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## The Current Palestinian Uprising: Al-Aqsa Intifadah

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## Summary

Facing a September 13, 2000 deadline for concluding a comprehensive Israeli-Palestinian agreement on all permanent status issues, President Bill Clinton convened a trilateral summit with Israeli Prime Minister Ehud Barak and Palestine Liberation Organization (PLO) Chairman Yasser Arafat at Camp David on July 11, 2000. The summit, which lasted until July 24, 2000, did not produce an agreement.

The relative calm that prevailed in the West Bank and Gaza Strip after the Palestinian Central Council (PCC) decided to delay the declaration of Palestinian statehood on September 10, 2000, evidently masked a deep-seated frustration that many Palestinians felt toward the peace process. This frustration erupted after Likud party head Ariel Sharon led a tour of al-Haram ash-Sharif/Temple Mount on September 28, 2000, which Palestinians and many observers viewed as provocative. The ensuing protests sparked massive clashes involving Palestinian civilians, the Fatah Tanzeem, the Palestinian Authority (PA) police force, Israeli civilians (both Jewish and Arab), and the Israeli police and army. In turn, these clashes have created widespread disillusionment and outrage within the Israeli and Palestinian communities regarding the other's commitment to the peace process. As of January 10, 2001, 362 people were killed in these clashes, 306 of whom were Palestinians, 43 of whom were Israeli Jews, and 13 of whom were Israeli Arabs.

In addition to this heavy toll of casualties, the Palestinian uprising has also had dramatic economic repercussions. Israel's policy of employing "internal" and "external" closures has wreaked havoc on the fragile Palestinian economy. In turn, Israel has also suffered economically through a loss of tourism revenues and a possible long-term decline in foreign investment. Also, Arab states have donated large sums of money and amounts of humanitarian goods in order to support the intifadah. As a result of the widespread conviction in the Arab world that United States foreign policy is biased toward Israel, a grassroots boycott of U.S. goods has swept the region.

The violence has also spread to Israel's border with Lebanon, triggering fear of a wider conflagration with Lebanon and Syria. Taking advantage of the chaos caused by demonstrations and clashes, Hizballah—a leading Lebanese Shi'ite organization—in a well-planned attack, captured three Israeli soldiers in the disputed Sheba'a Farms region. Hizballah has announced that it wants to exchange the soldiers for Lebanese and other Arab political prisoners currently held in Israeli jails. At this point, it appears that Hizballah is uninterested in opening up a full-fledged second front with Israel. Beyond Lebanon, the uprising has had significant implications, and has drawn widespread Arab and Islamic support for the Palestinian position.

Members of 106<sup>th</sup> Congress responded to the al-Aqsa Intifadah by introducing bills that supported Israel's actions, encouraged the U.S. Administration to oppose any anti-Israel resolutions in the United Nations, called upon Palestinians to negotiate a resolution, and proposed cutting foreign assistance to the Palestinians if they did not stop the uprising.

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# The Current Palestinian Uprising: Al-Aqsa Intifadah

## Breakdown of the Israeli-Palestinian Peace Process

Facing a deadline that was established in the 1999 Sharm al-Sheikh Memorandum for concluding a comprehensive Israeli-Palestinian agreement on all permanent status issues by September 13, 2000, President Bill Clinton convened a trilateral summit with Israeli Prime Minister Ehud Barak and Palestine Liberation Organization (PLO) Chairman Yasser Arafat at Camp David on July 11, 2000. The summit, which lasted until July 24, 2000, did not produce an agreement.<sup>1</sup>

Although Barak's Camp David proposals included significant new concessions, Arafat rejected the offers. In Arafat's view, these proposals fell short of meeting minimum Palestinian requirements and aspirations for a comprehensive agreement, embodied in U.N. General Assembly Resolution 194, which recognizes the Palestinian refugees' right of return, and Security Council Resolution 242, which calls upon Israel to withdraw from territories occupied during the 1967 Arab-Israeli War. Nonetheless, the summit narrowed the wide gaps that had existed on several permanent status issues. According to various press accounts, Barak offered Arafat (1) some form of custodianship over al-Haram ash-Sharif/Temple Mount (see below) and administrative autonomy for Palestinian neighborhoods in East Jerusalem, (2) the return of between 80,000-100,000 refugees in the context of 'family reunification' without recognizing the 'right of return,' (3) the dismantling of some Israeli settlements in the West Bank and Gaza Strip or their reversion to Palestinian sovereignty, and (4) a withdrawal from 100% of the Gaza Strip and between 88-94% of the West Bank. On his part, Arafat reportedly agreed to (1) recognize Israeli sovereignty over parts of East Jerusalem, including the Jewish Quarter of the Old City, (2) recognize the impracticality of implementing the Palestinian refugees' right of return, (3) allow Israel to annex three blocs of settlements in the West Bank in exchange for territory within Israel proper, and (4) settle for less than a return of all Palestinian territory conquered by Israel in 1967.<sup>2</sup>

Although low-level negotiations continued after the Camp David summit, the two sides were unable to reach an agreement before the September 13 deadline. On September 10, under pressure from foreign countries and realizing that a unilateral

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<sup>1</sup> For further details, see CRS Report RS20648, *Israeli-Palestinian Peace Process: Camp David Negotiations*, by Jeannie Sowers, August 3, 2000.

<sup>2</sup> For the most comprehensive first-hand account of the Camp David summit to date, see Akram Hanieh, "The Camp David Papers," *al-Ayyam*, August 2000. These papers were a seven-part serial published in the Palestinian daily newspaper *al-Ayyam* between July 27-August 10, 2000.

declaration of statehood would likely precipitate harsh Israeli counter-measures, the Palestinian Central Council (PCC) decided to delay a declaration of Palestinian statehood, continue negotiations with Israel, and revisit the statehood issue by mid-November (which coincided with the November 15<sup>th</sup> anniversary of the Palestinian National Council's symbolic declaration of independence in 1988).<sup>3</sup> This was the second time that the PCC delayed declaring the independence of the Palestinian state: it also delayed making this declaration after the interim period of the Israeli-Palestinian peace process expired on May 4, 1999.

The relative calm that prevailed in the West Bank and Gaza Strip following the delay of Palestinian statehood evidently masked a deep-seated frustration that many Palestinians felt toward the peace process. After seven years of interim negotiations and agreements whose provisions often went unimplemented, and frequently missed deadlines for concluding a permanent status agreement, many Palestinians apparently came to believe that the peace process would never reach a conclusion that met their minimum aspirations and requirements as embodied in relevant U.N. Security Council resolutions. This disillusionment with the peace process deepened after Barak revealed his outline for a permanent status agreement at Camp David; an outline that did not meet popular Palestinian goals of achieving complete sovereignty over East Jerusalem, fully implementing the Palestinian refugees' right of return, and regaining all Palestinian territories conquered by Israel in 1967. This latent discontent over the course and future of the peace process set the stage for potential Israeli-Palestinian clashes. The proximate cause that triggered these clashes occurred on September 28, 2000.

Within Israel, the two camps, those supporting Camp David and those opposed, appeared to become more polarized. A public opinion poll, conducted shortly after Camp David ended, showed that 66% of Israelis continued to support the peace process, and 29% opposed further talks with the Palestinians. But the right wing grew more adamant in its opposition to the Camp David talks and to Israel relinquishing control over Jerusalem and more of the occupied territories, or agreeing to the Palestinian refugees' right of return. General Israeli dissatisfaction with Barak and his coalition appeared to be growing.

