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## 16 FEBRUARY- 15 MAY 1995

The Peace Monitor is a quarterly summary of bilateral, multilateral, regional, and international events affecting the peace process. For more detail, refer to the Chronology in this issue.

### BILATERALS

#### *Palestinian-Israeli Track*

On 3/9, Israel FM Shimon Peres and PLO Chmn. Yasir Arafat met at Erez and set a target date of 7/1 for reaching a consensus on elections and Israeli withdrawal. They also agreed to open safe passages immediately, halt land confiscation and financing expansion of existing settlements, speed the process at border crossings, increase the number of Palestinian workers in Israel to 21,000, discuss releasing prisoners, and hold regular mtgs. to exchange security information.

Palestinian-Israeli talks were clouded, however, by the continued closure of the self-rule areas, aggravating Palestinian economic conditions; several anti-Israeli attacks (3/19, 4/6, 4/9) and attempted attacks (3/21, 4/2), raising Israeli security concerns and calls for Arafat to crack down; and Israeli land expropriations (3/22, 4/27), sparking fears Israel is trying to move the Green Line and predetermine the status of Jerusalem. The focus of talks remained elections, redeployment, and the transfer of authority.

**Redeployment:** On 2/16, PM Yitzhak Rabin met Chmn. Arafat at Erez checkpoint and offered his "Jenin First" compromise under which the Palestinian Author-

ity (PA) would take over administrative control and financial responsibility of the West Bank town of Jenin, while Israel Defense Forces (IDF) would remain in place. Arafat initially rejected the plan but then said it would be acceptable if Jenin was the first stage in a comprehensive, clearly delineated redeployment and transfer of power. By 3/29, the PA agreed to the principle of a phased process for redeployment—as well as for elections, revision of laws, transfer of authority, and economic powers.

On 4/26, Rabin unilaterally announced that the IDF would reassign troops from bases in Hebron, Nablus, and Ramallah to bases inside the Green Line in a "pre-redeployment" but gave no timetable. The IDF also said (3/28) it would evacuate its headquarters in Nablus and Jenin by 6/1 and planned to redeploy from stations in Bethlehem and Tulkarm as well. Reduction in troops would be balanced by an increased Israeli police presence.

**Elections:** On 2/21, the PA offered six proposals for an international observer presence in the o.t. to help organize and supervise elections. By 3/29, the sides agreed on the composition of the 1,000-member observer group, allowing the PA on 5/2 to send invitations to Canada, the

EC, Egypt, Japan, Jordan, Norway, and Russia to join the effort. Also on 5/2, Arafat opened the Palestine Central Elections Committee headquarters in Gaza.

On 4/4, the sides began talks on updating the census and voter registrations, and Israel turned over the relevant census data, agreeing on 4/26 that the updating process would produce two lists: one of Palestinians with ID cards, one of those without. The actual mechanics of updating the census and voter eligibility of Palestinians without cards and those in East Jerusalem was to be discussed later. In preparation, the PA on 4/28 began training 6,000 teachers to verify the data. The sides also agreed to create 1,500 voting districts.

Israel and the PA began drafting an election proposal on 3/15, but by the end of the quarter, no agreement had been reached. The nature, structure, and jurisdiction of the proposed legislative council also remain under negotiation, with sides agreeing in principle (3/29) to the separation of executive and legislative powers, with subcommittees to follow up on executive activity.

**Economic Matters:** Following from its "national separation" idea and the continuing import of foreign labor to replace Palestinian workers, Israel announced 2/17 that five industrial zones (in Jenin, Ramallah, Lahav, and two sites in Gaza) would be created in the o.t. to provide jobs for Palestinians outside Israel. The plan calls for international financing of the zones' construction and gives U.S. investors who have at least 25 percent stake in companies located in the zones eligibility for U.S. financing and guarantees from the Overseas Private Investment Corporation (OPIC; a U.S. federal agency that provides risk insurance to businesses in politically volatile areas). Follow-up meetings were held between Israel and the PA (2/21) and Israel, the PA, and the U.S. (2/26) to draft proposals on the zones' funding and supervision.

