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**RE-ENGAGING THE ISRAELIS AND THE PALESTINIANS:
WHY AN AMERICAN ROLE IN INITIATING ISRAELI-PALESTINIAN
NEGOTIATIONS IS NECESSARY AND HOW IT CAN BE ACCOMPLISHED**

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Foreword

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This is a special report by the Conflict Resolution Program of the James A. Baker III Institute for Public Policy at Rice University. It is intended to demonstrate to policymakers, particularly in the United States, Israel, and Palestine that, despite current adverse circumstances, viable and sustainable negotiations can be initiated leading to a two-state solution. A core concept for potential U.S. engagement in peacemaking is clearly defined. This study contends that proactive United States engagement is the only policy option that has the potential of creating a realistic policy trajectory of peace and stability building in the Middle East and re-establishing U.S. leadership in the region.

The main components of the proposed strategy depend on the determination of the U.S. administration to announce general Terms of Reference for the negotiations to which the parties can aspire; to negotiate and sign proposed Memoranda of Understandings (MOU) with the government of Israel and the Palestinian Authority to address their respective considerations and concerns; and to call upon the parties to start direct negotiations in fast and graduated tracks, with the obligation to build on areas of agreement reached and continue until a final settlement is reached. An international supportive framework and backstopping initiatives are proposed.

This report builds on the Baker Institute’s 2010 report on “[Getting to the Territorial Endgame of an Israeli–Palestinian Peace Settlement](#)”¹ and addresses the prospects for negotiations under current political, economic, and security considerations in the region. Special attention is paid to the environment for negotiations in Israel and Palestine, respectively.

A working group of two teams of experts was convened—Israeli and Palestinian—led, respectively, by Baker Institute fellows Dr. Yair Hirschfeld and Dr. Samih Al-Abid. Workshops and meetings were coordinated by my policy assistant, Benjamin Stevenson, and held in Jerusalem, Ramallah, and in Houston at Rice University’s Baker Institute over the course of 2012. In their capacities as members of the working group, the Israeli and Palestinian participants, who are well connected to their respective leaderships, did not represent officially their governments. In this respect, the proposals in this report are put forward by the Baker Institute and do not necessarily commit the Israeli and Palestinian teams and individual participants to specific outcomes.

¹ Available at www.bakerinstitute.org/IPTerritorialEndgame.

Executive Summary

Key Findings

- Resolution of the Israeli-Palestinian conflict through meaningful, direct negotiations will require substantial U.S. engagement.
- Any successful American approach must clearly define a political horizon with Terms of Reference for an acceptable end state for both parties.
- The mechanism for conflict resolution necessitates a dual approach of “fast” and “graduated” negotiating tracks in which areas of sufficient agreement can be negotiated and implemented to facilitate agreement on longer-term issues.
- Regional and international support is essential for both parties and for the U.S. to resolve the conflict through an agreed upon monitoring and oversight structure.

Prevailing wisdom offers bleak prospects for renewed negotiations between the Israelis and the Palestinians. Political uncertainty, unilateral actions, and a general lack of trust have immobilized policymakers in both governments. However, the most important factor for reversing the current stalemated state of peace negotiations is serious American engagement in the issue.

There is no substitute for U.S. leadership in Israeli-Palestinian conflict resolution involving the president, secretary of state, and the top echelons of the national security team. Although both Israelis and Palestinians recognize that the status quo is untenable, the power imbalance between the parties remains too large for negotiation and agreement without substantial third-party intervention. Strong, sustained U.S. engagement can advance a comprehensive Israeli-Palestinian peace, but only through a diplomatic process that also reshapes the environment on the ground. The elements of such a plan and a possible framework are the focus of this report and are found in general terms below, and in greater detail in Section III.

Fundamental Concepts for Successful U.S. Engagement

- 1) Clarify U.S. Terms of Reference (TOR) for negotiations toward an end state;
- 2) Adopt the principle “what has been agreed upon shall be implemented” based on understandings between the parties, and with guarantees from the international community, that all measures implemented shall be without prejudice to remaining issues and subject to the TOR and rules of engagement

- of the negotiating process. The essence of this principle is to transform the economic, social, and security environment on the ground while working concurrently to achieve breakthroughs on permanent status issues; and
- 3) Maximize regional and international support, building the Arab Peace Initiative of 2002 into a new international framework, and attempt to engage Hamas in accordance with the accepted framework for negotiations led by the Palestinian Authority (PA).

Five U.S.-Led Actions Toward a Peaceful Two-State Solution

- 1) Announce American TOR for Israeli-Palestinian negotiations, including principles for the end state and modalities to support the negotiations;
- 2) Conclude parallel U.S.-Israeli and U.S.-Palestinian Memoranda of Understanding (MOU);
- 3) Define and broker negotiations along a “fast” and a “graduated” negotiating track;
- 4) Engage regional and international support through a new international group expanded from the Quartet (the United Nations, United States, European Union, and Russia); and
- 5) Facilitate a monitoring and oversight structure for negotiations.

U.S. engagement should aim to achieve a comprehensive Palestinian-Israeli peace agreement as a first step toward achieving a broader Arab-Israeli peace, while reshaping realities on the ground. The parameters of the end state should be broad enough to allow buy-in from both parties and regional stakeholders, while at the same time be sufficiently defined to ensure breakthroughs and avoid a deadlock in negotiations. They should also be linked to the Arab Peace Initiative. The objective of the fast-track negotiations in particular is to create positive developments on the ground and to lead to a more sustainable path at the negotiating table. Specific issue areas for fast-track agreements within each issue area are proposed below:

Economic Development

- Renegotiate the 1994 Paris Protocol to establish economic relations on the principle of two independent states.
- Develop tax and customs capability within the West Bank through expanded trade, border management, and infrastructure, including the development of transportation and energy links to ease the movement of people, goods, and services.
- Agree to joint approaches to the development of shared water resources and environmental concerns of both sides, enlarging Palestinian capacity and infrastructure.
- Cooperatively plan for developing natural resources and sewage, recycling, and desalination plants.

Territory, Borders, and Settlements

- As a result of mutual trust building, reach agreement that the quantity of territory included in the West Bank, Gaza, and Dead Sea territorial waters as defined by the 1967 lines will equal the amount of territory of the Palestinian state following land swaps with Israel equal in size and value.
- Identify and transfer territory in locations that both sides agree will be included within Palestinian borders.
- Identify territory that both sides agree will be included within Israeli borders, and prevent settlement expansion into territory that could be included in Palestinian territory as part of a final agreement. At the same time, Israeli officials should present in the graduated negotiating track a proposal to transfer territory that is equal in size and value to the Palestinian Authority (PA).

