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16 NOVEMBER 1994- 15 FEBRUARY 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

Meetings: Chmn. Arafat met with either PM Rabin or FM Peres or both eight times during the quarter (Peres in Spain on 11/24; Peres in Brussels on 11/28; Peres at Erez checkpoint on 12/8; Rabin and Peres in Stockholm 12/9-12; Peres at Erez checkpoint on 12/21; Rabin at Erez checkpoint on 1/9; Rabin at Erez checkpoint on 1/19; Rabin at Erez checkpoint on 2/9). In addition, Arafat and Rabin attended the larger meeting in Cairo on 2/2 that included King Hussein and Pres. Mubarak.

In their meeting of 12/21, Peres and Arafat agreed to proceed with the talks at two levels: between Arafat and Rabin on such issues as troop withdrawal, transfer of power, and security, and at a lower level for implementation of the second stage of the DOP, elections, Palestinian detainees, borders, and the economy.

Throughout the quarter, the Supreme Liaison Committee (under Nabil Shaath for the Palestinians) met off and on in Cairo, while meetings of joint committees for commodities, elections, security, and other issues were held in Cairo, Erez crossing, and elsewhere.

Progress was impeded by security problems (most notably the suicide bombing that killed 21 Israelis on 1/22, and Is-

raeli demands that the PA crack down on its opponents), the closure of Gaza imposed as of 1/22 and the economic hardships that ensued, and increased expropriations and settlement activity as of December.

Transfer of Authority: On 12/1, Israel turned over to the PA responsibility for health and taxation (direct taxes and VAT). These were the last of the five spheres to be handed over, completing the first phase of expanded self-rule beyond Gaza-Jericho. (Israel had transferred authority for education on 8/28 and for social welfare and tourism on 11/15). Starting 12/1, the PA was to have full financial responsibility in the health domain for hospitalization in Israel, health services, development, and salaries. Because of the complexity and size of the health system, Israeli Civil Administration health officials agreed to continue as advisors to the Palestinians for an additional three months following transfer. Likewise with regard to taxation, where the Palestinians are not completely familiar with the system, Israeli tax personnel will continue to "tutor" the Palestinians for an additional six months.

On 12/7, in the first round of talks on the interim arrangements following transfer, the two sides agreed that Israel would hand the PA control of "packages" of of-

fices in the West Bank as funds become available to the PA, even before the interim stage is completed. The first package should comprise 33 Civil Administration offices.

Given the state of Palestinian finances and in order to facilitate Palestinian self-rule and transfer of authority, FM Peres urged donor countries on 11/28, the eve of the donors' meeting in Brussels, to transfer aid. Israel announced on 11/23 that it would turn over \$8.3 m. of Palestinian tax money to the PA by way of example.

Withdrawal and Elections: On 12/15, Israel gave its first response to the PA's election proposal submitted on 10/25, granting some concessions on the size of the council and opposition participation. But while Palestinian-Israeli talks on elections continued on and off, mainly in Cairo, throughout the quarter, wide differences on IDF redeployment prevented progress. Toward the end of November, Israel suggested substituting a permanent IDF pullback from populated areas on the eve of elections, as called for under the DOP, with a temporary three-day redeployment for the duration of the elections only. In the Arafat-Peres-Rabin meetings in Stockholm on 12/9, the Israeli side said any withdrawal prior to elections would have to be negotiated. On 12/12, Rabin offered Arafat the choice between early elections without redeployment and protracted negotiations that could delay elections for a year. On 2/11, Israel said it wanted to keep troops in West Bank towns during elections for security reasons, even if it contravened the DOP.

By the end of the quarter, following the surge in Israeli land confiscations and approvals for settlement construction in December and January, the focus of negotiations had shifted from elections and withdrawal to settlements and Jerusalem.

