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PALESTINE

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This report is structured broadly around two main areas of political analysis. The first surveys trends and dynamics of domestic changes affecting both the evolution of the Palestinian political and governing systems and the dynamics of conflict or peace-making with Israel. The second area explores the incentive structure within which principal Palestinian actors have determined their objectives, formed policy approaches, and conducted cost-benefit analysis. The report extends loosely to the whole of the 'Oslo period', i.e. starting with the signing of the Oslo Accords in 1993 and subsequent establishment of the Palestinian Authority (PA) in 1994, but the main focus is on the period since the outbreak of the second ('al-Aqsa') intifada at the end of September 2000.

I. Domestic political change

This section reviews the shifting balance of power between the two principal Palestinian parties, Fateh and Hamas. It characterizes the broad trend in the political agenda and fortunes of each, identifies the forces driving the shift in the balance between them, and assesses the consequences for them and for Palestinian politics more generally. The section also touches on the political system and the role of other parties.

Fateh. Fateh, is the mainstream nationalist movement that came into being as a guerilla group in the 1960s and took control of the PLO in 1968-1969, dominating Palestinian politics since then. It ensured acceptance of the Oslo Accords signed in September 1993, in effect linking its political fortunes to their outcome. Since then Fateh has formed the backbone of the PA and provided the bulk of PA civil and police personnel. A dual symbiotic relationship emerged: between Fateh and the peace process, and between Fateh and the PA. In the first instance, the Oslo Accords provided Fateh with an escape from the strategic impasse it had reached by the beginning of the 1990s, thus ensuring its survival; Fateh remained strategically subsequently to the peace process, which provided it with the opportunity to pursue state-building and deepen social control within the West Bank and Gaza Strip. This led naturally to the second symbiotic relationship, in which Fateh developed multiple vested interests and patronage networks within the PA; yet Fateh was less a ruling party than a vehicle for patronage lacking autonomous will and subject entirely to the whims of PA President Yasser Arafat, who stood above both bodies, fragmenting and subjecting them to his will.

This was the picture on the eve of the second intifada in September 2000. The apparent failure of the Camp David talks with Israel in July had reinforced public dissatisfaction with the failure of the Fateh-dominated PA since 1994 not only to provide effective government and rule of law, but also to deliver on its central promise of a viable peace

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process leading to statehood and economic dividends. Thus, despite taking the initiative in mobilizing demonstrations and in militarizing the intifada in its first few months, Fateh experienced a gradual erosion of public support and a decline in its internal cohesion and capacity following the election of Ariel Sharon as Israeli prime minister in February 2001 and the effective collapse of the Oslo Accords.

As noted above, Fateh's decline started soon after the start of the second intifada. Indeed, this was largely self-inflicted damage: its shift to armed confrontation only seemed to underline the failure of its previous strategy of negotiation and compromise with Israel; bereft of the main gain of the Oslo process and in open confrontation with its erstwhile partner, Fateh could only lose. This partly explains why Fateh felt a need to compete with Hamas for public support after the latter launched its strategy of suicide bombings inside Israel from Spring 2001. Fateh was seriously impeded by its failure to develop and impose its own strategic direction on the intifada or to distinguish tactics and targets (for example discriminating between Israeli civilians inside Israel from soldiers and settlers in the occupied territories, and avoiding suicide bombings in favour of more conventional guerilla tactics). Furthermore, unlike Hamas, which largely exercised some semblance of control over the purpose and timing of its attacks, action by Fateh militants was not directed in any meaningful way by the movement's leadership (nor by Arafat); instead, the timing and form of its attacks were determined by local groups with no real regard to general purpose or needs.

The dysfunctional nature of Fateh military action moreover needs to be seen in the context of the continuous degradation of capability, morale, and cohesion of the PA police force. This is because of the extensive overlap between membership in Fateh and in the police: all senior command positions were (and remain) held by Fateh, and in services such as Preventive Security (and General Intelligence, though less so) the rank-and-file are drawn almost entirely from Fateh. Israeli targeting of the PA police force and facilities from October 2000 onwards was clearly a major factor in its steady degradation, but the refusal of Arafat to exercise leadership in a context of intensifying violence (and the inability of the PA cabinet to do so) was critical in incapacitating the police. The Israeli reoccupation of the West Bank in Spring 2002 went much further in diminishing public confidence in the PA police, as well as severely damaging the morale and cohesion of the force: this was partly due to unreasonable expectations held by the public, and indeed by the police themselves, of the latter's ability to withstand the IDF onslaught. The police have yet to recover from their loss of credibility, especially as the IDF has maintained more or less direct control of most Palestinian population centers since then and maintained severe restrictions on PA police freedom of movement and operation.