On 2/27, the Joint PA-Israeli Economic Comm. met in Jericho to discuss implementation of Paris protocol signed 4/29/94; creation of 11 industrial zones; possible expansion of lists A and B of the protocol; the flow of commodities between Israel, the o.t., Jordan, and Egypt; and the establishment of joint subcommittees to address specific problems.

Also of note, on 2/25 the PA approved the establishment of an investment group/development bank with capital of \$250 m. On 2/26, the PA and Israeli delegations met at Erez to discuss the import and export of agricultural goods and allowing Palestinian trucks (virtually banned from Israel since the closure began 1/22) to carry produce into Israel.

**Progress Achieved:** At 5/7-8 Joint Liaison Committee meeting following the 4/27 crisis over the Jerusalem land confiscation issue, Israel made several concessions to keep the PA at the table, including approving plans for a heliport in Gaza, permitting 6,000 additional Palestinian workers into Israel, transferring \$3 m. in tax money, improving the flow of trucks through checkpoints into Israel, releasing 250 pro-Fatah prisoners, and setting up an unofficial joint Jerusalem Committee to discuss expropriations. On 5/9, the PA postponed the first meeting of the committee until 5/14 after Israel refused to set an agenda in advance.

On 2/23, the Arab states began accepting Palestinian postage stamps on letters from the self-rule areas. All such mail is to be routed through Egypt. Other states will accept the stamps once  $\frac{2}{3}$  of Universal Postal Union approve them.

On 3/29, the PA Interior Min. began issuing Palestinian passports. On 4/13 however, Israel began confiscating passports issued to West Bank and Jerusalem Palestinians for travel to Saudi Arabia for the *hajj*.

On 3/25, the PA approved a plan for a public communications company servicing the self-rule areas. On 5/2, Arafat approved the creation of the Palestine Telecommunications Company, with plans for 600,000 phone lines and 200,000 cellular phones by 2005.

**Structure of Negotiations:** Aside from the meetings between PM Rabin or FM Peres and Chmn. Arafat, five bodies are directly involved in the bilateral Israeli-Palestinian negotiations on interim arrangements during the transitional stage, as follows:

- **Joint Israeli-Palestinian Liaison Committee**, established under Article X of the Declaration of Principles (DOP) to deal with matters requiring coordination and disputes, was charged under Art. XV of the Gaza-Jericho agreement of 4 May 1994 to "ensure the smooth implementation" of

the said agreement. Though not strictly speaking a negotiating body, in fact some of the more delicate negotiations are carried out under its auspices. The committee was originally headed by Mahmud Abbas (Abu Mazen) and Shimon Peres, though Nabil Shaath had taken over the Palestinian side since difference between Abbas and Arafat led Abbas to resign (12/94).

#### • Negotiating Teams

1. **Elections.** The Palestinian team is headed by Saeb Erakat and includes Hasan Asfour, Zahira Kemal, Tawfiq Abu Ghazaleh, and Muhammad Ishtayyeh. The Israeli team is headed by Yoel Singer of the foreign office and has the same number of members as the Palestinian team.

The negotiations, held most often in Cairo but sometimes elsewhere, including Gaza and Tel Aviv, deal with: how elections will be held; Israeli involvement in elections; the size and nature of the elected council (legislative or administrative); the authority of the council and president; participation of Jerusalemites (eligibility to vote and/or run); and updating the population census.

2. **Transfer of Authority.** The Palestinian team is headed by Jamil al-Tarifi (although negotiations are sometimes led by Shaath or Arafat). The Israeli team is headed by General Oren Shahour (West Bank coordinator for the Defense Ministry) and Uzi Dayan (head of planning in the Army Command).

After the transfer of the five spheres mentioned in the DOP, the negotiations, taking place mainly in Cairo and Gaza, began to focus on the transfer of another five spheres: postal matters, industry and trade, labor, energy, and insurance. Recently, three more spheres were added to the agenda: statistics, agriculture, and telecommunications.

3. **Redeployment.** The Palestinian team is headed by 'Abd al-Razak Yahya, the Israeli team by Uzi Dayan. The issues negotiated include: redeployment of Israeli forces; redeployment phasing; personnel to be redeployed (army only or all security personnel); joint patrols; and roads and access.

