The situation is bleak. But there are some glimmers of hope that are worth acknowledging. These glimmers are significant because they come from within -- from the Palestinians themselves. Ninety-one percent of Palestinians want reform; 83 percent say the Palestinian Authority is corrupt; and, for what might have been one of the first times in the history of the Arab world, the Palestinian parliament was poised to vote no-confidence in its own leadership.

Now, three to six months ago, most assumed that there was no hope of such a development unfolding. Yet it did, and it was not coincidental. It happened by dint of a series of forces related to President George W. Bush's June 24, 2002, speech and also to the feeling that there is no sense of direction among the Palestinian leadership.

The fact that there is currently no U.S. envoy on the ground has laid bare for the Palestinians that there is no longer any pretense. Yasir Arafat cannot say, "I'm too busy with reform because I have to see an American envoy." The Palestinians see that. They realize what is happening here. And although the Europeans complained about the Bush speech, the fact is that they have gone along with the administration in essentially boycotting Arafat. Many here might have gripes about the Europeans, but European Union foreign policy chief Javier Solana was just in the Middle East and for the first time ever he did not meet with Yasir Arafat.

The important factor here is that this isolation is not being imposed from the outside. The Palestinian people have reached the conclusion that they are at a dead end. Before Ariel Sharon's ill-timed moves of recent weeks, we saw political jockeying among the Palestinians, people mending fences to get behind Abu Mazen as a possible prime minister, and Abu Mazen meeting quietly with Arab countries. There was ferment and a previously unheard of internal Palestinian dynamic.

When people ask me to name this war of the last two years, my name for it is "al-Nakba II," the second catastrophe, after "al-Nakba I," named for the Arab-Israeli war of 1948, which in the Arab view was a catastrophe. This has been Arafat's catastrophe. He has never felt such pressure from all sides, even in 1983 when there was a Fatah rebellion. This time it is coming from within and without. U.S.-Palestinian relations are in disarray, and the Palestinian people see it. Now all of this realization in and of itself will not solve the Palestinians' problems, but the internal dynamic is something to be encouraged.

People use the term West Bank "occupation." This is the year of "preoccupation." Everyone is preoccupied. Bush is preoccupied with Saddam Husayn, Sharon is preoccupied with Binyamin Netanyahu, and now Arafat is preoccupied with the reformers. This is not such a bad idea; nothing will happen anyway in these next six months while the internal dynamics on both sides are sorted out. Some say that even if Palestinians get a prime minister in the context of reform, Arafat will not just roll over and get out of the way. If, indeed, foreign attempts to influence the development of a strong prime minister's office fail (and I think the Europeans, while not saying so publicly, are even willing to withhold money to try to make this happen), if the dilution of Arafat's authority through guns and money does not produce a positive outcome, then there could still be more drastic measures. I would hope that it would not be Israel that exiles Arafat. But if it is Israel, it should be done in coordination with the international community so that Arafat is not then received at Ten Downing Street or other capitals.

The president has put forward a performance-based approach, not a deadline-based approach. That is revolutionary for an American president. And if you are stopping the clock like that, it seems to me that Israel will have to take some steps as well. If Arafat remains, he will get Sharon reelected. He got Sharon elected the first time, he has kept Sharon in power, and it seems to me that he will get Sharon reelected.

If there is hope like there was in 1991 after the last Gulf War, when Arafat's Palestinian leadership was isolated and radicalism was in disarray, the hope for peace in a post-Saddam world is to go after the rejectionists that have been funding Hamas and other groups. But in the meantime, internal dynamics need to occur on both sides, and it seems to me that only in a post-Saddam period is there any chance. The internal Palestinian dynamic should be encouraged. It might create a new internal dynamic on the Israeli side, as in 1992 and 1999 when the Israelis thought there was hope.

So I am a little more optimistic than Martin, and concerned about the suggestion of a trusteeship. While it could be a good idea, as long as there is no final treaty and Hamas has not been eliminated, the interposition of American
forces between the rejectionists and others may only lead to dead American soldiers and a worse straining of U.S.-Israel and U.S.-Palestinian relations. In East Timor and Kosovo there was no religious rejectionist movement. A trusteeship, once there is a deal and Hamas is somehow out of the way, might be a great idea, but to get there, the idea of Palestinian reform -- which is showing promise -- should be encouraged. What is important is that this idea not be imposed from the outside; it must come from within.

Read remarks by the other participants on this panel: Martin Indyk, David Satterfield, and Dennis Ross