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## Beyond Settlements: U.S. Policy Options Going Forward

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Having raised Arab expectations months ago with the idea of a settlement freeze, the Obama administration now has the unpleasant task of coaxing Palestinian Authority (PA) president Mahmoud Abbas to tacitly accept an agreement on settlements that offers less than expected -- if more than was offered in the past. Therefore, it is uncertain whether the United States will succeed at arranging a trilateral summit involving President Barack Obama, President Abbas, and Israeli prime minister Binyamin Netanyahu at the UN next week that would culminate in the announcement of a formal relaunching of peace negotiations.

An agreement on settlements would likely involve a nine-month moratorium on construction, with the exception of the 2,500 partially built units as well as public or nonresidential buildings. Israel's decision not to enact a more comprehensive settlement freeze was made somewhat easier by Saudi Arabia's repeated and pointed rejection of any confidence-building measures until Israel conforms with its backloaded 2002 Arab Peace Initiative. The Saudi plan unrealistically requires Israel to withdraw completely from the West Bank, East Jerusalem, and the Golan Heights before Riyadh takes any reciprocal steps. Assuming that the United States, Israel, and the PA strike an settlement agreement this week or in the near future, which U.S. policy options will determine the direction and shape of the main event -- the Israeli-Palestinian peace negotiations?

### U.S. Policy Options

*Full Israeli-Palestinian agreement on all core issues.* The desire to end the Israeli-Palestinian conflict lends allure to this approach. Its feasibility, however, is open to serious question, since each side would incur a great deal of political backlash by making major concessions all at once. The issue of Jerusalem, in particular, is likely to topple any agreement because of the religious passions it inspires on both sides. Moreover, Netanyahu has pledged not to divide the city. A major compromise on Palestinian refugees is also dubious, given the emotionally charged nature of the issue and Abbas's uncompromising public position. Furthermore, the political fractures within Palestinian society, evidenced by the West Bank/Gaza split, would likely prevent any agreement from taking place. Although Israel does not contest the right of refugees to go to a new Palestinian state in the West Bank and Gaza, it is possible that many Gazans, who claim to come from refugee families, will insist on returning to pre-1948 homes now inside Israel. Finally, the issue of security looks very different than it did in 2000, when President Bill Clinton tried to reach an accord at Camp David: Hamas has since come to power in the Gaza Strip, and thousands of stand-alone rockets have bombarded Israel since its disengagement from the territory in 2005.

Although some Middle East observers speculate that Obama's conditions for an agreement are similar to those put forward by Bill Clinton in 2000, no hard evidence supports this assertion. Given the lack of prospects for a breakthrough, it is unlikely Washington will pursue this comprehensive a course, even if its public message is otherwise while it lays the groundwork for more attainable goals.

*Roadmap phase two.* The first phase of the 2003 Roadmap peace plan focused on building new Palestinian institutions and curbing Israeli settlement activity. The second phase involves efforts focused on " the option of creating an independent Palestinian state with provisional borders and attributes of sovereignty, based on

the new constitution, as a way station to a permanent status settlement." Citing the word "option," Abbas has publicly rejected the second phase, fearing it will lead the international community to neglect the core issues of land, Jerusalem, refugees, and security down the road. Moreover, some Palestinian analysts believe that while the declaration of a Palestinian state gives Israel the value of having an "address," such a move has serious drawbacks for Palestinians. Because Israel's occupation of the West Bank would no longer be a valid grievance, the Palestinians would have less leverage in future negotiations on the core issues. Furthermore, the powers of such a state at an interim stage would be sharply circumscribed.

While Abbas is concerned about the second phase, Netanyahu is likely to view it as the least politically risky approach in the Israeli domestic context. Although the plan would probably involve Israel handing over Palestinian cities and surrounding areas in the West Bank -- based on the unfinished process of the Oslo Accord, which was interrupted by the al-Aqsa intifada in 2000-2004 -- it would not require Netanyahu to tackle any of the estimated 120 Jewish settlements in the West Bank. In other words, the checkerboard nature of the West Bank would only intensify, leading to disparate powers operating in different patches of Palestinian territory.

This approach does not deal decisively with any of the core issues; it is merely another incremental diplomatic step. But since the implementation of phase two could provide the Obama administration with a relatively quick diplomatic victory, it will find adherents in Washington.

*Borders first.* The borders-first approach simply defines the borders of Israel and a future Palestinian state. This approach assumes that most of the core issues, such as Jerusalem and refugees, are too difficult to solve at this time. Moreover, lasting security arrangements will take considerable time, given that Israel has been bombarded with rockets ever since it vacated Gaza. Last year, however, Israeli and Palestinian negotiators agreed that swapped land inside Israel should be equal in size to the West Bank settlement blocs Israel would retain. Differences in opinion over the percentage are minimal.

This convenience of only bridging a narrow gap is accompanied by other advantages. By demarcating the borders of a two-state solution, the United States and Israel would end the irritant friction over settlements that has marred their relationship for forty years. In short, the way to deal with settlements is by making the issue moot. Instead of having 285,000 settlers representing bargaining chips, their legal status would be clarified. Since about 80 percent of Israeli settlers live in less than 5 percent of the West Bank -- largely, but not completely, adjacent to the pre-1967 boundaries -- an equal amount of land within Israel could be swapped in exchange, allowing each side to claim victory. For the Palestinian Authority, a swap would vindicate Fatah's -- rather than Hamas's -- approach to the conflict, in that diplomacy was successful in establishing the West Bank and the borders of a two-state solution. Israel, in turn, would gain a long-sought international stamp of legitimacy on most of the West Bank settlements annexed in such a deal. Until now, Likud leaders like Menachem Begin and Yitzhak Shamir could not annex even a single settlement because of lack of international support. Moreover, for all concerned, one of the core issues of the Israeli-Palestinian conflict would be resolved.

While this approach will grant Netanyahu major gains, it will require him to alienate those settlers -- some 55,000 to 70,000 -- whose settlements will be on the wrong side of the border. (Most of them, however, will not be surprised, as they are already on the wrong side of Israel's security barrier.) Moreover, the move will enable Netanyahu to reconfigure his coalition to include Kadima, led by former foreign minister Tzipi Livni, who earlier this year did not join his government, alleging he was not serious about a two-state solution. Netanyahu's support for the approach would belie that assertion.

For Abbas, any focus on borders represents a quantum jump above the present situation on the ground and would avoid the possibility of a checkerboard Palestinian state with provisional borders. Abbas's concern about the Roadmap's second phase -- that deferral of any issue is tantamount to conceding -- will also exist when it comes to Jerusalem. The advantage of the borders-first approach from Abbas's perspective, however, is that he can subsequently trade the refugee issue to extract gains in Jerusalem.

## Conclusion

Whether or not the U.S.-Israeli impasse over settlements is winding down, the main question now relates to the structure of subsequent peace negotiations. The differences between the parties do not seem bridgeable on Jerusalem, refugees, and security. The narrowing differences over land, however, seem to provide the most promising indicator for successful border negotiations. For both parties, this could constitute a major stride forward, facilitating -- even if not constituting -- the conflict's ultimate conclusion.

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