt

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Front cover: Palestinian women cover their faces from the smell of garbage piled in the street in Gaza City, October 23, 2006. Copyright AP Wide World Photos/Emilio Morenatti.

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Executive Summary

THE PALESTINIAN AUTHORITY (PA), though lacking certain key attributes of sovereignty, has largely functioned as a de facto state since its creation in 1994. Almost from the outset, however, the process of Palestinian state formation was accompanied by a parallel process of economic decline and institutional, territorial, and political fragmentation. The latter process was greatly accelerated by the second intifada (2000–2004), the formation of a Hamas government following January 2006 legislative elections (leading to international sanctions on the PA) and then a short-lived national-unity government, and the June 2007 Hamas takeover of Gaza. Today, the PA—hovering between survival and collapse—displays many of the traits of a failed state.

On the eve of the Hamas takeover of Gaza, the PA was no longer able (and in some respects, it never was able) to fulfill the most important functions of a state: to provide for the welfare and security of its people. The clearest signs of the weakness of the PA were what Palestinians referred to as “the four Fs”: *fawda* (chaos), *fitna* (strife), *falatan* (lawlessness), and *fassad* (corruption). These conditions continue to define life in the PA-controlled West Bank and show signs of returning in Hamas-controlled Gaza. Because of this state of affairs, local nongovernmental organizations (NGOs), international organizations, and the international community increasingly have borne responsibility for the welfare of the Palestinian people.

The roots of Palestinian state failure can be traced to the following factors:

- Yasser Arafat’s leadership style—which continues to exert a baleful influence on Palestinian politics; corruption and political factionalism inside Fatah and the PA; and the intense and violent rivalry between Fatah and Hamas
- A self-defeating strategy of armed struggle that was pursued in spite of its social, economic, and political costs to the Palestinian people

- The morally corrosive effect on Palestinian society of the struggle against Israel, manifested by the reflexive resort to terrorism and the emergence of a culture of violence, which inadvertently led to increased inter-Palestinian conflict
- The vulnerability of the Palestinian economy to external shocks, pressures, and sanctions as well as restrictions imposed by Israel in response to terrorist attacks, which contributed to the decline of the Palestinian economy and undermined the Palestinian state-in-the-making
- The high Palestinian birthrate, which has outstripped economic growth and created a youth bulge, contributing to political instability in the West Bank and Gaza
- The perpetuation of the Israeli occupation caused by the aborted implementation of the Oslo Accords, along with the continued growth of Israeli settlements, which geographically circumscribed the PA’s ability to exercise its authority and curtailed the development of the Palestinian state-in-the-making
- Israel’s counterterror strategy, particularly the system of internal and external closures, whose side effects included the decline of the Palestinian economy, the unraveling of the Palestinian social fabric, and the territorial fragmentation of the PA
- The disruptive role of outside actors—particularly Hizballah, Iran, and Syria—who have helped stoke Palestinian violence
- International sanctions on the Hamas and national-unity governments, which—while aiming to undermine Hamas—had the unintended consequence of further undermining the PA

Although the Hamas takeover has improved internal security in Gaza, the status quo there may prove dif-

difficult to sustain. It faces unpopular Hamas policies and practices; continued mortar and rocket attacks on Israel (which threaten to provoke ever-larger Israeli air and ground operations); efforts by a broad range of actors—the United States, the PA, Israel, and others—to undermine the Hamas government; and deteriorating economic conditions, which may lead to discontent with Hamas rule but which paradoxically might also enable Hamas to tighten its grip on power (just as conflict and sanctions in Iraq during the 1990s allowed the regime of Saddam Hussein to tighten its grip on power). Little reason exists to believe that the situation in Gaza will change for the better so long as Hamas continues to advocate and engage in violence against Israel.

Ending the chaos, strife, lawlessness, and corruption that have characterized life in much of the West Bank will require far-reaching political reforms, the inculcation of a culture of political compromise, and strong leadership—conditions not likely to be fulfilled soon. Likewise, Israeli security restrictions in the West Bank that hamstring the Palestinian economy, limit Palestinian freedom of movement, and constrain the PA's ability to exercise its authority throughout the territory are likely to remain in place until Fatah's militia, the al-Aqsa Martyrs Brigades, is dismantled and the PA demonstrates that it can prevent attacks on Israeli civilian and military targets and check Hamas's efforts to lay the groundwork for a future takeover in the West Bank.

Because of inter-Palestinian violence, international sanctions, and Israeli measures intended to counter Palestinian terrorism, economic conditions in the Palestinian territories have deteriorated dramatically; as a result, both the Hamas and PA governments have become heavily dependent on external budgetary support. The economic situation in Gaza is especially dire. Unemployment may be approaching 44 percent, while more than 80 percent of the population of Gaza depends on food aid provided by the World Food Program and the United Nations Relief Works Agency (UNRWA). Foreign aid, however, can accomplish only so much, absent a dramatic and fundamental change in the nature of the relations between Hamas, the PA, and Israel.

For these reasons, the status quo in the territories is liable to continue for some time (unless Israel goes into Gaza to depose the Hamas government there), with the ever-present possibility of a new and perhaps more-violent round of fighting between Fatah and Hamas or between the Israeli military and various Palestinian factions. What are the potential implications of this continued state of affairs for the Palestinians and their neighbors? Possible consequences include the following:

- The continued influx of small arms and light weapons into the Palestinian territories, the further militarization of Palestinian society as a result of the growth of militias and/or official security forces, and continued anti-Israel violence
- The further entrenchment in Gaza of international jihadist groups such as al-Qaeda
- Increased emigration of educated Palestinians, robbing the West Bank and Gaza of critical human capital
- Modest refugee flows within the territories in the event of renewed large-scale civil violence or Israeli military intervention
- Continued opportunities for Hizballah and Iran to expand their influence in the West Bank and Gaza
- Israeli military intervention in Gaza to halt ongoing Palestinian mortar and rocket attacks or in the West Bank to prevent a Hamas takeover
- Growing tensions between the Jewish and Palestinian citizens of Israel and between citizens of Transjordanian and Palestinian origin in Jordan, particularly in the event of large-scale Israeli military intervention in Gaza or the West Bank
- The closure of border crossings with the West Bank in the event of the collapse of the PA, leading to a further deterioration in economic conditions there

- Lasting damage to Palestinian social, economic, and political institutions, resulting in diminished long-term prospects for political stability, Palestinian statehood, and peaceful coexistence between Israelis and Palestinians

Faced with the Hamas takeover in Gaza, continuing low-level violence in the territories, and the possible failure of the Hamas and PA mini-states in Gaza and the West Bank, the United States has four possible options:

- Support efforts by the PA and Israel to contain or roll back Hamas in Gaza while helping Fatah and the PA to reform, with the ultimate goal being a unitary Palestinian state living in peace with Israel
- Engage Hamas and support the resurrection of a national-unity government in the hope that the burdens of governance, and a combination of pressures and incentives, will breed political moderation
- Support an international force or trusteeship for the West Bank (and perhaps Gaza) to keep the peace there and to prepare the Palestinian people and a reformed and revamped PA for independence
- Support alternative sub- or supra-national frameworks to an independent Palestinian state—such as clan, militia, and warlord rule—or confederation with Jordan, should the Hamas and PA mini-states collapse

The first option—contain or roll back Hamas while helping Fatah and the PA to reform—is the policy now being pursued by the United States, the PA, Israel, and much of the international community. This policy, however, faces long odds, and if it is to work, its proponents will have to avoid the pitfalls of recent attempts to undermine Hamas by finding a way to contain and roll back the group without further undermining the Palestinian economy, social institutions, and political structures. If they cannot, this policy is liable to lead to further chaos, strife, and lawlessness in both the West

Bank and Gaza—and to a political dead end rather than a “political horizon.”

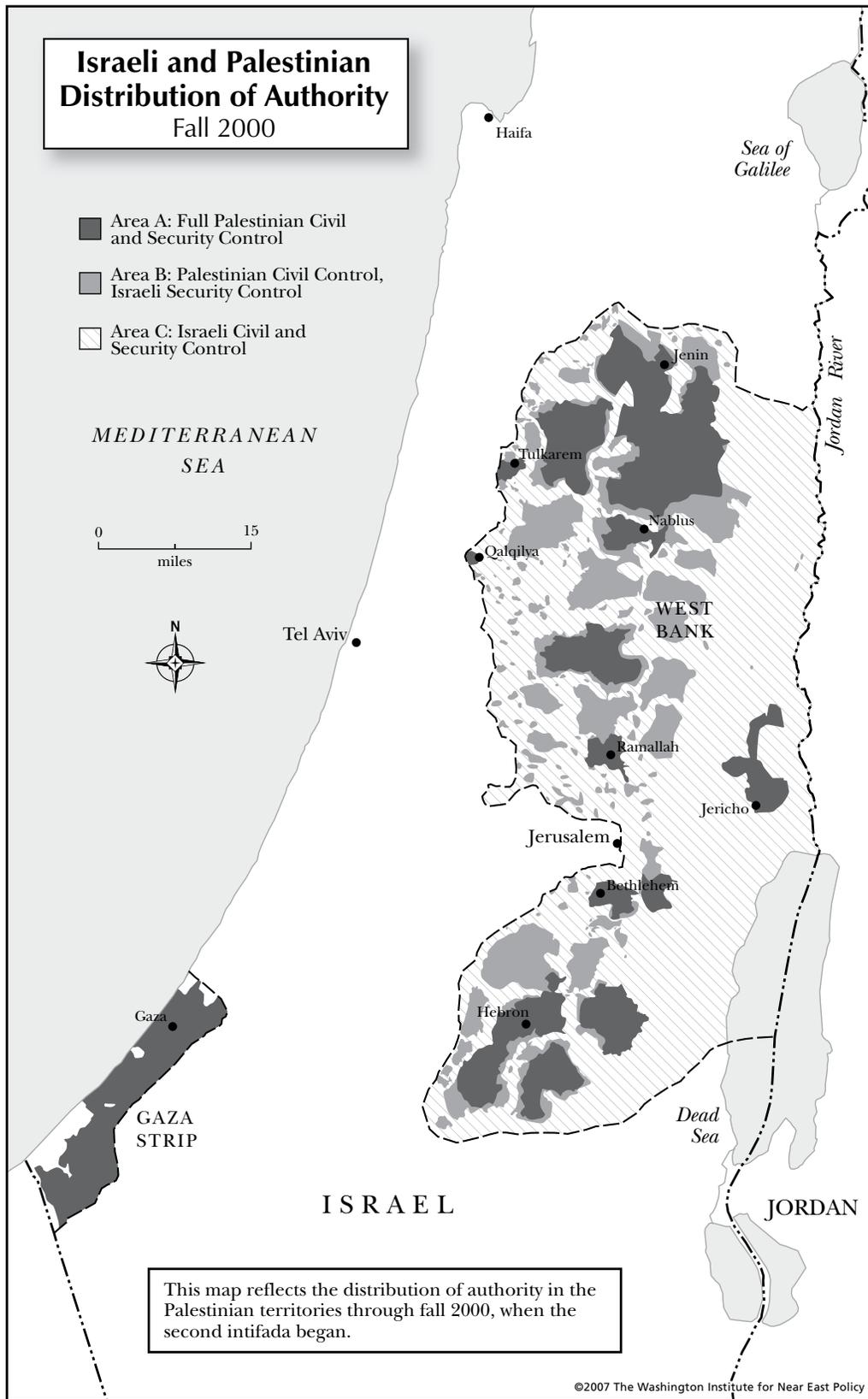
In seeking to (a) contain and roll back Hamas, (b) reform and bolster Fatah and the PA, and (c) encourage Palestinians and Israelis to define a political horizon for the settlement of their conflict, the United States is grappling with the outcome of nearly a decade and a half of policies pursued by the PA and, to a lesser extent, Israel, the United States and others, that have brought the PA to the brink of collapse. Although the near- to midterm consequences of the failure of the PA might be manageable, the United States, Israel, and Jordan have no long-term interest in the failure of the PA, which could create opportunities for Hamas to expand its influence in the West Bank and lead to other undesirable outcomes.

Palestinian-Israeli diplomacy to create a political horizon by defining the broad contours of a Palestinian-Israeli settlement may be a necessary condition for reversing this trend, but it is hardly sufficient. Dealing with the challenge of Palestinian state failure requires a comprehensive approach for dealing with the problems of corruption and political factionalism. New leadership is needed in both Fatah and the PA, as is security-sector reform, including the dismantling of militias and the reorganization and professionalization of the PA security forces. The harmful effects of the Israeli occupation on the Palestinian economy and institutions of governance must be mitigated, and the influence of outside actors, such as Hizballah, Iran, and Syria, that are committed to perpetuating violence in the territories, must be limited. In these areas, the Palestinians and the international community can and must do more.

The international community has an important role to play in helping the Palestinians build a better future by providing advice, training, financial aid, and security assistance. The international community’s past efforts to rebuild failed states, however, do not provide reason for optimism. Ultimately, only the Palestinians can implement the far-reaching changes needed to transform their politics, alter their relationship with Israel, and establish the necessary conditions for building a healthy society, a productive

economy, and a stable, independent state. Absent a commitment to and a capacity for political reform, for confronting and disarming groups engaged in terrorism (such as Hamas, the Palestinian Islamic Jihad, and al-Aqsa Martyrs Brigades), and for defeating

extremists at the polls, the rest of the world can do little to spare the Palestinians from a future that looks much like their recent past and that is characterized by more chaos, strife and lawlessness, economic hardship, and conflict with Israel.



Introduction

THE PALESTINIAN AUTHORITY (PA), though lacking certain key attributes of sovereignty, has largely functioned as a de facto state since its creation in 1994. Almost from the outset, however, a parallel process of economic decline and institutional, territorial, and political fragmentation accompanied the process of Palestinian state formation. This deterioration was greatly accelerated by the second intifada (2000–2004), the formation of a Hamas government following January 2006 legislative elections (leading to international sanctions on the PA) and then a short-lived national-unity government, and the June 2007 Hamas takeover of Gaza. Today, the PA displays many of the traits of a failed state, hovering between survival and collapse. The future of the Hamas-led government in Gaza may not be much brighter.

The situation in the West Bank and Gaza has several possible outcomes: (a) the survival of weak PA and Hamas mini-states in the West Bank and Gaza; (b) the continued decline and perhaps eventual collapse of PA or Hamas institutions of governance as a result of fiscal insolvency or internecine violence; or (c) the reestablishment of a single Palestinian government in the West Bank and Gaza through elections, revival of a national-unity government, or force of arms. In all three cases, Palestinian institutions of governance are likely to remain weak, with collapse remaining a possibility, if not a reality. This study examines the origins of this state of affairs and its implications for the Palestinians and their neighbors.

During the 1970s, 1980s, and 1990s, numerous reports and studies examined the implications of Palestinian statehood; most focused on security issues.¹ All these studies were written before the second Palestinian intifada, and much has changed since then. The assumptions on which most were based—that Israeli-

Palestinian negotiations and the process of Palestinian state formation would be a linear and relatively peaceful process, like Israel's peace negotiation with Egypt and Jordan—have proven invalid.

Moreover, the regional environment has changed dramatically. The reality of protracted low-intensity conflicts waged by groups such as Hamas, the Palestinian Islamic Jihad (PIJ), and Hizballah, and supported by a resurgent Syria and an increasingly assertive and self-confident Iran with nuclear ambitions, has overshadowed (though not supplanted) the possibility of a major Arab-Israeli war involving a rearmed Syria supported by Iran.

The actual outcome of the Oslo process was generally unanticipated. Whereas some believed that Oslo would lead to Israeli and Palestinian states coexisting peacefully side by side, and others believed that it would lead to Israeli and Palestinian states locked in perpetual conflict, few, if any, foresaw the possibility of Palestinian civil war or state failure.

The implications of state failure or civil war in the Palestinian territories are not just matters of academic concern. The two often occur in tandem; state failure is often the result of civil war. Moreover, each may involve a variety of consequences—arms flows, refugee movements, criminal economic activities, terrorism, humanitarian crises, and significant loss of life and damage to the civilian infrastructure—whose repercussions are often far reaching and long lasting. Therefore, understanding the phenomenon of state failure and the factors that have led the PA to the brink of collapse is vitally important so that failure may be prevented, or at least its consequences mitigated and contained.

This paper examines the new reality that has emerged in the Palestinian territories in the wake of

1. See, for instance, Walid Khalidi, "Thinking the Unthinkable: A Sovereign Palestinian State," *Foreign Affairs* 56, no. 4 (July 1978), pp. 694–713; Mark Heller, *A Palestinian State: The Implications for Israel* (Cambridge, Mass.: Harvard University Press, 1983); Aryeh Shalev, *The West Bank: Line of Defense* (New York: Praeger Publishers, 1985); Ze'ev Schiff, *Security for Peace: Israel's Minimal Security Requirements in Negotiations with the Palestinians*, Policy Paper no. 15 (Washington, D.C.: Washington Institute for Near East Policy, 1989); and Ze'ev Schiff, "Israeli Preconditions for Palestinian Statehood," *Policy Focus* no. 39 (Washington Institute for Near East Policy, 1999).

the collapse of the Oslo process, the outbreak of the second intifada, and the Hamas takeover of Gaza. It examines the causes and manifestations of state failure in the Palestinian case; assesses the potential implications of state failure for the Palestinian people, Ameri-

ca's regional allies (Israel, Jordan, and Egypt), and U.S. interests in the region—particularly against the backdrop of state failure and civil war in Iraq and perhaps eventually Lebanon; and evaluates U.S. options for dealing with this serious foreign policy challenge.

State Failure: Permutations and the Palestinian Case

HISTORICALLY, the process of state formation, more often than not, has been violent and bloody. States are frequently born of war; they rarely come into being through peaceful means. This was as true for Europe in the nineteenth century as it was for Asia and Africa (and parts of Europe) in the twentieth century.¹

Thus, the modern Middle-Eastern state system came about through the dismantling of the Ottoman Empire following World War I; the states of Asia and Africa emerged as a result of World War II and the subsequent anticolonial wars of national liberation; and the old-new states of the Balkans rose violently from the ashes of the former Yugoslavia. Even the relatively peaceful dissolution of the Soviet Union gave new impetus to the Chechen separatist movement on Russia's southern periphery and led to the creation of a number of new states in the Caucasus and Central Asia that have since been mired in border disputes and civil war.

Moreover, new democracies are more prone to instability, to belligerent nationalism, and to warring with their neighbors than are stable, mature democracies. Political elites in young democracies often stir up aggressive nationalism as a means of maintaining unstable governing coalitions. Rising democracy often goes together with rising nationalism. Recent Russian policy in Chechnya and the former Soviet republics of the Baltic and Caucasus regions, as well as Serbian policy in Bosnia and Kosovo, are examples of this phenomenon.²

Finally, the process of state formation fails as often as it succeeds—especially if accompanied by domestic or foreign wars—leaving weak or collapsed states and

a trail of human misery in its wake. The phenomenon of state failure is neither recent nor uncommon. States have been failing for as long as they have existed, and except for the period of relative international stability during the Cold War, state failure has been a commonplace event.³

A quick glance at a world map from the turn of the century (either nineteenth or twentieth) will reveal states and empires that have come and gone. The rash of state failures that the world has witnessed since the end of the Cold War—Somalia, Bosnia, the Democratic Republic of Congo, Afghanistan, Sierra Leone, and most recently Iraq, to mention but a few—simply marks the resumption of one of human history's oldest and most consistent trends. Thus, seen against the background of modern political history, the assumption that the process of Palestinian state formation and democratization would be accomplished peacefully, or would be concluded successfully the first time around, seems, in retrospect, to have marked the triumph of hope over historical experience.

