

CRS Issue Brief for Congress

Received through the CRS Web

Palestinians and Middle East Peace: Issues for the United States

Updated October 1, 2004

Clyde Mark
Foreign Affairs, Defense, and Trade Division

CONTENTS

SUMMARY

MOST RECENT DEVELOPMENTS

BACKGROUND AND ANALYSIS

Current Negotiations Between Israel and the Palestinians

The Road Map

Current Status

The United States and the Palestinians

U.S. Policy Toward the Palestinians

Refugees and Terrorists

Recognition

Current Relations

U.S. Aid for the Palestinians

Wye Agreement Funding

Other Assistance

Congress and the Palestinians

Palestinian Statehood

Unresolved Issues in the Palestine Problem

Jerusalem

Boundaries

Israeli Settlements in the Occupied Territories

Compensation/Repatriation for Palestinian Refugees

The Palestinian Entity

Government

Police

Economy

Other Aspects of the Palestinians

Terrorism

Palestine Refugees and UNRWA

Palestinians and Middle East Peace: Issues for the United States

SUMMARY

The United States began contacts with the Palestine Liberation Organization (PLO) in December 1988, after the PLO accepted Israel's right to exist, accepted U.N. Resolutions 242 and 338 that call for an exchange of land for peace, and renounced terrorism. The United States broke contact with the PLO in 1990 after a terrorist incident but re-established contact before the 1991 Madrid conference.

Following the 1993 Israeli-PLO agreement, Congress gave the President the authority to waive previously passed legislation prohibiting U.S. contributions to the United Nations from funding any PLO activities, threatening to withdraw U.S. membership from international organizations that recognize the PLO, prohibiting U.S. government employees from negotiating with the PLO, and labeling the PLO a terrorist organization. The waiver authority was extended in P.L. 104-107 (February 12, 1996), but expired August 12, 1997. Congress also ordered closed PLO offices in Washington and New York, although the New York office serving the U.N. remains open under a U.S. court decision.

In opening remarks to the Madrid conference on October 30, 1991, the Palestinian delegation accepted confederation of a Palestinian state with Jordan, but clearly most Palestinians want an independent Palestinian state. The Israeli and Palestinian delegations did not appear to be making any progress in resolving any of the issues: elections, statehood, borders, peacekeeping, demilita-

rized zones, water sharing, population exchanges, economic cooperation, diplomatic relations, or Jerusalem. On August 19, 1993, Israeli and PLO representatives initialed an agreement to guide future negotiations. On September 10, the PLO and Israel exchanged letters of mutual recognition, and on September 13, they signed the Declaration of Principles calling for Israeli withdrawal from Gaza and Jericho, the election of a Palestinian Council, and negotiations for future withdrawals and a permanent settlement in five years.

A May 4, 1994, agreement provided for the Israeli withdrawal from Gaza and Jericho. The Interim Agreement signed on September 28, 1995 (also called Oslo II or the Taba Agreement), provided for elections for the 88-seat Palestinian Assembly, the release of Israeli-held prisoners, Israeli withdrawal from six West Bank cities, and other issues. The Israelis withdrew from the West Bank cities by the end of 1995, and the Palestinian Assembly was elected on January 20, 1996.

Israel and the Palestinians agreed to an Israeli withdrawal from Hebron in January 1997, and on October 23, 1998 signed the Wye agreement to meet previous commitments. The peace talks stalled at Camp David in July 2000, and remain suspended since the Palestinian uprising began in September 2000. The "Road Map" of April 2003, provides for a three-phase, three-year, peace plan, but the plan has been stalled by a series of attacks and retaliations and by stated Israeli intentions to impose unilateral actions. Also see CRS Issue Brief IB91137, *The Middle East Peace Talks*.



MOST RECENT DEVELOPMENTS

On September 30, Israeli forces attacked suspected radical headquarters in Jalabiya refugee camp in Gaza, killing 32 Palestinians and wounding 140. The attack was in retaliation for a rocket attack on an Israeli village that killed two children. The next day, Israeli armored forces moved into Gaza. Three Israelis and seven Palestinians were killed in the fighting.

Israeli Prime Minister Sharon told the press on September 15, 2004, that Israel would not follow the “Road Map” and would remain in most of the West Bank for an extended period of time. On September 10, Sharon told the press that the United States would not oppose Israel expanding West Bank settlements. Previously, the United States supported a complete settlement freeze as part of the peace process.

BACKGROUND AND ANALYSIS

Current Negotiations Between Israel and the Palestinians

The Road Map. According to the “road map” for the “quartet” peace proposal (Europe, Russia, U.N., U.S.A.), presented on April 30, 2003,¹ the Israelis and Palestinians must take steps to implement the plan, but it was not clear if the steps were to be sequential (the Israeli view) or in parallel (the Palestinian view). During stage one of phase one, the Israelis were to end attacks on Palestinian cities, house demolitions, and deportations; to freeze settlement activity; and to dismantle settlements established since February 2001. The Palestinians were to name a new cabinet and Prime Minister (sworn in April 30, 2003), end violence against Israelis, and consolidate the Palestinian police forces. During stage two of phase one, Israelis were to withdraw to the September 28, 2000 lines and freeze all settlement activity. The Palestinians and the Israelis were to sign a new security agreement. The Palestinians will hold elections for the Palestinian Legislative Council.

During phase two, the quartet was to establish a monitoring system to monitor compliance with the agreement and was to hold an international conference on Palestinian economic recovery. The quartet also will sponsor negotiations for a Palestinian state within provisional borders. During phase three, scheduled to begin in 2004, Israel and the Palestinians were to agree on a provisional Palestinian state and, by the beginning of 2005, were to resume negotiations for permanent borders, Jerusalem, refugees, settlements, and other issues.

