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## 16 May-15 August 1995

The Peace Monitor is a quarterly summary of bilateral, multilateral, regional, and international events affecting the peace process. For more detail, refer to the Chronology in this issue.

### BILATERALS

#### *Palestinian-Israeli Track*

Although successive target dates were missed for the conclusion of the long-overdue interim agreement provided for under the Declaration of Principles (DOP), being referred to as "Oslo B" in the press, progress was achieved during the quarter.

On 5/16, Israel and the Palestinian Authority (PA) began parallel negotiations on elections and redeployment (the redeployment talks being broadened later to include expanding self-rule beyond Gaza and Jericho). After the 7/1 target was missed, Chmn. Yasir Arafat and FM Shimon Peres restructured the talks, scrapping the parallel negotiations in favor of one set of expanded talks embracing all areas. By August, over 150 negotiators were working in nearly 20 subcommittees under Israeli and Palestinian negotiating teams led by Israeli FMin. Dep. Dir. Uri Savir and PA Economic M Ahmad Qurai'.

At the suggestion (8/2) of U.S. Amb. to Israel Martin Indyk, U.S. Consul Gen. Edward Abington, and UN coordinator Terje Larsen (who questioned whether an accord could be reached among so many negotiators and committees), Peres and Arafat began intensive one-on-one talks. By 8/10, a partial interim agreement had been hammered out, which was initiated by Savir and Qurai' on 8/11. A joint statement (see Doc. A2) broadly outlining the

points covered in the partial agreement was approved by the Israeli cabinet on 8/13 (15-1, 2 abstentions), and approved by consensus on 8/15 by the PLO Executive Committee (10 out of 18 members present) and the Fatah Central Committee. That day, the teams resumed talks to resolve remaining differences. A new target date for the conclusion of the final agreement was set for 9/9.

Although all issues were dealt with together starting in July, progress in the various areas is outlined below:

**Expanded Self-rule:** From the time the expanded self-rule talks began on 5/16, the number of spheres of authority that Israel agreed to transfer to the PA grew from five (energy, insurance, labor, postal services, trade and industry) to eight (adding on 5/22 agriculture, census and statistics, and local administration) and finally (on 6/6) to all 32 remaining spheres (except water and public lands). These were to be transferred at once, rather than in stages. In return, the PA agreed to not hold Israel to the 7/1 deadline. Sides immediately set up technical teams to discuss the transfer of each sphere.

A labor agreement was drafted 6/7; a communications agreement was signed 6/21, allowing Palestinian Broadcasting Service to transmit from television stations in Gaza, Hebron, Janin, Jericho, Nablus, and Ramallah, and to set up a radio station in Gaza; and a draft accord covering agricul-

ture, labor, and local administration was finalized 7/12.

On 8/7, Peres proposed "functional sovereignty" (emphasizing autonomous institutions rather than the actual transfer of land) as the basis for Palestinian self-rule. Arafat rejected the idea.

**Redeployment:** After various changes in timing and definitions over the negotiating period (redeployment and security being the thorniest component of the talks), Arafat and Peres agreed on 8/8 to a timetable giving the IDF until 2/97 to complete redeployment, the second stage to begin six months after elections (then hoped to be held in 12/95) and control of roads to be given up one year after elections. Earlier, on 7/4, Arafat and Peres had clarified that the first stage of redeployment (from Janin, Nablus, Qalqiliyya, and Tulkarm) would begin four weeks after the signing of the agreement and end 25 days before elections; during the vote, the IDF would temporarily pull out of Bethlehem, Hebron, and Ramallah. Redeployment from Ramallah and Bethlehem was to be completed by 4-5/96 after bypass roads were built, while the future of Hebron was to be discussed by a special committee. The definition of the zones was finalized on 8/9 (see Doc. A2).

**Elections:** On 6/27, the PA and Israel agreed that elections would be held 22-35 days after redeployment from Janin, Nablus, Qalqiliyya and Tulkarm was complete; by that time, the PA was to have control over all civilian spheres (as agreed 6/29).

On 5/17, the sides agreed the PA would be in charge of maintaining security during elections but that joint PA-Israeli patrols will be deployed. Israel continued to insist that East Jerusalem Palestinians not be allowed to run in the election but agreed (5/31) they could vote, provided their polling stations are outside Jerusalem—a stipulation the PA did not accept.

