

Policy Briefing

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Gaza and Israel: New Obstacles, New Solutions

I. Overview

Israel and Hamas are locked again in combat likely to yield – beyond tragic life and property loss – a return to a destructive status quo. The immediate triggers were the kidnapping and murder of three Israeli yeshiva students, for which Israel holds Hamas responsible, and the revenge torture and murder of a Palestinian teen by vigilante Israeli Jews. The nature and extent of Hamas's involvement in the initial obscenity remains unclear, but the attack's consequences are anything but. Since Israel launched Operation Protective Edge on 8 July, 168 Palestinians have been killed (80 per cent civilians, a fifth of whom were children) and about 1,150 wounded. Some 1,000 rockets have been launched toward Israel, of which about 200 were intercepted by the Iron Dome defence system. Previous rounds ended with each side claiming at best a Pyrrhic victory, because Israel can achieve lasting stability only when Gaza does, and vice versa. Breaking this pattern is even more urgent today, because the stakes of this escalation could be higher.

The reconciliation agreement of 23 April 2014, signed by Hamas and the Palestine Liberation Organisation (PLO), led principally by Fatah, offers both a further challenge and an opportunity. The situation in Gaza has deteriorated markedly since then. The new PA government formed on 2 June was supposed to take over governance in Gaza but has not. The Strip runs on administrative inertia, since the new ministers have not assumed their responsibilities. An estimated 43,000 employees, hired since Hamas took over Gaza in 2007 and who still largely run the Strip, have not received their salaries in months; in frustration, they have prevented some of the other 70,000 employees – who were not hired by Hamas and in most cases had been paid by the Fatah-dominated Palestinian Authority (PA) on the West Bank to stay home during those years in order to weaken the Hamas government – from obtaining theirs. Electricity, fuel and medical supplies have grown scarcer. Now that conflict has erupted, the flux in the Palestinian political system introduces a new variable into efforts to achieve calm.

But the reconciliation agreement might also hold the key to squaring the ceasefire circle. Though opposed by Israel, the deal, if implemented, offers the best chance of alleviating Gaza's misery and lessening Hamas's incentives to fight. The Islamist movement long resisted admitting any PA presence, but now that it has renounced

governance, a door has been opened, and with it, an opportunity to redesign the peace process and advance the well-being of Gaza's 1.7 million residents. Hamas for the foreseeable future will continue to be the de facto security authority on the ground, even if reconciliation moves forward; indeed, reconciliation will need to be implemented in a manner that does not wholly abandon or alienate the employees hired by Hamas and thereby trigger new civil strife. Continuing Gaza's isolation, however, would do nothing to loosen the movement's control. And should it, it would only be in the direction of jihadis.

The U.S., by agreeing to work with the new Palestinian government, has set a positive precedent. Along with the EU and its regional allies, it should encourage the PA to return to Gaza, per the reconciliation agreement, and discourage Israel from getting in the way. None of these parties need publicly to reverse its policy of trying to isolate and topple Hamas – though all would be well advised to, because that policy is misguided and has been counterproductive since it was adopted in 2007 – but each should give the reconciliation deal a chance to work. This means:

- ❑ Egypt should mediate, and Hamas and Israel should implement, an immediate ceasefire;
- ❑ PA security personnel, per the reconciliation agreement, should enter Gaza to staff the border crossings with Israel and Egypt and thereby enable the movement of people and passage of key goods;
- ❑ a donor or the UN should pay the salaries of employees of the Gaza government hired under Hamas; and
- ❑ Hamas, in tacit cooperation with the new PA government, should ensure acceptance and maintenance of the ceasefire by all Palestinian factions in Gaza, as well as the safety and security of the personnel of all agencies there.

These steps will not be sufficient to achieve a permanent Israel-Gaza ceasefire, much less a lasting Israeli-Palestinian peace agreement, but without them, neither will be reached.

II. Scenarios, Likely and Unlikely¹

In terms of preserving life, regional stability and the prospect for someday achieving peace, the best outcome to the current fighting would be a sustained political agreement that allows Palestinian and Israeli life to return to something like normal. In Gaza, this means energising economic, social and political activity, albeit with continuing restraints. For Israel, this means a population that is broadly protected from rocket fire, though preventing the firing of every last rocket is unfeasible.

