More than 16 years after the euphoria of the Oslo accords, the Israelis and the Palestinians have still not reached a final-status peace agreement. Indeed, the last decade has been dominated by setbacks -- the second intifada, which started in September 2000; Hamas' victory in the January 2006 Palestinian legislative elections; and then its military takeover of the Gaza Strip in June 2007 -- all of which have aggravated the conflict.

A further effort to reach a comprehensive settlement is bound to falter, thus increasing the dangers of another major flare-up and undermining the credibility of the Palestinian Authority (PA). The prospects of a deal between Israeli Prime Minister Benjamin Netanyahu and PA President Mahmoud Abbas are slim, since Abbas already rejected former Israeli Prime Minister Ehud Olmert's far-reaching proposals -- the sort of offer Netanyahu would never make. This diplomatic stalemate discredits moderates and plays into the hands of extremists on both sides who refuse to make the concessions that any viable peace treaty will require.

Since an extended impasse is so dangerous, the best option for both the Israelis and the Palestinians is to seek a less ambitious agreement that transforms the situation on the ground and creates momentum for further negotiations by establishing a Palestinian state within armistice boundaries. In diplomatic terms, this formula would go beyond phase two of George W. Bush's 2002 "road map for peace," which proposed a Palestinian state with provisional boundaries, by striving to reach interim agreements on all the issues but stopping short of actually resolving the final-status issues of Jerusalem, the fate of the Palestinian refugees, and permanent boundaries, which were envisioned as phase three of Bush's road map. Such a gradual, yet comprehensive, approach would be more promising than further attempts at taking daring shortcuts. As the Oslo accords demonstrated, giant steps generally result in deadlock.

Israel urgently needs to reach such a provisional agreement before the Palestinian leadership grows even more skeptical of a two-state solution. Although Abbas and his close associates seem committed to this concept, many others in his party, Fatah, are far less enthusiastic about it, including some veteran negotiators, such as Ahmed Qurei, not to mention the Palestinian general public.

A small sovereign state within the pre-1967 boundaries has never been the fundamental goal of Palestinian nationalism; instead, Palestinian national consciousness has historically focused on avenging the loss of Arab lands. As the prominent Palestinian academic Ahmad Khalidi has argued, "Today, the Palestinian state is largely a punitive construct devised by the Palestinians' worst historical enemies." Furthermore, he contends, "The intention behind the state today is to limit and constrain Palestinian aspirations territorially, to force them to give up their moral rights." Indeed, in a private conversation in 2001, then PA President Yasser Arafat told me that he believed statehood could potentially become a "sovereign cage."

Many Palestinians now feel that by denying Israel an "end of conflict, end of claims" deal, they are increasing their chances of gaining a state for which they would not be required to make political concessions. Within a few years, the scant support for the two-state formula that currently exists will likely erode, and new concepts will begin to compete as alternatives. In other words, the Palestinian community will accelerate its collapse into Israel's unwilling arms, in effect accomplishing by stealth the sort of Arab demographic dominance that Israeli leaders have for decades sought to avoid by occupying, rather than annexing, the Palestinian territories. Such an annexation in reverse would leave Israel no choice but to coexist alongside an Arab majority within the whole of Palestine as it existed under the British mandate.

Khalidi has illustrated what many Israelis and Americans refuse to see: the Palestinian general public instinctively distinguishes between "independence" (the end of occupation) and "sovereignty" (statehood). Most Palestinians wish to get rid of Israeli control but do not necessarily strive to see the land divided. More and more Palestinians are therefore considering options other than statehood. One option, proposed by Abdel Mohsin al-Qattan, former chair of the Palestinian National Council, would be to maintain the territorial integrity of the land between the Jordan River and the Mediterranean Sea and govern it through a weak, jointly run central government and two strong autonomous governments -- without necessarily demarcating geographic borders between them. Another popular solution among Palestinian leaders is a unitary state, which, for purely demographic reasons, would eventually be controlled by an Arab majority. Needless to say, the Israelis would never accept either scenario, which is precisely why it is in the Israeli government's interest to pursue an armistice that establishes provisional borders for a Palestinian state. In other words, Israel must offer Palestinian statehood for less than peace before
the Palestinians and their leaders abandon the two-state model altogether.