## **Aspects of the Israeli-Palestinian Violence**

### **Confrontation in Jerusalem**

On September 28, 2000, Likud Party leader and former defense minister Ariel Sharon led a Likud party Knesset contingent, guarded by 1,000 riot-gear clad Israeli police, on a tour of al-Haram ash-Sharif/Har HaBayt (Noble Sanctuary/Temple Mount) religious area in the Old City of Jerusalem. Jews revere the Temple Mount as the site of the First and Second Temples. Muslims revere the Noble Sanctuary as the terminus for Muhammad's visit to heaven and as the current site of the al-Aqsa Mosque and the Dome of the Rock. Muslims have controlled al-Haram ash-Sharif/Har

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<sup>3</sup> The complete text of the PCC's statement is reprinted in "The Text of the Closing Statement of the Meeting of the Palestinian Central Council," *al-Hayat*, September 12, 2000.

HaBayt since defeating the Crusaders in the 12<sup>th</sup> century. Since Israel occupied the area in 1967, Israeli authorities have made the site off limits to groups of Jews who attempt to demonstrate or pray there because of the possibility of upsetting Muslim sensibilities. Also, in obedience to many rabbinical decisions, some Jews will not enter the area because they fear that they might inadvertently walk on sacred ground. Jews, however, do pray at the adjacent Western (or Wailing) Wall, which, as an outer retaining wall of the structure that supported the Second Temple, is considered to be sacred.

Sharon described his visit as an exercise of his rights as a Jew and an Israeli to visit sites sacred to Judaism,<sup>4</sup> a stance supported by many Israelis. Others speculated that Sharon intended his visit to derail the peace process by antagonizing the Palestinians, thereby creating confrontations that would compel Israel to withdraw the concessions offered at Camp David. Palestinians particularly dislike Sharon because of his role in the Israel Defense Forces' (IDF) Unit 101, which often attacked Arab villages in the 1950s, and his role as Defense Minister during Israel's invasion of Lebanon in 1982, when he was indirectly implicated in the massacre of Palestinian civilians at the Sabra and Shatilla refugee camps, near Beirut. Some suspected that Sharon's visit was an attempt to weaken further the Barak government, or to strengthen Sharon's position in an anticipated contest with former Prime Minister Binyamin Netanyahu for leadership of the Likud party.

After Sharon's tour of the Noble Sanctuary/Temple Mount, 200 to 300 Palestinians began throwing stones at the accompanying police. By the next day, September 29, 2000, the confrontation spread to other areas of the occupied territories, including the West Bank towns of Qalqilya, Bethlehem, Hebron, and Ramallah, and the Netzarim junction in the Gaza Strip, and on October 1, fighting broke out between Israeli Jews and Israeli Arabs in Nazareth, Umm al-Fahm, and Jaffa inside Israel. Israeli police used tear gas, rubber-coated bullets, and live ammunition against the demonstrators' stones, fire bombs, and rifle and pistol fire. On October 1, Israeli helicopter gun ships fired on Palestinian sniper locations in apartment buildings near the Netzarim junction after Palestinian snipers started shooting at the Israeli military post. The same day, Israeli tanks moved to the outskirts of Nablus and to the area near Joseph's Tomb to protect the Israeli military post and religious seminary in the area.<sup>5</sup> Tanks and helicopters appeared outside Bethlehem, Hebron, Ramallah, and other West Bank cities. There were reports of incidents in which the Palestinian police joined forces with the Arab rioters and attacked Israelis, and of Israeli police joining Israeli Jews attacking Arabs in Israel.<sup>6</sup>

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<sup>4</sup> "Q&A: Ariel Sharon; My Visit Didn't Cause the Violence," *Washington Post*, October 8, 2000.

<sup>5</sup> The Israelis abandoned the site on October 7, and Arab rioters burned the Jewish religious seminary there. Keith Richburg, "Palestinians Proclaim a Victory," *Washington Post*, October 8, 2000, and "Who Is Buried in Embattled Shrine: Joseph or Muslim Sheik?," *Associated Press*, October 11, 2000.

<sup>6</sup> Marjorie Miller, "Hatreds Erupt as Scores of Youths Rampage Through an Arab Neighborhood in Retaliation," *Los Angeles Times*, October 10, 2000.

## Excessive Force Issue

By January 5, 2001, Palestinians had killed 21 Israeli military and 22 Israeli civilians. Israeli police killed 13 Israeli Arabs in the incidents inside Israel. In the same period, September 28 through January 5, Israeli military and settlers killed 300 Palestinian Arabs. More than 400 Israelis and 12,000 Palestinians have been injured in the fighting.

The lopsided nature of the casualty figures and Israel's use of live ammunition, tanks, and helicopters prompted Israeli, Palestinian, and international human rights organizations to accuse Israel of employing disproportionate levels of force in trying to restore order.<sup>7</sup> On November 21, 2000, State Department spokesman Richard Boucher said "... we expect (the Palestinian Authority) to do all they can to stop the violence and restore calm. In addition, while we are pressing the Palestinians, we think the Israelis also need to understand that the use of excessive force is not the right way to go."<sup>8</sup> Israeli authorities argued that strong measures were needed to contain the violence, and some Israelis criticized the government for not responding with even greater force. Israeli military commanders repeatedly issued orders to shoot to kill when Israeli lives were in danger. The Israeli shoot to kill rules of engagement applied equally to armed Palestinians and to rock throwers.

The Palestinians claim that between September 28, 2000, and January 4, 2001, Israeli armed forces or intelligence officers assassinated 20 Palestinian activists using drive-by shootings, long-range sniper fire, car bombs, tank fire, or helicopter gunships.<sup>9</sup> Most of the activists were members of Fatah, Yasser Arafat's mainstream wing of the PLO, while a few were Islamists who belonged to either Hamas or Islamic Jihad and who had been imprisoned by the Palestinian Authority (PA) but released during the first week of the intifadah. On December 17, a senior Israeli Defense Force (IDF) officer confirmed that Israel had adopted a policy of tracking down some Palestinian intifadah activists and killing them.<sup>10</sup>

## "Icons" of the Battle

On September 30, 2000, 12-year-old Muhammad Jamal al-Durrah of Briej refugee camp was killed by Israeli forces firing from a police post at Palestinian demonstrators. Pictures of the frightened boy and his father crouched behind a barrel to avoid the shooting and then succumbing to the gunfire became a Palestinian icon

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<sup>7</sup> Various organizations have issued reports: for example the Israeli organization B'Tselem on October 6, Human Rights Watch on October 17, and Amnesty International in October and November.

<sup>8</sup> Department of State daily press briefing. November 21, 2000.

<sup>9</sup> "Palestinian Activist Slain, the Third in 3 Days," *Boston Globe*, December 14, 2000, and "Israeli Troops Kill Palestinian Militants," *Reuters*, December 21, 2000.

