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PEACE MONITOR

16 MAY–15 AUGUST 1997

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

BILATERALS

PALESTINIAN-ISRAELI TRACK

This quarter, the almost complete lack of contact between Israel and the Palestinian Authority (PA)—which began after Israel's offer for a 2%-further redeployment (FRD; 3/6), its decision to build Jewish housing at the disputed Har Homa site in Jerusalem (2/19), and the Palestinian suicide bombing in Tel Aviv (3/21)—continued to mid-7/97. With the failure of U.S. special envoy Dennis Ross's trip to the region, which ended 5/16 (see Peace Monitor in *JPS* 104), Egypt took the lead (5/21) in trying to find a compromise formula that would bring both sides back to the table.

Osama Baz, adviser to Egyptian president Husni Mubarak, met with PM Benjamin Netanyahu in Israel (5/23, 5/25) to propose a temporary, "unofficial" six-month freeze on Har Homa construction as a gesture to the PA. Netanyahu agreed only to suspend demolitions of Palestinian homes until after his meeting with Mubarak 5/27. (The demolitions resumed less than 24 hours after Mubarak's departure.) At the 5/27 meeting, Mubarak presented four principles of mediation arrived at in discussions with the PA's Yasir Arafat (5/21, 5/26) and Jordan's King Hussein (5/24): (1) the Arab identity of East Jerusalem cannot be compromised; (2) Israeli settlement activity must cease and coincide with the Israeli implementation of outstanding Oslo provisions; (3) progress achieved on the PA-Israeli track would stimulate multilateral talks; and (4) the U.S. as sponsor has the ability to move the parties toward a just and lasting peace. Baz continued to meet with Netanyahu (5/29, 5/31) and PA officials (5/31) trying to work out a bridging proposal acceptable to both sides, and Egypt hosted follow-up meetings in Cairo (6/8, 6/12, 6/15), but no progress was made. Egypt proposed (6/12) a three- or four-way summit including Arafat, Netanyahu, Mubarak, and possibly King Hussein, but nothing became of it.

Between mid-6/97 and mid-7/97, almost no attempts were made to resume high-level

negotiations. The only significant meeting was held on 6/16 (revealed to the press 6/30) between Israeli Infrastructures M Ariel Sharon and Arafat deputy Mahmud Abbas to discuss respective positions on final status. Relatively successful meetings on security and Oslo II implementation issues in the first part of the quarter (see below) led (7/28) to plans to resume the eight subcommittee meetings.

On 7/20, Israel and the PA resumed talks on bridging proposals to bring the parties back to the table. Israeli cabinet secy. Dani Nave traveled to Washington (7/21) with a proposal for accelerated final status talks (to be completed within six months) in return for redeployment from a large area under the second FRD, threatening to give the PA only a small area under the second FRD if it refused the offer. The U.S. said it was interested but also wanted some sort of settlement freeze, which Israel rejected. (Following Nave's visit, Netanyahu asked top American Jewish leaders to blunt White House pressure on Israel to accept a settlement freeze as part of a package deal to get the talks back on track.)

On 7/24, former adviser to PM Shimon Peres Nimrod Novick gave the U.S. administration a document outlining a U.S. initiative similar to Nave's offer for resumption of Israeli-PA talks. The document suggests that Secy. of State Madeleine Albright visit the region in 9/97 and propose a four-point plan: (1) final status talks to resume immediately and conclude in six months, during which time neither side will take unilateral actions (including settlement expansion) to influence the outcome of talks; (2) implementation of first and second FRDs to occur after that six-month period; (3) both sides to determine the scope of the two FRDs during final status talks; and (4) the U.S. to provide letters stating its understanding that the FRDs will include conversion of no less than 12% of area C into area A, and conversion of a mutually agreed upon percentage of area B into area A.

This diplomatic progress was tainted by increasing tension on the street. Following the 6/10 U.S. House resolution on moving the U.S. embassy from Tel Aviv to Jerusalem (see below), daily Palestinian protests and clashes with the IDF began in Hebron, spreading to Nablus (6/21) and Bethlehem (7/7). Clashes escalated after a settler distributed posters in Hebron (6/28) depicting the Prophet Muhammad as a pig. The IDF's demolition of Palestinian homes in Bir Nabala (7/17), Hebron (6/23), and Jerusalem (5/28, 7/14), and Israel's decision (7/24) to allow settlement construction in the Palestinian neighborhood of Ras al-Amud a few hundred yards from al-Aqsa Mosque, although revoked 7/28, added to the tension.

On 7/30, two suicide bombers detonated devices in a crowded Jerusalem market, killing 14 Israelis and wounding more than 170 Israelis and Palestinians. Although the bombers' identities had not been determined by the end of the quarter and evidence suggested that they had come from abroad, Israel froze all but security contacts with the PA and imposed one of the most severe closures on the territories in 30 years, sealing the territories, forbidding movement between Palestinian cities, shutting the borders with Egypt and Jordan in the context of a closure for the first time since 1967, imposing steep sanctions (including blocking the transfer of \$40 m. in tax money owed the PA), and increasing house demolitions in Jerusalem (25 from 8/3 to 8/14). Israel said (7/30) that it would not resume talks with the PA until it destroyed the Islamists' infrastructure and threatened (8/3) not to honor its peace agreements unless such action was taken. Netanyahu later stated (8/4) that he would use a "sliding scale," lifting sanctions as the PA takes steps against the Islamists. The U.S. criticized (8/4, 8/5) Netanyahu's measures as exacerbating the situation. Lebanon claimed (8/9) that Israel's accusation that the bombers came from abroad was a pretext for allowing the increase (beginning 8/4) in attacks on south Lebanon to levels not seen since 4/96 (see Chronology).

Because of the suicide bombings, Ross postponed a visit to the region (set to begin 7/31) to present bridging proposals and perhaps a new U.S. initiative. When he finally arrived (8/9), it was only to attempt to renew security coordination. The U.S., Israel, and the PA agreed (8/12) to set up a tripartite security panel to enhance coordination and assure the PA's full cooperation; the U.S. rep-

resentative will be the CIA station chief in Israel. The PA was pleased with the formation of the panel, while Israel generally minimized its significance. If coordination improves, Secy. of State Albright will consider making her first visit to the region in 9/97. In a major speech on 8/6, she endorsed Netanyahu's plan for accelerated final status talks presented by Nave 7/21, calling it an "urgent and important" step (see Doc. D4).

Further Redeployment

On 7/28, Israel stated that it would carry out the second FRD, scheduled to be completed by 9/7/97, on time. The same day a Labor-Likud forum held a meeting to discuss the extent of the redeployment.

