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JOURNALS + DIGITAL PUBLISHING



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Peace Monitor: 16 August-15 November 1995

Source: *Journal of Palestine Studies*, Vol. 25, No. 2 (Winter, 1996), pp. 104-113

Published by: [University of California Press](#) on behalf of the [Institute for Palestine Studies](#)

Stable URL: <http://www.jstor.org/stable/2538198>

Accessed: 30-03-2015 17:02 UTC

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## 16 AUGUST-15 NOVEMBER 1995

The "Peace Monitor" is a quarterly summary of bilateral, multilateral, regional, and international events affecting the peace process.

## BILATERALS

*Palestinian-Israeli Track*

Following the approval of the draft ("Oslo II") interim agreement by the Israeli cabinet (8/13) and the PA cabinet (8/16), negotiators settled into a process of five-day rounds of talks to resolve the remaining areas of disagreement (e.g., Hebron, water, joint security arrangements and settler protection, control of electricity grids, prisoners, agriculture, rural land use, taxes). Teams were headed by Uri Savir (Israel) and Ahmad Qurai' (PA), with the frequent participation of Chmn. Yasir Arafat and FM Shimon Peres, and mediation by U.S. special envoy Dennis Ross and Egyptian Pres. Husni Mubarak.

While Oslo II was still under negotiation, Israel and the PA tested each other's will on three issues: Jerusalem, Hebron, and extradition.

In mid-August, Israeli police began a series of raids on Palestinian offices in East Jerusalem, searching for links with the PA that would make operating in the city illegal. As a result, Israeli Police M Moshe Shahal ordered (8/27) the Palestinian Broadcasting Authority, Palestinian Health Council, and the Central Bureau of Statistics to close within 96 hours. The health council and statistics bureau were allowed to remain open after they agreed (8/31, 9/3) not to accept PA funds; the broadcasting corporation closed its offices 9/1.

Similarly on 9/6 and 9/17, during the negotiations over security arrangements for Hebron, Arafat ordered all municipal and PA offices and the *shari'a* court on the outskirts of Hebron to move into the city. Although Israel officially conceded that Hebron was an Arab city from which it would partially redeploy, the Civil Administration (CA) forced (10/13) the closure of PA information, cultural, and education offices on grounds that their operation in the city violated of Oslo II.

Finally, beginning 8/27, Israeli Justice M David Liba'i pressed the PA on its failure to act on 14 extradition requests, claiming it was violating the spirit of Oslo. The PA reacted by arresting, trying, and convicting the wanted men itself. Under Peres's direction, the Knesset concluded (9/20) that it did not matter whose jail housed the alleged felons, as long as they were sentenced.

Despite these tensions, talks were suspended only twice: by Israel on 8/21, following a suicide bombing in Jerusalem; and by the PA on 8/28, in protest over Israel's sealing of Jericho (8/22-30) during a search for wanted Hamas men.

Oslo II was initialled by both parties in Taba, Egypt 9/24; approved by the PA cabinet 9/25 (with 2 abstentions), nine members of PLO Executive Committee 9/26 (11 others did not attend the meeting and, on 10/4, submitted a letter to Arafat denouncing the accord), and the Israeli cabinet 9/27 (16-0, with 2 abstentions); and

finally signed in Washington 9/28 (see "Special Documents" for text and "Settlement Monitor" for analysis). At the time of the signing, three outstanding issues remained: size of the expanded Jericho enclave, the date to begin redeployment, and number of prisoners to be released. On 10/17, the Palestinian-Israeli Steering and Monitoring Committee charged with overseeing Oslo II implementation held its first meeting and set up subcommittees for each major area of the accord.

Some major aspects of the interim agreement are outlined in specific sections below.

**Expanded Self-rule:** On 8/20, Israel and the PA signed an agreement for Israel's transfer of control (effected 8/27) over eight spheres it agreed to cede last quarter: agriculture, census and statistics, energy, insurance, labor, local government, postal services, and trade and industry. (Israel handed over education 8/28/94; tourism 11/15/94; and health, social welfare, and taxation 12/1/94.) The transfer of the 32 remaining spheres was agreed to and outlined in Annex III of the Oslo II accord.

As part of the transfer of authority under Oslo II, Israel agreed to a staged phaseout of the West Bank CA, including the evacuation of all 14 CA installations in various villages. Offices in two of the villages will become IDF-PA district coordination offices (DCOs), while the remainder will be PA only. To this end, the IDF evacuated Salfit on 10/10, followed by Qabatiyya, Yatta, and Kharbata on 10/11.

On 11/8, the PA assumed control of the post and telecommunications sphere for the West Bank. It also took over the transportation, communications, and meteorological spheres for Nablus and Tulkarm (11/13) and for Bethlehem and Hebron (11/14).