Also on 5/17, the sides agreed to set up a tripartite (EU-Israel-PA) committee to discuss the role of international monitors during elections. The committee's first meeting was held on 5/24 in Brussels, where the EU promised to provide \$19.5 m. for the 700-member monitoring team. Monitors would begin work 100 days before elections to draw up candidate lists and establish an election commission,

then monitor polls and produce a final report.

Talks continued on size of elected council (5/31, 6/29), voter lists (5/24, 6/19), the Jerusalem issue (6/29), and international supervision (5/24, 6/19).

Meanwhile, in anticipation of elections, new political groupings were announced, including: Ahd Party, Christian Democratic Party, Islamic Jihad al-Aqsa Brigades, Islamic National Path Movement (split from Hamas, funded by the PA), Movement for Democratic Construction (by Haidar 'Abd al-Shafi), National Coalition of the Children of Martyrs, National Movement for Change (a merger between Movement for Change and Democratic National Grouping), New Palestinian Brotherhood Council, and Palestine's Islamic Salvation Front.

**Prisoner Release:** With pressures for the release of Palestinian prisoners building (including a Palestinian prisoners' hunger strike 6/17-7/6), negotiations on the issue were led on the Palestinian side mainly by PA Planning M Nabil Shaath (6/11, 6/15, 6/30, 7/11, 7/14, 7/20); Arafat and Peres (6/25, 7/4) also discussed it. Israel agreed to the principle of a release on 7/1, the details of which were announced on 7/22 by Shaath: 2,541 Palestinian prisoners (including 2,200 Hamas and Islamic Jihad members) were to be released in two groups, 1,000 when Oslo B is signed and the rest two months later. Following talks 7/30, the PA proposed (8/9) a three-stage release: first, all women, the sick, those jailed for more than ten years; second, those arrested before the signing of the DOP; third, security prisoners.

**Jerusalem:** In the intensifying conflict over sovereignty in East Jerusalem, Israel claimed on 5/19 that the PA was operating 14 illegal offices in the city (though with proof for only four). The Knesset passed a law 7/3 giving legal basis for the closure of all 14. The PA admitted to three offices (statistics, housing, and information bureaus) and agreed to close them. It should be noted that Orient House was not included in the banned offices and by the end of the quarter was allowed visitors up to the foreign minister level, though disputes continued, particularly with regard to the construction of an annex. Meanwhile, the East Jerusalem Municipal Council resurrected from 1967 by the PA held its first meeting 6/20. On 8/14, Israeli Po-

lice M Moshe Shahal warned the PA that the council was illegal and members could be arrested.

**Religious Sites:** On 7/16, PM Yitzhak Rabin said partial control for Jewish religious sites such as Rachel's tomb (Bethlehem), Joseph's tomb (Nablus), the Altar of Joshua (Mount Ebal), the Herodian mountain, the Qumran caves, and other archaeological sites in West Bank eventually would be turned over to the PA, along with total control over access roads to the sites. On 7/25, Rabin reversed himself in the face of public protest and promised to link Rachel's tomb with Jerusalem municipal boundaries to keep it under full Israeli control. He also promised Jewish access to Machapela Cave in Hebron and Joseph's tomb, and agreed to set up a committee made up of one MK from each religious party to advise Israeli negotiators regarding West Bank holy sites.

**Economic Matters:** Discussion on industrial zones continued despite Rabin's decision on 5/30, on IDF advice, to drop the "national separation" plan as unfeasible. On 6/8, PECDAR announced an agreement to establish nine industrial zones—three in Gaza, six in the West Bank—in the next three years. Israel would be responsible for security.

Meetings on cooperation during the quarter included one between PA Social Affairs M Intisar al-Wazir and Israeli Labor and Welfare M Ora Namir on labor, social security, and welfare policies (7/24), and another between PA Planning M Shaath and Yossi Beilin (newly appointed as Economics M) on economic planning activity and plans for joining electricity grids (7/28).

On 6/1, the first branch of the Palestinian Investment Bank opened in Jericho, followed by Palestinian Islamic Bank's opening on 8/9, bringing to 28 the number of bank branches operating in self-rule areas.

A commercial crossing point between Egypt and Gaza opened on 5/29. Fifteen truckloads of goods/day are allowed in, but loads must switch haulers at the border. On 6/15, a similar junction between Jordan and the West Bank opened at King Hussein Bridge. Meanwhile, a 6/8 meeting in Jeddah between Saudi Arabian officials and a PA agriculture, trade, and finance delegation resulted in a cooperation agreement on Palestinian exports to Saudi Ara-

bia. Also in June, the PA began issuing its own "certificates of origin" for exports.