4. **Legal Affairs.** The negotiations on legal affairs have not yet begun, being linked to talks during the second phase of the transitional period involving transfer of authority to the rest of the West Bank.

On the Palestinian side, the four negotiating teams report to the **Higher Committee on the Negotiations**, which decides on negotiating strategies and the composition of the negotiating teams. The committee, which meets weekly, is headed by Mahmud Abbas or, in his absence, by Yasir 'Abid Rabbu; the general secretary is Hasan Asfour. Other committee members are: Frayh Abu-Midyan (legal matters), Ziyad al-Atrash (security matters), Saeb Erakat (elections), Faisal Husseini (multilateral negotiations), 'Abd al-Razak Yahya (security), Ahmad Qurai' (economics), Nabil Shaath, and Jamil al-Tarifi (civil matters and liaison).

• **Coordinating Committees** make up the other component of the bilateral process as established under the Gaza-Jericho agreement, providing for coordination and cooperation in various domains and monitoring the implementation of whatever agreements are concluded in the negotiations. The three committees are as follows:

1. **Joint Civil Affairs Coordination and Cooperation Committee (CAC)**, set up by virtue of Art. III.5 of the 4 May agreement, meets almost daily at the Erez checkpoint on the Green Line between Gaza and Israel. The head of the Palestinian team is Jamil al-Tarifi. The head of the Israeli team is Uri Savir, director general of the Foreign Ministry.

2. **Joint Coordination and Cooperation Committee for Mutual Security Purposes (JSC)**, set up under Art. VIII.3 of the 4 May agreement. The head of the Palestinian team is Ziyad al-Atrash (other members: Freij al-Khaytri and Jamal Zaqut), and the head of the Israeli team is Ami Najjar, former head of the Israeli Military Administration.

3. **Joint Economic Committee (JEC)**, set up under Art. II of the 4 May agreement. Unlike the previous two coordinating committees, the JEC's mandate covers not only the self-rule areas of Gaza and Jericho

during the transitional phase, but also the rest of the West Bank. The head of the Palestinian team is Ahmad Qurai', while the head of the Israeli team is Avraham Shohat. Meeting in Paris, Jericho, and Gaza, the committee addresses: trade relations, taxes and tax structures, tariffs, ports and border crossings, and free market agreements.

The Palestinian components of the three committees report directly to the PA cabinet.

#### *Jordanian-Israeli Track*

**Meetings:** Several meetings between high-ranking Jordanian and Israeli officials occurred this quarter, focusing on bilateral and regional affairs and projects stemming from the Jordan-Israel peace treaty: King Hussein met with PM Rabin in Aqaba on 3/9; Israeli FM Peres and Jordanian Crown Prince Hassan met in the presence of German Chancellor Helmut Kohl in Bonn on 3/15; on the same day, Israeli Dep. FM Yossi Beilin and Jordanian FM 'Abd al-Karim al-Kabariti met in Amman; FM Peres met Jordan's Crown Prince Hassan in Amman on 4/24; PM Rabin toured Jordan's historical sites with King Hussein and Queen Nur on 5/1; and PM Rabin met Crown Prince Hassan in Amman on 5/2.

**Diplomatic Relations:** On 4/6, Jordan's first ambassador to Israel, Marwan Muasher, arrived in Tel Aviv and Israel's first ambassador to Jordan, Shimon Shamir, arrived in Amman to take their posts.

**Cooperation:** By 5/10, 24 subsidiary agreements (covering aviation, agriculture, development, energy, the environment, tourism, trade, water, and so on) had been concluded and signed in accordance with the 10/26 treaty. The first Jordanian commercial flight was permitted to cross through Israeli airspace on 3/10. On 4/3, Israel requested the UN remove its Truce Supervision Organization observer force from the Jordan-Israel border.