Current Status. Israeli forces assassinated two Hamas leaders, Shaykh Ahmad Yasin on March 22, 2004 and Abd al-Aziz Rantisi on April 17. After their April 14 White House meeting, President Bush endorsed Israel Prime Minister Ariel Sharon’s positions on the unilateral Israeli plan to withdraw from Gaza, on Israel retaining sovereignty over Israeli

¹ See A Performance-Based Roadmap to a Permanent Two-State Solution to the Israeli-Palestinian Conflict, published by the U.S. Department of State, [<http://www.state.gov/r/pa/prs/ps/2003/20062.htm>].

settlements in the West Bank, on the Israeli wall separating Israel from Palestinian areas, and that no Palestinian refugees should be resettled in Israel. Palestinians rejected the U.S. endorsement and the Israeli plans.

The “Quartet” issued a statement on May 4, 2004, that endorsed the Israeli withdrawal plan but opposed Israel’s unilateral decisions, called for negotiations on border and refugee issues, and opposed Israel retaining control over sea and air access to Gaza. The Quartet statement also called for an “empowered” Palestinian prime minister, an apparent slap at Arafat’s control over the prime minister’s role in the negotiations. Some observers opined that the Quartet statement was a Bush Administration retreat after hearing Arab reactions to the April 14 Bush-Sharon exchange.

On May 6, President Bush told the press after a White House meeting with Jordan’s King Abdullah that he endorsed the Israeli withdrawal from Gaza and West Bank settlements, that all Israeli-Palestinian final status issues must be negotiated, and that the United States was committed to a viable, contiguous, sovereign, and independent Palestine. The statement appeared to reverse the April 14 statement that the United States approved Israel’s unilateral steps. President Bush sent a letter to Prime Minister Qurai on May 18 in what observers speculated was an appeal for a Palestinian move against terrorism and further political reforms. The May 4 Quartet message and the May 6 meeting with King Abdullah revived hope among some analysts that the “road map” was not dead.

The United States and the Palestinians

U.S. Policy Toward the Palestinians

Between World War II and the 1991 collapse of the Soviet Union, U.S. policy toward the Middle East was based on several broad goals, the most noteworthy of which were (1) stop Soviet expansion into the region; (2) keep open the Middle Eastern lines of communication and trade; (3) maintain Western access to Middle Eastern oil; (4) foster democracy and free market economies; and (5) protect Israel’s security.

There appear to be many reasons why U.S. citizens have favored Israel: Israel and the United States espouse shared Judeo-Christian principles; both countries were “pioneering” in their early years; both countries are democracies; the United States has empathy for Israel’s position as an embattled “underdog”; Israel and the United States opposed Soviet expansion during the cold war years; the United States has sympathy for the experience of European Jews in World War II; Jewish-Americans have a very effective pro-Israel political support organization; and the United States is more aware of Israel’s point of view. In short, some say, Israelis “are like us.” Conversely, there is less empathy among Americans for Arab viewpoints because, some say, Arabs are “not like us.” Eastern Arab culture (dress, food, music, art, written and spoken language, religion) appears to have little in common with Western American culture, and Arab-Americans in the past have tended to assimilate more than some other ethnic groups and to avoid the public stage of advocacy for Arab causes.

Refugees and Terrorists. The United States, until recently, treated the Palestinians as one of the problems to be solved in ending the Arab-Israeli dispute rather than as participants in the peace process. From 1948 until the 1967 war, the United States, like many other countries, considered the Palestinian people in the context of the refugee problem and not as an independent national movement. Beginning with a series of terrorist incidents starting in 1968, most added “terrorist” to the “refugee” image of Palestinians. President Carter shifted the terrorist-refugee perception on March 16, 1977, when he said the Palestinians deserved a homeland, and on January 4, 1978, when he said that the Palestinians had legitimate rights and should participate in any deliberations about their future. The Camp David agreements of September 1978 mentioned “the legitimate rights of the Palestinian people.” Early in the Reagan Administration, officials returned to referring to Palestinians as “refugees” and “terrorists” and did not mention Palestinian rights or self-determination. But in his September 1, 1982, Middle East address, President Reagan said that the Palestinian problem was more than refugees.

Recognition. In 1975, one year after the Arab League stated that the Palestine Liberation Organization (PLO) was the sole representative of the Palestinian people, Secretary of State Henry Kissinger informed Israel that the United States would not recognize or negotiate with the PLO unless and until the PLO recognized Israel and accepted U.N. Resolutions 242 and 338. Congress codified the pledge into law (Section 535, P.L. 98-473, October 12, 1984), and added that the PLO also must renounce terrorism. Secretary of State George Shultz stated on December 14, 1988, that the PLO had met the conditions stipulated by the United States, and that the United States would open a dialogue with the PLO in Tunis, Tunisia, on December 16, 1988.

President George H.W. Bush announced on March 6, 1991 (in the wake of the Gulf war), that he would pursue Arab-Israeli peace negotiations; he dispatched Secretary of State Baker to the Middle East where he met with Palestinian leaders from the occupied territories. Baker’s 8 trips to the region and his contacts with the Palestinians, Jordanians, Israelis, Syrians, Egyptians, and others led to peace talks in Madrid on October 30, 1991. But at Madrid and the subsequent meetings, the United States (and Israel) treated the Palestinians as part of the Jordanian delegation, not as a separate entity.