Security

- Expand Palestinian internal security capacities, particularly by constructing police stations, upgrading equipment, and developing the justice system.
- Assure Israeli security issues through an initial U.S.–Israel MOU.

Refugees

- Integrate the Palestinian refugee camps in the West Bank into the existing system of municipalities and local councils. The PA should also work with Israel to identify refugee groups living in particularly hazardous conditions in their present areas of residence, such as in Lebanon, and facilitate their relocation to the West Bank based on special needs or humanitarian considerations.

Jerusalem

- Agree to realize two capitals for two states in Jerusalem on the basis of the 1967 border, while recognizing the principle that Jewish neighborhoods will become part of Israel and Palestinian neighborhoods will become part of Palestine.
- Form joint planning teams to prepare a Ten-Year Development Plan for the greater Jerusalem metropolitan area, emphasizing undisturbed access to and from the city and improving water supply, electricity, sewage, and drainage systems, as well as solid waste facilities and other key infrastructure.
- Reopen Palestinian institutions in East Jerusalem and halt Palestinian house demolition and displacement, reintegrate East Jerusalem with the West Bank, and allow for Palestinian development in the city and the establishment of a Palestinian municipality.
- Establish a committee for the coordinated management of the city, with particular attention to its holy sites.

Prisoners

- In support of the peace process, release Palestinian and Arab prisoners.

Moving from Conflict Management to Conflict Resolution

The question for U.S. policymakers is whether the United States should respond to challenges in the Middle East in a reactive manner as they emerge, or whether the U.S. should develop a more proactive strategy at a time of historic change in the Middle East. Central to this policy question is the role of the U.S. in the Israeli-Palestinian conflict. The two-state solution—viewed as the optimal solution by most observers—is recognized as the only viable solution to the Israeli-Palestinian conflict. Rebuilding trust between the parties is integral to reviving the Israeli-Palestinian peace process. Strengthening the Palestinian state-building effort by expanding the political, administrative, security, and economic control of the Palestinian Authority over most of the West Bank territory is an achievable step in this direction, permitting substantial headway in the short term and paving the way for solving the outstanding core issues of the conflict. Without a resolution to the conflict in the near term, the material and political costs of implementing a future comprehensive agreement will be significantly higher, perhaps impossibly so. American policy advocating for a two-state solution requires the engagement of American leaders to move decisively toward a vision of Israel and Palestine living side by side in peace and security before that vision fades away forever.

I. The Current Situation

The Obama administration faces a number of intertwined policy challenges in the Middle East at the start of its second term. Iran’s regional aspirations and nuclear program pose a threat to the United States, its regional allies, and Europe. The civil war in Syria continues to tear apart the country and threatens to spill over into neighboring Lebanon, Turkey, Iraq, and Jordan. Political uncertainty in the wake of the Arab Awakening and episodic violence in Libya and Egypt will also affect American political, economic, and national security interests. With such regional disarray, the Israeli–Palestinian conflict has been overshadowed by these more immediate priorities.

In addition to regional events and factors, conditions on the ground in Israel and Palestine have worked against policymakers advocating for renewed U.S. involvement. The extensive network of security fences and separation barriers, in addition to cooperation between Israeli and Palestinian security forces, has increased Israeli security and decreased the sense of urgency among Israeli policymakers for a comprehensive peace agreement. In Palestine, the political environment remains fragmented between Fatah and Hamas despite efforts at reconciliation by party leaders, and support for the two-state solution is eroding amid continued Israeli settlement activity.

Recent events in Israel, Gaza, and the United Nations (UN) likewise signal a lack of will to pursue bilateral negotiations by both parties. Public discourse in relation to the conflict is increasingly self-referential, religious, and reactive. The repeated failures of past attempts to reach an agreement through bilateral negotiations have discredited the idea of negotiations in Palestine and in Israel—certainly negotiations based on some of the tried and failed formulas of previous attempts—increasing the political costs of restarting direct talks. While the recent Israeli elections served to counter the increasing power of parties on the Israeli right, whatever coalition emerges will have to confront gaps in negotiation positions on permanent status issues that have widened since the last round of direct negotiations.

Yet despite this inhospitable environment for negotiations, the current situation remains untenable for both parties. The Palestinian Authority’s imminent budgetary crisis threatens to collapse the governing institutions of the West Bank. Fatah–Hamas reconciliation remains elusive. Movement toward Israeli settlement expansion in the most controversial areas undercuts the validity of a future Palestinian state. The two-state solution and the concept of a democratic Jewish state, viewed as the optimal solution by

most Israelis when compared to a single, binational state, are often perceived as becoming impracticable. Without a resolution to the conflict in the near term, the material and political costs of implementing a future comprehensive Palestinian-Israeli agreement for Israel will be significantly higher than it is now.

In order to evaluate opportunities and risks of a more active U.S. policy in Israeli-Palestinian negotiations, we shall assess relevant domestic factors in Israel and Palestine, related regional interests, as well as some U.S. domestic considerations. Present Palestinian-Israeli relations reflect the opposing conditions within the West Bank and Gaza, and Israel. The living conditions in Palestine, under full Israeli military control, have led to increasing pessimism about the “peace process” achieving change through diplomatic means. Indeed, the very term “peace process” has been denigrated. Calls for popular resistance have already led to initiatives geared toward the unilateral advancement of Palestinian independence and Palestinian rights.

In contrast, in Israel, where the overall economy has fared well despite current economic, fiscal, and social problems and the security environment for the average Israeli has been at its best in decades, if not ever, the decline of Palestinian-Israeli relations has led to a withdrawal and disengagement by the Israeli public. This, in turn, has also contributed to the strengthening of the Israeli right, large segments of which argue that the two-state solution is not attainable and that comprehensive diplomatic initiatives should be abandoned in favor of interim agreements that improve conditions in the West Bank for Palestinians and Israelis alike, or unilateral action.

The Environment for Negotiations in Palestine

In the aftermath of his successful statehood bid in the UN General Assembly, President Mahmoud Abbas and the Palestinian Authority face three key challenges in the short term to move toward the end of occupation and regain substantial Arab, Islamic, and wider international support for Abbas' leadership and his policies in support of the Palestinian cause.