After the PA took over the local government sphere 9/10, Fatah and Fida issued a joint statement (9/20) calling on all West Bank municipal council heads appointed by Israel to resign and allow the PA to reorganize the municipal government structure. On 10/11, Israel permitted the return from Jordan of Fatah cadres Mustafa Liftawi, Mahmud Aloul, and Izz al-Din al-Sharif to assume posts as PA district governors for Ramallah, Nablus, and Tulkarm, respectively.

As for the spheres transferred earlier: On 9/21, PA Education M Yasir 'Amr announced his ministry was beginning to de-

velop a "Palestinian national curriculum" for the next school year. The Israeli Education Ministry warned, however, that it would examine the curriculum to make sure the PA will not be "violating the peace agreement by teaching hostile material."

On 9/19, the PA Tourism Ministry began training its first 30 tourist policemen to provide security for visitors and prevent thefts from archaeological sites. Fifty openings remain to be filled.

On 9/22, the PA Health Ministry received seven ambulances from Japan. And on 10/17, the PA police received 45 armored vehicles from Russia.

**Water:** Under Oslo II (and in keeping with a compromise reached 8/24), Israel for the first time officially recognized Palestinian rights to water in the West Bank, but delayed the definition of those rights until the final status negotiations. To alleviate current water shortages, Israel was immediately to make available an additional 28.6 mcm/year of fresh water for domestic use based on Palestinians' estimated future water needs of 70-80 mcm/year, with the understanding that this provision would not prejudice final status arrangements. A Joint Water Committee will also be formed to oversee water cooperation efforts during the interim period.

After further decisions on water were deferred to final status talks 5/96, sides began discussing quotas, drilling inspection, and funding for development of new water sources in late 8/95. And on 9/8, Peres agreed to increase the amount of water given to West Bank Palestinians by 100 percent over five years.

**Redeployment:** Oslo II delineated the zones and stages of redeployment broadly outlined in the 8/11 joint statement (see Doc. A2 in *JPS* 97). Israel agreed to pull out from seven cities (zone A) and 450 villages plus refugee camps (zone B)—an area totalling less than 30 percent of the West Bank, excluding East Jerusalem.

The PA negotiating teams saw maps outlining the zones for the first time on 9/4 and immediately demanded that parts of zone B be redrawn. On 9/18, Peres presented the new maps to Arafat, who stormed out of the meeting, saying they depicted a "fig leaf" for occupation. The PA team noted 45 specific problems, and Israel submitted revisions 9/20. 26 maps were initialed behind closed doors at the Oslo II signing. On 10/30, the IDF announced the maps were topographically

inaccurate and would have to be redrawn, approved by the PA, and added as amendments to Oslo II.

Pullouts were to begin with Janin on 10/8 and be completed by 3/96. When redeployment from Janin had not begun by 10/15, a new schedule for withdrawal was issued: Janin (beginning 10/25, ending 11/19); Tulkarm (b. 10/25, e. 12/10); Nablus (b. 11/26, e. 12/17); Qalqiliyya (b. 11/26, e. 12/17); Ramallah (b. 12/10, e. 12/31); Bethlehem (b. 12/3, e. 12/21); and Hebron (b. 12/10, e. by 3/30).

Redeployment from Janin and 60 surrounding villages began on 10/25, was halted for two days (11/5-6) to mark Rabin's death, but was completed six days early on 11/13. On 11/11, Arafat named a committee to take control of the city, comprising PA Gen. Secy. Tayib 'Abd al-Rahim, Civil Affairs M Jamil Tarifi, and the West Bank heads of the Preventive Security Force, General Intelligence Service, and police.

On 10/13, the IDF issued revised cost figures for redeployment based on Oslo II, showing expected outlays to be NIS 3 b.—twice the allocated amount. On 10/17, the IDF began moving troops *into* the West Bank to provide added security for settlers during the withdrawal process.

**Elections:** Oslo II cemented a 9/18 agreement for the formation of an 82-member "Palestinian Council," with separate legislative and executive components, to be elected by 16 constituencies (incl. Jerusalem and Gaza). The head of the executive authority will be elected directly during the same voting process, while the head of the legislative council will be elected by the 82 members. According to Annex II, Palestinians in Jerusalem may vote "through" city post offices, though Israel will consider this "absentee balloting" as agreed 8/31. On 10/15, Israel said it wanted elections to occur before Ramadan (1/22); 1/20 was later selected as the target date, meaning elections would be held before withdrawal from Hebron is completed (see above).

On 11/5, the EU election team began helping the PA staff compile lists of eligible voters, print voter registration forms, and set up polling places. On 11/12, 7,000 Palestinian teachers trained by the EU and PA began the three-week voter registration campaign in the West Bank and Gaza.

On 11/12, the PLO Executive Committee held two days of preliminary discussions on the draft electoral law.

In anticipation of elections, Hamas and the PA revealed in late 8/95 they were holding ongoing negotiations on a national unity agreement. Drafts leaked to the press suggested Hamas would be allowed to take part in elections in exchange for formally ending attacks on Israeli targets. The rumors sparked debate between Hamas leaders inside and outside the territories, a meeting between the two factions in the Sudan 10/7, and threats of the diaspora members' secession from the movement. The PA attempted to counter these pressures by releasing dozens of Hamas cadres, including Mahmud Zahhar (10/8) and Shaykh Ahmad Bahr (10/16), but also added pressure of its own (in the form of mass arrests 8/29-9/3, 10/5) to keep Hamas at the table.