Although the PA, since its creation in 1994, has functioned as a de facto state with a parliament, executive, judiciary, governmental bureaucracy, and security forces, it has—particularly since the outbreak of the second intifada in 2000—increasingly exhibited many of the pathologies typically associated with the phenomenon of state failure.⁴ Therefore, examination of recent developments in the PA in the light of what is known about the process of state failure would be useful in better understanding the origins and nature

1. Christopher Clapham, "The Global-Local Politics of State Decay" in Robert I. Rotberg, ed., *When States Fail: Causes and Consequences* (Princeton, N.J.: Princeton University Press, 2004), pp. 77–93.
2. Edward D. Mansfield and Jack Snyder, "Democratization and the Danger of War," *Foreign Affairs* 74, no. 3 (May/June 1995), pp. 79–97.
3. Jeffrey Herbst, "Let Them Fail: State Failure in Theory and Practice—Implications for Policy," in Rotberg, ed., *When States Fail*, pp. 302–318. In making this point, Herbst cites Charles Tilly's estimate that the "enormous majority" of European states since 1500 have failed (p. 303). See Charles Tilly, "Reflections on the History of European State-Making," in Charles Tilly, ed., *The Formation of National States in Western Europe* (Princeton, N.J.: Princeton University Press, 1975), pp. 38–39.
4. De facto states are those that seek or have declared independence and have mustered sufficient institutional capacity to provide governmental services over part or all of their claimed national territory, but lack international recognition. Examples include Somaliland, the Turkish Republic of Northern Cyprus, the Kurdish Regional Government of Northern Iraq, and the PA. For more on de facto states, see Scott Pegg, "De Facto States in the International System," Institute of International Relations, University of British Columbia (Working Paper no. 21, February 1998); Tozun Bahcheli, Barry Bartmann, and Henry Srebrnik, *De Facto States: The Quest for Sovereignty* (London: Routledge, 2004); and Pal Kolsto, "The Sustainability and Future of Unrecognized Quasi-States," *Journal of Peace Research* 43, no. 6 (November 2006), pp. 723–740.

of the problem and in developing options for dealing with it.⁵

State failure exhibits at least three degrees:⁶ (a) *compromised states* have relatively strong and effective governments that are constrained, for political reasons, from taking action against extremist or terrorist groups on their territory; (b) *weak states* have a functioning central government but because of cronyism, corruption, lack of resources, or sectarian or ethnic tensions are unable to maintain law and order or to deliver essential government services to certain sectors of the population or regions of the country; (c) *collapsed states* may have a functioning central government that is unable to provide security, maintain law and order, or deliver essential services outside the capital, or they may have no central government at all. In many cases, state failure is accompanied by some kind of civil conflict or civil war, which may be a manifestation, or proximate cause, of failure.⁷

The process of state formation in the Palestinian territories was, almost from the start, accompanied by a set of parallel processes that worked to undermine the institutional capacity and effectiveness of the state-in-the-making. At first, the PA provided reason for optimism regarding the prospects for a viable democratic state in the Palestinian territories; elections were held, a parliament seated, and a relatively free press established. But the state-building effort was quickly compromised by Yasser Arafat's autocratic leadership style,

his toleration (if not promotion) of cronyism and corruption, his often ambiguous stance toward Hamas and PIJ terrorist attacks on Israel, and Israeli security measures to counter terrorist attacks (particularly the temporary closures frequently imposed on the territories), which adversely affected the economic underpinnings of the PA.

The second intifada (2000–2004) exacerbated this state of affairs, with the imposition by Israel of additional security measures on the territories to counter the Palestinian suicide-bombing campaign that had been unleashed against it. These measures created new obstacles to institution-building and economic development in the territories. Popular disillusionment with PA corruption, and the failure to deliver either peace or prosperity, led to the Hamas victory in the January 2006 legislative elections and the formation of a Hamas-led government.

The formation of a government led by a party condemned as “terrorist” by Israel, the United States, and the European Union (EU) led to the imposition of Israeli and international sanctions on the PA and the intensification of the power struggle between Fatah and Hamas. This conflict included bouts of Fatah-Hamas violence in Gaza from December 2006 to February 2007 and during May–June 2007, culminating in the Hamas takeover of Gaza in June 2007.

Given its economic circumstances, and after nearly a decade of intermittent and sometimes intense con-

5. Various definitions of state failure are used in the academic literature, some emphasizing violence, others emphasizing performance, and yet others a combination of the two. Thus, Rotberg construes state failure primarily in terms of the existence of enduring conflict (revolts, insurgencies, or civil unrest) and by the inability of the state to control peripheral regions. He defines a collapsed state as a rare and extreme version of a failed state in which a central government no longer functions or exists and substate actors have taken over. Robert I. Rotberg, “The Failure and Collapse of Nation States: Breakdown, Prevention, and Repair,” in Rotberg, ed., *When States Fail*, pp. 5–10. By contrast, Zartman defines state failure primarily in terms of state collapse, which he describes as a situation in which the basic functions of the state are no longer performed (i.e., the provision of law and order, and governance) and in which the state is no longer seen as a symbol of identity, a legitimate sovereign authority, or capable of offering its citizens security. I. William Zartman, “Posing the Problem of State Collapse,” in I. William Zartman, ed., *Collapsed States: The Disintegration and Restoration of Legitimate Authority* (Boulder, Colo.: Lynne Rienner Publishers, 1995), pp. 5–6. *Foreign Policy* magazine’s Failed State Index offers a definition that incorporates both violence and performance: “a failing state is one in which the government does not have effective control of its territory, is not perceived as legitimate by a significant portion of its population, does not provide domestic security or basic public services to its citizens, and lacks a monopoly on the use of force. A failing state may experience active violence or simply be vulnerable to violence.” Fund for Peace/Carnegie Endowment for International Peace, “The Failed States Index,” *Foreign Policy*, May/June 2006, p. 52.
6. These definitions are adapted from Dr. Ken Menkhous, associate professor of political science, Davidson College, “Weak States and Terrorism in Africa—U.S. Policy Options in Somalia,” prepared statement submitted to the Hearing before the Subcommittee on African Affairs of the Senate Foreign Relations Committee, *Somalia: U.S. Policy Options*, S. Hrg. 107-46, 107th Cong., 2nd sess., February 6, 2002, p. 18.
7. A civil war is a violent internal conflict within a country in which one or more of the involved parties are trying to change the government or its policies. It can include insurgencies, ethnic or sectarian violence, or separatist conflicts. The violence threshold used by many academic specialists to determine whether a conflict passes as a civil war is 1,000 killed over the course of the fighting. See, for instance, James Fearon, “Civil War Definition Transcends Politics,” *Washington Post*, April 9, 2006, p. B3.

flict with Israel, that the PA finds itself in such a crisis should probably come as no surprise. How Palestinian vulnerabilities were compounded by Palestinian (and

to a lesser extent, Israeli, U.S., EU, and Arab) policies, and how the PA has been brought to the brink of collapse, are discussed below.

Characteristics and Contours of Palestinian State Failure

THE MOST IMPORTANT FUNCTION of any government is to provide for the security and welfare of its citizens. Perhaps the clearest sign that the PA has failed in this area is what Palestinians refer to as the “state of insecurity” in the territories, characterized by “the four Fs”: *fawda* (chaos), *fitna* (internal strife), *falatan* (lawlessness), and *fassad* (corruption).¹ This failure is also evident in the declining capacity of the PA to deliver vital services to the Arab residents of the territories.²

Chaos, Strife, Lawlessness, and Corruption

Insecurity in the Palestinian territories is not a new phenomenon; it dates to the later phases of the second intifada. The chaotic situation on the streets of the Palestinian territories at that time is best captured by the words of Gaza preventive security chief Rashid Abu Shabak in his 2004 testimony before a Palestinian Legislative Council (PLC) committee investigating the matter:

Most of the security forces do not have discipline or control over their people. Each organization does what it wants and imposes its will on the PA, and no side can say it is in control. . . . Most of the militiamen represent the general atmosphere instead of the law and order of the PA. It is threatening the entire

national project. . . . There is no deterrence of criminals and collaborators, and we are forced to deal with problems using clan methods, rather than legal methods. If this continues, it will send difficult messages to our people, to the Israelis who claim there is no Palestinian partner and to the international community, that we don't deserve a state.³

The end of the intifada in 2004 did not halt inter-Palestinian violence in the territories. Instead, internecine violence increased, particularly in Gaza, where, following the Israeli withdrawal in August 2005, Palestinians increasingly turned their guns on each other.⁴

Figures for the number of people killed and kidnapped in Gaza in the past five years provide a sense of the scope and magnitude of the problem before the Hamas takeover. According to the Gaza-based Al Mezan Center for Human Rights, 2 Palestinians were killed in internecine violence in 2002; 18 were killed in 2003; 57 were killed and 16 kidnapped in 2004; 101 were killed and 39 kidnapped in 2005; 260 were killed and 123 kidnapped in 2006; and 422 were killed and 296 kidnapped in just the first half of 2007.⁵ With the Hamas takeover of Gaza in June 2007, violence and kidnapping decreased dramatically, followed by signs of a return of the “state of insecurity” to Gaza in Sep-

1. Dr. Mahdi Abdul Hadi, “The Crisis of Fateh” (minutes of conference sponsored by the Palestinian Academic Society for the Study of International Affairs), July 27, 2005 (available online at www.passia.org/meetings/2005/Crisis-of-Fateh.htm), and Graham Usher, “The Struggle for Governance,” *Al-Abram Weekly On-Line*, June 30–July 6, 2005 (available online at <http://weekly.ahram.org.eg/2005/749/re1.htm>). This study does not address the issue of corruption in the PA and the Palestinian territories in detail. Corruption does not seem to be a major drag on economic activity. Thus, according to a recent World Bank study, “Corruption . . . do[es] not appear to be a major constraint to investment. Most managers reported not having to pay any bribes and for those who did, they paid less on average than in most neighboring countries.” Finance and Private Sector Development Group, Social and Economic Development Department, Middle East and North Africa Region, *West Bank and Gaza Investment Climate Assessment: Unlocking the Potential of the Private Sector* (World Bank, March 20, 2007), pp. ii, 14, 21, 22, 24, 25, 33. Corruption is, however, a major political issue, and does appear to be a significant constraint on the PA's institutional effectiveness.
2. This conclusion, of course, begs the question whether assessing the performance of the PA in the terms one would use to assess the performance of a traditional state is appropriate. Some Palestinian leaders, such as the late Yasser Arafat, seemed to view the PA as a transitional entity whose primary purpose was not effective governance, but promotion of various sectional interests (personal, clan, or party) and the prosecution of the struggle against Israel.
3. Arnon Regular, “Palestinian Lawmakers: Arafat Evading Promises of Reform,” *Haaretz* (Tel Aviv), August 11, 2004.
4. Chris McGreal, “Lawless in Gaza,” *Guardian* (London), January 23, 2006; “Gaza: Death and Disintegration All Round,” *The Economist*, September 7, 2006.
5. Kidnapping statistics include foreigners abducted by Palestinian criminal gangs and armed factions. Al Mezan Center for Human Rights, “Statistics on Incidents of Security Unrest in the Gaza Strip” (available online at www.mezan.org/site_en/insecurity/insecurity_statistics.php), and Al Mezan Center for Human Rights, “Report on the Continuation and Intensification of the Phenomenon of Security Unrest and the Absence of the Rule of Law,” Gaza, First Quarter 2007 (in Arabic) (available online at www.mezan.org/document/insecurity_1q_2007_ar.pdf). Minor discrepancies were found between statistics in the English- and Arabic-language reports on the al Mezan website. Statistics in the Arabic reports were used only to supplement the statistics contained in the English-language reports.

tember–November 2007 (mainly in the form of tension and violence between supporters of Fatah and the Hamas security forces). The renewed violence, however, is nowhere near levels experienced prior to the Hamas takeover.⁶

Petty and serious crime reportedly increased in both the West Bank and Gaza during the later phases of the second intifada and again following the imposition of sanctions on the PA following the January 2006 Hamas election victory.⁷ According to West Bank police chief Col. Adnan al-Damiri, crime in the West Bank was up 60 percent in 2006 over the previous year. The major types of crime include drug trafficking, robbery, auto theft, kidnapping, and murder.⁸ The increase in crime since January 2006 was apparently caused in part by international sanctions imposed on the PA following parliamentary elections, which hurt Fatah's ability to maintain its patronage network. As a result, many former beneficiaries of patronage, including members of the al-Aqsa Martyrs Brigades—many of whom had started out in life as petty criminals—again took up a life of crime to recoup lost income.

Another sign of the PA's decline was the increasingly frequent violent feuds between rival families, particularly in Gaza before the Hamas takeover, as people

turned to their clan, rather than the PA, for protection and dispute resolution. Even the PA resorted to clan mechanisms rather than the weak and ineffective legal system to deal with out-of-control armed factions.⁹ This growing reliance on tribal law as a means of mediating and resolving conflicts is a common phenomenon in strife-torn and postconflict societies, where the government is no longer able to ensure law and order or to dispense justice, and it is a sure sign of the weakness of the state.¹⁰

Moreover, since the establishment of the PA in 1994, various armed groups (Hamas, the PIJ, the Popular Front for the Liberation of Palestine [PFLP], and later the al-Aqsa Martyrs Brigades and the Popular Resistance Committees) have been allowed to bear arms openly and to attack Israel or Israeli targets, sometimes contrary to the wishes of the PA, sometimes with its tacit approval, and sometimes with the direct assistance or active participation of senior PA officials.¹¹ The PA has consistently proven unwilling or unable to establish a monopoly over the legitimate use of force in the territories—a key defining feature of a successful state.

This policy backfired on Fatah and the PA. The surfeit of guns on the streets of the territories contributed

6. Al Mezan Center for Human Rights, "Al Mezan Calls for Investigations into Acts of Abduction and Torture; Face Increasing Lack of Security in Gaza," Press Release, October 2, 2007. Available online (www.mezan.org/site_en/press_room/press_detail.php?id=721). Other manifestations of the "state of insecurity" in Gaza during 2006 included 52 incidents of attacks on civilians, community figures, and security personnel; 137 clashes involving armed factions; 214 incidents of family feuds and acts of revenge (resulting in 90 dead and 336 injured); 139 instances of the misuse of arms and bombings; 121 attacks on private property and public facilities (including the torching of private homes and attacks on PA facilities); 128 kidnappings for purposes of revenge, as part of internecine struggles between armed groups or to blackmail the PA into hiring family members; 42 road closings and establishment of roadblocks; 64 unsolved killings; an unspecified increase in the incidence of burglary of houses, theft of cars, and the looting of electrical power lines; and the illegal seizure of 2,957 dunums of government-owned lands (most of which formerly belonged to Israeli settlements in Gaza) by various individuals and armed factions. All figures here are from Al Mezan Center for Human Rights, Field Work Unit, "Jungle of Guns & Law of the Jungle: Report on Infringements upon the Law and the State of Insecurity in the Gaza Strip" (Gaza, January 2007). Available online (www.mezan.org/document/state_of_insecurity_en.pdf). These figures do not include the thousands of Israeli automobiles that are stolen and brought to the West Bank each year.
7. Ferry Biedermann, "Crime Soars in Palestinian Areas," Inter Press Service News Agency, February 3, 2004 (available online at <http://ipsnews.net/interna.asp?idnews=22227>); Peter Kenyon, "Gaza Crime Rates Rise," National Public Radio, *All Things Considered*, February 9, 2004 (available online at www.npr.org/programs/atc/transcripts/2004/feb/040209.kenyon.html); Chris McGreal, "Lawless in Gaza"; World Food Program, "Occupied Palestinian Territories," *Emergency Report* no. 19, May 12, 2006; and UN Office for the Coordination of Humanitarian Affairs (OCHA), "The Impact of the Palestinian Authority's Year of Decline on Its Employees: The Case of Jenin," *OCHA Special Focus*, April 2007, p. 8.
8. "PA Police Chief: West Bank Crime up 60%; Blames Militants, Poverty," Associated Press, January 22, 2007.
9. Arnon Regular, "Palestinian Lawmakers: Arafat Evading Promises of Reform," *Haaretz* (Tel Aviv), August 11, 2004. For a dramatic example of how an apparently minor disagreement between a street vendor and a customer in Gaza became a violent clan feud that cost the lives of fourteen people, see Charles Levinson, "In Lawless Gaza, Clan Wars Thrive," *Agence France-Presse*, November 21, 2006. See also, "Gaza: Death and Disintegration All Round," *The Economist*, September 7, 2006.
10. For examples from postcollapse Somalia and post-Saddam Iraq, see Ken Menkhaus, *Somalia: State Collapse and the Threat of Terrorism*, Adelphi Paper 364 (London: International Institute for Strategic Studies, 2004), pp. 31–35, and Rory Stewart, *The Prince of the Marshes* (Orlando, Fla.: Harcourt, Inc., 2006), pp. 219–220.
11. The best-known case is that of Gaza police chief Ghazi Jabali, who in 1997 allegedly ordered a series of attacks on Israeli settlements. Israel subsequently issued a warrant for his arrest. He was never arrested by Israel and remains free today in Gaza. Roni Shaked, "Expose: Hamas Murderers under Arafat's Aegis," *Yediot Abaronot* (Tel Aviv), October 15, 1997, "Sukkot Supplement," pp. 2–5.

to the formation of armed criminal gangs and made conducting a consistent policy toward Israel impossible (because any armed faction could play the role of spoiler). When Fatah began to fragment and the power struggle between Fatah and Hamas eventually intensified, the failure of the PA to ensure that only law enforcement and security officials carried arms contributed to the lethality of internecine violence in the Palestinian territories and eventually paved the way for the Hamas takeover of Gaza.

Limited Institutional Capacity

The institutional capacity of the PA has been hindered by inefficiency, cronyism and corruption, a bloated security sector that has grown at the expense of civilian public service institutions, and constraints created by the continued Israeli occupation of the West Bank. Because of these limitations, international organizations (such as UNRWA), private service providers, Palestinian NGOs, and political movements or parties (such as Hamas) have played a major role as service providers to the Palestinian residents of the territories.

According to a 2006 Birzeit University poll, of the 39 percent of Palestinian respondents who stated that their family sought external sources of financial support to meet their needs (34.8 percent of West Bank respondents, 46.9 percent of Gaza respondents), a plurality (20 percent) stated that their families depended on NGOs and charities. Other sources of support included family or clan members (17.7 percent), PA institutions (13.5 percent), UNRWA (13.2 percent), friends (8.1 percent), political groups (1.1 percent), and others (4.1 percent).¹²

A recent World Bank study of the role of NGOs in the territories provided corroborating data for these

figures. According to that study, UNRWA, private providers, and Palestinian NGOs together account for 51.7 percent of total household use of health services in the Palestinian territories. Moreover, private providers and Palestinian NGOs account for 71 percent of agricultural services (although this finding is a natural outgrowth of PA policy in this sector, which has emphasized regulation, rather than service provision) and 92 percent of preschool educational services (although the number drops to 30 percent for primary and secondary school educational services).¹³ Perhaps most remarkably, in Gaza, UN organizations (UNRWA and the World Food Program) provide food aid to 80 percent of the population.¹⁴

Hamas operates a variety of social welfare and educational institutions in the territories—particularly in the Gaza Strip—that provide a much broader range of services than are provided by most civil society institutions elsewhere. Its *dawa* (Islamic outreach) institutions were used to recruit and mobilize Palestinians. These institutions include various Hamas-affiliated charitable foundations that provided financial assistance to the poor and to wounded fighters, the families of prisoners, and “martyrs” (including suicide bombers); dozens of medical clinics that dispense free medicine and provide free medical care to the Palestinian public; orphanages; more than 100 educational institutions—from nursery schools to Gaza’s Islamic University; and hundreds of Hamas-affiliated mosques.¹⁵ How the emergence of a Hamas administration in Gaza and the PA decision in August 2007 to close down 103 charities in the West Bank—many of which were connected to Hamas—will alter its mode of operation or its ability to fund its nongovernmental and governmental activities is unclear.¹⁶

12. Birzeit University, Development Studies Programme, Public Opinion Poll #28, “Living Conditions, Evaluation of Institutions & Leaders, the Proposed Government, Palestinian Elections & Political Support, Palestinian-Israeli Negotiations, Hezbollah & Hamas,” September 20, 2006. Available online (<http://home.birzeit.edu/dsp/opinionpolls/poll28/index.html>).

13. World Bank and Bisan Center for Research and Development, *The Role and Performance of Palestinian NGOs in Health, Education and Agriculture*, December 2006.

14. Address by UNRWA Commissioner-General Karen Koning AbuZayd to the Political and Security Committee of the EU Council of Ministers, Brussels, April 27, 2007. Available online (www.un.org/unrwa/news/statements/2007/PolSecCom_27Apr07.pdf).

15. Matthew Levitt, *Hamas: Politics, Charity, and Terrorism in the Service of Jihad* (New Haven: Yale University Press, 2006), pp. 56–61, 81–106, 119–142; Zohar Palti, “Advancing Palestinian Society by Weakening Hamas,” *PeaceWatch* no. 441 (Washington Institute for Near East Policy, January 21, 2004).

16. Adam Entous, “U.S.-Backed Campaign against Hamas Expands to Charities,” Reuters, August 20, 2007; Khalid Abu Toameh, “Closed Hamas ‘Charities’ May Go Underground,” *Jerusalem Post*, August 31, 2007.

Because of a lack of reliable information, the current institutional capacity of the PA is difficult to assess accurately. The most authoritative published assessment of the PA's ability to deliver services and govern was a (now somewhat dated) November 2006 World Bank assessment of the institutional performance of the PA under sanctions, which reported the following among its major findings:

- PA ministries and departments continued to operate and to provide core services, albeit at reduced levels.
- As of late September 2006, work had halted at many ministries and agencies because of fiscal difficulties and a public-sector employees' strike to protest nonpayment of salaries (which ended in December 2006).
- Education, health, and social services were compromised significantly by the fiscal crisis and the civil servants' strike.