- 1) Prevent a financial breakdown of the PA and find ways and means to cover the present annual deficit of US\$1.3 billion
- 2) Pursue reconciliation with Hamas to stress the unity and indivisibility of the two geographically separated areas of Palestine: the West Bank and the Gaza Strip
- 3) Build Palestinian support for resumed negotiations with Israel and strengthen the two-state solution as a model at the core of a comprehensive Palestinian-Israeli peace agreement

The current political environment in Palestine is marked by stagnation and fragmentation. The Palestine Liberation Organization (PLO), recognized as the provisional government of the State of Palestine by Palestinians, is widely criticized by Palestinians as being

dysfunctional and unrepresentative. Competition between various Palestinian factions, entrenched interests in the current leadership of the PLO, and an emboldened Islamic movement in Palestine—combined with the institutional difficulties of reforming an institution representing a dispossessed people scattered around the world—suggest that reform of the PLO would not move forward quickly, or perhaps even in the near term, however much most Palestinians may want it. For the prospect of peace negotiations, this is significant because a representational and constitutional crisis in Palestine makes it harder for Palestinian leaders to confidently and authoritatively engage diplomatically with Israel. Nevertheless, to address this issue President Abbas has reiterated he would submit any agreement to a referendum.

This environment is made worse by economic pressures. At the start of 2013, the financial situation of the Palestinian Authority is disastrous. International aid totaling US\$1.8 billion in 2008 following the Annapolis Conference was reduced to US\$800 million in 2012. In reaction to the November 29, 2012, UN General Assembly bid of President Abbas, the Israeli government withheld tax revenues collected on behalf of the PA. Arab commitments to provide US\$100 million in monthly support have not been forthcoming, and European funding has also diminished. As a consequence, the salaries of 150,000 government employees have been withheld or only partially paid out. Without immediate action toward stabilization, the financial collapse of the Palestinian Authority is an ever-present danger, despite the recent transfer of tax revenues by Israel.

Regarding the challenge of Palestinian reconciliation, Fatah continues to dominate the secular, nationalist Palestinian camp, but the party itself is increasingly losing domestic standing in large part because its top leadership failed to deliver on what it set out to achieve two decades ago: a negotiated final settlement with Israel leading to an independent Palestinian state. As more Palestinians argue that liberation can be achieved only through resistance and confrontation, not negotiations, Hamas, the only major alternative to Fatah, could well become a more attractive party to a wider segment of the Palestinian public in the West Bank.

Hamas, for its part, has been emboldened by its perceived victory following the recent conflict in Gaza. However, like other Islamic movements in the region, it continues to be transformed by its experience in government and through its engagement with members of the international community. Its support of the UN General Assembly resolution recognizing Palestine as a nonmember observer state is an indication of its willingness to accept the two-state solution as a model at the core of a comprehensive agreement with Israel. Hamas wants to engage with members of the international community but understands that it would have to change the way it operates if it wants to gain such international acceptance. The challenge of ruling (and ruling Gaza in particular), the lure of gaining international acceptance, and regional changes have provoked a crisis and profound divisions within the movement over policy and direction as well as relations with Fatah, neighboring countries, and the wider international community.

Recent visits and a relaxing of tensions between Fatah and Hamas indicate that reconciliation between Hamas and Fatah may be advancing. Such reconciliation would help to create an environment that is supportive of a credible diplomatic process building on the cease-fire in Gaza, improvements of conditions on the ground, and tangible signs of a rollback of Israel's occupation. However, despite talk of reconciliation, there is little disagreement among Palestinians across the political spectrum that the PLO's continued existence, and reform, are a national priority and imperative. As Hamas is still not represented in the PLO, a Palestinian unity agreement would need to integrate Hamas into the PLO.

In contrast to the internal struggles of the PLO, the Palestinian Authority has seen significant improvements in the capability of its institutions over the past years, as the International Monetary Fund (IMF) and the World Bank have repeatedly stated. However, without a credible political horizon for Palestinian independence, the development of PA institutional capabilities will remain deficient, planning will continue to be short term, and morale within ministries will remain low. In particular, PA institutional development and reform are constrained by the limitations of the Israeli military presence and the framework of the interim agreement, which render the PA dependent on foreign aid, budgetary support, and transfer of tax revenues from Israel. For Palestinians, the establishment of the PA in parts of the West Bank to oversee a form of self-government was only meant to be a transitory phase, not an end state. In the absence of a clear political horizon, the current state of affairs is leading more Palestinians to argue that Palestinian administration of parts of the West Bank is decreasing Israel's overall incentive to end its control over Palestine and its people.

Without a clear political horizon, Palestinian people and groups calling for more assertive forms of resistance to the Israeli occupation of Palestinian territory will gain prominence. The rising influence of such voices would not be limited to their effects on the overall direction of various Palestinian political parties; it would also impact the way Palestine's national institutions are shaped, formed, and directed.

Palestinian Considerations for Negotiations

Given this current environment, President Abbas, parallel to similar efforts by Prime Minister Benjamin Netanyahu, will seek to obtain an understanding with President Obama related to engagement in negotiations, but will oppose any strategy that calls for negotiations without a clearly defined end state and timelines. Whether negotiating simply to negotiate, facilitating a process that stops halfway, or increasing security cooperation without an overarching political resolution, the absence of a way toward an "end of occupation" would be perceived as serving only to maintain an unsustainable Israeli presence in the territory of a Palestinian state.

In order to deal with the upcoming challenges, President Abbas and the PA calculate that they can adopt one of three different approaches:

- 1) Work with the United States, Europe, Egypt, Jordan, Saudi Arabia, Qatar, and other Arab Gulf States and Israel in renewed peace- and stability-building negotiations;
- 2) Adopt a confrontational course of action against Israel in the territories and in various international forums, obtaining substantial support from the Arab and Islamic world while being prepared to sustain possible U.S. and Israeli punitive action; or
- 3) Hand “the keys” of the Palestinian Authority back to Prime Minister Netanyahu and put the burden of the costs of the Palestinian administration of over US\$3 billion annually upon Israel.

There can be no doubt that the confrontational course of action, as well as the dismantlement of the Palestinian Authority, would sooner rather than later reach a slippery slope toward destabilization and a renewed vicious cycle of violence.

The Environment for Negotiations in Israel

The new Israeli governing coalition formed out of the January 2013 elections will face three major challenges:

- 1) To cut an NIS 30 billion deficit (about US\$8 billion);
- 2) To deal with Iranian and other militant radical threats; and
- 3) To prevent Israel’s isolation in the region and on the international scene at large.