Progress Achieved: Despite the stalemate on substantive matters, there was agreement on such issues as license plates for Palestinian vehicles, passports for Palestinians, postage stamps (contingent on admission of the Palestinian postal service to the international postal union), and requirements for permission to use safe-passage routes. Progress was also noted on customs and transportation of goods. It was agreed that Palestinians who visit Gaza from abroad could remain for seven months instead of three as before. Israel

also agreed to the construction of a Gaza port if donor countries will provide financing. In the Washington meeting of Israel, the PA, Egypt, and Jordan under U.S. auspices on 2/12, Israel and the PA agreed to set up industrial zones in the West Bank and Gaza to provide more jobs for Palestinians.

Jordanian-Israeli Track

Meetings: Significant meetings this quarter revolved around the Jordan-Israel treaty signed 10/26/94. PM Rabin met with King Hussein in Amman 1/12-13 about implementation of the treaty. On 12/6, Likud leader Binyamin Netanyahu met with King Hussein and Crown Prince Hassan in Amman; he emphasized that Likud no longer believes "Jordan is Palestine" and called for increased economic ties between the two countries. On 2/5 in Amman, King Hussein briefed 29-member Knesset delegation on peace process; the delegation then dined with 30 Jordanian MPs.

Diplomatic Relations: In implementation of the treaty, Israel and Jordan established full diplomatic relations on 11/27, opening their respective embassies in Amman and Tel Aviv on 12/11. Marwan Muasher, head of U.S. Jordan Information Bureau and of Jordan's negotiating team, was appointed ambassador to Israel on 11/27 and, after some delay, Shimon Shamir, former ambassador to Egypt, was named Israel's ambassador on 2/15.

Borders: Israel on 1/30 withdrew from 132 sq. mi. of Jordanian territory captured in 1967 in compliance with the peace treaty. On 2/9, the remaining 17 sq. mi. were returned, armies were deployed along the newly demarcated borders, and 300 Israeli farmers were given entry permits so they could continue working farms.

Legislative: The Jordanian cabinet on 2/11 approved a bill revoking all laws contravening the Jordan-Israel treaty, formally lifting the boycott on Israel (actually lifted on 11/16) and annulling a law on selling real estate to Israelis.

Cooperation: By mid-December, all joint committees on implementation had met, presented agendas, and formed subcommittees for specific treaty sections. Throughout the quarter, numerous meetings were held by the Jordanian-Israeli joint committees and subcommittees on

transportation, aviation, security and borders, investment, industrial cooperation, monetary and banking issues, water, health, energy and telecommunications, education, science and culture, and so on to formulate outlines for meeting the goals of the treaty and to discuss investment projects and joint development.

A first shipping agreement was reached in mid-November on shipping licenses, radio communications, and allowing free passage of small vessels on both sides of the Gulf of Elat.

In mid-January, the two sides agreed to build a railroad with EU assistance linking Irbid and Haifa, and Aqaba and Elat.

Toward the end of the quarter, some progress had been made on drafting a free trade agreement and on establishing air corridors and routes between the countries. Royal Jordanian Airlines and El Al agreed on joint tourist packages on 2/5, and a separate agreement on tourism was initiated on 2/6. That same day, "direct" postal service between Israel and Jordan began, though no mail will go by land and, pending the conclusion of an aviation agreement, all mail will be routed through Cyprus.

Meanwhile, Jordan reduced telephone rates to Israel and the occupied territories, where international calls go through the Israeli exchange, to half their former level.

Syrian-Israeli Track

Syrian-Israeli talks, officially suspended in February 1994, were reported by senior U.S. officials on 12/30 to have continued in about 24 secret, high-level meetings in Washington over the past six months. The first publicly acknowledged meeting since the suspension was held in Washington on 12/9 in the presence of U.S. Special Middle East Coordinator Dennis Ross, paving the way for the first official Syrian-Israeli talks since the suspension that began in Washington on 12/22. These talks, soon joined by military chiefs of staff, ended on 12/25 without progress, with Pres. al-Asad reportedly "overwhelmed by what he considered Israel's inflexibility during the military talks" (NYT, 3/15). Pres. al-Asad recalled his ambassador to the U.S., Walid Mu'allim, effectively suspending the talks once again.