The assessment concludes by noting the risk that the fiscal crisis sparked by the imposition of international sanctions could cause significant long-term damage to PA governing structures and services.¹⁷

A more recent UN assessment of institutional degradation in the Palestinian territories caused by international sanctions, published in April 2007, drew similar, if somewhat more dire, conclusions:

The PA as a governing body [has] essentially ceased to function. ... [L]ine ministries have been experiencing shortages of fuel, medical equipment, school supplies, all of which reduced their capacity to deliver services. Sanitation, education, health services have all sustained protracted periods of disintegration. Employee strikes due to nonpayment of salaries and absenteeism have curtailed the provision of services in public hospitals, forcing people ... to resort to private clinics.¹⁸

Other published assessments concluded that the fiscal crisis and ongoing violence have affected the institutional capacity of the PA. According to the International Monetary Fund (IMF), production of government services fell by about 10 percent in 2006, based on workdays lost and reductions in goods and services acquired by the PA.¹⁹ An Oxfam survey of public-sector service directors and senior managers conducted in March 2007 found that 86 percent reported that international sanctions had adversely affected their organization's services and that 54 percent reported that they had reduced services by more than half as a result.²⁰ Although the claim that PA services had been cut by more than half seems improbably high and is not supported by the admittedly limited statistical data reported by the IMF or by anecdotal reporting from the Palestinian territories, no doubt exists that the events of the past year and a half have hindered the delivery of services and undermined institutions of Palestinian governance.

Nonetheless, the UN report (written following the imposition of international sanctions on the Hamas-led government but before the Hamas takeover of Gaza) points out that the PA institutions remained in place, even if their functioning was subpar because of high absenteeism rates (32 percent in 2006), demoralization caused by arrearages in payment of salaries, and the territorial and institutional fragmentation of the PA.²¹ The report concludes by noting that

while PA institutions have become largely dysfunctional, they have not disintegrated. After a decade of reforms and capacity building, these institutions have established a solid set of procedures, accounting practices, elaborate and transparent budgets and financial controls, which have all been codified by their staff. While, these institutions have been largely marginalized by the parallel payments mechanisms, the civil service has not yet deserted its functions, migrated to the private sector, or abroad.²²

17. World Bank, "Coping with Crisis: Palestinian Authority Institutional Performance" (Jerusalem, November 2006), pp. 1–13.

18. Karim Nashashibi, "Palestinian Finance under Siege: Economic Decline and Institutional Degradation," *OCHA Special Focus*, April 2007, p. 12.

19. International Monetary Fund and World Bank, "West Bank and Gaza: Economic Developments in 2006—A First Assessment," March 2007, p. 3.

20. Oxfam International, "Poverty in Palestine: The Human Cost of the Financial Boycott," *Oxfam Briefing Note*, April 2007, p. 4. Available online (www.oxfam.org.uk/what_we_do/issues/debt_aid/downloads/bn_poverty_palestine.pdf).

21. Nashashibi, "Palestinian Finance under Siege," pp. 13, 17.

22. *Ibid.*, p. 17.

Thus, the fiscal crisis of 2006, brought on by international sanctions that targeted the Hamas-led PA government, threatened the PA with collapse. The crisis abated somewhat thanks to a substantial increase in foreign aid (from the United States, the European Union, and the Arab states) to individual Palestinians through the EU's Temporary International Mechanism, and to the PA through the Office of the President. This aid offset the loss in revenues caused by Israel's withholding of some \$600 million in clearance taxes it had collected on behalf of the PA between March 2006 and July 2007 and by the decline in taxable income among Palestinians as a result of sanctions.²³

The institutional capacity of the newly established Hamas government in Gaza is hard to assess, but one seasoned observer of the Palestinian political scene noted: "Hamas in power has produced only strikes, civil war in the civil service, deteriorating public services, and a legislative record that is virtually empty and a parliament that hardly ever meets."²⁴

Hamas's ability to govern Gaza has been hindered by the organization's limited institutional capacity and its lack of preparedness for the responsibilities of governing. Moreover, PA efforts to encourage its Gaza employees still on its payroll to stay home from work have reportedly affected the delivery of services there, though exactly to what extent is unclear.²⁵ These factors, in conjunction with the economic sanctions that have been imposed on Hamas, will complicate efforts by Hamas to effectively rule. Nevertheless, Hamas has apparently scrimped enough through austerity measures and smuggled enough cash into Gaza through merchants, moneychangers, charities, and tunnels (\$12 million to \$20 million a month according to one

report) to pay its interior ministry and security forces employees.²⁶

As for the PA, it continues to suffer from many of the shortcomings that have dogged it in the past. The resumption of Israeli tax transfers and international aid in July 2007, however, is likely to provide short-term relief for the PA, its employees, and the Palestinian economy (the transfer of frozen tax arrears by Israel is expected to be completed by the end of 2007). U.S. assistance for 2007 includes \$190 million from the U.S. Agency for International Development to meet basic needs and for political and economic development programs, \$228 million in small-business loans to jump-start the Palestinian economy (under the Middle East Investment Initiative), and \$80 million to reform security forces loyal to President Mahmoud Abbas.²⁷

The administration's 2008 supplemental appropriation request has \$375 million in aid for the West Bank and Gaza, including \$150 million for direct budgetary support for the PA; \$130 million in project assistance for programs to boost employment; \$40 million for improving the administration of Palestinian ministries; \$25 million for equipping, training, and reforming security forces loyal to President Abbas; \$20 million for improvements in the delivery of health care at government clinics; and \$10 million for program support. It also includes \$35 million for Palestinian refugees in the West Bank, Gaza, and Lebanon.²⁸

The renewed aid stream is likely to facilitate the delivery of services by PA ministries and provide a boost to the economy in the West Bank, at least in the short term, although the PA will continue to face long-term challenges to its effectiveness—particularly corruption, factionalism, and militia violence.

23. Steven Erlanger, "Aid to Palestinians Rose in '06 Despite International Embargo," *New York Times*, March 21, 2007, p. A1.

24. Nathan J. Brown, "The Peace Process Has No Clothes: The Decay of the Palestinian Authority and the International Response," Carnegie Endowment for International Peace, Web Commentary, June 15, 2007, 4.

25. Steven Gutkin, "Gaza's Public Workers Paid to Stay Home," Associated Press, August 21, 2007.

26. Barak Ravid, "Livni to Egyptian FM: Put a Stop to Weapons Smuggling into Gaza," *Haaretz* (Tel Aviv), November 6, 2007; Steven Gutkin and Diaa Hadid, "Hamas Struggles to Beat Boycott Squeeze," *USA Today*, September 29, 2007; "Hamas to Pay Salaries to Executive Force Members," Xinhua, September 13, 2007.

27. Fact Sheet, Bureau of Public Affairs, U.S. Department of State, "Supporting the Palestinian Business Sector: The Middle East Business Initiative," July 27, 2007. Available online (www.state.gov/r/pa/scp/89541.htm).

28. Glenn Kessler, "Aid Request Emphasizes U.S. Support of Palestinian Authority Leadership," *Washington Post*, October 31, 2007.

Roots and Origins of Palestinian State Failure

UNDERSTANDING THE ROOTS and origins of Palestinian state failure is a necessary first step toward formulating an appropriate response to the problem. Under the best of circumstances, the Palestinians would have faced formidable challenges building a stable, independent state in the West Bank and Gaza. The previous Fatah leadership under Yasser Arafat, however, consistently made choices that had the practical effect of greatly diminishing the near-term prospects for a stable, independent state. The involvement of outside actors intent on stoking Israeli-Palestinian violence—in particular, Lebanese Hizballah, Iran, and Syria—further diminished the PA's odds of success. This section discusses factors contributing to the failure of the PA.

Arafat's Leadership Style and Legacy

Many of the PA's current problems can be traced to Arafat's autocratic leadership style, the nature of the entity he created, and his legacy, which continues to influence Palestinian politics.¹ Exploiting his standing in the eyes of Palestinians and the international community as the embodiment of the Palestinian cause and the only Palestinian leader with the stature to sign a peace agreement with Israel, Arafat created a strong executive that ran roughshod over the PLC and ignored the checks and balances ostensibly built into the Palestinian political system created by the Oslo process.²

Like many Arab leaders, Arafat created a polity built on relationships and a personality cult, rather than the rule of law and institutions. Many Palestinian ministries and organizations were unable to function effectively without his approval of even relatively minor decisions. His successors have lacked the authority and know-how needed to manage the intricate, highly personalized system he created—which by and large remains in place in the West Bank—or to transcend this system to create something better. Nor have they been able to check the factionalism and fragmentation already evident in Fatah and the PA during the twilight years of Arafat's rule.³

The structure and workings of the PA also reflected the imperatives of patronage. Arafat often created duplicate entities (including about a dozen security organizations) so that he could play off troublesome or ambitious underlings against each other. Moreover, he rarely fired senior subordinates; rather, he created sinecures to ensure that the individuals retained a stake in the system. Arafat oversaw an extensive patronage network that relied on large off-budget cash payments, and he tolerated corruption among senior subordinates as a means of ensuring their loyalty.⁴ When, however, PA revenues plummeted during the early phases of the second intifada and foreign aid donors pressed for transparency and a crackdown on corruption, cutbacks in handouts to the al-Aqsa Martyrs Brigades caused some

1. The concentration of total power in the Palestine Liberation Organization (PLO) in Arafat's hands predated the Oslo process and was, in part, an indirect consequence of the assassination of PLO intelligence chiefs Khalil al-Wazir (Abu Jihad) by Israel in 1988 and Salah Khalaf (Abu Iyad) by the Abu Nidal organization in 1991. As then preventive security chief Muhammad Dahlan ruefully noted: "I believe that the internal life of the Palestinian national movement became much more complicated when Abu Jihad and Abu Iyad died, because we had only one person in charge.... If you disagree with Abu Ammar [Arafat], you become with the Jews. Whereas before, if you opposed Abu Ammar, it meant that you could be with Abu Jihad or Abu Iyad." David Samuels, "In a Ruined Country: How Yasir Arafat Destroyed Palestine," *Atlantic Monthly*, September 2005, p. 86.
2. Dennis Ross, *The Missing Peace: The Inside Story of the Fight for Middle East Peace* (New York: Farrar, Straus, and Giroux, 2004), pp. 200–201, 768; David Schenker, *Palestinian Democracy and Governance: An Appraisal of the Legislative Council*, Policy Paper no. 51 (Washington, D.C.: Washington Institute for Near East Policy, 2000), pp. 23–49.
3. For more on the process of fragmentation in Fatah and on the various actors and forces at work in the Palestinian territories during the second intifada, see Zohar Palti, "Palestinian Fragmentation: Case Study of Jenin and Nablus," *PeaceWatch* no. 468 (Washington Institute for Near East Policy, July 28, 2004), and Zohar Palti, "Who among the Palestinians Can Deliver?" *PeaceWatch* no. 454 (Washington Institute for Near East Policy, April 26, 2004).
4. For more on PA corruption, see the June 1997 Palestinian Legislative Council Special Committee Report on Corruption (available online at www.jmcc.org/politics/pna/plc/plccorup.htm), and the November 1999 "Statement of the Twenty," decrying PA corruption, in *al-Sabil* (Amman), November 30, 1999, p. 1, as translated by the BBC Monitoring Service, December 1, 1999.
5. How the decline in revenues and foreign pressures for greater transparency and an end to corrupt practices affected the patronage system is not clear, although these factors probably contributed to the fragmentation of Fatah. For more on this, see James Bennet, "The Radical Bean Counter," *New York*

Fatah cells to seek alternative sources of funding from Hizballah and Iran.⁵

One of the main shortcomings of the system that Arafat created was its failure to co-opt and integrate emergent leaders, ultimately contributing to the tendency toward fragmentation in Fatah and the PA during the second intifada and after. Arafat and his “old guard” cronies from the founding generation of Fatah who arrived with him from Tunis to run the PA imposed themselves on the Fatah Tanzim activists from the territories—the “young guard” who had served as the former foot soldiers of the first intifada (1987–1993)—without, by and large, incorporating them into the PA. In fact, in the late 1990s, Arafat incorporated many of these former Fatah Tanzim members into parallel structures *outside* the PA that he used to pursue the armed struggle with Israel without implicating the PA in the violence. Both groups, moreover, have been challenged by clan-based criminal gangs and a new generation of young street toughs and fighters from groups like the al-Aqsa Martyrs Brigades and the Popular Resistance Committees, who came of age during the second intifada.

Finally, Arafat’s refusal to confront and disarm rejectionist groups and spoilers, such as Hamas, the PIJ, and the al-Aqsa Martyrs Brigades, proved fatal for the peace process and ultimately the PA. His refusal apparently stemmed from a desire to avoid a major rift in the Palestinian body politic and to preserve the option of tacitly using these groups to pressure Israel (a policy that some Israelis referred to as Arafat’s “green light” for terror). But by allowing terrorist elements of Fatah to operate unhindered, and by allowing members of the

PIJ and Hamas to keep their weapons, Arafat helped undermine the peace process with Israel and ultimately laid the groundwork for the Hamas takeover of Gaza.⁶

Palestinian Strategy

The Palestinian strategy of armed struggle vis-à-vis Israel was founded on a number of assumptions—some of which proved incorrect—and was waged without giving due consideration to the toll on Palestinian society and the nascent Palestinian polity.⁷ These assumptions included the following:

- Using terror to bleed the Israelis while negotiating with them would lead to concessions
- Unilateral Israeli withdrawal from Lebanon in May 2000 was a model that might be replicated in the West Bank and Gaza
- Palestinian society had greater staying power than Israeli society in a protracted war of attrition
- Armed struggle could be pursued without the Palestinians paying a high price
- The Palestinian issue was central to the national interests of the United States and to international stability, conferring on the Palestinians substantial freedom of action
- The demographic factor would ultimately ensure a Palestinian victory over Israel⁸

Times Magazine, May 25, 2003, pp. 36–41; Arnon Regular, “Palestinian Lawmakers: Arafat Evading Promises of Reform,” *Haaretz* (Tel Aviv), August 11, 2004; and Ehud Ya’ari, “What New Order?” *Jerusalem Report*, August 23, 2004.

6. On Arafat’s refusal to confront Hamas and the PIJ and his “green light” for terror attacks, see Ross, *The Missing Peace*, pp. 40, 190, 337–338, 340–343, 356, 776. For a slightly different take on the issue of Arafat’s “green light” from the perspective of a senior Israeli intelligence officer, see Samuels, “In a Ruined Country,” pp. 19, 27.
7. For Palestinian criticism of Palestinian strategy vis-à-vis Israel, see Tawfiq Abu Bakr, quoted in “Palestinian Criticism of the Use of Weapons in the Intifada,” *Middle East Media Research Institute (MEMRI) Special Dispatch* no. 213, April 30, 2001; “The Palestinian Debate over Martyrdom Operations,” *MEMRI Inquiry and Analysis Reports* no. 100, July 4, 2002, and no. 101, July 5, 2002; Mahmoud Abbas, quoted in “Abu Mazin in Gaza: Stop the Armed Operations,” *MEMRI Special Dispatch* no. 449, December 15, 2002; “Call for a Non-Violent Intifada,” in “Nonviolence and the Fate of the Peace Process in the Palestinian Media,” *MEMRI Special Dispatch* no. 698, April 21, 2004.
8. It is unlikely that Arafat had a clear strategy vis-à-vis Israel; at any rate, no one will likely ever know, because Arafat apparently never shared his thoughts on such matters with even his closest advisors. Mostly, Arafat’s approach to negotiations with Israel consisted of ad hoc improvisations, evasions, and maneuvers calculated to ensure his own centrality in negotiations and to strengthen his bargaining position, ensure the survival of the Palestinian national movement, and avoid internecine conflict to preserve Palestinian national unity. Ross, *The Missing Peace*, pp. 40, 768, and Yezid Sayigh, “Arafat and the Anatomy of a Revolt,” *Survival* 43, no. 3 (Autumn 2001), p. 49.

In fact, many of these assumptions proved invalid, and several factors that the Palestinians considered assets (international support, staying power, and demography) proved to be liabilities.

Arafat's apparent calculations about terror and Israeli concessions proved only partly correct; Israel's "red lines" with regard to withdrawal from the Palestinian territories changed significantly between 1993 and 2000, with Israel eventually withdrawing unilaterally from Gaza in 2005. Nevertheless, Israel's counterterrorism strategy exacted a high price from the Palestinians, contributing to the Palestinian economic downturn that started shortly after the conclusion of the Oslo Accords and that has continued ever since, with dire long-term consequences for Palestinian social and political cohesion and the PA's institutional capacity.

As for some of the other assumptions underpinning Palestinian strategy, Israeli society proved much more resilient than many Palestinians (and, indeed, many Israelis) had anticipated.⁹ International (particularly U.S. and European) support for Arafat and the PA proved unreliable, in large part because of frustration with Arafat's maneuvers and evasions.¹⁰ And Palestinian demography has proved a major obstacle to social stability (see below).

Hamas also overplayed its hand in the suicide-bombing campaign it waged during the second intifada, provoking an Israeli targeted killing campaign that eliminated much of the Hamas senior leadership in Gaza and an Israeli arrest campaign that targeted many of its terror cells in the West Bank.¹¹

The Palestinians have long extolled the virtue of steadfastness (*sumud*) in their protracted conflict with Israel—particularly their willingness to endure hardships and to take casualties—contrasting it with Israel's

acknowledged sensitivity to casualties. Nevertheless, the Palestinian leadership was reckless in steadfastly continuing along the path of armed struggle even when it resulted in serious harm to the Palestinian society and economy, the fragile institutions of the nascent Palestinian state, and the image of the Palestinian cause abroad.

A large part of the problem derived from the fact that domestic politics and not strategy often drove Palestinian attacks on Israel. They were frequently motivated by the desire of various groups to demonstrate their commitment to the Palestinian cause and to avenge Palestinian losses, to outbid political rivals with ever-more-spectacular attacks, to undermine the policies of the PA, or—in the case of Arafat and the second intifada—to deflect criticism and distract attention from the shortcomings of the PA.¹²

Recognizing the price they were paying for the "militarization of the intifada" and the diminishing returns yielded by armed struggle because of Israeli counterterrorism measures, the leaders of Fatah and Hamas accepted a *tahdiya* (temporary truce), entailing a reduction in attacks on Israel, at a meeting in Cairo on March 2005. (The agreement also marked a change in strategy on the part of Hamas, from confronting Israel by military means, to seeking the capture of the PA by political means.)

Despite the *tahdiya*, members of Fatah, Hamas, the PIJ, and the Popular Resistance Committees have continued to attack Israel (e.g., the kidnapping of Israeli corporal Gilad Shalit in June 2006, the PIJ suicide bombing in Eilat in February 2007, and almost daily rocket and mortar fire from Gaza), yielding few if any benefits for the Palestinians and prompting Israel to respond in ways that have greatly harmed vital Palestinian interests.¹³

9. Avi Kober, "From Blitzkrieg to Attrition: Israel's Attrition Strategy and Staying Power," *Small Wars and Insurgencies* 16, no. 2 (June 2005), pp. 230–235.

10. Yezid Sayegh, "The Palestinian Strategic Impasse," *Survival* 44, no. 4 (Winter 2002–2003), pp. 9–10.

11. As a result of these operations, Hamas was unable to retaliate effectively for the killing of its spiritual guide and founder, Sheikh Ahmed Yassin. James Bennet, "Israelis Say Hamas Is Not Able to Mount Major Retaliation," *New York Times*, March 27, 2004, p. A3. For more on the effectiveness of targeted killings, see Daniel Byman, "Do Targeted Killings Work?" *Foreign Affairs* (March–April 2006), pp. 95–111.

12. For an assessment that Arafat initiated or at least encouraged the al-Aqsa intifada to divert popular discontent from his misrule and to regain his domestic popularity, see Kahled Abu Toameh, "How the War Began," *Jerusalem Post*, September 19, 2002. For the role of revenge, competition, deterrence, and outbidding in the calculus of rival militant Palestinian groups, see Mia Bloom, *Dying to Kill: The Allure of Suicide Terror* (New York: Columbia University Press, 2005), pp. 19–34 and 94–95, and Mohammad M. Hafez, *Manufacturing Human Bombs: The Making of Palestinian Suicide Bombers* (Washington, D.C.: United States Institute of Peace, 2006), pp. 25–32.

13. The Hamas internal leadership has also voiced support for a *budna* (a ten-year ceasefire) should Israel agree to withdraw to the June 5, 1967, borders, so

Enduring Legacies of the Cult of 'Resistance' and 'Armed Struggle'

The almost reflexive resort to terrorism and the cultivation of a culture of "resistance" and "armed struggle" by the Palestinians have had a morally corrosive effect on Palestinian society. They have done grave harm to the Palestinian cause by nurturing a culture of violence that contributed to the growth of inter-Palestinian conflict in the West Bank and Gaza.

