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QUARTERLY UPDATE ON CONFLICT AND DIPLOMACY

16 FEBRUARY-15 MAY 2006

COMPILED BY MICHELE K. ESPOSITO

The Quarterly Update is a summary of bilateral, multilateral, regional, and international events affecting the Palestinians and the future of the peace process.

THE PALESTINIAN-ISRAELI CONFLICT

As the quarter opened, Israel, the Palestinians, and the international community were in the early stages of adjusting to the surprise victory by Hamas's Change and Reform party in the 1/25/06 Palestinian parliamentary elections (see Quarterly Update in *JPS* 139). Before the newly elected Palestinian Council (PC) members were sworn in, much less a new cabinet formed, Israel and the U.S. had already declared that they would sever all contacts with the Palestinian Authority (PA) and suspend all but humanitarian assistance to the Palestinians if Hamas were allowed to form a government, unless Hamas as a movement recognized Israel's right to exist, renounced violence, and pledged to uphold all agreements and understandings entered into between Israel and the PA/PLO; Israel added demands that Hamas annul its charter and that the new government dismantle all Palestinian militant groups. The Quartet committee (the European Union [EU], Russia, the UN, and the U.S.) issued a similar statement on 1/30 (see Doc. A5 in *JPS* 139), but the EU, Russia, and the UN quickly distanced themselves from the U.S. regarding aid suspension and stated a desire to wait and see how Hamas handled leadership before suspending all contacts. Adding to the sense of uncertainty for the future, Israel was heading into Knesset elections, set for 3/28, following PM Ariel Sharon's incapacitating stroke on 1/4/06 that left Ehud Olmert as acting PM and de facto head of Sharon's newly formed Kadima party.

Meanwhile, Palestinian violence remained low, while Israeli strikes and operations remained disproportionately high (see Chronology for details). Although the unilateral truce declared by the Palestinian

factions in 2/05 had run out at the end of 2005, the factions largely continued to observe it. Like last quarter, those Palestinian attacks that were launched were mainly by Islamic Jihad, the Fatah offshoot al-Aqsa Martyrs Brigade (AMB), and the Palestinian Resistance Committees (PRCs), while Hamas remained mostly quiet. The Israel Defense Force (IDF) continued **Operation Blue Skies**, launched 12/28 but suspended briefly during Palestinian elections, and which had resumed on 2/3 with a spate of Israeli assassinations targeting AMB and Islamic Jihad members (see Quarterly Update in *JPS* 139). The operation was aimed at curbing Palestinian rocket and mortar fire from Gaza by enforcing a no-go zone along the northern Gaza border using artillery, helicopters, and gunboats. Israel also continued to block implementation of the Rafah arrangements, personally negotiated by U.S. Secy. of State Condoleezza Rice (see Quarterly Update in *JPS* 139) to guarantee the movement of imports, exports, and individuals across the Gaza-Israel border, causing severe economic hardship in the Gaza Strip: while the Rafah crossing was operating 8 hrs./day for entry and exit of individuals to and from Egypt, only 2,500-3,500 workers/day were allowed through Erez, the sole entry for Palestinian workers to Israel; at Qarni, the main point for transit of goods, Israel allowed only 360 trucks/day to enter with imports and 75 trucks/day to exit with agricultural goods; and Sufa, reserved for the import of raw materials to Gaza, had been closed since 2/14. Jewish settlers in the West Bank also continued near daily attacks on Palestinian civilians. As of 2/16, at least 4,285 Palestinians (including 46 Israeli Arabs and 17 unidentified Arab cross-border infiltrators), 1,002 Israelis (310 IDF soldiers and security personnel, 201 settlers, 491

civilians), and 56 foreign nationals (including 2 British suicide bombers) had been killed since the start of the al-Aqsa intifada on 9/28/00.

Destabilizing the PA

As PA President Mahmud Abbas prepared to swear in the new PC on 2/18, senior advisers to Olmert and U.S. Pres. George W. Bush coordinated the U.S. and Israeli stances, reportedly formulating (2/17) a 12-step plan to isolate and destabilize an incoming Hamas government by isolating the Gaza Strip and depriving the PA of funding once Hamas formed a cabinet; the idea was that the pressure would force Hamas to moderate its stand or even decide in advance not to take a leadership role on the PC. The steps reportedly would include Israel's halting the transfer of VAT taxes collected on the PA's behalf; tightening restrictions at Gaza crossing points, including preventing entry of all but humanitarian aid and basic goods; ending the customs envelope that allows goods leaving Gaza and the West Bank to enter Israel without customs fees; barring Gazan workers from entering Israel; denying Palestinian movement between the West Bank and Gaza except in extreme emergencies; canceling Palestinian VIP permits, preventing Gaza legislators from attending PC sessions in Ramallah; and preventing construction of the Gaza sea port. Options considered but tabled for the time being included cutting electricity and water to Gaza. U.S. steps were not elaborated but were thought to involve stepping up pressure on the international community to halt Palestinian aid, which the U.S. undertook immediately, announcing on 2/17 its demand that the PA return \$50 m. in direct aid given in 8/05 in a show of support for Abbas during disengagement and in the run-up to PA elections. (The money was to be used to build homes, schools, and roads in Gaza and as collateral to secure bank loans.) The PA pledged (2/17) to return the \$49.4 m. not yet spent (\$30 m. was returned on 3/2).

On 2/19, the Israeli cabinet endorsed the immediate halt to transfers of VAT taxes owed the PA. The move was immediately denounced (2/19) by the UN, which emphasized that "these are monies that belong to the Palestinians and should not be withheld," while the PA stressed that it relied on the tax money to cover the salaries of its estimated 160,000 civil service workers (mostly Fatah members and including some 60,000 PA security forces) and that around

1 m. Palestinians depended on the PA wages for their livelihood.

Secy. of State Rice undertook (2/21-24) a regional tour of Egypt, Saudi Arabia, and the Gulf states aimed at securing regional consensus on the need to halt all funding that runs through the PA and to increase pressure on Hamas to accept the 1/30 Quartet demands to recognize Israel, renounce violence, and adhere to previous agreements. The Arab states demurred, urging the U.S. to give Hamas time to evolve and not to prejudge the issue. In his meeting with Rice, Egyptian pres. Husni Mubarak pointed up the contradictions in U.S. policy, noting that over the previous year, Rice had pushed Arab states to increase aid to the Palestinians and undertake their own democratic reforms, only now to call for a cut-off in aid to block the accession of a government that the U.S. itself acknowledged to have been democratically elected. Saudi FM Prince Saud al-Faisal added that "it would be the height of irony, at the time when we need to take care of these people who are seeking peace [the Palestinians], that we shall fall short on doing so."

In fact, even before the elections, the PA was already in dire financial straits. When, immediately after the elections, international donors held back further aid packages, waiting to gauge the seriousness of the U.S. position against Hamas, the impact on the Palestinian economy was immediate. In preparatory talks with Abbas on the government transition, Hamas quickly realized it was inheriting an already insolvent PA: with aid not forthcoming, VAT transfers suspended, Gaza's economy shut down by Israel's border restrictions (the IDF closed the main Qarni commercial crossing indefinitely on 2/21), and the PA leveraged to the hilt (all assets in the Palestine Investment Fund, the sole PA investment vehicle, had either been liquidated, put up as collateral to secure bank loans, or would have to be sold at a loss), the PA was unable to pay PA civil servants salaries for 2/06 at the end of that month, much less fund basic government operations and development programs. The long-term economic toll of prolonged U.S.-led economic sanctions was potentially devastating, considering that nearly 25% of Palestinian homes relied on civil service salaries for subsistence, PA expenditures accounted for roughly 45% of GDP, and nearly 80% of basic services were provided or subsidized by the PA, including 75% of schools, 60% of health clinics, and gasoline and home heating fuel.

Countering Rice, Quartet envoy James Wolfensohn sent (2/25) a letter to senior Quartet and donor reps. suggesting that an aid cut-off was dangerously irresponsible and warning that the PA could collapse financially within two weeks if new funding was not found to pay salaries, energy bills, and basic services, commenting that “we are in the midst of directly undermining the policy set by you [the Quartet] on 30 January, which I had understood was set to avoid the collapse of the PA and to allow us all to work together to find a way through this crisis.” Estimating that the PA needed an immediate infusion of \$60 m.–\$80 m., Wolfensohn stressed that “the failure to provide coordinated leadership will lead to hasty decisions, jeopardizing many years of a democratization process and institution building, and lead to the situation where there truly can be no partner for peace.” In response, the EU agreed (2/27) to provide the PA with \$144 m. during the transition to a new government; only \$21 m. could be used for salaries with the remainder earmarked for UNRWA social programs and the PA’s energy bill (\$43 m. to be paid directly to Israeli companies to cover outstanding debts). Pledges were also received from Norway (\$10 m. for teachers’ salaries), Russia (\$10 m.), and Saudi Arabia (\$20 m.). Between 2/15 and the end of the month, Qatar had already given \$14 m. to cover overdue loan repayments for 1/06, and Sweden \$6.4 m. for unspecified projects.

By late 2/06, the U.S. and EU were considering ways of continuing funding that would bypass Hamas-controlled PA bodies—such as making direct payments to Abbas “and his structures” (i.e., to the office of the president and the PLO), international organizations, and local NGOs; the idea was that needed money would continue to reach the Palestinian people but Hamas would be denied the ability to “take credit” for any progress. The U.S. openly sought, in the words of U.S. Asst. Secy. of State for Near East Affairs David Welch (2/25), to funnel money “to projects that would directly aid Abbas’s office,” fostering him as an alternative to the Hamas-led legislature, ministries, and other PA organs. (Some commentators noted that a benchmark of the PA fiscal reform process under Arafat was creating a single operating account under the PA Finance Min. to take spending control away from the president and increase transparency.) Meanwhile, acting Israeli FM Tzipi Livni declared (2/26) Abbas “irrelevant” and launched (3/1) an

EU tour to encourage EU countries to halt financing to the PA.

On 3/1, the UN Office for the Coordination of Humanitarian Affairs (OCHA) warned that stocks of basic goods (including flour, sugar, and cooking oil) in Gaza could run out within days unless Israel reopened the Qarni crossing (closed from 1/15–2/5, then closed again on 2/21), noting that shortages are so severe that international aid programs were being affected (e.g., the World Food Program (WFP), which delivers flour to around 146,000 Gazans, had used up its two-month supply buffer and was currently on hold) and that costs of basic goods in Gaza were up 25% due to shortages. Indeed, all four flour mills in Gaza had closed by 2/26 for lack of wheat. At the same time, Israel began (3/1) requiring international organizations (including 35 governmental organizations and 74 NGOs, including around a dozen UN groups) to obtain special permits for their Palestinian employees to enter “seam line” areas (i.e., areas between the separation wall and the Green Line in the West Bank); the organizations refused, saying compliance would constitute effective recognition that Israel had annexed those areas, opting to suffer the impact on its programs instead.

Meanwhile, Israel-Palestinian violence continued (see Chronology for details). The IDF launched (2/19–24) a major operation targeting the AMB, Islamic Jihad, and the Popular Front for the Liberation of Palestine (PFLP) in the Nablus area, leaving 7 Palestinians dead and more than 50 injured; assassinated 2 Islamic Jihad members on 2/20; and attempted to assassinate 3 AMB members on 2/24. OCHA estimated (3/1) that Israel had increased roadblocks across the West Bank by 25% and that the IDF was firing around 20–23 artillery rounds/day into Gaza in late 2/06 (killing 1 Palestinian and wounding at least 5), while Palestinians were firing around 6 rockets/day into Israel (causing no damage or injuries). In addition, an AMB gunman fatally shot a Jewish settler on 3/1, bringing the comprehensive death toll to 4,302 Palestinians and 1,003 Israelis.

Hamas Enters Government

In the run-up to the 3/28 Israeli elections, the diplomatic focus of Israel and the Palestinians was largely directed internally on their own leadership issues. On the Palestinian side, the new PC was sworn in on 2/18 in Ramallah, with Gazan reps. participating by video link (since Israel barred their passage to the West Bank); Change and

Reform's 'Aziz al-Dwayk was approved (70-16, with 46 abstentions) as PC speaker. Abbas's speech opening the session invited Hamas to form a cabinet but also set a firm line regarding the movement, defending past peace agreements, emphasizing the PLO as the sole legitimate representative of the Palestinians and the PA as a body of the PLO (of which Abbas is head), and calling for the immediate resumption of negotiations with Israel, a halt to violence, and continued government reforms (see Doc. B1). Later in the day, outgoing PA Negotiations Affairs M Saeb Erakat warned that if Hamas did not cooperate with Abbas in setting the government platform, Abbas would consider replacing Hamas's chosen PM or calling new elections. (Of note: Abbas swore in the cabinet and gave his speech at his headquarters at the Muqata'a, not in the PC building, making the new PC members come to him and downplaying the relevance of the PC.)

On 2/19, Hamas nominated Ismail Haniyeh, who headed the Change and Reform list, as its candidate for PM. Haniyeh immediately opened (2/20) talks with Abbas and the various parties within the PC toward forming a national unity government and with all Palestinian factions with a view to drafting a broadly acceptable government platform by consensus. Fatah, which had stated immediately after elections that it would not join a coalition with Hamas (see Quarterly Update in *JPS* 139), agreed to participate in the talks "to show respect for the sanctity of the democratic process" but remained cool. The PFLP, which had won 3 PC seats, said it would seriously consider joining a Hamas-led cabinet; the Alternative, Independent Palestine, and Third Way parties, as well as independents who had won PC seats, stated no position. The Democratic Front for the Liberation of Palestine (DFLP; 2/21) and Islamic Jihad (2/20) welcomed talks on the government platform.

In a bid to ease tensions with the international community, Haniyeh gave an interview (2/26) with the *Washington Post* in which he stated that "if Israel withdraws to the '67 borders, then we will establish a peace in stages," and that "if Israel declares that it will give the Palestinian people a state and give them back all their rights, then we are ready to recognize them." Hamas's exiled political leader Khalid Mishal also stated in talks with Russian FM Sergei Lavrov in Moscow on 3/3 that Hamas was willing to extend its unilateral truce with Israel through the end of 2006 and that it would honor

earlier agreements, including the road map and the 2002 Arab League initiative, both of which called for a recognition of Israel, provided there was Israeli "reciprocity," which Mishal defined as an official, guaranteed Israeli "readiness to return to the 1967 borders, to the return of Palestinian refugees, the destruction of the dividing wall, [and] the release of Palestinian prisoners." At the same time, Hamas held (ca. 2/23) quiet talks with the AMB, the Fatah offshoot Abu Rish Brigades (ARB), Islamic Jihad, and the PRCs to urge them formally to renew the 2/05 cease-fire pledge, but the factions declared on 2/23 that they would not do so.