<sup>10</sup> Richburg, Keith B., Israelis Confirm Assassinations Used as Policy, *Washington Post*, January 8, 2001, A1, A12. "IDF Officer Confirms Targeting 'Terrorists'; Suspected Collaborators Slain in PA," *Voice of Israel*, December 21, 2000. *Voice of Israel* is a government-owned radio station.

symbolizing innocent Palestinians at the mercy of Israeli force. On October 12, two Israeli soldiers were arrested by Palestinian police in Ramallah and taken to the Ramallah police headquarters. A mob stormed the police station, stabbed to death the two Israelis, and threw one of the bodies out a second story window. Israeli television relayed the vivid pictures of Palestinians beating the two dead Israelis and a Palestinian youth proudly holding aloft his bloody hands. Pictures of the bloody hands and the mutilated Israeli became Israel's icon of Palestinian brutality.

Israelis said Muhammad al-Durrah was caught in a cross-fire, implying that either Palestinian or Israeli bullets may have killed the boy. Palestinians maintained that there were no Palestinians firing in the area and that the boy was killed by Israeli gunfire. Israel said the two Israelis killed in Ramallah were army reservists who lost their way and wandered into an area under Palestinian police control, and that Palestinian police authorities did nothing to stop the murderous mob. Palestinians alleged that the two men were members of an Israeli military unit that regularly dress in civilian clothes to kidnap or kill Palestinian activists. Also a local Palestinian police commander maintained that he tried unsuccessfully to protect the two Israelis. Israel responded to the Ramallah incident with helicopter rocket attacks against the police headquarters and Palestinian Authority offices in Ramallah, and a police station and coast guard headquarters in Gaza, and tightened the closure in the occupied territories.

## **Diplomacy**

On October 2, 2000, U.S. Secretary of State Madeleine Albright announced that Arafat and Barak would meet with her in Paris to seek a cease-fire. At the October 4 meetings, which also included French President Jacques Chirac and U.N. Secretary General Kofi Annan, Arafat and Barak ordered their military and police commanders to pull back from confrontational points and appealed for an end to the violence, but the two could not agree on a mechanism for investigating the causes of the conflict. Arafat wanted an international effort, perhaps led by a U.N. team, to investigate and report on Israeli actions in the conflict, and Barak wanted a U.S.-led investigation into the causes of the conflict. Israel withdrew its tanks from points near Nablus, Bethlehem, Ramallah, and other sites, but the deadly exchanges continued.

Following the Paris meetings, Arafat and Secretary Albright went to Sharm al-Shaykh to meet with Egyptian President Hosni Mubarak in the hope that he could advance the cause of peace, but the meeting ended without result when Barak refused to attend. Meanwhile, the United States had been negotiating at the United Nations to frame a resolution that would call for an end to the fighting without casting blame. On October 7, the United States abstained on U.N. Security Council Resolution 1322, which deplored the provocation that led to the fighting, and called for an end to the conflict and a resumption of the peace negotiations. Annan, United Kingdom Foreign Secretary Robin Cook, Russian Foreign Minister Igor Ivanov, and European Union official Javier Solana joined the French and U.S. Presidents in seeking an end to the fighting and a resumption of the peace talks.

Intensive diplomatic negotiations led to the convening of a summit at the Egyptian resort town of Sharm al-Shaykh on October 16-17, 2000. The summit, hosted by Mubarak, chaired by President Clinton, and attended by Barak, Arafat,



Annan, Solana, and King Abdullah of Jordan, aimed at achieving a cease fire and agreeing upon a format for an international investigation of the incidents. After 24 hours of meetings, President Clinton read a three-part statement summarizing an agreement: first, that Barak and Arafat would issue statements calling for an end to the violence; second, that a U.S.-led fact finding mission in consultation with the United Nations would report on the events of the past several weeks; and third, that the United States would consult with Israel and the Palestinians on resuming the peace negotiations. Under the first point, President Clinton listed actions that would end the confrontation, such as restoring law and order, enhancing security cooperation (both apparently aimed at the Palestinians), pulling back armed forces from points of friction, ending the closure of Palestinian areas, and re-opening Gaza airport (apparently aimed at Israel). The formula for the fact-finding mission appeared to compromise between Israel's preference for a U.S.-led fact-finding group and the Palestinian preference for a U.N. investigation of the three-week confrontation.

On November 8, 2000, President Clinton named five men to serve on the fact-finding commission mentioned at Paris and Sharm al-Shaykh: former U.S. Senators George Mitchell and Warren Rudman, former Turkish President Suleman Demirel, Norwegian Foreign Minister Thorgboern Jagland, and European Union Chief of Security and Policy Javier Solana. The commission was to review the current crisis with the objective of preventing a recurrence. The commission began its investigation on December 10, with the intention of submitting its report in March 2001. Critics suggested that the commission began too late, was operating with a vague purpose, and would produce a useless document.

President Clinton met at the White House with Chairman Arafat on November 9 and with Prime Minister Barak on November 12, but the meetings produced no peace process breakthroughs and no cease-fire in the uprising. Reports in the Palestinian and Israeli press said the two sides continued meeting in private, away from public scrutiny. Meanwhile, the Palestinians advocated placing an international force of observers in the occupied territories to report on Israeli actions and to protect the Palestinians. Israel opposed an international presence unless there was an agreement to end the violence. A resolution to create the proposed international observer force failed to receive the necessary nine votes in the U.N. Security Council on December 18. At the invitation of President Clinton, Palestinian and Israeli negotiators met at Bolling Air Force base outside Washington on December 19, but with the difference that almost immediately, rumors began circulating that they were making progress.

A December change in the peace dynamic may be attributed, in part, to the changing Israeli political scene. Prime Minister Barak announced on December 9 that he would resign the next day. Under Israeli law, his resignation became official on December 12, to be followed by an election for prime minister in 60 days. Barak's opponent in the February 6, 2001 election is Ariel Sharon, head of the Likud Party, considered by most analysts to be a hawk opposed to the Oslo peace process and to surrendering any West Bank or Gaza land to a Palestinian state. Observers speculated that Barak wanted to complete the peace process, hoping to run as the prime minister who delivered a peace agreement. Also, others speculated that Arafat would be

amenable to a peace agreement under Barak, fearing that a Sharon government would rescind pending Israeli offers and reverse the Oslo process.<sup>11</sup>

Arafat met with President Clinton at the White House on January 2, 2001, to discuss a cease-fire and the President's proposal for peace. Arafat replied on January 4 from Cairo that the PLO accepted the Clinton proposal "with reservations." Israel had accepted the Clinton proposal, also with "reservations", the week before. Theoretically, it is possible to arrange a cease-fire and a peace agreement before Clinton leaves office on January 20, but pragmatically, it appears unlikely.

## **Economic Consequences of the Palestinian Uprising**

The following section highlights some of the more pertinent economic consequences of the intifadah. It does not purport to offer any total estimates of the economic costs to date.