The Elusive Endgame

In 2000, the Camp David talks proved that Israeli and Palestinian leaders were not capable of bridging their differences on the core issues: the fate of the Palestinian refugees, control of Jerusalem, final borders, and security arrangements along the Jordanian border. Since then, the gap has only widened. The secret high-level negotiating sessions in 2007-8 ended in failure even though Olmert offered Abbas more territory than Ehud Barak had offered Arafat in 2000, when Barak was prime minister: all but six percent of the West Bank. Israel would have compensated the Palestinians by transferring areas adding up to a similar size to Palestine and relinquishing control of the Arab neighborhoods in East Jerusalem. Olmert's offer included entrusting management of the Holy Basin -- Jerusalem's Old City and its immediate surroundings -- to a multinational commission in which both Jordan and Saudi Arabia would have been partners. Palestinian leaders never responded to this offer and even backed away from their previous acceptance of the Israeli army's right to deploy in the Jordan Valley in case of an emergency. In many ways, Abbas' negotiating stance today is tougher than Arafat's was before his death, in 2004.

There is no reason to assume that the prospects for a final-status agreement will improve anytime soon. On the contrary, Abbas is bound to be extremely cautious before offering any concessions, given the challenge that he faces from Hamas. And even within Fatah, especially since its August 2009 congress, there are widespread demands for complete control over all of East Jerusalem and the Temple Mount, as well as a stronger emphasis on "the right of return" for the Palestinian refugees and their descendants -- demands that no Israeli government has ever been willing to entertain. On the Israeli side, Netanyahu's coalition government cannot be expected to adopt Olmert's 2008 offer, let alone improve on it. Almost all the members of Netanyahu's cabinet believe that final-status negotiations cannot succeed at this stage. Instead, some key officials, including Barak, who is now Israel's defense minister, advocate pursuing interim arrangements, a path that Netanyahu himself also seems to be considering.

More important than the posturing of politicians is the public mood in both camps. Among the Israelis, there is a growing sense that the PA is too weak to strike a comprehensive deal while Hamas does not want peace. The split between the West Bank and the Gaza Strip has led many in Israel to believe that a final-status agreement is simply not a practical proposition, at least not for the time being. Most Israelis feel that armed resistance has been successfully defeated in the West Bank and that the threat of terror attacks has been largely removed since Israel dismantled the terrorist networks that recruited suicide bombers and built the barrier that walled off the West Bank. Similarly, the Israeli public believes that the January 2009 offensive in the Gaza Strip by the Israel Defense Forces (IDF) forced Hamas to suspend its rocket attacks on Israeli towns bordering Gaza. Although polls, such as the September 2009 War and Peace Index, still indicate support among two-thirds of the Jewish population for a two-state solution, the Israelis are quickly losing interest in the neighboring Palestinian community. The separation barrier has instilled in many a sense of insulation, and they are no longer curious about what happens on the other side. Coverage of Palestinian affairs by the Israeli media has dropped to unprecedented lows, reflecting an increasingly prevalent view of the Palestinians as bothersome neighbors rather than future partners.

In the absence of a negotiated settlement, there is also a risk that the Palestinians might seek to advance their interests through a third intifada. Indeed, the Palestinians are increasingly considering the potential benefits of a conflagration. Forty percent of those Palestinians interviewed as part of a Palestinian Center for Policy and Survey Research poll in late 2009 expressed support for a new armed uprising. More worrisome still, some important Palestinian figures, such as the imprisoned Marwan Barghouti, are calling for "popular resistance" in alliance with Hamas. And the August 2008 report of the Palestine Strategy Study Group (a project of leading intellectuals) called for a "reorientation" of PA strategy, moving away from negotiations toward "smart resistance" and seeking to "maximize the cost of continuing occupation for Israel." Ominously, the report concluded that "what the Palestinians must be prepared to undertake is nothing less than a final and conclusive strategic battle with Israel." Some leading Fatah personalities, such as Hani Masri, have urged partnership with Hamas on a platform that "opens all options" -- including violent ones. These are disturbing signals for both the Israelis and the Palestinians.

Statehood Now

It is imperative that Israel halt the Palestinians' retreat from the two-state solution, and it can only do so by immediately negotiating the establishment of a Palestinian state within armistice boundaries -- before a comprehensive peace is secured.