On September 10, 1993, following the Israeli-PLO mutual recognition, President Clinton announced that the United States would resume the dialogue with the PLO. PLO leader Arafat, representing the national aspirations of the Palestinian people, shared the spotlight with Israeli Prime Minister Rabin and President Clinton at the signing of the Declaration of Principles on the White House lawn on September 13, 1993. U.S. official attitudes toward the Palestinians had evolved from seeing them only as refugees to according them a form of recognition that approached, but did not reach, nationhood. Following a pledge made at the Wye River conference, President Clinton visited Gaza to attend the December 14, 1998 meeting of the PLO National Council, at which the Council voted by show of hands to reaffirm that the PLO Covenant had been amended to remove anti-Israeli references.

Current Relations. The George W. Bush White House refuses to meet with Palestinian President Yasir Arafat because, in the Administration’s view, Arafat is not doing enough to stop terrorism. President Bush said, in his June 24, 2002 statement, that he envisioned a two-state solution to the Israeli-Palestine problem, the first time a U.S.

President advocated the formation of a Palestinian state on an equal basis to Israel. The “Quartet” of the United States, the United Nations, the European Union, and Russia presented the “road map” peace plan on April 30, the day Mahmud Abbas was sworn in as Palestinian Prime Minister. Abbas met with Israeli Prime Minister Sharon on May 30, met with President Bush and several Arab leaders at Sharm al-Shaykh on June 3, and met again with Prime Minister Sharon and President Bush at Aqaba on June 4.

Prime Minister Abbas met with President Bush at the White House on July 25, 2003. In comments to the press after the meeting, Abbas said he raised the issues of the Israeli wall under construction in the West Bank,² the need for an Israeli withdrawal from Palestinian cities, the expected Israeli release of Palestinian prisoners, and other issues, and reaffirmed the Palestinian pledge to curtail terrorist attacks against Israel. President Bush said the wall was a “problem” and that he expected both sides to meet their obligations for peace, reaffirmed the United States support for a two-state solution, and reminded the Palestinians of their promise to end terror attacks against Israel. President Bush has not met with Ahmad Qurai, the Palestinian prime minister appointed on September 10. On April 14, 2004, President Bush endorsed the Israeli wall around Palestinian areas, approved Israel’s unilateral action in Gaza and the West Bank, and said Israel’s occupied territory settlements should be recognized in final borders.

U.S. Aid for the Palestinians³

(See Table 4, U.S. Assistance to the West Bank and Gaza, at the end of this report)

At an October 1, 1993, Washington meeting, 46 donor nations pledged \$2.4 billion for the Palestinian entity. The U.S. Administration offered \$500 million (\$125 million in loans or loan guarantees and \$375 million in grants) over five years for economic development of the Palestinian entity. Of the \$125 million available in loan guarantees, \$3 million had been drawn through April 2001. The United States provided \$36 million funding for the Palestinian Authority through the Holst Fund of the World Bank. The remaining \$339 million was delivered through private voluntary organizations (PVOs), and through USAID contracts. No U.S. aid went directly to the PLO.

Wye Agreement Funding. On November 30, 1998, President Clinton told the donors conference in Washington that the United States would provide \$400 million in grants for the Palestinians. Congress did not include funding for the Wye Agreement in the Foreign Operations Appropriations bills for FY2000 (H.R. 2606, S. 1234). The President vetoed H.R. 2606 in part because it did not contain funding for the Wye Agreement. After negotiations with the White House, the House of Representatives passed H.R. 3196 on November 5, 1999, that included the Wye Agreement funding; \$1.2 billion for Israel, \$200 million for Jordan, \$25 million for Egypt, and \$400 million for the Palestinians. H.R. 3196 was set aside and replaced with H.R. 3422, which was included by reference in H.R. 3194, the consolidated appropriations bill passed by the House on November 18, by the Senate on November 19, and presented to the President on November 22, 1999. The \$400 million Wye supplemental was in addition to annual aid levels of about \$75 million.

² See CRS Report RS21564, *Israel’s Security Fences, Separating Israel from the Palestinians*, August 1, 2003.

³ See CRS Report RS21594, *United States Aid to the Palestinians*, August 15, 2003.

According to a State Department report presented to Congress in late October 1999, the Wye funding for the Palestinians would be spent for infrastructure, education, community development and “Rule of Law” projects.

Other Assistance. The supplemental appropriation for FY2002 (H.R. 4775, P.L. 107-206, signed on August 2, 2002) included \$50 million in disaster relief assistance for the Palestinians, primarily in response to damages inflicted during the April-May 2002 Israeli military operations in Palestinian areas, particularly the city of Jenin. The section specifically stated that the funds for the West Bank and Gaza could not be used for the Palestinian Authority. The funds were not allocated. The President requested \$50 million for the Palestinians in the FY2003 supplemental appropriations, but the funds were not earmarked in the final bill (P.L. 108-11). The Department of State announced on April 21, 2003, that \$50 million was allocated from the supplemental for the Palestinians. The United States announced on July 8, 2003, that it would provide \$20 million of the \$50 million in direct aid to the Palestinian Authority. On July 10, the State Department waived congressional restrictions against providing aid directly to the PA. The \$20 million was used for water, sewers, and other infrastructure, and to pay the electric bill owed to Israel.

The Administration requested \$75 million for the Palestinians for FY2005.