Fateh nonetheless held on to public support at a level of about 55% until early 2005, despite these visible setbacks and shortcomings, but garnered less than 44% of the total vote in the parliamentary elections of 25 January 2006. This relatively sharp drop occurred mainly in the last few months of 2005, as public unhappiness with the behaviour of armed Fateh militants who challenged PA authority on numerous occasions and with the impotence of the PA police to maintain law and order increased, and as Fateh's 'old' and 'young' guards proved unable or unwilling to settle significant differences over

internal democracy and impeded PA reforms. The paralysis of the PA and ineffectiveness of PA police also reflected poorly on Fateh, since it dominated the Palestinian Legislative Council (PLC) and also held the office of prime minister (as well as the presidency) and dominated the cabinet.

It appears that a significant number of people who would normally have voted Fateh, including many Fateh members, voted for Hamas instead on 25 January 2006. Although some of this was a protest vote and therefore tactical (i.e. voters could return to Fateh), it seems likely that a lasting shift has occurred and that Fateh cannot expect to claw back these votes in the future. Indeed, recent opinion polls since the January 2006 election suggest that support for Fateh among the public has dropped still further, suggesting a long-term trend.

The prospects for Fateh are not good. It has little chance of presenting itself as a credible alternative to the Hamas government. Fateh now appears united and galvanized by the objective of forcing Hamas out of office and returning itself to power, but this is deceptive. On the one hand its 'old guard' leadership, concentrated in its Central Committee and Revolutionary Council, is hopelessly out of touch and deeply discredited, not least among its own 'young guard' who blame it for the electoral debacle. On the other hand the young guard is itself bitterly divided, and many of its candidates failed to win PLC seats. Neither old nor young guard has meaningful control over the armed militants of the al-Aqsa Martyrs' Brigades or Popular Resistance Committees, who are in fact completely fragmented into competing local bands and come under no organized chain of command.

Much like Humpty-Dumpty, Fateh is in fact broken and can no longer be fixed. It is incapable of the one thing that could alter its prospects: reinventing itself as something akin to a social democratic party and learning to act in effective but peaceful opposition. The lure of retaking government and regaining the power of patronage through quicker, coercive means is too strong. Yet there is no assurance that Fateh would be able to achieve much greater internal discipline or present a more united front if new elections are held.

It does not help Fateh that its main strength – a political platform based on pursuing the peace process with Israel and on attaining Palestinian statehood within borders approximating the pre-1967 'Green Line', a capital in East Jerusalem, and a reasonable deal on refugees – has been substantially eroded by the collapse of the peace process and by Israeli refusal to acknowledge the Fateh-dominated PA or Abbas as a genuine or capable partner. Hamas has further reduced Fateh's comparative advantage by accepting much the same platform, even while renewing its commitment to the eventual destruction of Israel after a 'truce' that could last decades. The main difference is that Hamas promises to govern better, at least until allowed to prove otherwise.

Hamas. Hamas is the principal Islamist movement in Palestine, and derives from the Muslim Brotherhood that was originally founded in Egypt in 1928 and that established its Palestinian branch in 1946. Hamas developed between the start of Israeli occupation in

1967 and the outbreak of the first intifada in 1987 as an indigenous, unarmed grassroots movement focusing on social and cultural issues, and never joined the Palestine Liberation Organization (PLO) or the armed struggle it waged from its sanctuaries in Arab countries. It started to develop a very modest military capability in the mid-1980s, but only shifted decisively towards open confrontation with the Israeli occupation and a commitment to armed resistance in 1988. Following the signing of the Oslo Accords Hamas adopted a political program based on rejecting the accords and refusing to operate within the framework of the PA or the PLC, on the grounds that they were founded on the basis of the accords and bounded by their various limitations. Hamas continued to assert its claim to the whole of mandate Palestine and its objective of destroying Israel.

Yet, as noted above, Hamas also distinguished itself as a social movement, with considerable experience of grassroots activism and proselytization. It inherited the Muslim Brotherhood's advocacy of creating an autonomous social and cultural 'space' within which good Muslims could practice their faith and observe certain social norms. From 1987 onwards Hamas added to this a political counter-discourse based on Islamism that more openly diverged from, and challenged, the prevalent nationalism, largely secular, of the PLO and its constituent factions. Yet Hamas proved itself also to be a pragmatic, even opportunistic, actor. For example, it sought to negotiate entry into the PLO on the most favourable terms, hoping to translate its visible popular support into a large share of seats in the PLO's governing bodies and a quota of its financial resources. It also signaled a willingness to enter into negotiations with Israel as early as the late 1980s, implicitly presenting itself as credible interlocutor and implicitly as an alternative to the PLO.