### **Palestinian Economy**

Israel has responded to the Palestinian uprising by frequently employing "internal closures" and "external closures" of the occupied Palestinian territories. Under an "internal closure," the Israeli military surrounds and "seals" individual Palestinian villages, refugee camps, and cities thereby preventing the flow of goods and people between Palestinian areas and inhibiting normal commercial and financial transactions and labor mobility. Under an "external closure," the Israeli military "seals" the West Bank and Gaza Strip from each other, from Israel, and from the outside world. The "external closure" prevents any economic interaction between the West Bank and Gaza Strip, precludes the approximately 120,000 Palestinians employed in Israel before the outbreak of the Palestinian uprising from reaching their jobs across the Green Line, and stops Palestinian trade with the rest of the world because the Palestinians do not have an independent import-export route outside of Israel's control. Israel maintains that its closure policy is designed to reduce general security risks by limiting Palestinians from entering Israel.<sup>12</sup> Critics, however, say that Palestinians who benefit from access to the Israeli labor market have rarely engaged in acts detrimental to Israel's security, and Palestinians who have harmed Israel's security generally have been able to evade Israeli closures, especially through the West Bank, which is difficult, if not impossible, to "hermetically seal" from Israel. Palestinians claim that Israel's closure policy is not designed to address its security concerns; rather, they claim that the policy is a form of "collective punishment" that

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<sup>11</sup> For further details on the Israeli election campaign, see CRS Report RS20753, *Israel: 2001 Elections*, by Clyde Mark and Joshua Ruebner, updated January 3, 2001.

<sup>12</sup> According to the Israeli Foreign Ministry, "the purpose of the closure policy is not punitive, but has become necessary to ensure the security of Israeli citizens in these trying times." Quoted from "The Current Situation in Israel—Answers to Frequently Asked Questions," November 9, 2000, retrieved from Israel's Ministry of Foreign Affairs website, at [<http://www.israel.org/mfa/go.asp?MFAH0i9o0>].

is designed to purposefully inflict damage on the Palestinian economy in order to put pressure on the Palestinians to adhere to Israel's political agenda.

As on previous occasions when Israel has employed its closure policy, the results have been devastating for the Palestinian economy. In mid-December 2000, the UN released a report that documented global losses to the Palestinian economy during the first two months of the intifadah totaling more than \$500 million.<sup>13</sup> The UN noted that this total represented an estimated loss of 10% of Palestinian gross domestic product (GDP) projected for 2000 and was more than 250% of the value of donor disbursements to the Palestinian Authority (PA) in the first half of 2000. PA President Yasser Arafat has estimated even larger losses to the Palestinian economy stemming from the intifadah: at an emergency meeting of Arab Labor Ministers on November 23, 2000, Arafat declared that the intifadah had cost the Palestinian economy \$800 million.<sup>14</sup>

Rising unemployment, resulting in higher levels of poverty, has been perhaps the most prominent feature of the intifadah's impact upon the Palestinian economy. As noted above, Israel's "external closure" of the West Bank and Gaza Strip has prevented Palestinian workers from reaching their former jobs inside the Green Line. The Governor of the Palestinian Monetary Authority, Dr. Fouad Beseiso, has estimated that this costs the Palestinian labor force \$4.5 million daily in lost wages and has led to unemployment levels of up to 50%.<sup>15</sup> Even when Israel slightly relaxed its external closure policy in mid-December by re-issuing 6,000 work permits for the Gaza Strip and 9,000 permits for the West Bank, only a few thousand Palestinians took up the offer and returned to work within Israel.<sup>16</sup> The apparent dearth of Palestinian workers who want to return to their jobs in Israel at present could imply one of two things: either Palestinians fear for their personal security in Israel in the present climate or they are re-evaluating their economic dependence on the Israeli labor market and the costs that this entails. "Internal closures" have also negatively affected the Palestinian labor force. According to one estimate, 97% of Palestinian companies have experienced slowdowns because many employees have not been able to reach their places of employment due to internal closures.<sup>17</sup>

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<sup>13</sup> "The Impact on the Palestinian Economy of Confrontations, Mobility Restrictions and Border Closures, 28 September-26 November 2000," Office of the United Nations Special Co-Ordinator, retrieved from the Palestinian National Authority Official Website at [[http://www/pna.net/un/un\\_pal\\_economy.htm](http://www/pna.net/un/un_pal_economy.htm)]. Unless otherwise indicated, all statistics in this section come from this report.

<sup>14</sup> Jabir al-Qarmooti, "Arafat at the Emergency Conference of Arab Labor Ministers: \$800 Million Losses to Our Economy since September," *al-Hayat*, November 23, 2000.

<sup>15</sup> "The Palestinian Economy in the Shadow of the Intifadah: Losses Exceeding What the Donor Countries Have Provided by Several Times," *al-Hayat*, November 9, 2000.

<sup>16</sup> Amos Harel, "Only a Few Thousand Workers Entered Israel from the [Occupied] Territories," *Ha'aretz*, December 18, 2000.

<sup>17</sup> Na'im Nasser, "97% of Palestinian Companies Suffer from an Absence of Their Employees," *al-Hayat*, November 20, 2000.

Although all sectors of the Palestinian economy have been damaged by the intifadah and the resultant closures, the agricultural and tourism sectors have been hard hit. Both sectors are particularly vulnerable to exogenous shocks: the agricultural sector is subject to time sensitivities regarding the harvesting and marketing of produce and the tourism sector is subject to the security concerns and perceptions of tourists and travel agents. As a result of closures, Palestinians were largely unable to harvest their fields and much of the fall crop rotted in the field. Furthermore, Palestinians found it very difficult to market the portion of the harvest that was salvageable because, as mentioned above, external closures prevented Palestinian exports from reaching their intended destinations. Mohammed Shtayyeh, Director of the Palestinian Economic Council for Development and Reconstruction (PECDAR), estimated that the agricultural sector suffered losses of \$120 million.<sup>18</sup> Anecdotal evidence suggests that the tourism sector is facing an even more serious collapse. For instance, in Bethlehem, where the PA recently invested \$200 million to expand the city's tourism infrastructure, most hotels have been closed for a lack of guests and many services associated with tourism—restaurants, souvenir shops, etc.—have reported a sharp loss of business.<sup>19</sup>

The first intifadah (1987-1993) led many Palestinians to rebel against what they viewed as an unjust relationship of economic dependence on Israel. This rebellion was characterized by a widespread refusal to remit taxes to an occupying authority that rarely reinvested this money for the benefit of the Palestinian people and by popular boycotts of Israeli consumer goods that often were perceived to flood a captive market, undercut nascent Palestinian industry, and contribute to the perpetuation of the occupation. Similarly, the current intifadah appears to have caused many Palestinians to reevaluate their continued economic dependence on Israel as a source of employment and as its largest trading partner. As noted above, the fact that only a few Palestinian workers who have been re-issued work permits to work in Israel have returned to their jobs could point to an emerging trend regarding the desirability of this type of employment. Also, both on an official and popular level, there have been attempts to reduce imports of Israeli goods and diversify Palestinian trade patterns.<sup>20</sup> This reevaluation could cast doubts upon the feasibility of plans for close economic relations between Israel and the future State of Palestine under a permanent status peace treaty.

## **Israeli Economy**

The Palestinian uprising has also contributed to a worsening of economic conditions in Israel. Though gross losses to the Israeli economy could exceed gross

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<sup>18</sup> Mary Curtius, "Olive Harvest Becomes a Palestinian Casualty," *Los Angeles Times*, November 25, 2000.

<sup>19</sup> Stephen J. Glain, "Bethlehem Struggles with Too Much Room at the Inns—Tourists, Key to the Economy, Stay Away This Year Amid Israeli-Palestinian Conflict," *Wall Street Journal*, December 20, 2000.