Efforts to stimulate private sector investment and promote development in self-rule areas included:

- The creation, announced in Dubai on 5/24, of the Arab Palestinian Investment Company (APIC), a new private company (capital \$100 m.) for investing and creating employment opportunities in the West Bank and Gaza. If APIC, set up by 31 Gulf businessmen and Gulf-based Palestinians led by Riyadh-based Gaza businessman Omar al-Aqqad, proves profitable, it will set up a subsidiary for financing existing Palestinian companies.

- A meeting on 5/24 in Amman between Arafat and 120 Jordanian businessmen, hosted by King Hussein.

- A conference involving 400 Jordanian and Palestinian businessmen in Amman 6/4-7, where it was agreed to form a joint council to explore establishing a free-trade zone in the Jordan Valley; initiating joint commercial exhibitions; activating trade between the self-rule areas and Jordan; starting joint investment projects in cement production, petroleum refining, agriculture, and salt extraction from the Dead Sea; unifying standards and measures; and establishing scientific research centers.

- A meeting on 7/26 in Gaza, between PA officials and representatives of more than a dozen U.S. companies (incl. Bechtel, Intercontinental Hotels, and Chicago Power).

On 7/13, PA Planning M Shaath revealed that Gazans had spent \$540 m. in 1994-95 building restaurants, gas stations, and housing. Development plans for 1995-96 include 30 miles of highway, a seaport, a Marriott hotel, an airport, and public parks and buildings.

**Progress Achieved:** PA passports were accepted as valid travel documents by France and Spain (early June), the UK (6/13), Turkey (6/17), Qatar (6/19), Greece (6/23), Russia (7/31), Cyprus, Denmark, Israel, Morocco, Saudi Arabia, and the U.S.

On 6/19, Egypt began accepting mail from self-rule areas bearing Palestinian postage stamps for distribution abroad.

On 5/23, the Israelis agreed to designate the heliport in Gaza as an international border crossing and permit its use as the future site for airline transit to

Cairo. On 7/27, the first Palestinian plane with a Palestinian crew overflew Gaza.

On 7/29, Qatar announced plans to open representative offices in the self-rule areas.

On 8/15, the first 143 of 2,000 Palestinian police trained in Algeria entered Gaza from Egypt. The IDF forbid entry to 2 others on security grounds.

**Palestinian Opinion**

[The following data are excerpted from a poll undertaken by the Center for Palestine Research and Studies's (CPRS) Survey and Polls Unit and was conducted 6-9 July. The original is accompanied by a lengthy discussion of the poll's methodology and findings. Results are based on a survey of 1,109 men and women from the West Bank and Gaza. The poll, eighteenth in a series, was made available by CPRS's office in Nablus.]

**1. Do you support the proposed Palestinian-Israeli agreement concerning elections, redeployment, and transfer of authority in the West Bank?**

	West Bank & Gaza	West Bank	Gaza
a. Yes	55.9%	59.0%	50.3%
b. No	29.0%	27.7%	31.3%
c. Don't know	15.1%	13.3%	18.4%

**2. How do you evaluate the Palestinian leadership's management of the current negotiations regarding redeployment, elections, and transfer of authority?**

	West Bank & Gaza	West Bank	Gaza
a. Good	31.2%	30.6%	32.3%
b. Fair	32.0%	29.9%	35.9%
c. Weak	25.5%	27.2%	22.3%
d. Don't know	11.3%	12.3%	9.5%

**3. Do you trust Israel's intentions toward the peace process with the Palestinians?**

	West Bank & Gaza	West Bank	Gaza
a. Yes	6.9%	6.1%	8.2%
b. No	81.1%	83.4%	76.9%
c. Don't know	12.0%	10.5%	14.9%

**4. If elections were held today, and you decided to participate, you would vote for candidates affiliated with:**

	West Bank & Gaza	West Bank	Gaza
a. PPP	1.0%	0.7%	1.6%
b. Hamas	13.1%	13.8%	11.9%
c. Fatah	43.6%	43.6%	43.7%
d. Islamic Jihad	2.8%	3.6%	3.1%
e. DFLP	0.1%	—	0.3%
f. PFLP	4.3%	4.8%	3.4%
g. Fida	0.8%	1.3%	—
h. Islamic independents	2.5%	3.1%	1.3%
i. Nationalist independents	4.8%	5.8%	2.8%
j. Other (specify)	8.1%	7.2%	9.6%
k. None of the above	18.6%	16.9%	21.8%