Congress and the Palestinians

Congress stated its opposition to the U.N. special committee on Palestinian rights (Section 614, P.L. 95-426, October 7, 1978), opposed U.S. participation in the International Monetary Fund if the IMF granted membership to the PLO (Section 7, P.L. 96-389, October 7, 1980), and stated that U.S. funds contributed to the U.N. could not be used to support the PLO (Section 154, P.L. 97-377, December 21, 1982). In 1984, Congress prohibited U.S. government employees from negotiating with or recognizing the PLO unless and until the PLO recognized Israel’s right to exist, accepted U.N. Resolutions 242 and 338, and renounced terrorism (Section 535, P.L. 98- 473, October 12, 1984).

In 1987, Congress declared the PLO to be a terrorist organization and a threat to U.S. interests, and ordered the PLO information office in Washington and the office of the PLO U.N. mission in New York to be closed (Title X of P.L. 100-204, December 22, 1987). The Department of State closed the Washington office, but the New York office remained open after a judge ruled that the office was legal under the U.N. treaty signed by the United States. The Washington office reopened in September 1993, after the PLO and Israel signed the Declaration of Principles under waiver provisions in the Middle East Peace Facilitation Act. The PLO office closed on August 12, 1997, when the Middle East Peace Facilitation Act expired because the presidential waiver expired with the act. The PLO office reopened on December 6, 1997, when the President exercised the waiver in Section 539(d) of P.L. 105-118, the foreign operations appropriations law. The office remained open under subsequent presidential waivers provided in the foreign operations appropriations bills.

In 1989, Congress added Title VIII, the PLO Commitments Compliance Act (PLOCCA), to P.L. 101-246, signed into law on February 16, 1990, which repeated the prohibition against negotiating with the PLO, stated the sense of Congress that the United States should seek to prevent PLO involvement in terrorism, said the United States should obtain an accounting from the PLO of several listed incursions into Israel, required the

Secretary of State to report to the Congress on the PLO explanation of the incursions, and required the President to file quarterly reports on several listed PLO activities and positions. The Secretary of State sent the first PLO Compliance Act report to Congress on January 11, 1994, stating that the PLO remained opposed to terrorism and that the United States would continue the dialogue resumed on September 10, 1993.

Following the signing of the Declaration of Principles on September 13, 1993, Congress passed the Middle East Peace Facilitation Act (MEPFA) granting the President the authority to waive sections of existing law that forbid contacts with the PLO, that prohibit the PLO from opening an office in the United States, or that constrict providing aid to the PLO through the United Nations. (The Middle East Peace Facilitation Act of 1993, P.L. 103-125, October 28, 1993; amended and renewed several times, most recently in P.L. 104-107, February 12, 1996). The most recent MEPFA and the President's waiver authority expired on August 12, 1997. The most recent combined MEPFA-PLOCCA report to Congress appeared on January 12, 1997, covered both the PLO Commitment Compliance Act and the Middle East Peace Facilitation Act, and found that the PLO was complying with its commitments.

In May 1997, some Members of Congress threatened to cut U.S. aid to the Palestinians because Palestinian leaders advocated applying a 1973 Jordanian law that called for the death penalty for Palestinians who sold land to Israelis or Jews. On June 10, 1997, the House passed by voice vote an amendment to H.R. 1757, the Foreign Relations Authorization bill, that called upon Palestinian leaders to renounce the death penalty, and stated that the President and Congress will consider Palestinian actions when considering renewal of the Middle East Peace Facilitation Act that expired on August 12, 1997. Other Members of Congress suggested cutting aid to the Palestinians because they believed that the PLO or the Palestinian Authority incited recent terror attacks against Israel. News reports that an internal PA audit released on May 25, 1997, disclosed corruption and waste prompted other Members of Congress to question U.S. aid to the Palestinians. After allowing the Middle East Peace Facilitation Act to expire on August 12, 1997, Congress added sections to the Foreign Operations Appropriations bill, H.R. 2159, and to subsequent bills, that gave the President waiver authority similar to the MEPFA waivers.

Section 584 of P.L. 105-277 of November 21, 1998, and similar sections in subsequent foreign operations appropriations bills prohibit any aid funds for the Palestine Broadcasting Corporation (PBC). The United States provided about \$250,000 for training and equipment for the PBC in 1995 but withdrew the aid when it was feared that Arafat would use the public station for political purposes. The United States continues to help Palestinian journalists, but does not provide direct support to the PBC.

The House of Representatives passed H.Con.Res. 426 by a vote of 365 to 30 on October 25, 2000; the resolution expressed solidarity with Israel and condemned Palestinian Arab leaders for encouraging violence in the continuing confrontations that began following Likud Party leader Sharon's visit to the Haram al-Sharif/Temple Mount area of Jerusalem on September 28.

P.L. 107-115 (H.R. 2506), the foreign operations appropriations bill for FY2002 signed into law on January 10, 2002, requires the President to report to Congress on PLO compliance with past commitments. If not in compliance, the President may close the PLO

office in Washington, designate the PLO constituents as terrorist groups, and/or limit humanitarian assistance to the Palestinians.

The House passed H.Res. 392 by a vote of 352-21 with 29 “present” on May 2, 2002. The bill stated that the Palestinian leadership incited and supported terrorism against Israel. The Administration opposed the bill because it could have hampered U.S. efforts to mediate an Israeli-Palestinian cease-fire. The bill vowed U.S. solidarity with Israel and justified Israel’s use of force against the Palestinians. The Senate passed S.Amdt. 3389 to H.R. 3009, the Andean Trade bill, the same day, also justifying Israel’s actions against the Palestinians.