In the decade following the Oslo Accords Hamas consistently obtained support levels of 15-20% in public opinion polls, rising as high as 30% during periods when the peace process seemed to be stalled and armed resistance to Israeli occupation the only alternative. This suggested that Hamas had a permanent constituency that shared its principal social and political values – focused mainly on conservative Islamism – and in addition enjoyed the occasional support of a roughly equal number of people who did not adhere to its core ideology and were not its natural voters but who fluctuated towards it under certain political circumstances.

The above patterns largely held true in the first four years of the second intifada. Hamas initially withheld from active participation (October 2000-January 2001) because it suspected that Fateh and PA President Arafat were deliberately fomenting the confrontation as a tactical means of improving their bargaining position, with the intention of striking the deal with Israel that had eluded them at Camp David. Only after the advent of Sharon to office as prime minister in February 2001 did Hamas shift to an activist posture, embarking on its strategy of suicide bombings across the pre-June 1967 'Green Line', i.e. inside Israel. In making this shift Hamas once again showed itself to be an astute, and opportunistic, actor, since it sought not only to confirm the collapse of the Oslo process but also to present itself as an alternative to Fateh. It benefited from the tacit complicity of Arafat, who deliberately turned a blind eye to its military activity, as to that of his own group Fateh, in the hope of creating a security crisis in Israel that would bring

down the Sharon government and of triggering US diplomatic intervention. Ironically, this ploy underlined the new reality, that Hamas was setting the national agenda as well as its means, and that Fateh had ceded the military and hence political initiative to its rival.

The electoral victory of Hamas in the January 2006 elections is therefore significant on several counts, not least as a vindication of its political and military strategy since early 2001, if not indeed since its decision to reject the Oslo Accords and boycott the PA institutions formed within the Oslo framework in 1993-1994. Second, Hamas broke decisively through its 30% upper threshold of public support, to gain 44% of the total vote. Third, although its increased vote did not reflect growing conservatism or political Islamism among the public, nor support for Hamas's social agenda, Hamas is likely to hold on to most of the new votes it gained. This is partly because of the extent of public dissatisfaction with Fateh's past record in government and with its continuing internal discord, but partly also because Hamas won on issues pertaining to governance and law and order. So long as it appears able to deliver on these issues, or at least to be trying genuinely to do so, then it is unlikely to cede many votes, and certainly not to Fateh.

Fourth, Hamas was able to build on its electoral victories and achievements at the municipal level, especially since late 2004, suggesting that it has cemented public support at the grassroots level prior to waging a national campaign to compete in the PLC elections. This goes hand in hand with the adeptness it showed both in electoral campaigning – using women to help bring out the vote, for example, and adapting its slogans to focus more precisely on evolving public priorities (corruption and lawlessness) in the final run-up to the election – and in assessing and responding to continuing attempts by Fateh (through the cabinet and PLC) throughout 2005 to delay or manipulate the electoral process to its own advantage and to shift powers from parliament to the president's office in anticipation of the emergence of Hamas as a major opposition force in the new parliament.

The ability of Hamas to engage in internal debate and reach coherent policies, and to show measured responses to outside actors (including Israel, as Hamas largely observed the *tahdi'ah*, or 'calming down', of attacks it had agreed in March 2005) stood in sharp contrast to the indiscipline and incoherence of Fateh and to its general lack of concern about growing public unhappiness with it. This was reflected in its neglect of reform, and also in its obvious failure to plan effectively for the aftermath of the Israeli pullout from Gaza in August 2005.

Implications for Palestinian politics. All the above shows that a decisive shift has taken place in Palestinian politics, which have moved decisively, if unexpectedly, into a phase that is genuinely new, if fraught with risks. This is expressed only partly by the surprise victory of Hamas and ousting of the long-incumbent Fateh, or by the substitution of its 'clean-hands' image for the latter's reputation as a vehicle for patronage based on doling out government jobs and offering access to public office and assets for private gain. Of comparable importance is the replacement of one style of politics with another. Despite being the party that endorsed the 1993 Oslo Accords and committed itself to mutual

recognition and co-existence with Israel, Fateh failed to make the transition domestically from guerilla movement to civilian party. It continued to think and behave like a paramilitary formation, and failed to use its executive power or majority in the Palestinian Legislative Council (PLC) effectively to address public concerns about poor governance, insecurity, and economic decline between 1996 and 2006.