This result seems unlikely in light of the two sides' demands. The Israeli government is hoping both to compel Hamas, weakened by regional setbacks, to stop firing rockets and to reduce its capacity. Hamas, too, is not moderate in its aspirations. These

¹ For earlier relevant analysis, see Crisis Group Middle East Reports N°149, *The Next Round in Gaza*, 25 March 2014; N°133, *Israel and Hamas: Fire and Ceasefire in a New Middle East*, 22 November 2012; Briefing N°30, *Gaza: The Next Israeli-Palestinian War?*, 24 March 2011; Report N°85, *Gaza's Unfinished Business: The Next Israeli-Palestinian War?*, 23 April 2009; and Briefing N°26, *Ending the War in Gaza*, 5 January 2009.

include implementing the understandings that ended the 2012 conflict² and that provided, albeit ambiguously and with loopholes, for opening Gaza's crossings with Egypt and Israel, including, in the latter case, for construction materials; stopping targeted assassinations; and freeing prisoners released in the Shalit prisoner exchange deal who were rearrested after the killing of the three Israeli yeshiva students.³

That leaves two plausible scenarios. The first and seemingly much more probable, at least for the immediate future, is the renewal of a limited, poorly implemented ceasefire after a prolonged air and rocket campaign and, possibly, an Israeli ground incursion. Getting even such a limited agreement will be more difficult than in the past. In 2012, the Egyptian government, with which Hamas at the time had a relatively good relationship, energetically mediated an agreement; that relationship has deteriorated precipitously since the ouster of President Mohamed Morsi and the outlawing of the Muslim Brotherhood, and no other intermediary has come forward.⁴

Qatar and Turkey have been mentioned as possible alternatives, but Israel would prefer Cairo.⁵ A more neutral mediator would be desirable, but other countries that have volunteered, including the U.S., UK and Germany, will not speak directly to Hamas and so cannot serve as the primary interlocutor. All believe that a lasting ceasefire will, at minimum, require Egyptian involvement and likely will also involve some Egyptian concessions to Hamas, particularly concerning the Rafah crossing.⁶

This may be possible. Egypt seems amenable to making certain adjustments at Rafah, though in the immediate term only under a humanitarian rubric.⁷ In the past days, Egypt has several times asked Hamas for a temporary ceasefire to negotiate a more lasting arrangement, but Hamas has refused, apparently in the belief that it will get a better deal if the fighting continues to escalate, including to an Israeli land invasion. According to an Egyptian official, Israel has offered to renew the 2012 agreement – though, as both an Egyptian and Western diplomat with knowledge of mediation attempts said, no specific package has yet been put to Hamas.⁸

² That conflict was known as “Operation Pillar of Defence” in Israel and “Stones of Fire” to Hamas. The Egypt-brokered 21 November 2012 “Agreement of Understanding For a Ceasefire in the Gaza Strip” provides: “A. Israel should stop all hostilities in the Gaza Strip land, sea and air including incursions and targeting of individuals. B. All Palestinian factions shall stop all hostilities from the Gaza Strip against Israel including rocket attacks and all attacks along the border. C. Opening the crossings and facilitating the movements of people and transfer of goods and refraining from restricting residents’ free movements and targeting residents in border areas and procedures of implementation shall be dealt with after 24 hours from the start of the ceasefire. D. Other matters as may be requested shall be addressed”. Reuters, 21 November 2012. For details on the agreement, see also Nathan Thrall, “Whose Palestine?”, *New York Review of Books* (online), 19 June 2014.

³ The Shalit deal of October 2011 was an exchange of 1,027 Palestinian prisoners Israel arrested for security-related offenses in exchange for Israeli soldier Gilad Shalit, held for over five years.