Title VI of the Foreign Relations Authorization Act of 2002 (P.L. 107-228, H.R. 1646), entitled the Middle East Peace Commitments Act of 2002, repeated many aspects of PLOCCA, MEPFA, and the reporting requirements in the appropriations bills mentioned above. Section 604(c) provided for a presidential waiver of the act’s sanctions applicable to the Palestinians.

The FY2003 consolidated appropriations bill (H.J.Res. 2, P.L. 108-7, February 20, 2003) had several sections dealing with the Palestinians. Section 403 banned U.S. aid for the Palestinian Broadcasting Corporation. Section 548 prohibited the use of funds to create another U.S. government office in Jerusalem. Section 552 banned funds for the Palestinian Authority but provided a presidential waiver if such aid was in the United States’ national security interests. Section 563 declared that no U.S. funds could be used to support Palestinian statehood unless the Palestinians elected new leadership, agreed to co-exist with Israel, countered terrorism, resumed security cooperation with Israel, ended belligerency against Israel, and agreed to a just solution to the refugee problem. Section 563 also provided a presidential waiver if such action were in the U.S. national security interests. Section 566 banned U.S. aid for the Palestinian Broadcasting Corporation (repeating Section 403, cited above). Section 568 ensured that the U.S. Comptroller General has access to information to audit expenditure of Economic Support Funds, that the Secretary of State takes measures to ensure that U.S. funds are not used for terrorism, and that USAID conduct annual audits of Palestinian accounts.

H.R. 2673, the omnibus appropriations bill for FY2004 (P.L. 108-199, 118 Stat.3, 23 January 2004), denies funding for the Palestinian Broadcasting Corporation (Sec. 403 and 565), provides \$1 million in ESF for West Bank/Gaza legal reforms, denies funds for the PLO unless certified under MEPFA (Sec. 545), denies funds to the Palestinian Authority unless waived by the President (Sec. 552), denies funds for a Palestinian state unless certified by the Secretary of State or waived by the President (Sec. 562), and stipulates that the Comptroller General should have access to financial records, that U.S. funds not be used to finance terrorism, that there will be annual audits of Palestinian aid accounts, and that \$1 million is available for a USAID audit (Sec. 566).

H.R. 4818, the foreign operations appropriations bill for FY2005, does not have an earmark for funds for the Palestinians but does repeat many of the restrictions on aid to the PLO, the Palestinian Authority (with a presidential waiver), and Palestinian statehood that are found in previous years’ bills.

Palestinian Statehood. On November 15, 1988, the Palestine Liberation Organization National Council declared a Palestinian state with its capital in Jerusalem.

Some 100 nations recognized the new state even though it did not have a government or any territory under its sovereignty. Despite the 1988 declaration, in February 1998, Palestinian leader Arafat said he would declare a state unilaterally on May 4, 1999, the date set in the 1994 Gaza-Jericho Agreement for completing the permanent status talks, but the declaration of statehood was delayed several times and has not been completed. Israeli leaders oppose the Palestinian declaration of statehood because they feel that the future status of the Palestinian entity should be a subject in the talks.

Several U.S. Administrations have decried unilateral actions that could interrupt the peace talks, and the Clinton Administration had cautioned Arafat not to declare a state unilaterally. H.Con.Res. 24, passed by the House on March 16, 1999, and the Senate on April 12, 1999, states that a unilateral declaration of Palestinian statehood would draw strong congressional opposition and that the President should assert that a statehood declaration would violate the Oslo accords. (Palestinian statehood is not mentioned in the Oslo agreements.) The House voted 385 to 27 (with four present) on September 27, 2000, to pass H.R. 5272, which would have cut off U.S. foreign assistance to the Palestinians if the Palestinians declared a state without Israeli agreement. (In the April 14, 2004, White House meeting, President Bush approved of Israel's unilateral decision to withdraw from Gaza, construct the security wall, and reject the right of return to Palestinian refugees.)

On September 24, 2002, President Bush said that a state of Palestine was part of the vision for a future resolution of the Arab-Israel problem. U.N. Security Council Resolution 1397, passed by a vote of 14-0-1 (Syria) on March 12, 2002, included the phrase "two states, Israel and Palestine," the first Security Council resolution to mention a Palestinian state. President Bush repeated U.S. support for an independent Palestinian state at Aqaba on June 4, 2003.

Unresolved Issues in the Palestine Problem

Jerusalem

Palestinians maintain that Israel must withdraw from east Jerusalem, seized by Israel in the 1967 war along with the rest of the West Bank, and that east Jerusalem will become the capital of the Palestinian state. Israel, which has claimed Jerusalem as its capital since 1948, annexed east Jerusalem in 1967, and claims that Jerusalem's status is not negotiable. No other country recognizes Israel's annexation of east Jerusalem. Despite the Israeli claim, Israel signed the 1993 Declaration of Principles, which calls for negotiations on the future of Jerusalem.

The July 25, 1994 Jordan-Israel non-belligerency agreement states that Israel "respects ... the special role" played by Jordan in Muslim religious shrines in Jerusalem. Arafat had stated in the past that the Palestinian entity would be responsible for non-Jewish religious shrines in the holy city. The Jordan-Israel agreement appears to set the stage for a future contest or cooperation between Jordan and Palestine over the religious sites.