**Prisoner Release:** A two-stage prisoner release was agreed to 9/10, but was expanded to three stages under Oslo II. The first stage was to take place on the signing of the accord and include all women and minors, those over age 50, and the infirm, provided that they had not killed Israelis and agreed to sign pledges to refrain from violence.

The Israeli Supreme Court refused (10/2) to implement the release agreement until the Knesset approved the accord, which it did on 10/6. The refusals of Pres. Ezer Weizman (10/6) and Central Cmdr. Ilan Biran (10/7) to sign releases of four women triggered a protest by the other 23 women, prompting Arafat (10/12) in turn to threaten to boycott the Amman summit (see below). Under a formulated compromise, the four women denied pardons will be included in the second batch of prisoners, to be released before Palestinian elections. Future releases will be handled by the new Klugman Committee, which will not require the president's or central commander's approval.

On 10/10, 600 political prisoners and 220 civil prisoners (of 1,100 males to be released) were freed; 89 criminal prisoners were permitted transfer to PA jails. The remaining 280 men were released later that week.

**Security Arrangements:** On 10/25, the first of seven new West Bank district liaison and coordinating offices (DCOs) began operating in Janin. (1 DCO was already in place in Jericho, 2 in Gaza.) The

West Bank DCOs will command joint (IDF-PA) ground patrols and report on ongoing security matters to the Regional Security Committee (RSC—headed by Israeli Brig. Gen. Moshe El'ad, PA Brig. Gen. Rabhi Arafat). The RSC reports to the Joint Security Liaison Committee (JSC—headed by Israeli Brig. Gen. Herzl Getz, PA Brig. Gen. Ziyad al-Atrash). Each DCO will also have a separate section for coordination on civilian affairs. Civilian affairs departments will be supervised by the Joint Committee for Coordination and Liaison on Civilian Issues (JCAC).

IDF and PA military commanders met 11/8 to plan joint patrol routes for Janin; patrols began 11/14. With the joint patrols in mind, the IDF issued stricter rules of engagement for the West Bank, recognizing the right of some Palestinians to carry arms in certain areas.

On 10/24, PA and Fatah security heads met in Jericho to discuss forming joint command committees to assure coordination among Palestinian West Bank security groups in areas taken over from the IDF.

**Economic Matters:** On 9/29, the new U.S.-Israel-PA economic development panel (formed under the 8/11 joint statement; see Doc. A2 in *JPS* 97) convened for the first time in Washington. On 10/9, the U.S. announced it would set up reciprocal duty-free zones in the West Bank and Gaza, extending free trade and tariff benefits to developers in the self-rule areas and allowing Palestinian companies to export directly to the U.S., without going through Israeli companies. The U.S. termed the decision "unilateral" and not an agreement with the PA—which would require Israeli approval under the Israeli-PLO Protocol on Economic Relations (see Special Doc. B in *JPS* 92). On 10/28, the PA and U.S. signed a joint trade agreement on water purification.

Among the Israeli-Palestinian economic meetings held this quarter:

- Arafat, PA Planning M Nabil Shaath, Israeli Economics M Yossi Beilin discussed port and airport issues 8/24.
- Israeli Tourism M Uzi Bar'am and Arafat discussed joint projects, including a Dead Sea hotel, on 8/29.

- On 10/10, PA Planning M Shaath and Israeli Economics M Yossi Beilin exchanged long-term development plans and discussed methods of economic cooperation.

- Palestinian trade unionists met with Histadrut members 9/3.

On 10/19, Palestinian Monetary Authority (PMA) Governor Fu'ad Bisaysu noted that deposits in banks operating in the self-rule areas totalled nearly \$1 b.

**Diplomatic Matters:** PA passports were accepted as valid travel documents by Austria (11/5), Brazil (9/1), Bulgaria (9/20), Canada (10/5), Finland (9/21), Kazakhstan (10/10), Oman (10/10), Poland (11/95), Sweden (10/26), Turkmenistan (11/5), the UAE (9/95), and Zimbabwe (11/2). In mid-August, Qatar became the first Gulf state to open a representative office in the self-rule areas. South Africa followed suit 8/21.

### Palestinian Opinion

*[The following data are excerpted from a poll conducted 13-15 October by the Nablus-based Center for Palestine Research and Studies (CPRS). Results are based on a survey of 1,144 men and women from the West Bank and Gaza. The poll, twentieth in a series, was made available by CPRS's office in Nablus.]*

1. What is your attitude toward the Oslo II agreement which was recently signed between Israel and the Palestinian Authority?