⁴ Cairo considers the Muslim Brotherhood, Hamas’s parent organisation, a terrorist organisation and Hamas a security threat. Egyptian security believes Sinai jihadists have received medical treatment and training in Gaza. Former President Morsi is on trial for espionage on behalf of Hamas, which, along with Qatar, Turkey and the U.S., is routinely accused in the media of conspiring to “bring down Egypt”. Crisis Group interview, Egypt analyst, July 2014. Hamas believes that Egypt is coordinating with Israel to destroy it.

⁵ “Qatar is too al-Jazeera for Israel”. Crisis Group interview, Israeli defence official, July 2014.

⁶ Crisis Group interviews, Jerusalem, July 2014.

⁷ Anything more regular would require a new mechanism. Hamas is willing to accept a PA presence at Rafah, but not a renewal of the 2005 “Agreement on Movement and Access” that put EU monitors, and Israeli cameras, in the crossing. Crisis Group interview, Hamas leader, Gaza City, June 2014.

⁸ Crisis Group interviews, Egyptian official, Cairo, and Western diplomat, Jerusalem, July 2014.

If and when a limited ceasefire deal is struck, it would be even more unstable than its predecessors if it is ambiguous and lacks implementation mechanisms and committed guarantors. This is because such an agreement would give neither side what it needs: for Gaza, access to the world; for Israel, an end to rocket fire. Squaring the ceasefire circle has hitherto been impossible, because once the fighting stops, Israel, Egypt and the PA, convinced that Hamas remains an enemy, have had little incentive to implement their commitments, knowing that the movement has no leverage other than to begin a new fight. Incentives to maintain the ceasefire are also weak for Hamas: when the pressure in Gaza becomes too great – whether for economic, political or others reasons; whether or not in response to a ceasefire violation – Hamas knows that a trickle of rockets will not be met with an overwhelming response.

This dynamic is how the parties ended up in the current fight. Fewer rockets were fired from Gaza in 2013 than in any year since 2001, and nearly all those that were fired between the November 2012 ceasefire and the current crisis were launched by groups other than Hamas; the Israeli security establishment testified to the aggressive anti-rocket efforts made by the new police force Hamas established specifically for that purpose. But rocket prevention was not absolute, though Hamas had a clear incentive in 2012-2013 to do its utmost, since in Egypt it had an ally for which it did not wish to cause additional problems, and life in Gaza was improving markedly, albeit from a very low level, as a result of the flourishing tunnel trade and relatively free passage at Rafah. As Israel (and Egypt) rolled back the 2012 understandings⁹ – some of which were implemented spottily at best – so too did Hamas roll back its anti-rocket efforts.¹⁰

Though Hamas renounced governance in Gaza with the April intra-Palestinian reconciliation agreement, it still more or less could cajole, or on occasion force, other factions to maintain a ceasefire – so long as it was seen to serve Gaza's interests.¹¹ Until some of the main restrictions on Gaza are lifted, however, it will not be seen that way. Materiel will not be an issue: while Hamas, due to Egyptian pressure, will have more trouble smuggling in weapons after this round, it will most likely be able to produce sufficient rockets domestically to continue to threaten Israel, including in the major population centre of Tel Aviv and its surroundings. Indeed, Hamas's rocket capacity has increased markedly since the last round of fighting in both quantity and range: Israeli military officials have stated that most of the rockets landing in the centre of the country were produced in Gaza, reflecting an increase since the November 2012 escalation, when only half the long-range rockets fired were of local origin.¹²

⁹ This was due in part to security concerns. North-east Sinai is subject to a very early curfew, complicating transportation from Rafah across the Suez Canal. Military deployments, frequent power and communications outages and improvised explosive devices on the roads were additional factors. Crisis Group interview, foreign ministry official, Cairo, June 2014.

¹⁰ Crisis Group Report, *The Next Round in Gaza*, op. cit.

¹¹ Crisis Group interview, Hamas leaders, Gaza City, June 2014.

¹² Gili Cohen, "Hamas firing long-range M-302 rockets at Israel, capable of 150-km distance", *Haaretz*, 9 July 2014. www.haaretz.com/news/diplomacy-defense/1.603957. See also, Crisis Group Report, *Israel and Hamas: Fire and Ceasefire in a New Middle East*, op. cit. That does not mean arms smuggling has stopped. An Egyptian foreign affairs official said Cairo interdicted a major attempt to move weapons into Gaza in late June. Crisis Group interview, Cairo, July 2014.