Guerilla warfare and terrorism often leave deep wounds in the social fabric of a nation and have often created great difficulty in building a normal society and a stable polity thereafter.¹⁴ The distinguished British military historian and strategist, B. H. Liddell Hart, reflecting on the legacy of irregular warfare in modern Europe and the Middle East, described this problem in terms that apply to the Palestinians today. While acknowledging the profound suffering and heavy costs inflicted by resistance movements and occupation forces on civilian populations, he noted that

the heaviest handicap of all, and the most lasting one, was of a moral kind. The armed resistance movement attracted many 'bad hats.' It gave them license to indulge their vices and work off their grudges under the cloak of patriotism. . . . Worse still was its wider effect on the younger generation as a whole. It taught them to defy authority and break the rules of civic morality in the fight against the occupying forces. This left a disrespect for 'law and order' that inevitably continued after the invaders had gone.

Violence takes much deeper root in irregular warfare than it does in regular warfare. In the latter it is counteracted by obedience to constituted authority, whereas the former makes a virtue of defying author-

ity and violating rules. It becomes very difficult to rebuild a country, and a stable state, on a foundation undermined by such an experience.¹⁵

Economic Dependence and Vulnerability

The vitality of the Palestinian economy and the fiscal health of the PA are largely dependent on the nature of the PA's relationship with Israel and the international donor community. The Palestinian economy depends heavily on income earned through the export of labor and goods to Israel, while the PA budget depends heavily on clearance revenues (income taxes and customs fees) collected by Israel and transferred to the PA; domestic income taxes collected by the PA (much of it derived from income earned through the export of labor and goods to Israel); and foreign aid.¹⁶

Seven years of almost constant conflict with Israel; tensions with the donor community over corruption, transparency, and accountability; and escalating internecine Palestinian violence have severely weakened the economic underpinnings of the PA. Likewise, dire economic conditions in Gaza pose a threat to the effectiveness, if not survival, of the Hamas government there.

The Palestinian economy is heavily dependent on foreign trade, which accounts for some 85 percent of Palestinian gross domestic product (GDP).¹⁷ Israel is the main destination of goods and labor exported from the West Bank (and until recently, Gaza). In 2005, trade with Israel accounted for 92 percent of all Palestinian foreign trade.¹⁸ (By contrast, Jordan accounted for only 2 percent of total trade with the territories,

that Hamas might bind its wounds and gather strength for the next phase of the conflict. By contrast, the Hamas external leadership in Damascus rejects both the idea of a *tabdiya* or a *hudna*.

14. Caroline Elkins makes much the same point concerning the enduring legacy of irregular warfare for governments that have waged bitter counterinsurgency campaigns in "The Wrong Lesson," *Atlantic Monthly*, July/August 2005, pp. 34–38.

15. B. H. Liddell Hart, *Strategy* (London: Faber & Faber, Ltd., 1967), p. 369.

16. The so-called clearance revenues are income taxes on Palestinian labor and customs fees on imported goods that transit Israeli ports en route to the Palestinian territories. (The Palestinians are not permitted to operate their own ports, in accordance with the 1994 Paris Agreement between Israel and the PA.) Israel has withheld the clearance revenues on several occasions: in 1996, after a series of deadly suicide bombings; during the first intifada; and after Hamas formed a government following its victory in the January 2006 legislative elections.

17. Mohammad Samhuri, "Looking beyond the Numbers: The Palestinian Socioeconomic Crisis of 2006," *Middle East Brief* no. 16 (Crown Center for Middle East Studies, February 2007), p. 6.

18. United Nations Conference on Trade and Development (UNCTAD) Secretariat, "Report on UNCTAD Assistance to the Palestinian People," TD/B/54/3, July 11, 2007 (Trade and Development Board, 54th session, Geneva, October 1–11, 2007, Item 8 (b) of the provisional agenda), p. 11.

because of nontariff and tariff barriers and because the Palestinian and Jordanian economies are competitors in many sectors.¹⁹⁾

The PA depends on external sources—including taxes collected by Israel on its behalf, taxes on income generated through trade with Israel, and foreign aid from the international community—for the lion's share of its budget. In 2005, prior to the imposition of sanctions, PA expenditures and net lending amounted to \$1.92 billion. The largest portion of this total, some \$814.3 million (42 percent), came from clearance revenues collected by Israel, while \$394.29 million (20 percent) came from domestic revenues (which, to a significant extent, depend on the export of labor and goods to Israel). The finance gap of about \$711.41 million was filled by \$349 million (18 percent) in international aid designated for budgetary support and funds from other sources, including proceeds from the sale of Palestine Investment Fund assets, commercial bank loans, and the transfer of previous clearance revenues.²⁰ (In addition, the Palestinian economy benefited from \$500 million in humanitarian assistance and \$450 million in technical support for development activities.²¹) In all, foreign aid to the PA and the Palestinian territories in 2005 amounted to \$1.3 billion—about a third of the GDP of the West Bank and Gaza (which is approximately \$4 billion).²²

Israel has frequently used the PA's economic vulnerability to pressure it to rein in terror attacks. Following the outbreak of the second intifada, Israel temporarily withheld the transfer of clearance revenues to the PA, resulting in a short-term fiscal crisis in the PA, while

the tightening of the closure regime hindered internal trade and hampered exports.²³

The intifada also resulted in a marked reduction in the number of Palestinians working in Israel. In 2000, prior to the second intifada, some 136,000 Palestinians, or about 22 percent of the labor force, worked legally in Israel or the settlements (the actual number, including illegal laborers, was probably somewhat higher). By 2006, only 62,000 Palestinians, or about 9 percent of the labor force, were allowed to enter Israel or Israeli settlements to work because of intifada-induced security closures and an Israeli decision to reduce, and eventually eliminate, its reliance on Palestinian labor.²⁴

The net effect of the second intifada was a significant reduction in economic activity and in real per capita incomes and an increase in poverty levels: unemployment increased from 17.5 percent to 25.3 percent, the poverty rate more than doubled from 20 percent to 46 percent, and GDP per capita declined to \$1,247, significantly below the pre-Oslo benchmark of \$1,680.²⁵

The economic and fiscal situation in the territories deteriorated further following Hamas's January 2006 victory in the Palestinian legislative elections. In response to Hamas's refusal to accept the international Quartet's conditions for continued aid (renunciation of violence, recognition of Israel, and acceptance of all previous agreements with Israel), Israel again halted transfer of clearance revenues and further tightened the closure regime on the Palestinian territories. At the same time, the European Union and the United States ceased transferring aid to the PA and instead began funneling aid directly to Palestinians through NGOs and

19. Mustafa Hamarneh, Rosemary Hollis, and Khalil Shikaki, *Jordanian-Palestinian Relations: Where To?* (London: Royal Institute for International Affairs, 1997), p. 43.

20. World Bank, "Coping with Crisis: Palestinian Authority Institutional Performance" (East Jerusalem, November 2006), p. 3. At various times in the past, clearance revenues have constituted up to two-thirds of PA revenues. World Bank, "West Bank and Gaza: Economic Update and Potential Outlook," March 15, 2006, p. 2.

21. *Ibid.*, p. 3.

22. Foreign aid has increased significantly since the signing of the Oslo Accords, amounting to \$500 million a year in the 1990s, \$1 billion a year after 2000, and \$1.3 billion in 2005. Samhuri, "Looking beyond the Numbers," p. 3. Palestinians now receive more aid per capita than any other population in the developing world. Karim Nashashibi, "Palestinian Finance under Siege: Economic Decline and Institutional Degradation," *OCHA Special Focus*, April 2007, p. 10.

23. Social and Economic Development Group, Middle East and North Africa Region, World Bank, *West Bank and Gaza Country Economic Memorandum: Growth in West Bank and Gaza: Opportunities and Constraints*, volume 1, Report No. 36320 WBG, September 2006, p. 9.

24. International Monetary Fund and World Bank, "West Bank and Gaza: Economic Developments in 2006—A First Assessment," March 2007, p. 6.

25. World Bank, *West Bank and Gaza Country Economic Memorandum*, p. 2. According to this study, total losses caused by lost worker's remittances and closures between 2001 and 2005 amounted to some \$3.3 billion—a massive amount for an economy with a GDP of about \$4 billion a year (p. 21).

the specially created Temporary International Mechanism,²⁶ or through the office of President Abbas. Arab donors also initially withheld aid but resumed the flow later in the year.

The result was a sharp decline in government spending in the PA that, in tandem with the tightening of the closure regime by Israel, produced a further decline in the delivery of government services and in economic activity—though larger-than-expected official and private inflows from abroad in 2006 helped cushion the shock. Real GDP fell by 5 to 10 percent in 2006, leaving real per capita GDP almost 40 percent below 1999 levels. Unemployment in the territories remained more or less even at about 24 percent (declining—surprisingly—in the West Bank from 20.3 to 18.6 percent but increasing in Gaza from 30.3 to 34.8 percent). Poverty rates increased from 17 to 26 percent, while the proportion of the population in Gaza dependent on food aid increased from 50 to 80 percent.²⁷

Ironically, the sanctions—which were meant to punish Hamas (and its supporters)—hit the 164,000 employees of the PA and their nearly million or so dependents, who are mostly Fatah supporters, particularly hard. Civil servants were paid about half their salary between March 2006 and July 2007. More-regular payments have now become possible because of increased levels of direct budgetary support for the PA from the United States and elsewhere since the Hamas takeover of Gaza.

Hamas has tried to circumvent these restrictions by bringing in money from Iran, Saudi Arabia, and the Gulf (in some cases, transported in suitcases by Hamas

officials). According to one source, the amount of cash transferred to the PA from Iran and the Gulf Arab states in the year after the Hamas electoral victory amounted to \$180 million (including part of an Iranian pledge of \$250 million).²⁸ Likewise, the decline in PA revenues caused by the halt in Israeli clearance revenue transfers was offset in 2006 by a dramatic increase in foreign aid for budget support (some \$900 million, more than double the amount provided in 2005).²⁹ As a result, a fiscal crisis was averted, although in the first half of 2007, the PA experienced a monthly budget deficit of more than \$100 million (according to World Bank estimates).³⁰ In early 2007, PA finance minister Salam Fayad assessed the PA's annual budgetary deficit at \$1.45 billion.³¹

The comprehensive closure regime imposed on Gaza following the Hamas takeover in June 2007 threatens to have far-reaching consequences for an economy already in crisis. Israel is permitting humanitarian supplies to enter, but little else, and it has placed a ban on exports from the Strip. This has led to the suspension of 90 percent of Gaza's industrial activity (the industrial sector employs 10 percent of the Gazan labor force) because of a lack of raw materials, potentially driving unemployment in Gaza up to 44 percent. Likewise, the closure has brought a halt to \$93 million in UN-funded construction projects in Gaza that employ 121,000 people, including schools, water works, health centers, and sewage-treatment plants, because of a lack of building materials. Israeli businesses have cancelled contracts because Palestinian partners have been unable to meet commitments, and an estimated 100

26. The Temporary International Mechanism, or TIM, was created by the European Community in June 2006 to relieve the socioeconomic crisis in the Palestinian territories caused by the imposition of international sanctions on the Hamas government. It oversees the direct delivery of assistance to the Palestinian people, in coordination with the Office of the President of the PA. Beneficiaries include hospitals and public healthcare centers and their patients, energy utilities, and some 100,000 heads of household (supporting some 600,000 persons) who constitute among the poorest sectors of the Palestinian population. For more on the TIM, see European Community, *Temporary International Mechanism—Key Facts*, September 29, 2006. Available online (http://trade.ec.europa.eu/doclib/docs/2007/october/tradoc_136447.pdf).

27. These figures use 2005 data as a baseline. Nashashibi, "Palestinian Finance under Siege," p. 6; IMF/World Bank, "West Bank and Gaza: Economic Developments in 2006," pp. 2, 7–10.

28. Nashashibi, "Palestinian Finance under Siege," p. 11.

29. This aid includes \$448 million from Arab League states, \$219 million from the European Union, \$42 million from the World Bank, \$11 million in bilateral support, and \$180 million in cash from various sources. *Ibid.*, pp. 2, 4.

30. World Bank, *Two Years after London: Restarting Palestinian Economic Recovery*, Economic Monitoring Report to the Ad Hoc Liaison Committee, September 24, 2007, pp. 3, 13. Available online (www.minfo.gov.ps/English/reports/Restarting%20Palestinian%20economy%20-%20World%20Bank.pdf).

31. Wafa Amr, "Palestinian Finance Minister Seeks Funds Abroad," Reuters, April 10, 2007.

businesses have moved out of Gaza in the past two years. These developments are liable to have adverse long-term consequences for the Gaza economy.³²

In the wake of the Hamas takeover of Gaza, it is too early to judge how much foreign aid will flow into the coffers of Hamas or the PA government. Initial indicators are, however, that both stand to do well, at least in the near term, because foreign donors have a greater incentive than ever before to support their respective clients, either to build on success (in the case of Hamas) or to prevent further failure (in the case of the PA). But such foreign aid is only a stopgap measure that does not address the fundamental economic challenges confronting the Palestinians.

Palestinian Demography

The precise number of Palestinians living in the West Bank and Gaza is unknown and is a source of much controversy. Estimates for 2004 range from 2.49 million (1.41 million in the West Bank, 1.08 million in Gaza), to 3.83 million (2.42 million in the West Bank, 1.41 million in Gaza). Another 1.425 million Arabs (including Druze), are citizens of Israel, of a total Israeli population of 7.15 million.³³

Palestinian leaders have long been ambivalent about the role of demography in the conflict with Israel. Some Palestinian leaders view demography as a trump card that will ensure their ultimate triumph in

a struggle in which demographic considerations have always loomed large. Others have tended to downplay the importance of this factor, lest the belief in the demographic inevitability of victory lead to Palestinian complacency and inaction in the political and military arenas or prompt Israel to take extreme measures (such as mass expulsions) to deal with this potential threat.³⁴

What role demographic considerations may have played in Palestinian decisionmaking vis-à-vis Israel in the run-up to Oslo and thereafter is not known. No doubt exists, however, that Palestinian demography has contributed greatly to the deterioration of conditions in the territories, particularly in Gaza, and has proven to be a formidable obstacle to the growth of the economy.³⁵ Ironically, Palestinian demography has emerged as more of an immediate threat to Palestinian society and the PA than to Israel.³⁶

Since Oslo, Palestinian natural increase has outstripped economic growth and job creation consistently, leading to a progressive decline in standards of living in the West Bank and Gaza. Meanwhile, the PA has been increasingly challenged to provide a social safety net for those in need, in part because of fluctuations in government revenues (caused by closures and, more recently, Israeli and international sanctions) and increased spending on government salaries (particularly for the bloated security forces).³⁷

32. World Bank, *Two Years after London*, pp. 3, 14–15; “The Gaza Strip: Subsisting but Hardly Thriving,” Maan News Agency, July 10, 2007; Steven Erlanger and Isabel Kershner, “With Pressure Put on Hamas, Gaza Is Cut Off,” *New York Times*, July 10, 2007.

33. For more on the Palestinian demographic debate, see Bennett Zimmerman, Roberta Seid, and Michael L. Wise, *The Million Person Gap: The Arab Population in the West Bank and Gaza*, Mideast Security and Policy Studies no. 65 (Ramat Gan, Israel: The Begin-Sadat Center for Strategic Studies, Bar-Ilan University, 2005). Population figures for Israel and its Arab citizens are from Israel Central Bureau of Statistics Press Release, “Eve of 59th Independence Day: 7,150,000 Residents in the State of Israel,” April 24, 2007. Available online (http://www1.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=200711070).

34. Matti Steinberg, “The Demographic Dimension of the Struggle with Israel—as Seen by the PLO,” *Jerusalem Journal of International Relations* 11, no. 4 (1989), pp. 27–51. Steinberg illustrates this ambivalence through the words of Arafat himself, who on one occasion stated that “the Palestinian woman who gives birth to another Palestinian every ten months ... [is a] biological bomb which threatens to blow up Israel from within.” Yet, on another occasion, he stated that, “We know the importance of the demographic factor as one of our weapons, but it is not the ultimate weapon” (p. 37).

35. Sara Roy, “The Gaza Economy,” *Information Brief* no. 143 (The Palestine Center, October 2, 2006), p. 3.

36. In fact, the birthrate of Palestinians in Israel has been gradually declining over the years (as has the birthrate of Palestinians living in the West Bank and Gaza). According to some estimates, the percentage of Palestinians in Israel (currently 20 percent of the population) is expected to reach 23 percent by 2020 and 26 percent by 2050 (although such predictions are notoriously unreliable and should be taken with a grain of salt). Thus, the problem Israel faces for the next generation or two is that of integrating or accommodating a large and increasingly alienated minority, rather than that of an Arab majority using its power at the polls to vote to dismantle the Jewish-Zionist state. For a range of perspectives on this complex issue, see Yousef Courbage, “The Future Population of Israel and Palestine,” *Population & Sociétés*, no. 362, November 2000, pp. 1–4; Arnon Soffer, *Israel, Demography 2000–2020: Dangers and Opportunities* (Haifa: University of Haifa Center for National Security Studies, 2001); Uzi Arad, “Swap Meet: Trading Land for Peace,” *New Republic*, November 28 and December 5, 2005, pp. 16–18; and Bennett Zimmerman, Roberta Seid, and Michael L. Wise, “Voodoo Demographics: Why the Palestinians Radically Inflate Their Population Figures—and What This Means for the Future of the Middle East,” *Azure*, no. 25 (Summer 2006), pp. 61–78.

37. World Bank, *West Bank and Gaza Country Economic Memorandum*, p. 2; IMF/World Bank, “West Bank and Gaza: Economic Developments in 2006,” p. 10.

The large Palestinian youth bulge (particularly young males) has probably contributed to the problems of chaos and lawlessness that Palestinians now face.³⁸ Youth unemployment is extremely high, and many young people are drifting toward crime or finding employment in local armed gangs, militias, or the PA's security forces, as a means of earning a living.³⁹

For the many young Palestinians who have lived all their lives under occupation, the formative events of their lives were the first and second intifadas. Their values and politics have been shaped by those events, the humiliation of the occupation, and the despair created by their circumstances; not surprisingly, perhaps, polling data show that their politics tend to be more extreme than those of their elders.⁴⁰ None of this bodes well either for efforts to create a stable social and political order in the Palestinian territories or for the prospects of Israeli-Palestinian coexistence.

The Occupation

The Oslo process ratified the continuation of the Israeli occupation of the West Bank and Gaza during the period of transition to Palestinian self-rule. Paradoxically, the result was the further entrenchment of the occupation in tandem with the rise of the PA.

The Oslo Accords envisioned the phased transfer of the Palestinian territories from Israeli to PA control. By the time the Oslo process ground to a halt with the failure of the Camp David talks in July 2000 and the outbreak of the second intifada in September of that year, the PA exercised exclusive jurisdiction over 99

percent of the territory and 100 percent of the Palestinian population of Gaza and 18 percent of the territory and 59 percent of the population in the West Bank.⁴¹ This transfer of control was accomplished by dividing the West Bank into a patchwork of areas under Israeli, mixed, and PA control, with the areas under the jurisdiction of the PA consisting of numerous territorial islands lacking contiguity, bisected by Israeli highways and bypass roads. This strategy afforded the Israeli military maximum freedom of action to deal with potential threats emanating from within the West Bank and by way of Jordan.

During the second intifada, the Israeli military returned to areas of the West Bank previously transferred to the PA, expanded the use of highly disruptive population and traffic control measures in the West Bank and Gaza, and constructed security barriers around Gaza and the West Bank. These measures served to catalyze a number of processes already under way in the Palestinian territories: the unraveling of the Palestinian social fabric, the further decline of the economy, and the territorial and institutional fragmentation of Fatah and the PA.

These controls that Israel has established to deal with terrorism against its citizens living in the West Bank (and Gaza prior to the Israeli withdrawal in August 2005) and within the pre-June 1967 borders include a system of permits required for travel within the West Bank and between the West Bank and Jerusalem; a system of temporary and permanent population and traffic control measures (including several hundred check-

38. Perhaps not surprisingly, a number of studies have found a correlation between the presence of a large youth bulge and political instability and violence in developing countries. For more on the connection between demography, civil conflict, and state failure, see Richard P. Cincotta, Robert Engelman, and Daniele Anastasion, *The Security Demographic: Population and Civil Conflict after the Cold War* (Washington, D.C.: Population Action International, 2003).