Oslo II Implementation

Israel's first concrete gesture to the PA since the 3/21 suicide bombing was an agreement (7/7) for "freer passage" between the West Bank and Gaza. Although no safe-passage accord is expected soon, Israel approved operation of PA buses between Gaza and the West Bank (6-8 round trips/day, 5 days a week, carrying 600 Palestinians/day). Before service could begin, Israel sealed the territories because of the 7/30 suicide bombings, leaving the fate of the agreement uncertain.

On 7/9, Israel and the PA began talks on expediting operations at Rafah airport and on resuming talks for construction of the Gaza port and safe-passage. Regarding the airport: By 7/14, Israel had agreed to allow the import of all technical and electronic equipment, to be donated by Spain and Germany; to release equipment embargoed for months at the Ashdod port; and to give the PA full authority over ground services, maintenance, and management of the control tower. Outstanding issues include Israel's demands for exclusive security checks of all arriving and departing passengers and on-site monitoring of PA operations. Additional meetings on the airport were held 7/16. On 7/23, Palestinian Airlines began operating two weekly flights between al-Arish, Egypt, and Amman.

Israel, the PA, and the European Union (EU) held several days of talks (ending 7/21) on issuing a Palestinian currency in the permanent settlement phase, with Israel retaining sole authority to set exchange or interest rates different from its own. The talks are required by Oslo II (Annex V, Article IV.10.b).

The PA Communications Min. accused (7/3) Israel of delaying and deliberately "losing" incoming mail to the PA areas. A PA-Israeli technical committee convened to discuss the matter.

Israel warned (7/7) that if Palestinian radio stations did not stop "fomenting against" Israel, the Israeli Communications Min. would revoke their broadcasting frequencies. Following the 7/30 suicide bombings, Netanyahu threatened (7/31) to jam television broadcasts as well, but neither proved possible without also jamming Israeli stations.

By 7/12, the Palestinian Stock Exchange was holding two trading sessions a week, on Sundays and Wednesdays (see Peace Monitor in *JPS* 104).

Final Status Talks

Netanyahu's inner cabinet held its first discussions on final status talks 5/28. Defense heads (including Shin Bet chief Ami Ayalon and DM Yitzhak Mordechai) offered three scenarios: under the maximalist option, Israel would have full sovereignty over a united Jerusalem, the Waqf would have custody of Muslim holy sites, Israel would remove only a few small settlements, the Jordan River would mark Israel's eastern border, and Palestinians would not be allowed the right of return; under the minimalist position the PA would gain control of 60% of the West Bank; and under the intermediate option Israel and the PA could make gradual concessions in the course of negotiations. Other "contingency plans" for final status were discussed by senior legal experts from the Justice and Defense Mins. (late 7/97, 8/7) and outlined in secret documents leaked to the press (7/24).

Netanyahu presented (6/4) the inner cabinet with a final settlement map under which Israel would retain key areas in the West Bank, including East Jerusalem. The plan, which he termed "Allon plus" (suggesting a return of less land than proposed in the 1968 Allon partition plan), involves annexation of the principal aquifers, columns of territory along the West Bank's borders with Israel and Jordan, and a corridor from Jerusalem to the Jordan River bisecting the West Bank; four east-west IDF-controlled roads would also cut across the West Bank. The PA would be left with three or four noncontiguous enclaves totaling 40% of the West Bank and containing most of the Palestinian population; Palestinian statehood would be denied. Israel did not discuss the plan with the PA,

which condemned it (6/4). Netanyahu and his government held additional talks on Allon plus on 6/15.

Netanyahu's office confirmed (7/11) that a ten-member group of coalition MKs (led by Likud's Gideon Ezra, Third Way's Alex Lubovski) and Israeli intellectuals (including Gershon Baskin) had been holding unofficial secret talks with Palestinians in Jerusalem to draw up the principles of a final status agreement. The ten-member Palestinian team is headed by Hani al-Hassan (known for his criticism of Oslo) and includes PA members and Palestinian intellectuals. Baskin said (7/11) that no progress had been made, but "the potential is there." The groups held another meeting 7/28. Netanyahu and Arafat are being updated on the contacts.

Off the official track, Arafat and Labor Chmn. Ehud Barak agreed (7/24) to set up a joint committee to exchange updates on the peace process and coordinate positions between Labor and the PA. Barak's political adviser Alon Li'el and PA Local Government M Saeb Erakat will head the committee.

In mid-May, Israel held an interministerial meeting on the future of water resources. Infrastructures M Sharon suggested that in exchange for Israel's retention of the West Bank's important water resources in a final agreement, the Palestinians would be given an increased quota of urban water but asked to build sewage purification systems. Since assuming the water portfolio, Sharon has blocked permits for drilling one of the three wells near Bethlehem permitted under the Oslo Accord. The U.S. has allocated \$46 m. for the drillings but said (5/21) that without authorization to dig the first well, work on the other two could not begin.

On 6/25, the Knesset passed (21-3, with 25 absent) the first reading of a draft bill that would apply Israeli law to all West Bank and Gaza settlements, which are currently under the jurisdiction of the Civil Administration as occupied territory. Passage of the bill, although unlikely, would be the first step in Israeli annexation of the settlements.

Security Arrangements

Three U.S.-Israeli-PA meetings on resuming security coordination were held from the beginning of the quarter until 7/1, when, under pressure from Egypt and the U.S., Arafat agreed to resume full security cooperation with Israel. Despite this, clashes between the IDF and the Palestinians, particularly in Hebron, escalated. During the quarter, the PA police rarely halted protests (as

they did 6/20) and were often absent from the scene (e.g., 6/14–15).

Following two weeks of violent demonstrations along the seam line between H1 and H2 in Hebron, the IDF placed cement barriers along the seam line (7/12), closed Palestinian shops in Israeli-controlled H2 (7/12), and threatened to reenter parts of Hebron if the PA security forces did not take action (7/13). (Indeed on 7/29, Israeli commandos entered Tulkarm in area A to capture an Islamic Jihad member who had escaped from an Israeli prison in 8/96.) Following talks between the PA and Israeli forces (7/13), Arafat authorized 200 PA policemen to resume joint patrols with the IDF in Hebron on 7/14. In return, the IDF allowed some shops in H2 to reopen.

Also on 7/14, the IDF arrested three PA policemen allegedly on their way to attack a Jewish settlement near Nablus, marking the first time that the IDF arrested members of the PA security services. The PA held discussions with Israel on the issue (7/17, 7/20). Based on information Israel extracted from the officers in interrogation, the PA arrested (7/20) four other policemen for plotting anti-Israeli attacks; Israel also accused (7/20) Gaza's police chief Brig. Gen. Ghazi Jabali of masterminding the plots and ordered (7/30) his arrest, but neither Israel nor the PA attempted to take him into custody. Nevertheless, Israel's commander of West Bank forces Maj. Gen. Gabi Ofir praised (7/18) the functioning of the Israeli-PA district coordination offices, saying they had solved many problems and defused potential explosions.