Distinctly less likely outcomes to the current escalation are Israeli attempts to destroy Hamas's weapons store and capacity, or even the movement itself.¹³ Doing so would require a long and bloody battle in Gaza's cities and refugee camps, with no certain result. As an Israeli security expert testified, Israel could well lose dozens of soldiers in such a campaign, undermining public support.¹⁴ Even if Israel were to crush Hamas's institutional infrastructure, the movement would remain a force in Palestinian politics and presumably would continue to function underground, as it does in the West Bank and did in Gaza until Israel withdrew in 2005.

Moreover, the day after Israel succeeded, it would confront the same unenviable set of choices that it has considered before: the resumption of direct occupation, which its defence establishment desperately wants to avoid; turning over the keys to an alternate Palestinian leader, though Israel would be hard-pressed to find one who would accept and be accepted; or letting Gaza become an ungoverned space that would be fertile ground for the Islamic State of Iraq and the Levant (ISIL) and similarly-minded jihadis. Without a clear endpoint, retaking Gaza would be a very risky option – too much so, it seems, for much of the Israeli security establishment.¹⁵

III. Is Quiet Enough?

Hamas is portraying itself as already having decided to use the current crisis to normalise Gaza life – through brinkmanship if it can, through guerrilla warfare if it must.¹⁶ Khaled Meshal, chief of its political office, initially distanced the movement from the kidnapping in an attempt to head off confrontation with Israel,¹⁷ and it may yet choose not to risk its institutional coherence through an all-out land war in Gaza. Yet, now that the battle has been joined, Hamas seems to feel that it has little, or at least not enough, to lose by pressing ahead, with Gaza already short on fuel, electricity, medical supplies and salaries, and, for the vast majority of its residents, almost no possibility of entry or exit. Knowing that it cannot best Israel militarily, it has opted for what amounts to a war of attrition: exhausting and terrifying Israelis and exacting economic costs, to compel the government to agree to implement a ceasefire.

The campaign against Hamas leaders in the wake of the kidnappings and killings – unjustified, the movement believes, since those leaders deny having any responsi-

¹³ Another, less frequently stated reason for Israel to consider a ground invasion is not the elimination of rockets but the destruction of an unknown number of deep, reinforced and largely impenetrable tunnels running between Gaza and Israel for the purposes of attacks by Gaza militants. Some of these tunnels are believed to be sufficiently wide to transport a vehicle, thus potentially allowing a large and rapid incursion. Crisis Group interview, Israeli army officer, Jerusalem, July 2014. The tunnels are not linear and have multiple entrances and exits, which means that even if one or more points of access are destroyed from the air, the army cannot be sure that the tunnel has been disabled.

¹⁴ Former National Security Adviser Yaacov Amidror estimated that reoccupying Gaza would require a ground operation of between three and thirteen days. He assessed that the operation alone would exact dozens of Israeli casualties and would have to be followed up by six to twelve months of military operational presence before Israel could reach a situation in which no rockets were launched from Gaza. Interview to TV Channel 10 News, 9 July 2014. tinyurl.com/kd5ybn9.

¹⁵ Crisis Group interview, Israeli defence official, Jerusalem, 9 July 2014.

¹⁶ Crisis Group interview, Hamas leaders, Gaza City, June 2014.

¹⁷ "Meshal: Hamas Not Responsible for Kidnapping, Wants Calm with Israel", *Haaretz*, 3 July 2014. An Israeli defence official said that while the kidnapping had been "imposed" on the Hamas leadership, "by not condemning it, they in effect supported it". Crisis Group interview, Jerusalem, July 2014.

bility for the incident – convinced them that Israel already has decided to hit them hard, regardless of the rockets they may or may not fire. Given choices between being slowly squeezed to death and going down fighting and between waiting for Israel to eliminate the stockpiles on the ground or shooting them into Israel, they will take the latter both times.¹⁸