*Jordanian-Israeli Track*

Tensions caused by the East Jerusalem land issue eased when Israel suspended its confiscation order on 5/22, with King Hussein reinstating his ban on the anti-normalization rally in Amman he had previously authorized. During the quarter, King Hussein met with PM Rabin (in the presence of German Chancellor Helmut Kohl) on 6/5 for the inauguration of a \$450-m. German-financed water development project for the Yarmuk. On 6/22, FM Peres and Crown Prince Hassan met in Amman to discuss water, technical, and scientific cooperation; and, on 7/25, Crown Prince Hassan accompanied a joint Jordanian-Israeli relief mission to Bosnia.

**Cooperation:** Under the terms of the 10/26 treaty, the water pipeline from Lake Tiberias to Israel began operating on 6/20. On the other hand, the Red Sea-Dead Sea canal called for in the treaty was determined to be economically impractical in a feasibility study released 6/28 by the Israeli National and Economic Planning Authority.

Joint Jordanian-Israeli committees met as follows:

- Follow-up, on 6/19 in Elat, to review progress achieved by subcommittees, with emphasis on transportation.
- Trade, on 6/25-26 at the Dead Sea Hotel to finalize an agreement on exports and research and development. The accord, which was to be signed in late July, was delayed by Jordan until Israel makes further progress on other negotiating tracks.

• Security, on 6/26, to announce plans for a direct emergency phone line between air force commands. The air forces will also coordinate on flight security and joint search-and-rescue missions and will exchange periodic visits.

At the private business level, a group representing the Aqaba Chamber of Commerce held talks on joint cooperation and exchanges of expertise on 6/11 with their counterparts in Elat. In Amman 7/18-20, 300 Jordanian and Israeli-Arab businessmen held an executive meeting—attended by King Hussein, Crown Prince Hassan, and FM 'Abd al-Karim Kabariti—to reestablish trade links and define areas of cooperation (e.g., producing goods in Jordan to Israeli specifications for export to Israel or third countries via Israel; sharing Israeli technology).

**Legislation:** On 6/8, Jordanian parliament opened an extraordinary session to address lifting the Israeli boycott and overturning three laws prohibiting dealings with Israelis. Despite heated and persistent opposition by some members of parliament, the bill was passed by the legal committee (17-3 on 6/20); the finance and judiciary committees; the lower house (51-21 on 7/26); and the upper house (45-3 on 7/31). The 7/31 decision also included new legislation on “economic and neighborly cooperation” that would allow Israelis to buy Jordanian land if the Knesset passes legislation allowing Jordanians to buy land in Israel.

On 6/23, Israel removed Jordan from the absentees' property law, which stipulated that Jordanian property in Israel be put under state control. In August, however, Israel passed a law to prevent Palestinian refugees in Jordan from reclaiming the “absentee property.” Jordanian Amb. to Israel Marwan Mu'asher protested that such decisions should be reached through negotiation, after the refugee talks have been held, not unilaterally by Israeli legislation.

On 6/23, Jordan refused an Israeli offer to employ Jordanian workers in Israel, saying more progress must first be made on other negotiating tracks.

#### *Syrian-Israeli Track*

In May, Israel and the U.S. made several small concessions in an effort to revive talks, suspended since 4/26, including: a 5/17 Israeli offer to allow Syria to deploy an early warning station on Israeli

territory in exchange for an equivalent system on Syrian soil; a 5/20 U.S. bridging proposal on security; and a reiterated Israeli offer (5/25) to make a “symbolic” withdrawal from the Golan. All were rejected by Syria.

On 5/23, after Syria softened its insistence that security arrangements be “reciprocal and equal” (see Chronology 4/3), Israel and Syria agreed on a “Document of Understandings” or “guidelines” (not released; see Doc. C2 for an Israeli analysis of the document) for negotiating a Golan security arrangement to follow Israeli withdrawal and agreed to have military experts work out details in Washington. On 6/8, the sides set 6/27 as the date to reconvene.