<sup>20</sup> See, for instance, Wafa Amr, "Palestinians to Boycott Israeli Goods," *Reuters*, October 7, 2000, and Ora Coren, "PA to Shift to Imports from Arab States and Europe," *Ha'aretz*, October 25, 2000.

losses to the Palestinian economy, the relative sizes of the two economies—Israel's GDP (\$99 billion) was roughly 25 times greater than Palestinian GDP (\$4 billion) in 1999—have meant that the per capita impact has been much greater on the Palestinian economy. By some estimates, the Israeli economy lost more than \$1 billion within a month of the outbreak of the intifadah.<sup>21</sup> Overall Israeli losses from the intifadah are expected to reach as high as \$2.25 billion, and the Governor of the Bank of Israel, Dr. David Klein, has downgraded GDP growth projections for 2001 by 1-2% as a result.<sup>22</sup>

The external closure imposed by Israel on the West Bank and Gaza Strip has disturbed the sectors of the Israeli economy that rely upon Palestinian labor, especially the agricultural and construction sectors. The external closure has resulted in an immediate supply-side labor shortage, causing wages in these sectors to rise dramatically. According to one report, the resultant high demand for foreign (non-Palestinian) workers in these sectors has caused wages to roughly double.<sup>23</sup> If accurate, such wage hikes could place inflationary pressures on the economy as a whole in the longer term.

Particularly hard hit by the effects of the Palestinian uprising has been the tourism sector in Israel. Year-on-year statistics released by Israel's Central Bureau of Statistics show that the number of tourists arriving in Israel dropped by 33% in October and by 46% in November compared to 1999. Also, El Al, Israel's national airline, has reported operating losses of \$20 million in these two months and 15,000 hotel employees have been laid off.<sup>24</sup>

Foreign investors may attach a high risk premium to countries experiencing political violence; therefore, the Palestinian uprising could also have the long-term effect of making Israel a less attractive place for foreign direct investment (FDI) and might make it more difficult for Israeli companies to attract portfolio investments. Although the impact of the intifadah on the business plans of foreign companies investing in Israel is unclear, there are early indications that the intifadah is taking a toll on Israeli companies listed on foreign stock markets. For instance, according to one report, Israeli technology stocks listed on NASDAQ lost \$20 billion in value during the first two months of the intifadah.<sup>25</sup>

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<sup>21</sup> As'ad Telhami, "Losses to Israel since the Intifadah Surpass \$1 Billion," *al-Hayat*, October 26, 2000.

<sup>22</sup> Yossi Greenstein, "Klein: The Security Events Will Cause a Loss of Up to 9 Billion Shekels in GDP in 2001," *Ma'ariv*, December 8, 2000.

<sup>23</sup> "The Israeli Manufacturing Sector is Suffering from the Effects of Preventing Palestinian Workers from Reaching Their Places of Work," *al-Quds al-'Arabi*, December 5, 2000.

<sup>24</sup> David Rosenberg, "Palestinian Unrest Takes Growing Toll on Israeli Tourism," *Dow Jones*, December 27, 2000.

<sup>25</sup> Mohammad Khalid, "\$20 Billion Losses for Israeli Technology Companies in American Financial Markets since the Beginning of 'the al-Aqsa Intifadah'," *al-Hayat*, November 24, 2000. If the drop is related only to the unrest, or is part of a general downturn in the NASDAQ is arguable.

The outbreak of the intifadah has spurred calls, on both the Israeli and Palestinian sides, for a geographic and economic “separation” of the two nations. As a spinoff to this call for separating the two economies, at the popular level, some Israeli Jews have called for “breaking off economic relations” with Israel’s Palestinian Arab citizens in retaliation for their show of solidarity with their Palestinian brethren in the occupied territories. For instance, in Tel Aviv, flyers were distributed calling upon Jews to boycott Arab-owned restaurants, and the Israeli rabbinate revoked the *kashrut* licenses<sup>26</sup> of 16 Arab-owned food processing factories, thus effectively shutting them out of the Israeli Jewish market and placing them in danger of bankruptcy.<sup>27</sup> An extended and wide spread boycott of the Israeli Arab sectors of the economy by Israeli Jews could cast long-term doubts about the future of coexistence between the two communities in Israel.

### **Arab Assistance**

The outbreak of the al-Aqsa Intifadah has triggered a wave of pan-Arab solidarity with the Palestinian people (see below for further details). To date, the Arab world, both at the popular and government levels, has pledged large sums of money and donated large quantities of humanitarian goods to the Palestinians both to give expression to this solidarity and to try to counteract the adverse economic consequences of the uprising.

The largest such initiative to date stemmed from resolutions approved at the Arab League summit, held in Cairo on October 22, 2000. At this summit, which was convened for the express purpose of addressing the intifadah and Israel’s response to it, the Arab states agreed to establish two funds, totaling \$1 billion, to support the Palestinian uprising. The larger of the two funds, the al-Quds (Jerusalem) Fund, is to total \$800 million, and is to be used to protect the Arab and Islamic character of East Jerusalem. The smaller of the funds, the al-Aqsa Intifadah Fund, is to total \$200 million, and is intended to support directly Palestinian families that have suffered casualties in the uprising.

As of late November, subscriptions to the two funds were nearly three-quarters filled. Table 1, below, details the contributions that various Arab countries have pledged to the funds so far. Of these total pledges, it is difficult to determine how much money has actually flowed into these funds to date. Also, several governmental and popular initiatives have resulted in pledges and donations to the Palestinians outside the framework of these two funds.

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<sup>26</sup> These licences attest that the food is kosher and that its preparation adheres to the principles of Jewish dietary law, *kashrut*.

<sup>27</sup> Sa’id Badran and Iti Asher, “An Account of the Riots: A Jewish Consumers’ Boycott Results in Arab-Owned Stores and Restaurants Remaining Empty,” *Ma’ariv*, October 25, 2000.

**Table 1. Pledges to the Al-Quds and Al-Aqsa Intifadah Funds**

<b>Country</b>	<b>Amount</b>
Saudi Arabia	\$250 million
Kuwait	\$150 million
United Arab Emirates	\$150 million
Qatar	\$50 million
Algeria	\$30 million
Egypt	\$30 million
Yemen	\$10 million
Oman	\$10 million
Syria	\$7 million
Bahrain	\$3 million
Jordan	\$2 million
Sudan	\$1 million
<b>Total</b>	<b>\$693 million</b>

**Source:** *al-Hayat*, November 25, 2000.

Monies pledged to these funds are not direct cash transfers to the Palestinian Authority (PA) or the Palestine Liberation Organization (PLO). Rather, at a follow-up meeting of Arab Finance Ministers, it was decided that all contributions to these funds would flow through and be administered by the respected Saudi Arabian-based Islamic Development Bank (IDB).<sup>28</sup> Though the Palestinian leadership might have hoped to directly receive money from these funds, some Arab states may have harbored worries that this money could have been misappropriated if handed to the PA, an institution often accused of corruption. Also, some of the Gulf states may have been reluctant to directly fund the PLO or PLO-led institutions because of Yasser Arafat's backing of Iraq during the Gulf War. For instance, Kuwait's Foreign Minister, Sheikh Sabah al-Ahmad, had to allay the concerns of some Kuwaiti parliamentarians that funding the PA would "damage our [Kuwaiti] sovereignty and security" by promising that none of Kuwait's contributions would flow directly to the PA.<sup>29</sup> The designation of the IDB as the administrator of these funds neatly

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<sup>28</sup> "The Administration of the al-Aqsa and al-Quds Funds Rests Upon the Islamic Development Bank," *al-Hayat*, November 25, 2000.