Jordan and Israel held several meetings on economic cooperation: on 3/13 on trade, transportation, and water; on 4/2 and 4/4 (with the U.S.) to discuss the Red Sea-Dead Sea canal and other water projects; on 4/4 (with Egypt and the U.S.) on joint projects (esp. fisheries); and on

4/24 (with 250 business and government representatives fr. Jordan, Israel, and the U.S.) to discuss water energy, telecommunications, transportation, environment, and trade. Israel also used its good offices in lobbying Congress to go through with plans (cut back by the House 3/3 and the Senate 3/16) to forgive Jordan's debt.

Despite these successes, relations were strained by Sen. Robert Dole's initiative to move the U.S. embassy in Israel to Jerusalem, Rep. Newt Gingrich's companion bill (both 5/9), and Israeli land expropriations in East Jerusalem (4/27, 5/3). After the 4/27 seizure, Jordan allowed a previously banned antinormalization rally; many parliament members called for a suspension of the 10/26 treaty; and few Jordanian officials invited to Israel's independence day celebration in Amman 5/4 attended. Following Israel's suspension of the 4/27 seizure on 5/22, Jordan again banned the antinormalization rally.

Even before the Jerusalem issues arose, there was a growing sense of discontent with the peace agreement at the popular level. On 2/21, opposition members of parliament filibustered to delay the vote on a bill (accepted by the cabinet 2/11) to repeal trade and land-owning laws that contravene the Jordan-Israel treaty. (The bill will come up for vote again when parliament reconvenes this summer.) A number of unions, most notably the Dentists' Association (4/25), banned members from treating or working with Israelis (many of whom have been coming to Jordan for cheaper medical attention since signing of peace treaty); and incidents of Israeli tourists defacing historical sites were reported.

#### *Syrian-Israeli Track*

In late February, low-level, unofficial talks resumed in Washington under the direction of U.S. coordinator Dennis Ross, but negotiating positions remained unchanged. On 3/5, Rabin reiterated his offer of a "very small" withdrawal from Golan in exchange for a three-year period to "test" full normalization, open borders, and exchange embassies, which Pres. Hafiz al-Asad again rejected.

To jump-start talks, Secy. of State Christopher travelled to Damascus and Tel Aviv 3/13-15 and persuaded the parties to switch the focus of talks from the extent of Israeli withdrawal (the current sticking-

point) to post-withdrawal security arrangements.

On 3/22, Syria and Israel accepted a four-stage U.S. formula for drafting a military annex to a future peace agreement: (1) Israeli and Syrian ambassadors define gaps and points of accord and fix agenda for talks between military experts; (2) U.S. envoy Ross shuttles between Israel and Syria, compiling a comprehensive list of concerns and agreements; (3) military experts meet in Washington to find a military solution based on concerns listed; (4) military chiefs of staff draft the annex.

Official negotiations, suspended since last December, resumed in Washington 3/27-29, but without military advisors as had been planned. Syria pulled its advisors at the last minute, saying they would not be sent until Israel agreed on the underlying principles of the security arrangements. Talks ended with differences slightly narrowed, but no agreements.

In early April, Israel retracted its demand that Syria cut its standing army as part of a peace agreement. Syria switched its demands for geographical "symmetry" in security arrangements to a demand for overall "equality," but rejected Israel's suggestion of a 1:9 ratio for demilitarized zones; the U.S. said it is aiming for 1:4 compromise.

After Syria backed out of Washington talks scheduled for mid-April, Peres called for upgrading talks to the foreign minister level, suggested discussing all aspects (withdrawal, borders, diplomatic relations, security, timetables) at once rather than struggling over "equality," and hinted at possible withdrawal to the international border drawn after WWI. Syria demanded withdrawal to the 6/4/67 border, which includes a strip of land along the Sea of Galilee not included in the international border.

Two days of unproductive official talks were held 4/25-26, again without military advisors. As of mid-May, Israel was reported to have offered to make a small withdrawal from the Golan nine months after signing a peace accord, followed by a larger withdrawal after three more years. Its earlier proposal had been to withdraw from most of the Golan in three stages over five to eight years.

## MULTILATERALS

Working group meetings were largely put off in favor of less formal trilateral and

multilateral talks. Nonetheless, Syria and Lebanon continued to boycott all meetings attended by Israeli representatives.