On 6/25, Israeli negotiator Maj. Gen. Amnon Shahak arrived early in Washington to present the Pentagon with \$2.5-b. “compensation package” Israel expects to receive from the U.S. in return for making peace with Syria. The package includes advanced JSTARS surveillance, stationary ground early warning stations, satellite transformation and linkage stations, and access to U.S. high-resolution satellite information.

The 6/27-29 negotiations addressed security arrangements in the context of “a phased-withdrawal scenario,” with Syria reportedly returning to old positions presented in the 12/94 talks. Sides agreed on the need for some form of early-warning mechanism, demilitarized zones or “zones of separation” monitored by multinational forces, observer posts, and scaled-back troop deployments but did not discuss details or methods of implementation. All specific proposals were rejected: Israel turned down an offer of a 10:6 (Syria:Israel) demilitarization zone ratio; Syria rejected Israeli requests for a hot line between military headquarters and joint patrols with the UN observer force in the Golan, and a U.S. proposal (supported by Israel) to station U.S., rather than UN, troops on the Golan following Israeli withdrawal. On 6/29, sides broke for two weeks to assess the talks.

Keeping to the 3/22 four-stage formula, U.S. special envoy Dennis Ross shuttled between Jerusalem and Damascus (7/10-13) to prepare for second phase of talks between Syrian and Israeli military experts, planned for mid-July. Pres. Hafiz al-Asad expressed reservations about procedural matters and declared that for Syria to join the next round of talks Ross

had to achieve "progress in the right direction" on four issues: Israeli withdrawal to 1967 border; no Israeli early-warning sites on Syrian territory; equal and balanced security arrangements; and Israeli withdrawal before normalization. Asad accepted the U.S. idea of ground early-warning posts manned by international (non-Israeli) forces.

Shortly after Ross departed (without setting a date or agenda for the next round) Syria (on 7/15, 7/30) and Israel (7/14, 7/15) accused each other of backtracking on previous understandings on early-warning posts. On 7/17, Rabin rejected Syria's compromise proposal to hold an ambassadors meeting in Washington with military experts on site to participate as needed, calling it a violation of the 3/22 formula. On 7/30, Syria said talks between military experts could not resume until an agenda on security arrangements was agreed upon. On 8/2, Rabin rejected Secy. of State Warren Christopher's request to resume talks with Syria on the ambassadorial level, demanding talks include military advisers. By mid-August, the track was still stalled.

## MULTILATERALS

Though Syria and Lebanon continued officially to boycott all meetings attended by Israeli representatives, two unofficial contacts took place: on 6/20, Syrian and Lebanese representatives reportedly met with an Israeli delegate on the sidelines of the multilateral meeting on water; and on 7/24 senior Syrian, Lebanese, and Israeli foreign ministry officials met in Brussels on the sidelines of the preparatory meeting for the 11/28-29 Barcelona business conference.

- The Multilateral Talks Steering Committee (5/17-18, Montreux, Switzerland) discussed unifying the water and environmental working groups; convening economic groups once a year, instead of twice; and upgrading arms control talks to the foreign minister level. The U.S. supported an Arab initiative to create a working group on Jerusalem (opposed by Israel), and the Swiss proposed a working group on human rights (opposed by Saudi Arabia). Despite wide-ranging discussions, no decisions were taken. Israel blamed the lack of progress on the Arabs raising "issues . . . not relevant to the multinational talks," such as land confiscations, release of prisoners, Jerusalem, and closure.

- Also in June, representatives from Egypt, Israel, Jordan, Oman, Qatar, and Tunisia held a Middle East Arms Control Group meeting. Parties agreed to establish an international center in Amman for surveillance and monitoring of arms procurement and production and other military activities in the Middle East. The center will be financed by Holland and the U.S.

- The Multilateral Working Group on Economic Development (6/7, Amman) recommended approval of urgent regional transport projects (incl., rail networks, roads, and ports) and coordination on civil aviation.

- The Multilateral Working Group on the Environment (6/19, Amman) discussed monitoring oil spills in the Gulf of Aqaba and antidesertification projects for Israel, Jordan, Egypt, Tunisia, and the self-rule areas. Over 40 countries participated.