39. Armed gangs, party militias, and the PA security forces are prime employers of young men, for whom the security forces are perhaps one of the few growth sectors in the Palestinian economy. While PA jobs increased from 57,000 in 1995 to 142,000 by mid-2006, the security forces grew from 12,000 to 61,000 during the same period (though only 20,000–22,000 reportedly show up for work on a daily basis). Another 17,000 were reportedly in training at the time that these figures were compiled. World Bank, "Coping with Crisis," p. 10, and Testimony of Lt. Gen. William E. Ward, U.S. coordinator for security, Department of Defense, before the Senate Foreign Relations Committee, *The Challenge to the Middle East Roadmap*, 109th Cong., 1st sess., June 30, 2005 (available online at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_senate_hearings&docid=f:25922.pdf).

40. For instance, in one recent poll, 18- to 24-year-olds showed higher levels of support for bomb and rocket attacks against Israel (58 percent and 56.3 percent, respectively) and lower levels of support for peace with Israel (61.1 percent) than any other age cohort polled. Near East Consulting, "General Monthly Survey," December 2006. Available online (www.near-eastconsulting.com/surveys/all/p11/). It is not clear, however, whether these attitudes are linked to a general propensity toward political extremism among young people or the experiences of Palestinian youth living under occupation.

41. The PA exercised civil jurisdiction over another 22 percent of the territory and 40 percent of the population in the West Bank; Israel retained security jurisdiction in those areas. These figures are based on the First Statement of the Government of Israel to the Sharm el-Sheikh Fact-Finding Committee, December 28, 2000, paragraphs 53–56 and 66.

points, roadblocks, earth mounds, trenches, and road gates); and security barriers surrounding Gaza and the West Bank. (Israel completed the security fence around Gaza in 2001; construction of the security barrier in and around the West Bank started in 2003 and is now more than 50 percent complete.)⁴²

The military presence and the population and traffic control measures serve several purposes: (a) to prevent the West Bank and Gaza from being used as a springboard for terrorist attacks against Israel; (b) to protect the more than 268,000 settlers living in the West Bank and Gaza;⁴³ and (c) to ensure that Israel retains the ability to respond to potential threats emanating from Jordan in the (admittedly unlikely) event of another Arab-Israeli war. These measures place practical constraints on the PA's freedom of action in the West Bank and Gaza—although the PA's security forces have maintained a covert presence in many areas formally under Israeli security control.⁴⁴ The barrier has also halted the unfettered movement of Palestinians into Israel, thereby preventing the de facto implementation by Palestinians of their self-proclaimed “right of return.”⁴⁵

These population control measures, while successful in deterring or preventing numerous terror attacks, have contributed to the territorial fragmentation of the West Bank. One manifestation is the fact that in 2000, nearly 60 percent of Palestinian manufacturers made a significant share (more than 25 percent) of their sales

outside their home city; by 2005, only 40 percent did so.⁴⁶ Moreover, the security barrier, by extending in places into land beyond Israel's pre-1967 boundaries (the so-called Green Line established by the 1949 Armistice Agreements), has created a number of Palestinian enclaves on both sides of the barrier, which significantly hinders movement for Palestinians living there. Israeli officials have stated that the completion of the barrier will permit a decrease in the number of checkpoints and roadblocks in the West Bank.⁴⁷ Whether this will indeed be the case remains to be seen.

Israel retains control over most of the border crossings into the Palestinian territories (except for Rafah, which connects Egypt and Gaza, and which has largely remained closed since the Hamas takeover there). Although border crossings into the West Bank continue to operate, since the Hamas takeover of Gaza, Israel has allowed only humanitarian supplies into Gaza and has barred all exports from the area.

Israel has several reasons for this policy: the border crossings continue to come under attack by Gaza-based militants; Hamas refuses to cooperate with Israel in the operation of the border crossings; and Israel has no interest in allowing Hamas to take credit for and derive political benefit from improved economic conditions in Gaza. Moreover, the smuggling of arms, explosives, and contraband into Gaza through a network of tunnels originating in the Egyptian Sinai, which Hamas

42. For more on these restrictions, see United Nations, Office for the Coordination of Humanitarian Affairs, “The Humanitarian Impact on Palestinians of Israeli Settlements and Other Infrastructure in the West Bank,” July 2007; World Bank Technical Team, “Movement and Access Restrictions in the West Bank: Uncertainty and Inefficiency in the Palestinian Economy,” May 9, 2007. For more on the security barrier, see Doron Almog, “The West Bank Fence: A Vital Component in Israel's Strategy of Defense,” *Policy Focus* no. 47 (Washington Institute for Near East Policy, March 2004), and David Makovsky, *A Defensible Fence: Fighting Terror and Enabling a Two-State Solution* (Washington Institute for Near East Policy, April 2004).

43. Shahr Ilan, “Interior Ministry: West Bank Settler Population Grew by 6% in 2006,” *Haaretz* (Tel Aviv), January 11, 2007. This figure excludes the 200,000 or so Israelis living in the expanded municipal boundaries of greater Jerusalem, established in the immediate aftermath of the June 1967 war.

44. For instance, until recently, several hundred Palestinian security personnel operated relatively freely in the Arab neighborhoods of Jerusalem and sometimes involuntarily removed Arab residents of the city to Ramallah or Jericho for interrogation. Khaled Abu Toameh, “Fatah: We've Lost the Battle for Jerusalem,” *Jerusalem Post*, May 15, 2007, p. 3.

45. More than 240,000 Palestinians from the territories are believed to have moved to Israel through family reunification programs, legal marriages, and illegally since the signing of the Oslo Accords. This estimate is from an Israeli National Defense College report cited in Yair Sheleg, “The Demographics Point to a Binational State,” *Haaretz* (Tel Aviv), May 27, 2004.

46. Finance and Private Sector Development Group, Social and Economic Development Department, Middle East and North Africa Region, *West Bank and Gaza Investment Climate Assessment: Unlocking the Potential of the Private Sector* (World Bank, March 20, 2007), pp. ii, 15.

47. David Shearer, “Territorial Fragmentation of the West Bank,” UN Office for the Coordination of Humanitarian Affairs, May 2006 (available online at www.ochaopt.org/documents/WB_territorial_fragmentation_revised_CAP_June06.pdf). See also, UN Office for the Coordination of Humanitarian Affairs, West Bank Closure Photo Album, May 2007 (available online at www.ochaopt.org/documents/Closures_20070502.pdf); UN Office for the Coordination of Humanitarian Affairs, West Bank Closure Map, April 2007 (available online at www.ochaopt.org/documents/WestBank_April07.pdf); and UN Office for the Coordination of Humanitarian Affairs, Gaza Closure Map, March 2007 (available online at www.ochaopt.org/documents/Gaza_Access_March07.pdf).

now largely controls, has increased. The tunnels are now being used to bring in money, arms and ammunition, raw materials for explosives, and rocket fuel for the Qassam rockets being fired at Israel. Smuggling of contraband (such as cigarettes and drugs) by criminal gangs has apparently stopped.⁴⁸

Israeli Policies

Israeli policies adopted during and after the second intifada that were intended to weaken the PA (which, with the start of the intifada, Israel came to view as a terrorist entity) may have inadvertently contributed to the Hamas takeover in Gaza in June 2007. This result reflects fundamental contradictions in Israeli strategy and the unintended consequences of efforts to grapple with extraordinarily difficult and complex military and political challenges.

Israel has sometimes pursued short-term military solutions as a means of managing intractable long-term political problems with its neighbors. However, military-tactical successes (e.g., a dramatic reduction in suicide bombings resulting from the targeted killing of bomb-cell members and the construction of the security barrier) have not always produced policy successes or precluded policy reversals (e.g., the Hamas electoral victory and subsequent takeover of Gaza).

For instance, the participation of personnel belonging to several PA security organizations in the second intifada resulted in their being targeted by the Israeli military and in the destruction of many of their offices and facilities. This process reached its high point during Operation Defensive Shield (April–May 2002) when Israeli forces entered parts of the West Bank that had previously been handed over to the PA and ransacked PA ministries in Ramallah, seizing paper and computer files, and gutting many government offices.⁴⁹ Israel

never successfully resolved the conundrum of how to fight a PA that embraced terror without undermining its institutions in a way that may have hindered its ability to compete with Hamas. Whether any other country would have done differently or could have done better in such circumstances is not clear. At the same time, however, the Israeli military inflicted great damage on Hamas's military infrastructure, which should have leveled the playing field between Fatah and Hamas. In the end, it was disparities in motivation, training, and, most of all, leadership, and not past Israeli policies, that made the decisive difference when Fatah and Hamas eventually faced off in May–June 2007.

Israel's failure to develop a viable strategy toward the Palestinians may have also contributed to the current sorry state of relations between Israel and the Palestinians. Although most Israeli operations in the territories reflect a traditional counterterror approach, with a heavy emphasis on "kinetic" (military) operations, circumstances may require an approach that better balances kinetic and "non-kinetic" (diplomatic, informational, and economic) instruments of national power.⁵⁰ Israel has no chance of winning Palestinian hearts and minds. Nonetheless, it could do more than it is now doing (e.g., it is currently building expanded pedestrian checkpoints and commercial crossing points, bypass roads, and tunnels in the West Bank for use by Palestinians) to address some of the more onerous aspects of the occupation that contribute to anti-Israeli violence—such as long delays at roadblocks and checkpoints, humiliating actions by its soldiers, and the complex and frustrating travel permit system. Moreover, Israel's political leadership needs to offer the Palestinian people a vision of coexistence involving two states side by side, even if little chance exists of implementing such a program anytime soon.

48. Amos Harel and Avi Issacharoff, "IDF: Hamas Now in Full Control of Gaza Arms Smuggling," *Haaretz* (Tel Aviv), November 8, 2007; Steven Erlanger, "Isolation of Gaza Chokes Off Trade," *New York Times*, September 19, 2007.

49. For more on how Operation Defensive Shield affected the PA and the Palestinian infrastructure, see Khaled Abu Toameh and Isabel Kershner, "The Cost of Defeat," *Jerusalem Report*, May 6, 2002, p. 26; Lynn Sweet, "Israelis Say Terrorist Network 'Crippled,'" *Chicago Sun-Times*, April 26, 2002, p. 3; Olivia Ward, "Phase 1 of 'War' Over: Sharon," *Toronto Star*, April 22, 2002, p. A1; Hamza Hendawi, "Palestinian Authority Faces Damage," Associated Press Online, April 21, 2002.

50. Indeed, Israeli military officials often use these and associated terms interchangeably, without distinguishing between the two different forms of warfare. For more on the difference between counterterrorism and counterinsurgency warfare, see David Kilcullen, "Countering Global Insurgency," *Journal of Strategic Studies* 28, no. 4 (August 2005), pp. 597–617.

Finally, the failure of the Oslo process to bring about an improvement in Palestinian living conditions or progress toward a better future and the Israeli decision to unilaterally withdraw from Lebanon and Gaza have had the unintended effect of strengthening Hamas. Although Israel struck painful blows against Hamas during and after the second intifada (it has rolled up the Hamas infrastructure in the West Bank, while a campaign of targeted killings in Gaza eliminated much of the Hamas military and political leadership there), Israel's May 2000 withdrawal from Lebanon and its August 2005 withdrawal from Gaza seemed to confirm Hamas's arguments that only violence can bring about Israel's withdrawal from occupied territories.

Outside Actors

Outside actors—in particular, Hizballah, Iran, and Syria—have helped stoke the violence that eventually undermined the PA.

Iranian involvement in the Palestinian arena dates at least to the run-up to the October 1991 Madrid Peace Conference, when Iran strengthened its ties to Palestinian groups violently opposed to Arab-Israeli peace, including the PIJ, Hamas, and the PFLP–General Command. Iran subsequently paid cash bonuses worth tens of thousands of dollars for PIJ and Hamas terrorist attacks aimed at undermining the Oslo process, including a series of suicide bombings in the first three months of 1996 (three by Hamas, two by PIJ) that undermined Israeli-Palestinian negotiations and contributed to the defeat of Labor and the triumph of Likud in Israel's May elections that year.⁵¹

The eruption of the second intifada in September 2000 prompted Tehran to mend its relations with the PA (which it had previously excoriated for negotiating with Israel) and led to several Iranian attempts to transfer arms to the PA by sea. The best-known case

is that of the ship, the *Karine-A*, that was captured by Israeli naval commandos in January 2002.

Hizballah, which both Israeli and PA officials regard as an Iranian proxy, has reportedly also funded terror attacks in Israel and helped Palestinian groups devise more-lethal bombs and tactics to use against Israeli civilians and military personnel.⁵² On at least one occasion, it tried to smuggle rockets into the West Bank through Jordan.⁵³

Hizballah also sought to co-opt members of the al-Aqsa Martyrs Brigades for its own purposes, transferring money and military know-how to cells under its influence. These efforts benefited from several developments: the drastic economic slowdown in the Palestinian territories during the early phases of the intifada, leading to the breakdown of the PA's patronage system and widespread unemployment; disarray in the ranks of the PA as a result of mass arrests and targeted killings by Israel; Arafat's policy of fomenting chaos as a means of asserting his centrality to peacemaking; and the demise of the regime of Saddam Hussein, which had previously subsidized terror by paying \$15,000–\$25,000 to the families of “martyrs.”⁵⁴

Efforts by Hizballah to co-opt al-Aqsa Martyrs Brigades cells continue to this day, although its ability to do so has reportedly diminished because of countermeasures taken by Israel and the PA. These measures include a focused effort by the Israeli military to arrest or kill many of the cell members under Hizballah influence, mostly in and around Nablus; efforts to disrupt the flow of cash to these cells; pressure by the PA on cell members not to accept foreign funds; and the alleged takeover of the brigades by centrist elements, who have marginalized cells that worked for Hizballah.⁵⁵

Hizballah's efforts to co-opt Palestinians have not been limited to groups affiliated with Fatah. Hizballah achieved a degree of success during the second inti-

51. Robin Wright, “U.S. Links Iran to Efforts to Torpedo Peace Process,” *Los Angeles Times*, May 9, 1995, p. 1; Michael Evans, “Tehran Paid Cash Reward to Agent,” *London Times*, April 16, 1996, p. 11; Zeev Schiff, “Hamas Terrorists Are Being Trained in Iranian Camp,” *Haaretz* (Tel Aviv), July 22, 1999.
52. Molly Moore and John Ward Anderson, “Suicide Bombers Change Mideast's Military Balance,” *Washington Post*, August 18, 2002, p. A1.
53. Nicholas Blanford, “Sticking to the Rules in South Lebanon,” *Daily Star* (Beirut), July 23, 2004.
54. Ravi Nessman, “Hezbollah Using Palestinian Militants to Fight Israel,” Associated Press, April 11, 2004; Ehud Yaari, “Unit 1800,” *Jerusalem Report*, October 18, 2004, p. 27; Amos Harel, “Hizballah's Terror Factory in the PA,” *Haaretz* (Tel Aviv), January 11, 2005.
55. Avi Issacharoff and Yoav Stern, “Israel Confirms Hezbollah Long-Range Missile Arsenal Restored,” *Haaretz* (Tel Aviv), July 24, 2007.

fada in recruiting members of Hamas, which was also experiencing economic hardship because of U.S. and Saudi efforts to halt its fundraising efforts following the terrorist attacks of September 11, 2001. Hizballah has also helped Hamas develop and extend the range and capability of its Qassam family of homemade rockets. Since October 2001, Hamas has launched more than 6,000 Qassams against Israeli settlements and towns. Of these, more than 2,700 were launched against towns within Israel's pre-1967 borders following the Israeli withdrawal from Gaza.⁵⁶ More recently, Iran has emerged as a major financial benefactor of the Hamas mini-state in Gaza, pledging \$250 million in aid following the imposition in 2006 of international sanctions on the PA. It has also reportedly trained hundreds of Hamas fighters for the ongoing struggle with Fatah and Israel.⁵⁷

Since 1999, Syria has played host to several senior members of the Hamas "external" leadership, including political bureau chief Khaled Mashal, who controls the organization's military wing. The July 2006 attack on an Israeli military outpost near Gaza that resulted in the kidnapping of Cpl. Gilad Shalit was reportedly undertaken on the orders of the Hamas military leadership in Damascus, to scuttle negotiations between Hamas and Fatah aimed at creating a national-unity government.⁵⁸ Likewise, Israeli intelligence officials claimed in August 2007 that the Hamas external leadership had ordered operatives in the West Bank to undertake an attack in Israel to disrupt newly revived talks between Israeli prime minister Ehud Olmert and Palestinian president Mahmoud Abbas.⁵⁹ More recent reports indicate, however, that the military wing of Hamas in Gaza, led by Ahmed al-Jaabari, is now the ascendant faction there

and is trying to free itself of the influence of the external Hamas leadership in Damascus.⁶⁰

Divided Government

The Hamas electoral victory of January 2006 introduced deep divisions in the PA—despite the eventual formation of a Fatah-Hamas "national unity" government in March 2007. Tensions between Fatah loyalists and Hamas appointees in various ministries, the creation of parallel mechanisms for funneling foreign aid to Fatah- and Hamas-controlled PA institutions, and the formation of parallel official security organizations affiliated, respectively, with Fatah and Hamas made these divisions manifest. This process culminated in the Hamas takeover of Gaza in June 2007.

The struggle for control over the streets of the Palestinian territories and the security forces of the PA is the most visible sign of the ongoing power struggle between Fatah and Hamas. Political power in the Palestinian territories still ultimately flows from the barrel of a gun, and Hamas and Fatah not only retain their own party militias, but each has its own quasi-governmental security forces.

The Hamas security forces consist of the movement's militia, the Izz al-Din al-Qassam Brigades, which operates in Gaza and the West Bank and is involved in the firing of Qassam rockets and terror attacks on Israel, as well as the quasi-governmental Executive Force in Gaza. Prior to the takeover of Gaza, the Executive Force consisted of 6,500 men organized into six brigades; since then, it has reportedly expanded to a force of 15,000, organized and trained to operate as a more conventional military force. Its main roles are internal security and external defense.⁶¹ Hamas has also set up

56. Figures extrapolated from data in UN, "Israel-Palestinian Fatalities since 2000—Key Trends," *OCHA Special Focus*, August 2007, p. 2; "What Is Burning?" *Maariv* (Tel Aviv), November 22, 2006.

57. Greg Myre, "Israel Blocks Hamas Leader from Returning to Gaza," *International Herald Tribune*, December 14, 2006; Steven Erlanger, "Israel Warns of Hamas Military Buildup in Gaza," *New York Times*, April 1, 2007, p. A1; Steven Erlanger, "Hamas Fighters Training Abroad, Israeli Army Says," *New York Times*, August 28, 2007.

58. Khaled Abu Toameh, "Shalit Capture Exposes Hamas Infighting," *Jerusalem Post*, June 28, 2006, p. 1.

59. Avi Issacharoff, Amos Harel, Yuval Azoulay, and Yoav Stern, "Shin Bet: Hamas Headquarters in Syria Ordered Attack on Israel," *Haaretz* (Tel Aviv), August 27, 2007.

60. Amos Harel, Avi Issacharoff, "Hamas Losing Grip on Gaza, Fatah Gaining Support," *Haaretz* (Tel Aviv), November 13, 2007.

61. Abraham Rabinovich, "Hamas Fighters Strengthening Border Defense," *Washington Times*, November 2, 2007; Amos Harel, "IDF's Tactical Upper Hand over Hamas in Gaza Is Diminishing," *Haaretz* (Tel Aviv), October 30, 2007; Cam Simpson and Neil King Jr., "Hamas to Show an Improved Hand," *Wall Street Journal*, July 30, 2007, p. A4; James Hider, "Motto Is Still 'Victory or Death' but New-Style Hamas Prefers the Former," *The Times* (London), July 27, 2007.

a small coastal defense and naval force.⁶² Hamas was greatly strengthened by the addition of large quantities of arms captured from the PA during its takeover of Gaza, which included thousands of assault rifles, many thousands of rounds of ammunition, and significant quantities of small arms—including rocket-propelled grenades, some of which had been transferred to PA forces with U.S. approval during the fighting between Hamas and PA forces in May–June 2007.⁶³

Moreover, Hamas continues to tolerate, if not encourage, daily mortar and rocket attacks and occasional cross-border attacks on Israel by the PIJ, the Popular Resistance Committees, and the Democratic Front for the Liberation of Palestine (DFLP). In Gaza today, the chaos and lawlessness continue, but they are now mainly directed outward, although clashes between Hamas's security services and supporters of Fatah (and more recently the PIJ) have occurred.⁶⁴

The PA's security forces trace their origins to the dozen or so security organizations set up by Yasser Arafat shortly after his return to the Palestinian territories in 1994. Today, the main PA security forces operating in the West Bank include Preventive Security, General Intelligence, the National Security Forces, Military Intelligence, Force 17 (which reportedly is being disbanded), and the Presidential Guard.⁶⁵ On the eve of the Hamas takeover of Gaza, the PA's security forces were said to have employed some 86,000 men, although the actual number of individuals who were present for duty was assessed to be less than half that number.⁶⁶ Because of pressure from the United States and the European Union, the PA is currently considering cutting the payroll of its security forces by 30,000, firing ghost employ-

ees and retiring those over forty-five years of age, to create a more disciplined and professional force and as an austerity measure. This possibility, however, has raised fears of a backlash by affected personnel, especially those without alternative sources of income.⁶⁷ Plans to cut the PA's security forces have reportedly caused the PA to decide to withdraw its request for augmentation of its security forces in the West Bank by the Palestine Liberation Army's Badr Brigades, currently based in Jordan.⁶⁸

Suffering low morale, poor leadership, and poor training, the PA's security forces remain a target of Hamas subversion. Hamas members have tried to create clandestine Hamas cells in PA security organizations in the West Bank, presumably to pave the way for an eventual Hamas takeover there.⁶⁹

The Fatah movement's militia, the al-Aqsa Martyrs Brigades, probably can call on several hundred fighters in the West Bank and Gaza. In June 2007, PA president Abbas announced the dismantling of the militia and its integration into the security forces of the PA.⁷⁰ In July, the PA initiated a three-month trial program entailing the disarmament and sequestration of 178 members of the al-Aqsa Martyrs Brigades in the West Bank previously on Israel's "wanted" list, followed by their integration into the PA's security forces in return for an Israeli offer of amnesty (assuming good behavior). The results of this experiment, which seeks to address one of the main sources of chaos, strife, and lawlessness in the West Bank, are thus far unclear.⁷¹

President Abbas's main pillar of support is the Presidential Guard, which on the eve of the Hamas takeover of Gaza reportedly had 3,700 men under arms.⁷² The Presidential Guard has been armed, equipped, and

62. Ali Waked, "Hamas Establishes Naval Defense Force in Gaza," YNetNews.com, August 9, 2007.

63. Nick Francona, "Hamas's Military Capabilities after the Gaza Takeover," *PolicyWatch* no. 1278 (Washington Institute for Near East Policy, August 27, 2007).