A negotiated settlement with the Palestinian Authority is not a high priority for the majority of the Israeli public. With the security environment at its best in decades, in large part due to continued and effective security coordination with the PA, focus has shifted in Israel to more economic and social issues, with the Palestinian issue featuring less prominently on the agenda. One symptom of this is the lack of serious discussion on the Palestinian issue and peace process in the recent Israeli elections, with the attention being focused, if at all, on various means of managing the conflict. As a result, the segment of the Israeli public supporting a negotiated settlement is not in a position to exert pressure on the government to deal with the Palestinian issue and offer a plan for settling the conflict.

In addition, the expansion of settlements has enabled the settler population to increase to over 500,000 and develop into a serious political interest group. However, most Israelis desire a two-state solution in order to strengthen the identity of Israel as a Jewish and democratic state, as well as to secure for generations to come the right of the Jewish people to return to Israel due to persecution or other reasons. Israelis are, by a large majority, unwilling to consider the option of living in a single, binational state. As in Palestine, this tension—wanting a two-state solution, but not believing it to be achievable—has contributed to a new public discourse delegitimizing the path of negotiation in favor of unilateral action and disengagement.

Despite the disengagement and disenchantment of the Israeli public, Israel has a clear interest in preventing the collapse of the Palestinian Authority. Through a sudden or gradual process, such an event would likely bring about either a renewed Israeli administration of the West Bank at a severe financial cost and further international isolation, or the replacement of the Palestinian Authority with a Hamas-controlled West Bank. Such an outcome would also impede a two-state solution. To avoid this outcome, Israeli leaders have an interest in increased engagement with the United States to develop a well-planned political horizon in support of a two-state solution.

Israeli Considerations for Negotiations

As the incoming Israeli government seeks to reach an understanding with President Obama on all outstanding issues of common interest, U.S. policymakers should be aware of following Israeli domestic, security, and ideological constraints regarding peace negotiations:

- A comprehensive, “all-or-nothing” approach to core issues on the basis of the formula “nothing is agreed upon until everything is agreed upon” will be most likely rejected. Israeli policymakers consider the gaps between the Israeli and Palestinian positions on each issue too vast to bridge using past methodologies.
- Enabling the U.S. government to submit bridging concepts to reach a territorial end game using previous negotiating positions will generate strong opposition. For example, a U.S. bridging proposal referring to the middle ground between the previous Israeli 6.3% swap on a one-to-one basis, and the Palestinian position proposing a 1.9% swap, could well be rejected. Given the high political price of these arrangements, negotiations should look to create territorial agreements in areas that can be implemented while continuing negotiations on peace- and stability-building measures for long-term final status issues.
- No Israeli government will agree to major territorial concessions without security guarantees. In this context, it will have to be clear that the process of Israeli-Palestinian peace building has to be pursued concomitantly with an ongoing process of security and stability building in Israel, Palestine, and the region.
- Whatever the security and political arrangements to be negotiated, Israel will continue to advocate for the principle that Israel will defend itself by itself.

These four limitations do not contradict the fact that there remains substantial room for U.S.-led peace negotiations. Prime Minister Netanyahu has committed himself to a two-state solution in his speeches to the Knesset in May 2011 and before the U.S. Congress. He has also outlined positions on territorial and security issues. Israel's vital interest in a comprehensive understanding with the U.S. on outstanding security issues regarding the Iranian nuclear program and regional instability presents the Obama administration with an opportunity to negotiate joint understandings to move negotiations forward. Without

progress in a negotiated peace, conditions in both Israel and in Palestine suggest that the current environment may soon become unsustainable. While low-level conflict, marked by episodic crises, could continue for a while longer, domestic and regional political trends are moving inevitably toward confrontation, whether the result of a sudden clash catalyzed by a major event or a series of minor ones that rapidly escalate.

II. Analyzing the Costs and Benefits of U.S. Engagement

While external and internal uncertainty in Israel and Palestine have led to increased pessimism in both camps, an undeniable factor contributing to the moribund state of Israeli-Palestinian negotiations is the absence of strong and sustained U.S. engagement with the parties. Without a U.S. foreign policy defining and advocating a clear political end game, it will be very difficult for the parties to engage constructively and both sides will continue to adopt intransigent positions to appease domestic audiences. Without an American presence as the essential moderating force and valid interlocutor in peace negotiations, both sides can hide behind a lack of trust and mutual suspicion to avoid the restart of bilateral talks.

U.S. engagement can be classified into a range of foreign policy options. Although these typologies generalize the complexity and fluctuation of policy implementation, they provide a sense of the costs and benefits of each approach to the Israeli-Palestinian conflict.

U.S. Strategic Options

The first option is to disengage from the Israeli-Palestinian issue. The “do nothing” approach epitomizes a low-risk, low-reward strategy, and while popular in some foreign policy circles, is not compatible with the many U.S. diplomatic, economic, and security interests in the region.

The second option would seek to maintain a U.S. role in the Israeli-Palestinian conflict through crisis management, meeting each new challenge on its own terms as it arises. This option largely represents current U.S. policy as evidenced in Libya, and the recent Israeli air campaign in Gaza. Elements of U.S. policy toward Iran, Iraq, Syria, and Egypt have also exhibited a policy of largely reactive efforts to manage instability while issuing broad calls for political accommodation, democratization, economic development, and human rights.

Regarding Israel and Palestine, a conflict management approach would reflect an assessment often used to avoid engagement: namely, that the U.S. cannot want peace more than the parties themselves. Accordingly, without conditions on the ground conducive to peace, the U.S. should not push for negotiations. The United States under this option could continue to engage with the parties, perhaps in the form of bilateral negotiations on small economic and state-to-state issues, but without shaping the environment to address decisively the core conflict issues.

In essence, the conflict management approach advocates for the status quo and reinforces the perception that the prospects of achieving an end-of-conflict agreement in the current environment are slim. No other state or group of states can play the mediating role vacated by the United States. A U.S. position implying that the U.S. cannot want peace more than the concerned parties, obliging the government of Israel and the PLO to reach on their own an agreed Terms of Reference (TOR) to guide negotiations, is a self-fulfilling prophecy. Given the current situation in Israel and Palestine, violent flare-ups in Gaza and elsewhere will continue, forcing a U.S. reaction without moving toward long-term regional stability or an end to the conflict. Indeed, continual crises could further alter the environment in ways that make conflict resolution more difficult and make the two-state solution impossible to implement. There is, in fact, speculation in Israel that without progress toward negotiations there will be a “third intifada.”