- The Multilateral Working Group on Water (6/20-22, Amman) discussed data collection, creating water resources, and equalizing water laws and regulations. Parties proposed joint projects totalling \$50 m.: \$2.5 m. from the U.S. and EU for a Palestinian data bank; \$3 m. from Austria for water irrigation; \$5 m. from the U.S, Japan, and Israel for waste water treatment; \$7 m. from the Netherlands for a Nahal Besor/Wadi 'Aza dam to enrich the Gaza aquifer; and \$30 m. from Oman for regional desalinization. On 6/20, the water group also convened a joint meeting with the environmental group to discuss matters of mutual interest.

## REGIONAL AFFAIRS

### *Refugees*

On 6/6 Egypt, Jordan, and the PA held preparatory talks in Amman in advance of the first meeting of the quadripartite technical committee on refugees. The technical committee held talks in Beersheba 6/7-8 to set an agenda for further meetings and to discuss the definition of "displaced persons." The committee's second meeting was held in Cairo 7/3-6 and addressed five items: number of displaced persons, mechanisms for their return, identifying them, means of absorbing them, and confidence-building measures. Positions were exchanged but no progress made on any of these points.

### *Israeli-Arab Relations*

After Israel suspended its East Jerusalem land confiscation order on 5/22, the Arab summit planned in protest was canceled and tensions between Israel and the Arab states eased. On 5/23, Egyptian President Husni Mubarak's adviser Osama Baz made a "confidence-building visit" to Jerusalem; a second meeting was held 6/9 in Cairo between Mubarak and Rabin in the presence of U.S. Secy. of State Christopher.

Israel held several meetings with Tunisian officials: on 5/16 between Dep. FM Yossi Beilin and his counterpart in Switzerland; on the sidelines of the International Labor Organization conference in Geneva 6/9, between Israeli Labor M Ora Namir and Pres. Zine al-Abidine Ben Ali; and on 6/13 in Tel Aviv, between Israeli Transportation M Yisra'el Qeysar and an official delegation on airline and tourism ties.

FM Peres and Omani FM Yusuf Bin-'Alawi met twice in Washington, agreeing on 5/31 to establish formal ties "soon," and agreeing in principle on 6/2 that El Al planes could overfly Oman. Peres also promised Oman \$3 m. toward a desalinization plant.

In mid-May, Foreign Ministry bureau head Avi Gil travelled to Qatar to discuss diplomatic and economic relations and plans for a future visit by FM Peres. Israel recognized Crown Prince Shaykh Hamad Bin-Khalifa al-Thani's ouster of his father 6/27 and relayed hopes that the change would not hurt budding Israeli-Qatari ties.

On 6/12, FM Peres and Mauritanian FM Muhammad Salim Ould al-Aq'hal met in Madrid to discuss bilateral cooperation and agreed to hold further meetings. On 6/30 in Amman, Israeli Dep. FM Beilin held a follow-up meeting with Aq'hal, focusing on economic cooperation following a comprehensive peace.

As a consequence of Israeli-Arab normalization: On 6/18, Georgian Pres. Eduard Shevardnaze announced Georgia will open an embassy in Jerusalem before the end of the year. On 8/3, Canada lifted its arms embargo on Israel, opening the way for military deals between the two countries. On the other hand, on 8/15 the EU (at the initiative of France, Italy, and Spain) decided to boycott Israel's Jerusalem 3000 celebration, accusing Israel of seeking to emphasize the status of Jerusalem as its capital while ignoring Christian

and Muslim claims. The Israeli Foreign Ministry said it was "dismayed" at EU attempts to turn a "cultural event" into a political issue.

### *Inter-Arab Highlights*

Jordanian-PA relations continued to improve this quarter, with meetings on bilateral relations and Israeli negotiations held between Chairman Arafat and King Hussein (5/23-24), Arafat adviser Faisal Hussein and PM Sharif Zaid Bin Shakir and FM Kabariti (7/23), PA Economics M Qurai' and FM Kabariti (7/27), and PA Tourism M Ilyas Frayj and PM Bin Shakir (8/2). On specific areas of bilateral cooperation, PA Culture M Yasir 'Abid Rabbu and Jordanian Dep. PM and Information M Khalid al-Karaki discussed media, press and publications, news agencies, and television and radio (8/1), and PA Telecommunications M 'Abd al-Hafiz al-Ashab and his counterpart Jamal al-Sarayira discussed the possibility of relaying Palestinian mail through Jordan (8/7). On 6/15, PA Transportation M 'Abd al-Aziz al-Haj Ahmad reached a draft agreement with his counterpart guaranteeing free movement of vehicles and commodities between the self-rule areas and Jordan and from self-rule areas through Jordan to other Arab nations. On 6/14, Ziyad al-Majali assumed his post as Jordanian representative to the PA in Gaza.