	West Bank & Gaza		
	Gaza	West Bank	Gaza
a. I support	72.1%	69.7%	76.1%
b. I oppose	17.5%	20.5%	12.4%
c. No opinion	10.4%	9.8%	11.5%

2. Will you participate in the general political elections to choose the members of the Palestinian Council?

	West Bank & Gaza		
	Gaza	West Bank	Gaza
a. Yes	70.9%	69.5%	73.2%
b. No	20.0%	21.7%	17.1%
c. Not sure	9.1%	8.8%	9.7%

3. If general political elections were held today, and I decided to participate, I would vote for . . .

	West Bank & Gaza		
	Gaza	West Bank	Gaza
a. Hamas	13.0%	14.3%	10.6%
b. PPP	1.2%	1.5%	0.7%
c. PFLP	3.3%	3.3%	3.3%
d. Fateh	52.5%	50.5%	55.9%
e. Fida	0.8%	0.4%	1.4%
f. Islamic Jihad	1.9%	2.4%	1.2%
g. DFLP	0.3%	0.1%	0.5%
h. Islamic independents	3.3%	3.9%	2.4%
i. Nationalist independents	4.0%	4.6%	2.8%
j. Other	4.7%	4.6%	4.7%
k. None of the above	15.0%	14.1%	16.5%

4. If the Palestinian opposition called for a boycott of the election for the National Authority Council, I would . . .

	West Bank & Gaza		
	Gaza	West Bank	Gaza
a. Boycott	19.4%	19.4%	19.3%
b. Participate	67.8%	68.4%	66.7%
c. Have no opinion	12.8%	12.2%	14.0%

5. Do you think that the general political elections for the Palestinian Council will be fair or unfair?

	West Bank & Gaza		
	Gaza	West Bank	Gaza
a. Fair	54.4%	56.4%	51.1%
b. Unfair	22.1%	23.5%	19.8%
c. Not sure	23.5%	20.1%	29.2%

### Jordanian-Israeli Track

Despite an unsanctioned antinormalization rally held by 330 Jordanian opposition members in Amman (9/29) and the Jordanian Medical Association's decision (10/5) not to attend the Amman economic summit, official Jordanian-Israeli normalization accelerated. The only potential dampener was a formal claim totalling millions of dollars submitted by Jordan to the Israeli Foreign Ministry 9/10, demanding Israel return all assets currently classed as absentee property that were owned by Jordanian nationals before the 1948 war.

**Agreements:** Several important agreements required by the 10/26/94 treaty were signed this quarter:

- on energy (8/20), outlining joint geophysical and geological research in the Jordan valley-Aqaba region; cooperation on

oil, solar, and wind energy; radiation monitoring; and the linking of the Elat and Aqaba electricity grids.

- on health (8/28), providing for joint training programs for doctors, exchanges of information, and projects to fight disease.

- on environmental preservation (9/7).
- delineating the sea border in the Gulf of Aqaba (10/18).

- on cooperation between police forces toward combatting drug trafficking and permitting exchanges of information in "times of mass catastrophe" (10/24).

- a three-year trade agreement (10/25) immediately granting Jordan preferred trading status plus 20-50% exemptions from most Israeli customs duties and reducing Jordanian tariffs on many Israeli goods by 10%. The Jordanian cabinet set up a committee (10/17) to review domestic trade laws in light of the new accord.

- on agriculture (10/26), paving way for direct trade of produce; giving Jordan first priority for tax-free exports of produce to Israel; and making Jordan the transit point for Israeli exports to third countries.

- an agreement replacing the Jordanian-Israeli Armistice Commission with a Jordanian-Israeli joint military committee.

An agreement between Israel's Dead Sea Bromine Inc. and Jordan's Arab Potash Corp. to build a \$50-m. plant in Jordan was announced 10/15—the first major private venture since the 10/26/94 treaty.

**Meetings:** On 8/28 in Wadi Arba, Crown Prince Hassan and FM Peres discussed joint development of the Aqaba and Elat ports and the progress of the joint committees, and agreed to build an airport straddling the border at Aqaba, with terminals in both countries. Two follow-up meetings on these issues were held: of the joint committee on transportation, focusing on land, sea, and air travel, 8/27; and between Crown Prince Hassan and FM Peres, focusing on development projects, 10/18. The pair met again 11/7 after Rabin's funeral, when Peres confirmed that Israel planned to continue implementation of the peace treaty despite the assassination.

Also of note: Israel helped Jordan clean up an oil spill in the Gulf of Aqaba 9/25. And in mid-August, the Israeli Labor and Social Affairs Ministry noted that, since the signing of the peace treaty, 43 Jordanians had been found working illegally in Israel.

*Syrian-Israeli Track*

Through October, the Syrian-Israeli negotiations remained at a virtual standstill due to the mutual recriminations over early-warning systems (see "Peace Monitor," *JPS* 97) and the Palestinian-Israeli negotiations on the interim period, with Syria refusing, despite U.S. requests, to discuss resuming talks between the military chiefs of staff until the details of Oslo II were known. On 8/31, Israeli Justice M Liba'i suspended work on the Golan referendum.