<sup>29</sup> Hamad al-Jassir, "Sabah al-Ahmad: Mechanism for the Money of the al-Aqsa and Intifadah Funds [*sic*] and the [Palestinian] Authority Will Not Receive It," *al-Hayat*, November 7, 2000.

sidestepped these issues by allowing Arab states to financially support the intifadah (and respond to domestic constituencies that often aggressively challenged their governments to confront Israel's attempt to suppress the uprising) while avoiding the political difficulties entailed in directly funding the PA. On December 21, the IDB approved an initial five projects totaling \$7.5 million.<sup>30</sup>

### **Arab Boycott of U.S. Goods**

In addition to spurring a wave of pan-Arab solidarity with the Palestinian cause, the al-Aqsa Intifadah has also occasioned a popular backlash against United States foreign policy in the Middle East, which most, if not all, Arabs consider to be biased toward Israel and built on double standards regarding the enforcement of international law. One of the most visible and prominent aspects of this backlash against U.S. support for Israel has come in the form of a boycott of U.S. goods. Newly-formed popular committees, non-governmental organizations (NGOs), and professional unions throughout the Arab world have published "black lists" of goods to boycott and guides on how to find local alternatives to popular American products.<sup>31</sup> Although to date the boycott movement has remained decentralized and coordinated differently within each Arab country, it is possible that in the future a more coordinated pan-Arab boycott movement could arise.<sup>32</sup>

Several prominent Muslim clerics issued *fatawa* (singular *fatwa*, or Islamic religious ruling) that lent the boycott campaign a degree of religious legitimation. The *fatawa* forbid the purchase of American products on the grounds that American money supports Israel's military and that therefore the United States is indirectly responsible for Israel's killing of Palestinians. Some of the more significant *fatawa* have been issued by Sheikh Yussef al-Qardawi, an Egyptian-born scholar living in Qatar who has a widespread following throughout the Arab and Islamic world; Dr. Mohammad Sayyid Tantawi, Sheikh of al-Azhar University, which is located in Cairo and is the oldest and one of the most well-respected religious institutions in the Islamic world; and Sheikh Fareed Wassel Nasser, the Grand Mufti of Egypt.

Although it is unclear if this boycott will have long term effects on U.S. exports to the region, there are reports that this movement has produced a dramatic decline in demand for brand-name, easily-identifiable American products and franchises, including fast-food restaurants, bottled beverages, cigarettes, cleaning products, and shoes. For instance, in Egypt, profits at American fast-food restaurants have

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<sup>30</sup> "Islamic Bank Says \$7.5 Million Approved for Palestinians," *Reuters*, December 21, 2000.

<sup>31</sup> For instance, see, Mohammad Salah, "An Egyptian Black List...for American Goods," *al-Hayat*, October 17, 2000, and "Jordanian Manual Guides the Citizen on How to Boycott American Products and Where to Obtain Alternatives," *al-Quds al-'Arabi*, December 11, 2000.

<sup>32</sup> "The Arab People Revive the Boycott Weapon," *al-Osbou'a al-'Arabi*, December 25, 2000.



reportedly dropped 35%, while in Saudi Arabia, business at American fast-food restaurants has reportedly decreased by 64%.<sup>33</sup>

Although the Western media has tended to disparage the importance of the boycott,<sup>34</sup> it is fairly clear that those participating in the boycott do so out of ideological conviction and perceive it to be an effective way to attempt to influence U.S. policy on a popular level. Over and above any economic impact, the boycott movement points to a widespread and growing political disconnect between the objectives of the Arab world and its perception of U.S. foreign policy biases.

## Spread of Violence to Lebanon

In solidarity with Palestinians in the West Bank and Gaza Strip, Palestinian refugees in Lebanon held protests against Israel's policies on the Israeli-Lebanese border on October 7. (Since Israel withdrew from its self-declared 'security zone' in south Lebanon in May 2000, the Israeli-Lebanese border has remained tense. Lebanese and Palestinians have thrown rocks and other objects at Israeli soldiers on the other side of the border and the soldiers have occasionally opened fire to quell the protests.) During this protest, Palestinian rock throwing prompted Israeli soldiers to open fire on the demonstrators, killing two of them.<sup>35</sup>

Taking advantage of the ensuing mayhem, Hizballah initiated a well-planned operation to capture Israeli soldiers. Under the cover of smoke bombs and more than 300 rounds of mortar and rocket fire that it directed against Israeli positions, several Hizballah fighters stormed a border gate in the contested Sheba'a Farms region and captured three Israeli soldiers who were on a routine patrol.<sup>36</sup> Israel responded with cross-border aerial attacks. On October 15, Hizballah secretary general Sayyid Hassan Nasrallah announced that his organization now held in custody a fourth Israeli. According to various versions of the incident, the person in question is either a businessman, an arms-dealer, a colonel in the Israeli reserves, or a Mossad agent. He apparently was either kidnapped in Switzerland in early October and eventually transferred to Hizballah, or was lured to Lebanon by Hizballah agents and abducted there. Details of the incident remain sketchy.

Hizballah has announced that it wants to exchange the kidnapped Israeli soldiers for Lebanese and other Arab political prisoners who are being held in Israeli jails.

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<sup>33</sup> "Egypt: Official *Fatwa* Boycotting Products of America and Israel and a Discovery of Two Mossad Spies Raises Tensions with Tel Aviv," *al-Quds al-'Arabi*, November 29, 2000, and 'Amr az-Zubeidi, "Secretary General of Saudi Chambers [of Commerce] Calls for a Transformation of the Positive Boycott of American Goods into a Demand for Goods of Companies Supporting Arab Rights," *ash-Sharq al-Awsat*, December 28, 2000.

<sup>34</sup> For instance, see, Rawhi Abeidoh, "Arab Push to Boycott U.S. Products Only Symbolic," *Reuters*, November 28, 2000.

<sup>35</sup> "Israeli Army Kills Palestinians at Lebanon Border," *Reuters*, October 7, 2000.

<sup>36</sup> For a description of the operation, see John Kifner, "A Plan, a Smoke Cloud and 3 Were Gone," *New York Times*, October 12, 2000.

Currently, Israel is holding 19 Lebanese prisoners, the most prominent of whom are Mustafa al-Dirani and Sheikh 'Abd al-Karim 'Obeid, of Hizballah and Amal respectively, who were kidnapped from their homes in Lebanon in order to extract information about Israeli MIA Ron Arad. Also, the Palestinian Authority (PA) reportedly sent Hizballah a list of over 1,100 Palestinian political prisoners held in Israeli jails, in the hope that these prisoners will be included in an eventual swap. Furthermore, Hizballah has received a list of 32 Israeli Arabs who are being held in Israeli jails as 'security prisoners'.<sup>37</sup> Hizballah appears to want to exchange the four Israelis for all Arab prisoners held in Israeli jails. Toward this end, Hizballah secretary general Sayyid Hassan Nasrallah reportedly sent letters to eight Arab foreign ministries (Egypt, Syria, Lebanon, Palestine, Iraq, Yemen, Algeria, and Sudan) asking them to provide a list of their nationals in Israeli prisons.<sup>38</sup> Hizballah has also conditioned a prisoner swap on Israel handing over all of its maps to the minefields that it and its former proxy militia, the South Lebanon Army (SLA), laid during Israel's occupation of south Lebanon.