This report supports the third option: a proactive, cogent, and comprehensive U.S. strategy based on close and sustained engagement with both parties to restart negotiations with a defined framework of conflict resolution. This is the riskiest option for the United States in the short term, due to the high level of diplomatic energy and resources required, but it is also the strategic option that could lead to the best outcome for all parties, including the United States. American re-engagement in the Israeli-Palestinian conflict would need to be designed to positively reshape the conditions on the ground, implement and build on successes in negotiation, and engage a large number of players invested in and committed to a just, comprehensive, and durable Palestinian-Israeli peace on the basis of the two-state solution.

The proposed framework is presented in detail in Section III.

The direct cost of advancing an ambitious initiative for the United States can be measured in time, resources, and significant political capital. While there is no guarantee that an ambitious plan can achieve a comprehensive agreement, the benefits of the plan provided below include:

- Preserving the two-state solution as the goal for a comprehensive Palestinian-Israeli agreement and advancing it on the ground;
- Avoiding likely escalation on the ground in the absence of a credible diplomatic initiative, thereby enhancing security and stability; and
- Using the transformations taking place in the Middle East to reshape and redefine the United States' relationship with people and states in the region.

Regional Implications

A key component to this strategy is to engage the international community, which has the incentives and resources, material and political, to advance a comprehensive Palestinian-Israeli peace. As the broader Middle East faces increased internal social, economic, and political challenges, the ongoing and potentially escalating Palestinian-

Israeli conflict serves only to divert the attention of policymakers from addressing these domestic issues. For the emerging regimes of the Arab Awakening, the Israeli-Palestinian conflict should not be a political tool to be periodically used to distract the populace, but rather a deep-seated cause that must be addressed. By demonstrating a similar commitment to Israeli-Palestinian negotiations, the United States can remove a key obstacle to close relations with the countries in the region.

Both Israel and the Palestinian Authority also have an interest in involving key regional states—including Egypt, Jordan, Saudi Arabia, Qatar, other Arab Gulf states, and Turkey—in U.S.-coordinated peace negotiations, stability operations, and oversight based on the commitment of these regional powers to support the PA in its state-building efforts. The result of the most recent conflict in Gaza and ensuing cease-fire negotiations demonstrated that there is an increased Israeli, Palestinian, and Egyptian interest in maintaining stability. U.S. engagement promoting Israeli-Palestinian peace negotiations can further contribute to this stability.

This study argues that proactive U.S. engagement is the only policy option that has the potential of creating a realistic policy trajectory of peace and stability building in the Middle East and re-establishing U.S. leadership in the region.

Concerning Iran, the U.S. will continue to keep all policy options on the table to pressure Tehran to end its nuclear weapons program. A wide, supportive coalition, U.S. leadership, and robust diplomacy should enable the U.S. to negotiate a more comprehensive long-term strategy for improved relations, while preventing Iran from obtaining a military nuclear capacity. The Iranian leadership will attempt to exploit the Israeli-Palestinian conflict to divide the more moderate, anti-nuclear weapon camp within Iran. A long-term U.S. strategy, including engagement in comprehensive Israeli-Palestinian peace and stability building, will facilitate the necessary international and regional engagement addressing the Iranian issue.

In Jordan and Egypt, the sustainability of the peace agreements with Israel is a key factor in a comprehensive stability-building strategy for the entire region. As stability in Jordan and Egypt is challenged by internal and external factors, further pressure from deteriorating Israeli-Palestinian relations would destabilize the entire region. As much as Palestinian security cooperation with Israel necessitates visible progress toward an “end of occupation,” parallel political, security, and other support from Jordan and Egypt for political, security, and economic cooperation with Israel needs to be seen as a constructive contribution to Palestinian interests. U.S. leadership in determining realistically achievable negotiating targets on the Israeli-Palestinian front, thus, opens the way to a far more comprehensive strategic understanding between Washington, Cairo, and Amman.

Turkish political, economic, and security interests necessitate a stable Middle East, as evidenced by the turmoil in Syria and its impact on Turkey’s security environment. If

the U.S. moves to define and implement a serious policy approach for Israeli–Palestinian stability and peace building, Turkey would readily join and solidify its important ties with the U.S. policy goals in the Middle East. Forward movement in Israeli–Palestinian negotiations could also improve Turkish–Israeli relations.

In the Arab Gulf states, there can be no doubt that a main concern of the local governments is Iranian regional hegemonic aspirations. Their approach to this challenge is twofold. On one hand, the Gulf states rely on prevailing U.S. security support and the economic interests of the international community to maintain the free flow of oil and gas. On the other hand, Gulf monarchies support Islamic nonstate actors to counter Iranian-backed groups through conflicting alliances with Salafi and Muslim Brotherhood groups. Regarding Palestine, the Gulf states offer crucial support to Hamas, undercutting President Abbas. This support is counter to American interests in the region as it undermines stability and peace-building measures.

Recent historical experience clearly indicates that whenever the U.S. has adopted a leadership role in the Middle East—whether at Madrid in 1991, Camp David in 2000, or at Annapolis in 2007—the pro-Western Arab states followed suit and participated seriously in a joint Palestinian state building and coordinated regional security and stability-building effort. The problem then, as now, was how to harness this support to create a sustainable process with realistic expectations that can be translated to forward momentum for peace and stability building.

III. Defining the Core Concept for Potential U.S. Engagement

To make progress on the Israeli-Palestinian front, President Obama and his incoming foreign policy team will have to demonstrate a strong and sustained personal commitment to the issue at an early stage. President Obama will need to develop and maintain personal understandings with Prime Minister Netanyahu and with President Abbas, and his periodic input helping to define agreed aims for the next stage of negotiations will be necessary. Based on understandings reached, President Obama may from time to time have to mobilize the support of key international leaders. Secretary of State John Kerry will need to establish a strong Middle East team to plan, oversee, and implement a comprehensive strategy for the entire region. On the Israeli-Palestinian issue, it is important that a U.S. negotiations support team work closely together with national security and development agencies in order to combine “top-down” and “bottom-up” work in support of reaching a sustainable two-state solution. The Pentagon, NATO Central Command, the CIA, and other intelligence organizations will have to adopt a hands-on approach to create the necessary deterrence against militant state and nonstate actors in the Middle East and work with all concerned parties to prevent arms smuggling, terrorist action, and the proliferation of weapons, combining this work with an ongoing action to strengthen the already prevailing regional security coordination.