Tensions with Fatah increased markedly with the first session of the new PC on 3/6. It will be recalled that on 2/13, at the end of last quarter, the final session of the outgoing, Fatah-dominated PC passed a series of laws aimed at centralizing power in the hands of the PA president (see Quarterly Update in *JPS* 139). At the 3/6 session, the Change and Reform bloc (holding 72 of the 132 PC seats) passed a measure declaring the 2/13 session to have been illegal since only 45 of 88 members had attended, thereby nullifying the laws forced through by Abbas. By voting on a measure to declare the session illegal, Hamas needed only to secure a simple majority, whereas it would have needed a two-thirds majority (87 votes) to rescind the individual measures. Recognizing the maneuver, angry Fatah legislators walked out in protest before the vote was taken, vowing to appeal to the PA High Court on the grounds that the vote "undermines the basis of dialogue and partnership in any institution with Hamas"; Fatah party leaders declared it a "coup attempt" against Abbas. (Outside the PC session, a small group of Fatah gunmen fired in the air, threatening to kill any Fatah PC member who agreed to join the cabinet.) Prior to the session, Change and Reform PC members had unveiled (3/5) plans to create a PC subcomm. on Jerusalem that would operate as an "alternative to Orient House" (the official PLO delegation allowed in East Jerusalem under the Oslo agreements, but shut by Israel in summer 2002) to prevent the sale of East Jerusalem land to Jews, to establish an Islamic educational system there, and to strengthen West Bank Palestinians' ties to the city.

The U.S. was not encouraged by Hamas's actions in the PC in its first weeks and by mid-3/06 was quietly warning Fatah members and a number of moderate Palestinian politicians who had been approached by

Haniyeh to join a cabinet (reportedly including independent PC member Ziad Abu Amr and Independent Palestine PC member Mustafa Barghouti) that the U.S. would sever all contact with them if they did so. Administration officials began making the threats publicly on 3/13, with U.S. Asst. Secy. of State Welch suggesting (3/17) that the U.S. would effectively consider any party that joined a Hamas-led government to be a terrorist organization as well.

Meanwhile, Haniyeh had continued to hold near daily talks on a national unity coalition and government platform, without significant progress. To jumpstart the talks, Hamas circulated (3/11) its own draft government program, which, although extremely vague, stated that “the question of recognizing Israel is not the jurisdiction of one faction, nor the government, but a decision for the Palestinian people,” suggesting the possibility of holding a referendum. But the draft was thin on substance, prompting Fatah and the other parties to say that they could not join a coalition without more detail.

After several more days of talks, the other PC parliamentary blocs, led by Fatah, presented (3/16) Hamas with their 4 basic demands for joining a coalition: (1) Hamas’s affirmation that the PLO is the sole legitimate rep. of the Palestinians and the point of reference for the creation of the PA; (2) Hamas’s commitment to the articles of the declaration of independence declared by the Palestine National Council in 1988 (implying recognition of Israel); (3) Hamas’s pledge to adhere to the Basic Law; and (4) Hamas’s agreement to issue a call for an international conference on implementing international resolutions on Palestine and rejecting unilateral solutions. The first point being a nonstarter, Hamas rejected the demands, and Haniyeh, in a final bid to secure a coalition, countered (3/16) with a letter to Abbas stating that Hamas would “realistically regard all agreements and obligations of the Palestinian Authority in a manner that will serve the interests of the Palestinian nation.” The Fatah Central Committee definitively ruled (3/16) that Fatah would not join the government. The other parties followed suit.

On 3/19, Haniyeh presented his cabinet slate to Abbas for approval. The proposed 24-member government (14 from the West Bank, 10 from Gaza) comprised 18 Hamas members and 6 independents/technocrats included a Christian tourism minister and a

woman as head of the Women’s Affairs Min. Hamas hardliner Mahmud Zahhar would serve as FM, Said Siyam (who won the most votes in Gaza) as interior minister, and U.S.-educated al-Najah University professor Omar ‘Abd al-Raziq as finance minister. Of note: Around this time, Israel released several jailed Change and Reform members, including ‘Abd al-Raziq (2/26), Local Government M Issa al-Ja’abari (ca. 3/29), Dep. PM and Education M Nasir al-Sha’ir (ca. 3/29), and at least two PC reps. ‘Abd al-Raziq had been detained for 3 months on charges of belonging to and handling money for a “terrorist group” (Hamas).

As he presented his cabinet, Haniyeh also released his final government program (see Doc. B2)—a detailed 39-point document stating that the government’s primary purpose is to “remove the occupation and settlements, and demolish the apartheid-separation wall; establish an independent, fully sovereign Palestinian state with Jerusalem as its capital; and reject all partial solutions, dictat policies, and faits accomplis.” The program also stressed the refugees’ right of return; the Palestinians’ right to armed struggle to resist occupation; the high importance of releasing prisoners and protecting Jerusalem; the need to halt corruption, relieve unemployment, and build a democratic society based on the rule of law and separation of powers; and the importance of cooperating with the international community. The PLO Exec. Comm. rejected (3/22) the platform for its failure to include recognition of the PLO as the sole legitimate rep. of the Palestinians, but Haniyeh’s office countered that under the Basic Law, the PLO Exec. Comm. had no right to interfere with the formation of the Palestinian government.

Abbas approved Haniyeh’s cabinet slate on 3/25, noting that he did so despite the failure of the platform to endorse previous peace agreements. He also urged Hamas to adopt, in order to gain political legitimacy, his version of a 2-state solution explicitly recognizing Israel and warned Hamas that its current positions imperiled political and financial support for the Palestinian cause, hinting that he could oust the government on that basis if it did not moderate its stands. Senior U.S. sources were reported as saying that the Bush administration was encouraging Abbas to wait 90 days, declare Haniyeh’s government ineffective, dissolve it, and appoint a technocratic government in its place, though the details of how this could be done legally under the Basic Law were unclear.

Olmert Presents His "Convergence Plan"

Meanwhile, with Israeli elections barely 3 weeks away, Olmert's Kadima party began to shape its election platform as a referendum on further unilateral withdrawals from Jewish settlements in the West Bank with a target of 2010 for unilateral declaration of Israel's borders in the absence of a Palestinian partner for peace. The initial outlines of this elaboration of Sharon's unilateral separation plan, now called the "convergence plan," were released on 3/5 and 3/9, suggesting the relocation of an estimated 60,000 settlers from some 72 isolated settlements to larger settlement blocs that would be kept within Israel's final borders. Jerusalem would be expanded by linking Ariel, Gush Etzion, and Ma'ale Adumim settlements to it through new settlement housing. IDF forces would stay in their positions, meaning that the disengagement would be solely civilian, not civilian and military as was the case with Gaza. Israel briefed the Bush administration on the plan the following week, but the U.S. did not initially comment. At the same time, Olmert rejected (3/2) Abbas's calls for negotiations, stating that he was "disappointed by the fact that instead of fighting terrorism, he [Abbas] has appointed the leader of terror [Haniyeh] as the candidate for prime minister."

The U.S. meanwhile continued to press the aid issue, despite the frustration caused by Russia's decision to host an official visit by Mishal and by a growing EU hesitancy to suspend aid; on 3/3, it reprimanded its Quartet partners for a "lack of clarity [that] is giving Hamas room to maneuver that we'd rather not let them have." Conditions in the territories continued to decline rapidly. USAID reported (3/8) that Israeli restrictions on Palestinian movement in violation of the Rafah arrangements had forced Gaza's greenhouse operators to destroy hundreds of tons of produce (worth \$4.4 m.) that could not be exported ("dumping" the state-subsidized produce on the Gaza market would depress prices and harm private Palestinian farmers). The restrictions also prevented the import of pesticides, jeopardizing future crop yields, and threatened the livelihood of Palestinian fishermen by limiting their movement offshore. By 3/16, all bakeries in Gaza had closed for lack of flour. The UN warned (3/19) that Gaza was dangerously short of basic foodstuffs and faced a major humanitarian crisis, highlighting that the UNRWA Gaza program had run out of food

to distribute to impoverished families. In response, the EU gave (3/20) UNRWA \$78 m. in emergency aid, and the World Bank released (3/7) \$42 m. to the PA as a one-time grant to permit payment (3/10) of half of civil servants' salaries for 2/06 (the money was part of the \$60 m. grant suspended in 12/05; see Quarterly Update in *JPS* 139).

The unintended effects of the aid stoppage on the ground began to aggravate U.S. relations with the EU especially, confronting the Bush administration with the dilemma of how to alleviate Palestinian suffering and prevent a humanitarian crisis while keeping up the pressure on Hamas. Although it largely stuck to its guns, it did press Israel to ease movement restrictions. Accordingly, Israel allowed the Qarni crossing (closed on 2/21) to open on 3/9, 3/10, 3/12, and 3/21 for imports of basic goods and on 3/26 and 3/27 for exports of agricultural products; but all other West Bank and Gaza crossings were closed on 3/11 for the Purim holidays, with the closure later extended (3/19) through the Israeli elections (though Qarni was opened briefly for exports and Sufa for imports on 3/26). The limited openings had little effect on Gaza conditions. Meanwhile, Israel also stopped renewing the permits of Gaza workers to enter Israel as they expired. Of note: the U.S. rejected (ca. 3/23) a request from Israeli security officials and the FMin. that the U.S. continue funding of a few projects in the territories, such as a sewage project in Hebron, saying that all contacts with the Hamas-led PA were banned.

Adding to the rapid deterioration on the ground, Israeli-Palestinian violence, which had been low for a week, escalated sharply on 3/14 when the IDF launched a raid on the PA's Jericho jail, **Operation Bring Home the Goods**, to take custody of 5 PFLP members, including PFLP head Ahmad Saadat, who was alleged to have been involved in the 10/01 assassination of Israeli tourism minister Rehavam Ze'evi, and 1 Fatah member involved in the 1/02 *Karine A* arms shipment (see Quarterly Updates in *JPS* 122 and 123, respectively). The PA had agreed to jail the men under the watch of U.S. and British observers as part of a deal brokered in 4/02 to end Operation Defensive Shield. Since Saadat had won a PC seat in the 1/25 elections, the PFLP had raised demands for his release, which Abbas and Haniyeh had agreed to consider. In a carefully overstated move well timed with the Israeli election campaign, British observers left the jail at the end of the morning shift on 3/14

without sending in the U.S. contingent and informed the PA that they were withdrawing because of safety concerns. Within 20 minutes, the IDF encircled the jail with 80 tanks and armored vehicles supported by helicopters. While 170 of the 280 inmates and most of the 300 PA security officers surrendered quickly, the remainder, including the 6 wanted men, resisted. Over 12 hours, the IDF shelled and demolished the jail and the attached police barracks, killing 1 PA prison guard and 1 prisoner, wounding 50, and detaining the 6 targeted men plus 15 others on Israel's wanted list. The raid sparked massive violent demonstrations and clashes with the IDF across the territories (see Chronology for details), during which Palestinian gunmen (most thought to be PFLP and AMB members) attacked foreign-owned buildings and kidnapped at least 9 foreigners. The UN immediately suspended operations in Gaza and withdrew its staff, while the EU Rafah observers shut the crossing and withdrew. All foreigners were released unharmed by 3/15. Olmert praised (3/15) the raid as "excellent," saying that his government had "restored the honor" of Ze'evi. (On 4/26, Israel said it would not try Saadat for the Ze'evi assassination after the attorney general ruled that an inquiry did not produce enough evidence to charge him in the case; instead he would be tried in a military court on other [unstated] charges.) Palestinian rocket fire from Gaza into Israel increased slightly over the succeeding days, as did IDF shelling of Gaza. The IDF also assassinated 3 Islamic Jihad members (2 on 3/6, also killing 2 bystanders; 1 on 3/22); attempted to assassinate 2 Islamic Jihad members on 3/3 and an AMB member on 3/27; and may have assassinated an Islamic Jihad member on 3/27. By 3/27, the eve of Israeli elections, the death toll had reached 4,322 Palestinians and 1,004 Israelis.

Governments in Place, Hamas Comes under Pressure

On 3/28, Israel held elections for the 17th Knesset as planned, with voter turnout at a relatively low 63%. As expected, Olmert's Kadima won the most votes, though fewer seats than had been predicted: taking 29 of 120 seats compared to 19 for Labor, 12 each for Likud (the biggest loser compared with its 38 seats last election) and Shas, 11 for Yisrael Beiteinu, 9 for the National Union-National Religious Party, 7 for the Pensioners' Party, 6 for United Torah Judaism, 5 for Meretz, and 10 for the 3 Arab parties. The

same day, the PC approved (71-36, with 2 abstentions) the Hamas-led cabinet, which was sworn in on 3/29. Although Olmert still had to form a coalition (he vowed to bring in only parties that supported his convergence plan and sought some participation by religious parties), election uncertainties essentially were put behind, and the sides could begin to move forward with policy implementation.

Hamas's Opening Line

From the moment the PA cabinet was approved, Haniyeh and his team tried to reach out to Israel and the international community, seeking dialogue and a margin of maneuver, albeit without abandoning Hamas's basic policy lines. Once installed, cabinet members officially resigned from Hamas in order to demonstrate a separation between Hamas and the PA. At the swearing-in ceremony on 3/29, PM Haniyeh stressed that his government would allow Abbas to pursue peace talks with Israel and would continue reform efforts. He also gave his ministers permission (4/5) to hold contacts with their Israeli counterparts and offered (3/27) to hold talks with the Quartet and to allow any country to send monitors to oversee PA spending. FM Zahhar sent (4/5) a letter to UN Secy.-Gen. Kofi Annan stating that the new government would be willing to accept a "two-state solution" and that the Palestinians (borrowing Israel's phrase) "look forward to living in peace and security . . . side-by-side with all our neighbors," though he stopped short of recognizing Israel or renouncing violence. Zahhar explained further (4/7, 4/28) that the government was prepared to discuss a 2-state solution that would recognize Israel's right to exist, "does not oppose negotiations with Israel if they lead to results that can be seen on the ground" and are aimed at "peace based on justice," and did not oppose third parties brokering negotiations between Israel and the PA, suggesting explicitly again (see government platform above) that any promising proposal would be put to the Palestinian people in a referendum. Incoming finance minister 'Abd al-Raziq said (3/26) that he hoped to negotiate a new economic treaty with Israel, was willing to meet with his Israeli counterpart to discuss revising the customs union negotiated under the 1994 Paris Protocol, and hoped that the Israeli-PA joint economic comm. started under Oslo could be revived. Interior M Siyam stated (3/30) that while the new government would not order the PA security

forces to arrest Palestinian militants for resistance activity, would not detain Palestinians for political reasons, and would not disarm factions, it would try to persuade armed factions not to stage attacks and would ask them to consider "how one should resist" so as not to jeopardize national interests.

On the other hand, Haniyeh denounced (3/31) Olmert's convergence plan in a letter to the London *Guardian* (see Doc. B5), stating that "Olmert's unilateralism is a recipe for conflict. It is a plan to impose a permanent situation in which the Palestinians end up with a homeland cut into pieces made inaccessible because of massive Jewish settlements built in contravention of international law on land seized illegally from the Palestinians."

Tightening the Noose

Hamas's gestures of conciliation bore no fruit, and pressures brought to bear within the PA by Abbas and externally by the U.S. made it nearly impossible for Haniyeh to govern effectively. Immediately after the PA cabinet was inducted, the U.S. ordered (3/29, 3/31) its diplomats and contractors not to have any contact with "PA officials who are under the authority of the prime minister or any other minister in the Hamas-led government. This includes working-level officials in those ministries. . . . If they are working in a Hamas-led ministry, no matter what their affiliation is, we're not going to have contact with them." (USAID officials said ca. 3/30 that they had been told not to deal with "even a nurse" with ties to the PA.) Contact with officials under Abbas's authority was permissible, including with the PLO rep. in Washington, Afif Safieh, since "he does not report to the foreign ministry." The restrictions applied even to U.S. special envoy for security affairs Keith Dayton, who could no longer meet with PA security officials, Hamas or otherwise.