At this point, it is unclear if a prisoner exchange will occur and what its scope would be; however, Barak is reportedly leaning toward a prisoner exchange rather than risking a cross-border recovery operation.<sup>39</sup> In mid-December, a Lebanese newspaper owned by Lebanese Prime Minister Rafiq al-Hariri confirmed that the Israeli soldiers are alive and detailed an emerging two-stage prisoner swap deal.<sup>40</sup> Reportedly, negotiations have been conducted through at three least separate diplomatic channels (German, Austrian, and Russian),<sup>41</sup> but an agreement between Israel and Hezbollah does not appear imminent at present.

Both the timing and nature of Hizballah's operation to capture the Israeli soldiers were unsurprising. Ever since Israel withdrew from south Lebanon without releasing all of its Lebanese prisoners, Hizballah had made freeing those prisoners one of its highest priorities. Accordingly, Israeli intelligence and military sources had issued repeated warnings that Hizballah planned to engage in military operations and possibly kidnap soldiers.<sup>42</sup>

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<sup>37</sup> Fayeze 'Abbas, "Demanding Arab Israelis in Exchange for the Kidnapped Soldiers," *Yediot Aharonot*, October 11, 2000.

<sup>38</sup> "Letters from Hizballah to the Egyptian Foreign Ministry and Seven Arab Countries Asking to Define the Number of Their Prisoners in Israel in Preparation for Their Swap," *al-Quds al-'Arabi*, December 28, 2000.

<sup>39</sup> Aluf Benn, Amos Harel, Amir Oren, and Amira Hess, "Barak in an Ultimatum to Arafat: A Calming Tomorrow or a Cessation of Negotiations," *Ha'aretz*, October 10, 2000.

<sup>40</sup> "The Israeli Prisoners Are Alive and a Swap Is Near," *al-Mustaqbal*, December 13, 2000.

<sup>41</sup> Oren Tivenbraun, "Israel Operated Three Channels to Negotiate the Release of the Captives," *Yediot Aharonot*, December 27, 2000.

<sup>42</sup> For instance, see Sharon Gal, "Security Source: Hizballah Is Planning an Attack at Har Dov [Sheba'a Farms]," *Ha'aretz*, September 25, 2000.

## **Regional Implications**

### **Arab/Muslim Reactions**

Growing scepticism over the stalled peace process, anger over Sharon's visit to al-Haram ash-Sharif/Temple Mount, and outrage at the number of Palestinians killed and wounded have fueled a strong reaction against Israel and to a lesser extent the United States throughout the Arab world. Pro-Palestinian demonstrations have taken place in most Arab countries, including those friendly to the United States, and in some non-Arab Muslim countries as well such as Iran, Pakistan, and Indonesia. Most Arab governments, dismayed by the turn of events, have walked a tight rope between supporting the Palestinian cause, condemning Israeli actions, and curbing popular outbursts that might jeopardize stability in their own countries. Gulf states, in particular, have been active in providing relief to Palestinians during the current crisis. Some hard line states and various Palestinian groups, however, have called for more stringent measures including dissolution of ties with Israel and the United States, termination of peace negotiations with Israel, a boycott of Israeli and U.S. products, and support for Palestinian military action against Israel.

Decisions reached at an October Arab League summit conference generally reflected the positions of more moderate Arab leaders, although attendees strongly criticized U.S. support for Israel. In its closing statement, the conference accused Israel of sole responsibility for the clashes, created funds to support families of Palestinian fighters and to help "preserve the Arab identity of Jerusalem" (see above), called for dispatching an international peacekeeping force to the occupied territories, and recommended that Arab states suspend participation in international conferences involving Israel and postpone any new steps toward normalizing relations with Israel. Finally, in what was probably an indirect warning to the United States, conferees vowed to break diplomatic relations with any country that moved its embassy to Jerusalem, although the statement did not mention the United States by name. As the fighting has continued in the aftermath of the October summit, however, even moderate Arab states have felt compelled to downgrade relations with Israel, while maintaining their support for the peace process. More militant leaders condemn any resumption of peace talks and urge that the intifadah continue until Palestinian goals are met.

### **Egypt, Jordan, and Mauritania**

Two of the three Arab countries that have established full diplomatic relations with Israel have reduced the level of their diplomatic ties with Israel while maintaining formal diplomatic relations. On November 21, Egypt recalled its ambassador from Israel (only the second time it has done so since the 1979 Israeli-Egyptian peace treaty), after Israel bombarded the Gaza Strip in response to an attack on an Israeli school bus. On the same day, Jordanian Prime Minister Ali Abu Raghib announced that Jordan would defer sending its new ambassador-designate to Israel "until Israel ends its attacks and proves commitments toward the peace process." Distant Mauritania, more insulated from mainstream Arab reactions, said it would maintain existing diplomatic links with Israel but on November 22 a government spokesman

denounced “the Israeli military escalation against the Palestinian people, in particular the bombing of civilians.”

As fighting continued, there were further reactions in Egypt and Jordan at both the governmental and popular levels. On December 12, Egyptian President Husni Mubarak commented that citizens were justified in boycotting Israeli goods, but cautioned that they should consider carefully the effects of boycotting U.S. goods. Condemnation of Israel was widespread in Jordan, where a majority of the population is Palestinian and a strong Islamic movement exists. On December 5, a militant Islamic group claimed responsibility for an attack on an Israeli diplomat, leading to an Israeli decision to evacuate families of Israeli diplomats in Jordan. Both countries, however, continue to work with U.S. leaders in seeking a resumption of Israeli-Palestinian negotiations. In an editorial published on December 10, the Egyptian ambassador to the United States affirmed that “[t]he question before us is how, not whether, to resume the peace process.”<sup>43</sup> More recently, Egypt and Jordan, along with Saudi Arabia, have reportedly lent their support to the general concept of a further peace proposal floated by President Clinton in late December.<sup>44</sup>

## Morocco and Tunisia

Two other North African states, Morocco and Tunisia, suspended their ties with Israel in reaction to the intifadah. Both countries had established low level commercial relations with Israel in the aftermath of the 1993 Oslo agreement, and Morocco under the late King Hassan II had long been a pioneer in facilitating Arab-Israeli contacts. The King of Morocco (Hassan and now his successor Muhammad VI) occupies a key position in the Muslim world as Chairman of the Jerusalem Committee of the 55-member Islamic Conference Organization. During the past year, an estimated 50,000 Israelis visited Morocco and 1,000 Moroccans, most of them from Morocco’s Jewish community, visited Israel. It is not clear whether or not the closure of Israeli-Moroccan liaison offices will affect tourism between the two countries. Both Morocco and Tunisia, however, seem interested in pursuing Arab-Israeli peace efforts. A senior U.S. diplomat visited Tunisia in December to enlist its support, and former Israeli Prime Minister Shimon Peres visited Morocco on December 28 for discussions with King Muhammad on the peace process.

