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# Inducing a Failed State in Palestine

Yezid Sayigh

June 2007 marked 40 years since Israel occupied the West Bank, including East Jerusalem, and the Gaza Strip. The Oslo agreement signed by the government of Israel and the Palestine Liberation Organisation in September 1993 and the establishment of the self-governing Palestinian Authority in 1994 promised an end to the conflict, but the absence of advance agreement on end goals, or at least their basic parameters, combined with flawed implementation and confidence-destroying behaviour by both parties over the next six years, caused a breakdown of the peace process. The rapid militarisation of the second intifada that broke out at the end of September 2000 – especially its transfer across the ‘Green Line’, or 1967 border, with suicide bombings against civilian targets inside Israel – and the increasingly severe and sweeping Israeli counter-measures that followed have transformed the occupied Palestinian territories almost beyond recognition, and brought the Palestinian Authority to the verge of outright disintegration. Only days after the 40th anniversary of the 1967 war it split into two rival governments, each claiming constitutional legitimacy and backed by its own armed forces, following the military takeover of the Gaza Strip by the Islamist Resistance Movement, or Hamas.

The international community faces a harsh reality. It has disbursed \$9.4 billion in support of the Palestinian–Israeli peace process since 1994, but the bulk of this has gone into humanitarian relief and emergency assistance or budgetary support, rather than development assistance and capacity-building, as originally intended.<sup>1</sup> In parallel, the continuous expansion of Jewish settlements and associated roads and security infrastructure, the imposition of a

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system combining hundreds of physical obstacles with extensive 'no-go' areas and roads that are off limits to Palestinians, and the construction of the Israeli security barrier have fragmented the West Bank into ten major segments, while severely constraining Palestinian movement into East Jerusalem and Israel and all but ending it between the West Bank and the Gaza Strip.<sup>2</sup>

Even as the international community has increased its funding and its declaratory support for Palestinian statehood as an integral element of a two-state solution to the conflict, the 'feasibility of its materialisation dramatically decreased', in the words of aid practitioner Anne Le More.<sup>3</sup> What may be harder for the international community to accept is that its policies have contributed materially to systemic, probably irreversible collapse – 'state failure' – in the Palestinian Authority. It has more than doubled financial assistance to the Palestinians since 2000, yet is locked into policies that are bringing about the very humanitarian crisis it seeks to alleviate, while generating long-term dependence on external funding.

Palestinian and Israeli actions have played the principal part. On the one side, the Palestinian Authority's deepening paralysis after the outbreak of the intifada reflected the dysfunctional political and institutional legacy of its first president, Yassir Arafat, notably the debilitating effects of his neo-patrimonial style of management on ministries and security services, marginalisation of the Palestinian Legislative Council, and fragmentation of the mainstream nationalist movement he headed, Fatah, as well as his marked reluctance to curb Palestinian violence against Israel.<sup>4</sup> On the other side, the Israeli policy of border closures, introduced as early as 1994 in response to a wave of Palestinian suicide bombings; imposition of an ever-tightening economic siege once the intifada started; and reoccupation of the West Bank in April 2002 severely constrained the Palestinian Authority's remaining ability to deliver public services and maintain law and order, and undercut the economic growth strategy adopted by the international community to sustain the peace process.

The problem has been compounded critically by the international community's response to two momentous events in the past two years: the Israeli disengagement from Gaza in September 2005, and the surprise victory of Hamas in the Palestinian general elections of 25 January 2006. The international community sought to build on the momentum generated by the Israeli disengagement by restoring the conditions for accelerated economic growth in the occupied territories, but subsequently allowed this strategy to be nullified by the Israeli government's refusal to implement its formal undertakings – a failure by omission. In contrast, the United States actively sought to induce 'controlled' state failure – the inability of the central authority to perform basic functions

and provide essential public goods, including security – in the Hamas-led Palestinian Authority after January 2006. The failure of these two responses is part of the wider context of the international community's role in overseeing the slide into state failure and humanitarian crisis.

### **Defeat of the growth strategy**

The international community's attempt in late 2005 to promote Palestinian economic recovery reflected a long-standing assumption that economic development is crucial to the peace process and to prevent backsliding into conflict. Starting with the first international donor conference in October 1993, foreign aid was intended to demonstrate tangible peace dividends to the Palestinians as well as provide economic reconstruction and development to build public support for continued diplomacy.<sup>5</sup> The Oslo agreement embodied an open-ended, incremental process with no prior agreement on Palestinian statehood, let alone on the so-called 'permanent status' issues: Israeli settlements, Jerusalem, borders, refugees, security and water. Rather than lever the parties into accepting specific final outcomes, the international community eschewed direct political intervention, and instead facilitated the process by underwriting practicalities and providing aid and other inducements.<sup>6</sup>

Real per capita income in the occupied territories in fact declined over the next four years, and the tentative recovery of 1998–99 was cut short by two major shocks – the start of the intifada in late 2000 and the Israeli reoccupation of the West Bank in spring 2002 – that led to a precipitous further decline of nearly 40%.<sup>7</sup> The economy stabilised in 2003, mainly due to reduced violence, greater predictability of border closures and curfews, and aid-funded emergency job generation schemes, but then stalled in 2004 as the Israeli government launched several extended operations in the Gaza Strip, imposed stiff restrictions on the movement of people and goods into Egypt, and reduced the daily flow of Palestinian workers into Israel.<sup>8</sup> The World Bank, which has acted throughout as secretariat of the donor community and played a key role in monitoring and coordinating aid flows, concluded in June 2004 that

the precipitator of this economic crisis has been 'closure' – a multi-faceted system of restrictions on the movement of goods and people designed to protect Israelis in Israel itself and in the settlements. Closures have cut through the web of Palestinian economic transactions, raising the costs of doing business and disrupting the predictability needed for orderly economic life. Any sustained Palestinian economic recovery will ultimately require the dismantling of the closure system.<sup>9</sup>

This was not to suggest that Palestinian economic recovery depended solely on ending the Israeli closure policy. The World Bank also emphasised the importance of achieving a 'drastic improvement in the security environment' – partly contingent on 'a maximum PA effort to fulfil its security obligations under the Roadmap if the donor community is to argue for a major easing of today's closure regime' – and 'dynamic progress on Palestinian governance reform and institution-building'.<sup>10</sup> Nonetheless, it insisted that 'for the PA to play an effective political role, it must preside over a period in which the Palestinian population experiences positive change in their daily lives – in their ability to move freely, to trade, to find work, to earn a living for their families'.<sup>11</sup>

Critically, this meant ensuring direct access for the Palestinian economy to international markets.<sup>12</sup> Israel's insistence on retaining overall control over Gaza's external land, sea, and air access even after the disengagement meant that it could not argue that 'there will be no basis for claiming that the Gaza Strip is occupied territory' as its original Disengagement Plan of 16 April 2004 proposed.<sup>13</sup> Moreover, it dissuaded the international community from assuming responsibility for Gaza's 'external envelope'.<sup>14</sup> What remained unchanged, however, was the conviction, as Israel prepared to disengage from Gaza, that it was vital for international policymakers to focus on economic stability as part of the process.<sup>15</sup> The result was the Agreement on Movement and Access, the most developed and detailed attempt to maintain the essence of the long-standing international approach while working within the framework of overall Israeli security and territorial and administrative control. On 28 November 2005 a second, follow-on agreement was signed granting the Palestinian Authority management of the Rafah crossing point between Gaza and Egypt and replacing Israeli security personnel with a European Union Border Assistance Mission comprising 90 unarmed observers.<sup>16</sup>

### *The Agreement on Movement and Access*

In the agreement, the Israeli government committed itself to a number of measures. The various crossing points from Gaza into Israel and Egypt would operate continuously; the number of trucks exporting goods from Gaza into or via Israel through the dedicated Karni crossing point would be increased to 150 daily, rising to 400 by the end of 2006; all agricultural exports would be allowed out during the harvest season; modern x-ray technology would be installed to scan intact cargoes and speed up transit, reducing damage to goods caused by manual inspection; construction of the Gaza seaport could commence, as would talks on the construction and operation of the Gaza airport; bus convoys and truck convoys linking the Gaza Strip and West Bank would start from 15 December

and 15 January 2006 respectively; and the 'internal' closure system within the West Bank would be eased.<sup>17</sup> Yet by July 2007, none of this had happened.

Indeed, the agreement was a dead letter by mid January 2006. The number of trucks exporting goods through Karni actually dropped, averaging 17–20 per day in the whole of 2006.<sup>18</sup> The World Bank described Israeli management of the crossing point as 'unacceptable ... It was closed for the majority of time in 2006 and even when open, operates haphazardly with varying operating hours, inefficient and unpredictable screening procedures, and lack of transparency'.<sup>19</sup> These practices appeared to be 'exercised as a form of non-tariff barrier to restrict trade', were monopolistic and, in the absence of published procedures and fees, attracted 'large-scale corruption'.<sup>20</sup> Conditions at Karni contrasted sharply with the Palestinian-managed Rafah crossing, where the EU mission helped process a record 100,000 travellers in its first two months of operation.<sup>21</sup>

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No less seriously, contrary to Israeli promises, there was a 44% increase in the number of checkpoints and physical obstacles to movement in the West Bank over the next year, and the permit system restricting Palestinian movement was extended.<sup>22</sup> The bus and truck convoys scheduled to connect the West Bank and Gaza Strip never took place, and discussions on security arrangements to allow the reconstruction of the Gaza sea- and airports ceased when the Israeli government failed to give written assurances that the military would not interfere with their operation.<sup>23</sup> Even the modest success of the Rafah crossing brought about by the agreement was reversed from June 2006, as Israel retaliated for the abduction of Corporal Gilad Shalit by Palestinian militants by blocking access to the Rafah terminal for the EU observers, whose presence was mandatory for its continued operation; it remained closed 86–94% of scheduled operating hours for the rest of the year and an average of 75% in the first four months of 2007, and finally closed altogether following the Hamas takeover in June.<sup>24</sup>

The closure system had been largely in place since 2002, demonstrating that its tightening after the Gaza disengagement and signing of the movement and access agreement was unrelated to the Hamas election victory in January 2006. Nor was it prompted by any deterioration of security, as the number of Palestinian suicide bombings inside Israel and the overall Israeli death toll dropped by approximately 50% every year from 2002, and did so again in 2006, a trend confirmed by US Security Coordinator Lieutenant-General Keith Dayton in March.<sup>25</sup> Yet in April the government of Israel argued before the Israeli Supreme Court that it had no legal obligation to keep the Karni crossing open.<sup>26</sup> A frustrated James Wolfensohn, former president of the World Bank and

special envoy of the 'Quartet' of the United Nations, United States, Russia and the EU, marked the end of his mission a few weeks later by frankly attributing a large part of the massive damage to the Palestinian economy to the 'systematic violation of commitments by Israel'.<sup>27</sup>