Diplomatic bickering peaked on 8/21, when PM Rabin lodged a formal complaint with U.S. Amb. to Israeli Martin Indyk regarding Syrian support for Palestinian groups opposed to Oslo. Talks on how to unjam the track (Asad and Mubarak in Cairo 9/3 and Damascus 10/10; Christopher and Syrian Amb. Walid Mu'allim in Washington 9/11; Shara' and the State Dept. peace team in Washington 10/5-6 and in New York 10/23-24; and Rabin and Clinton in Washington 10/25) produced no results.

To stimulate movement, Syria said (9/7) it would accept Israeli tethered balloons containing early-warning gear on the Golan to monitor security arrangements. Israel rejected the offer. On 9/8, the U.S. proposed providing Israel with real-time intelligence data from a U.S.-manned, ground-based station on the heights. The station would be one component of a U.S. monitoring package that would use ground sensors, overflight drones, and satellite reconnaissance to gather information for both sides. The offer did not prompt a resumption of talks.

Some movement was seen after Christopher met with Asad (in Damascus 10/30) and Rabin (in Jerusalem 10/31), when both sides expressed willingness to restart officers' talks but could not agree on an agenda. After Rabin's funeral, Christopher convinced Asad to send unofficial condolences through him to Peres, and Peres, in his first speech before the Knesset (11/22) upon assuming the premiership, said he believed Syria and Israel could complete a deal within months, implying a Golan referendum could be included on next year's ballot. Syria responded warmly to the suggestion, but no meeting had been arranged by press time.

Also of note: on 8/30, the Golan regional council reported that, since 7/1,

120 Israeli families had moved into Golan settlements to prevent Israeli withdrawal.

**MULTILATERALS**

Syria and Lebanon continued officially to boycott all meetings attended by Israeli representatives. Meetings during the quarter were as follows:

- The Steering Group of the Multilateral Peace Negotiations met 10/30 on the sidelines of the Amman summit (see below) and decided to establish the Regional Economic Development Working Group Monitoring Committee Secretariat as a permanent institution based in Amman, to complement the Middle East Development Bank (MEDB) mandated by the summit to be established in Cairo. The secretariat would promote regional economic cooperation, especially in the sectors of infrastructure, tourism, trade, and finance, and may also act as a policy-making and project-identifying institution.
- After brief postponement (9/11) the Multilateral Working Group on Arms Control convened 9/20-21. Parties decided to set up a regional security center in Amman before year's end and establish two subcenters in Doha and Tunis (pending Tunisia's approval). Parties disagreed on who should oversee the center, with most suggesting the U.S. and Russia and Egypt calling for the working group itself.

**REGIONAL AFFAIRS***Refugees*

The technical committee on refugees held two rounds of talks this quarter: In Gaza 8/16-17, the parties made headway but were unable to reach a consensus on the definition of a displaced Palestinian, the number of refugees, or the means of repatriation. In Oman 9/12-13, sides agreed that "refugees" are those Palestinians who were forced to flee in 1948, while the "displaced" are those who "left" in 1967.

A third meeting of the technical committee, scheduled for 11/6 and postponed until 11/14 in the wake of the Rabin assassination, was put off indefinitely amid suggestions that it not be convened again until after the Palestinian elections.

*Israeli-Arab Relations*

In August, Israeli-Egyptian relations were strained by reports from Israeli historians of mass killings of Egyptian POWs

by IDF troops during the 1956 and 1967 wars, and rumored instances of Egyptian soldiers killing Israeli POWs during the 1973 war. After media frenzy forced the resignation of Israeli Amb. to Egypt David Sultan, wrongly accused of personally participating in executions, both sides agreed the statute of limitations for prosecuting those responsible had run out.

Immediately following the Oslo II signing:

- on 9/29, Peres met with Qatar's FM Shaykh Hamad Bin-Jasim al-Thani to discuss exchanging trade missions and granting landing rights to each other's civilian aircraft. Shaykh Hamad later added (10/4) that Qatar supported ending the direct Arab boycott;
- on 9/30, Oman agreed to exchange trade representatives with Israel and coordinate on technical aid and economic issues;
- on 10/2, Peres met with representatives from Egypt, Mali, Oman, and Tunisia to discuss methods of economic cooperation; and
- on 10/12, Yemen announced it would support ending the Arab boycott; consider establishing economic, tourism, and cultural relations before a comprehensive peace is achieved; and would establish full diplomatic relations after agreements are signed with Lebanon and Syria.

On the sidelines of the UN 50th anniversary celebration 10/23, PM Rabin met with Qatari Dep. PM Shaykh 'Abdallah Bin Khalifa al-Thani to discuss latest developments in the peace process.

Among the world leaders attending Rabin's funeral (11/6) were Egyptian Pres. Mubarak, Jordanian King Hussein, Omani FM Bin-'Alawi, and Qatari Culture M Hamad Bin 'Abd al-Aziz al-Kuwari. Though not allowed to attend the funeral (held in Jerusalem), Arafat made his first visit to Israel to pay his condolences to Rabin's widow 11/9.