Renewed U.S. Leadership

Negotiations without strong U.S. leadership are unrealistic. However, the U.S. cannot dictate bridging proposals or bring about an agreement through unilateral willpower. The following three strategies attempt to recognize and balance the difficulty of restarting negotiations, with clear indicators by the U.S. that the current status quo is unacceptable to American national security interests and the U.S. vision of the end state of the Israeli-Palestinian conflict:

- 1) **Clarify the Terms of Reference for negotiations:** Both parties and the international community need a unified understanding of the end state that negotiations will be working toward. The U.S. should define and proceed to help broker its own vision for a Palestinian state living side by side in peace and security with Israel.
- 2) **Adopt the principle “what has been agreed upon shall be implemented”:** While working toward a common conception of the end state, a focus on

implementation in issue areas with sufficient agreement opens the way to substantial Palestinian state-building efforts that transform realities on the ground, sustain the two-state solution, and improve prospects for conflict resolution. Agreement on permanent status issues, or elements thereof, should be implemented through coordinated measures based on an understanding between the parties, guaranteed by the international group, and without prejudice to remaining issues. A comprehensive Palestinian-Israeli peace agreement can only be reached when all permanent status issues have been settled.

- 3) **Maximize regional and international support:** On the diplomatic front, Washington will have to work together with Arab Gulf states, the EU, and Israel to provide fiscal support and border security to Jordan; and with Egypt, Israel, Palestine, Qatar, and Turkey in order to stabilize the situation in Gaza and prevent arms smuggling. All concerned parties, including the UN and other international bodies, should provide for economic growth and private investment, as well as convene an international conference following the ground rules laid out at the Madrid Conference of October 1991.

Core Elements for Conflict Transformation and Resolution

We suggest that the core concept aimed at creating a substantial momentum toward a peaceful two-state solution be based on five elements:

- 1) A U.S.-announced Terms of Reference for Israeli-Palestinian negotiations;
- 2) The conclusion of parallel U.S.-Israeli and U.S.-Palestinian Memoranda of Understanding;
- 3) The definition and detailed planning of a fast and a graduated negotiating track;
- 4) The engagement of regional and international support; and
- 5) An agreed upon monitoring and oversight structure enabling the parties to overcome misunderstandings and deadlocks in negotiations, while also providing bridging concepts, when needed.

U.S. engagement should aim to achieve a comprehensive Palestinian-Israeli peace agreement as a first step toward achieving a broader Arab-Israeli peace, while reshaping realities on the ground through a process of de-escalation, Israeli military withdrawals, and ending occupation. The objective is to create positive developments on the ground and at the negotiating table to propel the peace process forward, under active involvement and support from regional and international stakeholders, organized as an “international group” expanding on and superseding the Quartet for Middle East Peace.

Defining U.S.-Announced Terms of Reference

Drawing on past experience, any restart of peace negotiations should be based on clear Terms of Reference and end-game parameters creating a political horizon and framework

for effective negotiations to reach a comprehensive Palestinian–Israeli peace agreement, which is a necessary first step toward achieving a comprehensive Arab–Israeli peace agreement. The Terms of Reference for Israeli–Palestinian permanent status negotiations (PSN) should include the principles of international law, relevant UN resolutions, the principles of the Madrid Peace Conference and the Arab Peace Initiative, and should refer to progress achieved in previous negotiations. Based on these Terms of Reference, the parameters for the end game should be laid out on borders (including territorial aspects of Jerusalem and settlements), Jerusalem, refugees, security, water, and state-to-state relations.

The parameters for an end game should be broad enough to allow buy-in from both parties and regional stakeholders, and at the same time be sufficiently defined to ensure a breakthrough and avoid a deadlock in negotiations. Based on the Arab Peace Initiative and progress made in previous negotiations, the following parameters should be adopted: The U.S. government, after a short dialogue with the parties, should announce American Terms of Reference (TOR) for negotiations. The American terms would not oblige either side to endorse the TOR, but would call for both parties to gravitate toward the principles laid out by Washington. This first action would signal strong U.S. engagement in the issue while moving Israelis and Palestinians to start planning for direct negotiations under the broad U.S. TOR.

During earlier negotiations under Prime Ministers Ehud Olmert and Benjamin Netanyahu, the Israeli side proposed that the essence of a two-state solution clearly implies that Israel is the nation-state of the Jewish people, and Palestine the nation-state of the Palestinian people. In order to accommodate Israeli as well as Palestinian sensitivities, the adoption of the following language is suggested:

“The implementation of a peaceful two-state solution between Israel and Palestine, realizing the right of the Jewish people to self-determination in Israel and the right of the Palestinian people to self-determination in Palestine, will ensure equal rights for Palestinian Arabs in Israel, and for the Jewish population who may decide to stay under Palestinian sovereignty in Palestine, all within the borders of each state.”

Terms of Reference

The U.S. TOR will define America’s approach to the negotiations and its envisaged outcome, without obliging either side to fully endorse all provisions; yet it will call upon both sides to start negotiations under the framework of the guidelines laid out by the U.S. TOR.

The key understandings to be clarified in the U.S. TOR are below:

- Goals of the end state: The resolution of the Israeli–Palestinian conflict will enable the State of Israel, realizing the Jewish people’s right to self-determination, and the State of Palestine, realizing the Palestinian people’s right to self-determination, to live side by side in good neighborly relations, in peace and security.

- Regional outcome: Progress in the Israeli–Palestinian peace process will be an integral part in the promotion of a wider, comprehensive peace between Israel, Lebanon, Syria, and all Arab and Islamic nations, as laid out in the Saudi Peace Initiative of 2002.
- International framework: Past UN resolutions, including the recent UNGA vote on Palestine’s nonmember observer state status, should inform the negotiations.
- Territory and settlements: Negotiations on territory and on the final recognized and secure border between Israel and Palestine will be based on the June 4, 1967, cease–fire line and agreed–upon swaps on a one–to–one basis. Israeli settlers will be evacuated from Palestinian territory within the agreed borders.
- Refugees: A comprehensive resolution of the Palestinian refugee problem will be negotiated and agreed upon by the parties in accordance with the Arab Peace Initiative and the goals of the end state as defined above.
- Jerusalem: Jerusalem will be the capital of two states on the basis of the 1967 borders, while recognizing the principle that Jewish neighborhoods should become part of Israel, and Palestinian neighborhoods should become part of Palestine, within the framework of land swaps of equal size and value. Full access to holy sites for religious exercise will be granted to all religions on the basis of an agreed special regime.
- Security: There shall be complete Israeli withdrawal from Palestinian territory, a Palestinian state with limited arms, and a multinational force presence, concomitant with the creation of regional security arrangements in line with the obligations referred to in the Israeli–Egyptian and Israeli–Jordanian Treaties of Peace.
- Resources: The resolution of the conflict will include an equitable and reasonable allocation of all shared transboundary resources.
- State–to–state relations: Relations shall be based on the principle of equal sovereignty of states, creating the supportive conditions for good neighborly relations between the two states.