In contrast Hamas, which Israel and the West associate most closely with suicide bombings and intransigent opposition to the Oslo Accords, owes its surprise electoral victory on 25 January 2006 in large measure to its reputation among Palestinian voters for effective social welfare programs and honest management at grassroots and municipal levels. Indeed, its skillful campaigning suggests that Hamas is considerably more comfortable than Fateh in the conduct of civilian party politics. This may seem counter-intuitive for a party that maintains a military wing and advocates 'armed resistance' against Israeli occupation, yet the ascent of Hamas represents a radical break with the legacy of former PLO chairman and PA president Arafat and the political culture of the PLO 'returnees' who came with him from their Tunisian exile. Ironically, the success of Hamas in office may be critical for the deepening of Palestinian democracy and restructuring of good governance.

The absence of a 'Third Force in Palestinian politics. It is easy to focus exclusively on Fateh and Hamas, and to overlook other Palestinian parties or alternative forms of political organization and action. Such oversight would be understandable, since no other faction or party has anywhere near comparable importance, yet the lack of a credible 'third force' is revealing and needs to be explained. On the one hand, small armed factions such as Palestinian Islamic Jihad or the Popular Front for the Liberation of Palestine lacked broad social constituencies, and moreover offered little in the way of a strategy of armed resistance that Fateh and Hamas did not already offer. On the other hand, the militarization of the intifada and the generation of a highly polarized conflict situation since 2000 effectively silenced groups that were unarmed or that withheld from military action. These groups were unable to promote a clear alternative, at least in part because they were for the most part unwilling to criticize or oppose openly the resort to violence by Palestinians, and in part because they were unwilling to come out in open criticism of or opposition to Arafat's policies and style of leadership and political management. Their political platform – based on attaining national unity within, and independence through negotiation with Israel – differed from that of Fateh and even Hamas only in their refraining from formal advocacy of military action. Israeli resort to counter-violence and sweeping collective punishments further diminished the scope for non-violent politics on the Palestinian side.

The latter, non-paramilitary groups moreover suffered from a long-term, structural problem: the appearance and progress of unarmed parties engaged in normal civilian politics depends on the existence of a political system and structure of government that encourage their development and provide them with opportunities to exercise meaningful influence over government policy, yet the main arena for their activity, the PLC, was effectively marginalized by the combination of Fateh dominance and Arafat's patronage-based cooptation. 'Third Force' parties shared much of Fateh's political platform, insofar

as it related to a commitment to the peace process and to (a diluted and distorted form of) social democracy, but the PA political system that developed in 1994-2000 was biased towards rewarding paramilitary formation rather than encouraging the rise of new forms of pluralist, parliamentary politics.

II. Incentive structures

This section analyses the incentive structures in domestic Palestinian politics and how they have been affected by the behaviour of external actors. It also explores the relationship between internal structures and processes – for example PA reform – and external ones, specifically the peace process and relations with Israel and the international community.

Weak state structures. The neo-patrimonial system of political management developed and extended by Arafat from 1994 onwards had a number of negative impacts on the development both of domestic Palestinian politics and of relations with Israel. At the risk of over-simplification, Arafat's mode led to the de-institutionalization of Palestinian politics and governance, and thus proved to be highly dysfunctional from a perspective of developing confidence and credibility in relations with Israel. The implications became most apparent in the context of the militarization of the second intifada, which proceeded with Arafat's tacit connivance and at times active encouragement, and which proved self-destructive as it facilitated disproportional and self-serving Israeli counter-measures.

Even prior to the second intifada, a negative relationship had emerged between Palestinian state-building as practiced by Arafat, and PA-Israeli relations. Arafat's focus on attaining social, political, and institutional control domestically and his tendency to predatory behaviour in the domestic political economy tended to reinforce an unhealthy, at times dysfunctional symbiotic relationship with the reality of Israeli preponderance (in security and economic terms especially) and domination (in its legal, administrative, and infrastructural dimensions). In effect, Israel's overarching control over access to/from the external world, coupled with its formal powers to restrict Palestinian use of land and natural resources (especially water), rendered the Palestinian population and economy captive, thus creating multiple opportunities for rent-seeking and manipulation by the PA as a whole or by individual political entrepreneurs (not least of whom were Arafat himself and his various representatives).