There is a precedent for such an interim approach. After its war of independence ended in 1949, Israel concluded armistice agreements with its four Arab neighbors: Egypt, Jordan, Lebanon, and Syria. These agreements transformed the existing truce into an armistice structure that would, so it was hoped, eventually lead to formal peace treaties. The armistice arrangements consisted of drawing armistice lines as borders and included a territorial swap between Israel and Jordan in the West Bank. It also created several demilitarized zones and a system of convoys for the Jewish enclave of Mount Scopus in East Jerusalem. Other elements included an exchange of prisoners of war and the establishment of the UN-led Mixed Armistice Commission to monitor the implementation of the agreements and the parties' adherence to them. The agreements stemmed from a UN Security Council resolution and contained commitments to respect the "injunction against resort to military force in the settlement of the Palestine Question." Four separate but similar agreements also affirmed that "no provision of the agreement shall in any way prejudice the rights, claims and positions of either party in the ultimate peaceful settlement." Although these agreements failed to bring lasting peace, the precedent of 1949
could serve as a useful model today, allowing Palestinian leaders to follow the path set forth by Israel's Arab neighbors.

The Palestinians were never party to an armistice agreement of their own in 1949 because at the time they did not exercise military control over any territory. Instead, Jordan and Egypt negotiated territorial claims over the West Bank and the Gaza Strip, respectively. Now, the reality on the ground is quite different: the Palestinians have military control over all of the Gaza Strip and important sectors of the West Bank. If armistice talks were initiated today, Palestinian leaders would finally have the opportunity to claim the seat at the table that they have for so long been denied. (The Hamas leadership in Gaza would have to decide after the fact whether to accept the outcome of the negotiations.)

The push for Palestinian statehood should be accompanied by firm commitments from Israel and outside actors to pursue final-status talks once the state has been established. Both parties must abandon the old slogan of "nothing is agreed upon until everything is agreed upon." This would allow the negotiators to implement agreements without making them conditional on the resolution of all the other points of contention. Just as the Arab states recognized the armistice lines with Israel in 1949 without resolving other issues, Israel could recognize a Palestinian state without immediately settling other outstanding issues, such as the refugee question. The guiding principle behind armistice talks should be to deal first with the status and rights of the 3.5 million Palestinians living in the West Bank and Gaza and turn later to the approximately six million Palestinians living in the diaspora.

Both the PA and Hamas have welcomed the concept of addressing boundaries before tackling the remaining final-status issues, but they have so far refused to consider interim borders. There are some indications, however, that this position could change. In a 2007 Al-Hayat article, the former Palestinian negotiator Omar Dajani and the former Egyptian diplomat Izz al-Din Shukri wrote that the PA could now propose a peace plan that achieves "Palestinian gains on the issues of the state and its boundaries," while effectively holding on to two cards to play later: Palestinian rights in Jerusalem and the issue of the refugees. And it could do so "without turning them into an obstacle for achieving these gains." Likewise, in 2008, Ata Qaymari, a prominent Palestinian journalist, wrote that "Palestinians, including Hamas, should agree to pursue more temporary agreements," namely, tahde'a (calm), then hudna (armistice), in an effort to "upgrade the political status of the land and citizens of Palestine."

Most important, some PA leaders are now willing and able to run a country. This represents a significant departure from the era of misgovernment under Arafat, when PA security forces stood by as Fatah's own military wing, the al Aqsa Martyrs Brigade, led a campaign of terrorism against Israel. Abbas' insistence that all guns should be under PA control has led to the dissolution of the al Aqsa Martyrs Brigade and has paved the way for PA Prime Minister Salam Fayyad's new manifesto, "Ending Occupation, Establishing a State" -- the first-ever detailed plan for building the state apparatus of an independent Palestine. Fayyad's goal is to create the institutional infrastructure for statehood over the next two years. His effort is bound to meet strong opposition from a variety of interest groups within the PA and from some political factions that object to his ambitions to build his own power base. However, Fayyad has received strong support from international donors -- namely, the United States and the European Union -- and, more quietly, from Israel, too. Divided but Not Conquered

The current split between the PA and Hamas will not be resolved in the foreseeable future, and a national unity government reuniting the West Bank and Gaza is not within sight. Whatever the outcome of Arab mediation efforts, Palestinian politics will likely be characterized by a Kurdish-style situation: two rival factions will retain control of their respective districts even if they finally manage to establish some semblance of a joint authority. A Palestinian state divided between the PA and Hamas would likely operate in the same manner as Iraqi Kurdistan, where the Kurdish Democratic Party and the Patriotic Union of Kurdistan control their respective provinces in northern Iraq under the nominal jurisdiction of the Kurdish Regional Government -- the equivalent of a PA-led national unity government.