MULTILATERALS

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

- The Multilateral Working Group on Economic Development held a follow-up meeting in Cairo on 12/5. Representatives from Egypt, the EU, France, Israel, Japan, Jordan, the PA, and the U.S. agreed to form three regional councils on finance, trade, and tourism to strengthen regional cooperation. Another two-day meeting was held in Bonn 1/18-19, but the PA delegation head concluded that little more can be achieved until Israeli-Palestinian bilateral negotiations move forward.

- The Middle East Arms Control Group held its seventh meeting in Tunis 12/13-15. Participants (Algeria, Egypt, Israel, PA, Russia, Saudi Arabia, Tunisia, U.S.) discussed confidence-building measures, naval issues, the creation of regional communication and security centers, and demilitarized zones. At the end of the meeting, members agreed to form three regional security/conflict-prevention centers (Amman, Qatar, Tunis) with main headquarters in Cairo, but could not agree on a joint declaration defining security relations because of differences over the Nuclear Non-Proliferation Treaty (NPT).

- The Refugee Working Group also held its seventh session 12/13-15, in Ankara. Over 250 delegates from 40 countries and organizations attended. They discussed job creation, family reunification, aid for children, public health, social and economic infrastructure, and human resource development. At the end of the meeting, the group submitted a proposal for a vocational training program for Palestinian refugees. The plan would cost \$20 m. over three years.

- The multilateral talks steering committee met for two days (1/22-23) in Cairo to discuss accomplishments of the five working groups. Delegations from Canada, Egypt, the EU, Israel, Japan, Jordan, Norway, the PA, Russia, Saudi Arabia, and the U.S. attended.

REGIONAL AFFAIRS

Israeli-Arab Relations

With regard to the Gulf, Israeli officials reported at the end of January that initial, low-level contacts had been made with Saudi Arabia on possibilities for coopera-

tion. Earlier, on 11/22, Israeli Dep. FM Yossi Beilin had met with Saudi (as well as other Arab) diplomats and businessmen at conference in Aspen, CO, regarding joint business ventures in light of peace process.

In a first visit by an Israeli leader to the Gulf (Israeli delegations had visited Qatar and Bahrain for multilateral meetings in 5/94 and 10/94 respectively), PM Rabin met with Sultan Qabus in Muscat 12/26-27 to discuss bilateral issues and possible agricultural assistance (irrigation and desalination) to Oman. In January, an Israeli Energy Ministry delegation traveled to Oman for talks on natural gas, and at a meeting in Aqaba in early February, FM Peres, Deputy FM Beilin, and the Omani FM agreed to open interests sections.

Israel's relations with Egypt during the quarter were said by both sides to have reached a low over the NPT and following the "Alexandria Summit" of Presidents Mubarak and al-Asad and King Fahd organized by Egypt on 12/29. Nonetheless, following Egyptian protests over the falling exports to Israel (from a high of \$235 m. annually to \$55 m. annually since 1992), Israel on 1/16 gave Egypt most favored nation status, removing it from list of countries subject to licensing and high customs fees (100-200%).

Concerning the Maghreb, Israeli television reported on 1/7 that Morocco would be establishing an office in Tel Aviv in February. Jerusalem's Qol Yisra'el announced on 2/7 that Israel and Tunisia would be opening interests sections (through the Belgian embassies) in each other's countries in mid-February. Meanwhile, a Tunisian tourism delegation denied reports that it had visited Israel in late January, stating that their visit had been confined to the Jericho area.

Regional meetings attended by Israel included:

- A "mini-summit" of the foreign ministers of Algeria, Egypt, Israel, Morocco, and Tunisia held 12/5 at the Conference on Security and Cooperation in Europe, where the sides agreed to form a regional security organization that would meet bi-annually in Vienna at the foreign minister level.
- A meeting in Aqaba on 12/12 of representatives from Egypt, Israel, Jordan, and the PA to discuss linking electricity grids. The same day, at the end of a two-day conference in Jerusalem on the environment organized by Israeli-Palestinian Center for

Research and Information, representatives from the same countries announced the establishment of joint Eco-Peace Task Force to monitor effects of increased development on the environment.