64. Sarah el Deeb, "Despite Similar Ideologies, Small Islamic Jihad Proving to be Nuisance to Hamas," *International Herald Tribune*, October 31, 2007; Khaled Abu Toameh, "Hamas: Fatah Using 'Insurgency' Tactics," *Jerusalem Post*, October 5, 2007.

65. Amos Harel and Avi Issacharoff, "IDF, PA Meet for Highest-Level Security Talks Held Since 1994," *Haaretz* (Tel Aviv), August 31, 2007.

66. According to one U.S. official, the number of individuals who actually reported for duty in 2005 was between 20,000 and 22,000. Testimony of Lt. Gen. William E. Ward, *The Challenge to the Middle East Roadmap*.

67. Khaled Abu Toameh, "PA to Fire 30,000 Policemen from West Bank Security Forces," *Jerusalem Post*, October 27, 2007; Adam Entous and Wafa Amr, "Cutting Palestinian Force Poses Challenge for PM," Reuters, October 25, 2007.

68. Avi Issacharoff and Amos Harel, "U.S. Official Doubts Ability of PA to Police West Bank," *Haaretz* (Tel Aviv), October 25, 2007.

69. Khaled Abu Toameh, "Hamas Has Formed West Bank Cells," *Jerusalem Post*, August 19, 2007.

70. Khaled Abu Toameh, "PA to Merge Aksa Brigades into Its Security Forces," *Jerusalem Post*, June 24, 2007.

71. Dan Murphy, "Israeli Amnesty Offer Divides Militants," *Christian Science Monitor*, July 23, 2007.

72. Adam Entous, "U.S. to Give Abbas Forces \$86 Mln Amid Power Struggle," Reuters, January 5, 2007.

trained by Egypt, Jordan, and the United States with the tacit approval of Israel. Plans exist to expand and revamp the Presidential Guard in the wake of its poor performance in Gaza, with the help of the office of the United States Security Coordinator, Lt. Gen. Keith Dayton, based in the U.S. consulate in Jerusalem.⁷³ Much work has to be done, however, as acknowledged by Prime Minister Salam Fayad, who reportedly told Israeli officials in August 2007 that the PA's security organizations are not yet able to assume responsibility for security or law and order or to prevent terrorist attacks on Israel from the West Bank.

In November 2007, the PA deployed elements of its security forces to Nablus, the first step of an effort to demonstrate to Israel its ability to enforce law and order in the West Bank (as such, their main job is to deal with car theft, drug trafficking, extortion, and robbery, while the Israeli military deals with terrorist threats there). The Israeli military, however, almost certainly will remain the ultimate authority in the West Bank for the near future.⁷⁴

Thus, Hamas and the PA are struggling to consolidate their control over their respective "domains" in Gaza and the West Bank. In this endeavor, Hamas is aided by the small size of the Gaza Strip, the concentration of most of its residents in two or three major population centers, its organizational discipline and cohesion, its willingness to rely on repressive measures to maintain order, and the presence of international organizations in Gaza (such as the World Food Program and UNRWA)—which compensates somewhat for its own lack of institutional capacity. By contrast, in the West Bank, the PA is challenged by the size of the territory under its control, the dispersion of its population among nearly a dozen major population centers and numerous villages, the substantial Israeli military presence (which has the beneficial effect, though, of limiting Hamas's influence), and its corruption and institutional weakness. Both Hamas and the PA are concerned about being subverted by the other, however, and are therefore preparing for a new round of violence.

73. "U.S. to Train Palestinian Presidential Guard," Reuters, August 20, 2007; Aluf Ben, "U.S. Coordinator Plans 5 New Palestinian Battalions in W. Bank," *Haaretz* (Tel Aviv), August 30, 2007.

74. Avi Issacharoff and Amos Harel, "U.S. Official Doubts Ability of PA to Police West Bank"; Avi Issacharoff and Barak Ravid, "Fayad: PA Not Ready to Assume Control of Security in West Bank," *Haaretz* (Tel Aviv), August 6, 2007; Joel Greenberg, "In Trial Run, Abbas' Forces Deploy in Nablus," *Chicago Tribune*, November 6, 2007.

Implications of Palestinian State Failure

THE PALESTINIAN TERRITORIES exhibit a number of pathologies that typically afflict failing or failed states: the spread of lawlessness and violence; the breakdown of civil institutions and fragmentation of political authority; the emergence of armed criminal gangs and militias; smuggling and arms trafficking (in Gaza, by way of the underground tunnels from Sinai); and the appearance of international terrorist groups, like al-Qaeda, that thrive on chaos. Gaza enjoyed a brief respite from this state of affairs following the June 2007 Hamas takeover, but signs indicate the state of insecurity and the pathologies associated with it are returning. In the West Bank, little has changed.

The status quo in the Palestinian territories may well continue for some time, with the weak Hamas and PA mini-states in Gaza and the West Bank continuing to muddle through. Alternatively, they might further weaken or collapse because of (a) new economic setbacks or a further breakdown of civil institutions and political authority; (b) inter-Palestinian violence or civil war (among Fatah supporters or between Fatah and Hamas), or (c) Israeli military action. This section assesses the implications of the existence of weak or collapsed Palestinian mini-states in Gaza, the West Bank, or both for the Palestinians, their neighbors (Israel, Jordan, and Egypt), and the United States.

Terrorism

Terrorism has been, and seems likely to remain, a part of the Palestinian political landscape for some time to come: in Gaza, as a direct result of Hamas policy, and in the West Bank, because of the PA's weakness.

The Hamas government tolerates or encourages groups such as the PIJ, the Popular Resistance Committees, and the DFLP to launch almost daily mortar

and rockets attacks on Israel, as well as occasional cross-border forays. In contrast, the PA leadership, although currently committed to preventing attacks on Israel, is, by its own admission, unable to do so, which is why the Israeli military remains in the West Bank.¹ Should the position of the PA in the West Bank weaken further, local actors intent on attacking Israel and outside actors (e.g., Hizballah and Iran) intent on sponsoring attacks might have greater latitude to do so.

An increase in internecine violence in the territories is unlikely to lead to a reduction in terrorist attacks against Israel; it may even lead to an increase. Even as Fatah and Hamas were engaged in steadily escalating violence in May–June 2007, the PIJ continued launching rockets against Israel from Gaza, and Hamas joined the action—abandoning its policy of relying on surrogates—in an attempt to drag Israel into its confrontation with Fatah.²

Continuing Israeli-Palestinian violence could further radicalize some Palestinian groups, leading to the emergence of even more-extreme factions and creating even more-favorable conditions for international jihadist groups that have established a presence in the territories, such as al-Qaeda. Thus, in May 2006, the al-Aqsa Martyrs Brigades threatened to attack Israeli and U.S. targets outside the Palestinian territories if international sanctions on the Palestinians were not lifted, while in late 2006, members of the military wing of Hamas reportedly debated whether to attack U.S. interests in the Middle East.³ The al-Aqsa Martyrs Brigades were also involved in a major escalation of mortar and rocket attacks from Gaza in early November 2007, apparently to spur Israel to intervene militarily against the Hamas government, which has cracked down on the Brigades in Gaza.⁴

1. Avi Issacharoff and Barak Ravid, "Fayad: PA Not Ready to Assume Control of Security in West Bank," *Haaretz* (Tel Aviv), August 6, 2007.

2. International Crisis Group, "After Gaza," *Middle East Report* no. 68, August 2, 2007, p. 22.

3. Rami Almeghari, "Fatah's Armed Wing Threatens to Extend Operations outside the Palestinian Territories," International Middle East Media Center, May 3, 2006 (available online at www.imemc.org/article/48154); Tim McGirk, "New Calls by Hamas Militants to Target the U.S.," *Time*, October 13, 2006.

4. "Al-Aqsa Brigades Announces Launch of 'Autumn of Gaza' Military Campaign," Maan News Agency, November 1, 2007; Avi Issacharoff, "PA Infighting/Blood Brothers," *Haaretz* (Tel Aviv), November 2, 2007.

Local al-Qaeda affiliates are present in Gaza and have tried to gain a foothold in the West Bank.⁵ Prior to the Hamas takeover in Gaza, several of these groups were involved in internecine violence and claimed responsibility for attacks on PA security officials there.⁶ A number were also reportedly involved in a string of attacks in Gaza on internet cafes, a mixed-gender UNRWA elementary school event that did not comport with “Islamic standards,” an American School, and a Christian bookstore, prior to the Hamas takeover. Furthermore, following the Hamas takeover of Gaza, dozens of former Fatah-affiliated PA police who subsequently lost their jobs have joined al-Qaeda-linked groups in Gaza, such as the Army of Islam, headed by Mumtaz Dughmush.⁷ Although Hamas has in the past expressed hostility toward al-Qaeda, the effect of the Hamas takeover of Gaza on these local al-Qaeda affiliates is not clear, especially in light of recent statements by al-Qaeda leader Ayman al-Zawahiri lauding Hamas and its struggle.⁸

Groups associated with al-Qaeda will have difficulty establishing a major presence in the West Bank and Gaza as long as Fatah and Hamas remain the dominant actors there and oppose al-Qaeda’s pan-Islamist strategy, which, they believe, diverts attention and energies from the Palestinian cause.⁹ Such constraints, however, may not deter al-Qaeda from attempting the organization’s trademark terrorist spectacles.

This situation could change should the security situation in Gaza or the West Bank deteriorate further, cre-

ating a more favorable environment for al-Qaeda. The establishment of an al-Qaeda infrastructure in the Palestinian territories might also benefit al-Qaeda affiliates operating in the Egyptian Sinai and Jordan, by providing new opportunities for coordination and mutual assistance among these groups. Indeed, this may already be happening; Egyptian security officials claimed that the head of al-Qaeda in Egypt fled to Gaza in April 2007 during an Egyptian police crackdown, indicating that Gaza may already be a safe haven for Egyptian al-Qaeda operatives.¹⁰ Nevertheless, more-recent reports that Hamas in Gaza turned over an al-Qaeda operative to Egypt (whether it was the aforementioned al-Qaeda leader is not clear) in October 2007, in return for Egyptian assistance in the repatriation to Gaza of eighty-five Hamas members stranded in Sinai, would seem to indicate that relations between Hamas and al-Qaeda remain chilly and that al-Qaeda operatives cannot expect to operate freely in Gaza.¹¹

Emigration, Displacement, and Refugee Flows

Failed and war-torn states are often net exporters of people fleeing for their lives or leaving in search of a better life. The West Bank and Gaza have witnessed both phenomena in the past six decades, experiencing an estimated net out-migration of about 1.75 million Palestinians between 1949 and the present.¹² Interestingly, the 1967 war accounts for only a small portion of this total; the war led to the flight of slightly more

5. Ilene Prusher, “Al Qaeda Tactics Expand in Gaza,” *Christian Science Monitor*, May 11, 2007. For instance, two Palestinians were arrested in December 2005 while trying to reenter the West Bank after allegedly meeting an al-Qaeda operative in Jordan to plan a double car bombing in Jerusalem. They were indicted in an Israeli court in March 2006. “Palestinians ‘in al-Qaeda Plot,’” BBC News, March 21, 2006 (available online at http://news.bbc.co.uk/2/hi/middle_east/4831352.stm); Steven Gutkin, “Signs Mount that al-Qaida Setting Sights on Israel and Palestinian Territories,” *Associated Press Worldstream*, March 22, 2006.
6. These include a May 21, 2006, bomb attack that seriously wounded the chief of general intelligence in Gaza, Brig. Gen. Tariq Abu Rajab, and a September 15, 2006, ambush that killed another senior general intelligence official, Brig. Gen. Jad Tayeh. Agence France-Presse, “Al-Qaida in Palestine Claims Attack on Intelligence Chief,” *Middle East Times* (Washington, DC), May 21, 2006; Aaron Klein, “Global Jihad Group Takes Credit for Assassination, Warns More Attacks on the Way,” *YNetNews.com*, September 21, 2006.
7. Khaled Abu Toameh, “Fatah Policemen ‘Defect to al-Qaida,’” *Jerusalem Post*, November 1, 2007.
8. Karen DeYoung, “Al-Qaeda, Seeking New Sway, Urges Muslims to Aid Hamas,” *Washington Post*, June 26, 2007, p. A15.
9. The situation in the Palestinian territories probably differs from that elsewhere in the Muslim world, where al-Qaeda has generally preferred to cooperate with a sympathetic government capable of providing safe haven (e.g., Sudan, Afghanistan) while apparently avoiding areas where no government can offer protection (e.g., Somalia). Ken Menkhaus, *Somalia: State Collapse and the Threat of Terrorism*, Adelphi Paper 364 (London: International Institute for Strategic Studies, 2004), pp. 71–75.
10. “Egypt’s Al Qaeda Chief ‘Flees to Gaza,’” Agence France-Presse/Australian Broadcasting Corporation News, July 15, 2007.
11. “Hamas-Egypt Deal Allows Palestinians’ Return in Exchange for Al-Qa’idah Figure,” *Maan News Agency*, October 1, 2007.
12. This figure is a rough estimate, arrived at by adding to the 1.39 million Palestinians estimated to have emigrated between 1949 and 1987, the 240,000 that entered Israel from the West Bank and Gaza legally and illegally, and the additional 100,000 that have left for elsewhere since the 1993 Oslo Accords.

than 200,000 Palestinians to Jordan (170,000 from the West Bank, 35,000–40,000 from Gaza).¹³ Most of the emigration during the past six decades was caused by both “push” factors (such as a lack of economic opportunities in the Palestinian territories) and the presence of economic “pull” factors (in the form of job opportunities in Jordan and the Gulf Arab states).¹⁴

In the decade-plus since the Oslo Accords, about 240,000 Palestinians from the territories are reported to have moved to Israel (including East Jerusalem) through family reunification programs, legal marriages, and illegal means.¹⁵ Israel, however, has recently taken steps to make Arab immigration much harder. Motivated by demographic and security concerns, such as a recent Shin Bet report that 38 of the 272 suicide bombings carried out in Israel were undertaken by individuals who had received Israeli citizenship through family reunification schemes, Israel has passed a law preventing residents of the territories who marry Israeli citizens from joining their spouses in Israel. (This law has been upheld against a challenge in the Supreme Court.) Moreover, the security barrier that Israel is building in the West Bank to keep out terrorists will also keep out illegal immigrants.¹⁶ When the barrier is completed, residents of the territories will find it much more difficult to enter Israel illegally, although some Israeli mili-

tary officials have raised the possibility that Palestinians will start tunneling under the barrier for purposes of illegal immigration, smuggling, and terrorism.¹⁷

Since the beginning of the second intifada, and particularly since the Hamas electoral victory in January 2006, more than 100,000 Palestinians either have left the territories or have applied to leave, with many going to Jordan, the Gulf, and the West.¹⁸ Many more may be planning to leave. A September 2006 poll indicated that because of deteriorating economic and security conditions in the West Bank and Gaza, a growing number of Palestinians—33 percent of all respondents and 44 percent of all young Palestinians queried—would be willing to emigrate if given the opportunity.¹⁹

Anecdotal information indicates that many of those who are leaving are among the better-educated Palestinians, who are more likely to find employment opportunities elsewhere.²⁰ This phenomenon constitutes a form of brain drain that is bound to have a long-term effect on Palestinian society, the economy, and governance, if these individuals do not return, because they are the kind of people needed to create a productive economy and a successful Palestinian state.

Economic circumstances and war have long generated pressures for emigration by Palestinian residents of the territories. The most recent wave is therefore a

(see note 15 below). The latter group probably includes some of the 40,000–50,000 Palestinians who followed Yasser Arafat to the West Bank and Gaza following the signing of the Oslo Accords. “Population Growth and Migration: The Palestinian Communities, 1949–1987” in Gad Gilbar, *Population Dilemmas in the Middle East* (London: Frank Cass, 1997), pp. 23–24; Joshua Brilliant, “Are 1.4 Million Palestinians Missing?” UPI, January 31, 2005.

13. Eliyahu Kanovsky, *Economic Impact of the Six-Day War: Israel, the Occupied Territories, Egypt, Jordan* (New York: Praeger Publishers, 1970), pp. 139–197.
14. Gilbar, *Population Dilemmas in the Middle East*, pp. 23–27.
15. This estimate is from an Israeli National Defense College report cited in Yair Sheleg, “The Demographics Point to a Binational State,” *Haaretz* (Tel Aviv), May 27, 2004. Of these Palestinian immigrants, some 150,000 entered legally, for purposes of family reunification. Israeli Ministry of Interior figures cited in Bennett Zimmerman, Roberta Seid, and Michael L. Wise, *The Million Person Gap: The Arab Population in the West Bank and Gaza*, Mideast Security and Policy Studies no. 65 (Ramat Gan, Israel: The Begin-Sadat Center for Strategic Studies, Bar-Ilan University, 2005), pp. 29–30.
16. For more on the law, see Gideon Alon, “Shin Bet: 14 Percent of Suicide Bombers Had Israeli Citizenship,” *Haaretz* (Tel Aviv), January 8, 2007; Joshua Mitnick, “Palestinian Spouse Residency Ban Upheld,” *Washington Times*, May 15, 2007. For more on the security barrier, see Doron Almog, “The West Bank Fence: A Vital Component in Israel’s Strategy of Defense,” *Policy Focus* no. 47 (Washington Institute for Near East Policy, March 2004), and David Makovsky, *A Defensible Fence: Fighting Terror and Enabling a Two-State Solution* (Washington Institute for Near East Policy, 2004).
17. Yaacov Katz, “IDF Warns of Tunnels in West Bank,” *Jerusalem Post*, February 11, 2007.
18. This estimate was arrived at by combining figures in Zimmerman et al., *The Million Person Gap*, pp. 2, 33, 73, and those in Steve Inskeep and Deborah Amos, “Palestinians Increasingly Leaving the West Bank,” National Public Radio, December 8, 2006. According to one Palestinian source, 45,000 Palestinians from the West Bank and Gaza applied to leave in 2006 alone. Kevin Peraino, “Back to the Stone Age,” *Newsweek*, June 25, 2007.
19. Birzeit University, Development Studies Programme, Public Opinion Poll #28, “Living Conditions, Evaluation of Institutions & Leaders, the Proposed Government, Palestinian Elections & Political Support, Palestinian-Israeli Negotiations, Hezbollah & Hamas,” September 20, 2006, pp. 3, 12. Available online (<http://home.birzeit.edu/dsp/opinionpolls/poll28/index.html>). These figures are consistent with the findings of other polls. See, for instance, Jamil Rabah, *Gaza Monitor*, Near East Consulting, July 2007, p. 24; Khalil Shikaki, Public Opinion Poll no. 25, Palestinian Center for Policy and Survey Research, September 10, 2007, pp. 4–5.
20. Karim Nashashibi, “Palestinian Finance under Siege: Economic Decline and Institutional Degradation,” *OCHA Special Focus*, April 2007, p. 15; Kevin Peraino, “Back to the Stone Age.”

continuation of a long-term historical trend, which may harm the long-term prospects for development in the territories but is unlikely to destabilize any of the neighboring countries, because they have been dealing successfully with this phenomenon for several decades.