Whereas the PA will hopefully remain committed to the pursuit of peace with Israel, Hamas will likely strive to achieve a long-term hudna without renouncing armed struggle and without contemplating peace with Israel or recognizing its legitimacy. Ahmed Yousef, the political adviser to Hamas Prime Minister Ismail Haniyeh, has argued that Hamas would adhere to a truce better than the "secular Palestinians" of the PA, implying that God-fearing Muslims are more scrupulous in keeping their word. According to Yousef, "The absence of warfare and violence is another way of defining a hudna." "Armistice" has long been part of Hamas' political lexicon; this is but the most recent example of the organization's making such an offer. In short, Hamas is willing to suspend military operations against Israel for years in return for being allowed to consolidate its power in Gaza.

Within Hamas, a fierce debate is raging about the movement's future direction, and it is likely to continue for quite some time. This dispute revolves around the questions of whether the organization's military wing (the Qassam Brigades) should constitute the spearhead of Hamas' drive for hegemony in Palestine beyond Gaza and whether the movement can afford to link its political fortunes to the performance of its armed wing. Many in the upper echelons of Hamas -- especially, but not exclusively, those in the West Bank -- are privately expressing concern that the party is losing support by espousing reckless violence. They point to the experience of a similar movement, the Syrian Muslim Brotherhood, which was dragged by its military wing into a bloody 1982 confrontation with the Syrian regime only to be wiped out and politically marginalized for decades thereafter. Some top Hamas leaders in the West Bank opposed the takeover of Gaza and the emergence of military commanders with veto power over political decisions. Many of them felt that lobbing thousands of missiles and mortars into Israel after the 2005 disengagement from Gaza was an irresponsible strategy that forced the Israelis
to mount a punitive campaign and eventually compelled Hamas to accept a cease-fire without gaining any relaxation of the siege in return. Today, these skeptical leaders have warned Hamas chiefs in closed sessions that the movement has lost its footing in the West Bank following a systematic crackdown by the PA. And it may lose control of Gaza if the IDF invades again.

Hamas itself will surely criticize any armistice agreement for not encompasing the entire territory beyond the pre-1967 lines and will keep denying the legitimacy of the current PA leadership. That said, Hamas has been advocating the notion of a long-term hudna for many years, and the organization is already maintaining a de facto hudna along the borders of the Gaza Strip. It is highly unlikely that Hamas would resort to military attacks against Israel in order to sabotage an armistice deal, and it is doubtful that it could ever mobilize popular opposition to an interim agreement that speeds the dismantlement of Israeli settlements and transfers more land to Palestinian hands.

Peace by Peace

Because a large majority of Israelis still support a two-state solution, the Knesset would be likely to approve any interim agreement reached by the Netanyahu government and the PA. The first step toward reaching such an agreement would be direct negotiations between Israel and the PA -- with the United States' participation -- regarding the fate of both the West Bank and Gaza. Instead of concentrating on an ineffective freeze of settlement construction, diplomats should focus on reaching a deal in which those settlements within the new armistice boundaries of a Palestinian state would actually be removed.

Final-status issues -- including the rights of the Palestinian refugees, sovereignty over East Jerusalem, and the fate of the remaining settlements -- would all be deferred to a separate track of negotiations that would convene following the armistice agreement. However, temporary arrangements would be inevitable for most of these core issues: In addition to transferring some Arab suburbs of East Jerusalem to the Palestinian state, the negotiators could consider an interim arrangement allowing the PA to help manage the al Aqsa Mosque and the Holy Basin. Moreover, they could establish joint municipal committees to address the concerns of the city's Arab population and elect an Arab deputy mayor for the Palestinian neighborhoods of the city.

As for the refugees, those residing in the new Palestinian state could be offered speedy compensation and resettlement assistance without the risk of losing their refugee status before a comprehensive solution to the refugee problem is agreed on. Also, the budgets for education, health, and welfare services for the refugees could be transferred from the UN Relief and Works Agency to the PA. Furthermore, an international fund could be established permitting refugees outside the Palestinian state to settle their claims without waiting for a final-status agreement, and foreign countries could allocate substantial numbers of immigration visas to refugees wishing to settle their claims. The United States has already indicated that it would contribute generously to such an effort. These measures combined would go a long way toward reducing the scope and gravity of the refugee issue.