Failure to implement the agreement represented a clear setback for the international community's economic-growth strategy, which hinged on the expansion of Palestinian trade and rebuilding of the domestic market, and hence on reviving the Palestinian private sector. Severe delays to imports and exports, of which 75% and 90% respectively transit Israel, have compelled Palestinian firms to maintain excessively large inventories, while movement and access problems generally raise transport and other transaction costs and prevent producers from guaranteeing timely delivery to export markets.<sup>28</sup> The outcome was a 30% decline in Palestinian exports in 2006 compared to 1996, or 46% compared to their peak in 1999.<sup>29</sup>

The Palestinian private sector has inevitably suffered from the regime of physical restrictions and administrative controls that the World Bank describes as 'an overwhelming obstacle to investment and growth'.<sup>30</sup> Forty years of Israeli occupation have left a heavily distorted economy that is almost completely dependent on its Israeli counterpart, and which additionally faces tough competition in international markets requiring it to undergo fundamental restructuring amidst insecurity and closure. The precipitous drop of Palestinian revenue in 2006 to 37.3% of its level the previous year, due to international financial sanctions, led to a sharp contraction of public expenditure and government services, in turn hitting the private sector and making it nervous about dealing with the authority or investing in the local economy.<sup>31</sup> The US Agency for International Development delivered a further blow by suspending grants and programmes designed to assist the private sector.<sup>32</sup> Local banks, meanwhile, sought to reduce their risks by reducing lending and drastically cutting back their investment portfolio from \$250 million in 2005 to \$159m in 2006.<sup>33</sup> The travails of the private sector have continued: the number of bad bank loans, already uncomfortably high before the imposition of sanctions, approached 20% by the start of 2007, and a growing number of businesses relocated abroad in order to survive, especially from Gaza to Egypt.<sup>34</sup> As a result, remarkably, the average daily wage in the cash-strapped Palestinian Authority rose above that in the private sector, which has remained constant since 2000.<sup>35</sup> The president of the Palestinian Federation of Industries summed up the sector's mood by arguing that the combination of Israeli restrictions, authority ineffectiveness, and international sanctions are 'creating a country that is not sustainable in the future'.<sup>36</sup>



Faced with the patent failure of the second pillar of its economic growth strategy, on 20 September 2006 the Quartet once again underlined 'the urgent need' for full implementation of the agreement, but gave little evidence of political will to ensure Israeli compliance.<sup>37</sup> In mid November, the UN Office for the Coordination of Humanitarian Affairs reported sombrely that

one year after the signing of the [agreement] ... the ability of Palestinian residents of the Gaza Strip to access either the West Bank or the outside world remains extremely limited and the flow of commercial trade is negligible. Movement within the West Bank is also more restricted. There has been no peaceful economic development as envisaged by the [Access and Movement Agreement] but rather a deterioration in the humanitarian situation and an increase in violence overall.<sup>38</sup>

Only sustained and concerted pressure by the international community might still salvage the agreement, and at the end of April 2007 US Secretary of State Condoleezza Rice appeared to provide it by presenting Israel and the Palestinian Authority with a set of 'Acceleration Benchmarks for Agreement on Movement and Access as well as on the Gaza Security Situation' for implementation.<sup>39</sup> However, this initiative quickly stalled in the face of vehement objections from the Israeli security establishment, and was soon overtaken by the dramatic defeat of the US 'regime change' strategy in Gaza.

### **Inducing state failure**

Two firsts in modern Middle East history took place on 25 January 2006: power in an Arab polity passed to the opposition in a democratic election, and an Islamist movement won outright in what local and international observers concurred was a free and fair process. The Hamas victory, which gave it a commanding 76 of 132 seats in the Palestinian Legislative Council, also placed the international community in a serious quandary: how to maintain its political commitment to building Palestinian–Israeli peace and the financial assistance that underpinned it, when the Palestinian counterpart and beneficiary entity was officially labelled a terrorist organisation by both the US administration and the EU, refused to recognise Israel, insisted on its right to employ 'armed resistance' against the Israeli occupation and rejected the diplomatic framework established by the Oslo Accords and the Quartet's 'roadmap to peace' published on 30 April 2003.

The answer of the US administration, which until then had shown marked reluctance to re-launch substantive Palestinian–Israeli negotiations or ensure



*The answer  
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outcome*

implementation of the movement and access agreement, was to go on the political and financial offensive in the hope of reversing the electoral outcome. Its strategy, at least until June 2007, centred on preventing Hamas from governing effectively and on generating intense public dissatisfaction with its performance, in hopes it would lead to the government's downfall and restoration of Fatah to power, whether through the conduct of new elections or other means. The administration relied on reinvigorating the defeated Fatah, imposing sweeping financial sanctions to prevent the Palestinian Authority from functioning and to persuade its public of the adverse consequences of being governed by Hamas, and empowering Palestinian President Mahmoud Abbas, in particular by strengthening security agencies under his control. In short, rather than apply strict but passive aid conditionality, the US administration opted for an active strategy of regime change.

*Regime change*

From the outset, hardliners within the US administration, most prominently Deputy National Security Adviser Elliott Abrams, privately argued for a 'hard coup' to enable Fatah to confront Hamas militarily and retake control of the authority.<sup>40</sup> Robert Satloff, executive director of the Washington Institute for Near East Policy, a think tank whose positions tend to reflect the views of Israel's centre-right, provided a revealing summary of the hardline argument as it evolved in following weeks:

Hamas's success poses such a threat to U.S. vital interests that we should do everything possible to abort Hamas rule. We should do this as quickly and peacefully as circumstances allow. We should work both openly and clandestinely with allies and partners who share our concern. The U.S. interest is not that Hamas slowly wither on the vine ... To the contrary, the U.S. interest is that Hamas collapse speedily and spectacularly.<sup>41</sup>

In public, US officials were more circumspect, and denied press reports that the administration and Israel were discussing ways to destabilise the authority in the hope of forcing new elections and ousting the Hamas government.<sup>42</sup> Faced with the distinct unhappiness of the other Quartet members – the EU at first hoped that the Hamas government would prove more serious than Fatah in pursuing long-overdue fiscal and administrative reforms, while the Russian government went so far as to invite Hamas Politburo head Khaled Meshaal to

Moscow – and the evident discomfort of Abbas, the US administration modified its position to allow a greater flow of aid in support of continued delivery of vital public services in the occupied territories. It now sought a ‘soft coup’, in effect, but did not discard its core strategy.<sup>43</sup> The problem was that its strategy embodied a number of false working assumptions, the first of which was the belief that Fatah was in any shape to pose a credible challenge to the Hamas government.

#### *Fatah on the brink*

The recently defeated Fatah seemed the obvious ally. It had tied its political fortunes to the Oslo Accords and exercised a virtual monopoly over the authority since the mid 1990s; it remained officially committed to the peace process, despite the active participation of many of its members in armed attacks on Israeli targets in the occupied territories and in occasional suicide bombings inside Israel; but at the same time it had the military muscle to confront Hamas. The US administration had already sought to boost the electoral chances of Fatah and other competitors to Hamas by budgeting \$42m in support and training for the conduct of their campaigns.<sup>44</sup> The International Crisis Group aptly noted that, following its defeat, ‘Fateh, unable to digest its electoral loss, is behaving as if still in power. It treats the new government as a usurper, blatantly subverting its ability to govern, relying on its partisans’ overwhelming presence throughout the civil service and, especially, the security forces.’<sup>45</sup>

The United States shared Fatah’s confidence that the combination of the international boycott and the challenge Fatah could mount would suffice to bring down the Hamas government within three months. However, this underestimated the reasons for the sharp downturn in Fatah’s political credibility and standing with the public over the preceding year. The proximate factors were the stubborn refusal of the preceding government, headed by Prime Minister Ahmad Qurei’, to acknowledge fully, let alone seriously address, the need to combat corruption and implement reforms, and the marked deterioration of security and economic conditions in Gaza following the Israeli disengagement in September 2005. No less important was Fatah’s patent inability over the preceding decade to protect fundamental Palestinian interests and deliver on the principal promises of the Oslo process: successful negotiations leading to an end to Israeli settlement expansion and colonisation, and to independence and statehood, and sustained economic dividends of peace.<sup>46</sup>

Besides, Fatah was itself divided over policy towards Hamas. A significant number of its middle-ranking cadres and second-echelon leaders, often labelled the ‘young guard’, were ready to accept electoral defeat and form a working

coalition with Hamas that, they argued, would be more determined in reforming the authority and effective in negotiating with Israel.<sup>47</sup> These 'inclusionists' or 'accommodationists' blamed their defeat on the corruption and incompetence of Fatah's 'old guard', principally centred on its Central Committee (and to a lesser degree its Revolutionary Council), mostly ageing exiles who had returned following the Oslo Accords and remained disconnected from local realities. Together with 'tacticians' such as Abbas, who hoped to persuade or compel Hamas to become more pragmatic, the former group probably formed a majority in Fatah.<sup>48</sup> The US threat to subject Fatah to the international boycott dissuaded it from accepting Hamas Prime Minister Ismail Haniyeh's invitation in February 2006 to form a national unity government, but the continued unhappiness of many Fatah members with their leadership's stance explains why a majority stayed out of the confrontation with Hamas in Gaza in June 2007.

The US position inadvertently strengthened the hand of Fatah's old guard, who were the principal 'exclusionists'. The impasse with Hamas enabled them to renew their long-standing resistance to internal reform and democratisation. The young guard redoubled its demand for internal leadership elections and

*Fatah had long ceased to be a coherent organisation*

convened Fatah's long-delayed Sixth General Congress, the fifth having convened in 1989, but the old guard continued to insist that it alone had the experience and skills to lead the movement and negotiate successfully with Israel and the international community.<sup>49</sup> In reality, Fatah had long ceased to be a coherent organisation, but this was obscured by its command of political assets and material resources so long as it was in power. Arafat had turned it into little more

than a vehicle for patronage, leaving it severely debilitated and hopelessly fragmented by the time he died in November 2004. Violence and socio-economic decline since 2000, moreover, added a new fault line, as a fourth generation of armed teenagers acknowledging no chain of command emerged to challenge the status and credentials of the 30- and 40-year-olds of the young guard.

Abbas has proved no more able to resolve Fatah's internal problems since its electoral defeat than he was in 2005 when, in response to conflicting pressures from the old and young guards, he repeatedly promised, and then delayed, a membership registration drive and internal primaries. In March 2007 he triggered a new crisis by creating an 'arena committee' (*lijnat al-saha*) to lead Fatah's civilian organisation in the West Bank and Gaza Strip.<sup>50</sup> A majority of its 56 members were loyal to his ambitious national security adviser, Revolutionary Council member Mohammad Dahlan, who previously headed the authority's Preventive Security Apparatus in Gaza. This only deepened his rivalry with the

popular young-guard leader Marwan Barghouthi, also a Revolutionary Council member and former head of Fatah's civilian organisation in the West Bank, who is currently serving five life sentences in an Israeli prison for intifada violence. Dahlan's confrontational stance towards Hamas made him a key figure in the US regime-change strategy, whereas Barghouthi was a co-author of the Prisoners' Initiative, a political platform for national reconciliation with Hamas published in May 2006. However, the absence of Dahlan and his key lieutenants from Gaza in June 2007 ensured the rapid rout of Preventive Security and greatly eroded his standing.