Seen in this light, Hamas may not view a ground war as its worst-case scenario. Either despite or because of its desperation, the movement senses potential tectonic shifts in Palestinian politics and is trying to take advantage of them. It believes it could rally Palestinians behind it; further damage the standing of PA President Mahmoud Abbas, whose reputation has again suffered because of his equivocal stance on the fighting¹⁹ and because he has continued security coordination with Israel during its campaign these last days in the West Bank, cooperation that, as during past escalations, presumably would be maintained even during an extended Israeli campaign against Gaza; help ignite a third intifada in the West Bank, even among Israeli Arabs, whose passions are inflamed after the revenge murder of a Palestinian teen in Jerusalem and widespread displays of ethnic chauvinism; and create popular pressure in neighbouring countries, even if not as much as in 2012.²⁰

Indeed, after more than a week of fighting, Hamas has become bolder. It calls for “ending the siege” on Gaza in its entirety, not the relaxation of specific constraints.²¹ It has also raised its demands for a prisoner release.²² A Gaza analyst explained Hamas’s confidence:

Hamas will probably agree to an implementation of the 2012 ceasefire, but further down the line, perhaps after a ground invasion. Not now. Hamas is refusing the mediation coming its way because it knows that it gets offers only when the situation is bad for Israel, not when it is bad for Hamas. They see Netanyahu caught between rational pursuit of Israel’s interests and public opinion – and they are going to force Netanyahu to make the more self-destructive choice.²³

Passions, of course, are no less inflamed among Israel’s Jewish population, and Prime Minister Netanyahu cannot be oblivious to them as he decides what path to pursue. The kidnapping and murder of the yeshiva students riled more than just the country’s right wing; at the same time, the subsequent revenge killing, particularly against the backdrop of rising settler violence, presented the Israeli centre with a reminder of the conflict’s human costs and pushed some toward the left.

¹⁸ Crisis Group interview, Hamas leaders, Gaza City, June 2014.

¹⁹ In a statement widely pilloried by Palestinians, Abbas said, “it’s not important who wins or loses; what’s important is to end the bloodshed”. “Hamas officials denounce ‘criminal’ Abbas as ‘Likud member’”, *The Jerusalem Post*, 12 July 2014. This assessment of the impact on Abbas is shared by many in Fatah. Husam Khader, a Fatah Revolutionary Council member, went so far as to post on Facebook: “The war on Gaza will lead to an emotional victory for the Palestinian resistance, and that will put an end to the political life of the Palestinian Authority and Fatah leader Mahmoud Abbas”. “Senior Fatah leader: resistance is to win, Abbas’ political life to end”, *Middle East Monitor*, 12 July 2014.

²⁰ The Gaza escalation has led to a series of solidarity protests in the West Bank and Israel. *Maan News*, 11, 12, 13 July.

²¹ Crisis Group interview, Hamas official, Gaza City, July 2014.

²² A Hamas official said, “We are showing the Israelis that what was on the table yesterday is no longer on the table today. Every day we fight, the price goes up”. Crisis Group interview, Hamas official, Gaza City, July 2014.

²³ Crisis Group interview, Gaza City, July 2014.

Netanyahu's inclination is to avoid dramatic steps. His preference would be to demote the Palestinian issue on the Israeli agenda by quickly reinstating deterrence to achieve what he calls "quiet for quiet", meaning that if Hamas does not shoot, neither will Israel.²⁴ In practice this would require a measured and controllable escalation that teaches Hamas a lesson but does not end in a full-scale invasion of Gaza.

Getting that balance right, however, will not be easy. Hamas refuses his quiet-for-quiet formula. Some in his cabinet are negative as well. For hawks such as Foreign Minister Avigdor Lieberman and Economy Minister Naftali Bennett, deterrence through airstrikes is not enough: they have been advocating – since November 2012 and more vigorously in recent days – that Israel retake Gaza and uproot Hamas, or at least its capacity to threaten Israel.²⁵ Defence Minister Moshe Yaalon, by contrast, stands with Netanyahu; both of them, unlike their colleagues further to the right, may be willing to agree to a ceasefire, so long as it is perceived as not giving too much to Hamas and can be sold at home as a victory on account of the damage done to Hamas and the purported deterrence the campaign re-establishes.