This is not to suggest that the principal national objectives – statehood, sovereignty over East Jerusalem, a reasonable deal on refugees, and evacuation of Israeli settlements and/or land swaps – were not important to Arafat. Quite the contrary. However, it was Arafat's understanding that an implicit formula applied: in return for providing security for Israel, he would have a free hand in constructing his own power domestically. This was predicated on his belief that the international community's interest in the success of the peace process granted him considerable leeway, and moreover that the PA would be the beneficiary of major aid flows that he could channel to bolster his domestic power and control. There was much to support this perception, but Arafat misjudged when he concluded that the intifada would compel the US (in particular) to 'deliver' the Israeli

government. Much of his subsequent behaviour – after the election of Sharon and, in parallel, the inauguration of US President George W. Bush – was conditioned by his striving to obtain reaffirmation from these two leaders of his central status as Palestinian counterpart and interlocutor. Hence his ‘default option’: escalation or continuation of the militarized intifada as a means of coercing the Israeli and US administrations into renewing their recognition of his central status.

Implications for reform. The PA has fulfilled a number of significant reforms and corrections in its institutions and policies since the late 1990s, often under the most adverse security and economic conditions. Yet it has failed to provide continuing and effective government and suffers significant systemic shortcomings. Major progress that has been achieved in establishing governing structures and legal frameworks and in setting policies and objectives since 1999 has unfortunately been balanced, and in certain respects undermined or even reversed, by negative trends that have deepened and extended in the intervening period to the extent of becoming endemic.

On balance, the PA has made little progress overall in transforming itself into an effective government of integrated ministries and agencies with a functioning and balanced division of powers and responsibilities between its main branches. This was partly a legacy of the long years of direct Israeli control of Palestinian civil affairs up to 1994, characterized by segmented administration and lack of political accountability to a democratically-elected national leadership. However, the PA’s failure to develop as an effective system of government since then is heavily due to the unique impact of President Arafat’s particular style of political management, leaving a disturbing legacy on all levels and in all domains that the PA is far from overcoming. It is also due, among other factors, to the compliance of many in the rank-and-file of the governing party, Fateh, who were ultimately willing to be co-opted into the neo-patrimonial system embodied by President Arafat. The refusal of significant political parties (not least Hamas) to participate in the PA until the elections of 25 January 2006 had the unfortunate effect of further weakening the checks and balances that might have led to more effective oversight by the PLC and produced a shift in the PA’s manner of governance.

The successes and failings of the PA must of course be seen in context. Israel has had a crucial effect on the PA’s political priorities and strategic goals, not least through its unceasing settlement activity in the West Bank and East Jerusalem. It has also had an extraordinary impact on developments in PA governance and institution-building, whether indirectly by imposing border closures and economic sanctions, or directly by impeding the movement and operation of PA personnel and of the users and beneficiaries of PA public services. These adverse conditions have, of course, been greatly intensified since the start of the intifada in Autumn 2000. Sustained international support has partly offset the financial costs, but could not fundamentally alter the impact of the unremitting onslaught that PA institutions have been subject to for the past five and a half years.

Nonetheless, although of major importance, the violence and disruptions of the intifada and Israeli policies and counter-measures did not negate the need to pursue PA reform, nor did they block all means and avenues to do so. Reform driven from within appeared

to be given a significant new lease on life in May 2002, when the Israeli reoccupation of the West Bank prompted the PLC to challenge Arafat's authority and to pass an ambitious new reform agenda, with international support. Arafat finally signed the Basic Law and the Judiciary Independence Law, after a delay of several years, and the PLC later passed a constitutional amendment establishing the office of prime minister, thus reducing or sharing some of the president's powers.

However, a number of factors conspired to slow, and in some cases reverse, the reform process. Not least of these was the questionable and at times contradictory nature of US policy. In the first instance, the position adopted by Bush on 24 June 2002 in which he made removal of Arafat from office a primary goal of reform, and moreover made support for Palestinian statehood conditional on reform and combating 'terrorism', effectively distorted the purpose of the process and altered its objectives. This policy stance helped Arafat to rehabilitate his domestic standing and to silence critics, and enabled him to stall on key reforms and gradually reverse others. The US added a further obstacle in the way of reform by quietly shifting its position on the conduct of Palestinian general elections, originally scheduled for January 2003: once it realized that Arafat would inevitably win, the US Administration worked behind the scenes (and often behind the back of its Quartet partners) to defer the elections. Consequently the pressure on Arafat was eased in effect, and he was provided with the opportunity to obstruct and even corner Prime Minister Mahmoud Abbas (Abu Mazen) who came to office in March 2003, leading ultimately to the latter's resignation six months later and his replacement by the more compliant and non-reform-minded Ahmad Qurei' (Abu 'Alaa).

