

Original Paper

Two States in Palestine?

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Abstract

Israelis and Palestinians have off loaded the costs of their conflict to outsiders and lack incentives for peace making. Massive subsidies for the Palestinians should be gradually withdrawn and Israel should pay rent for the settlements and other land it occupies. The rents will fund the Palestinian economy and compensation payments in lieu of the right of return. The Palestinian state will be demilitarized and neutral, and become viable with economic ties to Israel and with international aid. Two states will coexist along the 1967 green line and East Jerusalem will be part of "Jerusalem: one city, two capitals". Peace making will be backed by the major international stakeholders and the agreement will be legitimized by the voters in both countries.

Keywords

two state solution, peace building, Israeli settlements, Jerusalem, one city, two states, failed state

1. Introduction

Currently (Spring 2019), after Prime Minister Netanyahu's reelection and weak and divided Palestinian leadership, an agreement for two states in Palestine, Israel and a Palestinian state, is a remote possibility. No one is under illusions about the obstacles to an Israeli-Palestinian peace agreement. Yet ideas that seem far fetched become in time actionable: for decades no one expected that majority rule in South Africa would be peacefully achieved, and few anticipated Franco-German cooperation and alliance after two bloody World Wars to give birth to the European Union. Situations change, leadership changes, the international context and external stakeholders change. A plan, not just vague ideas, needs to be on the table, examined, debated, and that is what I provide in this essay.

My plan conforms to three key principles in peace building (Anthony Oberschall, *Conflict and Peace Building in Divided Societies*, Routledge, 2007, chapter 7). Adversaries have no incentive for an agreement when outsiders, rather than they themselves, pay for the costs of conflict. Adversaries are

not likely to make peace if their economic well-being and security are imperiled. Adversaries will accept a realistic peace plan if it is an improvement over the status quo for both.

2. Obstacles to Peace

Both adversaries profoundly mistrust one another and are internally divided on a “two state solution”. Israelis believe that an independent Palestinian state will be a weak or failed state not able to prevent attacks on Israel, as has been the Gaza experience, and that security will require Israeli reinvasion of the Territories and military operations, as in Gaza. A peace process might precipitate civil strife among Palestinians, as happened in Gaza when Hamas ousted Fatah by violence, and result in a hostile, unstable state controlled by religious and nationalist extremists. The status quo is preferable for many Israelis.

Palestinians believe that an Israeli government will not be able or willing to deliver on East Jerusalem as their capital and evacuate many WB settlements, outposts and illegal Israeli sites because armed settlers and their allies will resist the IDF, and Israelis will refuse to shoot one another. A Palestine state will thus remain a “Swiss cheese” entity with limited sovereignty, like the status quo, not a viable independent state. As well, Palestinian leaders fear that signing the agreement might trigger civil war among Palestinians and their assassination by militants. Status quo is preferable for many Palestinians. Neither adversary has had to pay the costs of the conflict. For decades Israelis and Palestinians have outsourced the costs of occupation to the international community and to their allies, who have become enablers of the status quo. Paying the costs of conflict for the Palestinians means phasing out the billions in international subsidies; for the Israelis it means bearing the full costs of military occupation of the Territories under international law, including compensating the Palestinians for the Israeli occupied West Bank land.

The peace agreement has to achieve a better and realistic future for both adversaries compared to the status quo: Israel has to have security, and a Palestinian state has to achieve a viable economy. Israel has an interest in a viable Palestinian neighbor instead of a failed state vulnerable to extremists. Two states and two peoples can coexist and prosper in the entire Israel/Palestine area, in what is potentially an economic “common market”, but such cooperation keeps being disrupted by violent conflicts and threats to normal life. According to the historian Ilan Pappé, Palestinians were sucked into the pool of labor needed by the Israeli economy...they provided nearly a quarter of the labor in Israeli industry in the mid 1970s (A History of Modern Palestine, p. 202). In the 1980's before the first intifada, about one third of the Palestinian work force was employed in Israel. Nowadays there are 80,000 work permits issued for Palestinians to work in Israel, and thousands more Palestinian work illegally in the Israeli settlements. 120,000 Palestinian workers commute to Israel every day (NYT, 2018). The Palestinian Prime Minister and the Israeli Finance Minister have announced plans to develop three joint industrial free trade zones in the West Bank (Jerusalem Post, 2018). Economic incentives persist for overcoming political barriers. What is now micro-economic cooperation can develop into macro-economic

cooperation when peace gets institutionalized.