Because of the spread of Palestinian protests, the IDF declared (7/16) the PA-controlled cities closed military zones and announced that it had stepped up training of its reserve units to "improve its preparedness for war." Earlier on 6/3, the IDF performed tank exercises in the West Bank, simulating the army's response to a Palestinian uprising that would lead to all-out war with the PA police. Arafat protested the exercises to U.S. Consul Gen. Edward Abington on 6/25.

Following the 7/30 suicide bombings, Israel and the PA continued to hold security meetings (e.g., 7/31, 8/2, 8/10) to exchange information on the bombers. Israel gave the PA lists of some 88 individuals it wanted arrested, but the PA detained only 11 of them. On 8/6, Israel began allowing small quantities of medical supplies and vital goods into the territories. On 8/8, the IDF eased the "inner closure," allowing Palestin-

ian movement between Jericho and Nablus, and reopened the Rafah border crossing to Egypt. The inner closure on Janin, Qalqilya, and Tulkarm was lifted 8/9, and on H1 in Hebron and Ramallah 8/14. The Jordanian border was reopened to West Bank Palestinians 8/9.

Jerusalem

On 6/2, Netanyahu's inner cabinet discussed the Palestinian presence in Jerusalem, concluding that Israel should increase the number of police by 400, open a new police station, and take control of Palestinian education in the city (which has been under Palestinian control, using the Jordanian curriculum, since 1972). The next day, Israel announced it would impose the curriculum used in Israeli-Arab schools and would supervise matriculation exams, but rescinded the decision by 6/13. On 7/16, the Israeli administration ordered ministries to prepare "action plans" to increase Israeli control in East Jerusalem by expanding services to Palestinians and "efficient enforcing" of Israeli law.

Following the 7/30 suicide bombings, Israel ordered (8/3) the Palestinian National Theater and the Jerusalem Committee for Development and Social Welfare to close indefinitely for alleged affiliation with the PA. This contradicted a Shin Bet report to the Israeli Public Security Min. (made public 5/28), stating that in keeping with the Oslo accords, the PA had refused to provide financial assistance to East Jerusalem institutions.

In the two weeks after the bombings, Israel's Jerusalem municipality began the forced collection of property taxes owed Israel by Palestinian residents of East Jerusalem, sending inspectors escorted by Israeli border guards into shops to seize property in payment of past debts. An Israeli court also ordered the confiscation of the store and car of Ziyad al-Hammouri, head of the Palestinian tax protest committee. Israel imposed a property tax on East Jerusalem residents shortly after occupying the city in 1967. Israel claims that the Palestinians, who have long boycotted the tax as illegal under international law, owe the government \$300 m.

Israel's Jerusalem District Planning Committee granted permission (5/22) for 3,400 housing units for Arabs in Sur Bahir near Har Homa. Construction and financing will be left to the Palestinian villagers. Israel's Jerusalem municipality then announced plans (6/1) for the demolition of 800 of some 2,000 Pal-

estinian homes in the city allegedly built without permits.

In Amman, Palestinian, Jordanian, and Arab businessmen launched (7/28) a \$100 m. investment firm—the Jerusalem Development and Investment Company (JEDICO; previously the Jerusalem Fund for Joint Investment Company, see Peace Monitor in *JPS* 104)—to spearhead construction of houses and tourist projects to counter Judaization of the city. JEDICO chmn. 'Abd al-Majid Shuman (chairman of the Arab Bank) said that the firm, which is registered in the Virgin Islands, will focus on real estate acquisition and management. Saudi Prince al-Walid Bin Talal and Palestinian multimillionaire Munib al-Masri are among the firm's 240 shareholders. In addition, Saudi Arabia released (6/97) \$19 m. (of \$50 m. deposited at the Islamic Development Bank) to build 600 homes for Arabs in Jerusalem. The money will be disbursed as loans to Palestinians who apply.

Israel's Religious Affairs Min. demanded (6/6) that the PA representative for Christian affairs be barred from attending all ceremonies in Jerusalem as he has been doing for two years. The ministry accused Christian leaders of "abetting" the PLO in its efforts to "take over" Jerusalem.

Israel accused (5/26) the PA of violating Oslo by conducting security activities in Jerusalem, claiming that uniformed members of the Preventive Security Force, General Intelligence Service (GIS), Force 17, and PA Jerusalem District Security have been seen in the city.

In early 6/97, the Israeli West Jerusalem Municipal Council called on Palestinian Jerusalemites to run in the next council elections, promising that they could win up to 10 of the 37 seats. Palestinian Council member Ziyad Abu Zayad (Ind.-Jerusalem) rejected the idea, saying that Palestinians want to form their own municipal council in East Jerusalem.

Miscellaneous Matters

Israel agreed (7/14) to allow, pending security checks, 1,500 Palestinian residents of foreign countries to return to live in the West Bank and Gaza as part of the family reunification plan, which was suspended several years ago.

Following the 7/30 suicide bombings, Israel's Association of Contractors and Builders declared a permanent ban on hiring Palestinians from the West Bank and Gaza, whether or not they have work permits, and called on the government to find another

way to end the shortage of workers in the construction industry.

The Israeli Defense Min. announced (5/18) that 500 Palestinian homes in the West Bank were slated for demolition because they allegedly were built without permits. Since Netanyahu became prime minister in 5/96, over 170 Palestinian homes have been destroyed.

On 5/21, the Jewish National Fund (JNF) claimed that it owns large areas of PA-controlled Bethlehem, Hebron, and Jericho. The PA did not comment.

Palestinian Authority

The PA General Control Office (GCO), charged by Arafat to investigate rumors of PA corruption, issued an audit report (5/24), showing that the PA misused \$326 m. in public funds in 1996 and \$223 m. to date in 1997. Such charges of misconduct and corruption dominated the quarter until the Israeli closure following the 7/30 suicide bombings. A special team, appointed by Arafat (6/8) and headed by his secy. Tayib 'Abd al-Rahim, confirmed (7/21) the GCO's findings and recommended that several PA officials, including three Executive Authority (EA) members, be prosecuted. On 7/31, the Palestinian Council (PC) urged Arafat to dissolve the EA within a month and appoint a new cabinet. All but two EA members offered to resign (8/1) to allow Arafat to rebuild the cabinet, but Arafat did not accept the resignations.