### *Financial offensive*

In parallel, Washington moved to establish a total political and financial boycott of the Hamas-led Palestinian Authority. It had already criminalised material assistance to Hamas and cut any contact with it since classifying it as a terrorist organisation in 1993, and Brussels followed suit in August 2003 after Hamas broke a moratorium on suicide bombings the EU had helped negotiate. After Hamas won a series of impressive victories in municipal elections in 2004–05, the US and EU primary boycott expanded to include social welfare organisations affiliated to Hamas or that had Hamas board members or employees.<sup>51</sup> It also extended to Hamas-run municipalities, generating a severe cash crisis and compelling them to borrow heavily, cut services and suspend development projects.<sup>52</sup>

The policy structure was already in place, therefore, for the United States, with the rest of the Quartet in tow, to establish a broad conditionality in the wake of the Hamas victory in the Palestinian general elections: the new government would suffer a suspension of international aid and political contacts unless Hamas accepted the three principles set by the Quartet. The suspension duly went into effect after the new government assumed formal power on 29 March 2006 without a change in Hamas policy. This represented a double extension of the existing primary and secondary boycotts, in that they now targeted the authority as a whole and were being additionally applied by Russia and the UN, the other Quartet members.

However, Washington was already working to establish a tertiary boycott that would block transfers to the Hamas-led Palestinian Authority from any external source, public or private, worldwide. On 26 April, the US Office of Foreign Assets Control prohibited transactions with the authority and any financial dealings with assets in which it had an interest, and in the following two months the US Congress and Senate passed resolutions deeming authority areas to be a 'terrorist sanctuary'.<sup>53</sup> By additionally threatening to prosecute any

bank that dealt with the authority, the United States successfully compelled all third parties to observe the boycott, or at least prevented them from bypassing it.<sup>54</sup> This applied in particular to Iran, which had pledged \$250m to replace Western assistance, but it also meant that the League of Arab States, which agreed to suspend budgetary assistance to the authority, was unable to implement its proposal to make direct payments into the bank accounts of authority employees as an alternative means of maintaining economic support for the Palestinians. Fear of prosecution under US anti-terrorist laws even prompted Israeli banks to cut supply of new Israeli shekels (the main currency in the occupied territories) to the Palestinian Monetary Authority and suspend dealings with Palestinian businesses and banks, while prompting the latter to reduce transactions with the Palestinian Authority substantially.<sup>55</sup>

The tertiary boycott transformed the nature of the international sanctions imposed on the authority, marking a transition from legitimate aid conditionality to active inducement of state failure. Wolfensohn publicly described the policy as a misguided attempt to 'starve the Hamas-led Palestinians into submission';<sup>56</sup> EU officials who privately expressed doubts were told by US counterparts that the 'Palestinians must suffer for their choice'.<sup>57</sup>

More pertinently, the sanctions did not achieve their principal objectives, and indeed backfired in certain respects. In the first instance, the inability of the authority to pay full salaries hit Fatah members and supporters hardest because they were so heavily over-represented in the public sector. Ironically, this meant they had less robust coping mechanisms when authority services and social-welfare transfers failed or were withheld.<sup>58</sup> This was in marked contrast to Hamas followers, who had tended to avoid employment in the authority or were tacitly excluded from it. Even the poorest among them benefited from the sizeable sector of Islamist social-welfare organisations that provided, according to the International Crisis Group, 'emergency cash assistance, food and medical care as well as educational and psychological services' in one form or another to 'at least one in every six Palestinians' by 2003.<sup>59</sup> As a result, extreme poverty rose threefold among Fatah supporters in the course of 2006, from 13% to 33%, but by only one-third, from 25% to 33%, among Hamas supporters.<sup>60</sup>

Partly as a result, public support for Fatah and Hamas remained virtually unchanged throughout 2006. By the end of March 2007, a whole year after the imposition of international sanctions, Fatah polled 43% support and Hamas 37%, with 8% undecided;<sup>61</sup> socio-political profiling indicated that most undecided voters would swing to Hamas in an election, just as they did on 25 January 2006, and that the final outcome would be identical.<sup>62</sup> In a presidential election, moreover, Abbas would win 47% of the vote, down from the 66% that

brought him to office in January 2005, while Haniyeh would almost tie him with 46%.<sup>63</sup> The public was also evenly split on accepting the Quartet's conditions for lifting the sanctions, but most telling was that only 13% blamed Hamas for the failure to improve economic and security conditions (a similar number blamed Fateh), while 37% blamed Israel and 25% the United States and the international community.<sup>64</sup>

Only after its violent takeover of Gaza in June 2007 did Hamas suffer an appreciable drop in popularity, but by then the US regime-change strategy was already in tatters. It had started to unravel visibly four months earlier, with the publication on 8 February of the Mecca Agreement, brokered by Saudi King Abdullah, between Fatah and Hamas, announcing the formation of a national unity government. It was immediately apparent that their joint political platform fell distinctly short of openly endorsing the Quartet's three principles: it neither mentioned Israel nor explicitly renounced violence against it, and committed Hamas only to 'respect' previous agreements signed by the Palestinian Liberation Organisation – implicitly with Israel – rather than 'abide' by them.<sup>65</sup>

*The US regime-change strategy was already in tatters*

The fact that Abbas accepted the Mecca Agreement suggested that the threat of a US boycott no longer outweighed the need to unify Palestinian ranks in the face of growing anarchy and deteriorating socio-economic conditions. For its part, Hamas had demonstrated that it could withstand the international boycott, and won critical domestic and Arab recognition that it had become an indispensable actor in Palestinian politics and in peace-building with Israel. The renewal of Egyptian and Saudi calls for national dialogue in the wake of the Hamas takeover in Gaza have borne this out. This was all much to the chagrin of the US and Fatah hardliners, who hoped to scuttle the Mecca Agreement by accelerating the build-up of Abbas's Presidential Guard.<sup>66</sup>

### *Building presidential muscle*

The third component of the regime-change strategy was to deny the new government control over the Palestinian Authority Security Forces, and in effect to turn them into a countervailing force against Hamas. This overlooked the parlous state of the security forces, as well as the dangers inherent in the emergence of rival armed camps and militarisation of politics in the occupied territories. It also spurred financially unsustainable expansion of a seriously oversized public payroll. The security forces had already absorbed a large number of Fatah militants in 2005 to reduce unemployment, despite severe budgetary restraints and the threat of penalties from the international donor community, but the pace



accelerated sharply ahead of the general elections and continued until the end of the outgoing parliament's mandate on 12 February 2006.<sup>67</sup> In the last period, 13,134 new recruits were added, bringing the cumulative increase since 1 March 2005 to 19,321 and total strength to 73,000.<sup>68</sup>

The massive and unaffordable expansion of the security forces and predominance of Fatah recruits increased both the financial and political incentives for the new Hamas government to cut the forces' numbers, a long-standing demand of the international donor community. Indeed, fear of retrenchment reinforced Fatah's determination to retain control of the security forces, and was reflected in the public hostility expressed by some commanders towards the incoming government.<sup>69</sup> However, much like the military *éradicateurs* in Algeria who preempted the final stage of the 1992 elections, their main concern was to prevent the army coming under an Islamist government. The decision by Abbas in February 2006 to reassert his overall control over all branches of the security forces, and to reactivate the all but defunct National Security Council as a command structure reporting directly to him, only hastened the struggle with Hamas for control. Awareness of the stakes apparently persuaded the US administration to permit Arab funds to be channelled to the Office of the President to pay security-force salaries, starting in June, although it continued to oppose similar payments to the civil service, which came under the Hamas cabinet.

Militarisation has defined the political contest between Fatah and Hamas ever since. In April, Minister of the Interior Said Siam announced the formation of a 3,000-strong 'Executive Force' composed largely of Hamas members in Gaza. This reflected Hamas's frustration at the refusal of many commanders to carry out government orders, and its perception of a direct threat in the virtual erosion of the already 'permeable wall' between membership in Fatah and the security forces.<sup>70</sup> Abbas promptly banned the new force, but Hamas continued to recruit, building it to 5,000 by August and 6,000 by January 2007, and promising in March to expand it to 12,000.<sup>71</sup> Fatah responded by enlisting some 4,000 men into Preventive Security, still virtually a fiefdom of its former head Dahlan, and nearly 1,000 others in other units in Gaza in June, and purchased rifles on the thriving black market, reportedly adding 3,900–4,900 to its stores by January 2007.<sup>72</sup>

Washington influenced this direction of events, in part because its boycott of the Hamas government encouraged Fatah to eschew political engagement and to prepare for confrontation. However, it also contributed directly to the trend. Already in November 2005, according to Palestinian sources, the United States had paid \$4.4m to transfer Fatah militants to the security forces, as a means of dismantling the al-Aqsa Martyrs Brigades.<sup>73</sup> Starting in April 2006, reports sur-



faced of US plans to assist Abbas by building up his guard force from 2,500 to 3,500 men; training commenced in August, amidst press reports that the United States intended to expand the force to 6,000 and possibly 10,000 men.<sup>74</sup> The programme was proposed by General Dayton to upgrade Palestinian management of the border crossings in Gaza, but both sides privately viewed it in terms of the military balance with Hamas.<sup>75</sup> So did the Israeli government, which approved the delivery of 2,000 rifles from Egypt to the Presidential Guard in Gaza at the end of the year, triggering bloody clashes when Hamas tried to block the shipment.<sup>76</sup> In April the Israeli government transferred another 375 rifles from its own stocks, while Washington committed \$59m in training and non-lethal security equipment, and covertly persuaded Arab allies to purchase additional weapons.<sup>77</sup>

The Israeli military had already imprisoned half the Hamas parliamentary bloc and its cabinet ministers residing in the West Bank following the abduction of Corporal Shalit in June 2006. The build-up of the presidential guard, followed in mid May by an incendiary address by Dahlan at a rally attended by 100,000 Fatah supporters, convinced Hamas that its remaining government in Gaza faced an imminent coup.<sup>78</sup> Preventive Security had already waged a small-scale 'dirty war' of assassinations and abductions against Hamas over the preceding year, to which Hamas responded in kind; by June 2007 it had effectively decapitated Preventive Security and the smaller, Fatah-dominated General Intelligence Apparatus, readying it to launch what it regarded as a pre-emptive coup in mid month. By then, some 600 Palestinians had died in internal violence since the start of the US-sponsored regime-change strategy.<sup>79</sup>