Modalities Supporting the TOR

- Negotiations will be pursued on two tracks: a fast and a graduated track. The U.S. will propose to both sides a negotiating plan for every six months. At the end of six–month negotiation periods, the parties will conclude implementation agreements on the basis of the principle “what has been agreed upon will be implemented.”
- International support: Regional powers, particularly Egypt, Jordan, Saudi Arabia, Qatar, the UAE, and Turkey, will be asked to support the Palestinian state–building effort and to promote, together with Israel, regional security; and in accordance with the U.S., the other Quartet powers, Egypt, Jordan, Saudi Arabia, Qatar, the UAE, and Turkey will form an international group to oversee and support the ongoing negotiation process.

- In accordance with the parties, a monitoring and oversight structure for the negotiation and implementation of agreements will be established.

Concluding a U.S.-Israeli and a U.S.-Palestinian MOU

After the U.S. introduction of the TOR, the U.S. will offer each side the opportunity to conclude a Memorandum of Understanding (MOU). Our working assumption is that both Prime Minister Netanyahu and President Abbas will want and need to conclude an MOU with the U.S. administration linked to the announcement of an American TOR for negotiations. Hence, discussions on the MOUs will be an opportunity to define and test a coordinated strategic working concept with both sides. Although the MOUs will undoubtedly address different areas of concern for both parties, the MOUs should not contradict the basic substance or spirit of the U.S.-announced TOR.

The U.S.-Israeli MOU will have to deal in some detail with America's support for Israel's security and coordinated policies in regard to Iran, Syria, Gaza, and Lebanon. The U.S.-Palestinian MOU will have to define measures that will enable President Abbas to mobilize the support of regional actors and the international community for Palestinian state building and the implementation of understandings reached in negotiations. Moreover, the U.S. will have to offer the Palestinian side approaches as how to overcome possible deadlocks in the negotiating process, and provide assurances that the process of conflict transformation and conflict resolution will not be stopped or lead to a state with provisional borders, but will continue toward a full agreement resolving all outstanding core issues and offering both parties an end of conflict agreement.

The decisive components of the proposed strategy depend on the determination of the U.S. administration to announce the suggested TOR; to negotiate and sign the proposed MOUs with the government of Israel on one side, and with the Palestinian Authority on the other; and to call upon the parties to start direct negotiations immediately, with the obligation to continue until a full agreement is concluded.

Restarting Negotiations on Fast and Graduated Tracks

With the conclusion of the MOUs on each side, the United States peace team would ask the Israeli and Palestinian negotiating teams to submit negotiating plans that align with the American TOR for the process of negotiations. The core concept of the restart contains a fast-track negotiating approach enabling the parties to implement conflict transformation initiatives, build the physical infrastructure of the State of Palestine, transfer portions of Area C to Palestinian administrative and security control, and develop natural resources effectively for the well-being of the Palestinian people. At the same time, conflict transformation measures will advance toward a comprehensive agreement on final status issues: territory (including borders and settlements), security, Jerusalem, water, and refugees.

The U.S. peace team should consider asking the Israeli and Palestinian sides to submit a long-term negotiating plan aimed at permitting the U.S. and international groups to submit clearly defined targets in six-month increments, allowing the parties to negotiate corrective measures within a mutually recognized negotiating plan. The overall framework should be designed to drive progress toward the desired end state through the mutually reinforcing fast and graduated negotiating tracks anchored in the initial Terms of Reference and realistic timelines and milestones. The key points to be addressed on the fast and graduated negotiating tracks are listed below:

Economic Development

The imminent economic crisis in the Palestinian Authority is recognized in both Israel and Palestine as a key obstacle to long-term stability in the West Bank. Both sides have areas of agreement on a number of key points, which can be further defined and implemented through fast-track negotiations:

- Renegotiating the 1994 Paris Protocol to move toward economic relations on the principle of two independent states.
- Establishing tax and customs capability within the West Bank, including security checks and bonded warehouses.
- Defining principles for trade and border infrastructure, including the development of transportation and energy links to ease the movement of people, goods, and services.
- Cooperatively planning for the development of natural resources and sewage, recycling, and desalination plants.
- Establishing international economic and trade understandings between Israel, the PA, Egypt, Jordan, and the wider international community.

Territory, Borders, and Settlements

Negotiations on the issues of territory, borders, and settlements cover some of the most difficult issues in the resolution of the Israeli-Palestinian conflict. Yet movement through fast-track negotiations on key areas of agreement within these issues can lead to conflict transformation, positive changes on the ground, and ease the path to a permanent agreement on the division of land. The parties in fast-track negotiations should:

- Agree on and implement land transfer arrangements from Area C to Palestinian administrative and security control in locations that both sides agree will have to be included within Palestinian borders; and
- Align settlement activity within the framework of a two-state solution, preventing Israeli building in areas outside of those that both sides agree will be included within Israeli borders, with the understanding that the final borders will only be determined through a comprehensive territorial agreement.

In essence, the fast-track negotiations on territory, borders, and settlements should transfer land from Area C, increasing territorial contiguity and enabling the PA to

establish major national infrastructure and housing projects without necessitating the evacuation of settlements at an early stage in the negotiations.

On the graduated track, negotiators should address the final border issues, including in Jerusalem, based on 1967 lines with swaps equal in size and value. The U.S. government should ask the Israeli government to submit to Washington a strategy plan preparing the ground for settlement evacuation. Given the high political costs of moving Israeli settler communities within the borders of Israel, the evacuation should proceed concurrently with the final agreement on border issues.

Security

There are large areas of overlap in the Palestinian and Israeli negotiating positions on the issue of security. Both parties recognize that current security cooperation has been instrumental in stabilizing the situation on the ground and preventing the violent flare-ups of the past in the West Bank. In addition to this ongoing cooperation, policymakers in Palestine and Israel share a vision of a Palestinian state with limited arms and strong internal security capabilities to provide law and order and to fight criminal and terrorist networks within their borders. An expansion of Palestinian security capacities and areas of jurisdiction, the construction of police stations, the upgrade of equipment, the development of judicial capacities, the construction of correctional facilities, and deployment of security forces in additional areas can all be included in negotiations through fast-track agreements and implementation. Under the fast track, security understandings will also be negotiated to expand Palestinian security forces to the H2 area in Hebron, and parts of metropolitan Jerusalem.