During the fighting that accompanied the Hamas takeover of Gaza in May–June 2007, hundreds of Fatah supporters fled Gaza for the West Bank. Renewed fighting in the territories could lead to the flight of hundreds, if not thousands more to safer areas within Gaza or the West Bank, or to border crossings with Egypt, Israel, or Jordan. Such a development would create pressures on all three countries to temporarily open their borders to fleeing Palestinians or to provide humanitarian assistance to those in need.

Displaced persons are problematic not only for humanitarian reasons but also for the role they could play in perpetuating the conflict between Fatah and Hamas. If patterns observed in other conflicts repeat themselves in the Palestinian territories, then displaced persons will be more likely to join a militia or the security forces of Fatah or Hamas, to satisfy a desire for revenge or—for the unemployed—to earn a living.²¹

Foreign Intervention

The involvement of foreign actors and states has exacerbated the chaos and violence in the Palestinian territories. Hizballah and Iran have abetted the fragmentation of political authority in the territories by co-opting and supporting breakaway factions from Fatah, such as elements of the al-Aqsa Martyrs Brigades, and by supporting Hamas in its struggle with Fatah. A further deterioration in the situation in Gaza or the West Bank could create new opportunities for Hizballah and Iran to expand their influence, fuel the ongoing power struggle between Fatah and Hamas, and stoke the conflict with Israel.

Using Tehran's policy in Iraq as a template for how Iran (and Hizballah) might respond to a civil war in

the territories, Iran may prefer not to pick sides but rather support actors on both sides of the struggle (not just Islamists) so that it will be well positioned to work with whoever wins.²² Iran and Hizballah, however, are constrained by distance and access. Egyptian, Israeli, and Jordanian border controls limit the type of assistance that can be provided to financial aid, military training in Lebanon or Iran, and the transfer of small arms and light weapons as well as the know-how to manufacture low-tech ordnance. (The Egyptian border remains the weak link here; Egypt may not be doing all it can to stop the smuggling of arms and money into Gaza through underground tunnels.) Even relatively low levels of assistance could affect the military balance significantly, given the level of training and armament of the various Palestinian armed factions in the territories.

The deepening involvement of Iran and Hizballah in the West Bank and Gaza creates another potential risk: that a nuclear Iran might be emboldened to increase its support for anti-Israel terrorism, raising the possibility that a major terrorist attack originating in the territories could lead to a crisis between a nuclear Israel and a nuclear Iran. Here, the closest precedent is the December 2001 attack on the Indian parliament by the Pakistan-based Jaish Muhammad terrorist group, which led to a protracted crisis between India and Pakistan that many at the time feared could lead to war.²³

As for the possibility of nuclear terrorism, using one or another Palestinian faction in the West Bank or Gaza to deliver covertly a nuclear device or weapon against Israel would be extremely difficult. Terrorists would have difficulty bringing a nuclear device into the Palestinian territories because Israeli security personnel monitor all border crossings (except for Rafah—which is currently closed—and the underground tunnels connecting Sinai and Gaza). Moreover, the security barriers surrounding Gaza and the West Bank would make smuggling such a device from the territories into Israel almost impossible

21. This dynamic played a role in the perpetuation of the Lebanese civil war, when the internally displaced often found employment in various militias. Fuad I. Khuri, "The Social Dynamics of the 1975–1977 War in Lebanon," *Armed Forces and Society* 7, no. 3 (Spring 1981), p. 401.

22. International Crisis Group, "Iran in Iraq: How Much Influence?" *Middle East Report* no. 38, March 21, 2005.

23. The geographic distance separating Israel and Iran, however, makes such a scenario unlikely to repeat itself in this way, because Israel and Iran are unlikely to find themselves in a ground war that could escalate to a nuclear crisis.

(although such a device could conceivably be detonated on the Palestinian side of a section of the barrier that abuts a major Israeli population center). In addition, the difficulty of covertly delivering a nuclear device would actually increase in the event of state collapse or civil war, because chaos in the Palestinian territories would raise the risk that a nuclear device would be diverted or stolen after it entered the territories.

Seaborne delivery against Israel's densely populated coast probably would be the best option for covert delivery by Iran, although the last time seaborne terrorists were able to penetrate Israeli coastal defenses was in May 1990.²⁴ Furthermore, Israeli ports are in the process of receiving radiation monitors to screen incoming cargo containers arriving at maritime ports of entry, to deter or detect efforts to introduce a radiological or nuclear device into Israel by sea.²⁵ So delivery by cargo container may be problematic as well.

Renewed inter-Palestinian violence would inevitably pose a dilemma for Israel: should it intervene, and if so, what kind of intervention would best serve its interest? Should it limit intervention to military strikes against elements engaged in attacks on Israel? Should it intervene massively to prevent a Hamas takeover in the West Bank? Or should it allow renewed fighting to continue in the hope that a protracted struggle would exhaust both sides and reduce their ardor for attacks on Israel, perhaps inducing Hamas to change its stance vis-à-vis the Jewish state and making Fatah more flexible on issues that have prevented a final status agreement with Israel in the past (such as the Palestinian "right of return")?

Despite the risks of intervening in Gaza (its densely populated towns and refugee camps would pose daunting challenges for the Israeli military), constant mortar and rocket attacks on Israeli towns near Gaza are likely to cause Israel to intervene forcefully there in the near future. The main question is whether Israel would limit itself to dealing with groups that are attacking it, or whether it would act to unseat the Hamas government

that tolerates, if not encourages, such attacks. Likewise, because Israel retains a large military presence on the ground in the West Bank, and because major Israeli population centers (Tel Aviv and Jerusalem) are directly affected by developments in the West Bank, Israel is unlikely to let large-scale fighting there continue if Hamas seemed to be gaining the upper hand in some areas (although Hamas currently lacks the ability to do so).

Israeli military intervention in the Palestinian territories, moreover, could lead to escalation on another front. Israeli intervention in Gaza to unseat the Hamas government, or intervention to prevent a Hamas victory in the event of a Palestinian civil war, could prompt Hizballah to initiate a crisis on Israel's northern border to bolster the movement's domestic and regional standing, as it has done several times in the past. Although Hizballah, still recovering from its summer 2006 war with Israel, seems unlikely to pick a fight now, such a possibility could not be ruled out under different conditions in the future.

Regional Tensions

Chaos or violence in the Palestinian territories caused by civil war, the collapse of the Hamas or PA mini-states, or Israeli military action has the potential to spur political unrest among Palestinians in Israel and Jordan, and beyond.

The Palestinian Arab citizens of Israel comprise about 20 percent of the country's total population. They are concentrated in three main areas of the country: the Galilee (where they are a majority); the so-called "Arab triangle," which abuts the northwest corner of the West Bank; and the Negev. Resentful of their second-class status in Israel, influenced by Arab nationalist and Islamist trends in the Arab world, and radicalized by the ongoing Israeli-Palestinian conflict, Israel's Arab citizens have developed a distinct Palestinian-Israeli identity that finds its expression in growing demands for cultural and

24. At that time, the Palestinian Liberation Front, with Libyan support, unsuccessfully attempted an attack on Tel Aviv beaches and hotels. Although one of the rubber rafts involved in the attack reached the shore, all the terrorists aboard were subsequently killed or captured.

25. Rachel Hoag, "Israel's Largest Port to Receive American Radiation Detectors," Associated Press, December 7, 2005.

political autonomy and in calls for Israel to cease being a Jewish-Zionist state.²⁶

The growing radicalization of the Israeli Arab population can be discerned through events such as the annual Land Day commemorations (held on March 31, to protest the expropriation of Israeli Arab lands) and the campaign launched by the “Islamic Movement” to “defend” the al-Aqsa Mosque in Jerusalem against alleged Israeli plans to “Judaize” the Temple Mount/Haram al-Sharif. It is evidenced by the increasingly strident language used by Israeli Arab politicians and their statements of support for Israel’s enemies, such as Hizballah and Syria, and the participation of members of the community in violent demonstrations at the outset of the second intifada (October 2000) in solidarity with their Palestinian brethren, which led to the death of thirteen Israeli Arabs at the hands of Israeli policemen.²⁷

Both Hamas and the Lebanese Hizballah have sought to exploit the deepening estrangement of Israel’s Arab citizens by recruiting Israeli Arabs to gather intelligence and to work as operatives in Israel. On a number of occasions, Hamas has used Israeli Arabs to provide logistical support for terrorist attacks in Israel, although the numbers involved in such activities are quite small.²⁸

Because of geographic proximity, cross-border family and clan ties, and a sense of shared identity, ongoing chaos or growing civil violence in the Palestinian territories is likely to affect Israel’s Palestinian Arab population. Possible responses by the Israeli Arab community might include providing humanitarian and financial assistance to the Palestinians in the territories and engaging in public displays of solidarity. Some Israeli Arabs might attempt to funnel funds secretly to Fatah, Hamas, or other organizations.²⁹

Jewish-Arab tensions in Israel might be exacerbated further should armed Palestinian factions in the West Bank acquire and launch Qassam or katyusha-type rockets against Jewish population centers in Israel³⁰ (much as Hizballah rocket attacks during the summer 2006 Lebanon War exacerbated Jewish-Arab tensions by highlighting disparities in civil-defense preparations between Jewish and Arab communities, and the fact that many Israeli Arabs sympathized with Hizballah).³¹ By contrast, renewed violence in the Palestinian territories would only serve to highlight the benefits enjoyed by Israel’s Palestinian Arab population relative to their brethren across the Green Line and might deter the majority of Israeli Arabs from embracing violence.³²

Renewed violence in the Palestinian territories could also affect the stability of Jordan. Between one-half and

26. International Crisis Group, “Identity Crisis: Israel and Its Arab Citizens,” *Middle East Report* no. 25, March 4, 2004. See, for instance, The National Committee for the Heads of the Arab Local Authorities in Israel, “The Future Vision of the Palestinian Arabs in Israel,” 2006. Available online ([www.mossawacenter.org/files/files/File/Reports/2006/Future%20Vision%20\(English\).pdf](http://www.mossawacenter.org/files/files/File/Reports/2006/Future%20Vision%20(English).pdf)). See also Isabel Kershner, “Together Apart,” *Jerusalem Report*, January 22, 2007, pp. 10–14.

27. In the case of fugitive Knesset member Azmi Bishara, Israeli Arab support was allegedly both moral and material. Bishara fled Israel in April 2007 in the wake of a police probe of allegations that, among other things, he had passed on sensitive information and advice to Hizballah during the summer 2006 war in Lebanon. Jonathan Lis and Shahar Ilan, “Ex-MK Bishara Suspected of Treason, Passing Data to Hizballah,” *Haaretz* (Tel Aviv), May 5, 2007.

28. Hizballah has trained a number of Israeli Arabs at its camps in Lebanon and used them to obtain intelligence regarding Israeli military movements and deployments in northern Israel. Hizballah has even succeeded in recruiting a number of Arabs serving in the Israeli military. Nina Gilbert, “GSS: Iran Building 5th Column among Israeli Arabs,” *Jerusalem Post*, July 20, 2004; Gideon Alon, “Dichter: Iran Trying to Create Fifth Column among Israeli Arabs,” *Haaretz* (Tel Aviv), July 20, 2004; Yaakov Katz, “Israeli-Arab Hizballah Agent Arrested,” *Jerusalem Post*, July 24, 2007. On several occasions, Hamas has recruited Israeli Arabs (usually criminal elements) to drive suicide bombers to their destinations. Nir Hasson, “Three Israelis Get 13 Years in Prison for Driving Suicide Bomber,” *Haaretz* (Tel Aviv), April 13, 2007; “Israeli Jailed for Helping Bomber,” BBC News, May 8, 2007. In the case of the three convicted Israelis, they included an Israeli Jew and his Israeli Arab partner who regularly brought illegal Palestinian laborers into Israel.

29. The Islamist former mayor of the town of Umm al-Fahm, Sheikh Raed Salah, was arrested in 2003 for fundraising for Hamas but was later released.

30. Although workshops and rockets have been found in the West Bank, no Qassam has yet been successfully launched against Israel from there. Because the Qassam has largely exhausted its potential, in terms of range and payload, the Palestinians are now seeking ways to manufacture katyusha-type rockets. Ina Friedman, “Junk Rocket, Potent Threat,” *Jerusalem Report*, September 22, 2003, p. 18; Yaakov Katz, “Gaza Terrorists Seek to Use Katyushas,” *Jerusalem Post*, January 8, 2007.

31. For Israeli Arab attitudes toward the 2006 Lebanon War, see the Harry S. Truman Research Institute for the Advancement of Peace at the Hebrew University of Jerusalem and the Palestinian Center for Policy and Survey Research in Ramallah, Israeli-Palestinian Public Opinion Poll #16, “Aftermath of the War in Lebanon,” September 26, 2006 (available online at <http://truman.huji.ac.il/polls.asp>), and the Tami Steinmetz Center for Peace Research at Tel Aviv University, Peace Index July 2006 (available online at www.tau.ac.il/peace/).

32. For Israeli Arab preferences regarding life in Israel to that in Hamas- or PA-controlled areas, see Eetta Prince-Gibson, “Land (Swap) for Peace?” *Jerusalem Report*, November 26, 2007, pp. 13–15.

two-thirds of the Hashemite kingdom's population is of Palestinian origin; for this reason, the Israeli-Palestinian conflict is a domestic policy issue there.

Jordan has been grappling with the second- and third-order consequences of instability in the West Bank for years. The second intifada led to increased emigration from the territories, causing the kingdom temporarily to bar West Bankers from entering the country, and exacerbated communal tensions between citizens of Palestinian and Transjordanian origin (many of whom resent the Palestinian presence).³³ Moreover, the growing strength of Hamas has bolstered its supporters within the Jordanian Islamic Action Front, emboldening the Islamist camp in Jordan. In addition, Iran has tried to convert Jordan into a springboard for attacks on Israel by recruiting PIJ and Hamas militants to conduct mortar and rocket attacks against Israel from Jordan, although the Jordanian authorities have disrupted these efforts repeatedly.³⁴

Increased internecine violence in the West Bank or the collapse of the PA would likely intensify pressure on the kingdom to ease restrictions on Palestinians seeking entry from the West Bank and increase tensions between citizens of Palestinian and Transjordanian origin. Israeli military action to prevent a Hamas takeover in the West Bank could lead to public protests by Jordanian Islamists.

These challenges in the West Bank come at a time when Jordan is still reeling from the fall of Saddam Hussein and the emergence of a full-blown insurgency and sectarian civil war in Iraq. These developments have affected Jordan as follows:

- Loss of subsidized Iraqi oil imports and profits from the transit trade and exports to Iraq worth hundreds of millions of dollars per year³⁵

- Influx of nearly a million Iraqi refugees to Jordan (a country of about 6 million), bringing a massive infusion of hard currency into the Jordanian economy, but also leading to an overburdening of Amman's civilian infrastructure and a dramatic increase in property values that has priced the average Jordanian out of the real estate market in the city
- Departure of many Jordanians to fight in the Sunni Arab insurgency in Iraq, leading to concerns about how they will affect Jordan upon their return
- Spillover in the form of a series of terrorist incidents involving members of al-Qaeda in Iraq (most notably the simultaneous bombing of three Amman hotels in November 2005)³⁶

The emergence of failed states beyond Jordan's western and eastern borders would constitute the gravest threat to the stability of the kingdom in nearly four decades. Jordan has weathered many challenges in the past, and its resilience should not be underestimated. These difficulties include challenges from Nasserism in the 1950s, the loss of Jerusalem and the West Bank to Israel in 1967, the rise of the Palestinian Fedayeen and the Jordanian Civil War (1970–1971), the first Palestinian intifada (1987–1993), the absorption of 300,000 Palestinians who left or were expelled from Kuwait after the Iraqi invasion in 1990 and the subsequent liberation of Kuwait in 1991, the second Palestinian intifada (2000–2004), and, most recently, insurgency and civil war in post-Saddam Iraq. Therefore, although no reason exists to assume that the days of the Hashemite kingdom are numbered, complacency about the potential risks these challenges pose for the kingdom would be a mistake.³⁷

33. For more on relations between citizens of Palestinian and Transjordanian origin in Jordan, see Mustafa Hamarneh, Rosemary Hollis, and Khalil Shikaki, *Jordanian-Palestinian Relations—Where To?* (London: Royal Institute of International Affairs, 1997), and Adnan Abu Odeh, *Jordanians, Palestinians, and the Hashemite Kingdom in the Middle East Peace Process* (Washington, D.C.: United States Institute for Peace, 1999).

34. Daniel Sobelman, "Jordan Uncovers Iranian Plan to Initiate Attacks on Israel," *Haaretz* (Tel Aviv), February 5, 2002.

35. David Schenker, *Dancing with Saddam: The Strategic Tango of Jordanian-Iraqi Relations* (Lanham, Md.: Lexington Books, 2003), pp. 29–64.

36. For more on the jihadi phenomenon and al-Qaeda terrorism in Jordan, see International Crisis Group, "Jordan's 9/11: Dealing with Jihadi Islamism," *Middle East Report* no. 47, November 23, 2005. See also, Michael Moss and Souad Mekhennet, "Militants Widen Reach as Terror Seeps out of Iraq," *New York Times*, May 28, 2007, p. A1.

37. These challenges—particularly the rise of Hamas—led the commander of Israel's Central Command, Maj. Gen. Yair Naveh, to speculate in January 2007

Social and Economic Costs, and the 'Conflict Trap'

Internecine violence and civil wars exact a variety of costs—human, social, and economic—that often have long-term consequences for a country and its neighbors. In addition to their human costs, civil conflicts often rend the social fabric of a society, fostering mistrust and hatred both within and between warring communities and creating deep divisions in the society. This makes creation of a stable polity much more difficult.

In the Palestinian territories, more than a decade of intense rivalry and conflict has already created deep-seated hostility between supporters of Fatah and Hamas, who subscribe to sharply divergent visions for the future of the Palestinian people. Many members of Hamas remember with bitterness their harsh treatment at the hands of the PA's security services during the sporadic security crackdowns ordered by Yasser Arafat in the 1990s, and many supporters of Fatah are eager to avenge their humiliating defeat and the mistreatment of many Fatah members following the recent Hamas takeover of Gaza. Moreover, although the Palestinians have shown remarkable resilience and coping skills, clear indications exist that the fabric of Palestinian society is unraveling under the stress of the ongoing conflict with Israel and inter-Palestinian violence (which is both a symptom of and catalyst for this process).³⁸

Although civil conflicts often lead to the enrichment of a relatively small number of war profiteers and beneficiaries of the conflict economy and may unleash productive forces kept in check by the old order,³⁹ they generally do great harm to the economy because of lost productivity, damage to the country's infrastructure,

capital flight, and lost foreign investment. The net result is usually a decline in GDP and in the standard of living for most people. Clearly, the Palestinian economy has already incurred many of these harmful consequences as a result of the "state of insecurity" that has characterized conditions in the Palestinian territories in the past several years.

Civil conflicts frequently occur in series; the factors that led to war in the first place often remain unresolved, and when the trust that underpins a society has been shattered, the society and the polity are very hard to put back together again. The peace that follows civil wars is often fragile and short-lived. It frequently leads to a new round of civil war and renewed episodes of state failure. According to a recent World Bank study, 44 percent of countries emerging from civil war relapse into civil war within five years.⁴⁰

In the wake of the Hamas takeover of Gaza, the factors that gave rise to the conflict between Fatah and Hamas in the first place clearly have not been resolved. The gap between the two is broader and deeper than ever before, and both parties believe they are locked in a struggle over the future of their own movement and that of the Palestinian cause. For these reasons, another round of fighting seems likely.

Conclusion

The events of the past decade—the collapse of the Oslo process with the start of the second intifada, the fragmentation of political authority in the PA, the spread of chaos and lawlessness in the West Bank and Gaza, open conflict between Fatah and Hamas, and most recently the Hamas takeover of Gaza—will greatly complicate efforts to establish a stable polity in the Palestinian territories and a lasting peace with Israel. In

that King Abdullah might be the last Hashemite king, leading to a mini-crisis of relations with Jordan. For a more sober and balanced assessment of the future of the Hashemite kingdom, see Shimon Shamir, "Jordan Will Also Survive Hamas," *Haaretz* (Tel Aviv), February 3, 2006.

38. For examples of these coping mechanisms and social support structures and their effect on the ability of Palestinians to deal with economic hardship, see World Bank, "The Impending Palestinian Fiscal Crisis, Potential Remedies," May 7, 2006, p. 6. Although this report was rather sanguine about the robustness of these coping mechanisms and social support structures, clear signs of social stress (e.g., the resurgence of clan feuds and the growing polarization of Palestinian politics and society) do not bode well for the future.