Following the live broadcast of the 5/20 PC session that addressed the GCO report, al-Quds television owner, Palestinian-American journalist Daoud Kuttab, was detained by the PA police. The incident brought international attention to the jamming by the PA-run Palestine Broadcasting Company of Palestinian television programs critical of the Authority, which had been taking place intermittently at least since early 5/97. Kuttab was released 5/27, after agreeing that al-Quds would not broadcast PC sessions without Arafat's permission.

Two Palestinian prisoners died in PA custody this quarter (6/16, 6/30). The independent Palestinian Human Rights Monitoring Groups issued a report (5/26) citing the PA for "norms of illegal behavior" and "torture on a large scale," detailing 42 cases in which PA prisoners reported abuse by various PA security forces.

The murder of land dealers also continued (5/18, 5/31), further tainting the PA's image. On 6/1, Israeli police captured the

head of the GIS, three other GIS officers, and two armed men in the process of kidnapping a fourth land dealer in Jerusalem. (The PA arrested Ramallah's chief of military intelligence, who was implicated by Israel in two land dealer murders, on bribery charges 6/11.) By the end of the quarter, as many as 20 Palestinians had been arrested on suspicion of selling land to Jews as far back as the 1980s. On 6/30, the PC passed the first reading of a law that would ban the sale of land to Israelis.

Concerning changes in the make-up of PC and EA this quarter, PA Tourism M and mayor of Bethlehem Ilyas Frayj resigned his positions (5/20). After the GCO report was made public, Atty. Gen. Khalid Kidra "resigned," citing poor health, and was immediately placed under house arrest based on the GCO's accusation that he pocketed bail money and took bribes from prisoners. Arafat appointed his legal adviser Fayiz Abu Rahma to replace Kidra 7/18. Justice M Frayh Abu-Madayn tendered his resignation in protest, saying he was not consulted on Abu Rahma's appointment or the recent appointment of ten judges; Arafat did not accept the resignation. On 6/9, the PA created a new Palestinian Diaspora and Refugee Affairs Min. to be headed by academic As'ad 'Abd al-Rahman. (Jordan condemned the establishment of the new ministry as an interference in its internal affairs.)

After a six-month delay, PA Finance M Muhammad Nashashibi presented the PA's annual budget to the PC on 5/21. The budget forecasted expenditures at \$866 m. and revenues at \$814 m., with the deficit to be covered by donor countries. Of the expenditures, \$95 m. was allocated for the president's office and \$248 m. for the security forces.

In mid-7/97, the PA announced that municipal elections, slated for 8/97 (see Peace Monitor in *JPS* 104), had been postponed indefinitely, at least until the first two FRDs are carried out. The Local Government Min. appointed temporary committees to run local municipal councils in the West Bank and Gaza for the interim.

The PC discussed (8/9) a draft national service law, which would require all high school graduates to perform one year of service in public projects. Although the PA said that graduates would perform no security duties, Israel condemned the proposed law as a camouflage for setting up a draft for a Palestinian army.

On 7/1, the PC passed (50-2) a resolution calling on Palestinians to stay away from the U.S. consulate's 7/4 celebrations to protest U.S. preferential treatment for Israel.

In violation of an order by the PA High Court of Justice, Gaza municipality workers accompanied by PA security forces demolished (5/22) several Palestinian homes in Gaza city to make way for new construction.

On the economic front, the 2/24 EU-PA Partnership Agreement was ratified by the European Community at its 6/2-3 meeting and went into effect on 7/1 (see Peace Monitor in *JPS* 104). In mid-7/97, the EU pledged \$1 m. for Palestinian university libraries to buy books. The Central Bank of Egypt and the Palestinian Monetary Authority agreed (7/21) to exchange economic, monetary, and banking information. The PA and France signed (6/30) a \$6 m. financial cooperation accord for water projects.

Oman announced plans (7/22) to open a representation office to the PA in Gaza.

PALESTINIAN OPINION

The following data are excerpted from a poll conducted by the Nablus-based Center for Palestine Research and Studies (CPRS) on 5-6 June. The survey was taken soon after the results of the GCO inquiry into PA corruption were made (see above). Results are based on a survey of 1,317 men and women from the West Bank and Gaza. The poll, twenty-eighth in a series, was made available by CPRS's office in Nablus.

1. Do you think that there is corruption in PA institutions?

	West Bank & Gaza	West Bank	Gaza
a. Yes	62.9%	60.8%	66.3%
b. No	21.3%	20.0%	23.5%
c. Not sure	15.8%	19.2%	10.2%

2. Will this corruption in PA institutions increase, decrease, or remain as it is in the future?

	West Bank & Gaza	West Bank	Gaza
a. Increase	48.9%	43.8%	56.9%
b. Decrease	7.9%	8.5%	6.9%
c. Remain as it is	30.5%	32.0%	28.1%
d. No opinion	12.7%	15.7%	8.1%

3. Generally, how do you evaluate the performance of the Palestinian opposition parties, movements, and factions?

	West Bank & Gaza	West Bank	Gaza
a. Very good	8.5%	6.4%	11.9%
b. Good	27.3%	25.7%	29.8%
c. Fair	19.5%	18.6%	20.9%
d. Bad	21.5%	23.4%	18.5%
e. Very Bad	6.7%	6.7%	6.8%
f. Don't know/No opinion	16.5%	19.2%	12.1%

4. Which political faction do you support?

	West Bank & Gaza	West Bank	Gaza
a. PPP	1.3%	1.4%	1.2%
b. PFLP	3.1%	2.0%	4.8%
c. Fatah	40.9%	37.3%	46.8%
d. Hamas	8.0%	8.0%	7.8%
e. DFLP	0.7%	0.7%	0.6%
f. Islamic Jihad	2.1%	1.6%	2.8%
g. Fida	0.2%	0.0%	0.4%
h. Independent Islamists	2.7%	3.5%	1.4%
i. Independent nationalists	3.6%	3.8%	3.2%
j. None of the above	35.6%	39.3%	29.7%
k. Others	2.0%	2.5%	1.2%

JORDANIAN-ISRAELI TRACK

Jordanian-Israeli relations were routine during the beginning of the quarter. On 6/14, the U.S. formally notified a visiting Crown Prince Hassan of plans to give Jordan \$100 m./year in aid for the next five years, taken equally from the annual aid packages of Egypt and Israel. Hassan noted that the gift, while appreciated, was tarnished by the 6/10 House decision to give an equal amount of money for the transfer of the U.S. embassy to Jerusalem. The money taken out of the Egyptian package will be sent directly from the U.S. to Jordan, whereas Israel must write Jordan a check for \$50 m., since the U.S. transfers Israel's foreign aid in a lump sum at the beginning of the year. In anticipation of the U.S. request, Israel had announced (6/15) plans to donate \$50 m./year to Jordan.