The peace process will gradually deliver security for Israel and build a viable Palestinian state. In the short run both Israelis and Palestinians will have to make sacrifices. The Palestinians and Israelis by themselves will not work out a successful peace deal. Major outside powers, international agencies and stakeholders must help achieve peace in Palestine, provide resources for the peace transition, refrain from proxy wars by taking sides, and exert pressure against extremists of both sides unwilling to compromise.

3. Contours of the Peace Agreement

The peace process will take place under the sponsorship and with assistance by stakeholder states, diplomats, international agencies, and groups of experts (military, jurists, science, etc.) The Israeli and Palestinian publics need to know what the contours of the outcome look like and have assurances about the openness, fairness and enforcement of the process. During the Oslo process, incremental tinkering with boundaries, settlements, and security arrangements has not built confidence and led to breakdown. The shared vision of realistic peaceful coexistence and recognition of realities has to overturn collective myths maintained by the Israelis, the Palestinians, and the international stakeholders. Reality 1: Israel is permanent and will remain a Jewish state; the Palestinians are permanent and will not be a quasi-colony of Israel or pushed out into other Arab states. Reality 2: Israel is an occupying power in WB and East Jerusalem. It has to assume the responsibilities of military occupation. Reality 3: Palestinians have the unparalleled status of oldest unsettled refugee population in UN history and are largest per capita recipient of foreign assistance worldwide. The Palestinian state must end such dependency, develop a viable economy, and assume the responsibilities of a normal state. Reality 4. The end of the peace process is a peace agreement by two sovereign states, Israel and the Palestinian state, endorsed by the international community and legitimized by the majority of voters of both states.

Two states, Israel and a Palestinian state, will be defined along the green line boundary (the 1967 armistice line); East Jerusalem will be the capital of the Palestinian state but institutions for Jerusalem will be created to make it One City, Two Capitals” that avoids an East Berlin/West Berlin divided city; the Palestinian state will be neutral (like Switzerland) and demilitarized with joint security arrangements with Israel; Israel will financially compensate the Palestinian state for land it occupies on Palestinian territory and does not vacate; in lieu of a failed state, the new Palestinian state will develop viable institutions, and economic cooperation with Israel will benefit both peoples.

4. Concrete Steps for Peace

The adversaries must pay the costs of the conflict. Under the Geneva Conventions, Israel is an occupying power and “the occupying power does not acquire ownership of immovable public property in occupied territory” and the “transfer of civilian populations by the occupying power into occupied territory” is illegal. Israel has not paid for settling Israelis on WB land. Under the Geneva Conventions,

an occupying power after the end of hostilities must ensure the provision of food, medical care, public health and education to the occupied people. When Jewish settlers arrived in Palestine, they purchased land: “By the end of the 1930’s, 40% of all expenditures of the Jewish Agency was on purchase of land and agricultural colonization” (Pappe, op.cit., pp. 94-95); they did not appropriate land without compensation. That changed after 1967. As an expert wrote, “...probably most jurists throughout the world, including many in Israel, regard all the settlements in the West Bank as illegal under international law, specifically article 49 of the Fourth Geneva Convention...” (David Schulman, *NYRB*, 2014).

Israel has outsourced the obligations of an occupying power to the international community, except for security, to the American government, which provides financial, military and diplomatic support to Israel, and to American Jewish NGOs and donors. The security costs of the status quo are huge for Israel. For instance, Israel is building a 40 mile concrete and electronic security barrier costing \$1 billion deep in the earth at the Gaza border to block the tunneling by Hamas and Islamic Jihad (NYT, 2018).