Reform started to gain a new lease on life in the closing months of 2004, and then made further advances following Arafat's death in November and the election of Abbas as his successor in January 2005. The perseverance of Finance Minister Salam Fayyad led to the application of basic rules of financial procedure to some branches of the PA police and security services in 2004, and eventually to the whole force, and in 2005 new judicial appointments were made that were more in line with existing laws. However, the Qurei' government failed visibly to address key public concerns relating to corruption and lawlessness, and generally adopted an attitude ranging from neglect to obstruction towards other areas of institutional and policy reform.

The domestic politics of reform in 2005. The obvious reluctance of Arafat and then of the post-Arafat Qurei' cabinet to engage in a serious and continuous reform effort appears to have had a particularly negative impact on public perceptions of both the government and of the dominant Fateh. This helps explain the shift in public opinion towards Hamas starting in late 2004, that gathered pace over the following year and culminated in the unexpected last-minute defection of many of Fateh's former voters in January 2006. The erosion of PA credibility undermined its legitimacy, and explains why it finally felt compelled, despite its deep unease and unhappiness, to conduct long-delayed municipal elections over several phases starting in December 2004. Hamas made significant advances, winning a number of important municipal councils and gaining ground in others, prompting Fateh to modify the municipal election law in late 2005, but to no avail.

Several trends became apparent in 2005. First, the extent of the internal fragmentation of Fateh and dissolution of any real semblance of effective internal leadership and chains of command became increasingly apparent. The divide between the so-called 'old guard', centered on the movement's leading bodies (Central Committee and Revolutionary Council) and dominated by PLO returnees from exile, and its young guard based wholly on local activists of the WBGs deepened and became more bitter as the former prevaricated in the face of the latter's demands for internal primaries (to select PLC candidates and delegates to the movement's general conference). A meeting of the Central Committee held in Amman in July 2005, in which it tried to assert its authority in a manner that effectively dismissed the young guard's demands, demonstrated powerfully its inability to comprehend changes on the ground or the depth of the divide and exposed its own irrelevance. Abbas's inability or unwillingness to confront his colleagues weakened his credibility and authority among the young guard. The PA (and Abbas) meanwhile were exposed to increasingly blunt pressures to provide jobs and other perks to armed Fateh militants, who resorted to open threats and challenges during the year.

Second, the PA demonstrated its continuing inability or unwillingness not only to tackle various challenges facing it (not least in combating corruption and patronage, as well providing a modicum of law and order and of economic stability), but also to acknowledge the existence and depth of the problem and thus to show convincingly its intention to embark on serious and appropriate reforms. This failing was largely attributable to the Fateh old guard, which based itself in the PA executive branch and was best represented by Prime Minister Qurei', who blocked reforms and policies proposed by the president while offering no initiative or activity of his own. This gave an impression of detachment from reality, even of arrogance, and gravely weakened Fateh ahead of the PLC elections.

Third, partly as a consequence of the above, Hamas continued to make inroads in successive rounds of municipal elections, even after Fateh-dominated PLC altered the electoral rules in late 2005. Its success was based partly on the claim that its 'armed resistance' – especially its suicide bombings but also its Qassam rocket attacks across the Gaza border into Israel – had forced Israel to disengage from Gaza in August 2005. At least as important was Hamas's ability to contrast an image of effective social welfare programs and honest management (at grassroots and municipal levels) with that of Fateh, seen as self-interested, corrupt, and engaged in patronage.

The Hamas victory: institutional changes. Starting in late 2005 Fateh started to shift key powers and assets to PA President Mahmoud Abbas once it became obvious that Hamas was poised to become a major opposition force in the PLC and would exert considerable influence over the legislative agenda, government policy, and the security services. Following the Hamas victory, in the last session of the outgoing parliament on 13 February 2006, the Fateh majority created a Constitutional Court with the power to veto new legislation deemed to violate the PA's Basic Law, and whose nine judges may be appointed by the president without parliamentary approval. Given that the Court has

no authority to strike down presidential decrees, this effectively shifts legislative power from the PLC to Abbas.

The outgoing Fateh majority also created the new posts of PLC Secretary-General and Deputy Secretary-General, with greater authority over the parliament's administrative, financial, legal, public relations, and protocol affairs than either the office of the Speaker or the parliamentary Secretary, both of whom now come from Hamas. Abbas meanwhile brought official TV, radio, and news agencies under his control.