### **From failure to collapse**

The defeat of the regime-change strategy and the continuing inability of the international community to ensure Israeli implementation of the Agreement on Movement and Access reveal its deeper failure to define realistic strategic goals or anticipate the long-term consequences of its policy choices. This is evident in its response to two main challenges: Israeli policies and measures that have continuously created new facts on the ground and, consequently, altered the parameters for any eventual resolution of conflict; and squaring the circle of security, development and democratic governance in the Palestinian state-in-the-making. By locking itself into a policy stance that eschews forceful political intervention, and by using aid as a means of skirting problematic realities on the ground, the international community has contributed to establishing an inherently degenerative status quo that it cannot maintain, let alone reverse.<sup>80</sup>

*From non-confrontation to adaptation*

In the first instance, the international community has repeatedly avoided confronting Israel, let alone penalising it, over unilateral measures that have transformed the landscape of the occupied territories since 2000, if not 1993. This is most evident in relation to the continued expansion of Israeli settlements in the West Bank and East Jerusalem and their associated infrastructure – over 1,200km of roads have been wholly or partially reserved for exclusive use by Israelis – despite the Oslo understandings and the explicit requirement for a ‘settlement freeze’ in the Quartet’s roadmap.<sup>81</sup> Since then, successive Israeli governments have provided covert political and financial support to the settlements as well as to 102 ‘illegal outposts’ established over the previous decade, which it has repeatedly pledged to dismantle.<sup>82</sup> Settlement construction continued unabated in Olmert’s first year in office, during which time the West Bank settler population grew by 5.8% compared to 1.4% in 2005, or three times the natural growth rate in Israel as a whole, taking it to 268,379, with over 200,000 more in East Jerusalem.<sup>83</sup>

In parallel, the international community has adapted itself continuously to the constantly changing physical and administrative restrictions imposed by the Israeli Military Government and attached Civil Administration on movement and access in the occupied territories. These apply not only to Palestinians – who are additionally circumscribed by military orders, permit rules and residency requirements that often vary without notice or explanation, or are announced verbally – but also to international diplomatic and aid-agency personnel, technical experts and locally hired project staff.<sup>84</sup> Rather than challenge Israeli policy or insist on transparent and predictable procedures and regulations, the international community has allowed most of the occupied territories to become off limits; in doing so it has centralised its activities in East Jerusalem and nearby Ramallah, home to much of the Palestinian government, leaving it, according to a study commissioned by the UK’s Department for International Development, with ‘an incomplete appreciation of the challenges the PA faces in governing’ and undermining the ‘effectiveness of project implementation and equitable delivery of assistance’.<sup>85</sup> Israeli obstructions considerably increase operational costs for international donors, but the latter deal with them in an ad hoc way, contributing to the ‘routinisation’ of the occupation.<sup>86</sup>

Its non-confrontational, adaptive stance has left the international community facing a major dilemma: without its massive aid flows the occupied territories would have experienced a complete breakdown of public services and the local economy, yet it appears wholly unable or unwilling to induce meaningful change in Israeli policy, and is therefore in the awkward position of subsidis-

ing the occupation. This has been obvious at least since the Israeli reoccupation of the West Bank in April 2002; the International Committee of the Red Cross finally pulled out at the end of 2003 because it refused to 'substitute for the responsibility of the occupying power which is Israel'.<sup>87</sup> That the international community should remain caught in this dilemma is understandable, given the certain political and humanitarian consequences that would follow a suspension of aid, but this does not explain why it has not worked harder to defend its investment: Israel Defense Forces operations *Defensive Shield* and *Determined Path* caused \$728m of damage to donor-funded PA assets and infrastructure in 2002, for example, which was wholly out of proportion to the actual combat and irrelevant to preventing Palestinian suicide terrorism.<sup>88</sup>

### *Building, reshaping or unmaking the Palestinian state*

The international community has followed a contradictory approach to Palestinian state-building. On the one hand, it earmarked major financial and technical assistance at the outset of the Oslo era for institution- and capacity-building in the nascent Palestinian Authority, accounting for some \$840.5m (25%) out of \$3.3bn in international aid actually disbursed in 1994–2000.<sup>89</sup> On the other hand, this effort has been repeatedly overridden by short-term political expediency, leading to inconsistency and reversal of policy course.

The international community has consistently misjudged the extent to which the Palestinian Authority is 'less than a state, yet expected to act like a state'.<sup>90</sup> As a result, it has also underestimated the extent to which presenting the authority with demands and expectations it could not meet eroded its credibility and standing domestically and internationally. Certainly, the authority seriously underutilised the extensive resources and opportunities available to it and underperformed generally, especially in relation to security and economic management, and at times, at least under Arafat, wilfully abdicated exercise of its responsibilities under agreements concluded with Israel. However, it is equally true that the authority lacked effective, let alone sovereign, control over many of the policy levers and tools it needed to fulfil the tasks set for it. Even at the best of times, in 1994–2000, it was not a government capable of reaching decisions and enforcing them over most of its territory – key criteria for a functioning, viable state.<sup>91</sup>

*The Quartet  
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Yet the Quartet has treated the Palestinian constitutional order and political system as malleable. Since 2002, it alternately sought to reduce presidential

powers and increase those of the cabinet and parliament when Arafat was alive, and then to shift some of those powers back to Abbas once Hamas won the general elections in 2006. The international community also espoused invalid interpretations of the authority's Basic Law when this suited its purpose, most recently in June 2007 when Abbas formed an emergency government and called for early general elections, neither of which he was constitutionally entitled to do. Much the same applies to the decree he issued soon after requiring local non-governmental organisations to renew their registration – implicitly as a means of excluding those affiliated to Hamas or receiving its funding, although they account for up to 20% of social assistance in the occupied territories – but this, too, violates existing law. The result has been to weaken the notion of constitutional government, encouraging domestic political actors to violate or stretch the interpretation of their powers and lay personal or factional claim to public office and agencies. Little wonder that public faith in the Palestinian state-in-the-making has eroded: a poll of Palestinians published on 21 June showed that 41% favoured dissolving the authority and replacing it with international trusteeship or a return to full Israeli occupation.<sup>92</sup>

The international community has, moreover, contributed directly to the reversal of several key reforms it helped attain in 2000–04, especially in the area of public financial management. The international boycott of the Hamas government after January 2006 and diversion of aid flows to the Office of the President all but nullified the consolidation of government revenue in the Single Treasury Account, disrupted formulation of the annual budget and implementation of the basic accounting system, weakened controls over expenditure, prompted a partial return to paying salaries in cash rather than by bank transfers, and undermined the control of the Ministry of Finance and General Personnel Council over the payroll and recruitment, generally reducing transparency and efficiency throughout the system.<sup>93</sup> Similarly, the focus on supporting Abbas and Fatah politically and countering Hamas militarily has aborted all attempts at security-sector reform since 2005. Rather than achieve retrenchment, as sought especially by the EU, which provided the bulk of budgetary support to the authority, the security forces grew meteorically, reaching 86,800 by February 2007 as large numbers of Fatah militants were absorbed under the regime-change strategy.<sup>94</sup>

It is all the more ironic, then, that the Quartet has sidestepped the thorny political issues impeding the peace process in favour of an exaggerated and effectively exclusive emphasis on Palestinian Authority 'reform'. Furthermore, it has stressed reform even as it redirected a growing portion of aid outside the authority framework; by 2005, well before the imposition of financial sanctions, over 50% of humanitarian assistance was being channelled through UN

agencies.<sup>95</sup> In 2006 the United States, in particular, considered channelling funds earmarked for public-service delivery to the Palestinian private and non-governmental organisation sectors, in the hope of circumventing the Hamas-controlled ministries and Islamic social-welfare organisations. The United States Security Coordinator even went so far as to propose working with non-governmental organisations on security-sector reform, national security strategy, demobilisation of militias, and the future security architecture of the Palestinian state, among other things.<sup>96</sup> The fundamental problem with this general approach, as UN Special Coordinator Alvaro de Soto noted at the end of his mission in May 2007, was that the Palestinian Authority was 'not like a light switch, to be turned on and off'.<sup>97</sup> It moreover played directly into the Israeli policy of dismantling the authority since 2002, which Israel Defense Forces Chief of Staff Moshe Yaalon then described as 'constructive destruction': removing the authority as the institutional address for numerous day-to-day aspects of the occupation, reinstating direct Israeli control, and reaching an imposed settlement with obedient canton administrators.<sup>98</sup>

### *The path to collapse*

The cumulative impact of international policies and practices has added to the erosion of the coherence and integrity of the Palestinian Authority. The imposition of sweeping sanctions in 2006 took it to breaking point, hollowing out the system of government, dismantling economic foundations and structures, and undermining the social contract, prompting Palestinians increasingly to adopt survival strategies based on reactivating traditional social ties and structures. In short, the Palestinian state-in-the-making is in the throes of systemic collapse.

The international community had ample warning. Israel had already expressed its concern to the World Bank that the fabric of Palestinian governance was giving way as early as 2004, and indeed the logic of the international community's emphasis since mid 2002 on Palestinian Authority reform was at least implicitly based on the assumption that it was failing to deliver core functions. The World Bank reported growing signs of anarchy in the second half of 2005, and Wolfensohn frankly warned the Quartet of 'disturbing signs of internal fragmentation' less than two months after the Gaza disengagement.<sup>99</sup> Abbas was even blunter: in his speech marking the Israeli withdrawal from Gaza, he lamented 'all negative forms that violate law and order and threaten the security of our society, and perhaps our national project'.<sup>100</sup> As financial sanctions took effect in 2006, the UN Office for the Coordination of Humanitarian Affairs and the World Bank repeatedly warned of economic recession and collapse, a humanitarian crisis, rising insecurity – both internal and external – and irrevers-

ible institutional dissolution.<sup>101</sup> By autumn it was evident that the cumulative impacts were making Gaza ungovernable, prompting UN Emergency Relief Coordinator Jan Egeland to describe it as 'a ticking time bomb'.<sup>102</sup>

The drastic decline of authority revenue pushed unemployment in the occupied territories to nearly 24% by the end of the first year of sanctions, closer to 30% if informal employment is discounted.<sup>103</sup> With around 1m people dependent on the earnings of over 160,000 civil servants and police officers, who received 55% of their salaries in 2006, the result was a sharp increase in the number of Palestinians suffering extreme poverty: 42% of the population in Gaza and 26% in the West Bank, taking the overall number of people at or below the poverty line by late 2006 to 70% in the former and 56–60% in the latter.<sup>104</sup> Food insecurity meanwhile deepened: 34% of the total population – 1,322,019 people – became food insecure, with another 12% vulnerable. By May 2007, the UN was providing food aid to 1.1m in Gaza out of a population of 1.4m.<sup>105</sup>

The resumption of international aid flows to the emergency government will alleviate the crisis, but not resolve it. This is partly because, as Geoffrey Aronson put it, the end of 'the era of efficient, transparent, and non-discriminatory trade, particularly between Israel and Gaza, has made the crisis endemic'.<sup>106</sup> Furthermore, the Palestinian economy has adapted to siege conditions by restructuring in problematic ways. 'Internal fragmentation' and the 'compression of socio-economic space' in the West Bank since 2001 have broken down economic relations between geographic areas and actors – between districts, rural and urban communities, employers and employees, producers and markets – and severely heightened social disparities.<sup>107</sup> The application of inter-

national financial sanctions to an economy that was already under protracted siege and severe internal stress has all but dismantled it, leaving a pauperised population chronically dependent on external aid.