The mission of graduated track negotiations will be to balance the Israeli demand for “defensible borders” with the issues of Palestinian territorial control. Mutual suspicion on both sides regarding the critical area of the Jordan Valley can be alleviated somewhat through the initial understanding that Israel does not want a permanent military presence in the Jordan Valley, and that a multinational presence may play an important role in addressing external security concerns.

Refugees

While the final status of refugees, the right of return, and reparations will require lengthier negotiations along the graduated track, important fast-track agreements can be negotiated and implemented in a timely manner as a preparatory step for a well thought-out, comprehensive refugee resolution. As an initial step, the Palestinian Authority should work to integrate the Palestinian refugee camps in the West Bank into the existing system of municipalities and local councils. The PA should also work with Israel to identify refugee groups living in particularly hazardous conditions in their present areas of residence, such as in Lebanon, and relocate a small number of these refugees to the West Bank.

Jerusalem

With the American Terms of Reference as a starting point, the fast-track negotiations on Jerusalem should develop a strategy for realizing two capitals for two states in Jerusalem on the basis of the 1967 borders. At an early stage, joint planning teams should be tasked to prepare a Ten-Year Development Plan for the greater Jerusalem metropolitan area. Emphasis should be put on developing undisturbed access to and from Jerusalem, and improving water supply, electricity, sewage, and drainage systems as well as solid waste facilities and other key infrastructure. Reopening Palestinian institutions in East Jerusalem and halting Palestinian house demolition and displacement, as well as reintegrating East Jerusalem with the West Bank and allowing Palestinian development in the city and the establishment of a Palestinian municipality are all issues to be addressed on a fast track. The establishment of neighborhood committees might also add another level of cooperation and conflict transformation. A committee for the coordinated management of the city and its holy sites should be agreed upon and implemented in a process that involves all stakeholders.

On the graduated track, determining the border in Jerusalem and agreeing upon the border regime, as well as any special arrangements, in particular with regard to the Old City, would be at the center of negotiations.

Water

While the graduated track will focus on an agreement regarding the details and implementation of an equitable and reasonable allocation of all shared water resources between Israel and Palestine, as well as the institutional management aspects, the fast track will have to focus on significantly increasing the Palestinian allocation of shared water resources and developing new Palestinian wells and infrastructure to utilize that allocation. Joint management of water resources and coordinated action to protect the environment should also be discussed.

Prisoners

Prisoners will be addressed through fast track negotiations, with the aim of releasing Palestinian and Arab prisoners in support of the peace process.

Forming an International Group

Bilateral negotiations on permanent status should be supplemented by specific issues of common interest and concern through multilateral negotiations. In tandem with the fast and graduated negotiation tracks, the parties should form a U.S.-facilitated international group to address the linkages between the various aspects of the Arab-Israeli conflict and Palestinian-Israeli conflict. In particular, these negotiations should cover, inter alia, refugees, their status, and mechanisms for resolution; Jerusalem administration and cooperation; security cooperation and multinational presence; and regional economic and infrastructure cooperation. The 1991 Madrid Conference should serve as a model.

The international group would support and sustain the negotiations, conduct monitoring and verification on the ground, and facilitate the implementation of fast-track and final agreements throughout the talks. This international group would build on Quartet membership, with increased engagement of its members, and also include regional powers and stakeholders in the Middle East, such as Turkey, Egypt, Jordan, Saudi Arabia, and Qatar. The group should be established through an international peace conference with a mandate from the United Nations Security Council, with the full agreement of Russia, China, and other permanent council members.

Key roles of the new international group include:

- Contributing resources to support state building, including institution building and the development of large-scale infrastructure projects across the West Bank (in particular, Area C) and the Gaza Strip commensurate with the development of Israeli-Palestinian state-to-state relations;
- Promoting regional security in line with the normalization of relations with both Israel and Palestine;
- Offering incentives to both parties to sustain negotiations and backstop progress, including enhanced relations between the EU, regional powers, and the parties;
- Supporting, monitoring, and verifying the implementations of agreements on the ground, including security cooperation, settlement activity, territorial swaps, and border control;
- Sponsoring multilateral negotiations to support bilateral negotiations, in particular on key issues with regional components such as security, refugees, and Jerusalem; and
- Resourcing a multilateral presence on the ground as needed.

Sustainment and Backstopping

To ensure momentum and avoid backsliding, backstops should be incorporated into the negotiations. The first major component fostering this momentum will be a fast track, designed to implement what can be agreed upon, and to establish a positive direction for changes on the ground. Second, the international group can drive the process forward through demonstrations of international support, including incentivized full membership for Palestine in the UN and other organizations. There is also the possibility for multinational forces, including forces from Israel, to provide increased Palestinian capacity building on border security during a transitional period. Joint accession to multilateral treaties would facilitate resolution of bilateral issues pertaining to state-to-state relations, such as environmental treaties, legal cooperation instruments, or trade and economic treaties.

To bolster negotiations, confidence-building measures should be adopted. Here it would make sense to review together the findings and suggestions made during the

Annapolis process. A variety of people-to-people activities, particularly in the sphere of cross-border cooperation in health, environment, research, and education should be initiated. An interfaith dialogue should be pursued. A prisoner release program should be negotiated between the parties.

The phased timing of the negotiations will also work to advance agreement on fast- and graduated-track issues. At the beginning of each six-month period, the two teams will submit to the U.S. the suggested negotiating targets of each committee, addressing the fast and the graduated tracks. The U.S. will then submit to both parties a revised negotiating plan. In essence, this procedure will largely determine the nature of the U.S. impact on the negotiating process. Instead of submitting U.S. bridging proposals at the end, when the negotiating gap between the positions of the concerned parties might still be unmanageable, the process will be reversed: after initial consultations with the concerned parties, the U.S. will submit a six-month negotiating plan; the proposed plan will, in essence, already represent a bridging concept and will direct Israel and the PA to negotiate only on corrective measures. In preparing the second, third, and the follow-up six-month negotiating plans, the U.S. will be able to prevent deviations and offer rewards for successful implementation.

While the periodic six-month evaluation of negotiations and implementation, combined with the identification of new negotiation targets for the upcoming period, highlight the monitoring and oversight role of the U.S., other countries and organizations will need to be involved as well. The United States Security Coordinator and the European Union Police Mission to the Palestinian Territories should monitor progress on security agreements. The U.S. Agency for International Development, the Ad Hoc Liaison Committee coordinating the work of all donor countries, Israel, and the Palestinian Authority, the World Bank, and the IMF should monitor and oversee progress in the Palestinian development and state-building effort.

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