After thoroughly reviewing its aid to the Palestinians, the U.S. announced (4/6) that it would terminate funding for reconstruction projects and redirect most of its annual aid to "basic human needs" and "democracy promotion"; on 4/7, it specified that it had frozen \$165 m. and canceled \$246 m. of planned funding, including road and water projects, small business development, electoral support, judicial reform, and community policing, but that \$105 m. would be redirected to food, health, education, and promotion of "democratic alternatives to Hamas." With no contact permitted

with PA ministries and towns led by Hamas mayors, most of the U.S. aid would be disbursed through the UN. Moreover, no money would go to Abbas's office until he secured control of the security forces and border crossings. (At the same time, the EU also suspended \$36 m. of aid.) U.S. officials said (4/6) that it had taken so long to set the parameters because the U.S. Justice Dept. did not want the redirection of aid to interfere with cases against people charged with helping charities linked to Hamas and other designated terrorist groups, fearing that defense lawyers could argue that even the U.S. government occasionally allows charitable aid to terrorist organizations. Many U.S. NGOs feared that the restrictions were so broadly worded and that the U.S. would be so strict in enforcing potentially devastating penalties that it would be too dangerous for them to continue relief work in the territories, even in such fields as education.

By early 4/06, the U.S. had also quietly begun warning banks that their institutions could face sanctions and seizures of assets for abetting terrorism if they continued to handle PA accounts or transfer money to accounts connected to the PA. Arab banks (especially those with branches in the U.S., such as Arab Bank) immediately took notice and by 4/12 were calling in more than \$100 m. in PA loans and closing PA accounts. Banks without U.S. branches but which depended on U.S. banks to handle U.S. transaction (i.e., "foreign correspondent banks") were also alert to the possible repercussions of continued dealings with the PA. Israel's largest banks, Bank Hapoalim and Bank Le'umi, also announced (4/4) that they would cut all connections with banks holding PA accounts: non-shekel transactions would be halted within 2 weeks and all shekel transactions within 3 months. Such transactions amount to tens of millions of dollars/day, much if not most of it personal transactions. The effect of the banking freeze meant that even if the PA was offered aid from foreign countries, the money could not get into the territories. The restrictions were so comprehensive that even Palestinian individuals would have difficulty getting money in and out.

Soon after, the U.S. Treasury Dept. issued (4/12) a determination that "Hamas, a terrorist entity whose property and interests are blocked under three separate [Office of Foreign Assets Control]-administered programs, has a property interest in the transactions of the Palestinian Authority," meaning

that Treasury is legally obligated to bar Americans, U.S. companies, and U.S. subsidiaries of foreign companies from doing business with the PA. Henceforth all "persons are prohibited from engaging in transactions with the Palestinian Authority unless authorized, and may not transfer, pay, withdraw, export, or otherwise deal in any assets in which the Palestinian Authority has an interest unless authorized." Violators without explicit authorization by the federal government would face sanctions on a case-by-case basis. The only automatic exemptions were for NGOs supplying medicine to the PA Health Min. and to staff of the IMF, World Bank, and UN working with the PA on official business (these staff had expressed concern that they could personally be indicted under U.S. law for providing "material support" to Hamas if they continued their jobs). Under the Treasury Dept. edict, the U.S. could freeze the U.S. assets of any foreign bank refusing to cooperate with the U.S. in cutting off aid to Hamas and could force U.S. banks to close any accounts held in their branches by foreign correspondent banks that do not cooperate. As a result, the Bank of Palestine, the largest bank in the occupied territories, said (4/25) that because of its reliance on foreign correspondent banks worldwide, it would halt processing foreign aid payments for the PA.

The U.S.'s ban on dealing with the Hamas-led PA was so strict that it even raised concerns for Israel, which feared that if the PA truly collapsed and international organizations were rendered inoperable, it would have to assume responsibility for humanitarian aid in keeping with its status as occupier under international law. Indeed, by late 3/06, Israel was urging the U.S. to halt its lobbying for the dissolution of the UNRWA and other UN institutions working on Palestine (see Quarterly Update in *JPS* 139) and to let them do more on the ground so Israel would not have to take over. Israel similarly pressured the U.S. neoconservative think-tank Jewish Institute for National Security Affairs (JINSA) to cancel a conference in early 4/06 focused on disbanding UNRWA.

Nevertheless, Israel continued its own boycott. On 4/9, it formally severed (4/9) all direct contacts with the PA, which it called a "hostile entity," and vowed to "work toward preventing any entrenchment of the Hamas government's rule." It would not rule out "personal" contacts with Abbas but said it viewed the PA as a single entity, thereby excluding the option of opening a separate

negotiating channel to bypass Hamas-led structures. It would also refuse to meet with foreign officials who had met with Hamas members on regional visits. The decision also "banned" the building of PA infrastructure that would "elevate the Hamas-led government" (though it was uncertain what Israel could do in this regard other than to continue to bar construction material from entering Gaza or destroy infrastructure put in place). Meanwhile, on a more mundane level, Israel repeatedly harassed Change and Reform PC members, particularly from East Jerusalem. The most serious action came on 4/18 when Israel, holding the Hamas-led PA responsible for the 4/17 Islamic Jihad bombing, threatened to revoke the Israeli residency rights of 3 Change and Reform PC members from East Jerusalem, meaning they would have to leave the city. Most other incidents involved arresting Change and Reform PC members and holding them for several hours on the grounds that they were conducting or planning "illegal political activity" in Jerusalem (e.g., 3/1, 3/7, 3/16, 3/17, 4/16, 4/27) or barring their movement into and out of Jerusalem or abroad for "security reasons" (e.g., 3/11, 4/18).

Abbas and Haniyeh Square Off

Meanwhile, after the new cabinet was approved, Abbas resumed efforts to consolidate power in the office of the president (see Quarterly Update in *JPS* 139). Most efforts were in the security realm, in keeping with the U.S. refusal to transfer aid directly to his office until borders and security were under his control (see above). On 4/5, Abbas issued a presidential decree placing Gaza border crossings under the control of security forces reporting directly to him (rather than to the Interior Min.); he was also reportedly working to set up a new presidential agency that would take charge of overseeing border crossings (as well as responsibility for settling border disputes with Israel that might keep the crossings closed), which had previously been the province of the Civil Affairs Min. On 4/6, Abbas appointed his longtime ally Rashid Abu Shibak to the new position of dir. gen. of the Palestinian Internal Security Service, reportedly incorporating the police, protective security, and civil defense, which were under Interior Min. Siyam's control. Although Siyam would technically be Abu Shibak's boss, any disputes between them would be resolved by the PA National Security Council headed by Abbas; Abu Shibak also claimed to have control

over hiring and firing officers. Days later, Abbas appointed (4/9) senior Fatah member Sulayman Hillis as commander of PA National Security Forces in the West Bank and Gaza, reporting directly to him, with control over all security forces except the police and preventive security, which would remain under Abu Shibak. (General Intelligence remained under Tawfiq Tirawi, who also reported directly to Abbas.) In fact, the mandates of Hillis and Abu Shibak in many ways seemed to overlap, and the mandates of specific security forces seemed to be in flux, with U.S. officials connected to special envoy Dayton's mission stating that the realignments made the division of labor and authority among the security forces "clear as mud." On 4/11, Abbas placed PA operations at the Rafah crossing under his presidential guard, removing security forces under Siyam's control. Abbas also indicated (3/24) plans to take full control of the Palestine Investment Fund, although depleted and tied by liens (see above), denying the Hamas-led government any say over its operation.

Abbas also exerted control as head of the PLO. On 4/6, the PLO Exec. Comm. reprimanded (4/6) Zahhar for sending a letter to Annan regarding the new government's position on a 2-state solution (see above) without coordinating with Abbas, ordered all further diplomatic statements and affairs be coordinated with the PLO (as opposed to the PA FMin.), and again demanded that Hamas recognize the PLO as sole legitimate representative of the Palestinian people. At the same time, Fatah officials declared (ca. 4/6) that now that the new government was in place, they would no longer help fundraise for the PA; according to Ramallah analyst Samir Barghouti (*Washington Times* 4/6), the message was "this is a Hamas job, and they can solve the problem themselves."

Moreover, while Haniyeh, as promised, pressured militant groups to observe a cease-fire while the new government settled into place (see above), Fatah-linked AMB and ARB cells threatened (ca. 4/10) to continue firing rockets expressly to embarrass and destabilize the Hamas-led government. Islamic Jihad's al-Quds Brigades agreed (4/9) to halt firing rockets at Israel for an unspecified period, but separately, Islamic Jihad political leaders vowed (4/9) that attacks on Israel would continue. (Cease-fire talks continued though the end of the quarter, with Egyptian mediation, but without further progress.)

In light of Abbas's moves on 4/5 and 4/6, Haniyeh accused (4/6) Abbas of attempting

to "create parallel frameworks to some ministries" to diminish the new government's control. The two met on 4/7 to discuss their differences on the structure of the PA and lines of authority, but reached no understandings. Afterward, Abbas stated publicly (4/7) that Hamas was already showing signs of confusion after a week of running the PA and predicted that it would soon soften its positions and recognize Israel.

Conditions on the Ground Worsen

Meanwhile, as the new government assumed leadership, the PA's dire economic situation and the impact of the mounting aid restrictions became clearer. At the first meeting of the new PA cabinet, Haniyeh announced (4/5) that the PA was out of cash and would be unable to pay civil servants their 3/06 salaries, issued an order that he and members of his government not be given their salaries as long as others went unpaid, and appealed to Arab states for emergency aid. On 4/6, the World Health Organization (WHO) warned that Palestinian public health services could collapse if aid to the PA were not extended, predicting that cuts in maternal and pediatric care, shortages of medications, and increased illnesses due to worsening sanitation could soon result. 'Abd al-Raziq later noted (4/28) his surprise discovery that the PA was already \$1.3 b. in debt (\$660 m. to the private sector, \$640 m to banks) and had little money to secure further credit.

Even as the economic situation deteriorated dangerously, violence escalated. The day after the PA cabinet was installed, a member of the AMB-Nablus faction dressed as an observant Jew hitched (3/30) a ride outside Keddumim settlement and detonated a bomb in the car, killing 4 Jewish settlers and himself. Abbas denounced the attack, but Zahhar stated that attacks within the occupied territories were legitimate resistance. The IDF immediately stepped up shelling and air strikes on n. Gaza, closed checkpoints across the northern West Bank, and warned the PA that it would increase retaliation against Palestinians firing rockets from Gaza, hitting any area from which rockets were launched, even if near populated areas or PA security posts. On 4/3, the IDF assassinated the AMB's West Bank commander in a raid on Bethlehem. When Palestinian rocket fire from Gaza escalated in response (causing no injuries), the IDF launched (4/4) **Operation Southern Arrow**, which continued through the end of the quarter. Effectively

an intensification of **Operation Blue Skies** (see above), the IDF stepped up mock air raids over Gaza, reduced the distance that artillery fire could be targeted near Palestinian homes from 300 m to 100 m, installed a new artillery battery outside s. Gaza near Kerem Shalom, and instituted a policy of responding to Palestinian rocket fire with IDF artillery fire at a ratio of roughly 1:25. (On 4/6 alone, the IDF fired some 300 artillery shells into Gaza in response to 12 rockets from Gaza.) Israeli artillery even landed near Abbas's presidential compound in Gaza City while he was in residence (4/7) and targeted his helipad there (4/4). Between 4/4 and 4/11, when the intensity of the initial IDF onslaught began to abate, the IDF assassinated at least 6 ARB members (4/8), 5 PRC members (4 on 4/7, also killing 2 bystanders; 1 on 4/9), and 2 AMB members (4/8). During the same period, IDF shelling of Gaza killed 2 Palestinian civilians and 1 PA security officer, wounded at least 43 civilians and 5 PA security officers, and damaged numerous homes and commercial buildings. Meanwhile, IDF arrest raids in the West Bank also increased (see Chronology for details). As of 4/11, the comprehensive death toll had reached 4,355 Palestinians and 1,008 Israelis.

Haniyeh and Abbas Grapple over Security

By late 4/06, frustrated with Abbas's attempts to co-opt the security apparatus and with the refusal of the PA security forces themselves (overwhelmingly Fatah cadres) to take orders from Interior M Siyam (many units were refusing to deploy), Haniyeh began to push back against Abbas. On 4/20, Siyam announced the appointment of Jamal Abu Samhadana, former senior PA security officer and Fatah member, and current PRC head, to the new post of inspector gen. of the Interior Min., reporting directly to him. The new position involved overseeing the creation of a new volunteer security force (called the Executive Support Force or ESF), also answerable directly to Siyam, that would serve two purposes: to bring some 3,000 resistance fighters (ideally from all parties) into the PA security structure and under its control, and to help provide law and order on the streets, which was lacking since the existing Fatah-dominated PA security branches were refusing to perform their duties. Abu Samhadana's appointment was extremely controversial: Though Hamas considered him a uniting figure, given his close ties to Fatah and the high level of

respect he enjoyed among resistance fighters of all factions, he was also a suspect in the 10/03 roadside bombing of a U.S. security convoy in Gaza that killed 3 American security guards, his PRC cells had been responsible for many of the rocket launches into Israel, and he was high on Israel's most-wanted list, having been a target of 2 Israeli assassination attempts. Israel and the U.S. immediately denounced the appointment and accused Hamas of forming a militia to challenge Abbas. Abbas, who had not been consulted, vetoed (4/21) Abu Samhadana's appointment and vowed to block the creation of the ESF, but the Interior Min. said (4/21) "the decisions will not be frozen, and we are pressing ahead with our plan."

Tensions immediately escalated dangerously. Fatah strongman and former Gaza security chief Muhammad Dahlan (a close ally of the U.S.) ordered (ca. 4/21) his old units to remove weapons from the PA preventive security forces' armory in Gaza, so that the new ESF would not have access to them; there was no word about where the guns were moved. Members of the Yasir Arafat Brigades (an AMB off-shoot) announced (4/26) plans to create their own militia "to protect Fatah men against the Israeli enemy and against any attempt by any party inside the homeland to target them." On the ground, 1,000s of Fatah supporters staged rallies across Gaza and the West Bank over the next several days denouncing Hamas, occasionally clashing with Hamas supporters (see Chronology for details). Fatah-Hamas tensions remained high through the end of the quarter (see Intra-Palestinian section below).

Undeterred, the Interior Min. began training its first 50 ESF recruits on 4/27, all of them members of Abu Samhadana's PRC faction. By 5/5, another 450 of Abu Samhadana's men had volunteered, but negotiations with the AMB, DFLP, Fatah, Islamic Jihad, and PFLP to participate failed. Responding to the developments, the U.S. and EU opened (by 5/14) quiet contacts regarding possibly funding a project for special envoy Dayton to oversee the expansion of Arafat's presidential guard (Force 17) into a 3,500-member security unit that would counterbalance the ESF. (Force 17 currently had around 2,600 members, 1,100 in the West Bank and 1,500 in Gaza.)