On the other hand, the Jordanian Interior Ministry admitted (8/9) recently revoking some (perhaps 100s of) Palestinian residents' Jordanian passports, replacing them with temporary two-year travel documents. The PA expressed worry that growing acceptance of PA passports has precipitated the change and fears for the consequences for refugees (see Chronology 7/13).

Palestinian relations with Libya deteriorated. By 8/7, Libya had begun assembling many of its 40,000 Palestinian residents in camps near the Egyptian border. On 8/9-10, the first 300 were deported on buses through Egypt to Rafah checkpoint at the Gaza border. Though the PA and Israel had no prior agreement to accept the deportees, they did so.

Two days after the PLO evacuated the last members of its al-Aqsa forces, along with their families, from Iraq to the self-rule areas 8/4, Iraq terminated 300 scholarships traditionally earmarked for the PLO and informed the PA it would no



longer allow students from the self-rule areas to enroll in its universities.

### *Regional Economic*

A two-day meeting of the task force of the Multilateral Working Group on Economic Development was held in Cairo starting 5/16. The 31 participants called for draft proposals on the Middle East Development Bank (MEDB) to be presented at the 10/95 meeting in Amman and discussed articles of the draft accord on the bank but took no major decisions. Bahrain, Qatar, and Saudi Arabia continued to reject the idea of a MEDB; rejected a U.S.-EU proposal that the Gulf states finance  $\frac{1}{3}$  of the bank's suggested \$5-b. base capital; and gave their own proposal of a ten-year economic program run through World Bank to finance regional infrastructure and development projects.

Other developments during the quarter included:

- The establishment on 8/10 by a group of U.S. and South African businessmen of a \$250-m. fund for investing in development projects (especially tourism and high-export-potential projects) in Egypt, Israel, Jordan, the self-rule areas, and Tunisia.
- A meeting 6/15 in Amman sponsored by the EU between Egypt, Israel, and Jordan to discuss tourism, transportation, and communications projects for the Aqaba-Elat region.
- A land transport infrastructure working group meeting 7/13 in Amman between Egypt, the EU, Israel, Jordan, and the PA held to discuss constructing a regional highway system and bridges in Jordan.

## INTERNATIONAL

### *Mediations*

- Secy. of State Warren Christopher toured the region 6/8-11, meeting with Rabin in Jerusalem (6/8, 6/10), Mubarak and Rabin in Cairo (6/9), Asad in Damascus (6/10), and Arafat in Jericho and King Hussein in Amman (6/11).
- U.S. special envoy Dennis Ross met in Washington with Syrian FM Faruq al-Shara' and Amb. to the U.S. Walid Mu'allim (5/16); and Israel's Maj. Gen. Amnon Shahak and Amb. Itamar Rabinovitch (5/26).

Ross also made two trips to the region with National Security Council adviser Mark Parris: the first, 6/5-8, to plan for

Christopher's visit; the second, 7/10-13, in an unsuccessful attempt to set a date and agenda for the second phase of talks between Israel and Syria.

- U.S. Asst. Secy. of State Robert Pelletreau visited the region 6/13-16 to discuss bilateral relations and the peace process. He met with Egypt's FM Amr Musa (6/13) and Lebanon's Pres. Ilyas Hrawi (6/14).
- On 7/9, a U.S. Senate delegation, accompanied by U.S. Consul Gen. Abington, was briefed by Arafat on talks with Israel.
- Russian Dep. FM Viktor Posuvalyuk made two tours through the region: to Israel, Gaza, Lebanon, and Syria 5/24-27; and to Lebanon, Syria, and Jordan 7/15-21. He also met with King Hussein in Amman 6/18.
- Egyptian efforts on the Syrian and Palestinian tracks included meetings between Mubarak and Asad (6/1); FM Musa and PA Planning M Shaath (6/4); Mubarak and Arafat (6/5, 6/12); and Mubarak, Arafat, and Peres (7/19).
- Other visits to Israel and the self-rule areas in connection with the peace process included: German Chancellor Helmut Kohl (6/6-7), Norwegian FM Bjørn Godal (6/13-14), Irish FM Dick Spring (6/17-19), UN Secy. Gen. Butros Butros Ghali (7/5), and Australian FM Gareth Evans (7/9-10).