Some in the defence establishment argue that Israel erred by not sending in ground troops in the last two rounds to eradicate Hamas's underground infrastructure. Hamas came to believe, they say, that Israel fears a land incursion, reducing Israeli deterrence.²⁶ On the whole, however, the defence establishment rejects the hawkish position.²⁷ Nevertheless, that position has political traction on the right and so poses a clear threat to Netanyahu. Any concession he makes to Hamas to end the fighting will become ammunition for his competitors. Indeed, with Netanyahu having repeatedly and furiously castigated the Palestinians' reconciliation government,²⁸ any conclusion to the fighting that leaves it intact, much less strengthened, could make him look hypocritical. Lieberman, who recently delinked his Yisrael Beiteinu party from the prime minister's Likud, can topple the coalition at will and provoke new elections. With the country emotionally riled, Netanyahu also has to worry about the electoral consequences of his Gaza strategy. Realpolitik and electoral politics are pushing the prime minister in opposite directions.

Because a ground operation would be a dangerous course, ripe for miscalculation and tragedy, especially in the absence of a clear exit strategy, Netanyahu most likely will try to chart a middle course between restoring deterrence and threat eradication, leading a campaign bigger than the one he may want and smaller than the one Lieberman and Bennett profess to prefer. But the longer the disruption of life in Israel continues, the higher the public's expectation of an achievement will be. Pursuing the middle ground could cost Netanyahu if he exhausts the country but brings only a middling return.

²⁴ "Israelis and Palestinians: From Two Wrongs, Ruin", *The Economist*, 12 July 2014.

²⁵ When Israel began its "Protective Edge operation", Bennett softened his public position, arguing that "occupying Gaza is a possibility, but one we are not interested in". Israel Channel 10 News, 9 July 2014. tinyurl.com/kd5ybn9 Some figures not on the right, including leading voices in the Kadima party such as former General Security Service (Shin Bet) head Avi Dichter and former Deputy Prime Minister Haim Ramon, also support a land incursion to "destroy Hamas's terrorist infrastructure in Gaza".

²⁶ Former IDF Intelligence Chief Amos Yadlin, "Operation Protective Edge: The Goals, and the Strategy to Achieve Them", INSS Insight no. 571, 9 July 2014.

²⁷ Crisis Group interview, Israeli defence official, Jerusalem, 9 July 2014.

²⁸ "Netanyahu: PA Unity government will 'strengthen terror'", *Times of Israel*, 1 June 2014.

IV. Conclusion: Avoiding Hollow Victories

Israel and Hamas are both trying to rewind the clock to 2012. Hamas wants implementation of the formal understandings that ended that round; as seen from Gaza, periodic escalations are less a means of reaching new agreements than of renewing commitments to an old one. Israel prefers to return to the reality that emerged for over a year, with Hamas largely, if not perfectly, enforcing the ceasefire, even as Israel and Egypt fulfilled their obligations selectively. To the extent that the situation in Gaza was normalised, it was because the tunnels were active as the main pipeline keeping it supplied with crucial products such as fuel (and therefore electricity) and building materials. Two years later, however, the region and particularly Egypt are very different places. The tunnels are now closed, as is the Rafah crossing for the most part. Without them, the parties will have to agree to a ceasefire they can implement, not one that limps along in the breach.

If a ceasefire is to be more successful, a new formula will have to be devised, one that gives the parties what they require. It would need to be premised, as former Israeli negotiator Dr Yair Hirschfeld put it, on a more comprehensive framework of “stability for stability”, instead of the narrower “quiet for quiet”.²⁹ In March, Crisis Group described what that might look like:

Several conditions are necessary, though perhaps not sufficient, to ensure a longer cessation of violence. Most fundamentally, Israel and Hamas must ensure quiet. Beyond that, for life to be tolerable in Gaza, three essential needs must be met: the Rafah crossing should open regularly and predictably to allow Gazans entry and exit; Gaza’s neighbours should facilitate the import of sufficient fuel, especially diesel, used for electricity generation at the power plant, home generators, hospitals, sanitation plants, and much of public transportation; and Gaza – including its private sector – should receive more building materials, the lifeblood of the economy and crucial for construction, jobs, accommodating a rapidly growing population and creating and repairing homes and infrastructure.³⁰

Since then, the situation in Gaza has deteriorated. It has become worse since the reconciliation agreement theoretically entered into force in June.³¹ Instead of proving that the problem was Hamas, however, its failure to produce positive change has demonstrated to Gazans that nobody, including Hamas’s competitors, can deliver, which has done wonders to improve the Islamist movement’s battered reputation. There is a surprising amount of sympathy for this war in Gaza, in no small degree be-

²⁹ Crisis Group interview, Tel Aviv, 9 July 2014.

³⁰ Crisis Group Report, *The Next Round in Gaza*, op. cit., p. 18.

³¹ No issue has been as toxic as the salaries of the employees hired under Hamas. Qatar offered to give the PA the necessary funding to deliver them. Fatah’s official position is that the PA needs to review all 40,000-plus employees, as some are said to be militants or members of the Hamas-dominated security services. Crisis Group interview, Fatah leader, Ramallah, July 2014. That said, PA Prime Minister Hamdallah approached the UN in June to find a way to pay the salaries. The UN suggested channeling money through its Office for Project Services (UNOPS), to which the PA agreed, but when Israel rejected the idea, it was abandoned, including by the U.S. Several U.S. officials have said that since then, they themselves seem more concerned with the fate of the unpaid Gaza employees than the PA. Crisis Group interview, U.S. government officials, July 2014. Hamas accused the PA of using the issue to upend the reconciliation agreement. Crisis Group interview, Hamas leader, Gaza City, June 2014.

cause it appears to everyone, including many of Hamas's staunchest opponents, that there is no other way out.³²

Yet, the reconciliation agreement, should it be implemented and deepened, could be a central component in a package to escape the current impasse. Anchoring the ceasefire in a political framework could help prevent it from unravelling as fast as its predecessors. Such a ceasefire, in turn, could give a boost to reconciliation and reestablishing Ramallah's role in Gaza governance. To start:

- ❑ Egypt should speed mediation of an immediate ceasefire;
- ❑ all parties should exercise maximum restraint on the Israel/Lebanon border, since a clash on Israel's northern front would only complicate calming its southern one;
- ❑ PA security forces should return to Gaza, and particularly to the border crossings, in order to facilitate the movement of goods to Gaza – especially building materials and fuel – and people to Israel and Egypt;
- ❑ a donor or the UN should pay the roughly 43,000 Gaza government employees hired under Hamas who are not receiving salaries;³³
- ❑ Israel and the PA should cooperate to advance large infrastructure projects in Gaza;
- ❑ PA ministers should assume governance responsibilities in Gaza;
- ❑ Hamas should guarantee, in cooperation with the new government, both the ceasefire with Israel and the security of all personnel, of all agencies, operating in Gaza; and
- ❑ the U.S. should continue to support the reconciliation government, and Israel should cooperate with it to resolve Gaza's most pressing problems, including energy, water and sanitation, and more generally to improve life in the Strip.

A variety of mechanisms could be used to implement these principles, but not before there is recognition that a durable agreement – from which Egypt, Israel, the PA and Hamas could all benefit – cannot succeed without such a mechanism. Egypt could benefit doubly from the agreement, by both enhancing security and stability on its border and reasserting itself as a regional actor.³⁴ After the last seven years of eco-

³² Crisis Group interviews, Fatah cadres, Gaza City, June 2014.