A Humanitarian Crisis Looms

Meanwhile, the international community continued to struggle with how to contend with U.S. pressure on the aid issue. The

UN, one of the only viable conduits that remained for transferring humanitarian assistance to the Palestinians, yielded (4/11) to U.S. pressure to restrict its official dealings with the PA: while "working contacts" were allowed to continue, political contacts were barred unless authorized on a case-by-case basis. By mid-4/06, many donor states (e.g., Britain, Canada, France, Germany, Japan, the Netherlands, Norway) had suspended direct aid to the PA and halted official contacts pending international discussions on the issue. Russia notably broke with the trend, authorizing (4/15) and sending (5/6) \$10 m. of indirect aid to cover PA debts in health and education. Iran, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE together pledged some \$200 m. in direct assistance, of which roughly \$70 m. was sent to the Arab League for transmittal to the PA in keeping with pledges at the Arab League summit (see below). None of the money reached the PA, however, due to restrictions on bank transfers. Even the money sent to the Arab League was in limbo at the end of the quarter, as the Arab Bank had already closed the League's account in Cairo used for aid transfers to the PA, confiscating \$32 m. in the account to cover outstanding PA loan payments. (By way of comparison, Kuwait alone gave \$500 m. to the American victims of Hurricane Katrina this quarter, and Qatar pledged \$60 m.)

On 4/27, donors met in London for their first international talks aimed at finding a way to transfer much-needed aid to the Palestinians while complying with the U.S. demands that no aid directly or indirectly benefit the Hamas-led PA; no solution was found. The U.S. strongly opposed even recommendations that existing donor structures be used to funnel VAT taxes and foreign aid directly to the accounts of PA civil servants and providers of basic services, thereby bypassing the PA itself (see details under Donors below).

Over the next two weeks, however, the humanitarian situation in the occupied territories took a sharp downturn, prompting a string of worrisome reports warning of potentially irreversible setbacks to the Palestinian economy and society. Most notably, Quartet envoy Wolfensohn resigned (4/30) at the end of his extended tour, citing the lack of a clear mandate on how to generate Palestinian economic development and restrictions on his role that prevented him from dealing with the Hamas-led PA. (The U.S. acknowledged that it did not encourage

Wolfensohn to remain and stated opposition to appointing a new envoy in the near future.) In his final report, Wolfensohn stressed (4/30) that continued aid was vital to building credible and well-functioning Palestinian institutions, to revitalizing the Palestinian economy, to achieving a 2-state solution and successful resolution to the conflict, and to preserving regional security. He also warned that the UN and NGOs would be unable to fill the void if PA institutions collapsed. The World Bank followed with a private memo to donors (5/7) and a public report (circulated 5/8; see Doc. A2) warning that U.S.-led sanctions threatened to lead to a dramatic fiscal decline that could result in humanitarian crisis, rising insecurity, and the dissolution of the PA, and recommending that aid programs be expanded immediately to prevent this. The WFP warned (4/29) that the food security situation across the West Bank and Gaza was deteriorating rapidly, with 104,000 new nonrefugees (an increase of 13%) having sought food aid since 1/06. On 5/3, the first crisis reports from Palestinian institutions came in, with Gaza's al-Shifa hospital stating that 4 patients had died in previous days from treatable conditions due to lack of medicine coming into the Strip and the PA's inability to pay suppliers. The hospital no longer had chemotherapy drugs, was diluting dialysis drugs, could not repair failing medical equipment, and had only a few days' supply of essential medicines such as antibiotics, atropine, adrenaline, heparin, and lidocaine. Disposable needles, suture sets, surgical gloves, plaster for casts, and adhesive tape were also running low, and all nonemergency surgeries were being postponed. On 5/10, the Israeli conglomerate Dor-Alon, sole fuel supplier to the territories, temporarily suspended deliveries until Abbas arranged (5/14) to liquidate \$29 m. from the Palestine Investment Fund to cover a third of the PA debt owed; by that time, the PA was down to a 48-hour fuel reserve. On 5/4, 36 international NGOs (including the American Friends Service Comm., Médecins du Monde, Mercy Corps, and Save the Children) issued a call warning that they did not have the assets or capacity to coordinate, manage, or administer the essential social services the PA was increasingly unable to provide. UNRWA head Karen Koning Abu Zayid stated (5/5) that her agency was "re-ally terrified" of what would happen to Gaza if U.S.-led sanctions continued.

In light of these reports, the Quartet convened (5/9) in New York to reopen talks on

aid options; also attending were the FMs of Egypt, Jordan, and Saudi Arabia. In a change of position, the U.S. tentatively agreed to consider supporting a British–EU–World Bank plan to set up a “Temporary International Mechanism” to provide limited direct aid to Palestinian employees and contractors of vital services through an international fund that would bypass the Hamas-led PA but might run through Abbas’s office. The EU agreed to draft a detailed proposal; if acceptable to the U.S., it would be put in place for an initial 3-month period, after which the U.S. would review operations and decide whether it would allow the program to continue. Explaining the U.S. line, a senior State Dept. official speaking anonymously noted (5/9) that the pressures on the U.S. and the EU were not the same: “Europeans are alarmed about reports of a crisis in the West Bank and Gaza, but Americans are not that upset.” Other issues reportedly on the Quartet agenda in New York were whether to name a new envoy to replace Wolfensohn (the U.S. blocked this); whether the road map was still relevant and if it should be revised or withdrawn; and whether the Quartet itself should continue a mediating role.

At the Quartet session, U.S. Secy. of State Rice announced that the U.S. would send \$10 m. for medicine and related supplies to deal with the crisis in the health sector, but stressed that Hamas “bears sole responsibility for the hardships facing the Palestinian people.” The European Council recommended (5/6) that the EU disburse \$43 m. in aid for food, sanitation, water, and health projects. Israel similarly authorized (5/12) the release of \$60 m. of the frozen VAT taxes to pay health sector suppliers directly, provided it received guarantees that none of the funds would pay PA health workers’ salaries. None of these funds were released by the end of the quarter.

Diplomatic Moves and the Prisoners’ Initiative

Meanwhile, on 5/4, the Knesset approved and swore in PM Ehud Olmert’s 25-member coalition cabinet, comprising Kadima, Labor, Shas, and the Pensioners Party, with Kadima’s Tzipi Livni as vice PM and FM and former Histadrut leader and Labor party head Amir Peretz as the controversial choice for DM. Olmert reiterated plans to set Israel’s borders by 2010, with the separation wall forming the basis of the West Bank lines. (Of note: To bring the religious Shas party

into the government, Olmert compromised on his pledge that all parties in his coalition would support the convergence plan; a letter attached to the coalition agreement outlined and acknowledged Shas’s objections to the plan and to the coalition position on settlements in general.) Abbas immediately (5/5) called on Olmert to resume peace negotiations, but Olmert did not respond.

The U.S. quickly invited Olmert to come to Washington on 5/23 to meet with Bush, and by 5/15 the sides had opened consultations on the convergence plan aimed at “coordinating expectations” before the meeting. On 5/15, Olmert’s chief of staff Yoram Turbowicz, special adviser Dov Weisglass, and foreign affairs adviser Shalom Turjeman held preparatory talks in Washington with Rice and National Security Adviser Stephen Hadley. Two major issues reportedly topped the agenda: the timeline for implementation of the plan, and the degree to which the Bush administration would support the plan at this stage. The U.S. urged Olmert to make a real effort to restart talks with Abbas before proceeding with unilateral implementation. Although neither Israel nor the U.S. reportedly thought talks would lead anywhere, the U.S. felt they would be important for public relations, for U.S. relations with its allies, and to buttress Abbas vis-à-vis Hamas. Israel was inclined to approach Abbas only after the Hamas-led PA met the Quartet’s 1/30 demands.

On the Palestinian side, by 5/12, Haniyeh’s government had reportedly passed a letter to the EU via several Arab countries, including Saudi Arabia and Qatar, stating that it would consent to “the recognition of a Palestinian state next to Israel” according to 1967 borders, but would not recognize Israel more explicitly at this stage. Russia was reportedly involved in securing this wording as a compromise to Quartet demands for Hamas to recognize Israel, but it apparently had no effect on the positions of the U.S. or Israel.

As the quarter came to a close, an unexpected initiative on the Palestinian side seemed to hold some promise of a way out of the desperate stalemate: the fast unraveling economic and social safety net, PA bankruptcy, deep leadership divisions, the coalition against Hamas, and the consequent operational paralysis of government. Against this background, and in hopes of creating movement, imprisoned members of the DFLP, Fatah, Hamas, Islamic Jihad, and the PFLP—led by jailed Fatah *tanzim* leader

Marwan Barghouti and jailed senior Hamas member 'Abd al-Khaliq Natshah—issued (5/11) an 18-point “joint platform” calling for a Palestinian state within 1967 borders and urging Palestinians to “focus their resistance on lands occupied in 1967,” implying that attacks inside Israel should cease (see Doc. B8). The document had the potential to be the basis of a national unity platform that could move the peace process forward: not only did it have broad support among the factions in the prisons, considered the leaders of the resistance, but the wording seemed sufficiently ambiguous to provide a starting point for compromise between the international community and Hamas on the recognition of Israel and renunciation of violence, which in theory would allow an easing of aid restrictions. Abbas quickly said (5/11) that he supported the platform. But while Haniyeh said (5/13) it deserved study and should be placed on the agenda of upcoming national unity talks among the factions (hopefully to begin in the territories and abroad in the coming weeks), the Hamas leadership in exile (to whom Haniyeh technically answers) categorically rejected the document. Israel reserved comment, saying it would not weigh in on internal Palestinian matters. The U.S. and EU did not publicly respond.

Meanwhile, Israeli-Palestinian violence escalated (see Chronology for details). After an Islamic Jihad suicide bomber detonated a device in Tel Aviv on 4/17, killing 11 Israelis and wounding 57, the IDF ramped up Operation Southern Arrow targeting Gaza (see under “Conditions on the Ground Worsen” above). Between 4/12 and 5/15, IDF shelling of Gaza killed 3 Palestinian civilians and wounded at least 40; the IDF reinforced positions on the Gaza border with new military bases and observation towers, continued work begun last quarter on a concrete wall along the border north of Bayt Hanun and Bayt Lahiya, and occasionally sent (e.g., 4/13, 4/14, 5/11) armored bulldozers several dozen yards inside the Strip to search for buried explosives. On 5/14, the IDF reported that it had fired more than 5,100 shells into Gaza since 3/31. (By comparison, OCHA reported that Palestinians had fired 149 rockets into Israel between 4/12 and 5/16, causing no reported damage.) During this period, border crossings between Gaza and Israel remained shut the overwhelming majority of the time. The IDF continued assassinations, killing 2 AMB members (4/23) and 2 Islamic Jihad members (4/27), and

making attempts on 6 Islamic Jihad members (4/27, 5/14), 3 AMB members (5/15), and a PRC member (5/5). In the West Bank, the IDF continued arrest raids and house searches and tightened (4/22) restrictions on Palestinian movement between the north and south.

Intifada Data and Trends

During the quarter, at least 101 Palestinians and 15 Israelis were killed (compared to 70 Palestinians and 10 Israelis last quarter), bringing the toll at 5/15 to at least 4,386 Palestinians (including 46 Israeli Arabs and 17 unidentified Arab cross-border infiltrators), 1,017 Israelis (311 IDF soldiers and security personnel, 206 settlers, 500 civilians), and 57 foreign nationals (including 2 British suicide bombers).

At the end of the quarter, all crossings into Gaza except Rafah were closed. Between 2/16 and 5/15, Erez was open to Palestinian workers for only 25 days (2/16-3/10 and 5/4-7); Qarni was open but with changing limits on imports and exports 2/16-20, 3/9-10, 3/12-13, 3/21-27, 3/29-4/3, 4/12-14, 4/17-26, 4/30-5/2, 5/4-5, and ca. 5/10-13; Sufa was open to limited imports 3/26-27, 4/17-18, 4/20-5/2, and 5/4; Kerem Shalom was open from 2/16-3/10, 3/23-27, 4/14, 4/20-26, 4/29-5/2, and 5/4. OCHA reported (3/19) that Qarni crossing was closed 8% of the time in 2001, 6% in 2002, 24% in 2003, 19% in 2004, 18% in 2005, and 60% thus far in 2006, even though the Rafah arrangements designated Qarni as the primary transit point for commercial goods.

This quarter, Israel carried out 20 clear assassinations (down from 29 last quarter), killing 9 bystanders and wounding 47. The following individuals were assassinated this quarter: the **AMB's** Ra'id Ubayyat (4/3), Muhammad Abu Shari'a (4/8), Mahmud Ajjur (4/8), Daniel Abu Hammami (4/23), and Ahmad Muslih (4/23); the **ARB's** Ibrahim 'Abd al-Hadi (4/8), Muhammad 'Abd al-Hadi (4/8), Hassan Abu al-Husayn (4/8), Muhammad Abu al-Husayn (4/8), Muhammad Hamdan (4/8), and Huthayfa Shubayr (4/8); **Islamic Jihad's** Ahmad Abu Sharikh (2/20), Muhammad Shatawi (2/20), Ashraf Shalluf (3/6), Munir Sukkar (3/6), Ramadan Mutair (3/22), Ahmad Abu Nijim (4/27), and Wa'il al-Qaran (4/27); and the **PRCs'** Iyad Abu al-Aynayn (4/7) and Jabir Akhras (4/9). The IDF also attempted to assassinate 8 Islamic Jihad members (2 on 3/3, 5 on 4/27, and 1 on 5/14), 7 AMB members (3 on 2/24, 1 on 3/27, and 3 on 5/15), and a PRC

member (5/5), killing a total of 5 bystanders and wounding 11. An incident on 3/27 may have been an assassination attempt targeting an Islamic Jihad member. In addition, Islamic Jihad military commander Khalid Dadu (3/1) and PRC military commander Abu Yusif Abu Quka (3/31) were assassinated in car bombings in Gaza; both men were wanted by Israel and there was no indication that they were the victims of intra-Palestinian violence, but Israel denied targeting them and no group took responsibility.

During the quarter, 2 Palestinian suicide bombings (down from 4 last quarter) were recorded, killing 15 and injuring 57 (compared to 8 killed and about 55 injured last quarter). The larger of the two was carried out by Islamic Jihad in Tel Aviv on 4/17, while the other was carried out by the AMB-Nablus faction outside Keddumim settlement on 3/30.

Palestinian use of mortars and rockets remained high this quarter, but roadside bombs were down. Palestinian rockets fired from Gaza into Israel seemed to average 20–40 rockets/week, but reporting was very spotty. No Israelis were killed or wounded, but 2 greenhouses were reportedly damaged (see Chronology for details). According to all sources, Islamic Jihad was the main instigator behind the rocket fire, with Hamas participating very little, if at all. Of note: Islamic Jihad for the first time fired (3/28) a Grad missile (an Eastern European rocket with a range longer than a Qassam but shorter than a Katyusha, many of which have been sold to Iran) from Gaza towards Ashkelon, causing no damage or injuries. Israeli Military Intelligence cmdr. Maj. Gen. Amos Yadlin confirmed (4/13) that the Grad must have been smuggled into Gaza, stating, “We can’t know for sure when the specific Grad that was launched reached Gaza. And we can’t say if that specific Grad came via Iran.” Islamic Jihad claimed to fire a second Grad on 4/21, but the IDF reported no rocket fire.

Israeli house demolitions were slightly down this quarter: at least 3 homes each in Bethlehem and Jenin, 2 each in East Jerusalem and Hebron, and 1 each in Qalqilya and Tulkarm were demolished. In addition, on 3/29, 30 Palestinians were evicted from 3 apartment buildings in Silwan and several Palestinian families were evicted from 2 apartment buildings in al-Tur, in which they have lived for at least 40 years, after an Israeli court ruled that the buildings were legally acquired by the Jewish National Fund in 1923.