## The Arabian Peninsula

**Saudi Arabia.** The leaders of Saudi Arabia have tried to balance their strategic and economic ties with the United States with their support for Palestinian positions, particularly regarding Jerusalem. Saudi statements have combined measured criticism of Israeli pressures on the United States with pleas for continued U.S. efforts to achieve a just peace. Shortly after the intifadah began, Crown Prince Abdullah warned that Saudi Arabia and other Arab countries would not “just watch with their

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<sup>43</sup> Nabil Fahmy, “Peace Is Still Possible in the Middle East,” *New York Times*, December 10, 2000.

<sup>44</sup> Jane Perlez, “Three Arab Leaders React Favorably To Mideast Plan,” *New York Times*, December 28, 2000.

hands tied” as Palestinian casualties mounted, and the Crown Prince later told a group of Islamic leaders that “I place particular emphasis on the United States because it has been following the development of the peace process since it was launched.” Defense Minister Prince Sultan commented that “[w]e have no doubt that the United States wants peace in the region, but we ask it to change its methods with the Israelis in order to ensure a just and comprehensive solution.”<sup>45</sup> In November 2000, Saudi Arabia agreed to attend a meeting of the Islamic Conference Organization in Qatar only on condition that Qatar sever its low level commercial ties with Israel, as Tunisia, Morocco, and Oman had done. So far, however, Saudi Arabia has made no move to use oil as a weapon to induce the United States or its allies to alter their policies on the Palestinian-Israeli conflict.

**Yemen.** Neighboring Yemen has been unusually outspoken in condemning Israeli actions and upholding the Palestinian position. In the early stages of the intifadah, Yemeni President Ali Abdullah Salih said he wished Yemen had a common border with Palestinian territories to serve as a conduit for “holy warriors” and arms for the Palestinians and condemned the resolutions of the October 23 Arab summit as insufficient. In other statements he said Yemen supports peace but insists that Palestinians have the means of self-defense, expressed respect for America, but called for ending the Israeli occupation of Palestinian territory. Initial speculation that the bombing attack on the U.S.S. Cole in the Yemeni port of Aden on October 12, 2000 was linked to the Palestinian intifadah appear incorrect, as evidence has mounted that the attack had been planned some months earlier by terrorist groups targeting U.S. and allied military forces in the Persian Gulf region.<sup>46</sup>

**Oman.** On October 12, the generally pro-U.S. government of Oman told Israel to close its trade office in Oman’s capital, Muscat. Oman also closed its representative office in Tel Aviv. The two countries exchanged trade offices in 1995.

**Qatar.** After several weeks of resisting Arab and Islamic pressure to close Israel’s trade office, Qatar yielded on that issue when several of these countries threatened not to attend an Organization of Islamic Conference (OIC) meeting in Qatar on November 9, 2000. That office was opened in 1996, although Qatar never opened a reciprocal office in Israel. However, Qatar did not announce a complete severing of relations and Israeli and Qatari diplomats have since continued to meet at the margins of international meetings and conferences. Israeli diplomats say the trade office in Qatar is quietly still being allowed to operate at a reduced level, and Israel’s trade office head, Eli Avidar, is still in Qatar. This could suggest that the state is trying to quietly allay U.S. concerns about Qatar’s posture toward Israel without openly offending Qatar’s Arab and Islamic allies.

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<sup>45</sup> David Butter, “Taking a lead,” *Middle East Economic Digest*, December 1, 2000, p. 29.

<sup>46</sup> For further information, see CRS Report RS20721, *Terrorist Attack on USS Cole: Background and Issues for Congress*, by Raphael Perl and Ronald O’Rourke, November 1, 2000, and CRS Report RS20733, *Yemen: U.S. Relations, Assistance, and the U.S.S. Cole Bombing*, by Alfred B. Prados, November 20, 2000.

## Iraq

At the outset of the intifadah, Iraq's President Saddam Husayn threatened Israel rhetorically and, in a symbolic gesture of support for the Palestinians, briefly moved a division of its Republican Guard westward toward Jordan. Yasser Arafat's PLO supported Iraq in the Gulf war, and many Palestinians have often seen Saddam as a hero in a longterm battle against Israel. U.S. Secretary of Defense Cohen said that the United States was watching the Iraqi troop movements closely, but the deployments did not appear to represent an intended military move outside Iraq's borders. Saddam has since urged the Palestinians to continue their uprising rather than agree to U.S.-sponsored attempts to end the violence.

Iraq has recently attempted to draw some implicit linkages between support for the Palestinians and Iraq's own struggle to weaken international sanctions imposed on it as a result of its 1990 invasion of Kuwait. Despite widespread concern about the plight of the Iraqi people under more than ten years of U.N. sanctions, in early November Iraq began shipping medicine and foodstuffs to the Palestinians, and has even used some of its scarce currency reserves to donate up to \$10,000 to the family of each Palestinian killed in the violence.<sup>47</sup> On December 9, Iraq pledged to allocate about \$880 million in oil revenues generated under its U.N.-sponsored "oil-for-food" program to Palestinian families. However, Iraq's oil revenues are deposited into a U.N. escrow account, and any donations from that account would have to receive U.N. Security Council approval. The United States is likely to oppose the donations on the grounds that the oil revenues are to be used for the relief of the Iraqi people alone, and not to further Iraqi political goals.

## Iran

There are reports that Iran is encouraging its allies, including Hamas, Hizballah, Palestinian Islamic Jihad, and the Popular Front for the Liberation of Palestine-General Command, to continue the violence against Israel.<sup>48</sup> Iran's Islamic government has always opposed the peace process on the grounds that the Palestinians cannot hope to achieve a fair settlement with Israel, but Iran's President Mohammad Khatemi has said several times since taking office in August 1997 that Iran would not work to derail peace efforts. Nonetheless, hardline institutions in Iran have continued to provide material support to Palestinian rejectionist groups, according to official U.S. reports and statements, and Iran has publicly announced training maneuvers between its hardline security organs and anti-peace process groups. On December 15, Iran's Supreme Leader Ali Khamene'i, who is aligned with the hardline wing of Iran's regime, repeated an earlier statement that Israel "has no right to exist," and that it is "a cancerous tumor that should be uprooted from this region."<sup>49</sup>

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<sup>47</sup> Roni Shaked, "\$10,000 per Shahid [Martyr]," *Yediot Aharonot*, December 13, 2000.

<sup>48</sup> "Iran, Palestinians Discuss How to Continue Unrest," *Reuters*, October 11, 2000.

<sup>49</sup> "Iran's Leader Calls For Big Turnouts at Israel Protests," *Dow Jones Newswire*, December 15, 2000.

## **Congress and the al-Aqsa Intifadah**

In the 106<sup>th</sup> Congress, Members introduced legislation stating that the Palestinian uprising was premeditated, initiated, and orchestrated by the Palestinian Authority (PA) and that the PA encouraged and incited the Palestinian people to attack the Israelis. H.Con.Res. 418 and H.Con.Res. 426 supported Israel's actions, and encouraged the U.S. Administration to oppose any anti-Israel resolutions in the United Nations and to persuade the Palestinians to negotiate a resolution. H.Con.Res. 426 passed the House on October 25, 2000, by a vote of 365 to 30, with 11 abstentions. H.R. 5522 proposed cutting foreign assistance to the Palestinians if the Palestinians did not stop the uprising. H.Res. 623 as introduced stated that the House of Representatives "denounces the abstention by the United States from voting on [U.N. Security Council] Resolution 1322" that "deplored" Israel's September 28 provocation in Jerusalem.