### *United Nations*

UN members agreed (7/30) to allow Arafat to speak with other heads of states at the 50th anniversary commemorative session to be held 10/22. The consensus decision was accepted by the U.S. and Israel, which saw the move as a chance to boost Arafat's image.

On 5/30, the UNSC unanimously voted for a six-month extension of the UN Disengagement Observer Force buffer on the Golan. On 7/24, the council endorsed a six-month extension of the UN peacekeeping force in Lebanon but recommended a 10% cut in size.

## DONORS

As a result of momentum generated by the Brussels (11/29-30/94) and Paris (4/27) conferences, donors began moving out of a crisis-management mode toward creating a long-term system for development. Efforts focused on directing public and private investment toward housing and infrastructure (particularly telecommunications), reducing unemployment, and insti-

tution building. Officials noted, however, that ongoing political uncertainty and lack of legal and physical structures continued to thwart efforts to attract private investment.

Since the DOP was signed, donors have pledged \$1,462 m., 86% of which (\$1,264 m.) was committed to specific investment projects, technical assistance, or support, start-up, and recurrent (SSR) costs. Of the 86%, \$603 m. (48%) has been disbursed, including \$235 m. (39%) to investment, \$75 m. (12%) to technical assistance, and \$293 m. (49%) to SSR costs. To date \$61 m. has been given for the 18,000-member PA police force. PA Planning M Shaath stated on 7/13 that while donors were slow to fulfill their pledges in 1994, pledges for 1995 have been arriving smoothly.

A meeting between the donors' Joint Liaison Committee and the Local Aid Coordinating Committee was held 7/31 to review the PA's overall financing requirements, share information on funds received since the Paris meeting, and discuss how to close the remaining funding gap for FY 1995. The projected deficit had fallen from \$136 m. to \$29 m. thanks to the Knesset's unblocking the monthly transfer to the PA of tax revenues (particularly VAT) and the PA's successful revenue collection since 4/27 (especially for projects in the West Bank). It was noted, however, that the deficit could widen again before the end of the year because of three factors: the legal system for collecting revenues is not fully in place, compliance in turning over funds is voluntary, and the PA's expenditure control, while much improved, may decline. The possibility of using the Oslo B signing ceremony as a fundraising opportunity was also floated. A second JLC/LACC meeting was planned for August but postponed until September.

The Holst fund (depleted 3/2) became liquid again in July, receiving and paying out more than \$21 m. by the end of August. To date, pledges to the fund have reached \$181 m., with \$159 m. received and disbursed as of 9/8/95.

The World Bank recommended (8/2) that \$90 m. in bank surplus be used to replenish the Trust Fund for Gaza (created

in 1993 to provide emergency assistance to Palestinians in Gaza) and agreed to expand the fund to cover operations in West Bank, including industrial zones, municipal development, infrastructure and housing, and private sector operations. The World Bank also signed (7/9) a \$20-m. agreement with the PA for rehabilitation of educational institutions and health centers.

During its tour of Israel 7/24-31, the U.S. Overseas Private Investment Corporation delegation announced it had earmarked \$50 m. for loans for joint U.S.-Palestinian ventures in the West Bank and Gaza, with preference being given to energy, construction, water treatment, financial services, and tourism.

Additional pledges to the PA this quarter included:

- \$40 m. over four years from USAID for a water treatment project, with \$11 m. to be transferred to the PA this year.
- \$32.5 m. from the EU to cover Palestinian municipal costs in West Bank and Gaza for two years; \$7.8 m. for production and marketing of Palestinian goods; and \$1.8 m. for municipal affairs.
- \$30 m. from Italy for desalinization and health projects.
- \$29 m. in development aid from Austria, including \$7.7 m. toward housing.
- A total of \$28 m. from Spain: \$16 m. for Gaza airport, \$6 m. for infrastructure and hospital equipment, \$5 m. for communications, and \$1 m. to build four playgrounds.
- \$25 m. from the Netherlands to build Gaza port, with a promise to help find financing for design studies and training the port's administrators; plus \$9 m. for police salaries and \$5 m. for municipal and agricultural projects.
- \$21 m. from Saudi Arabia toward unspecified projects and costs.
- \$7 m. from Germany, with a promise to consider investing in future industrial zones.
- \$4.3 m. from Finland toward repairing the Ramallah and Hebron sewage networks, to be disbursed through the UN Development Program.

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