#### *Inter-Arab Highlights*

Libya continued to expel Palestinian refugee workers in protest over the Oslo process. Lebanon and Egypt stopped accepting deportees 9/10 and Israel followed suit 9/13, though Egypt and Israel continued to allow some Palestinians into their territory as a last resort. After several meetings with Egyptian FM Amr Musa (between 10/6 and 10/12), Col. Qaddafi agreed to temporarily halt the expulsions

and allow some Palestinians to return to Libya on 10/25. By that time, PA relations with Lebanon (where most Palestinians in Libya maintain residence) had deteriorated sharply (see Doc. B1).

Following Iraq's lead, Syria announced 8/23 that its universities would no longer admit Palestinian students holding the general secondary certificate issued by the PA.

Jordanian-Palestinian relations continued to improve: The PA appointed Umar al-Katib as amb. to Amman 8/22. On 11/1, Jordan and the PA signed a memo of understanding, covering training, exchange of research, computer information sharing for the development of renewable energy resources, and maintenance of electric power installations. And on 10/18, the Jordanian Interior Ministry began granting permanent five-year passports to West Bank Palestinians with Jordanian green cards. Previously those holding green cards could only get two-year temporary passports.

Syrian-Jordanian relations improved significantly: Economic ministers met in Damascus 8/27 to discuss bilateral cooperation and promoting economic and trade relations. On 8/29, Syria signed \$1 b. in loans to link power grids with Jordan. And on 10/9, Jordan extradited to Damascus Syrian Islamist opposition leader Ahmad Joulaq. Tensions remained, however: On 9/21, Jordan declined Syria's invitation to attend a meeting in Damascus of the Arab Boycott of Israel Bureau. And on 11/8, Jordan suspended trade and shipping operations with Syria, citing a sharp trade imbalance in Syria's favor.

#### *Regional Economic Affairs*

Over one thousand officials and business leaders from 60 countries attended the Amman Economic Summit, 10/29-31. Iran, Iraq, Lebanon, Libya, and Syria boycotted. During the opening speeches, Egyptian FM Musa and Jordan's King Hussein had a sharp exchange on normalization with Israel. Arafat attacked Congress's bill to move the U.S. embassy from Tel Aviv to Jerusalem; Rabin countered by including references to Jerusalem as Israel's capital in his remarks.

Countries presented hundreds of development projects totalling \$40 b. (incl. \$25 b. from Israel; \$8 b. from Morocco; \$6 b. from the PA; and \$3.5 b. from Jordan). In addition to the \$3.5 b. in government



projects, Jordan also presented 136 private sector projects totalling \$1.2 b. and joint projects with Israel for Rift Valley development totalling \$17 b. PA proposals included: \$520 m. for electricity, \$130 m. for a Gaza port, \$75 m. for a Rafah airport, and \$19 m. for water. PM Rabin also presented numerous regional development packages, many involving Jordan and the PA.

A plenary session discussed ways of expanding private sector investment in the region and enhancing regional cooperation and development. Small working committees on topics such as textiles and telecommunications were held to build contacts between businessmen and government officials working in similar areas.

Although plans for Middle East Development Bank (MEDB) received little support, especially from the EU and Gulf countries, parties agreed to establish some form of MEDB in Cairo along with other regional tourism and business boards. The MEDB would have a \$1.5-b. initial, paid-up capital, with plans to raise it to \$5 b. At the close of the conference, France, Germany, and the UK issued statements saying they will not participate in the MEDB. The only EU nations to openly support the bank are Denmark, Italy, and the Netherlands. The participants ended the summit by issuing a formal declaration (see Doc. A2) and announcing Cairo as the site of the next conference.

On the sidelines of the conference, Israel signed a letter of intent to buy between \$2-b. and \$5-b. worth of liquefied natural gas from Qatar. The agreement allows Qatar to technically remain in compliance with the Arab boycott, since the gas will be sold through a U.S. subsidiary. Arafat, Christopher, and Qatari FM Shaykh Hamad also announced the formation of the World Peace Investment Company, with a \$250-m. capital.

Other developments during the quarter included:

- a three-day Jerusalem business conference, during which the U.S. and Israel signed a \$150-m. deal to build a electricity plant in the Negev. The meeting, which inadvertently overlapped the Amman summit (10/28-30), was attended by 4,000 officials and businessmen from Israel, the PA, and the U.S. Egypt, Jordan, Morocco, and Tunisia boycotted at the last minute, "at the request of the Egyptian trade minister," after having accepted invitations.

- a meeting on regional transportation held by Egypt, Iraq, Israel, Jordan, the PA, and Saudi Arabia (observing) in early 9/95. Parties agreed to a plan (later presented to the Amman summit) to build five "peace roads" linking their countries.

- a discussion in Oslo (9/8) by Israel, Jordan, and the PA (not held as part of the Multilateral Working Group on Water) during which they agreed in principal to coordinate on regional water issues.