Jewish settler violence against Palestinians was slightly lower this quarter but remained a near daily occurrence. Incidents included settlers occupying Palestinian homes and stores (4/7), fencing off land for expansion of settlements or creation of new outposts (4/10, 4/28), beating or otherwise attacking Palestinians (2/28, 3/3, 3/4, 3/8, 3/13, 3/14, 2 on 3/25, 2 on 3/28, 3/30, 3/31, 2 on 4/1, 4/7, 4/8, 4/15, 4/16, 4/21, 4/29, 5/4, 5/6, 5/11), barring Palestinians from using roads or accessing property (4/15), vandalizing property (3/4, 3/13, 3/14, 3/25, 3/28, 3/29, 4/1, 4/16, 2 on 4/22, 4/29, 4/30, 2 on 5/6, 5/11), setting fire to property (4/8), destroying crops and uprooting trees (3/9, 3/11, 3/12, 3/16, 3/24, 3/29, 4/1), and stealing or killing livestock (4/1, 4/17). Armed settlers fired on Palestinians 3 times (2/24, 3/31, 4/17), wounding 1 Palestinian (2/24), and fired on and tossed grenades at Palestinians on 3/15, wounding 3. There was also 1 incident of a deliberate hit-and-run by a Jewish settler that injured 1 Palestinian (5/4). Settlers also attacked international and Israeli peace activists (3/25, 4/20, 5/6) and stoned an IDF jeep escorting Palestinian children to school near Hebron (4/22). Of 49 reported incidents (down from 56 last quarter), most occurred in Hebron (37), Nablus (7), Tubas (2), Bethlehem (1), Jericho (1), and the Jordan Valley (1).

Of note: A dozen residents of Sederot village in s. Israel, just across the border from Gaza, filed (2/27) a lawsuit in Israeli court suing the PA and seeking \$11 m. compensation for damage caused by Palestinian rocket fire, including damaged structures, rutted roads, and psychological treatment for their children. No decision was rendered by the end of the quarter.

Of note: An Israeli military court indicted (3/21) 2 Palestinians, Azzam Abu al-Adas and Bilal Hafnawi, on charges of being members of al-Qa’ida and plotting a bombing in Jerusalem. The men were arrested in 12/05, but their detention was not announced until 3/21, and no details of the evidence against them was released. While no proof of a Palestinian-al-Qa’ida connection could be made, al-Qa’ida was clearly interested in showing its support for Palestine: Following a 3/4 statement by al-Qa’ida’s Ayman al-Zawahiri supporting Hamas, Hamas officials stressed (3/6) that “Hamas believes that Islam is completely different to the ideology of Mr. al-Zawahiri. . . . Our battle is against the Israeli occupation and our only concern is to restore our rights and serve our people.

We have no links with any group or element outside Palestine.”

Separation Wall

Israel continued work on its separation wall in the West Bank, with monitors reporting continued construction this quarter north of Bethlehem and Hebron, around Jerusalem, southwest of Ramallah, northwest and southeast of Nablus, and east of Tulkarm. By the end of the quarter, half of the wall had been completed (including a segment near Qalandia checkpoint outside Ramallah), with Olmert's new government ordering (5/8) that construction be speeded and 95% of the wall completed by the end of the year. After the 4/17 suicide bombing, Olmert also ordered (4/26) temporary fences immediately erected around Jerusalem wherever the wall had not been completed. Of note: Soon after completing the Qalandia checkpoint segment, the IDF began (3/27) allowing only Palestinians with Israeli entry visas to cross, even to enter the West Bank village of al-Ram, between the wall and the Green Line. The World Bank estimated (3/15) that Israel's wall construction cost the Palestinian economy 5%/year in real economic growth.

On 3/2, Israel began work on a new 20-mi wall segment south of Hebron that will isolate 3,000 Palestinians and 80,000 d. of Palestinian land between the wall and the Green Line; work also began on new segments near Bayt Hanina north of Jerusalem (ca. 4/5) and east of Yatta nr. Hebron (4/26). In addition, at least 1,056 d. of land around Bethlehem was confiscated this quarter for the wall.

B'Tselem reported (3/2) that the IDF planned to build a wall around 5 Palestinian villages northwest of Jerusalem, encircling them by the wall and 3 settler only bypass roads, cutting them off from East Jerusalem and surrounding Palestinian villages; 4 underground tunnels and 2 bridges would link the 5 villages with the rest of the West Bank. What B'Tselem termed the new "Bir Nabala enclave" would include Bir Nabala (pop. 6,100), al-Jib (pop. 4,600), al-Judayra (pop. 2,100), Bayt Hanina al-Balad (pop. 1,400), and Qalandia (pop. 1,200).

In a rare decision, a Tel Aviv court ruled (3/21) in favor of residents of Shaykh Sa'ad village north of Bethlehem, ordering that a portion of the wall planned to run through the village be rerouted, preferably east of the village to preserve residents' access to Jerusalem, and rejecting government claims

that the Palestinian villagers posed a security threat to the state. The Israeli cabinet also approved (4/30) a revised route for part of the wall around Ariel settlement and Jerusalem that would reportedly take less Palestinian land. (Maps were not published, however.)

In addition, Israel acknowledged (3/13) that it had begun work on a new police headquarters, road network, and "other facilities" in Jerusalem's E-1 development area, marking the first step in the largest settlement construction project since 1967 to create "Jewish demographic continuity between Jerusalem and Ma'ale Adumim." The project will also include 3,550 housing units, 6 hotels, and a park. The Israeli daily *Ha'Aretz* reported (4/26) that right-wing Israeli nonprofit associations building the new E-1 police station would receive the current police building in the center of East Jerusalem's Ras al-Amud neighborhood as part of their compensation, giving settlers access to 14 d. of prime real estate to expand Ma'ale Zeitim settlement in Ras al-Amud.

INTRA-PALESTINIAN DYNAMICS

As noted above, intra-Palestinian relations this quarter were dominated by the struggle between Hamas and Fatah for control of the PA. While Haniyeh pledged (3/29) to continue PA reforms efforts, his government was too overwhelmed by the aid and security issues, and too occupied with attempting to block maneuvers to strip it of decision-making authority, to be able to focus on reform. On 5/1, the meetings scheduled to begin on 5/2 to resume the national unity dialogue among Palestinian factions in the aim of reforming the PLO and agreeing on a national unity platform were postponed for several weeks because of disagreements between Fatah and Hamas over who would chair the sessions.

Meanwhile, there was an increasing descent into lawlessness in the territories, particularly Gaza. While most tensions this quarter were between Fatah and Hamas, it is worth noting that Hamas suffered its own internal differences between hard-liners and moderates, both within the territories and between its more pragmatic local leadership in the territories and the more radical higher leadership based in Damascus. These became apparent in the formation of the government, which also highlighted Haniyeh's moderating role within the movement. The inside-outside difference became

most apparent following Abbas's 4/21 veto of Abu Samhadana's appointment to the Interior Min. (see above): Immediately, Hamas's supreme leader Mishal issued (4/21) a statement from Damascus, denouncing Abbas for conspiring against the new government, committing treason, and surrendering to Israel. The statement sparked violent clashes between Fatah and Hamas cadres over the following days (see Chronology for details). In response, Haniyeh threatened to resign and collapse his government if Mishal did not retract his statement. Mishal made some moderating statements and calm returned by 4/24. In addition, the seeming disparities in PA cabinet choices (e.g., the hard-line and occasionally impolitic Zahhar as FM and the rigorously Islamist Atallah Abu al-Sibah as culture minister on the one hand, and moderates such as Siyam in the Interior Min. and 'Abd al-Raziq in finance on the other) were clearly the result of efforts to balance the hard-line and pragmatic factions and of consensus building within Hamas. As a result of the apparent decision not to give Haniyeh free reign, Hamas suffered in its first few weeks by often failing to present a clear or unified message (e.g., on the Abu Samhadana episode; on the 3/30 and 4/17 suicide bombings), as it had done so successfully during the 1/06 elections.

Again this quarter, most Palestinian-on-Palestinian violence and demonstrations were in Gaza and were initiated by Fatah splinter groups either in the aim of securing power or highlighting the Hamas government's inability to provide for the Palestinians. More incidents were instigated by the AMB than any other group. Among the incidents: AMB members protesting the PA's failure to pay salaries seized government buildings in Gaza (3/5) and Nablus (4/23); AMB members demanding jobs or promotions in the security services opened fire on or took over government buildings (3/2, 3/20, 4/13, 4/15) and blocked roads (3/20, 4/15) in Gaza, occasionally clashing with PA security forces; and AMB mbrs. (from the offshoot al-Yasir Brigades) temporarily occupied (2/22) the Rafah governorate offices to protest the appointment of a Khan Yunis resident as the new Rafah governor, demanding that a Rafah resident be named instead. Armed members of another Fatah offshoot, the Amr Abu Sitta Battalions, raided (2/21) a Khan Yunis municipal building and garage, and stole the keys to all municipal vehicles after officials refused to loan them a bulldozer to level land for a training

base. (In similar incidents on 3/20 and 3/21, unidentified gunmen apparently unhappy over not receiving municipal permits, shot up the cars of Birzeit Mayor Yusuf Nasr and Qalqilya Mayor Hashim al-Masri, parked outside their homes.) On 5/15, the AMB and ARB threatened further instability, with the AMB circulating a leaflet warning that "we won't remain idle in the face of the siege imposed on the Palestinian people by Israel, the U.S., and other countries. . . . We will strike at the economic and civilian interests of these countries, here and abroad," and the ARB threatening to launch "a merciless intifada that will destroy everything" if international funding was not restored soon.

Later in the quarter, PA officials (mostly Fatah members) began holding demonstrations against the Hamas-led government to highlight Hamas's leadership failures: Around 1,000 PA officials in Nablus protested (5/6) the PA's failure to pay salaries. PA teachers in Hebron held (5/6) a 1-day strike to protest the PA's failure to pay salaries. In addition, some 150 Palestinian women and children (of no apparent affiliation) rallied (5/6) in Rafah to criticize the PA's failure to ease growing economic hardships.

As the quarter progressed, several incidents of increasing severity highlighted the tensions between Fatah and Hamas. While they could not be called signs of impending civil war, they marked a jockeying for (particularly local) power in the wake of the 1/06 elections:

- On 3/6, Fatah gunmen in Ramallah threatened to kill any Fatah PC member who agreed to join a coalition with Hamas.
- PRC members affiliated with Hamas attacked and exchanged fire (3/31) with PA security forces affiliated with Fatah's Dahlan, accusing them of assassinating a senior PRC member in Gaza City that day; 3 Palestinians were killed and 35 wounded in the clashes. Hundreds of armed Fatah members marched and fired in the air in Gaza City on 4/1, demanding that the PA arrest the PRC members involved.
- Pro-Fatah PA security forces manning a checkpoint in Gaza City barred (4/8) PM Haniyeh's car from crossing, forcing him to take another route. Although PA internal security chief Rashid Abu Shibak said that the officers had been ordered to stop all traffic through the checkpoint because of an assassination

that day and that they should have let Haniyeh through, the incident raised Hamas-Fatah tensions.

- In Gaza City on 4/22, pro-Fatah students angry over Siyam's plans to form the ESF (see above) attacked pro-Hamas students, sparking broader armed clashes between factions that left 20 Palestinians wounded. The same day, some 4,000 Fatah supporters held rallies in several West Bank locales denouncing Mishal's statement against Abbas.
- When PA security forces were unable to quell (4/23) a massive riot outside the Health Min. offices in Gaza City by armed Fatah members (4/23) protesting the PA's inability to provide medical services, the minister called in Izzeddin al-Qassam Brigades members to guard the ministry building and support the PA forces, sparking an exchange of gunfire with Fatah protesters that wounded 3.
- The Palestinian Journalists Union reported (5/1) that 7 journalists strongly supportive of Abbas and Fatah had received phone, fax, or e-mail death threats by individuals claiming to represent Hamas. Hamas denied the charges, saying the threats were meant to tarnish its image. In addition, unidentified gunmen raided (3/23) al-Ru'ah TV studio near Bethlehem, destroying equipment, in apparent unhappiness over its coverage.
- On 5/8 near Khan Yunis, AMB members kidnapped 3 Hamas members and Hamas members kidnapped 4 AMB members, sparking a heavy exchange of gunfire that left 2 AMB and 1 Hamas member dead and 10 Palestinians, mostly bystanders, wounded; those kidnapped were released several hours later, after negotiations. Clashes between the groups resumed on 5/9, leaving 11 Palestinians (including 5 children) wounded, and were followed on 5/11 by Hamas-Fatah clashes in n. Gaza that left 4 members of each side wounded. At the same time, Hamas and Fatah cadres began setting up checkpoints along roads across Gaza to assert their authority. After several days of negotiations, Hamas and Fatah/AMB leaders agreed (5/13) to remove all their checkpoints, end the public display of weapons, and form a committee to continue talks on reducing tensions.

In incidents possibly related to Fatah-Hamas tensions, unidentified assailants det-

onated (5/13) a bomb outside the home of a senior Fatah member in n. Gaza, causing damage but no injuries, and shot and wounded (5/14) a bodyguard outside the home of the head of the PA General Intelligence Service in Gaza, Maj. Gen. Tariq Abu Rajab.

In a few cases, PA security forces engaged Palestinian militants, leading to casualties. During the violence over the 3/14 Jericho raid, for example, PA police fired on PFLP members attempting to break into the French Cultural Center in Gaza City, killing 1 and wounding 9. Security forces also exchanged fire (4/26) with and detained a group of PRC members attempting to attack the IDF post at Qarni crossing, leaving 3 PA officers and 2 PRC members wounded.

While kidnappings of foreigners had occurred in the previous two quarters (see Quarterly Updates in *JPS* 138, 139), this quarter all such kidnapping took place on 3/14, in obvious reaction to the IDF raid on Jericho (see above) and alleged U.S. and British complicity in the raid. At least 9 foreigners (1 Swiss ICRC worker, 2 French physicians, 1 French journalist, 2 South Korean journalists, 2 Australian teachers in Gaza; an American professor teaching in Jericho) were taken, and all were released unharmed by 3/15. In addition, members of the AMB-Nablus faction kidnapped (ca. 2/28) a Palestinian UN worker in Balata r.c. for allegedly transferring information to Israel that was used to assassinate AMB Nablus commander Muhammad Shatawi on 2/20; the group said it would release him if they found him innocent but would kill him if they found him guilty. There was no word of his fate at the close of the quarter. AMB and Hamas factions also kidnapped each other's men on 5/8, as mentioned above.

PALESTINIAN OPINION

The following data are excerpted from a poll conducted by Birzeit University's Development Studies Program (DSP) between 31 May and 2 June 2006. Results are based on a survey of 1,200 men and women from the West Bank and Gaza. The poll, the 27th in a series, was taken from the DSP's Web site at home.birzeit.edu/dsp.

1. In dealing with the current crisis faced by the Palestinians, which one of

these proposals do you support?