Toward the end of 7/97, Jordanian-Israeli relations became tense when Netanyahu's office expressed anger (7/24) at the king for

allegedly "boycotting" Netanyahu and instead courting Labor Chmn. Barak, who had discussed the peace process with King Hussein 7/21 and visited Amman 6/9. Netanyahu also criticized (7/25) the king for not "thanking" Israel for its \$50 m. "gift" (see above) and threatened not to sign the check until the king's attitude changed. After King Hussein phoned Netanyahu following the 7/30 suicide bombings to encourage him to ease restrictions on the Palestinians, Netanyahu announced that the king had agreed to visit Jerusalem 8/6—a statement the king denied 8/5. Netanyahu accused Hussein of backing out under pressure from other Arab states. As a concession, Crown Prince Hassan flew to Jerusalem 8/6 to meet with Netanyahu, who followed up with a visit to Aqaba 8/13. The exchange of views did not achieve any progress.

Economic Matters

Jordan's Planning M Rima Khalaf criticized Israel (6/20) for blocking and rejecting many agreements that could establish bilateral cooperation. In particular, she cited Israel for blocking the joint Dead Sea-Red Sea canal project and instead promoting a domestic plan for a Mediterranean-Dead Sea canal; for reneging on preliminary agreements regarding the peace airport in Aqaba by insisting on numerous conditions regarding services, tourist projects, and profit sharing; and for blocking Jordan's economic ties with the PA. Similarly, Jordanian businessmen complained (5/31) that Israeli security measures and customs duties were hindering the flow of goods between the kingdom and the PA self-rule areas. Talks were held on this last matter in 7/97.

Amb. to Israel Umar al-Rifa'i stated (7/24) that 12,000–14,000 Jordanians (Israel says 15,000) were working in Israel illegally and that the kingdom was trying to identify and repatriate them.

Jordan and Israel held talks (5/18) on the security aspects of the limited "door-to-door" shipments (i.e., goods that do not switch haulers at the Israeli-Jordanian border) that have been made to date (see Peace Monitor in *JPS* 101).

Jordan agreed (5/25) to begin negotiations with Israel on building two railroads: an Aqaba-Ashdod cargo line and an Aqaba-Elat passenger line.

Water

On 5/18, Israel began pumping 20 mcm of water from Lake Tiberias to Jordan's King

Abdullah Canal, as required by the 10/94 peace treaty. King Hussein visited Israel (5/27) to observe the start of pumping of an additional 25 mcm/day of water to Jordan.

Tourism

Jordan and Israel held talks in Aqaba (5/29) on the legal, operational, and economic aspects of converting the existing Aqaba airport into a joint "peace airport" serving Aqaba and Elat and agreed (6/6) to a formula for the airport's joint administration. Jordan agreed in principle (6/21) to allow Israel to use the existing Aqaba airport as an overflow point for Elat airport during the transition period, pending discussions on logistics. After talks 6/28, Jordan rescinded its approval, saying that Israel wanted to "set security conditions harmful to Jordan's sovereignty," including deploying Israeli security inside the airport and on transport buses carrying passengers around the airport and to Elat. Israel suggested as a compromise (7/5) that Jordan turn over administration of the airport to an international firm. Jordan's Transportation M Bassam al-Sakit said (7/5) that Jordan was open to the idea, but studies would have to be done first.

Jordan and Israel held talks (7/24) on a joint tourism marketing plan to Canada, Eastern Europe, Europe, Japan, and the U.S.

Security

In late 6/97, the IDF and Jordanian army performed joint maneuvers to simulate an evacuation from al-Baqura, the Jordanian island where seven Israeli girls were shot and killed by a Jordanian soldier 3/13; the soldier was convicted 7/19. Talks were also held 7/8 regarding closer military cooperation.

Diplomacy

On 6/15, Amb. Rifa'i lodged a formal complaint with the Israeli FMin. regarding the Israeli security services' repeated mistreatment of Jordanian citizens and embassy staff at checkpoints and border crossings. He specifically cited the 6/13 interrogation of a Jordanian diplomat returning to Jordan for vacation, which the kingdom considered a violation of the Vienna Agreement regarding the treatment of embassy staff. Although Rifa'i said (7/24) that Israel was taking the issue seriously and had promised to do what it could to relieve the situation, another Jordanian embassy official was halted despite diplomatic immunity and illegally searched and detained (7/23).

The Israeli embassy in Amman announced (7/2) that it had contracted with 20 Jordanian travel agencies to accept direct visa requests, most of which are from Palestinians from the Gulf wanting to visit relatives in the West Bank and Gaza. Amb. Rifa'i said (7/9) that since the beginning of the summer, Israel had denied all visa requests by Palestinians carrying Jordanian passports seeking to visit relatives in the PA areas.

As of 7/24, "intense" talks were underway regarding the release of the remaining 19 Jordanian detainees being held in Israeli jails (see Peace Monitor in *JPS* 103).

The JNF stated (5/21) that it owns more than 10,000 dunams of land near Amman that was bought by Jews in the 1920s and that it broached with Jordan the subject of obtaining possession of the land but received a negative response. Jordan denied the JNF's story.

Jordan and Israel reached (7/23) a pest control cooperation agreement to reduce sand fly and mosquito populations along their common border.

SYRIAN-ISRAELI TRACK

Only one official exchange regarding the Syrian-Israeli track took place this quarter. In late 7/97, Netanyahu sent a special courier to Syria with a proposal for a "new" formula to be used as the basis for the resumption of negotiations: The scope of "territorial concessions" on the Golan would equal the scope of the security arrangements accepted by Syria. Netanyahu reportedly agreed to put forth the suggestion on the assumption that Syria would not agree to far-reaching security arrangements, hence Israel would not have to agree to a sizeable withdrawal. Syria rejected the offer (8/12) as an insufficient basis for restarting talks.

An informal delegation of 46 Israeli Arabs, including seven MKs, made an unprecedented visit to Damascus (8/8-19) to show support for the Syrian position on talks with Israel. The group, which was invited by Pres. Hafiz al-Asad at PLO Political Dept. head Faruq al-Qaddumi's suggestion, received special Egyptian visas to enter Syria. The trip was to have taken place 6/25 but was delayed several times due to disputes among participants over the make-up of the delegation. Although the delegation did not carry any official message from Netanyahu, one member, Labor MK Salih Tarif, conveyed (8/11) a message from party Chmn. Barak, expressing a desire to meet with Syrian lead-

ers so as to pressure the Netanyahu government to promote peace.