- The first tripartite meeting on regional security between Egypt, Jordan, and Israel on 1/4 in Elat, Israel, to discuss prevention of cross-border infiltrations.
- The 2/2 Cairo "summit" of Pres. Mubarak, PM Rabin, King Hussein, and Chmn. Arafat, which marked no progress and was seen largely as a "corrective" to the Saudi-Egyptian-Syrian summit in Alexandria that had raised fears of an emerging anti-Israeli front.
- A 2/8 economic conference at the ministerial level in Taba, Egypt, including Egypt, Israel, Jordan, the PA, and U.S. Secretary of Commerce Ron Brown (see under "Regional Economic" below).

By the end of the quarter, there were signs of a slow-down in the trend towards Israel's integration into the region. Resistance from the Gulf countries to the establishment of a regional development bank including Israel gathered momentum (see under "Regional Economic" below). On 2/11, the foreign minister of Qatar, one of the first Gulf countries to hold open talks with Israel on economic and political cooperation (in London and the UN as of fall 1993), said his country would "not rush to establish ties with Israel" and denied that there were plans to open representational offices there. He also denied plans to export natural gas to Israel.

Inter-Arab Highlights

Jordanian-Palestinian relations improved over the quarter. Following tensions over Jordan's role with regard to "holy sites" in the Jordan-Israel treaty, meetings between the two sides paved the way for Arafat's meetings with King Hussein in Amman on 1/25. A general agreement and seven executive agreements on economic, cultural, and political cooperation were signed on 1/26 (see Docs A4-5).

Egypt played host to a number of meetings aimed at reconciliation and the resurrection of a united Arab front in advance of multilateral negotiations with Israel. Of note, Pres. Mubarak applied for observer status in the Arab Maghreb Union in November. On 1/24 he met with King Hussein in Aqaba for the first time in four years and agreed to renew relations frozen since the 1990 Gulf crisis.

Regional meetings included:

- The seventh Islamic Conference Organization summit in Casablanca 12/13-14 attended by 11 Arab heads of state (26 Islamic heads of state) as well as prime ministers, foreign ministers, which passed resolutions on Jerusalem.
- The Saudi-Egypt-Syrian summit in Alexandria 12/28-29 that endorsed Syria's position in talks with Israel and reiterated UN resolutions as the basis for peace in the Middle East, and encouraged a united Arab stand on negotiations (see Doc. A2).
- The meeting of foreign ministers from Bahrain, Egypt, Kuwait, Oman, Qatar, Saudi Arabia, Syria, and the UAE in Cairo 2/5-6 that issued a statement condemning Israel's refusal to sign the NPT and supporting Syria's demands in peace talks.
- The 1/22 meeting in Cairo of representatives of Egypt, Jordan, and the PA to coordinate positions in preparation for the four-party (Egypt, Israel, Jordan, Palestine) committee on repatriation of displaced Palestinians. Earlier, in December, the Jordanians and Palestinians agreed on the definition of "displaced Palestinians."

Regional Economic

During the quarter, plans to establish a regional Middle East Development Bank, proposed soon after the September 1993 Israeli-PLO Declaration of Principles and seen as key to efforts to integrate Israel into the region economically, were scaled down. Championed by the U.S. and Israel at the Casablanca economic summit in October 1994 and backed by a number of Arab countries including Egypt, Jordan, and the PA, the idea was resisted by the Gulf states led by Saudi Arabia (which feared the financial burden) and the EU. To overcome opposition, at a meeting of representatives from 39 countries and financial institutions at the State Department on 1/11, a proposal was tabled for a smaller bank than had originally been planned (initial capital expected to be as little as \$1.5 b., less than one third what supporters had sought) and a special committee was set up to study the project as well as an alternative idea of founding a regional economic cooperation council on the order of the Organization for Economic Cooperation and Development. By early February, Gulf opposition, demonstrated in newspaper editorials and off-the-record statements by officials, had be-

come forceful and overt. At a press conference during a visit to the UAE by U.S. Secretary of Commerce Ron Brown, the UAE minister of financial and industrial affairs declared that the "Arab world is not in need of an institution or a development bank in which Israel participates" and that "before talking or thinking of establishing a common Middle East market, some balance in security and economic interests between the Arabs and Israel must be established" (NYT, 2/17).