The occupied territories therefore display all the conditions of state collapse: institutional decline and degraded governance, economic crisis and the breakdown of social networks amidst pervasive violence. This has encouraged widespread resort to the clan and extended family (*hamula*) and to sharia-based reconciliation (*sulha*) committees as a

means of ensuring physical and economic security and arbitrating disputes. The trend became marked after the outbreak of the intifada, and by 2004 Qurei' and several security chiefs were openly admitting that security forces personnel were resorting to clans due to the inability of Palestinian courts and prosecutors to protect them, and that there was a clear overlap of criminal networks, clans

*The occupied territories display all the conditions of state collapse*



and security services.<sup>108</sup> At the same time, street protests by armed Fatah militants seeking jobs became a major source of insecurity in 2005.<sup>109</sup>

Abbas warned in September that 'we will not allow the state of lawlessness, the disorder of weapons, taking law into one's hands, kidnapping and attacks on government institutions and state land to continue', but the general elections of January 2006 marked a turning point. Attacks by Fatah gunmen on government buildings and equipment, armed seizure of public land, and assaults on authority officials and security forces personnel became commonplace; social and political red lines were crossed as domestic violence against women, crime, kidnappings of foreigners and internecine factional violence also intensified.<sup>110</sup> Under these conditions, new jihadist organisations appeared: in May, al-Tawhid wa al-Jihad declared that 'we have begun operating in Palestine', while part of the Popular Resistance Committees in Gaza renamed itself the 'Army of Islam' and adopted al-Qaeda rhetoric and causes.<sup>111</sup> Jihadist attacks multiplied in early 2007 against foreign cultural centres and Internet cafes, as well as restaurants and school festivals attended by both sexes. Gaza appeared on course for 'Somalisation' or 'Iraqisation' – a 'war of all against all' – and by April the head of the UN Special Coordinator's Office, David Shearer, was warning the international community that it was at a 'tipping point'.<sup>112</sup>

#### *Implications for aid and diplomacy*

The emergence of two rival governments in the West Bank and Gaza, combined with general conditions of institutional collapse and chronic economic crisis, presents the international community with the prospect of shouldering a huge aid burden indefinitely. The World Bank warned in the wake of the Gaza disengagement that, with a Palestinian labour force growth rate of 4.5% annually, even a 5–6% growth rate in real gross domestic product that might be delivered by a 'radical easing of closures and committed governance reform accompanied by aid levels similar to those of the past four years' would not be sufficient to effect a rapid reduction in unemployment. Additional aid of \$0.5bn per annum would be needed to trigger major foreign direct investment and double-digit growth, allowing development expenditure and capacity building, laying the basis for private-sector revival, and halving unemployment within three years.<sup>113</sup> However, the World Bank added that aid alone would not rescue the economy, warning that in 'a worst case scenario, donors could find themselves on a policy-free treadmill, disbursing three times what they did before the intifada without any assurance of sustainable impact'.<sup>114</sup> This is indeed what has happened.<sup>115</sup>



Nor can there be any hope of a fundamental shift, even after the Israeli government resumed VAT transfers worth \$50–\$60m monthly to the Palestinian Authority emergency government in July 2007. The cantonisation, localisation, and deformalisation of the Palestinian economy since 2000 are long-term trends, as producers adapted to territorial fragmentation and market compression by confining themselves to smaller geographical areas, moving away from manufacturing and agriculture, and shifting to payment-in-kind and unpaid family labour.<sup>116</sup> Meanwhile the authority, under both rival governments, continues 'making promises to employees that it cannot keep, paying partial salaries in an ad-hoc manner as resources become available, and hoping that revenues will materialize from sources now unknown that will allow it to bridge the gap'.<sup>117</sup> Palestinian aid dependency has become structural and chronic, but given Israeli demands in March for an upgrade in international assistance and the unwillingness of the international community to engage in direct conflict resolution or penalise Israeli as well as Palestinian non-compliance with roadmap obligations, it appears clear that all principal parties converge tacitly on maintaining aid flows and the status quo.<sup>118</sup>

The absence of a credible diplomatic process is acute. The political stalemate depends critically on the behaviour of Palestinians and Israelis, but the international community shows little faith in its own policy initiatives and mechanisms, limiting its ability to influence the cost-benefit calculations of the parties. The roadmap, still the only diplomatic instrument formally upheld by the Quartet, was at best stillborn, at worst 'a way to consolidate the new status quo of no negotiations'.<sup>119</sup> Nor is there any prospect that the Quartet will itself become an effective body for the coordination, let alone formulation, of international policy. Having ceded the initiative to the Gaza disengagement plan in 2004–05, it has seen its role being replaced by the US–Israeli–Palestinian 'trilateral diplomacy' favoured by Rice at every significant point since then, starting with the negotiation of the Agreement on Movement and Access. However, although America's partners chafe, it is equally evident that, as former security adviser to Javier Solana in Jerusalem Alastair Crooke put it, they 'feel trapped in a position from which they lack the leadership or energy to escape'.<sup>120</sup> In its statement of 20 September 2005, commenting on the recent Israeli disengagement from Gaza, the Quartet promised to 'support sustainable growth of the Palestinian economy and to strengthen the overall capacities of the PA to assume its responsibilities through an aggressive pursuit of state building and democratic reform efforts'.<sup>121</sup> It has failed to do any of this, if not worked to opposite effect.

The Hamas takeover of Gaza in June 2007 did more than reveal the flawed assumptions informing US policy towards the Palestinians. It also underlined the consequences of applying sweeping, punitive sanctions against an entity and a population already exhibiting signs of severe political, social and economic stress. Yet the US administration and its *éradicateur* counterparts in the old-guard Fatah leadership appeared set to continue along this path. The former announced it would resume upgrading the presidential guard, while the latter imposed a total ban on contacts between Fatah and Hamas and lobbied Western governments for a punitive lockdown of Gaza that would block exports and all imports other than humanitarian relief, and deny EU- and Arab-funded salary payments to Palestinian Authority personnel in Gaza who report for work or take orders from the Hamas government.

The risk is that this approach will polarise Palestinian politics even further, expanding the scope and scale of internecine violence. If Hamas is brought down in the Gaza Strip – whether through a complete cut-off of trade, not to mention of water and electricity, as urged by some Israeli ministers, or by Israeli military intervention, as newly elected Labour Party leader Ehud Barak was reportedly considering shortly after his appointment as defence minister in late June – neither the Palestinian Authority emergency government nor the government of Israel would be able genuinely to govern the area. The result would be anarchy, civil war or at best a more limited ‘dirty war’ between Fatah and Hamas loyalists, leading to new cycles of clan-based blood feuds. Nor could the West Bank be completely insulated from the effects. In the short term, Fatah gunmen continue to take the law into their own hands, underlining the inability of the emergency government and the security forces, and also of Fatah’s Central Committee, to enforce the decree issued by Abbas on 26 June disbanding all militias. In the longer term, the emergency government will be unable to assert domestic legitimacy to hold Hamas at bay, so long as the real challenge to its viability and sustainability is its lack of meaningful control over any of the principal instruments and domains of governing authority in the Israeli-occupied West Bank: security, movement and access, land and water use, population registries, and currency, customs and communications.

The alternative is that Hamas will succeed in consolidating its power in Gaza. Indeed, it may prove to be the one remaining bulwark against further social breakdown and political radicalisation, a consideration not lost on neighbouring Arab governments

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which quickly called for renewed intra-Palestinian dialogue. This should offer the international community an opportunity, but in fact poses a dilemma that goes well beyond the question of whether or not to talk to Hamas. On the one hand, Hamas is unlikely to accept indefinitely a punitive economic lockdown coupled with constant Israeli air and ground raids, and will resume rocket attacks or suicide bombings against Israel as a means of forcing it to end the siege and agree a comprehensive ceasefire throughout the occupied territories. On the other hand, a resumption of external trade or even a ceasefire agreement may allow a power-sharing deal – a Mecca II – to be reached once more with Fatah, but will not endure in the absence of a diplomatic initiative that reinstates firm benchmarks and detailed goalposts for the two-state solution along the lines of the ‘Clinton parameters’ of December 2000, rather than vague wording about offering a ‘political horizon’ to all parties. This is unlikely as long as the Israeli government is both unable to proceed with the plans for a major Israeli withdrawal in the West Bank mooted by Olmert upon taking office in January 2006, and unwilling to allow the Palestinian Authority to regain meaningful control in the formerly autonomous areas; and as long as the international community will not engage in forceful political intervention of the scope and scale needed to fundamentally alter the patterns and dynamics of conflict. The fact that the Quartet confined the mandate of its new special envoy, former UK Prime Minister Tony Blair, to assisting Palestinian political and economic reform suggests that it has opted for the default choice of persevering in a failed policy.

## Notes

- 1 This estimate excludes contributions to the ‘regular’ budget of the UN Relief and Works Agency for Palestinian Refugees, and is based on three sets of figures: for 2006, IMF and UN reports cited in Steven Erlanger, ‘Aid to Palestinians Rose in ‘06 Despite an Embargo’, *New York Times*, 21 March 2007; for 2005, World Bank, *West Bank and Gaza Economic Update and Potential Outlook*, 15 March 2006, p. 3, <http://siteresources.worldbank.org/INTWESTBANKGAZA/Resources/WBGEconomicUpdateandPotentialOutlook.pdf>; for 2001–04, Nigel Roberts, head of the World Bank mission in the occupied territories, quoted in ‘World Bank’s Local Pointman Banking on Change’, *Jerusalem Post*, 23 May 2005, <http://www.jpost.com/servlet/Satellite?pagename=JPost/JPArticle/ShowFull&cid=11041>; for 1994–2000: World Bank and Government of Japan, *Aid Effectiveness in the West Bank and Gaza*, prepared at request of the Ad Hoc Liaison Committee, June 2000, Fig. 2.19, <http://lnweb18.worldbank.org/mna/mena.nsf/All/2CDBC52F2D7B18C58525691A0022B56F?OpenDocument>.
- 2 Office for the Coordination of Humanitarian Affairs, *The Agreement on Movement and Access One Year On* (New York: OCHA, November 2006),