Netanyahu toured the Golan (7/17) and vowed not to give back an inch of territory to Syria. He also announced plans for a new hotel in Hammad Gader settlement and for a new factory and teachers training school in Qatzrin, where Israel is currently investing \$850,000 to set up a tourist village. Israeli settlement leaders in Qatzrin said (6/19) that plans had been completed for construction of another 1,000 housing units to expand the settlement, pending final approval by DM Mordechai. The JNF claimed (5/21) to own some areas in the Golan and in Hawran, Syria. Syria did not comment.

In the Knesset 7/23, a bill that would require any concession on the Golan to be approved by 80 of 120 MKs and a national referendum passed (43-40) a preliminary vote. A second similar Golan bill was defeated (50-50). Netanyahu voted for both. Syria said that the motions constituted a deliberate Israeli attempt to destroy any prospects for resuming peace talks. On 7/29, Asad told Egypt's Pres. Mubarak that he saw "no hope" for progress under current conditions.

MULTILATERAL TALKS

Due to the status of the bilateral negotiations, only one multilateral meeting convened this quarter: the family reunification subcommittee of the Refugee Working Group, which met in Paris 5/27. The steering committee meeting scheduled for 6/97 in Moscow and a meeting of the Special Disarmament Committee of the Arms Control Working Group set for 5/97 in Canada were postponed indefinitely. Russia and the PA are keeping in close contact regarding the steering committee meeting and hope to hold it as early as 9/97. The PA is adamant that no meetings take place until bilateral progress is made.

Oman hosted (6/17-18) a meeting of the Middle East Desalination Research Center, one of the many projects spawned by the multilateral talks. Twenty water experts from Egypt, France, Germany, Israel, Italy, Japan, Jordan, Kuwait, Oman, the PA, South Korea, the UAE, and the U.S. discussed ways of reducing desalination costs.

REGIONAL AFFAIRS

REFUGEES

In late 5/97, Jordan allocated \$250 m. for the improvement of Jordan's Palestinian refu-

gee camps—the first time that a large sum has been earmarked in the state budget for the camps, which used to be administered by local committees. The Amman municipality also took steps to extend services to seven camps (with a population of 1 million Palestinians) adjacent to the capital, which eventually would mean formally reclassifying those camps as neighborhoods of Amman. In late 7/96, Jordan also allocated \$431 m. for improving the infrastructure in poor areas, including refugee camps. The kingdom stressed that these changes were meant only to improve the refugees' living conditions, not to resettle or naturalize them. The PLO did not object.

Lebanon demanded (7/97) that funds collected under the Peace Implementation Program (PIP) of the United Nations Relief and Works Agency (UNRWA) be turned over to the UNRWA's general budget in order to benefit all Palestinian refugees and ease the financial burden of host governments. The PIP, established after the signing of the Oslo agreement, has channeled over \$250 m. to infrastructural improvements in the West Bank and Gaza camps.

NORMALIZATION

Due to the lack of progress on the peace tracks, few Arab states made overtures to Israel this quarter. The only exceptions were Iraq, which approached Israel (5/27) with a request to buy food, medicine, and cars from Israeli companies under the UN oil-for-food deal; Egypt, which implemented (early 7/97) an Israeli-Egyptian contract for a \$1.3 m. oil refinery project in Alexandria—the largest Arab-Israeli joint venture to date; and Oman, which, through a British company, signed (6/1) a deal to buy a multimillion-dollar Israeli desalination plant.

In a meeting with Labor MK Yossi Beilin 7/9, Omani FM Yusuf Bin-'Alawi expressed concern that other Arab states were retrenching in the peace process. Beilin encouraged Oman to return its official representative to Israel (see Peace Monitor in *JPS* 104), but Bin-'Alawi said it was not the proper time. Similarly, on 7/16, Egypt's Pres. Mubarak told Labor Chmn. Barak that he found it increasingly difficult to "rationalize" normalization with Israel to the Egyptian public.

Despite Qatar's plans to push ahead with preparations for the 11/97 Doha Economic Summit (see below), Israel accused Qatar (7/27) of holding up visas for the Israeli preparatory team, which was planning to check

the security arrangements and living quarters at the conference site.

On 8/5, the Arab League held an emergency session to discuss Israel's response to the 7/30 suicide bombings and issued an unusually harsh statement, accusing Israel of bringing the violence upon itself.

INTER-ARAB HIGHLIGHTS

Arab states concentrated on coordinating their efforts on the Oslo process in light of the continuing impasse. Egypt (in concert with Jordan) led efforts to mediate between Israel and the PA (see above), while Syria lobbied (during trips to the Gulf 5/18–22 and North Africa 5/26–28) the Arab states to back Syria's negotiating position and form a united front to challenge Israel's stands on the various peace tracks.

Syria resumed contacts (5/19) with Iraq for the first time since 1981, hoping to capitalize on the extension of the UN oil-for-food deal (6/4). Four border crossings between the two countries were reopened (6/2, 7/24); meetings between economic delegations to discuss potential projects were held in Damascus (6/14) and Baghdad (5/19, 6/8, 7/27, 8/6); a joint tourism company was formed (8/3); and diplomatic gestures, such as the closing of 3 opposition radio stations (6/97, 7/19), were made. Syria also declared void (7/22) explicit restrictions on travel to Iraq that had been placed on Syrian passports since 1981 and opened (8/13) discussions on the demarcation of borders with Iraq so as to solve an old dispute over control of land near Abu Kamal that is thought to hold oil deposits. Although having obvious economic benefits, Syria took these steps with the equal intention of counteracting what it perceives to be a growing alliance between Israel, Turkey, and the U.S. aimed at overpowering the Arabs in the peace process.

Syria's move to resuming economic ties with Iraq prompted Kuwait's acting PM Shaykh Sabah al-Ahmad al-Sabah to announce plans (6/4) to renew relations with Jordan and Yemen (with which ties had been severed during the 1990–91 Gulf War) aimed at consolidating Iraq's isolation. He stressed that the move was not taken against Syria, which had logical reasons for renewing ties with Iraq given the Turkish-Israeli military alliance and U.S. pressures. Flights between Kuwait and Amman resumed on 7/9–10.

Jordan's King Hussein expressed (6/8) the desire for a rapprochement with Syria, while

criticizing Syrian support for Jordanian opposition parties. The same day, the king appointed Ziad al-Rifa'i, who has close links with Syria, as head of the unelected upper house of parliament, bringing him into decision-making circles.

Syria encouraged Jordan (6/97) to resume bilateral talks, begun seven years ago, on constructing the al-Wahda dam. Israel has demanded to be included in the project so that it can collect Yarmuk River waters in the dam and has warned Jordan that it will consider Jordan's involvement in the project with Syria alone a violation of the Jordan-Israel peace treaty. On 7/24, Syria banned ten of the Jordanian travel agencies contracted to issue visas for the Israeli embassy (see above) from doing business in Syria.