The Palestinians have become the largest per capita recipients of aid (European Commission, 2017): WBGS got \$495 per capita yearly, double the next largest refugee recipient; in Gaza, 80% rely on humanitarian aid, mostly for food; UNRWA operates one of the largest Middle East school systems for Palestinians, ½ million students, pays 70% teaching staff, costing \$750 per annum per student. The Palestinian refugee status and aid programs created by the UN in 1948 and 1967 have morphed into permanent dependency and an aid economy that dwarfs the real Palestinian economy. The international community and outsiders have become the principal enablers of the status quo. The U.S. pays about \$650 million a year for all forms of assistance (*Congressional Research Service*, 2016, “U.S. Foreign aid to Palestinians”).

The Palestinian authority is not held to the norms of a modern state responsible for employment, social, health and education services. It will not be a normal state until it has a viable economy. The “refugee” status has enabled outsourcing these responsibilities to the international community, especially in Gaza. A stopgap measure has become permanent and has not brought peace and good governance for Palestinians.

Outsourcing is coming to an end because the international community including the U.S. is wary of being an enabler and because refugees and war migrants from Syrian and other catastrophic wars are making huge demands on international assistance (Alex & Asaf, “The UN agency that keeps Palestinians from prospering” *WSJ*, 2018). Because thousands of Palestinians’ food needs, jobs and salaries depend on international assistance, it has to be terminated gradually parallel to the creation of a viable Palestinian economy. International financial and technical assistance, e.g., from the World Bank, EU and Arab states, will be necessary for a considerable time.

Israel won’t empty the major settlements in the WB but it will assume the responsibilities of an occupying power and pay rent for settlements and water they consume because it has an interest in a

viable rather than a failed state for neighbor. There are about six hundred thousand settlers, in blocs adjacent to the 1967 borders, East Jerusalem and in some 130 settlements scattered in the WB. The Palestinian State can lease land currently occupied by these Israeli settlers to Israel; it would be long-term 50 year leases for settlements and allow continuation of Israeli law and authority within them. Leases will also be made for outposts, military bases, access roads, security barriers and buffers, and are expected to be phased out after some time. Some settlers will return to Israel voluntarily when the IDF gradually withdraws from the Palestinian state, but some will not. Nevertheless, over time, the “Swiss cheese” aspect of the WB will diminish, without the use of force.

Leasing the land is a cost effective deal for continued Israeli settlers in the new Palestinian state and a much needed source of revenue for the Palestinian Authority as international assistance is phased out. There is a precedent: Israel has rented land from Jordan for decades on behalf of the Israeli agricultural/military settlements in the Jordan valley. The assumption of gradual sovereignty by the Palestinian state requires the cessation of settlement expansion and continued loss of Palestinian living space. Concrete benefits to Palestinians from an independent state are secure property, residence, water and building rights.

The rents will go to several Palestinian Funds, for compensating Palestinian refugees who give up their right of return, for government expenditures covering the phasing out of international donor aid, and for Palestine state building and economic development.

A controversial principle is compensation for the right of return when physical return is not possible, as it is not in any realistic peace settlement. At termination of many conflicts, like insurgency in South Africa and the Bosnian civil war, and major regime changes at the end of communism in Eastern Europe, provisions were made for compensating victims and their families. In South Africa it was part of the Truth and Reconciliation Commission (TRC); in Bosnia it was part of the Dayton peace agreement; in Eastern Europe, in different ways, new democratic regimes restored some property or instituted some compensation scheme. For making a peace settlement acceptable to the Palestinians, there has to be a compensation scheme in lieu of the right of return. Limits have to be put on who is eligible, and what the amounts are; there are precedents from the TRC and from the implementation of Dayton on commissions and procedures for doing it. Polls have shown for years that most Palestinians are willing to give up their right of return for financial compensation.

The funds will be managed under international supervision or controls to ensure they are not diverted to other uses; this is similar to controls exercised by international agencies and donor states for funds allocated to the PA, Palestine NGOs and International NGOs for the Palestinians.