## REGIONAL AFFAIRS

### *Refugees*

The first meeting of the quadripartite (Israel, PA, Jordan, Egypt) committee on the repatriation of 1967 refugees ("displaced persons") established under Article XII of the Declaration of Principles was held in Amman on 3/7 (see Doc. B1 for the Jordanian-Palestinian definition of a "displaced person"). The meeting, originally scheduled for 2/26, was postponed on 2/21 by Israel, which apparently wanted additional time to consolidate its position in the face of previous coordination among Jordan, Egypt, and the PA on refugees last quarter (1/22, 2/4); a Foreign Ministry meeting to that end was held 3/2. The 3/7 meeting focused on the number of 1967 refugees eligible for repatriation. The PA gave a figure of 800,00 (1967 refugees and children); Israel suggested 220,000 (original refugees only). Israel refused a PA request to immediately allow 100 families to return as a confidence-building gesture, saying a slow, staged repatriation is needed to "prevent disruption and disorder."

The four parties agreed on the structure of the Continuing Committee, which will operate on two levels. The ministerial level will involve PA negotiator Nabil Shaath and the foreign ministers of Egypt, Jordan, and Israel and will meet every two to three months. The first meeting was held in April. The technical level will involve delegations composed of three permanent members from each party that will meet every three weeks. The first meeting, scheduled for 4/7, was postponed until 6/7.

### *Israeli-Arab Relations*

The slow-down in the trend toward Israel's integration into the region that began last quarter continued into the spring.

On 3/7, Tunisia asked Israel to delay opening its interests office in Tunis, indefinitely delayed sending its own technical team to set up an interests office in Tel Aviv, and canceled its participation in U.S.-Israeli naval exercises. On 2/16, Qatar denied plans to open representative offices in Israel or to export national gas there. Oman also put off exchanging inter-

est offices with Israel. Israeli officials blamed Syrian pressure for the setbacks. On 3/20, however, Tunisia said it would allow a team of Israeli agricultural experts to visit Tunis as part of an Israeli government training program aimed at strengthening ties with Arab states; and in Cairo on 3/20, Israeli Dep. FM Beilin and his Omani counterpart agreed in principle that the Arab boycott should end and they should cooperate in trade, agriculture, and aviation but did not agree to establish diplomatic relations.

Israeli-Egyptian relations improved this quarter. Egypt eased its criticism of Israel and voted for the modified NPT extension. In addition, 25 Israeli companies participated in the Cairo trade fair 3/18 for the first time since 1987, and an Israeli parliamentary delegation visited the Egyptian cabinet 3/19. In Paris on 4/6, Israel and Egypt agreed to expand their bilateral discussions on a chemical weapons ban and nuclear disarmament into the multilateral group framework, where talks were to be upgraded to the foreign minister level.

On 3/27, Israel and Morocco opened interest offices in Rabat and Tel Aviv, respectively, making Morocco the third Arab country, after Egypt and Jordan, to establish ties with Israel. In early May, the Israel-Morocco Chamber of Commerce, the first binational, Arab-Israeli chamber of its kind, opened in Tel Aviv.

In early April, Israel expanded its third world assistance program to include Jordan, the PA, Tunisia, and the UAE. The program offers technical courses in agriculture, public health, water, and science.

#### *Inter-Arab Highlights*

The PA and Jordan concluded several agreements: on exchanging agriculture goods according to mutual needs and forming subcommittees for technical cooperation (2/16); on monitoring commercial banking in the o.t. (3/24); on passage of goods between the o.t. and Jordan (4/26, 5/2); on cultural cooperation (4/26); and a comprehensive trade agreement, replacing previous accords governing Palestinian exports to Jordan, allowing Jordanian exports to the o.t., and giving duty-free status to over 100 industrial products (5/4). The Higher Jordanian-Palestinian Joint Committee held talks 4/19 on improving coordination and implementing agreements signed 1/26. Jordan

also appointed a diplomatic representative to the self-rule areas 4/12.

On 5/6, the Arab League foreign ministers condemned Israeli confiscations, called on the UNSC to do the same, and discussed the Dole initiative to move the U.S. embassy in Israel to Jerusalem. They called for and began organizing a formal Arab summit on Israeli land confiscations but dropped the plan after Israel suspended its 4/27 confiscation on 5/22.