39. This was the case in Lebanon, which experienced an economic boom in some areas after Beirut became an urban battlefield and the economy was decentralized with the outbreak of civil war in 1975. Georges G. Corm, "Current Economic and Social Conditions in Lebanon," in Halim Barakat, ed., *Toward a Viable Lebanon* (London: Croom Helm, 1988), pp. 324–330.

40. Paul Collier, V. L. Elliot, Havard Hegre, Anke Hoeffler, Marta Reynal-Querol, and Nicholas Sambanis, *Breaking the Conflict Trap: Civil War and Development Policy* (Washington, D.C.: World Bank, 2003), pp. 83–91.

addition, the continuation of the status quo in the territories is likely to have a number of spillover effects for the Palestinians' neighbors.

The near- to midterm consequences of these spillover effects are likely to be of limited significance because of the relatively tight border controls enforced by Egypt, Israel, and Jordan; the continuing Israeli military presence in the West Bank; and the fact that the neighboring states have been living with and adjusting

to these effects for some time now. The indefinite continuation of this state of affairs is in no one's interest, however, because the long-term consequences of Palestinian state failure are impossible to foresee and may be difficult to manage. For this reason, addressing the complex array of factors responsible for the current situation in the Palestinian territories would be highly desirable, so that this process could be halted, if not reversed.

Policy Options

U.S. POLICY TOWARD the Palestinians has gradually evolved in the past six decades from support for the repatriation of Palestinian refugees (1948), to resettlement of the refugees outside of Palestine (1949–1952), to support for Palestinian autonomy (September 1978) and recognition of the PLO (December 1988), to support for Palestinian statehood (April 2002). Although U.S. policy continues to call for and work toward the establishment of a “stable, peaceful Palestinian state,” the foregoing analysis should make clear that developments on the ground appear to be moving in the opposite direction, with the establishment of two relatively weak, unstable, and mutually antagonistic mini-states in Gaza and the West Bank. U.S. policy objectives in this part of the Middle East—Arab-Israeli peace, stability, and the spread of democracy—seem less attainable than ever before.

Faced with the Hamas takeover in Gaza, continuing low-level violence in the territories, and the possible failure of the Hamas and PA mini-states in Gaza and the West Bank, the United States has four possible options: (a) support efforts by the PA and Israel to contain or roll back Hamas, while helping Fatah and the PA to reform, in the hope of paving the way for the creation of a single Palestinian state committed to living in peace with Israel; (b) engage Hamas and support the creation of a national-unity government with the PA, in the hope that the burdens of governance and a combination of pressures and incentives will force Hamas to moderate and eventually accept coexistence with Israel; (c) support international trusteeship, to prepare the Palestinian people, and a thoroughly reformed and revamped PA, for independence; or (d) pursue alternative, perhaps more viable, sub- or supra-national frameworks for the Palestinian people.

Roll Back Hamas, Reform the PA

This option is essentially the current policy of the United States, the PA, Israel, and a number of Arab and European states. The goal is to undermine Hamas rule in Gaza by helping Fatah and the PA to reform, thus strengthening the position of PA president Mahmoud Abbas and prime minister Salam Fayad, turning the West Bank into a model that Palestinians in Gaza will aspire to emulate, and leading eventually to the undoing of Hamas (though exactly how this is to occur is unclear). Although the principal elements of this policy are in place, prospects for success remain uncertain at best.

If the United States, the PA, and Israel are to make this policy succeed, they will have to find a way to avoid the shortcomings of recent efforts to undermine Hamas and bring about its marginalization or eclipse without contributing to the further fragmentation of Palestinian society, its institutions, and its political structures.¹ If they cannot, this policy is liable to lead to further chaos, strife, and lawlessness in the West Bank and Gaza and to a political dead end rather than a new political horizon.

Israel, the PA, and the United States can make effectively governing Gaza difficult for Hamas. Hamas, however, has a number of assets it can draw on: the discipline and commitment of its supporters, and the lack of these qualities, as well as a lack of competence, in its rivals in Fatah and the PA. Hamas is likely to retain its grip on power, at least in the near term, barring Israeli military intervention to halt attacks from Gaza and to depose the Hamas government there. Moreover, sanctions, rather than undermining Hamas, may strengthen its grip on power (just as sanctions on Iraq during the 1990s further entrenched the regime of Saddam

1. For two critical assessments that identify U.S.-led efforts to isolate and undermine the Hamas and national-unity governments as a principal cause for the failure of the PA, see Nathan J. Brown, “The Peace Process Has No Clothes: The Decay of the Palestinian Authority and the International Response,” Carnegie Endowment for International Peace, Web Commentary, June 15, 2007, and Yezid Sayegh, “Inducing a Failed State in Palestine,” *Survival* 49, no. 3 (September 2007), pp. 7–39.

Hussein)—even if polling data show relatively low levels of support in Gaza for Hamas and its program.²

The United States, Israel, and others are working to bolster the standing of Abbas and Fayad. The United States has resumed aid to the PA and is developing plans to reform and strengthen the PA's security forces. Israel has resumed the transfer of clearance revenues to the PA, freed nearly 350 Palestinian security prisoners (mostly from Fatah) as a goodwill gesture, dismantled dozens of checkpoints and roadblocks in the West Bank to improve economic conditions there, resumed security cooperation with the PA, and permitted several hundred Palestinian policemen to enter Nablus to establish law and order. Finally, Israeli prime minister Ehud Olmert and PA president Abbas have held a series of meetings to pave the way for a high-level Arab-Israeli summit in Annapolis, Maryland, in November 2007.

Although the transfer of clearance revenues and the resumption of foreign aid will provide short-term economic relief, the Palestinians' economic problems will be resolved only when the West Bank and Gaza are no longer used to stage attacks on Israel, enabling Israel to dismantle its closure regime and the various restrictions that accompany it. Without undertaking major reforms, Fatah and the PA will be unable to create effective security forces or institutions of governance, and thereby fight terror and establish security—at least in the West Bank. Thus far, despite calls for reform in the wake of the Hamas takeover of Gaza, no major shake-up or reform of Fatah or the PA has occurred. Neither is there a viable "third force" in the West Bank and Gaza capable of supplanting Fatah or Hamas at this time.³ As a result, the prospects for success seem rather dim.

Engage Hamas

Some have argued that the United States should engage Hamas and encourage Hamas and the PA to revive their national-unity government, in the hope that the responsibility that comes with governance will force Hamas to moderate and eventually accept coexistence with Israel.⁴ Proponents of such an approach point to signs of tactical flexibility among the Hamas leadership vis-à-vis Israel and the PA—for example, the former's acceptance of a ceasefire (*tabdiya*) and its conditional acceptance of a ten-year truce (*budna*) vis-à-vis Israel, its participation in a unity government with Fatah following the March 2007 Mecca Agreement, and its gradual evolution from a movement that eschewed parliamentary politics to the largest political bloc in the PLC and cabinet. They argue for engaging Hamas—to strengthen the hand of relative moderates in the movement, give them an incentive to further moderate their stance, and facilitate the negotiation of a new power-sharing agreement between Fatah and Hamas—so that economic sanctions on Gaza can be lifted and the Israeli-Palestinian peace process revived.

Few if any cases exist, however, of extreme Islamist movements moderating their ideology or renouncing violence of their own volition. For engagement and co-optation to succeed, several conditions need be present: a strong and stable political order into which the Islamists can be incorporated, a political balance of power that forces the Islamists to play by moderate rules, and time for the Islamists to adapt and change. With regard to Hamas, none of these conditions applies at this time.⁵ Incorporating Hamas into the PA in the wake of its violent takeover of Gaza would be tantamount to rewarding it for that violence and providing it with the means to prosecute its struggle with Fatah and Israel from a more advantageous position than it currently occupies. Nevertheless, to encourage

2. See, for instance, Near East Consulting, General Monthly Surveys from 2006 to 2007 (available online at www.neareastconsulting.com). See also Khalil Shikaki, Palestine Center for Policy and Survey Research, Poll No. 25, September 6–8, 2007, p. 1.
3. Wafa'Abdel Rahman, Owen Kirby, and Mohammad Yaghi, "The Future of Palestinian Politics," *PolicyWatch* no. 1232, Special Policy Forum Report (Washington Institute for Near East Policy, May 16, 2007).
4. See, for instance, International Crisis Group, "Enter Hamas: The Challenge of Political Integration," *Middle East Report* no. 49, January 18, 2006; International Crisis Group, "After Mecca: Engaging Hamas," *Middle East Report* no. 62, February 28, 2007; and International Crisis Group, "After Gaza," *Middle East Report* no. 68, August 2, 2007.
5. For an elaboration of this argument, see Michael Herzog, "Can Hamas Be Tamed?" *Foreign Affairs* 85, no. 2 (March/April 2006), pp. 83–94.

any latent tendencies toward moderation and change in Hamas, the United States, the PA, and Israel should continue to hold out the possibility that they will treat Hamas as a potential negotiating partner if it recognizes Israel, denounces violence, accepts all past agreements between Israel and the PA, and relinquishes control over Gaza (as the PA demands), which was accomplished by force of arms.

Support an International Force or Trusteeship

In the past decade, international peacekeeping forces have been deployed to police the aftermath of civil wars and international conflicts in Cambodia, Rwanda, Sierra Leone, Bosnia, Kosovo, East Timor, and Lebanon. On a number of occasions, the idea of an international peacekeeping force for the West Bank and Gaza has been raised. During the second intifada, senior PA officials frequently argued for an international peacekeeping force to effectively constrain Israel's military freedom of action and internationalize the conflict. More recently, following the 2006 war in Lebanon, Italy's foreign minister Massimo D'Alema suggested that, should the United Nations Interim Force in Lebanon succeed in keeping the peace in Lebanon, it might serve as a model for a new trans-Atlantic initiative to bring peace to the West Bank and Gaza. German foreign minister Frank-Walter Steinmeier voiced his support for such an idea as recently as November 2007.⁶

Likewise, several prominent American members of Congress and senior UN and EU officials have raised the idea of an international trusteeship for the West Bank and Gaza.⁷ Trusteeship is not new; the mandate system established by the League of Nations in 1920

to prepare former colonies for independence (including Palestine and other former provinces of the Ottoman Empire) was the first modern incarnation of this idea. In the past decade, the idea has made a comeback, with the United Nations assuming broad responsibilities in a number of postconflict societies—Cambodia, Bosnia, Eastern Slavonia, Kosovo, and East Timor—in some places playing an advisory role, in others, governing directly.⁸ Given the perennial popularity of this idea, demands for an international force or trusteeship for the West Bank and Gaza may be resurrected should conditions there continue to deteriorate.

For a variety of reasons, however, conditions are probably not conducive to the success of either an international force or a trusteeship.⁹ Although the PA has welcomed the idea of an international force in the past, Israel's stance has varied over time. Initially hostile, believing that such a force would limit its ability to defend itself against terror attacks, Israel may be warming to the idea.¹⁰ Experience elsewhere has shown that the cooperation and assent of the principal parties involved is a precondition for the success of either an international force or trusteeship. Thus, Israeli and PA assent would be crucial to such an undertaking; opposition by Hamas would greatly complicate, if not foredoom it.

Garnering international support for a peacekeeping force is liable to prove difficult as long as conditions in the West Bank and Gaza remain unsettled and Fatah and Hamas remain locked in a power struggle that could again turn violent. Moreover, little reason exists to believe that Fatah or Hamas would welcome an international trusteeship with a mandate to govern the West Bank and Gaza, dismantle the terrorist wings of

6. Cajsja Collin, "Envoy Touts Action Plan for Palestinians," *Washington Times*, November 2, 2007; Massimo D'Alema, "The Lebanon Test," *Wall Street Journal*, August 29, 2006, p. A14. For earlier proposals, see "Annan Urges Mid-East Peace Force," BBC, June 13, 2003, and Martin Indyk, "A Trusteeship for Palestine?" *Foreign Affairs* 82, no. 3 (May–June 2003), pp. 51–66.

7. Robert Satloff, "Introduction," in Robert Satloff, ed., "International Military Intervention: A Detour on the Road to Israeli-Palestinian Peace," *Policy Focus* no. 45 (Washington Institute for Near East Policy, September 2003), pp. 1–6.

8. For more on these cases, see Richard Caplan, *A New Trusteeship? The International Administration of War-Torn Territories: Rule and Reconstruction*, International Institute for Strategic Studies, Adelphi Paper 341 (New York: Oxford University Press, 2002).

9. See, for instance, Patrick Clawson, "International Intervention Forces in Intercommunal Conflicts: Lessons for the Middle East," and Michael Eisenstadt, "The Challenges of Military Intervention in Palestine," in Satloff, "International Military Intervention," pp. 17–26 and 37–47, respectively.

10. Adam Entous, "Foreign Force Mooted as Way to Palestinian Deal," Reuters, October 31, 2007. Israel has also floated the idea of an international force to interdict smuggling along the Egyptian-Gazan border, although such an idea is not viable in the wake of the Hamas takeover of Gaza. Herb Keinon and Yaakov Katz, "FM Wants International Help on Arms Smuggling," *Jerusalem Post*, May 29, 2007.

both organizations and integrate their security forces into a single organization, and jeopardize their grip over entities or institutions that are a vital source of patronage. Fatah and Hamas, not to mention Syria and Iran, would almost certainly reject such an idea and work to undermine such an arrangement. The only circumstances in which a trusteeship might prove feasible would be in the wake of a conflict that left both Fatah and Hamas greatly weakened.

An additional challenge is the complex and volatile operational environment—with at least four different conflicts playing themselves out within the confines of the West Bank and Gaza: (a) the power struggle between Fatah and Hamas, (b) the Arab-Israel conflict, (c) the proxy war between the Arab states and Iran, and (d) al-Qaeda's global jihad. An international peacekeeping force or trusteeship would almost certainly become a target of one or more of the parties to these various conflicts. Such a mission would require large reserves of political will and the prolonged commitment of significant military resources.

Consider Sub- or Supra-National Alternatives

Given the weakness and uncertain future of the Hamas and PA mini-states and the formidable obstacles to the creation of a stable, independent Palestinian state in the West Bank and Gaza, two other alternatives to statehood are possible: (a) rule by local clans, militias, or warlords, should the Hamas and/or PA mini-states collapse; or (b) Palestinian-Jordanian confederation.

Rule by clans, militias, and warlords. The collapse of the Hamas or PA mini-state would likely lead to rule by clan- or party-based militias or local warlords. This situation prevailed in large parts of Gaza before the Hamas takeover, and it remains the case in parts of the West Bank, such as Hebron, where local clans have kept the peace in recent years.¹¹ It was the case in Somalia

following the collapse of the central government amid civil war in 1991, resulting in the establishment of relatively stable clan-based governments in northern Somalia (e.g., the breakaway republic of Somaliland), alongside strife-torn regions ruled by clan-based and Islamist militias in central and southern Somalia.¹² The Palestinian experience with clan and militia rule has thus far been largely negative. Clan and militia rule in the Palestinian territories has generally been associated with lawlessness, and criminal and political violence.

Somalia from 1992 to 1995 shows one potential outcome of clan and militia rule and illustrates how difficult delivery of humanitarian assistance is in such a setting. Whereas Somalia's porous borders and long coastline have facilitated smuggling and trade that has kept the economy afloat, the Palestinian territory's borders are well guarded by Israel, limiting smuggling that could keep the economy from collapsing completely. This situation might lead some Palestinian clans to opt for de facto cooperation with Israel, which would bring them arms, economic benefits, and a degree of local stability. However, nontribal areas are likely to suffer from violence and instability at the hands of militias and warlords with roots in, or ties to Fatah, Hamas, or other ideological parties. For this reason, state failure in the Palestinian territories is likely to have mixed results and in many areas is likely to lead to greater, not less, misery and hardship.

Palestinian-Jordanian confederation. Since King Hussein of Jordan first raised this idea in 1972, various permutations of it have since been embraced by Israelis of various political stripes, particularly those associated with the Labor party.¹³ The assumptions driving current interest in this approach are that because the Palestinian territories are not economically viable on their own and have failed to develop effective institutions of governance, tying them to Jordan, economically and politically, would have a stabilizing effect and would

11. Haitham Tamimi, "Clan Law Rules in Anarchic Palestinian Town," Reuters, February 18, 2007; Haitham Tamimi, "Palestinians Seek to Restore Order in Hebron," Reuters, February 20, 2007.

12. Ken Menkhaus, *Somalia: State Collapse and the Threat of Terrorism*, Adelphi Paper 364 (London: International Institute for Strategic Studies, 2004).

13. For a review of the various kinds of possible federal/confederal solutions to the Israeli-Palestinian-Jordanian conflict, see Daniel J. Elazar, "Federal/Confederal Solutions to the Israeli-Palestinian-Jordanian Concept: Concepts and Feasibility," Jerusalem Center for Public Affairs, 1998.

reduce the prospects for Palestinian irredentism that could threaten Israel (and Jordan). Although Jordan once embraced this option, it largely severed its ties to the West Bank in 1988 and does not seem interested in a confederation that would greatly complicate its domestic politics by further tipping the demographic balance in favor of the Palestinians.

Although the idea of confederation lately has enjoyed renewed support in the West Bank and Gaza, and while some senior Jordanian officials (such as former prime minister Abd al-Salam al-Majali) have recently revived the possibility of a confederation, the king has ruled it out for now—at least until an independent Palestinian state is established.¹⁴ Indeed, Jordan is unlikely to agree to a confederation with an unstable Palestinian entity or state that could in turn destabilize Jordan; if Amman is to consider confederation, it is likely to do so only if the Palestinians can create a relatively stable, successful state in the West Bank (if not Gaza). Thus, confederation is neither a substi-

tute for Palestinian statehood, nor a way to avert the emergence of a weak and unstable Palestinian state. On the contrary, to be a viable option, it would require a reasonably stable, successful Palestinian state. For this reason, it is not a viable near-term option.

Conclusion

The first option—contain or roll back Hamas while helping Fatah and the PA to reform—is the policy now being pursued by the United States, the PA, Israel, and much of the international community. This policy, however, faces long odds, and if it is to work, its proponents will have to avoid the pitfalls of previous recent attempts to undermine Hamas by finding a way to contain and roll back Hamas without further undermining the Palestinian economy, social institutions, and political structures. If they cannot, this policy is liable to lead to further chaos, strife, and lawlessness in both the West Bank and Gaza—and to a political dead end rather than a political horizon.

14. Shlomo Brom, "Jordanian-Palestinian Confederation: An Idea Whose Time Has Not Come," Institute for National Security Studies, *Insight* 24 (July 11, 2007); Ian Bremmer, "A Difficult Plan Whose Time Has Come," *International Herald Tribune*, June 15, 2007; "Jordan's King Rejects Confederation with Palestinians," Associated Press, July 1, 2007.

Conclusion

IN SEEKING TO CONTAIN and roll back Hamas, reform and bolster Fatah and the PA, and encourage Palestinians and Israelis to define a political horizon for the settlement of their conflict, the United States is grappling with the outcome of nearly a decade and a half of policies pursued by the PA—and, to a lesser extent, Israel, the United States, the European Union, and the Arabs—that have brought the PA to the brink of collapse. Although the near- to midterm consequences of the failure of the PA may be manageable, neither the United States, Israel, nor Jordan has a long-term interest in the failure of the PA, which could create opportunities for Hamas to expand its influence in the West Bank or lead to other undesirable outcomes.

Palestinian-Israeli diplomacy to create a political horizon by defining the broad contours of a Palestinian-Israeli settlement may be a necessary condition for reversing this trend, but it is hardly sufficient. Dealing with the challenge of Palestinian state-failure requires a comprehensive approach for dealing with the problems of corruption, political factionalism, and the need for new leadership in both Fatah and the PA. It requires reforming the security sector, including the dismantling of militias and the reorganization and professionalization of the PA security forces; mitigat-

ing the harmful effects of the Israeli occupation on the Palestinian economy and institutions of governance; and limiting the influence of outside actors, such as Hizballah, Iran, and Syria, that are committed to perpetuating violence in the territories. In this regard, the Palestinians and the international community can and must do more.

The international community has an important role to play in helping the Palestinians build a better future by providing advice, training, financial aid, and security assistance. However, the international community's track record of attempting to rebuild failed states does not provide reason for optimism.¹ Ultimately, only the Palestinians can implement the far-reaching changes needed to transform their politics, alter their relationship with Israel, and establish the necessary conditions for building a healthy society, a productive economy, and a stable, independent state. Absent a commitment to and a capacity for political reform, for confronting and disarming groups engaged in terrorism (Hamas, the PIJ, al-Aqsa Martyrs Brigades), and for defeating extremists at the polls, the rest of the world can do little to spare the Palestinians a future that looks much like their recent past: one characterized by more chaos, strife, and lawlessness; economic hardship; and conflict with Israel.

1. Marina Ottaway, "Rebuilding State Institutions in Collapsed States," *Development and Change* 33, no. 5 (2002), 1001–1023.

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