U.S. Commerce Secretary Brown and executives from ten American corporations met in Tabá on 2/8 with trade officials fr. Egypt, Israel, Jordan, and the PA to discuss investment possibilities and setting up a regional council for trade. The parties agreed to work toward establishing regional free trade and to form two economic bodies to develop their economic ties. Egypt, Israel, Jordan, and the PA also discussed the Arab economic boycott and agreed to support efforts to end it. (Nabil Shaath of the PA signed the closing statement mentioning efforts to end the boycott, though he criticized it for not also calling for an end to Israel's closure of Gaza and the West Bank.)

INTERNATIONAL

Mediations

- U.S. Secretary of State Warren Christopher visited Syria and Israel 12/6-10, primarily in effort to revive Syrian-Israeli talks. In addition to his discussions with Pres. al-Asad, PM Rabin, and FM Peres, he also met with Chmn. Arafat.
- On 2/12, the U.S. brought together the foreign ministers of Egypt, Israel, and Jordan, and PA Planning Minister Nabil Shaath in Washington in an effort to move the stalled peace process forward. To signal U.S. concern, Pres. Clinton, VP Gore, and Secy. of State Christopher attended the meeting.
- Russian envoy Viktor Posuvalyuk visited Jordan and Syria 12/25-27, meeting with King Hussein, Jordanian PM Majali, and Syrian FM al-Shara' about the peace process. He returned to the region on 2/6 for five days of talks in Damascus, Beirut, and Amman.
- An EU delegation headed by French FM Alain Juppé toured Damascus, Israel, Gaza, Lebanon from 2/8-12. The delegation expressed support for a full Israeli withdrawal from the Golan, met with representatives at Orient House while in Jeru-

salem, and called for the resumption of Palestinian talks.

Earlier, on 11/28, the EU lifted an eight-year arms embargo on Syria.

United Nations

Three UN General Assembly resolutions relating to the Middle East were voted on during this quarter:

- A resolution calling for full Israeli withdrawal from the Golan was passed on 12/16. Israel and the U.S. were the only negative votes. There were 70 abstentions.
- A resolution supporting the peace process was passed, also on 12/16. Lebanon, Syria, Iran, and Libya voted against the resolution for its failure to refer to UNSC Res. 425.
- On 12/23, a resolution reaffirming the Palestinian right to self-determination was passed with 147 in favor and two (U.S. and Israel) against; Russia and Norway were among the 19 abstentions.

DONORS

Two donor meetings were held during the quarter:

- The Donor group's Ad Hoc Liaison Committee, a political body comprising seven full and five associate members, and selected other invitees (ten states and three international bodies) met in Brussels 11/29-30 to raise money against the Palestinian deficit and inject new life in the

overall assistance program in the West Bank and Gaza. After the World Bank noted that only \$240 m. of the over \$700 m. promised to the PA for 1994 was likely to arrive during the year, participants agreed to release \$125 m. immediately to cover emergency expenses and help self-rule transition. A "memorandum of understanding" was signed by Israel, the PA, and the donor countries outlining the PA's needs for the next four months, issues of taxation, Israeli aid, and contributions from donor countries. By mid-February, only \$64 m. of the \$125 m. pledged had reached the PA.

- On 1/30-31, the newly created Local Aid Coordination Committee (LACC) charged with facilitating implementation in the field met in Gaza. Representatives of some 30 donor countries (Israel did not attend) discussed problems of 1994 and possible improvements for the future. The meeting created 11 working groups, each dealing with a separate sector (public finance, tourism, private sector, housing and infrastructure, etc.) to move the process forward. Participants agreed to speed up transfer of aid to the PA (with priority going to job creation, roads, and utilities) and approved \$695 m. for employment projects and infrastructure development, \$500 m. of which was promised for last year.