Abbas moreover authorized a large number of last-minute promotions of Fateh appointees in the civil service, and assigned Fateh loyalists to head the Financial Comptroller's Office, General Personnel Council, and General Insurance and Pensions Commission – key posts that had fallen vacant since 2005. Taken together, these moves further stacked an administration already heavily dominated by Fateh, making it increasingly difficult for the incoming Hamas government to control PA recruitment, funds, and audits.

In late 2005 the Fateh-dominated PLC also placed three out of six branches of the police and security services under the direct control of the president. Abbas subsequently confirmed government authority over all six branches following the Hamas victory, but confused the issue by reaffirming that he would still retain overall control. At present there is no assurance that the PA police force will enforce law and order at the behest of the Hamas government, and units that have attempted to do so in Gaza have come under fire from Fateh militants. That said, Hamas has gained considerable influence among the police rank-and-file, 30 percent of whom are estimated to have voted for its candidates at the recent elections. If US policy of denying assistance to those branches of the PA security sector that come under Hamas is accompanied by a diversion of aid towards those branches that are under Fateh control, this would further divide the sector into two rival camps, each backed by its own armed party militants.

The risk of armed rivalry is increased by reports that the PA added 19,000 new recruits, mostly Fateh members, to the police payroll in the year from 1 March 2005, including 13,000 since December alone. The PA came under intense pressure from international donors in 2005 to implement retrenchment in the security sector, which already stood at 57,000 personnel, and so the latest increases deepen the dilemma for Hamas of asserting control over a Fateh-dominated police force and reducing its strength in line with donor demands, while coping with a donor boycott and potentially crippling financial sanctions.

The US and the EU. The Hamas victory on 25 January 2006 clearly poses a dilemma. International disengagement from the PA risks destroying all that has been built during the last decade. By contrast, continued international funding and engagement could ensure that the issue of reform will remain on the PA agenda, and possibly be accorded more systematic attention and effort than before. Ironically, the international donor community threatens to 'pull out' or 'pull the plug' at the precise moment when reform might be taken seriously by the PA. Forcing the Hamas government to seek funding from

new sources, involving a lack of transparency and accountability to outside monitoring, may by the same token set back the reform agenda once more.

Indeed, the paradoxes, even contradictions, of international policy have been apparent for some time. Not only do they predate the Hamas victory, but in a certain sense they also contributed to it. In retrospect it is apparent that, despite good intentions and sustained, massive assistance, the international donor community has had mixed, at times contradictory, impacts on Palestinian reform. Different donors – whether individual governments, the EU, or multilateral organizations (World Bank, UNDP, etc) – have often had conflicting expectations and demands. The high premium placed on security – in particular requiring the PA to uphold its security commitments towards Israel – effectively relegated reform, and indeed democracy, to secondary importance and deferred them. Coordination of donor policies and assistance was often flawed despite the establishment of extensive and complex structures dedicated to this task from October 1993 onwards. This distorted the incentive structure within which the PA operated, generating both the motivation and the opportunity to ‘defect’ from reform processes and discipline.

The increase in international assistance in response to Palestinian economic recession and to the PA’s budgetary crisis since 2000 has led to a scope and scale of donor monitoring of PA public finances, and increasingly to direct involvement in policy decisions and disbursement etc, that are unprecedented in any other post-conflict situation worldwide. By 2005 the international community effectively exercised micro-management and financial trusteeship over the PA. Yet in many respects and areas, such as security sector reform, donor coordination is if anything at an especially low level and its results more meager than previously.

The problem lies, at least in part, in the international community’s unwillingness to confront the core political issues of the Israeli-Palestinian relationship. During the ‘golden years’ of the Oslo process, 1994-2000, the international community took the view that the process was generally on track, and that it should not therefore intervene to compel either side to adhere more closely to its obligations and commitments, in line with international law and resolutions. The PA was allowed to develop patronage so long as it broadly upheld its security commitments, while Israel was allowed to continue an unprecedented level of colonizing activity in the West Bank, Gaza Strip, and East Jerusalem. The international community, and most visibly the EU, has retreated still further since 2000, and especially since Spring 2002, in terms of its previously unconditional support for Palestinian statehood and its endorsement of the ‘Clinton parameters’ and heads of understanding reached by Israeli and Palestinian negotiators at Taba in early January 2001 (and later followed by the Geneva Initiative). Israel has been allowed to impose its own interpretation of its obligations under the ‘roadmap’ published in 2003, above all the required freeze on settlement activity, making implementation conditional on prior (rather than parallel) progress by the PA in meeting its own obligations.