	West Bank	Gaza	Total
a. Continuation of the current Hamas-led government	18.8%	24.7%	21.0%
b. Forming a unified government with all political parties	64.4%	62.4%	63.7%
c. Forming a technocrat government of independents	12.8%	9.7%	11.6%
d. Don't know	4.0%	3.2%	3.7%

2. As to funding of the PA, which one of these two directions do you support?

	West Bank	Gaza	Total
a. Hamas continues to reject recognizing Israel, while reaching out to countries like Iran and the Arab world to get funding	58.4%	64.8%	60.8%
b. Hamas recognizes Israel and continues to receive funding from the international community	32.1%	29.1%	31.0%
c. Others	9.4%	6.1%	8.2%

3. Do you support or oppose the establishment of a Palestinian state on the occupied territories of 1967?

	West Bank	Gaza	Total
a. Support	83.9%	84.7%	84.2%
b. Oppose	13.4%	13.9%	13.6%
c. No opinion	2.7%	1.3%	2.2%

4. Do you support or oppose commitment to resistance with a focus on the occupied territories?

	West Bank	Gaza	Total
a. Support	81.2%	87.0%	83.4%
b. Oppose	13.6%	11.0%	12.6%
c. No opinion	5.2%	2.0%	4.0%

5. If a referendum about adopting the Prisoners' Declaration as a basis for national consensus is held, will you vote yes or no?

	West Bank	Gaza	Total
a. Yes	76.1%	78.6%	77.0%
b. No	12.9%	14.1%	13.3%
c. Don't know	11.0%	7.4%	9.7%

6. Which of the following political groups do you support? (*JPS has combined 13 smaller parties and blocs under "Other" below, including independents, DFLP, PFLP, and Islamic Jihad; see the DPS Web site for details—Ed.)

	West Bank	Gaza	Total
a. Fatah	35.5%	36.0%	35.7%
b. Hamas	32.5%	32.9%	32.7%
c. Other*	10.0%	15.9%	12.1%
d. None	22.0%	15.2%	19.5%

FRONTLINE STATES

JORDAN

Whereas Jordan initially stated (2/21) that it would respect and honor the results of the 1/25/06 Palestinian elections, congratulated Change and Reform members on their victory, and invited a Hamas delegation to visit the kingdom even before a new PA government was formed, on 4/18 it canceled PA FM Zahhar's planned 4/19 visit to the kingdom, alleging that Hamas activists had been smuggling missiles and other weapons into Jordan. A week later, Jordan announced (4/25) that it had arrested a 20-member Hamas cell that had been plotting attacks on Jordanian officials on orders by the Damascus-based Hamas leadership. It also claimed to have confiscated 20 Katyusha rockets made in Iran. Hamas denied (4/18, 4/25) both allegations, which it said (4/25) were part of pressures on the movement to acquiesce in U.S. and Israeli demands to recognize Israel and renounce violence. When Abbas met (5/1) with King Abdallah in Amman to discuss the Palestinian situation, he brought a team with him to hold talks with the Jordanians to resolve the dispute, but the talks went nowhere, with Jordan saying (5/14, 5/15) that there would be no official contact with Hamas until it "face[d] up to their responsibilities and act[ed] like a government." At the same time, Jordan urged the international community (e.g., 3/30) to support the Palestinians and maintain aid

flows, though it did not itself pledge any money.

Diplomatic tensions between Jordan and Israel rose slightly in 2/06 when, in a closed-door talk to Israel's Jerusalem Center for Public Affairs, IDF Central Command head Yair Naveh predicted (2/22) that Jordan's King Abdallah might be the last Hashemite king and that the monarchy could be toppled by Islamists. The statements were leaked to the press, and Jordan immediately threatened to reduce its official ties with Israel if Naveh was not reprimanded for insulting the Jordanian government. Israeli DM Shaul Mofaz immediately stated that Naveh's opinions did not reflect those of the Israeli government and reprimanded Naveh. Olmert later phoned (2/23) Abdallah to apologize and to reiterate that Naveh's comments did not represent an official government assessment. Israeli FM Tzipi Livni also phoned (2/23) her counterpart with a similar message. As of 3/6, Jordan said relations with Israel had returned to normal.

LEBANON

This quarter, Lebanon's 14 leading Christian and Muslim political leaders, representing the full spectrum of Lebanese politics, began a "national dialogue" to forge a consensus over issues that have paralyzed the government and caused sectarian tensions not seen since the 1975-90 civil war, including relations with Syria and Iran, the future of pro-Syrian Pres. Emile Lahoud, and Hizballah's role. Part of the ongoing dialogue process focuses on improving Palestinian-Lebanese relations domestically by improving conditions for Palestinian refugees in the country in exchange for regulating or disarming Palestinian factions in the camps, in keeping with UN Res. 1559 on disarming militias. To this end, Palestinian factions (predominantly Fatah) took part in the first week-long round of National Dialogue Conference held 3/2-8, and the Lebanese ministers of culture, education, labor, and refugees visited (mid-3/06) Sabra and Shatila refugee camps for the first time to acquaint themselves first-hand with issues of daily life in the camps.

The reconciliation process showed some results: By 3/6, Lebanon had reportedly exempted Lebanese-born Palestinian refugees from the 1983 ban on non-Lebanese practicing some 50 trades in the private sector; refugees were now allowed to hold unskilled jobs (such as clerical and secretarial positions) but not professional ones (e.g.,

medical, legal). (Lebanon initially took the decision to ease the restrictions in 6/05 but delayed implementation, reportedly because of suspicions that Palestinians were behind the attempted assassination of Lebanon's outgoing pro-Syrian DM and dep. PM Elias Murr in a car bombing in Beirut on 7/12/05; see Quarterly Update in *JPS* 137). Lebanon also allowed the PLO to reopen (5/15) the PLO consulate office in Beirut, closed in 1982. The first task of consulate head Abbas Zaki (Fatah) was to form a Palestinian delegation comprising reps. of all Palestinian factions to continue the dialogue with the Lebanese.

Although no understandings were reached on disarming the Palestinian factions by the end of the quarter, Fatah's chief in Lebanon, Sultan Abu al-Aynayn, stated (3/19) that his faction was willing to collect weapons, including personal arms, from refugee camps and put them in a secured armory inside the camps. In a gesture of support for the dialogue process, Abu al-Aynayn, who in 10/99 had been sentenced to death in absentia by Lebanon (which never attempted to enforce the ruling) on weapons charges for forming a militia, surrendered (3/30) to a Lebanese military court, which quickly retried him and found him innocent.

Some violence in the Palestinian refugee camps was reported. In 'Ayn al-Hilwa r.c., Fatah members clashed (5/1) with members of Jund al-Sham, a Sunni Muslim group comprising Palestinian, Syrian, and Jordanian militants allegedly linked to Abu Musab al-Zarqawi (head of al-Qa'ida in Iraq). One Palestinian bystander was killed and 1 Fatah member wounded in the clash. Fatah claimed that Jund al-Sham had attempted to assassinate Fatah military official Mahmud Issa, wounding his bodyguard. Jund al-Sham, believed to number around 50 cadres, was reportedly founded in Afghanistan and "emerged" in 'Ayn al-Hilwa in 2004.

Meanwhile, the U.S. Treasury froze (3/23) the U.S. assets of Hizballah's al-Manar TV, al-Nur Radio, and their parent company, the Lebanese Media Group, declaring that further transactions between Americans and those entities constituted illegal assistance to a terrorist organization.

Also of note: In an interview with the Lebanese daily *al-Safir*, Hizballah spiritual leader Shaykh Hasan Nasrallah for the first time acknowledged (3/12) that Hizballah used to send weapons to Palestinian militants but that it stopped in 12/01 after Jordanian authorities arrested 3 Hizballah

members trying to smuggle arms from Syria to the West Bank. He said that Hizballah currently provided Palestinian militant groups (presumably Hamas and/or Islamic Jihad, though he did not name them) with "financial, political, and media support."

Lebanese authorities reported (4/10) the arrest of 9 Sunni Muslims (8 Lebanese, 1 Palestinian) suspected of plotting to assassinate Nasrallah. Five accomplices were reportedly at large.

SYRIA

U.S. and international pressure on Syria over its alleged participation in the 2/14/05 assassination of former Lebanese PM Rafiq Hariri abated slightly this quarter, partly because of the change in leadership of the UN comm. investigating the assassination. The new comm. head Serge Brammertz released his 1st periodic report on 3/14, which stated that Syrian pres. Bashar al-Asad and his VP Faruq al-Shara' had agreed for the first time to talk to investigators; that partly because of improved Syrian cooperation, the comm. was closer to finding out the details of the assassination; and that the comm. had no firm evidence that Syrian officials were involved. Explaining the rather general nature of the report, Brammertz explained (3/14) that in contrast to his predecessor Detlev Mehlis, he would work out of the public eye to better "preserve the correct procedures of the investigation and avoid exposing our strategy." Brammertz interviewed Asad and Shara' in Damascus on 4/25.

The following day (4/26), Bush signed an executive order authorizing the Treasury Dept. to freeze the assets of anyone identified by the Brammertz commission as being involved in the plot to assassinate Hariri. No individuals were named by the end of the quarter.

Meanwhile, the State Dept. announced (2/17) that it had allocated \$5 m. to fund unidentified "democratic reformers" in Syria. The money would come out of the \$300-m. Middle East Partnership Initiative budget, described as having been formed to promote reforms in the Middle East and North Africa. Within days, Syrian secular opposition groups issued a "Damascus declaration," refusing to accept "any financial assistance from any party." In a possibly related move, Syria arrested (3/14) Syrian human rights activist Ammar Qurabi, who had spent the previous 2 months in the U.S. and France attending conferences on Syrian politics.

Also of note: For the second year in a row, Israel allowed Druze farmers in the Golan to export (ca. 3/15) apples to Syria in a good-will gesture (see Quarterly Update in *JPS* 135).

REGIONAL AFFAIRS

Arab states expressed concern over the Palestinians' aid predicament but ultimately did little, despite tours to the region by Abbas (Jordan on 2/25, Yemen 2/26-27, Morocco 4/12-14) and Mishal (Syria 2/27, the Gulf states 3/10-13 and 3/21-26, and Oman 4/5), and appeals by Mishal to Arab states to triple their current monthly pledges to the PA from \$50 m. to \$170 m. after the formation of Haniyeh's government.

In advance of the Arab League heads of state summit in Khartoum 3/28-29, Arab League FMs from Algeria, Jordan, Sudan, Tunisia, and the UAE met in Algiers on 2/20 to discuss the aid issue. Though they issued a statement saying that aid should not be cut off, they failed to agree on an aid package that would compensate for the PA's lost income from VAT transfers suspended by Israel. At the summit itself the Arab League renewed its pledge to provide the PA with \$50 m./month (previously the Arab states only delivered about 30% of this promised amount) and left open the possibility of increasing aid later, but did not agree to Hamas's request to triple the sum. On the other hand, the summit approved \$150 m. for a peace-keeping mission to Darfur.

The Arab League summit itself was undermined by low participation; only 12 of 22 heads of state attended, including Algeria, Jordan, Lebanon, Libya, Palestine, Syria, and Sudan but not including Egypt, Iraq, Morocco, Oman, Saudi Arabia, and Tunisia. The Palestinians were represented by Abbas, the League having refused to accept Hamas reps. on the grounds that the new PA cabinet (though approved) had not yet been sworn in. The summit's agenda, originally 3 days, had been reduced to 2 due to low turnout, with the main topics of discussion being Darfur, Iraq, Palestinian conditions after elections, and deteriorating Syrian-Lebanese relations. The summit's final statement was weak on substance, with most Arab states reportedly opposed to issuing a statement that supported Hamas outright for fear of being labeled supporters of terrorism. Instead, the text expressed support for the PA and concern over the economic situation in the Palestinian territories, reiterated support for

the 2002 Arab League peace initiative, condemned Olmert's plans to declare Israel's borders unilaterally, and expressed concern over Iran's nuclear program and the situation in Iraq.

Two weeks after the summit, on 4/15, PA FM Zahhar met with Arab League secy-gen. 'Amr Musa, who reiterated calls for Hamas to adopt the 2002 Arab League initiative. Zahhar said the PA would examine the issue, noting that the proposal had been rejected as a nonstarter by Israel. In what was seen as a diplomatic snub made under U.S. pressure, Egyptian FM Ahmad Abu al-Ghayt did not meet with Zahhar during his visit, claiming a scheduling conflict. King Abdallah of Saudi Arabia had also refused to meet with Hamas leader Mishal when he visited the region in 3/06, giving as the reason Hamas's failure to endorse the 2002 Arab League peace initiative, drafted by the kingdom. Similarly following the U.S. lead, Egypt's Mubarak and Jordan's King Abdallah (who had also refused to meet with the new Hamas government; see above) said (4/29) that they would jointly press Olmert to abandon his unilateral convergence plan and for Israel and the PA to resume negotiations with Abbas fully in charge of the peace process. Asked if this was an attempt to bypass Hamas, they said that they hoped the Palestinians would be in unified agreement about Abbas's role.

In addition, Qatar hosted (5/11-12) talks between leaders of Hamas and Islamic Jihad, and religious leaders from several Muslim states expressed concern over the Arab bank boycott of the PA amid the deteriorating economic situation. The religious leaders issued a joint statement, calling on Muslims to support the Palestinians financially and morally.

Of note: At a private reception hosted by the American Jewish Comm., Bahraini amb. to the U.S. Naser al-Belooshi said (4/26) that Bahrain would have "no problem starting a relationship with Israel" after an Israeli-Palestinian final status agreement is reached, noting that Israel and Bahrain share many concerns, including Hamas's control of the PA and Iran's nuclear ambitions. He added that Bahrain would not finance the PA as long as Hamas is in power, stating "we do not want terrorism to prosper."

Meanwhile, in mid-3/05, Saudi Arabia hosted the 9th annual meeting of the Organization of the Islamic Conference in support of the boycott against Israel. The move violated pledges by Saudi Arabia to the U.S. to drop its support of a boycott in exchange

for a free trade agreement with the U.S. and support for its entry into the World Trade Organization (see Quarterly Update in *JPS* 138).

On 2/28, the Palestinian chargé d'affaires in Iraq, Dalil Qusous, confirmed reports that the Wolf Brigades of the Iraqi Interior Min. for the previous week had been targeting Palestinian refugees in Iraq, killing at least 10. By 3/20, scores of Palestinians had reportedly been kidnapped and at least 60 had been murdered. On 3/24, Palestinian residents of the Hurriya section of Baghdad woke up to find leaflets signed by the Judgment Day Battalion warning "the Palestinian traitors . . . that we will eliminate you all if you don't leave the area for good within 10 days." The incidents, thought to be carried out not only by the Wolf Brigades but also by poor Shi'as who resented the privileges granted to refugees by the Saddam Hussein regime (including subsidized health, housing, and schooling), prompted hundreds of Baghdad's estimated 34,000 Palestinian refugees to flee towards the Jordanian and Syrian borders seeking asylum. (By 5/14, there reportedly were 23,000 Palestinian refugees remaining in Baghdad.) Initially, neither Jordan nor Syria allowed the refugees entry, but on 4/26, Syria agreed to take in 181 refugees who had set up camp on the border under UN protection. Syria allowed entry to another 337 on 5/9-10, but denied entry to 121 on 5/13-14.

INTERNATIONAL

UNITED STATES

As noted in preceding sections, the U.S.'s main focus this quarter was on isolating the Hamas-led Palestinian government in hopes of either forcing it to accept Quartet demands to recognize Israel, renounce violence, and endorse previous peace agreements or of forcing it from power. Behind the scenes, Israel was reportedly pressing the view with the U.S. that a Hamas-led PA could become a lynchpin of regional Islamist terrorism, joining together elements of Hizballah in Lebanon, the Muslim Brotherhood in Egypt and Jordan, al-Qa'ida, the Iraqi insurgency, and Iranians to create a massive terror front against Israel, the U.S., and its allies. This view was publicly presented (ca. 5/14) by the director of the Israeli DMin. political-military division Amos Gilead, who stated that "the most burning and critical problem is 'Hamastan' in the Gaza Strip"

that could establish an "Islamic terrorist regime similar to that of Afghanistan in the 1990s . . . [that] would endanger the interest of the United States as well as such regional allies as Egypt, Jordan, and Saudi Arabia."