- p. 6, [www.ochaopt.org/documents/AMA\\_One\\_Year\\_On\\_Novo6\\_final.pdf](http://www.ochaopt.org/documents/AMA_One_Year_On_Novo6_final.pdf). For the most up-to-date map of movement restrictions, see 'West Bank – Closure Map', 18 April 2007, at [http://www.ochaopt.org/?module=displaysection&section\\_id=1&format=html](http://www.ochaopt.org/?module=displaysection&section_id=1&format=html).
- 3 Anne Le More, 'Killing with Kindness: Funding the Demise of a Palestinian State', *International Affairs*, vol. 81, no. 5, October 2005, p. 983. Palestinian statehood was formally endorsed by the European Council in its Berlin declaration of 24–25 March 1999, by US President George W. Bush in his informal statement of September 2001 and sponsorship of UN Security Council Resolution 1397 in March 2002, and by the international 'Quartet' of the UN, the United States, Russia and the EU in its 'roadmap for peace' of 30 April 2003. 'Presidency Conclusions', Berlin European Council, 24–25 March 1999, Part IV, [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/ACFB2.html](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/ACFB2.html); <http://www.un.org/News/Press/docs/2002/sc7326.doc.htm>; 'A Performance-Based Roadmap to a Permanent Two-State Solution to the Israeli-Palestinian Conflict', 1 May 2003, <http://www.state.gov/r/pa/prs/ps/2003/20062.htm>. An earlier version of the roadmap was published on 17 September 2002, and Bush also proposed a modified draft on 15 October 2002.
  - 4 On the state of the Palestinian Authority system of government prior to the intifada, see Yezid Sayigh and Khalil Shikaki (principal authors), *Report of the Independent Task Force on Strengthening Palestinian Public Institutions* (New York: Council on Foreign Relations, 1999), [http://www.cfr.org/publication/3185/strengthening\\_palestinian\\_public\\_institutions.html](http://www.cfr.org/publication/3185/strengthening_palestinian_public_institutions.html). On the impact of Arafat's legacy on his management of the intifada, see Yezid Sayigh, 'Arafat and the Anatomy of a Revolt', *Survival*, vol. 43, no. 3, Autumn 2001, pp. 47–94.
  - 5 For an excellent and comprehensive assessment of international assistance to the Palestinians, see Rex Brynen, *A Very Political Economy: Peacebuilding and Foreign Aid in the West Bank and Gaza* (Washington DC: United States Institute for Peace Press, 2000).
  - 6 Scott Lasensky, 'Paying For Peace: The Oslo Process and the Limits of American Foreign Aid', *Middle East Journal*, vol. 58, no. 2, Spring 2004, p. 211.
  - 7 World Bank, *Disengagement, the Palestinian Economy and the Settlements* (Washington DC: World Bank, 23 June 2004), p. 1.
  - 8 World Bank, *Stagnation or Revival? Israeli Disengagement and Palestinian Economic Prospects* (Washington DC: World Bank, 1 December 2004), p. 6.
  - 9 World Bank, *Disengagement, the Palestinian Economy and the Settlements*, p. 1.
  - 10 World Bank, *The Palestinian Economy and the Prospects for its Recovery*, Economic Monitoring Report to the Ad Hoc Liaison Committee, No. 1 (Washington DC: World Bank, December 2005), p. i; and *Stagnation or Revival?*, p. 20.
  - 11 World Bank, *Stagnation or Revival?*, p. 5.
  - 12 *Ibid.*, p. 13.
  - 13 *Disengagement Plan of Prime Minister Ariel Sharon*, 16 April 2004, [http://www.knesset.gov.il/process/docs/DisengageSharon\\_eng.htm](http://www.knesset.gov.il/process/docs/DisengageSharon_eng.htm).
  - 14 As proposed, for example, in Amjad Atallah, Jarat Chopra, Yaser M. Dajani, Orit Gal, Joel Peters and Mark Walsh, *Planning Considerations for International Involvement in an Israeli Withdrawal*

- from *Palestinian Territory* (Carlisle, PA: US Army War College, Center for Strategic Leadership, June 2004), <http://www.carlisle.army.mil/usacsl/Studies.asp#P26>.
- <sup>15</sup> World Bank, *Stagnation or Revival?*, p. 5.
- <sup>16</sup> 'EU Border Assistance Mission for Rafah Crossing Point (EU BAM Rafah)', [http://www.europa-eu-un.org/articles/en/article\\_5366\\_en.htm](http://www.europa-eu-un.org/articles/en/article_5366_en.htm).
- <sup>17</sup> The text of the Agreement on Movement and Access may be found, for example, in World Bank, *The Palestinian Economy and the Prospects for its Recovery*, annex 4.
- <sup>18</sup> World Bank Technical Team, *An Update on Palestinian Movement, Access and Trade in the West Bank and Gaza* (Washington DC: World Bank, 15 August 2006), p. 1; International Monetary Fund and the World Bank, 'Economic Developments in 2006 – A First Assessment', March 2007, <http://www.imf.org/external/np/wbg/2007/eng/032607ed.pdf>, p. 6; and World Bank Technical Team, 'Potential Alternatives for Palestinian Trade: Developing the Rafah Trade Corridor', 21 March 2007, p. 4, <http://domino.un.org/pdfs/RafahCorridorMarch07.pdf>.
- <sup>19</sup> World Bank Technical Team, 'Potential Alternatives for Palestinian Trade', p. 4. The practices include non-installation of advanced screeners donated by the United States. They have in fact been installed since the publication of this report, but instead of replacing more cumbersome and time-consuming manual inspections, have simply been added as an extra measure.
- <sup>20</sup> *Ibid.*; World Bank, *West Bank and Gaza Investment Climate Assessment: Unlocking the Potential of the Private Sector* (Washington DC: World Bank, 20 March 2007); *Palestinian Economic Bulletin*, no. 6, March 2007, p. 1; and Guy Leshem, 'Gaza Goods Cost Up to a Million Shekels More a Day', *Haaretz*, 17 December 2006, <http://www.haaretz.com/hasen/spages/801788.html>. A lucrative resale trade emerged for the crossing permits sold by the Israeli Airports Authority (which operates Karni on behalf of the government of Israel), as Israeli shippers and drivers book fictitious slots for trucks carrying imports into Gaza and then sell them on for \$2,000–\$6,000 per truck, while on the Palestinian side shippers pay bribes to move their export trucks up in the queue.
- <sup>21</sup> 'EUHR Solana Welcomes 100,000th Border Crossing at Rafah', 7 February 2006, [http://www.europa-eu-un.org/articles/en/article\\_5669\\_en.htm](http://www.europa-eu-un.org/articles/en/article_5669_en.htm).
- <sup>22</sup> Besides its Access and Movement Agreement commitments, the Israeli government also promised a reduction in its own Disengagement Plan; [http://www.knesset.gov.il/process/docs/DisengageSharon\\_eng\\_revised.htm](http://www.knesset.gov.il/process/docs/DisengageSharon_eng_revised.htm).
- <sup>23</sup> OCHA, *The Agreement on Movement and Access One Year On*, p. 1.
- <sup>24</sup> *Ibid.*, p. 3; and successive issues of the OCHA *Movement and Access (AMA) Report*, [http://www.ochaopt.org/?module=displaysection&section\\_id=119&static=0&format=html](http://www.ochaopt.org/?module=displaysection&section_id=119&static=0&format=html).
- <sup>25</sup> Statement by United States Security Coordinator Lieutenant-General Keith W. Dayton, Senate Foreign Relations Committee, 15 March, 2006, <http://www.senate.gov/~foreign/testimony/2006/DaytonTestimony060315.pdf>. The coordinator's role is, inter alia, to provide liaison between Israeli and Palestinian security forces and commands, including on border management, as well as assist Palestinian security-sector reform. According to the data posted on the website of the

- Israeli Ministry of Foreign Affairs, Israeli death tolls (civilian and military) in 2001–06 were: 204 (2001), 451 (2002), 210 (2003), 117 (2004), 55 (2005) and 30 or 32 (2006). The toll from suicide and other bombings in Israel in the same period stood at: 36, 60, 26, 15, 7 and 4. 'Victims of Palestinian Violence and Terrorism since September 2000', <http://www.mfa.gov.il/MFA/Terrorism-+Obstacle+to+Peace/Palestinian+terror+since+2000/Victims+of+Palestinian+Violence+and+Terrorism+sinc.htm>; 'Suicide and Bombing Attacks since the DOP (Sept 1993)', <http://www.mfa.gov.il/MFA/Terrorism-+Obstacle+to+Peace/Palestinian+terror+since+2000/Suicide+and+Other+Bombing+Attacks+in+Israel+Since.htm>; 'The Nature and Extent of Palestinian Terrorism, 2006', 1 March 2007, <http://www.mfa.gov.il/MFA/Terrorism-+Obstacle+to+Peace/Palestinian+terror+since+2000/Palestinian+terrorism+2006.htm>.
- <sup>26</sup> World Bank Technical Team, *An Update on Palestinian Movement*, p. 6.
- <sup>27</sup> *Haaretz*, 3 May 2006.
- <sup>28</sup> Palestinian exports are typically held for an additional 48 hours at Israeli ports, affecting agricultural products most severely, while goods destined for the West Bank take ten days and for Gaza 30 days on average to clear customs. In contrast, goods imported by Israeli firms normally take one or two days. World Bank Technical Team, 'Potential Alternatives for Palestinian Trade', p. 6.
- <sup>29</sup> *Ibid.*
- <sup>30</sup> World Bank Technical Team, *An Update on Palestinian Movement*, p. 1.
- <sup>31</sup> OCHA, 'Special Focus: Can Business Relieve the Suffering?', *Humanitarian Update*, April 2006, p. 1. Revenue estimate from Mohammed Samhouri, 'Taking Stock and Learning Some Lessons in the Process: The Palestinian Socioeconomic Crisis of 2006', *For the Record*, no. 273, The Palestine Center, 2 March 2007, <http://www.thejerusalemfund.org/images/forthecord.php?ID=292>.
- <sup>32</sup> USAID cuts included \$20m for the Palestinian Agribusiness Partnership Activity and \$12m for trade promotion. OCHA, 'Special Focus', p. 1; and *Haaretz*, 8 April 2006.
- <sup>33</sup> *Palestinian Economic Bulletin*, no. 4, January 2007, p. 1.
- <sup>34</sup> On the emigration of business, Geoffrey Aronson, 'Building Sovereignty in Palestine – A New Paradigm for the Gaza-Egypt Frontier', paper prepared for the International Development Research Center, Ottawa, 19 April 2007, p. 9.
- <sup>35</sup> NIS73 versus NIS66. OCHA, 'Special Focus', p. 1.
- <sup>36</sup> 'Rice Plans to Reduce Security Funds Intended for Abbas', *Haaretz*, 21 March 2007, <http://www.haaretz.com/hasen/spages/840384.html>.
- <sup>37</sup> Quartet Statement on Middle East Peace, 20 September 2006, <http://www.state.gov/p/nea/rls/72900.htm>.
- <sup>38</sup> OCHA, *The Agreement on Movement and Access One Year On*, p. 6.
- <sup>39</sup> Text at <http://www.haaretz.com/hasen/spages/855601.html>. The document was drafted by Dayton, US Ambassador to Israel Dick Jones, and US Consul General in Jerusalem Jacob Walles. Avi Issacharoff and Aluf Benn, 'U.S. Presents Israel, PA with Detailed Demands', *Haaretz*, 4 May 2007, <http://www.haaretz.com/hasen/spages/855602.html>.
- <sup>40</sup> 'Elliott Abrams' Uncivil War', *Conflicts Forum*, 7 January 2007, <http://conflictsforum.org/2007/elliott-abrams-uncivil-war/>. Abrams's advocacy is confirmed in numerous reports, most notably by UN Special Envoy Alvaro