The United States has maintained a policy since 1967 that the future of the city must be negotiated and cannot be decided unilaterally, and that the city should not be divided as it

was between 1948 and 1967. In 1990, Congress opposed the Administration position and passed resolutions acknowledging that Jerusalem was the capital of Israel and should not be a divided city (H.Con.Res. 290, passed on April 24, 1990, and S.Con.Res. 106, passed on March 22, 1990). In 1995, Congress passed S. 1322 (P.L. 104-45, November 8, 1995) that stated that the U.S. embassy should be moved from Tel Aviv to Jerusalem. The law provides a presidential waiver if maintaining the embassy in Tel Aviv is in the U.S. national interest (Out-of-print CRS Report IB94-755, *Jerusalem*, dated February 21, 1995 available by contacting Clyde Mark, 7-7681). On July 27, 2000, President Clinton told an Israeli interviewer that he favored moving the embassy to Jerusalem, but signed waivers to keep the embassy in Tel Aviv. During the 2000 campaign, George Bush said he favored moving the embassy to Jerusalem, but since becoming President has signed waivers delaying the move.

Section 214 of P.L. 107-228, the Foreign Relations Authorization Act for FY2003, states that Congress maintains its commitment to moving the U.S. embassy from Tel Aviv to Jerusalem, bans funds appropriated in the act from being used to support the Jerusalem consulate unless the U.S. ambassador to Israel has authority over the consulate, declares that publications financed under the act must list Jerusalem as the capital of Israel, and states that any U.S. citizen born in Jerusalem may request that their birthplace be listed as Israel. President Bush issued a statement on September 30, 2002, that he considered the section to be advisory, not binding, and that the section interfered with his constitutional authority to conduct the nation's foreign relations. The statement also said that U.S. policy toward Jerusalem remained unchanged, which implied that the United States holds that the future of Jerusalem must be negotiated and not be decided unilaterally, as the Israelis have done.

Boundaries

The Palestinians would prefer a return to the boundaries recommended by the United Nations in Resolution 181 of 1947, but since 1974, have accepted the 1948-1967 boundaries between the West Bank/Gaza and Israel. The Shamir government (1988- 1992) claimed all of the West Bank as part of Israel and would have made the boundary the Jordan River. It is not clear what other Israeli governments would have offered or accepted. Some Israelis and most Palestinians believe that the Israeli wall/fence under construction since June 2003 to separate Israel from the Palestinians will become a permanent boundary, despite the Sharon government's claims that it will not.

The Palestinian-Israeli Interim Agreement, September 1995, partitioned the 2,200 square mile West Bank into a patchwork quilt composed of three different jurisdictions: Area A, under full Palestinian control, about 1% of the total, was comprised of the seven largest cities (excluding Jerusalem), primarily populated by Palestinian Arabs; Area B, under shared Palestinian and Israeli control, about 27% of the West Bank, was comprised of Arab villages around the cities; and Area C, under full Israeli control, about 72% of the total, was comprised of Israeli settlements, so-called "state land," highways, public areas, and Israeli military bases.

Israel withdrew from the Area A cities in December 1995-January 1996 (and Hebron February 1997) and a few of the Area B villages, leaving the Palestinian Authority in full control of about 3% of the West Bank. Israel also withdrew from 70% of the Gaza Strip, but retained four areas where there are Jewish settlements. The Netanyahu government ceded another 7% of the West Bank in November 1998, in keeping with the Wye agreement, but

postponed further withdrawals until after the May 1999 election. The government of Ehud Barak, sworn in July 1999, agreed in September 1999 to further withdrawals in September and November 1999, and March 2000, that left about 18% of the West Bank in Palestinian hands, 22% under shared Israeli-Palestinian control, and 60% under full Israeli control.

According to press reports in early May 2000, Israel offered to withdraw from a total of 80% of the West Bank, withdrawing from 66% then and the remaining 14% after a couple of years. Israel would annex the remaining 20%. The Palestinians rejected the offer. The press reported on May 20 that Israel raised the offer to 90% of the West Bank, and an unconfirmed rumor circulating in August 2000 said that the United States proposed that Israel retain only 5% of the West Bank. Reports from the July 2000 Camp David talks said the figures under discussion ranged from 90% to 97%. The Palestinians rejected the Israeli Camp David offer because Israel retained sovereignty over all of Jerusalem — the Palestinians sought sovereignty over Arab east Jerusalem — and because the Israeli proposal divided the West Bank into three non-contiguous zones that would have impaired Palestinian nationalism and stymied economic growth.

Palestinians consider the Golan Heights part of Syria, not Palestine, but the Syrian-Israeli negotiations over the Golan may affect Palestinian-Israeli negotiations over the West Bank and Gaza. Persistent rumors from Israel and unconfirmed reports from Syria claim that the Rabin-Peres government agreed to withdraw from most of the Golan Heights. The Netanyahu government elected in May 1996, appeared less inclined to withdraw from Golan and not inclined to meet a commitment made by its predecessor government.

Prior to April 14, 2004, the United States stated that boundaries should be negotiated and mutually recognized, “should not reflect the weight of conquest,” and that adjustments in the pre-1967 boundaries should be “insubstantial.” The United States acknowledged Israel’s need for defensible borders (erase some of the anomalies along the 1948-1967 armistice lines) and also acknowledged that the Palestinians desired a territorial entity separate from Israeli rule. But President Bush said, on April 14, that boundaries should reflect the realities of Israeli settlements, suggesting that Israel would establish sovereignty over Israeli settlements on the West Bank. In the same statement, the President approved Israeli unilateral action.

