

Prospects for the Palestinian Authority: Politics, Economics, and the Impact of the PNC Meeting

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Brief Analysis

Although the enemies of peace threaten to return to the bloodshed of the past, the peace process has defined a new Palestinian-Israeli dynamic, a relationship of peace. The persistence of the process in the face of so many threats is a testament to the commitment of both the Palestinians and the Israelis to the process.

The peace process is in the mutual interest of both parties in spite of the criticism of Israeli and Palestinian detractors. As such, the Palestinians have already seen the return of many Palestinians and much of the Palestinian leadership, the formation of a Palestinian entity on Palestinian land, and the partial Israeli withdrawal from most of the populated Palestinian areas. For its part, Israel has signed a peace agreement with Jordan, achieved unprecedented progress in the pace of normalization with Arab and other states, doubled the rate of growth in per capita GNP, and more than doubled the number of her new trading partners all as a consequence of the Israeli-Palestinian peace agreements.

Concerning a permanent agreement while it was necessary to begin the peace process in a series of interim agreements "the only clear thing" is the sanctity and implementation of UN Security Council Resolution 242 and Resolution 338. Also, Palestinians feel that they deserve and are adequately experienced, qualified, and prepared for an independent Palestinian state. They do, however, consider their relationship with Jordan to be an important relationship and (in spite of several points of contention) would consider a confederation with Jordan but only as the outcome of negotiations between two independent states: Jordan and a Palestinian state.

The PNC Amendment and Commitment Compliance

The Palestinians feel that they have complied with their duties under the agreements. For example, the Palestinian Authority (PA) has made a 100 percent effort albeit not a 100 percent successful effort to rout rejectionist, militia groups from Palestinian territories. And only after the PA is absolutely confident that Hamas has transformed itself into a political/religious party, disavowed its violent efforts to undermine the peace process, and dismantled its military wings and its arms caches will the PA consider Hamas a legitimate political party and therefore renew a relationship with it.

Furthermore, the Palestinian National Council recently made a "sweeping and final" decision to revoke the PLO charter that called for the destruction of Israel. It canceled the charter in its entirety and gave a mandate for the drafting of a completely new charter that conforms to the agreements made between the PLO and Israel and to the letter of mutual recognition between the PLO and the government of Israel. Although the amendment passed with 80 percent support, its passage required the full commitment of the Palestinian leadership because of how significant a concession Palestinians feel that the amendment makes to Israel. To ensure its adequacy, the amendment was negotiated with Israeli officials and approved in the presence of American officials. Therefore, those who think that this measure was not adequate in fulfilling Palestinian commitments are only looking for fault where none exists.

While the charter was really just an issue of Palestinian "literature"--past words which have actually been renounced

Israel and the United States are not living up to their current commitments. Israel did not withdraw from Hebron on time nor has Israel released certain Palestinian prisoners as agreed. And the United States is not fully playing its role as sponsor and steward of the peace process.

The United States is the single most important power in the world, and it has a "special relationship" with both the Palestinian community and Israel (though recognizably more special with Israel). Along with the U.S. signature on every Palestinian-Israeli agreement, the United States has an obligation to the peace process. The U.S. administration, however, is handcuffed and cannot fulfill its role when funds are withheld from the PA by members of the U.S. Congress, who are supporting the Israeli opposition against the actual interests of both the current Israeli and Palestinian governments, or even by the director of the Overseas Private Investment Corporation (OPIC). Furthermore, a United States decision to move its embassy to Jerusalem, prior to a final status agreement, would preempt the negotiated resolution of the issue and therefore prejudice the outcome. Although the success of the peace process is in the best long-term interests of the United States, U.S. signals are mixed and thereby jeopardize the process.

Israeli-Palestinian Economics

The closure and "suffocating siege" of the Palestinian territories has destroyed the economy, making it difficult to point to Palestinian prosperity as a peace dividend. In such a situation, foreign and "diaspora" Palestinian investors are concerned about the future and reluctant to provide the necessary capital for Palestinian economic development.

> The primary impact of the closure has been the loss of Palestinian jobs in Israel, with unemployment in Gaza rising to over 70 percent. And by importing foreign labor to replace former Palestinian jobs, Israel has made the exclusion of Palestinian labor from Israel structurally irreversible. Although in the long run the Palestinian economy needs to be free of dependence on the Israeli economy in the labor field, the closure is foolishly forcing the weaning of the Palestinian economy too soon. This throws the Palestinians into the difficult position of needing to create meaningful jobs for the Palestinian labor force quickly, especially because the unemployed are potentially employable by subversive organizations that threaten the PA, Israel, and the peace process. In the short term, then, the Palestinians must develop a labor-intensive economy that can later once the labor problem is solved be transformed into a more capital-intensive one.

> While future separation of Palestinian and Israeli economies in the labor field is necessary, separation in other areas does not suit the peace process. A free flow of goods is essential to replacing inefficient Israeli industries and to developing a productive, export-oriented Palestinian economy.

Territorial Withdrawal and Jerusalem

Resolution 242 and 338 call for the "inadmissibility of the acquisition of territory by force"; as Israel respected its obligation to withdraw "from every inch" of occupied territory in its agreements with Egypt and Jordan, there is absolutely no reason why the same obligation should not be respected in the agreement with the Palestinians. Indeed, this principle clearly applies to Jerusalem.

The Jerusalem issue is not as difficult as it is portrayed, and can be tackled through creative means. It is fundamentally a question of how to complete an Israeli withdrawal from occupied East Jerusalem while maintaining a unified capital for two countries. For now, Palestinians are abiding by a "pure interpretation" of Resolution 242 and 338, but they could, for example, consider an interpretation that allows for "minor changes of the border on both sides."

Although secret, informal, and exploratory meetings have no mandate to reach an actual agreement, publicity about them is an important way to "de-taboo" the issues. The main idea that has crystallized in these meetings on the Jerusalem issue is that of a unified Jerusalem municipality including the capitals of Israel in West Jerusalem and an

independent Palestinian state in East Jerusalem. The city could be separated into multiple local municipalities that could be governed by an umbrella council thus allowing for both capitals while maintaining Jerusalem's unity. Joint institutions would be responsible for economics and security, and religious sites would be open for all.

The Future

Ultimately, the fate of the Palestinian-Israeli peace process is tied to the outcomes of both Israeli and U.S. elections. Recently, the Palestinian elections offered a resounding mandate for Yasser Arafat and the peace process. Hopefully, Israelis will do the same in their coming elections, and the United States will have more courage to spearhead the struggle for peace after her elections. A hard-line Israeli government could jeopardize much that has been achieved and make the future more difficult. Still, given today's realities, even a different Israeli government would not be the end of the world.

The Special Policy Forum Report was prepared by Gregory Saiontz.

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