- de Soto, 'End of Mission Report', May 2007, <http://www.guardian.co.uk/international/story/0,,2101570,00.html>. Also, for example, by a Western diplomat cited in Akiva Eldar, 'Washington Trying to Block Direct Donations to Palestinians', *Haaretz*, 4 May 2006, <http://www.haaretz.com/spages/712155.html>. Certainly, Hamas believed that Abrams had 'machinated' against its government; Ahmed Yousef, 'Gaza is not Algeria', *Haaretz*, 10 July 2007, <http://www.haaretz.com/hasen/spages/879647.html>.
- <sup>41</sup> 'Hobbling Hamas: Moving beyond the U.S. Policy of Three No's', *Weekly Standard*, 3 April 2006, <http://www.washingtoninstitute.org/templateCo6.php?CID=917>.
- <sup>42</sup> US-Israeli discussions reported in Steven Erlanger, 'U.S. and Israelis Are Said to Talk of Hamas Ouster', *New York Times*, 14 February 2006, [http://www.nytimes.com/2006/02/14/international/middleeast/14mideast.html?ei=5088&en=957986e4a40ffoc2&ex=1297573200&partner=rssn&page\\_wanted=all](http://www.nytimes.com/2006/02/14/international/middleeast/14mideast.html?ei=5088&en=957986e4a40ffoc2&ex=1297573200&partner=rssn&page_wanted=all). Denial in 'U.S. and Israel Deny Plans to Drive Hamas from Power', *New York Times*, 15 February 2006, cited in Tim Youngs, 'The Palestinian Parliamentary Election and the Rise of Hamas', Research Paper 06/17, House of Commons Library, 15 March 2006.
- <sup>43</sup> A 'soft coup' was reportedly favoured by US Vice President Dick Cheney's office. Alastair Crooke, 'Talking to Hamas', *Prospect*, June 2006, posted on <http://conflictsforum.org/2006/talking-to-hamas/>.
- <sup>44</sup> The aid was channelled through various contractors including the National Democratic Institute and the International Republican Institute. 'U.S. Begins \$42 Million Program to Bolster Hamas Opponents', *Haaretz*, 13 June 2006, <http://www.haaretz.com/spages/774570.html>.
- <sup>45</sup> International Crisis Group, *Palestinians, Israel and the Quartet: Pulling Back from the Brink*, Middle East Report No. 54 (Brussels: ICG, 13 June 2006), p. i.
- <sup>46</sup> This assessment is shared, for example, by Ed Abington, former US consul general in East Jerusalem and a political consultant to the Palestinian Authority. 'The Palestinian Elections: What Next', *For the Record*, no. 242, 8 February 2006.
- <sup>47</sup> Khalil Shikaki, *With Hamas in Power: Impact of Palestinian Domestic Developments on Options for the Peace Process*, Working paper 1, Crown Center for Middle East Studies, February 2007, p. 8.
- <sup>48</sup> Mouin Rabbani, 'Developments within Fateh and the PLO and their Interaction with Hamas', paper presented to Chatham House seminar, 10 October 2006, p. 2. Cited with author's permission.
- <sup>49</sup> Shikaki, *With Hamas in Power*, p. 8.
- <sup>50</sup> Avi Issacharoff, 'Creating a Balance of Fear', *Haaretz*, 16 November 2006, <http://www.haaretz.com/spages/789124.html>; Avi Issacharoff, 'Rifts Split Fatah as Barghouti and Dahlan Vie for Leadership', *Haaretz*, 6 March 2007; <http://www.haaretz.com/spages/833784.html>.
- <sup>51</sup> International Crisis Group, *Enter Hamas: The Challenges of Political Integration*, Middle East Report no. 49 (Brussels: ICG, 18 January 2006), p. 23.
- <sup>52</sup> *Ibid.* p. 26.
- <sup>53</sup> ICG, *Palestinians, Israel and the Quartet*, p. 23. The text of the final law as amended by the Senate on 23 June 2006 and passed into law on 21 December is at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109\\_cong\\_public\\_laws&docid=f:publ446.109](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_public_laws&docid=f:publ446.109).



- <sup>54</sup> World Bank, *West Bank and Gaza Public Expenditure Review: From Crisis to Greater Fiscal Independence*, vol. 1 (Washington DC: World Bank, February 2007), p. iii.
- <sup>55</sup> On Israeli banks, Ynetnews.com, 5 April 2006; 'PA Owes Israeli Industries NIS 100 million', 10 April 2006; and *Financial Times*, 28 May 2006. On Palestinian banks, 'Banks Cut Exposure to PNA', *Palestinian Economic Bulletin*, no. 2, November 2006, p. 3.
- <sup>56</sup> Akiva Eldar, 'Quartet to Hold Key Talks on fate of its Mideast Peacemaking Role', *Haaretz*, 3 May 2006, <http://www.haaretz.com/hasen/spages/711766.html>.
- <sup>57</sup> Crooke, 'Talking to Hamas'.
- <sup>58</sup> 'Extreme Poverty on the Rise', *Palestinian Economic Bulletin*, no. 2, November 2006, p. 1.
- <sup>59</sup> International Crisis Group, *Islamic Social Welfare Activism in the Occupied Palestinian Territories: A Legitimate Target?*, Middle East Report no. 13 (Brussels: ICG, 2 April 2003), pp. ii and 17.
- <sup>60</sup> 'Extreme Poverty on the Rise', p. 1.
- <sup>61</sup> Palestinian Public Opinion Poll No. 23, Palestinian Center for Policy and Survey Research, 22–24 March 2007, <http://www.pcpsr.org/survey/polls/2007/p23e1.html>.
- <sup>62</sup> Shikaki, *With Hamas in Power*, p. 8.
- <sup>63</sup> Palestinian Public Opinion Poll No. 23.
- <sup>64</sup> *Ibid.*
- <sup>65</sup> The latest formulation of these conditions in the statement issued by the Quartet on 9 February 2007 required the government to commit itself to 'nonviolence, recognition of Israel, and acceptance of previous agreements and obligations, including the Roadmap', <http://www.state.gov/r/pa/prs/ps/2007/february/80368.htm>.
- <sup>66</sup> Akiva Eldar, 'A Peace or War Initiative?', *Haaretz*, 21 April 2007, <http://www.haaretz.com/hasen/spages/850778.html>.
- <sup>67</sup> Yezid Sayigh and Khalil Shikaki, *Reforming the Palestinian Authority: Concluding Report, Independent Task Force on Strengthening Palestinian Public Institutions, U.S./Middle East Project, 2006*, p. 12.
- <sup>68</sup> Figures for increases based on official documents cited on Mideastwire, 6 June 2006. Total strength given by the UN Office for the Coordination of Humanitarian Affairs, cited in *Haaretz*, 28 February 2006.
- <sup>69</sup> Arnon Regular and Aluf Benn, 'PA Police: Hamas Government will not Meddle with our Force', *Haaretz*, 15 February 2006, <http://www.haaretz.com/hasen/spages/850778.html>. The head of the EU Co-ordinating Office for Palestinian Police Support (EUCOPPS), Jonathan McIvor, and unnamed EU security advisers cited in the same article expected the Hamas government to be more successful at streamlining the security forces.
- <sup>70</sup> ICG, *Palestinians, Israel and the Quartet*, p. 12.
- <sup>71</sup> According to Hamas statements. International Crisis Group, *The Arab–Israeli Conflict: To Reach A Lasting Peace*, Middle East Report no. 58 (Brussels: ICG, 5 October 2006), p. 4; Avi Issacharoff, 'Abbas Pays Salaries of 5,000 members of Hamas's Operational Force', *Haaretz*, 23 August 2006, <http://www.haaretz.com/hasen/spages/753695.html>. According to a PLO official interviewed by the author, Abbas finally agreed to place 6,000 on the payroll, of a total of 13,000 new security recruits Hamas wished to add. 'PA Source: Abbas Security Aides Amassing Arms to Bolster Forces', *Haaretz*, 28 January 2007, <http://www.haaretz.com/hasen/spages/818672.html>; 'U.S.: With

- Iranian Help, Hamas Forces Growing Faster than Fateh', *Haaretz*, 21 March 2007, <http://www.haaretz.com/hasen/spages/840398.html>.
- <sup>72</sup> Avi Issacharoff, 'Fatah Enlists 5,000 for Possible Confrontation with Hamas', *Haaretz*, 18 June 2006, [http://www.haaretz.com/hasen/spages/html;al-Quds al-Arabi](http://www.haaretz.com/hasen/spages/html;al-Quds-al-Arabi), 23 September 2006, cited on Mideastwire.com, 25 September 2006; and 'PA Source: Abbas Security Aides Amassing Arms to Bolster Forces'.
- <sup>73</sup> The militants were paid \$400 per month. *MENL*, 2 November 2005. A different source states that 7,000 new Fatah recruits received NIS1,000 (\$210). Nicole Ball, Peter Bartu and Adriaan Verheul, *Squaring the Circle: Security-Sector Reform and Transformation and Fiscal Stabilisation in Palestine*, report prepared for the UK Department for International Development, 16 January 2006, Box 1, p. 14.
- <sup>74</sup> Crooke, 'Talking to Hamas'; ICG, *Palestinians, Israel and the Quartet*, p. 12.
- <sup>75</sup> On US views, see Aluf Benn and Avi Issacharoff, 'U.S. to Bolster Abbas' Guard in War with Hamas', *Haaretz*, 31 October 2006, <http://www.haaretz.com/hasen/spages/781505.html>. On Palestinian perceptions, author's interviews with security officials in Ramallah, West Bank, 25 February to 3 March 2007.
- <sup>76</sup> Steven Erlanger, 'Egypt Sends Weapons to Abbas, Israelis Say', *International Herald Tribune*, 29 December 2006. Cabinet minister Benjamin Ben-Eliezer argued the arms shipment would give Abbas 'the capability to hold his own against those organisations that are trying to spoil everything'.
- <sup>77</sup> On rifles, *Haaretz*, 10 April 2007. A similar number had been transferred nearly a year earlier. Gil Hoffman, 'Israel Gives Abbas Guards 375 Rifles', *Jerusalem Post*, 13 June 2007.
- <sup>78</sup> Yousef, 'Gaza is not Algeria'.
- <sup>79</sup> Independent Palestinian Commission on Citizens' Rights.
- <sup>80</sup> This critique of aid use is shared by the international personnel, aid practitioners and academics contributing to the colloquium proceedings published as Michael Keating, Anne Le More and Robert Lowe (eds), *Aid, Diplomacy and the Facts on the Ground: The Palestinian Experience of Disconnection* (London: Royal Institute of International Affairs, 2005).
- <sup>81</sup> On roads, see World Bank Technical Team, *An Update on Palestinian Movement*, p. 12.
- <sup>82</sup> The former security officer for the West Bank Settler Council Ron Schechner was adviser to Defence Minister Shaul Mofaz on settlements, and the council also reportedly went to Prime Minister Ariel Sharon's aides whenever they wanted help on illegal outposts and settlements. Furthermore, in violation of the report prepared by lawyer Talia Sasson and approved by cabinet in March 2005 regarding the dismantling of the illegal outposts, 'every trailer and mobile home was authorized by Mofaz'. Nadav Shragai, 'Peace Now: 43% of Outposts on Private Palestinian Land', *Haaretz*, 20 January 2006, <http://www.haaretz.com/hasen/spages/777223.html>.
- <sup>83</sup> Israeli Interior Ministry, cited in *Jerusalem Post*, 10 January 2007.
- <sup>84</sup> As noted, for example, in OCHA, *The Agreement on Movement and Access One Year On*; and World Bank Technical Team, *An Update on Palestinian Movement*, p. 10.
- <sup>85</sup> *Public Administration and Civil Service Reform in Palestine: Drivers of Change*,