Jordan and the PA held talks (7/15–18) on cooperation on public works in which Jordan agreed to give the PA maps of the roads and government buildings in the West Bank that existed before 1967.

Syria and Oman held talks (7/5) on military cooperation.

REGIONAL ECONOMIC AFFAIRS

Syria led an effort to pressure Qatar to cancel or postpone the fourth annual Middle East-North Africa Economic Summit planned for 11/97 in Doha as a statement of protest to Israel and the U.S. Following Syria's tours to the Gulf and North Africa, a number of parties took up the call to cancel or delay the summit, including Algeria, Kuwait (5/3), 11 Jordanian opposition parties (8/13), Lebanon (8/11), the PA (8/6), Saudi Arabia (6/30), and the UAE (6/21, 8/8). Israel (6/15) and Jordan (6/21) confirmed that they would attend if invited, whereas Egypt (7/8) and Oman said that they planned to attend but quietly floated the idea of a postponement. Although Qatar, under pressure from the U.S. (e.g., 6/11), moved ahead with preparations for the summit, it seemed willing to consider postponing the conference to a specified date if the climate does not improve; such a decision would be taken closer to 11/97.

As of 8/13, no progress had been made on setting up the Middle East Development Bank (MEDB; see Peace Monitor in *JPS* 102). The U.S. cannot ratify the agreement because Congress has not allocated money to pay for the 21% of shares in the bank that the U.S. has claimed. For political reasons, other participating countries do not want to proceed without the U.S. The U.S. could reallocate money from bilateral aid (most likely from

aid to Egypt and Israel) to the MEDB and thus avoid Congress, but the administration deems this too politically sensitive. Meanwhile, experts are working on the technical issues of administering the bank, so that once money is received they can move ahead immediately.

Egypt's Pres. Mubarak and Jordan's King Hussein discussed (5/14) the possibility of holding an Arab summit to address forging an Arab common market; follow-up discussions were held 7/6. Syria also proposed an Arab common market at the meeting of the Damascus Declaration states (6/25-26). On 7/9, Syria called for the creation of an Arab free trade zone and the gradual reduction of customs duties between Arab states, with the goal of eliminating duties altogether within ten years.

On 6/15, the Group of Eight Developing Islamic Countries (Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Turkey) announced the formation of an economic cooperation group, similar to the European Common Market, which pledges to work with other regional and international organizations.

Egypt and Syrian agreed (5/28) to form a bilateral free trade zone, hold joint trade fairs, and cooperate on culture and tourism projects. Egypt and Libya agreed (6/13) to form a bilateral free trade zone and build a joint airport connecting the two countries. Jordan and Syria discussed (early 6/97) creating a bilateral free trade zone.

Jordan and Egypt signed (7/6) four agreements on electricity linkage, administrative development, veterinary medicine, and international postal remittances.

The Jordanian-Palestinian Technical Economic Committee discussed (7/27-8/2) ways of facilitating trade between Jordan and the PA self-rule areas.

Jordan and Iran held talks (7/23) on boosting economic cooperation, initiating joint ventures, and investment and taxation issues in preparation for a Jordanian-Iranian economic conference in 10/97. They also agreed to set up a joint trade company.

INTERNATIONAL

UNITED STATES

Following special envoy Ross's failed trip to the region, Secretary of State Albright stated (5/22) that the peace process had broken down, that no one in the administration had a good idea of how to fix it, and that

she saw no point in traveling to the region if she had nothing to offer. On 6/10, she said that the U.S. had little hope for the Egyptian mediation but had no plans to present an initiative of its own to break the impasse. Following the 7/30 suicide bombings, the administration announced that Albright might visit the region in 9/97 if progress was made on security issues. In early 8/97, Pres. Clinton, frustrated by Netanyahu's sanctions against the Palestinians following the 7/30 suicide bombings, reportedly considered inviting Pres. Ezer Weizman to the U.S. as a way of showing support for Israel while expressing reservations about Netanyahu's policies.

Throughout the quarter, the Clinton administration's role as cosponsor of the peace process was complicated by efforts in Congress to block aid to the PLO (5/22), halt aid to Egypt (6/18), impose restrictions on dealings with Syria (6/17, 7/8), and declare Jerusalem the capital of Israel and transfer the U.S. embassy to Jerusalem from Tel Aviv (6/10-11).

On 8/12, the Middle East Peace and Facilitation Act (MEPFA), which waives bans on U.S. government dealings with the PLO, expired, and no effort had been made to prepare a compliance report by 7/12 as required by MEPFA and PLO compliance certification legislation. Although the PA viewed it (8/12) as an insult and the PLO office in Washington was forced to close, only direct U.S. aid to the PLO/PA and aid through international organizations such as the World Bank and IMF must stop; assistance will continue through indirect channels, such as USAID and nongovernmental organizations, where no certification will be required, thus removing for the administration an embarrassing topic of debate with Congress. Several versions of new MEPFA legislation, some requiring stricter compliance standards, have been floated for possible consideration when Congress reconvenes.

Of the several measures against Syria that were initiated, the only one to pass a full congressional vote was the annual Foreign Relations Authorization Act, which for the first time included a nonbinding amendment calling for the enforcement of sanctions against Syria's oil industry identical to those in place against Iran and Libya. It passed by a vote of 410-15 on 6/10.

Syria still faces a fight when Congress resumes in 9/97: The Senate passed (6/17) a

version of the State Department Authorization Act that contains a section prohibiting most financial transactions with "state sponsors of terrorism," including Syria. The House, which did not contain such wording in its version, expressed willingness to support the Senate's addition in the conference committee (viewing it as a more subtle way of penalizing Syria than a trade ban) but was concerned about the potential effect on the peace process. By late 7/97, Syria had begun putting together a lobby, including Arab-American groups and U.S. corporations that do business in Syria, to block the legislation.

Sen. Mitch McConnell's amendment (6/17) to the foreign aid bill that would have canceled all U.S. aid to Egypt was defeated 7/16.

Also of note: U.S. Consul General Edward Abington stated (5/20) that based on a State Department study, the vacancy rate in Israeli settlements stood at 56% in Gaza, 30% on the Golan, 26% in the West Bank, and 7% in East Jerusalem, meaning there is no need for settlement expansion to accommodate "natural growth"—the rationale PM Netanyahu used for approving Har Homa construction. Israel dismissed the figures as false.

RUSSIA

Russia's abstention from the 7/15 UN General Assembly (UNGA) vote on Israeli settlement activity (see below) was a significant departure from its voting record. Analysts saw the abstention as (1) a gesture of thanks to the U.S. for having invited Russia to take part in the 6/22 meeting of industrialized nations in Denver, (2) a bid to discourage the U.S. from marginalizing Russia's international role through NATO expansion and increasing the number UN Security Council (UNSC) permanent members, and (3) a way of appearing more impartial than the EU at a time when Russia fears the EU is taking too large a role in the peace process that Russia technically cosponsors.