³³ An Israeli official suggested that he could envision his government potentially justifying allowing a third party (not the PA) to pay salaries as a humanitarian issue. An Israeli analyst doubted the government would allow the salaries to be paid by the UN, however, because of the legitimacy it would confer on Hamas. Crisis Group interviews, Jerusalem, July 2014. Payment directly by Qatar remains a possibility, but a diplomat with knowledge of discussions of the salaries said that Qatar – like the PA – would not do so without a guarantee that it would not be subject to U.S. sanctions through the Office of Foreign Assets Control for dealing with Hamas, a guarantee so far not forthcoming. Crisis Group interview, July 2014. A U.S. official described the problem: “U.S. law is draconian. But the issue here is not just our law. It is international law, European law, etc. In delivering salaries, we are talking about using banks, all of whom could be liable and don't want to be culpable. So the only solution that we can see is bringing bags of cash into Gaza. More broadly, regardless of the solution, the real question here is the Israeli position. If the Israelis will allow payment through the UN, we don't have a problem”. Crisis Group interview, Washington, 14 July 2014.

³⁴ Mediating a multilateral deal to resolve an international crisis could revive Egypt's reputation as a regional leader, a significant prize ahead of President Sisi's September trip to the UN General Assembly. It could also stand him in good stead as the U.S. government debates what to do with withheld financial and military aid. He could win praise for his young administration, much as Morsi did in November 2012. “The mainstreaming of the new Egypt is a major regime aim at a time when

conomic, political and social pressure, strengthening Gaza is a sine qua non of “stability for stability”.

A significant improvement in Gaza’s economic conditions and in the free movement of its residents can be achieved by three routes: Gaza’s southern border, with Egypt; Gaza’s northern and eastern border, with Israel; and Gaza’s western border, with the Mediterranean. If Israel and Egypt are unable or unwilling to offer Gaza, at least under its current de facto Hamas control, the changes that a lasting ceasefire requires, the third route should not be ruled out. Monitors deemed acceptable by Israel, perhaps provided by the EU, could facilitate transport of goods to and from Gaza through a port in a nearby country, such as Greece or Cyprus. What all three options share in common is the necessity of PA involvement – not because Hamas requires it, but because Israel, Egypt and any monitors acceptable to Israel will. Facilitating PA involvement could strengthen President Abbas, who has been, as in past escalations between Hamas and Israel, the biggest political loser.³⁵

Of course, many understandably fear that strengthening Gaza would strengthen Hamas, since it is and will remain firmly in de facto control of Gaza for the foreseeable future, even should the reconciliation agreement be implemented. But this is where politics come in. Gaza cannot be strengthened without arresting Hamas’s decline, as the rising tide would lift all parties. But Hamas would be out of government; it would be the PA that serves and supports the people. That would strengthen Fatah, the PLO, the middle classes, the private sector and a host of other actors that years of isolation have all but erased from Gaza’s political map. Just as the PA and the West need to beware of overreach, so too does Hamas. Today it is confident in its fighting capacity and ability to wrest concessions from Israel and Egypt, but it has miscalculated in the past – as recently as 2012, when a ceasefire it celebrated was never implemented – and could easily do so again.

The policy of trying to topple or weaken Hamas was misguided when it was designed and remains so today. It has made reviving Gaza not just a humanitarian necessity but a requirement for peace and stability. The sooner that misguided policy is reversed, the sooner Gazans can resume something approximating a normal life, Israelis can come out of bomb shelters, and Palestinians can begin to repair their internal affairs and prepare, at some point, to enter a reformed peace process with Israel. Short of that, even before this confrontation is played out, the next one will be looming on the horizon.

Jerusalem/Gaza City/Brussels, 14 July 2014

many Western allies are still distancing themselves from Cairo because of the human rights situation. It would also be useful for the regime to show that it cares for Gaza and counter the Brotherhood propaganda on this. The Sisi regime has been wanting to say ‘Egypt is back’ for a while now; this is a chance to do it”. Crisis Group interview, Egypt analyst, Cairo, July 2014.

³⁵ “Abu Mazen is at risk of getting totally left behind. He can choose now, before it’s too late, to be an active part of this and try to actually gain something for himself and the PA, while swallowing that Hamas will get some gains too, or he can be left behind. To start, that means putting PA security forces at Rafah, which the Egyptians would insist on. But the PA needs to draw up plans for this, and along the Egypt-Gaza border, which it has not yet done”. Crisis Group interview, U.S. official, Washington, July 2014.

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