A Rand study estimated that a Palestinian state will need a capital investment of \$33 bn. for the first ten years. The Palestinian Funds will also raise moneys from other sources like the World Bank, Arab states and Islamic foundations, European Union, U.S., UN agencies. The Funds will pay Israel for electricity, telecommunications, water, port facilities, transportation, technical and other services provided to the Palestinians, e.g., the technology of irrigation agriculture and water recycling in an arid

regions that the Israel has successfully developed. It is hoped that the economic, labor and financial ties between the two states will gradually grow into permanent cooperative economic institutions, building on labor migration and investments that already exist, perhaps later including other states like Jordan. East Jerusalem will become the capital of the Palestinian state under “One City, Two Capitals” institutions. The specifics of Jerusalem governance, its boundaries, its economy and governance under the two state peace agreement will have to be worked out. Palestinian sovereignty will ensure that Palestinians will not lose their right to live in the city and will have voting rights to elect representatives who are accountable for taxes and municipal services. The topic requires a separate analysis and essay. Jerusalem functions now as a unified city, and the outcome to be avoided is a divided West Berlin/East Berlin city. Several Israelis and Palestinians have been reflecting on such a plan, cf. Daniel Seidmann “Terrestrial Jerusalem” (*YouTube*, 2018, Jerusalem: City in Crisis). In addition there would be an international agreement for access to and administration of the Temple Mount and other Holy Places. The current arrangements work pretty well and might be continued, but the faith communities will have to be consulted and approve.

There will be security arrangements and enforcement, including demilitarization of the Palestinian state, banning offensive weapons, internationally recognized neutrality status (precedents Switzerland and Sweden), decommissioning of weapons held by Hamas and other militant groups under international inspection, dignified return of fighters to civilian status (as in South Africa, Northern Ireland, Colombia), release of prisoners held by Israel and a declaration by both sides of the cessation of hostilities pending a permanent peace agreement. Fighters would enlist in a “trading violence for jobs or education” program. There will be an agreement of all stakeholders to keep offensive military weapons out of the Palestinian state, to secure borders against weapons smuggling, and commitment of outside states and organizations (Iran, Saudis, Gulf states, Lebanon, Turkey) to stop support for rejectionists of the peace agreement. As the security grows, there will be phased withdrawal of IDF and gradual assumption of responsibility for security by Palestinian police. Provisions will have to be made about the regulation and legality of Israeli settler weapons living in the Palestinian state.

The Palestinian state has to become economically viable, a gradual process. The two states have been partially integrated for decades and will become even more so with peace. The Rand Corporation, other think tanks and international agencies have given it some thought and come up with estimated numbers. Solar energy development and water management are obvious projects to be jointly undertaken with Israel. With growing security Palestine labor migration to Israel will increase. Export of Gaza agriculture products (e.g., strawberries, vegetables) and textiles can be reestablished as before 2005; investment in manufacturing for export to Arab states will become attractive. As economic cooperation grows, agreements and practices will be worked out on the flow of goods and people, transportation, currency, official languages, religious rights, law courts, education, licenses and degrees, tariffs, identity papers, coordinated governance, in particular for Jerusalem.

Further side agreements will be made about time tables and conditions for phasing out the occupation

and phasing in Palestinian governance.

The Permanent peace settlement between Israel and the new Palestinian state will be approved by all stakeholders in an international peace treaty and legitimized in referenda by the Israeli and the Palestinian populations.

5. Conclusion

These are guiding ideas, first ideas, that are meant to start discussion. The Israeli and Palestinian publics will have to be convinced that a peace agreement is preferable to the status quo and to alternatives. Scholars can't make that happen; leaders, public intellectuals, the media, international stakeholders can make it happen. It worked in South Africa when the leaders of the African and white populations came to share the view that a viable South Africa needed compromises and cooperation by both groups; it worked in Europe when German and French leaders understood that European reconstruction and future peace necessitated Franco-German cooperation. In time it may also happen for Israelis and Palestinians.

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