Relations between Syria and Jordan continued to be cool in the wake of the signing of the Jordan-Israel peace treaty. On 5/8, Syria again declined Jordan's request to name its ambassador to Jordan and refused to host a visit of Jordanian FM Kabariti to Damascus to try to improve bilateral relations.

#### *Regional Economic*

Discussions continued this quarter on creating a Middle East Development Bank (MEDB), formally proposed by Clinton on 10/26/94 and pursued at the Casablanca summit 11/94 and the meeting of financial experts hosted by the State Department 1/10-11. The experts' meeting resulted in the formation of the Task Force on Financing Institutions for Economic Development in the Middle East and North Africa, which would ideally meet monthly to work toward an agreement on the structure and purposes of the MEDB. To date, the EU and the Gulf states (2/16) have resisted the idea of a capital-based lending institution while the U.S., Israel, Egypt, Jordan, and the PA have supported it.

At the task force's first meeting in Washington on 3/9, the U.S. stuck by its original proposal for a MEDB with a \$5 b. capital base that would cofinance projects with the private sector and do project lending only. The EU, on the other hand, proposed a similar "financial intermediation organization" that would not have a capital base but instead would help states "repackage" their resources or find grant money to finance their own private-sector deals. A follow-up meeting was held in Amman (4/2), to discuss details of each proposal and draft articles on points of agreement for a future accord.

On 4/10, the 30 members of the Middle East Economic Summit steering committee met in Amman to discuss the follow-up to the 11/94 Casablanca meeting scheduled for 10/95. One should note

that, while the memberships of the steering committee, the task force, and the Multilateral Working Group on Economic Development largely overlap, each group is separate and has its own mandate. Neither Lebanon nor Syria participate in any of them.

On 4/28 in Morocco, OPIC announced the creation of Middle East and North Africa Investment Fund to encourage private sector investment in the self-rule areas, Egypt, Israel, Jordan, Morocco, and Tunisia. Projects will focus on tourism, real estate, communications, consumer products, pharmaceuticals, and high tech industries. The fund's capital will be provided by U.S. private firms and guaranteed by OPIC. It is not meant to replace the MEDB.

A *Christian Science Monitor* report (3/30) showed that Israeli exports have risen 41 percent and imports 71 percent over the past five years as a result of the peace process. Asian markets, such as India, South Korea, and Japan, that were previously closed to Israel out of fear of offending oil-producing Arab states have opened up. Joint contracts, particularly with U.S. and German firms, have also grown with the unraveling of the Arab boycott.

## INTERNATIONAL

### *Mediations*

- On 2/20, Arafat met with French Pres. François Mitterrand and FM Alain Juppé in Paris to discuss ways of jump-starting peace talks.
- Secy. of State Christopher travelled to the region 3/7 for an eight-day shuttle mission between Egypt, Israel, Jordan, Saudi Arabia, and Syria in hopes of spurring peace process, particularly the stalled Syrian-Israeli track. He met with Arafat in Gaza on 3/10.
- PM John Major made the first visit to Israel in nine years by a British leader 3/12-13. On 3/14, he met with Arafat in Gaza, while his Asst. FM Andrew Green met with Faisal Husseini at Orient House. Major then headed to Jordan for talks with King Hussein.
- On 3/19-24, VP Al Gore toured the region, meeting with Pres. Mubarak, King Hussein, PM Rabin, and Chmn. Arafat. Talks centered on foreign aid, debt forgiveness, the NPT and the peace process, and preferential trade agreements, respectively.

- Russian FM Andrei Kozyrev made a tour of the region 3/28-4/2 to meet with Arab heads of state to discuss bilateral relations and Russia's role in the peace process. Stops included Egypt, Syria, Lebanon, Gaza, and Israel.
- U.S. Middle East coordinator Dennis Ross unsuccessfully undertook a shuttle mission between Syria and Israel 4/6-10, meeting with Arafat in Gaza 4/7 and stopping briefly in Cairo and Amman on his return to brief Pres. Mubarak and Crown Prince Hassan on his mission.
- In Gaza 5/2, Arafat briefed U.S. Consul General Edward Abdington and an EU delegation on the status of negotiations.
- On 5/15, Swedish Dep. PM Mona Sahlin returned home from Israel in protest after the Israeli Foreign Ministry refused to give her permission to meet with Palestinian officials at Orient House.