- The Ibrahim Abu-Loghod Institute of International Studies, in association with The Centre for Continuing Education (Birzeit University), May 2007, p. 37.
- <sup>86</sup> On operational costs, David Shearer and Anuschka Meyer, 'The Dilemma of Aid under Occupation', in Keating, Le More and Lowe, *Aid, Diplomacy and the Facts on the Ground*, p. 169. On 'routinisation', Mary Anderson, "'Do No Harm": the Impact of International Assistance to the Occupied Palestinian Territory', in Keating, Le More and Lowe, *Aid, Diplomacy and the Facts on the Ground*, pp. 145–6.
- <sup>87</sup> Shearer and Meyer, 'The Dilemma of Aid under Occupation', p. 169.
- <sup>88</sup> World Bank, *27 Months of Intifada, Closure and Crisis* (Washington DC: World Bank, 2003).
- <sup>89</sup> Ministry of Planning and International Cooperation (PA), '4th Quarterly Monitoring Report of Donors' Assistance', 31 December 2000; and World Bank and Government of Japan, *Aid Effectiveness in the West Bank and Gaza*, figure 5.28.
- <sup>90</sup> Geoffrey Aronson, 'Palestinian National Security Options after Gaza Disengagement', report prepared for the International Development Research Center (Ottawa), January 2006, p. 13. This view is argued strongly in Mushtaq Khan, George Giacaman and Inge Amundsen (eds), *State Formation in Palestine: Viability and Governance during a Social Transformation* (Abingdon: RoutledgeCurzon, 2004).
- <sup>91</sup> Marina Ottaway, 'Rebuilding State Institutions in Collapsed States', *Development and Change*, vol. 33, no. 5, November 2002, p. 1,012.
- <sup>92</sup> Palestinian Public Opinion Poll No. 24, Palestinian Center for Policy Survey and Research, 21 June 2007, <http://www.pcpsr.org/surveys/2007/p24epressrelease.html>.
- <sup>93</sup> World Bank, *West Bank and Gaza Public Expenditure Review: From Crisis to Greater Fiscal Independence, Vol. 1*, February 2007, pp. vi–vii.
- <sup>94</sup> 'Building Effective and Accountable Security Sector for Palestine: Reform and Transformation', February 2007. Draft presentation viewed by author. This figure does not include the 6,000 men of the Hamas 'Executive Force' who it added to the payroll. On the impact of contradictory international priorities on security sector retrenchment, see Ball, Bartu and Verheul, *Squaring the Circle*.
- <sup>95</sup> UN official and figures cited in ICG, *Enter Hamas*, p. 27.
- <sup>96</sup> Statement by United States Security Coordinator Lieutenant General Keith W. Dayton', Senate Foreign Relations Committee, 15 March 2006.
- <sup>97</sup> Alvaro de Soto, End of Mission Report, May 2007.
- <sup>98</sup> Akiva Eldar, 'The Constructive Destruction Option', *Haaretz*, 25 October 2002, cited in International Crisis Group, *Who Governs the West Bank? Palestinian Administration under Israeli Occupation*, Middle East Report no. 32 (Brussels: IGC, 28 September 2004), p. 4. Also Geoffrey Aronson, IDRC, 25 May 2006, p. 10; and *The Economist*, 29 June 2002. To minimise the responsibility that would accrue to it for social welfare and economic development by resuming full status as belligerent occupier, the government of Israel reversed its long-standing aversion to the UN Relief and Works Agency for Palestine Refugees, discussing with the United States ways of extending its mandate to include non-refugees in the occupied territories. Following the Palestinian elections in 2006, Ronnie

- Leshno-Yaer, deputy director-general of the Ministry of Foreign Affairs, said 'we were aiming at diminishing UNRWA's infrastructure, but what happened with Hamas has now disrupted our plans and has created a dilemma'. *Forward*, 23 March 2006.
- <sup>99</sup> Government of Israel request confirmed in 'International Aid, Diplomacy and the Palestinian Reality', transcript of remarks by Nigel Roberts, *For the Record*, no. 244, 10 February 2006, <http://www.thejerusalemfund.org/images/forthecrecord.php?ID=254>. Later warning came in a letter from Wolfensohn to the Quartet on 30 October 2005, cited in World Bank, *The Palestinian Economy and the Prospects for its Recovery*, p. 4.
- <sup>100</sup> Official text published by Palestinian Authority, 13 September 2005.
- <sup>101</sup> Office for the Coordination of Humanitarian Affairs, 'Special Focus: Emerging Humanitarian Risks', *Humanitarian Update*, January 2006; Office for the Coordination of Humanitarian Affairs, *Assessment of the Future Humanitarian Risks in the Occupied Palestinian Territory*, 11 April 2006; and World Bank, *The Impending Fiscal Crisis, Potential Remedies* (Washington DC: World Bank, 7 May 2006), pp. 4–6.
- <sup>102</sup> Cited in Mohammed Samhoury, 'Gaza Economic Predicament One Year after Disengagement: What Went Wrong?', *Middle East Brief*, no. 12, November 2006, p. 1.
- <sup>103</sup> Declining revenue meant reduced government consumption and production of services. The drop in international project financing, from \$330m in 2005 to \$180m in 2006, also meant a loss of employment. Informal employment refers to labour paid in kind and unpaid family labour. World Bank and IMF, *Economic Assessment*, March 2007, pp. 3–6. On informal employment, OCHA, 'Special Focus: Can Business Relieve the Suffering?', *Humanitarian Update*, April 2006, p. 3.
- <sup>104</sup> *Palestinian Economic Bulletin*, no. 2, November 2006, p. 1.
- <sup>105</sup> OCHA, 'Executive Summary: Comprehensive Food Security and Vulnerability Analysis (CFSVA) 2006', January 2007, pp. v and 9–10, [http://www.ochaopt.org/?module=displaysection&section\\_id=132&static=0&format=html](http://www.ochaopt.org/?module=displaysection&section_id=132&static=0&format=html).
- <sup>106</sup> Geoffrey Aronson, 'Financing the PA', report prepared for the International Development and Research Center (Ottawa), 25 May 2006, pp. 11 and 13.
- <sup>107</sup> Office of the United Nations Special Coordinator, *Economic Fragmentation and Adaptation in the Rural West Bank*, October 2005, pp. 10 and 26–7; and World Bank and IMF, *Economic Assessment*, March 2007, p. 9.
- <sup>108</sup> 'Testimony to the Parliamentary Special Committee to Study the Political and Field Situation', Appendix, Summary of the Special Committee Hearings, from Amin Hindi (15 July 2004, pp. 6 and 9) and Ahmad Qurei' (17 July 2004, p. 13) (in Arabic).
- <sup>109</sup> Ball, Bartu and Verheul, *Squaring the Circle*, p. vi. Other security officials discussed the spread of the clan phenomenon in the security forces in 'Moving Forward or Backward: Good Palestinian Security Sector Governance or Accelerated Tribalization', Palestinian Council on Foreign Relations and Geneva Centre for the Democratic Control of Armed Forces, 3 May 2007. Hamas spokesperson Ghazi Hamad also expressed deep concern over the phenomenon in an article published in Palestinian daily *al-Ayyam*, excerpted in MEMRI, no. 1268, 29 August 2006.

- <sup>110</sup> Abbas quotation from official text of speech published by Palestinian Authority, 13 September 2005. On domestic violence, Human Rights Watch, *A Question of Security: Violence against Palestinian Women and Girls*, vol. 18, no. 7(E) (New York: Human Rights Watch, November 2006). The PA chief of police in the West Bank confirmed that crime had risen by 60% in 2006. Quoted in 'PA Police Chief: West Bank Crime Up 60%; Blames Militants, Poverty', *Haaretz*, 22 January 2007, <http://www.haaretz.com/hasen/spages/816424.html>.
- <sup>111</sup> ICG, *Palestinians, Israel and the Quartet*, pp. 14 and 33.
- <sup>112</sup> Terms used by former PA minister Sufiyan Abu-Zaydeh; Khaled Hroub, 'Cut Hamas Some Slack', *Daily Star*, 26 March 2007, [http://www.dailystar.com.lb/article.asp?edition\\_id=10&categ\\_id=5&article\\_id=80811](http://www.dailystar.com.lb/article.asp?edition_id=10&categ_id=5&article_id=80811); Shearer quoted in *The Independent*, 21 April 2007.
- <sup>113</sup> Palestinian Economic Recovery Report to AHLC, December 2005, p. 22.
- <sup>114</sup> *Ibid.*, p. 5.
- <sup>115</sup> *Ibid.*, p. 4.
- <sup>116</sup> World Bank, *Disengagement, the Palestinian Economy and the Settlements*, p. 1; OCHA, 'Special Focus: Can Business Relieve the Suffering?', p. 3; and 'Report on UNCTAD's Assistance to the Palestinian People', United Nations Conference on Trade and Development, TD/B/53/2, 19 July 2006, p. 5.
- <sup>117</sup> World Bank, *West Bank and Gaza Public Expenditure Review. Vol. 1. From Crisis to Greater Fiscal Independence* (Washington DC: World Bank, February 2007), p. xiii.
- <sup>118</sup> The Israeli wish for an upgrade of international assistance stated by Mark Regev, Ministry of Foreign Affairs spokesperson in *Haaretz*, 21 March 2007.
- <sup>119</sup> Nahum Barnea and Ariel Kastner, *Backchannel: Bush, Sharon and the Uses of Unilateralism*, Monograph Series no. 2 (Washington DC: Saban Center for Middle East Policy, Brookings Institution, December 2006), p. 31.
- <sup>120</sup> Crooke, 'Talking to Hamas'.
- <sup>121</sup> Quartet Statement, 20 September 2005, [http://www.un.org/news/dh/infocus/middle\\_east/quartet-20sept2005.htm](http://www.un.org/news/dh/infocus/middle_east/quartet-20sept2005.htm).