Government Action and Legislation

Congress continued this quarter to take a hard line toward the new PA government. On 4/6, the House International Relations Comm. passed (36-2) a revised draft of H. R. 4681, the Palestinian Anti-Terrorism Act of 2006 (see Quarterly Update in *JPS* 139 for background). The new draft expands categories of U.S. aid to be exempted from a general ban, though it still restricts U.S. humanitarian aid (including infrastructure and small business projects). And while it gives the president authority to waive the closure of the PLO office in Washington, it bars visas to all PC members and restricts the movement of PLO diplomats at the UN, threatens to withhold a portion of U.S. dues to the UN because certain UN bodies are "biased" in support of the Palestinians and against Israel, defines territory controlled by the PA as a "terrorist sanctuary," and instructs the U.S. rep. to the World Bank to use the U.S. veto in international financial institutions to prevent coordination on humanitarian aid projects that could benefit the PA. The draft was sent to the full House, where a vote set for 5/9 was removed from the calendar and replaced with a House Judiciary Comm. session to hold debate on further amendments, reportedly because the Bush administration was opposed to the legislation as drafted; according to *Ha'Aretz* (5/11), the draft was seen as "not only not necessary but counter to U.S. interests" and must at least include a broader presidential waiver option. The Judicial Comm. did add a new waiver but also extended a ban on Palestinian offices in the U.S. to include the UN mission in New York. The new draft was awaiting a House vote at the end of the quarter. Sen. Mitch McConnell (R-KY) and 51 cosponsors submitted (3/6) a companion bill (S. 2370) to H. R. 4681 that was awaiting debate in the Senate Foreign Relations Comm. as of 5/15.

In the continuing academic freedom debate, the U.S. Civil Rights Commission (an independent, bipartisan federal agency) recommended (4/2) that the U.S. Dept. of Education and Middle East studies departments at colleges and universities nationwide should "vigorously" enforce federal laws barring discrimination based on race, color, or national origin so as to protect

Jewish students who defend Israel from anti-Semitic harassment, as well as inform them of their rights and encourage them to file complaints if they believe they have been harassed. The commission also urged academic institutions to "set a moral example by denouncing anti-Semitic and other hate speech."

The Pro-Israel Lobby

The American Israel Public Affairs Committee (AIPAC) held its annual conference in Washington 3/5-7, attended by 57 U.S. senators and 123 U.S. representatives. Iran's nuclear program was the main focus, with U.S. Amb. to the UN John Bolton giving (3/6) an address stating that the U.S. would use "all the tools" at its disposal to prevent Iran from obtaining a nuclear weapon and announcing that the administration had requested \$75 m. in 2006 supplemental funding (up from \$10 m. in 2005) to support "democracy in Iran." Several other speakers equated Iranian Pres. Mahmoud Ahmadinejad with Hitler. In his speech to the closing session, VP Dick Cheney praised (3/7) Israel's contribution to U.S. security interests, promised reciprocal support, and reiterated that the U.S. would suspend aid to the PA until Hamas recognized Israel, renounced "terror," and "dismantle[d] the infrastructure of terror" (see Doc. D2 in *JPS* 139). Of note, at the capstone banquet on 3/6, the Israeli national anthem was again played, after having been omitted for the first time in 2005 to emphasize AIPAC's primary allegiance to the U.S. after federal allegations that senior AIPAC officials Stephen Rosen and Keith Weissman had conspired to gather and disclose classified national security information to journalists and to Israel.

On the sidelines of the AIPAC conference, thousands of AIPAC lobbyists held (3/7) almost 500 meetings with members of Congress and their staffs to urge them to endorse the Palestinian Anti-Terrorism Act of 2006 (see above), which AIPAC helped draft. Israeli officials warned, however, that the act could backfire by placing the responsibility for providing for the Palestinians on Israel (some commentators noted that Israel already has this responsibility as occupying power under international law). An Israeli official speaking anonymously said (3/7), "It's really too early to make such decisions [as cutting off aid to the PA]. Israel, the U.S., the international community all need to wait and see what Hamas does and how things play out, and then decide if to engage

[sic] with the Palestinian government and on what level." Similarly, AIPAC pressed at the conference for the dismantlement of UN-RWA, but Israel opposed this, also because it would place the onus of providing for the Palestinians on Israel.

At a conference of the Council of Presidents of Major American Jewish Organizations, Christian televangelist and End of Times proselytizer John Hagee announced (4/2) plans to launch in 7/06 a pro-Israel lobbying group, Christians United for Israel (CUFI), as a Christian counterpart to AIPAC, to rally the U.S.'s 40 m. evangelical Christians in support of Israel. CUFI board members include fundamentalist minister Jerry Falwell and American Values pres. Gary Bauer. Leaders of the proposed lobby oppose the Gaza disengagement, do not support Olmert's plans for further withdrawals from the West Bank, and intend to lobby Congress accordingly. Among its first projects, CUFI plans to sponsor "honor Israel" nights in churches around the country to "send a strong signal to our friends in Israel and hopefully to encourage the Jewish community in the United States" and to set up a 50-state "rapid response network" to lobby every member of Congress.

Bush addressed (5/4) the annual American Jewish Comm. (AJC) dinner, reiterating that the U.S. would not deal with the PA until Hamas recognizes Israel's right to exist, renounces terrorism, and supports the peace process, stating, "I'm a strong believer of democracy and free elections, but that does not mean that we have to support elected leaders who are not committed to peace." He also said that Iran "is repressing its people, sponsoring terrorists, destabilizing the region, threatening Israel and defying the world with its ambitions for nuclear weapons," and that "America will continue to rally the world to confront these threats." The AJC launched (5/12) a "major new project to combat the boycotting of Israeli institutions, professions, and individuals, wherever such efforts occur," including efforts to promote divestment, though no details were released.

Legal Actions

Regarding the legal case concerning AIPAC's Rosen and Weissman (see above), the presiding judge made the rare decision to allow a second oral argument (4/21) from the defense requesting that the case be dismissed. Rosen and Weissman are the first nongovernmental civilians to be tried under

the espionage act for receiving national defense information orally, and the defense argues that the act is unconstitutionally vague and may violate the First Amendment. At government request, the hearing was closed and no word on a determination was available at the end of the quarter. In addition, an Alexandria, Virginia, court posted (3/13) on its Web site an electronic docket showing the subpoena list for the trial, which included Secy. of State Rice, former dep. secy. of state Richard Armitage, National Security Adviser (NSA) Stephen Hadley, National Security Council adviser Elliott Abrams, Dep. Chief of Mission in Iraq David Satterfield, and U.S. Amb. to Russia William Burns; the latter two were senior State Dept. officials working on Middle East affairs when the transfer of classified material allegedly took place. The list was quickly removed from the Web site and sealed. It was not known if the judge in the case approved the subpoenas, as is required for high-ranking government officials.

On a related note, the family of the late *Washington Post* columnist Jack Anderson (4/19) and former Anderson intern Mark Feldstein (4/25), who is writing a book on Anderson and has access to all his files, said that they were refusing FBI requests to turn over 50 years of Anderson's files to the bureau, which claimed to want to look for evidence in the prosecution of the Rosen-Weissman case. According to Feldstein, the FBI sought names of pro-Israel reporters close to Anderson and AIPAC to see whether AIPAC's passing of classified information went back to the early 1980s. The FBI also reportedly said that Anderson or one of his reporters had met with either Rosen or Weissman and an agent of a foreign power and had exchanged and discussed classified material. The family believed the AIPAC line was a ruse and that the FBI actually aimed before the archive is opened to the public through a bequest to the George Washington University library "to whitewash Jack Anderson's papers and attempt to remove from history embarrassing documents" on matters unrelated to AIPAC.

Ruling on a plea agreement, U.S. federal judge James Moody sentenced (5/1) former Florida professor Sami al-Arian to a maximum 19 months in prison, more than the prosecution had requested, before being deported. (Arian, a Palestinian, was acquitted in 12/05 of 8 counts of adding a terrorist organization, but the jury deadlocked on 9 charges that could be retried; see Quarterly

Update in *JPS* 139.) Under the plea agreement, Arian admitted to being associated with Islamic Jihad and providing “services” for the group, including filing for immigration benefits for key members, hiding their identities, and lying about his involvement. Although he did not admit to and was not convicted on charges of fundraising for Islamic Jihad (his lawyers argued that money he and his codefendants raised went to legitimate charities), Moody based his ruling on his personal belief that Arian was “an active leader” in the group who raised money for suicide bombings in Israel and the occupied territories and that his “only connection to widows and orphans was that you created them.”

Documents from the UAE Red Crescent Society, obtained and leaked to the *New York Times* (reported 3/20) by U.S. lawyer Gary Olsen (who is litigating cases brought by American victims of Palestinian attacks), showed that for 4 years, the UAE has provided financial support to the children (under 18) of Palestinians killed by Israel during the intifada, both civilians and militants, and has provided food, medicine, and housing coupons to the widows and older children (over 18) of the deceased. Asked to comment, Dep. Asst. Treasury Secy. Daniel Glaser said that if the UAE was giving money to “charities that are supporting terrorist activities, including by supporting family members and orphans—we consider that to be terrorist financing.” There was no evidence that the UAE provided direct aid to militant groups.

As of 4/15, around 50 Americans who either survived or were the relatives of people who died in Palestinian suicide attacks had filed multimillion dollar lawsuits in federal court in Brooklyn against Arab Bank, Crédit Lyonnais, and National Westminster Bank, claiming they were responsible for financing terrorism because they maintained bank accounts or conducted transactions on behalf of groups or individuals connected to organizations that sponsored the attacks.

U.S.-Israeli Military and Economic Issues

The heads of Israel’s Atomic Energy Agency traveled (ca. 5/8) to Washington to urge the U.S. not to submit for debate to the UN Disarmament Commission a draft of a new international treaty forbidding the production of fissionable materials for nuclear weapons. According to *Ha’Aretz* (5/19), Israel feared that the draft would “erode its

policy of nuclear ambiguity and generate future pressures on it over its nuclear program.” Discussions in the commission regarding a “nuclear freeze treaty” were initially proposed 8 years ago but were quashed when then Likud opposition leader Benjamin Netanyahu sent a forceful letter to then Pres. William Clinton.

The U.S. government barred (3/23) the acquisition by an Israeli firm of the U.S. software company Sourcefire, whose product is used to provide network security for key U.S. government installations, saying the sale would jeopardize national security.

RUSSIA

As noted above, Russia took the lead in the Quartet in challenging U.S. demands for a suspension of contacts and aid to the Hamas-led PA, notably by hosting Hamas leader Mishal in Moscow on 3/3 and transferring \$10 m. in aid to the Palestinians on 5/6. Asked if Russia was attempting to usurp U.S. control of the diplomatic process, FM Lavrov replied (3/3), “If there is a deficit of leadership to promote the commonly agreed goals, then we believe we have a responsibility to fill this deficit and to try—without taking over anybody’s role.” Russia also emphasized (3/3, 3/5) that while its meeting with Mishal gave Hamas an official outlet to discuss its positions, the meeting also gave Russia the chance to reiterate the official Quartet demands and to express Russia’s position that if Hamas wants a “serious future,” it must transform into a political party and integrate the Izzeddin al-Qassam Brigades military wing into the legitimate PA security forces, a process Russia expects to take place over time, not immediately. Russia also used its contacts in an attempt to mediate a compromise between the Hamas and U.S.-Israeli positions, as seen in the wording of the letter sent (5/12) by Haniyeh to the EU regarding willingness to recognize a Palestinian state “next to Israel” (see above).

Russia also challenged U.S. and Israeli policy on Iran by putting forward (late 2/06) a compromise proposal to Iran on the nuclear issue (while itself offering to process uranium for Iran). In reaction, Olmert convened (2/28) a special meeting with FM Livni, DM Mofaz, and senior intelligence and FMin. officials to discuss whether to scale back Israel’s bilateral relations with Moscow, but no immediate decision was announced. Of note: Russia launched (4/25) a satellite for Israel that will be used to monitor Iran’s nuclear activity.

Also of note: Sergei Yakovlev replaced (3/15) Alexander Kalugin as Russia's special envoy to the Middle East. Kalugin was made ambassador to Jordan.

EUROPEAN UNION

Although the EU suspended aid to the PA on 4/7, after the new PA cabinet was sworn in, cutting aid remained a controversial issue among EU members states and raised tensions in EU-U.S. relations. The 4/7 suspension had itself caused internal EU tensions: Hours before the motion to halt aid was passed, the EU issued a press release reporting that diplomats had rejected a proposal to suspend direct aid, with envoys from Britain and France stating that it would send a wrong and "brutal" message to the PA. A week earlier, EU foreign policy chief Javier Solana had argued that the aid flow was "a moral imperative which the EU cannot shirk" and that no good could come of adding to the instability in the territories or creating a humanitarian crisis. At the last moment, however, member states (Britain, France, and Germany in particular) changed course, apparently under domestic pressures and were persuaded that the time was not right to jeopardize relations with Israel, which had been improving slowly after a period of outright hostility (see Quarterly Updates in *JPS* 133-39).

Nonetheless, the EU was uneasy with Israel's positions. Presenting the EU position on Olmert's convergence plan, EU external relations commissioner Benita Ferrero-Waldner stated (4/5) that the EU "strongly believes that Israel's legitimate security concerns cannot be met through unilateral actions or decisions imposed by force," cautioned against unilaterally drawing borders, called for good-faith implementation of the road map, and warned against taking unilateral actions that would prejudice the negotiated outcome of a two-state solution. She also reiterated, however, that the new Hamas-led government must commit to non-violence, recognize Israel, and accept previous agreements.

Individually, EU states took different approaches to contacts with the new PA officials. France denied (4/10) visas to 2 Change and Reform PC members invited to talks at the headquarter of Europe's leading human rights organization, the Council of Europe, and denied (5/1) Change and Reform PC member Salah al-Bardawil a visa as part of an unofficial Palestinian delegation. Sweden, however, granted (5/6) PA Refugee Affairs

M Atif Adwan a visa to attend the Palestinians in Europe Conference on Palestinian refugees. Sweden said it had no problem granting the visa, since Adwan was invited by a private NGO, he was not on an official visit, and no Swedish officials would be attending the conference. The Swedish visa posed a predicament, since foreigners entering an EU state are automatically allowed free travel throughout the EU. France did not say what it would do if Adwan tried to enter France and Adwan did not press the issue.

In addition, Sweden reacted to the IDF targeting of 5 Islamic Jihad members for assassination on 4/27 by saying (4/27) that it would boycott the Volcanex 2006 and Spring Flag multinational peace-keeping drills set to be held in Italy in mid-5/06 because of Israeli air force participation, explaining that the drills were intended to prepare for international cooperation in preserving world peace and that "Israel is not currently acting in the name of peace and therefore it should not take part." The Swedish ambassador was summoned (4/28) to the Israeli FMin. to clarify Stockholm's position on the training missions as well as the decision to grant the visas to the Change and Reform members, but Sweden did not alter its positions.