### *United Nations*

On 2/28, at the request of the Arab states, the UNSC held the first of two debates this quarter on Israeli land confiscations but refused to take a decision.

The second meeting (5/15-17) produced a resolution demanding Israel reverse its 4/27 confiscation and calling continued expropriations a hindrance to the peace process (see Doc. A2). The U.S. blocked the resolution, giving its first veto since 1990. A last-minute Russian proposal for UNSC presidential letter reproving Israel was rejected by the U.S. as too strong and by the PLO as too weak.

### DONORS

Donor talks this quarter revolved around meeting PA financial needs through 12/31/95 in light of the 3/31 expiration of the donor states' agreement on funding PA expenses. Two formal and two main informal donor meetings were held to this end:

- On 2/28, the second formal meeting of the Local Aid Coordination Committee was held in Jericho. Attendees, incl. PA Planning M Shaath and representatives from the World Bank, UN, PECNDAR, and more than 30 donor countries, discussed effects of the continued closure of the o.t., financial needs for the period 4/1-12/31, and replenishing the Holst Peace Fund for PA administrative costs.
- On 3/8-9, an informal meeting of major donor and host governments was held in Amman in order to reassure the PA follow-

ing the World Bank's announcement (3/2) that the Holst fund had run out of money because donor countries have failed to honor their pledges. Participants from 28 countries and organizations reaffirmed their pledges and/or made additional pledges (incl., U.S., \$15 m.; Sweden, \$2 m.; Britain £8 m).

- The Ad Hoc Liaison Committee (AHLC) held an informal two-day meeting in Washington 4/3-4. The PA submitted for review its FY 1995 budget for \$400 m., showing a \$136 m. deficit, and asked for \$500 m. to cover the deficit and administrative costs. Donors unofficially agreed to cover PA operating costs through April and to fulfill the remaining \$35 m. of the \$125 m. in outstanding pledges noted at the 11/30/94 Brussels meeting. They also noted that there were no pledges for remainder of 1995.

Following donor meeting, members of Palestinian delegation met with World Bank, IMF, and U.S. Dept. of Commerce officials to discuss possible free trade agreements with U.S. delegations interested in starting joint U.S.-Palestinian development projects in the self-rule areas.

- On 4/27, the main AHLC meeting was held in Paris to approve the decisions taken at the 4/3-4 Washington meeting. Israel, the PA, and the donor representatives signed an agreement designed to help the PA meet operating costs for the rest of FY 1995 and boost economic development (see Doc. A1). The committee approved

the reallocation of only \$60 m. to help cover the PA's \$136 m. deficit for 1995, meaning the PA could run out of money by the end of 9/95. Donors were also encouraged to finance construction of Gaza harbor and the industrial parks. Israel promised to ease the flow of goods from the o.t. into Israel, pledged an extra \$6.5 m. toward PA operating costs, and promised to turn over millions of shekels in tax money it has collected on the PA's behalf.

On 3/24, VP Al Gore announced a \$73 m. aid package from USAID to improve Gaza's sewage system, pave streets, and create jobs. He also announced the authorization for Palestinians to export 4,600 agricultural and industrial goods to the U.S. duty free, to stimulate trade with and investment in the self-rule areas.

Additional pledges to the PA this quarter included:

- \$50 m. from the Islamic Development Bank for agricultural projects.
- \$27 m. from Saudi Arabia (given directly to the PA) for running Waqf schools and building 10,000 housing units in East Jerusalem.
- \$19 m. from Italy, Kuwait, Norway, and the U.S. to cover salaries of PA civil servants.
- \$7.5 m. from Saudi Arabia to cover police salaries for February and March.
- \$5 m. from Japan for job creation.
- \$4 m. from Kuwait to cover the PA deficit.