- an agreement (9/1) between Israel and Jordan, with PA approval, to set up a trilateral planning mechanism to improve cooperation on airport, bridge, and regional bank projects.

- a meeting in Jerusalem (9/18) among Egypt, Jordan, Israel, and the PA to draw up a joint strategy on economic cooperation, incorporating eight regional projects presented at the Amman summit (incl. a common electricity grid; developing coastal resorts in the Aqaba-Elat-Taba area; building a Cairo-Europe highway through Gaza and Israel; and an Elat-Aqaba airport).

- a tourism agreement (9/30) signed by Cyprus, Egypt, Israel, Jordan, Morocco, the PA, and Tunisia. The agreement, first discussed at the Casablanca conference 11/94, creates the Middle Eastern and Eastern Mediterranean Tourism Organization, which will deal with joint marketing, training of staff, and tourist packages and will include governmental and nongovernmental groups, with private sector administrators.

## INTERNATIONAL

*United States:* In light of the Oslo II agreement, Clinton offered (9/28) to deduct only \$60 m. of the \$300 m. slated to be subtracted from Israel's \$2-b. loan guarantee package this year (see "Settlement Monitor"). Just prior to the signing, the U.S. and Jordan concluded (9/25) a \$420-m. debt cancellation agreement. And on 9/27, King Hussein met with top U.S. defense officials in Washington to request F-16 jets, other arms, and joint training packages. Later on 10/19, Rabin met with CIA Director John Deutch in Tel Aviv to discuss Golan security and Iranian nuclear capability.

The U.S.'s role as mediator was undermined by Congress's passing legislation on moving the U.S. embassy in Israel from Tel Aviv to Jerusalem (10/24; see Doc. D2) and by attempts, led by Sen. Jesse Helms,

to amend or block the renewal of the Middle East Peace Facilitation Act (MEPFA), which waives bans on U.S. government dealings with the PLO and allows the PLO to continue receiving installments on its five-year, \$500-m. U.S. aid package.

Since 8/1, MEPFA has been kept alive through emergency 1-mo. extensions. In late 10/95, Congress agreed to renew the original MEPFA for 18 months as part of the foreign aid bill, but because other aspects of the bill were still under debate at the end of the month, a fourth extension was needed. Sen. Helms blocked the extension 10/30, allowing MEPFA to expire 11/1. By law, the State Department was forced to ask the PLO's Washington information office to close—an act which forced Helms to accept an extension until 12/1, thereby allowing the information office to reopen 11/7.

*Russia:* During his trip to Russia 9/12-15, PM Rabin was severely criticized by PM Viktor Chernomyrdin, FM Andrey Kozyrev, and DM Pavel Grachev for failing to keep Russia informed of negotiations and downgrading Russia's role as cosponsor of the peace process. Pres. Boris Yeltsin expressed his disapproval by refusing repeatedly to meet with Rabin.

*European Union:* On 9/28, the EU signed a cooperation and commerce agreement, aimed at easing the entry of Israeli products into Europe, closing the EU-Israeli trade gap, and sharing information on the environment, research, and development projects.

*Latin America:* On the sidelines of the UNESCO conference in Paris 10/27, Cuba expressed hopes of resuming diplomatic relations with Israel soon. On 8/28, Brazil agreed to increase economic cooperation with Israel; and on 10/31, Honduras and Nicaragua announced they were considering moving their embassies from Tel Aviv to Jerusalem.

*Meetings and Regional Tours:* Most meetings this quarter occurred on the sidelines of the UN 50th anniversary celebration in New York (10/22-24), the Amman Economic Summit (10/29-31), and Rabin's funeral (11/6). Discussions focused on bilateral relations, the peace process, and economic issues (see "Chronology" for details).

The meetings surrounding the UN celebration were notable for the number of contacts between Arab and Jewish-American leaders. For example: Arafat met with the Conference of Presidents of Major American Jewish Organizations (CPMAJO; 10/22) and the Executive Committee of the National Jewish Relations Advisory Council (10/24); King Hussein met with heads of New York Jewish groups (10/24); and Crown Prince Hassan received a delegation from the Canadian United Jewish Appeal (10/23). CPMAJO also hosted (10/2) a Saudi Arabian delegation which included Amb. to the U.S. Bandar Bin Sultan and FM Sa'ud al-Faysal Bin 'Abd al-'Aziz al-Sa'ud and Yemeni Dep. PM 'Abd al-Karim al-Iryani (10/12).