In short, the international community's unwillingness to tackle fundamental political issues has made it complicit in Israeli unilateralism. This is most evident in the manner in which the rest of the international community, above all the EU, has allowed Israel and the Bush administration to shift the political and diplomatic agenda wholly to a virtually exclusive focus on Palestinian reform, making this the precondition for any further progress in the peace process, even to the extent of tacitly allowing Israel to continue settlement activity, prepare for the annexation of major settlement 'blocs', and extend its security barrier inside the West Bank and East Jerusalem despite the International Court of Justice ruling and UN General Assembly vote deeming its route illegal and requiring its dismantling and/or relocation to the pre-4 June 1967 Green Line. In the absence of such political engagement, the international community finds itself in a position of subsidizing the Israeli occupation of the West Bank, tolerating asphyxiation of the Gaza Strip, and acquiescing in the creeping annexation of East Jerusalem and other settlement 'blocs'.

Implications for the peace process. The views of Fateh regarding the main contours of an acceptable peace deal with Israel have not perceptibly changed, although the absence of a coherent process of policy formulation in the movement obscures possible differences of opinion. Conversely, Hamas views have changed, in a largely positive direction. It has increasingly signaled a growing readiness to recognize the reality of Israel's existence and to end the use of force, most recently by hinting that it may endorse the resolutions of the Arab summit in Beirut in March 2002 (based on the proposal of then Saudi Arabian Crown Prince Abdullah Al Saud). This is not entirely new, in fairness: Hamas has repeatedly signaled its openness to a pragmatic approach since the late 1980s, albeit while reiterating its core principles and aims. Yet in playing something of a double game it has done no more than repeat the slow, painful learning curve that the PLO set off on, under Fateh, in the mid-1970s, which culminated in the latter's formal recognition of Israel's right to exist and endorsement of negotiation as a means of conflict resolution.

It is therefore likely that Hamas will modify its stance on recognition and rejection of the use of force in the coming period, even if it initially resists doing so under external pressure and financial sanctions. Hamas moreover seeks to end the previous pattern of declaratory political dialogue with Israel and the international community, in which the PA was continually expected to reiterate its adherence to certain tenets and policies, while Israel came under no equivalent obligation, even as it continued to colonize Palestinian territories at an unrelenting pace. Nor will Hamas accept a situation in which Israel is free to utilize lethal force against the Palestinians; Hamas will seek to establish a 'deterrence dialogue' loosely modeled on the 'April 1996 understanding' between Israel and Hezbollah in Lebanon.

Most importantly, the Hamas-led PA will demand that Israel and the international community present developed, concrete proposals for resolution of the conflict. Hamas has already come since 2000 to accept a centrist position shared by Fateh and most Palestinian parties and factions (other than PIJ) within the so-called Leadership of National and Islamist Forces, based on Palestinian statehood within 1967 lines, sovereignty in East Jerusalem, and a reasonable solution to the refugee problem. It will

probably prove to be a tougher and more consistent negotiator than the previous team of Fateh officials, especially in dealing with territorial issues (settlement 'blocs' and land swaps) and the status of Jerusalem's Old City and the Temple Mount/Haram al-Sharif and Wailing/Western Wall (though it may have the legitimacy and credibility to be more flexible and innovative on the latter issue).

Hamas and the international community's role and obligations. In the meantime, Hamas will not accept an open-ended process in which Israel is left broadly free to determine the agenda and the pace of diplomacy and to set (and move) the goalposts and benchmarks largely at will. The real question therefore is whether or not the international community will step in more effectively and consistently to level the playing field, which specifically means holding Israel to its own roadmap obligations, especially regarding settlement activity. Unless the US and the EU, in particular, are ready to establish firm goal posts and to reverse Israeli *faits accomplis*, then Hamas moderation will be seen as futile.

No less seriously, US and EU policy will be seen as duplicitous: there is a deep conviction in the region that these Western powers are unwilling to accept a democratic outcome in Palestine that does not suit their political agenda, and so any further appearance of complicity will inflict lasting damage on the standing, credibility, and legitimacy of the US and the EU. The EU may soon face the difficult choice, either of cleaving to US policy in Israel-Palestine, even though it is heavily influenced by the neo-cons in the US administration, and incurring the costs in its regional standing, or of reasserting a constructive difference with the US.