Armistice boundaries would need to dramatically expand the amount of West Bank territory fully controlled by the PA. There are three possible ways to draw these borders. Israel could implement the "third redeployment" called for in the Oslo accords, whereby Israel would withdraw from an additional 40 percent of the West Bank without removing any settlements or relinquishing jurisdiction over the remaining settlers. Unfortunately, this minimalist approach would provide little incentive for the PA to back down from its opposition to a provisional deal. A bolder version would follow Olmert's plan for an Israeli withdrawal from roughly 94 percent of the West Bank, including the removal of most of the settlements, with the exception of settlement blocks on the Israeli side of the new armistice line. This, too, is an unpromising option, since it would mean that Israel would be giving up all of its territorial cards, including East Jerusalem, without securing a final peace treaty in return. The most realistic option would follow the now-defunct and unpublished "convergence plan" of 2006, which was developed by Olmert and former Israeli Prime Minister Ariel Sharon, under which Israel would unilaterally withdraw roughly to the lines of the existing security barrier. This would require dismantling over 60 settlements with approximately 50,000 inhabitants in the hills of the West Bank. Carrying out such an agreement would pose a major political challenge to the Israeli government, since the settlers and their supporters within Israel proper would likely stage violent protests. Still, dismantling these settlements would be far less complicated than evacuating the 86,000 settlers who were slated for removal under Olmert's 2008 offer to Abbas.

The two parties would also have to outline a future agreement ensuring a system of safe passage between the West Bank and Gaza, which would go into effect if and when the West Bank and Gaza were reunited under a national unity government led by the PA. This system could take the form of convoys and, later, a highway or railway connecting Gaza to Hebron or Tulkarm. Finally, Israeli and Palestinian leaders must negotiate new interim economic agreements. These should replace the current customs union with a free-trade area, lift the ban on issuing a Palestinian currency, and hand over control of border crossings with Jordan and Egypt to the Palestinian government. They should also include an understanding that Palestine would restrict its armed forces to missions of law and order, allow Israel to use Palestinian airspace, and permit the IDF to deploy in the Jordan Valley in the event of an attack from the east.

The Final Hurdle

Skeptics of an interim approach will argue that the official position of the PA has not changed: it continues to insist on a final-status agreement and rejects the concept of a Palestinian state within provisional boundaries. However, overcoming the PA's long-standing rejection of any provisional agreement with Israel is not an impossible task. It will require intense diplomatic efforts from the United States and the European Union. Gaining the support of Arab states -- namely, Egypt, Jordan, Morocco, Saudi Arabia, and the United Arab Emirates -- will also be vital. The
promise of breaking the current stalemate through a process that produces early and tangible results, with the support of Arab states, could encourage the PA to reconsider its position. Besides, there are numerous incentives that can -- and should -- be offered to the PA, such as guarantees to keep moving toward a final-status settlement, a Security Council resolution calling on the parties to sign an armistice agreement, a huge aid package for the new Palestinian state, and further actions to isolate Hamas. In Israel, too, there is bound to be strong opposition to this approach from right-wing parties and the settler lobby. Settlements at the armistice phase would either be dismantled or stay under the authority of Israeli military commanders (depending on their location in relation to the new armistice boundaries). This would clearly signal to the settlers that their long-term prospects of remaining deep inside the West Bank are slimmer than at any time since the Oslo accords and would encourage nonideological settlers to seek alternative homes within the settlement enclaves slated to become part of Israel proper. A government program to assist them could go a long way toward reducing the number of settlers residing in Palestinian-majority areas.

If any settlements are dismantled, the Israeli right will likely take to the streets in great numbers, and the Netanyahu government could be toppled by a rebellion within the Likud Party. However, it would be considerably easier to confront such opposition over a limited armistice deal than over a final-status agreement requiring the evacuation of most of the settlements. The Israeli government would be able to make a strong case that while it has not reached an "end of conflict, end of claims" agreement, it is moving cautiously toward a two-state solution without conceding Israeli sovereignty over Jerusalem. More important, after losing what promises to be a fierce struggle over the armistice boundaries, the settler lobby would be in a weaker position to resist a final-status deal later on.

Signing an armistice agreement would be the greatest breakthrough in Arab-Israeli peacemaking since the 1994 peace treaty with Jordan. Instead of allowing such issues as the refugees and the status of Jerusalem to delay the establishment of a Palestinian state, it would constitute a major step toward ending the occupation, fundamentally reconfigure the conflict, and make the prospects for a final-status agreement far brighter than ever before.

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