Visitors to the region included:

- German Economics M Carl-Dieter Spranger toured the region 8/22-27. During his stops in Israel and Gaza, he hinted that Germany may redirect \$100 m. in development aid from Israel (which no longer qualifies as a "developing country") to the PA and Jordan.
- Spanish PM Felipe Gonzalez, the new rotating head of the EU, brought assurance of EU political and economic support to PM Rabin (9/11); Chmn. Arafat (9/11); King Hussein (9/12); Pres. Asad (9/12); and Pres. Hrawi, PM Hariri, and FM Buwayz (9/13).
- South African FM Alfred Nzo visited Israel and the self-rule areas 9/15-16 to assess the peace process.
- Japanese PM Tomiichi Murayama led a 60-member delegation on an aid mission to the region 9/16-18, during which he offered Asad funding for construction of a thermal power plant; Rabin a Japanese trade-promotion office in Israel; Arafat \$200 m. in humanitarian aid over two years and help in monitoring elections; and King Hussein increased economic aid.
- An EU delegation visited Beirut, Jerusalem, and Damascus 10/26-28 to discuss peace process, aid issues, U.S. embassy legislation, bilateral relations, and the upcoming Barcelona conference. The team then headed to Amman to attending the economic summit.
- British Foreign Secy. Malcom Rifkind focused his efforts on restarting the Syrian-Israeli track during his tour of Amman, Syria, Israel, Gaza, Egypt, and Lebanon 11/8-11.

Most other meetings aimed at promoting the Syrian-Israeli track: Asad and Hrawi (8/24, 11/2); Asad and Mubarak

(9/3); Clinton and King Hussein (9/29); Shara' in separate meetings with Buwayz and Saudi FM Prince Faysal (10/4); Rabin and Morocco's King Hassan (10/20); Shara' and Russian Dep. FM Viktor Posuvalyuk (10/27-28).

## DONORS

The Ad-Hoc Liaison Committee (AHLIC) met in Washington just prior to the Oslo II signing ceremony (an experts meeting 9/27 and a full meeting 9/28) in hopes of capitalizing on Oslo II's momentum to invigorate assistance. The committee agreed to extend the mandate of the 4/27 Tripartite Agreement through 1996, decided to hold two Consultative Group (CG) meetings in 10/95 and 12/95 to target aid to specific projects, and urged donors to fulfill their pledges (\$1.7 b. in grants, \$847 m. in loans to date). Saudi Arabia immediately responded by agreeing to transfer \$100 m. it had previously pledged, and the U.S. agreed to begin work on \$50 m. worth of development projects it had committed to earlier.

The Joint Liaison Committee (JLC) met in Gaza 10/10 to discuss PA needs and confirm priorities for FY 1995-98 in light of Oslo II. Arafat called on donors to fulfill and increase their pledges, especially to cover salaries and equipment for PA police.

On 10/13, the JLC held a joint meeting with the Local Aid Coordinating Committee (LACC) to formally extend the Tripartite Agreement as decided 9/28 and to draw up a "wish list" of 16 projects for the West Bank and Gaza worth \$552 m., targeting housing, infrastructure, and institutional development based on the priorities outlined at the 10/10 meeting (see Brynen article in this issue for details).

The first day (10/18) of the CG conference in Paris was devoted to discussion of the projects put together at the 10/13 meeting. The PA also requested \$50 m. in loan guarantees and \$75 m. for budget support. The second day was given to narrowing the menu of projects and forming an overall strategy for seeking project funding. Donors closed by promising to provide at least \$30 m. toward infrastructure projects presented. The World Bank agreed to disburse \$90 m. from the Trust Fund for Gaza and the West Bank before

the end of FY 1996 for four or five of the projects.

The CG also noted that, while transfer of tax revenues from Israel to the PA had gone smoothly since 8/95, the strengthening of PA expenditure control was slower than expected. As a result, the latest projection for the 1995 current deficit is \$96 m. (expenditure of \$483 m. and revenue of \$387 m.). If donors fulfill their \$140 m. in pledges toward meeting the deficit, the gap would be covered.

Between 10/19 and the next CG meeting in December, the World Bank was to meet with donors individually to assess which projects they preferred and how much additional aid they would be willing to give toward specific projects. It would also seek private sector funders.

Also of interest: On 9/14, the PA and World Bank agreed to a new system of transferring international aid that allows money to go directly to the PA economic ministries (esp. the Finance Ministry), without going through PECDAR, thereby improving control over competition for funds within the PA.

On 8/30, the U.S. and Japan each gave \$100-m. development packages to the PA. Money will not be funnelled through the PA, but will go directly to project coordinators. Japan also agreed (10/12) to build a \$250-m. raised highway connecting Gaza and the West Bank. China agreed to increase its interest-free loans to the PA 10/30.

Additional aid pledges to the PA this quarter included:

- \$300 m. in soft loans from the EU for large-scale water, electricity, and commercial projects (10/27). This constitutes a disbursement of part of the EU's \$600-m. grant, allocated to the PA in 1993.
- Over \$21 m. from Germany for infrastructure, institution building, and technical assistance projects for Gaza and Jericho.
- \$23 m. from Denmark for road and water projects.
- \$2 m. from France to the Holst Fund for PA recurrent expenses (8/20).
- a \$1.2-m. grant from the Islamic Development Bank for unspecified development projects (9/6).

Compiled by Michele L. Kjørlien