Israeli Settlements in the Occupied Territories

The Arab nations maintain that Israeli settlements in the occupied territories are illegal under international law, specifically paragraph 6 of Article 49 of the Fourth Geneva Convention on the Protection of Civilian Persons in Time of War, which states: “The occupying power shall not deport or transfer parts of its own civilian population into territories it occupies.” Israel maintains that Jordan’s 1950 annexation of the West Bank was not recognized by the international community, and therefore is illegal. Egypt never claimed the Gaza Strip. Israel maintains that the two regions are not “occupied territories,” and are not subject to the Geneva Convention. Many nations, as reflected in the votes on several U.N. General Assembly and Security Council resolutions, believe that Israel is the occupying power, that the Geneva Convention applies, and that the Israeli settlements are illegal. United States’ spokesmen, such as Ambassador George H. W. Bush on September 25, 1971, Ambassador William Scranton on May 26, 1976, and Secretary of State Cyrus Vance on March 21, 1980, have stated that the settlements are illegal. During a December 16, 1996

news conference, President Bill Clinton agreed with the statement that the settlements were obstacles to peace. President George W. Bush said on April 4, 2002, that Israeli settlement activity in the occupied territories must stop. On April 14, 2004, President Bush said that negotiated borders should reflect realities on the ground, meaning the Israeli settlements.

The Israeli Attorney General recommended to the Prime Minister that Israel adopt the Geneva Convention, which would be an admission by Israel that Israeli settlements in the occupied territories were against international practice.⁴ The recommendation was included in a report submitted in August 2004, on the implications of the World Court decision that the wall was illegal.

Compensation/Repatriation for Palestinian Refugees

Palestinians argue that paragraph 11 of U.N.G.A. Resolution 194 of December 11, 1948, states that the Arab refugees have a choice between returning to the homes now in Israel that they left during the 1947-1948 war (the “right of return”), or receiving compensation for the lost property. Israel argues that the Arabs abandoned their property voluntarily, and that the international community should provide funding for resettling the Palestinian refugees in Arab countries. Arabs claim the Jews drove them from their homes in 1948-1949. Some Israelis counter with a claim for compensation for property abandoned by Jews who left or were driven from Arab countries in the aftermath of the 1948-1949 war. Palestinians counter that Jews who fled Arab countries should take their claims to those countries, not to the Palestinians.

Israel claims that allowing Palestinian refugees to return to homes left in 1948-1949 or 1967 will destroy the Jewish nature of Israel. Palestinians claim the right of return is a matter of justice encased in international law. The argument probably was a matter of perception rather than physically moving a number of Palestinians into Israel: by accepting the right of return, Israel would accept blame for forcing the refugees out of their homes in the first place, and the Palestinians might have been more interested in such a confession of guilt than in the actual return to abandoned properties. On April 14, 2004, President Bush said that the Palestinian refugees should be settled in a Palestinian state and not in Israel, thus dismissing the right of return. (See CRS Report RS20616, *Middle East Peace: The Refugee Issue*, June 29, 2000, 6 p.)

The Palestinian Entity

Government

On May 24, 1994, Arafat canceled all Israeli laws and reinstated pre-1967 laws in Gaza and Jericho in an attempt to erase the Israeli occupation presence. Under terms of the September 13, 1993 Declaration of Principles, the Palestinian cabinet assumed responsibility for health, education and culture, social welfare, direct taxation, and tourism. The 88-seat Palestinian Authority (also called the Palestinian Legislative Council, PLC), elected on January 20, 1996, and sworn in on March 7, 1996, and the 26-person cabinet named by

⁴ King, Laura Israel Urged to Adopt Geneva Convention, Los Angeles Times, 25 August 2004.

President Yasir Arafat on May 9, 1996, assumed responsibility over other functions of government except for security and foreign relations, which Israel controlled through the five-year interim and into the final negotiating period. Arafat named a new 34-person cabinet on August 5, 1998, to avoid a vote of confidence in the Palestinian Legislative Council, and on June 13, 2002, reduced the cabinet to 21 members as part of his reform program. The cabinet resigned on September 19, 2002. Arafat named Mahmud Abbas to be Prime Minister on March 6, 2003. Abbas and his 24-person cabinet won a vote of confidence on April 29, 2003, and were sworn in the next day. Abbas and Arafat disagreed over control and reform of the police, and Abbas resigned on September 6. Arafat appointed PLC Speaker Ahmad Qurai as the new prime minister on September 10, 2003, but Qurai and Arafat had the same disagreement as Arafat and Abbas — who should control the police.

The PLC passed a Basic Law in 1997, but Arafat did not sign the law until May 30, 2002. The Basic Law serves as a constitution, outlining the function of the PLC, the President, the cabinet, and the electoral process. One of the reforms sought by President George W. Bush is a new Palestinian constitution.

Police. According to negotiations following the May 4, 1994 agreement, the Palestinian enclaves were to be protected by a Palestinian police force. The Palestinian police began arriving in Gaza on May 11 and in Jericho on May 12, 1994, replacing the Israeli Defense Forces and Israeli border police. Other nations have provided training (Egypt, Jordan, Great Britain, Iraq), vehicles (the United States donated 200 light and heavy trucks, Russia donated armored vehicles, Greece donated 58 trucks), uniforms (Norway), communications equipment (Spain), anti-riot gear (Great Britain), housing and offices (Japan and Germany), and cash (the United States \$5 million, European Union).

The Palestinian police are supposed to cooperate with the Israeli police in patrolling the borders and the villages, manning crossing points, and maintaining order. Paragraph 3 of Article IV of Annex I of the Interim Agreement of September 28, 1995, states that the Palestinian police force shall number 12,000 in the West Bank and 18,000 in the Gaza Strip. Israel claimed that there were between 36,000, and 40,000 Palestinian police in uniform prior to the second intifadah that started in September 2000. Israel destroyed most of the Palestinian police infrastructure during the Israeli invasions of West Bank cities in April-May 2002. Arafat wants control of the police to rest in the president's office, but his two prime ministers, Abbas and Qurai, preferred that police control rest in the cabinet.