Meanwhile, IDF lawyers issued (2/27) a blanket recommendation that senior military officials who have held command or decision-making roles over the Palestinian territories during the intifada not travel to western Europe in general (particularly Britain, France, and Spain) out of concern that local activists could have them arrested on war crimes charges, as nearly happened to former IDF Southern Command head Doron Almog in London in 9/05 (see Quarterly Update in *JPS* 138). Lawyers specifically recommended that Brig. Gen Aviv Kochavi cancel plans to travel to Britain to study at the Royal College of Defense Studies. Kochavi was a senior commander in the Jenin area during the 2002 Operation Defensive Shield, in which 52 Palestinians were killed in a massive assault.

Also of note: The *Guardian* reported (4/6) that Britain's arms sales to Israel doubled in 2005 to around \$44 m. and included missile components and armored vehicles. The sales to Israel, which the British Foreign Office annual human rights report ranked among 20 "major countries of concern," were the highest since 1999. Britain restricted sales to Israel in 2002 after learning that Israel had violated assurances that UK-supplied equipment would not be

used against civilians or in the occupied territories.

UNITED NATIONS

As noted above, the UN criticized the U.S. in the Quartet over U.S. demands to halt aid to and contacts with the PA but itself succumbed to pressure and imposed (4/11) restrictions on its official dealings with the PA, allowing all “working contacts” to continue but barring political contacts unless reviewed and approved on a case-by-case basis.

The UN Comm. on the Exercise of the Inalienable Rights of the Palestinian People (CEIRPP) held (4/26–27) a seminar in Cairo bringing together reps. of the UN agencies involved in programs in the occupied territories—OCHA, UNRWA, the WFP, the WHO, the UN Comm. on Trade and Development (UNCTAD), and the UN Special Coordinator’s Office (UNSCO)—to discuss the status of their programs, ways to improve and coordinate their programs, and options for continuing and increasing funding from donor countries. All reps. noted a significant decline in their ability to provide for needy Palestinians since the U.S.-led imposition of restrictions on international funding to the Palestinians that could benefit the Hamas-led PA, a significant actual and projected increase in the number of Palestinians seeking humanitarian assistance, and underfunding of humanitarian programs by donors.

The UN approved (5/11) Israel’s membership in the UN Economic and Social Council’s comm. on NGOs for a 4-year term beginning in 1/07. The comm. is responsible for awarding UN recognition to NGOs around the world and overseeing their activity.

Of note: In light of Israel’s operation in Jericho on 3/14, the UNSC quickly issued (3/14) a statement calling on Palestinian groups to release foreigners kidnapped in retaliation for the prison attack, but after 4 days of negotiations failed to agree on the wording of a statement condemning the raid itself. Britain and the U.S. vetoed the proposed text expressing “grave concern over the violence of March 14, 2006 in the West Bank and in the Gaza Strip, especially Jericho,” arguing that any mention of Jericho unfairly biased the statement against Israel.

On 3/15, the UNGA voted (170–4, with Israel, Marshall Islands, Palau, the U.S. voting against and 3 abstentions) to dissolve the UN Commission on Human Rights (UNCHR)

and to replace it with a new Human Rights Council (HRC) in 6/06. The UNCHR had been widely discredited since it routinely allowed countries whose governments have a history of abusing their own people to sit as members. The new HRC will hold 3 10-week sessions/year, compared to 1 6-week session/year held by the UNCHR. Although the U.S. opposed creation of the HRC and did not seek membership itself, believing the membership requirements to be too lenient, it said it would help fund it. (The U.S. thought Annan should have stuck to his demands that HRC members be elected with a two-thirds majority of the UNGA and wanted UNSC permanent members to have automatic membership. Instead, Annan agreed to a compromise proposal under which states would be voted on individually but could win membership with a simple majority of the UNGA, their human rights records would be reviewed periodically, and they could be suspended for human rights violations).

TURKEY

Turkish FM Abdallah Gul told (2/16) visiting Hamas leader Mishal, in Ankara seeking aid to support the PA, that Turkey backed the U.S. initiative to withhold assistance to the PA until Hamas met Quartet demands. Israel strongly criticized (2/16) Turkey’s decision to receive Mishal but did not press the issue.

Also of note: In Tel Aviv, the chambers of commerce of Israel and Turkey signed (5/15) an economic cooperation agreement aimed at strengthening trade ties.

IRAN

Iran’s nuclear program and the threat it allegedly poses to Israel and the world continued to be a main issue for Israel and the U.S. this quarter. (It should be noted that Iran’s nuclear program to date has not technically violated the Nuclear Non-proliferation Treaty [NPT], of which Iran, unlike Israel, is a signatory.) According to the *Washington Post* (3/11), Bush aides and experts involved in talks with the administration (including the Hoover Institution’s Esmail Amid-Hozour) reported an increased Bush administration focus on Iran in recent months, with some 30–40 specialists invited for consultations. The camp within the administration favoring regime change in Iran was further reported to be ascendant but made cautious about trying to sell its agenda by its intelligence failures on Iraq. In early

3/01, the State Dept. created an Iran desk, increasing the staff working on Iran full time from 2 to 10, with plans to launch a \$75 m. program to "advance democracy in Iran" by expanding radio broadcasts from 1 hour/day to 24 hours/day, funding NGOs, and promoting cultural exchanges, and to increase staff at listening posts in Dubai to monitor Iran.

In a speech in Cleveland, Ohio, Bush stated (3/20) that Iranian threats to Israel constituted "a threat to world peace" and that, while he preferred to resolve the dispute over Iran's nuclear capability diplomatically, he would use military force if necessary to protect Israel. Bush's comments echoed those by IDF Chief of Staff Moshe Ya'alon, who said (ca. 3/11) that if Iran continued to pursue nuclear weapons, "There will be a need to attack a few dozen sites [in Iran]. The air forces of Israel, the United States, and Europe can carry this out," suggesting this could be done within the context of NATO. As the rhetoric mounted, British government and defense officials held (4/3) closed talks on possible military strikes on Iran and reportedly concluded that U.S.-led air strikes on Iran to destroy its ability to develop nuclear weapons were "inevitable" if Iran did not comply with UN demands to freeze uranium enrichment.

Some indication of the analysis on Iran underlying Bush administration thinking can be gleaned from the *Washington Post* report (4/2) summarizing U.S. intelligence and terrorism experts' beliefs that Iran would respond to a U.S. attack on its nuclear facilities by deploying its intelligence operatives, Hizballah, and Islamic Jihad "to carry out terrorist attacks worldwide." The so-called experts erroneously refer to Islamic Jihad as "Hezbollah's terrorist organization" and an "extension of their [Iran's] state," and warn that Hizballah could form a "tactical alliance" with al-Qa'ida in response to attacks on Iran. (The theory, supported only by classified material as evidence, echoed Israel's theories on Hamas; see United States above.) Later in the quarter, Mossad dir. Meir Dagan traveled (ca. 4/24) to Washington to provide his U.S. counterparts with Israeli intelligence allegedly showing that Iran was closer than previously thought to obtaining a nuclear weapon.

Meanwhile, the U.S. call on Arab states to "stand firm" against Iran's nuclear ambitions, delivered by Secy. of State Rice during her tour (2/21-24) of Egypt, Saudi Arabia, and the Gulf States, fell flat. Egypt led the Arab states in urging that the same standards

be applied to all countries in the region, including Israel. Saudi Arabia also stated that it remained unconvinced of the need to take harsh measures against Iran. Indeed, the Arab public response to Rice's appeals, not only on Iran but on halting aid to the PA (see above), was so poor that the State Department added a last minute "solidarity visit" to Lebanon to end the tour with more upbeat media coverage.

Tensions escalated on 4/11, when Iran announced that it had successfully enriched uranium to 3.5%, a level of purity that, if enough could be produced, could fuel a reactor but not produce a bomb. Although Iran remained within NPT guidelines, the U.S. and UN International Atomic Energy Agency issued prompt warnings and gave Iran until 4/28 to cease enrichment. When the deadline was not met, the U.S., Britain, and France began drafting a UN Security Council resolution under chapter 7 of the UN Charter (leaving open the option of military action as a last resort) demanding a mandatory halt to uranium processing, but as China and Russia strongly opposed even economic sanctions, the drafting process is likely to take some time.

As noted above, Iran pledged an unspecified amount of aid to the PA on 2/22, later (4/16) setting the amount at \$50 m., but the money was never received. Iran also held (4/14-16) a conference on Palestine attended by a Hamas delegation led by Mishal. Drawing international condemnation, Iranian pres. Ahmadinejad stated in his opening address to the meeting that Israel was a permanent threat to the region and that it was "heading toward annihilation." In reaction, Olmert stated (4/24) that "Ahmadinejad talks today like Hitler spoke before seizing power. . . . We are dealing with a psychopath of the worst kind."

OTHER

Canada continued to take a more pro-Israel line this quarter (see Quarterly Update in *JPS* 139). Ottawa was second only to the U.S. in immediately declaring a suspension of aid to the PA on 3/29 after the swearing in of the new PA cabinet. Unlike the U.S., however, Canadian FM Paul MacKay stated that Canada would continue contacts through Abbas's office, with PC members not affiliated with Hamas, and non-Hamas midlevel officials in the PA. Echoing the Bush administration line, he stated that Canada "acknowledges that the recent Palestinian legislative elections were free and fair. However, . . .

that fact does not oblige us to agree with or support the new Palestinian Government's policies." Canada also voted (3/10) against a nonbinding res. by the UN Commission on the Status of Women calling on Israel to grant the right of return to all Palestinian refugee women and children. The res. passed by 41-2 (Canada and the U.S. voting against), with 1 abstention. Canada had abstained on the motion in 2005, under the former Liberal PM; the current PM, Stephen Harper, is a Conservative.

Norway was very active this quarter on the Palestinian front, despite sharp divisions among members of its coalition government over how to deal with the new Hamas-led PA. (The senior coalition partner, the Labor party, shared U.S. views that Hamas should be isolated, but the junior partner, the Socialist Left, believed engagement was key.) Norway initially pledged (2/27) \$10 m. for the transition period, then suspended aid on 4/9 until Hamas accepted Quartet demands, and limited (4/18) official contacts between Norway and the PA to meetings between Norwegian and PA civil servants. After reviewing projects it has frozen, however, Oslo announced (4/26) that it would give the PA \$20 m. for health and education projects and vital energy supplies, would offer an undisclosed sum in "direct support for the presidential office running costs," and pledged that its aid for 2006 would be at least as high as in 2005, when it gave \$79 m. It also increased (5/12) its financial aid to the UNRWA by 50%, to \$25 m. On 5/13, the Norwegian FMin. dir. of Middle East affairs Kaare Eltervaag received PA Refugee Affairs M Adwan, stating Norway's belief that Hamas must meet the 1/30 Quartet demands but acknowledging that it takes time to change fundamental opinions.

Angering Israel and the U.S., South Africa announced (3/2) that it had invited the newly elected Hamas PC leaders to Pretoria for talks. No date was set, and the visit had not taken place by the end of the quarter.

DONORS

Most donor action was suspended this quarter as the international community adjusted to the Hamas election victory and U.S. demands to halt direct aid to and contact with the PA. In addition, donors had been in the process of completing an internal reorganization, initiated months before the election, which involved inter alia the

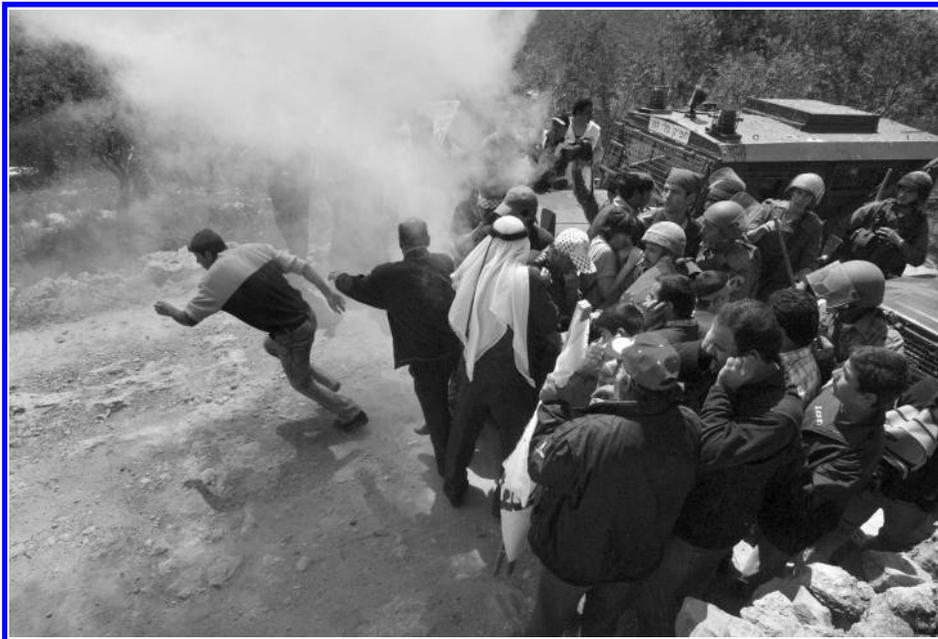
dissolution of the Local Aid Coordination Committee (LACC) and its replacement by a new mechanism, tentatively named the Local Development Forum (LDF; see Quarterly Update in *JPS* 139). The aim of the reorganization had been to create a more interactive relationship between donors and PA ministries and to pass more responsibility to the PA as part of the reform process—changes now brought into question by the U.S. sanctions plan. At the end of the quarter, the LACC had been dissolved but the LDF apparently was not in place, leaving donors without their main coordinating mechanism.

Those shepherding the donor process (primarily the World Bank, the UN, and Quartet rep. Wolfensohn) nonetheless pressed the donor countries to take immediate steps to reverse the growing economic crisis created by Israel's freezing of VAT transfers and the international halt to aid disbursements. On 3/15, the World Bank released a revised assessment of the effects on the Palestinian economy of the continued withholding of VAT taxes and donor aid, estimating that by the end of 2006 the economy would shrink by 27% and personal incomes by 30%, unemployment would nearly double to 40%, and 67% of Palestinians would fall below the poverty line; if sanctions continued into 2007, unemployment would rise to 44% and the poverty level to 72%; in 2008, unemployment would reach 47% and the poverty level 74%. The losses in revenue would deplete budget resources to a level at which the PA could not provide essential services or undertake basic operations.

The only major meeting of the Quartet was a donor conclave hosted by Canada in London on 4/27 to "shape and stimulate discussion" on funding to the PA in light of U.S.-led sanctions. Britain, supported by the EU and Arab League, proposed funneling all donor funds and VAT taxes collected by Israel on the PA's behalf through the Holst Fund, overseen by the World Bank. Under this proposal, the fund would make salary and other payments directly to civil servants and providers of basic services so as to bypass the PA, essentially creating a trust fund for the Palestinian territories. The U.S. opposed the move and sought to block it, but was under heavy pressure from the EU and UN to reach a compromise; no agreements were reached. An unnamed Western diplomat at the meeting reportedly (*Ha'Aretz* 5/4) accused U.S. Asst. Secy. of State Welch and NSC adviser Elliott Abrams

of “recklessly trying to engineer the collapse of the PA’s systems” on the assumption that this would lead to the collapse of the Hamas government and Fatah retaking control. By the end of the quarter, however, the U.S.

was considering the formation of some sort of “Temporary International Mechanism” for aid to bypass the PA but would not necessarily rely on existing donor structures (see above).



Palestinians marking Land Day in Rafat run and cover their ears in response to a stun grenade fired by Israeli soldiers, 30 March 2006. (Jaafar Ashtiyeh/AFP/Getty Images)