Israel and Russia agreed (5/20) jointly to fill a \$1 b. order from China to develop and deliver an early warning system similar to the U.S. AWACS system. The project is expected to begin in 1998. The two countries also signed (5/22) a security cooperation agreement covering organized crime and terrorism.

Russia said (6/10) that it was considering selling Syria MiG-29s in order to boost Syria's defensive, but not offensive, capabilities.

EUROPEAN UNION

At the close of an EU meeting in Amsterdam (6/16-17), attendees issued a statement for the first time urging Israel not to rule out the possibility of a Palestinian state (see Doc. A1). At the 7/22 meeting in Brussels, the EU extended special envoy Moratinos's mandate until 11/25/98.

In mid-7/97, the EU and Israel signed trade agreements on public procurement and telecommunications that will pave the way for Israeli businesses to bid for tenders in Europe.

UNITED NATIONS

Israel announced (5/29) that it would not receive any UN mission tasked with investigating settlement construction in East Jerusalem, as required of Secy. Gen. Kofi Annan under the UNSC resolution on Har Homa passed 3/21 (see Doc. A5 in *JPS* 104). Annan consequently canceled (6/16) a special envoy's visit to Jerusalem, citing "unacceptable conditions" imposed by Israel, including a demand that any comments made by PA officials not be reflected in the envoy's report.

On 7/15, the UNGA held an emergency session on Israeli settlement activity and adopted (131-3, with 14 abstentions) a resolution condemning Israel's refusal to comply with its 4/25 demand (see Doc. A6 in *JPS* 104) to halt Har Homa and other settlement construction; asking Israel to identify products produced in the settlements with the intention of calling for a boycott; and threatening to cut back Israeli rights within the UN.

On 6/8, the UN Fifth Committee, which handles budget matters for the UNGA, voted (58-2) that Israel should reimburse the UN \$1.7 m. for expenses associated with the 1996 attack on its peacekeeping base at Qana in south Lebanon. The UNGA approved the measure (6/13), marking the first time that a single country has been held accountable for costs associated with peacekeeping.

OTHER

Following the visit (6/2) of a Turkish parliamentary delegation to Israel for talks on expanding political and trade relations, Turkey ratified (7/18) a trade agreement with Israel, which initially covers agricultural products only, but includes measures for expanding trade and creating a free trade zone by the year 2000. Israel and Turkey

also agreed (5/18) to jointly produce Popeye II air-to-ground missiles. Five Turkish warships docked at Haifa (6/17-20) to pay a courtesy call in advance of joint maneuvers off Cyprus, which began 6/20. Greece, which was concerned by the Turkish-Israeli maneuvers, convinced Israel to perform exercises with the Greek navy off Rhodes 6/24-29.

Syria's Pres. Asad made a sudden visit to Iran (7/31-8/1) to be the first head of state to meet with incoming Pres. Muhammad Khatami (elected 6/23). Iran and Syria also agreed to expand bilateral ties (7/5-6) and air transportation (7/28).

Germany's Interior Min. stated (6/21) that since the situation in Lebanon has stabilized, Germany hoped that negotiations could soon begin regarding "repatriation" of some 10,000 Palestinian refugees who fled to Germany during the Lebanese civil war.

DONORS

The annual Ad Hoc Liaison Committee (AHLC) meeting was held in Washington 6/5. Based on the evaluations made at the 5/13 Joint Liaison Committee and 5/14 Local Aid Coordination Committee (LACC) meetings (see Peace Monitor in *JPS* 104), donors approved the restructuring of the Sector Working Groups (SWGs) and recommended that the PA consolidate all accounts outside the central budget under the PA Finance Min. (the World Bank has identified some of these accounts—most notably the account to which Israel transfers tax money). Israel was asked to remove barriers to development projects in area C, particularly those affecting water and road projects for the industrial zones, and to facilitate movement of goods and persons in and out of the West Bank and Gaza. Noting that only \$60 m. had been disbursed against ongoing projects in the first quarter of 1997, the World Bank called on donors to step up fulfillment of their pledges; this was not seen as a critical issue since the first quarter is typically slow. No new money was solicited or pledged at this meeting. Donors also approved a Legal Development Project (\$5.5 m.) and a Palestinian Expatriate Professionals Program (\$3 m.).

At the 6/5 session, the AHLC had estimated the PA budget deficit for the year would reach \$52 m. At the close of the quar-

ter, the World Bank said that it was too early to tell if the closures placed on the territories after the 7/30 suicide bombings would affect the deficit or donor confidence. [Before the closure, Norway, which chairs the AHLC, had already asked the PA (5/27) to explain the 5/24 GCO report on the PA misuse of funds (see above).] There was also no indication whether the \$50 m. (as of 6/97) in the Holst Fund, which is now used predominantly as an emergency employment fund (see Peace Monitor in *JPS* 103), would be shifted to cover emergency budget constraints.

The LACC met in Gaza 6/26 to begin preparing the FY 1998 Palestinian Development Plan, the 1997 Public Monitoring and Audit Department report, the 1997 Finance Min. progress report, and the Planning Min.'s first quarterly report on the Matrix.

The PA and the Multilateral Investment Guarantee Agency (MIGA) agreed (6/24) to release the World Bank-PA \$10 m. in seed money committed to MIGA's West Bank and Gaza Investment Guarantee Fund, technically opening the fund for business even though the \$15 m. benchmark had not been reached (see Peace Monitor in *JPS* 104). By 6/97, MIGA had already received preliminary applications for investment guarantees for tourism, water, and power projects. By the end of the year, MIGA hopes to get \$20 m. from Japan, \$10 m. from the EU, \$3.5 m. from Holland, \$1.5 m. from Sweden, and \$1 m. from Israel (since MIGA thinks that Israel is part of the risk and therefore should show at least a symbolic commitment to the fund to boost investor confidence); these amounts will be considered contributions and will be returned with interest when the fund is liquidated.

In 7/97, the World Bank allocated \$10 m. as start-up capital for a fund to support non-governmental organizations working in the West Bank, Gaza, and East Jerusalem. The fund, which will be the first major independent development initiative, will be jointly administered by the British Council and the Welfare Association, a Geneva-based Palestinian organization. In late 7/97, the Bank said it would give \$10 m. to al-Muntar industrial park as soon as Israel and the PA agree to security arrangements for the park (see Peace Monitor in *JPS* 102).

Compiled by Michele L. Kjorlien