Economy

Israel's closure of the occupied territories has forced the near collapse of the Palestinian economy. Israel has closed Palestinian borders with Egypt, Israel, and Jordan, and has cordoned off Palestinian towns and villages to prevent traffic between Palestinian areas. About 100,000 Palestinian workers cannot cross into Israel to jobs; the unemployment is at 50%, and gross domestic product has fallen by 50%. In its search for terrorist infrastructure, the IDF has destroyed much of the water, electrical, telephone, and transportation systems in Ramallah, Nablus, Jenin, and other West Bank cities. The Palestinian Authority relies upon grants from the Arab states and the European Union to meet its payroll.

Other Aspects of the Palestinians

Terrorism

Individual Palestinians and Palestinian military groups, both PLO and non-PLO, have launched terror attacks against Israeli people and facilities. Palestinian terrorists also have attacked people or institutions that, in the Palestinians' view, support Israel, including U.S. citizens, property, and installations. One of the conditions set by Congress in 1984 for beginning a U.S. dialogue with the PLO was that the PLO renounce terrorism, which it did in November and December 1988. But when the PLO refused to renounce the May 30, 1990, attempted military landing near Tel Aviv, the United States broke off the dialogue. Israel maintained that the PLO is a terrorist group. Until January 1993, any contact between an Israeli or anyone under Israeli occupation and the PLO was a crime in Israel. Many Palestinians view the attacks against Israel and its supporters as part of the legitimate Palestinian armed struggle to secure Palestinian rights, and view Israeli attacks against Arab civilians as terrorism.

Palestine Refugees and UNRWA⁵

One-half of the world's almost 9 million Palestinians live in Israel or under Israeli occupation. About 1 million Palestinian Arabs live in Israel and are Israeli citizens, who may vote and are eligible to serve in the Knesset (11 Arabs were elected to the Knesset in May 1996). The 3 million Palestinians in the occupied territories are not Israeli citizens and do not vote in Israeli elections. Jordan granted citizenship to the Palestinians living in Jordan but other Arab states have not offered blanket citizenship.

Of the 9 million Palestinians, 4 million are registered with the United Nations Relief and Works Agency (UNRWA) as refugees from the 1947-1948 war. There is disagreement over why the Palestinians became refugees: Israeli sources claim the Palestinians left their homes voluntarily or because the Arab governments told them to leave; Arab sources claim the Israelis forced the Palestinians to leave. UNRWA provides shelter, food, medical and dental care, and education benefits for the 4 million Palestinian registered refugees. Not all the registered refugees receive all the benefits; some 1.3 million live in 59 refugee camps scattered across Lebanon, Syria, Jordan, the West Bank, and the Gaza Strip.

The United States contributes to UNRWA through the refugee and migration account, authorized in the State Department authorization bill and appropriated through the foreign operations appropriations bill. U.S. contributions to UNRWA have not been earmarked in past appropriations bills.

⁵ See CRS Report RS21668, United Nations Relief and Works Agency for the Palestine Refugees in the Near East (UNRWA), November 12, 2003.

Table 1. U.S. Contributions to UNRWA, 1950-2003
(millions of dollars)

Year	Amount	Year	Amount
Cumulative 1950-1991	1,618	1998	78
1992	69	1999	81
1993	68	2000	89
1994	78	2001	101
1995	74	2002	100
1996	77	2003	129
1997	79	Total	2,643

Table 2. Palestine Arab Refugees Registered with UNRWA

Countries	1950 Total Registered	2002 Total Registered	No. of Camps	No. in Camps
Lebanon	127,600	387,043	12	217,211
Syria	82,194	401,185	10	115,863
Jordan	506,200	1,679,623	10	293,215
West Bank	—	626,532	19	168,507
Gaza Strip	198,227	878,977	8	468,071
Israel	45,800	—	—	—
Total	960,021	3,973,360	59	1,262,867

Source: Report of the Commissioner-General for UNRWA, Supplement 13 (A/55/13) 2002.

Note: West Bank included in Jordan in 1950. UNRWA stopped operating in Israel in 1952, when Israel resettled its Arab refugees.

Table 3. World Population of Palestinians, 2001

Jordan	2,472,501
West Bank and Gaza Strip	3,298,951
Israel	1,012,741
Other Arab Countries	5,887
Lebanon	456,824
Kuwait and other Gulf	149,786
All Other	275,303
Syria	494,501
Saudi Arabia	291,778
Egypt	51,805
The Americas	216,196
Iraq, Libya	78,884
Total	8,807,518

Source: Passia, [http://www.passia.org/index_pfacts.htm]

**Table 4. USAID Assistance to West Bank & Gaza,
FY1975-FY2004**

(\$ in thousands)

Fiscal Year	Actual/Est. Obligations
1975	\$ 1,000
1976	1,572
1977	3,416
1978	2,687
1979	6,801
1980	3,000
1981	2,500
1982	6,000
1983	6,500
1984	8,500
1985	12,141
1986	13,950
1987	8,400
1988	6,911
1989	20,903
1990	12,618
1991	7,663
1992	7,074
1993	29,557
1994	56,769
1995	80,263
1996	64,306
1997	68,679
1998	60,685
1999	79,592
2000	118,642
2001	84,707
2002	72,000
2003	124,500
2004	74,558
Total	\$1,045,894