

## **AFTER MECCA: ENGAGING HAMAS**

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## AFTER MECCA: ENGAGING HAMAS

### EXECUTIVE SUMMARY AND RECOMMENDATIONS

It has been a year since Hamas formed its government – and what a dismal year it has been. The Islamists thought they could govern without paying an ideological price, Fatah that it could swiftly push them aside and regain power. By imposing sanctions and boycotting the government, the Quartet (U.S., European Union (EU), Russia and UN) and Israel hoped to force Hamas to change or persuade the Palestinians to oust it. Washington promised security and economic aid to encourage Fatah to confront Hamas and help defeat it. The illusions have brought only grief. The 8 February 2007 Saudi-brokered Mecca Agreement between the Palestinian rivals offers the chance of a fresh start: for Hamas and Fatah to restore law and order and rein in militias; for Israelis and Palestinians to establish a comprehensive ceasefire and start a credible peace process; and for the Quartet (or at least those of its members inclined to do so) to adopt a more pragmatic attitude that judges a government of national unity by deeds, not rhetoric. The adjustment will not be comfortable for anyone. But the alternative is much worse.

That Palestinians have wasted the past twelve months is difficult to contest. Treated as an international outcast and an intruder by much of the Fatah-aligned civil service and security forces, Hamas has been unable to govern. It has survived, and under these conditions survival is an impressive achievement. But it arguably is the only one. Fatah, obsessed with recovering power, has done virtually nothing to restore popular credibility and reform itself. Its periodic threats to call early elections or a referendum to unseat the Islamists exacerbated tensions without offering a way out of the stalemate. Palestinian Authority (PA) institutions are collapsing, law and order vanishing; relations between Hamas and Fatah deteriorated to near civil war.

Israel and the Quartet also squandered the year. Sanctions did not achieve their objectives. The EU – justifiably reluctant to starve the Palestinian people – pumped more money into the PA but more ineffectively and less transparently. Years of investment in now decrepit Palestinian institutions

have gone down the drain. Western commitment to democracy in the Middle East has been roundly discredited. Hamas, weakened but still strong, is not going away. Diplomacy has been non-existent, violence between Israelis and Palestinians continues, and there has been no movement on prisoner exchanges. By almost every conceivable standard – governance, security, economics, institution-building and the peace process – there has been only regression.

The Mecca Agreement and the prospect it offers for a national unity government represent a chance to arrest the catastrophic slide toward civil war. The accord reflects basic conclusions reached by Hamas and Fatah: that neither can defeat the other; the public was turning against both; and continued strife could rapidly spin out of control. The opportunity is fragile: the two movements will have to show far more political flexibility and humility than either has evinced to date; tackle issues (Hamas's integration into the Palestine Liberation Organisation (PLO) and the militias' integration into the security services) the accord barely mentions; and find ways to suppress deep resentment and a thirst for revenge experienced by many families and clans throughout the occupied territories.

International responsibility is equally heavy. The Quartet's first reaction has been cautious. The agreement does not embrace the three Quartet conditions for resumption of aid and diplomatic contact: the new government will "respect" past Israeli-Palestinian accords, not abide by them; it will not recognise Israel; and it has not renounced violence – yet another reminder of how little a year of pressure and sanctions has extracted from Hamas. But what really matters is whether it will agree to and impose a mutual cease-fire; deal with Israel on day-to-day matters; acquiesce in negotiations between President Abbas, as leader of the PLO, and Israel; and, if a permanent status agreement were reached, allow it to be put to a popular referendum and pledge to honour its results.

Those standards should now apply to a government of national unity. The political and economic boycott should immediately be eased to allow discussions with the government as a whole and give Hamas an incentive to further moderate its stance; over time – based on PA performance, including release of Corporal Shalit in a prisoner exchange and adherence to a ceasefire – sanctions should be lifted in a calibrated manner. This is a course the U.S., politically and legally hamstrung, is unlikely to take. But it is one that Arab states and other Quartet members, principally the EU, should embrace. Maintaining sanctions and shunning a government expected to comprise some of the most pragmatic Palestinians would not bring the international community any closer to its goals. It would strengthen hardliners in Hamas, discredit Fatah further and risk provoking greater Israeli-Palestinian violence.

The main objective, of course, is to revive the peace process and move toward a two-state solution. Critics of the Mecca Agreement and the national unity government, chiefly the U.S. and Israel, call it an impediment to progress – an odd characterisation considering there was no peace process before Hamas won the elections and no peace process before Fatah agreed to join its government. It is also wrong. Mecca is a prerequisite for a peace process not an obstacle to it. Without a Hamas-Fatah power-sharing agreement and as long as the Islamists feel marginalised, unable to govern and in an existential struggle for survival, there can be no sustainable diplomacy. With sizeable public support, Hamas can deny Abbas the legitimacy required to make difficult concessions. It can launch attacks on Israel to torpedo talks. And in or out of office it can easily prevent a referendum designed to ratify any potential agreement.

If the international community is serious about its proclaimed goals, it will help bring stability to the Palestinians and broker a comprehensive Israeli-Palestinian ceasefire, permit the unity government to govern and press for meaningful negotiations between Abbas and Olmert. It will see Mecca as an opportunity to revive the peace process, rather than as yet another excuse to bury it.

## **RECOMMENDATIONS**

### **To the Islamic Resistance Movement (Hamas):**

1. Resume efforts to achieve a speedy prisoner exchange.
2. Issue a clear statement that:

- (a) political negotiations with Israel are the preserve of the PLO chairman;
- (b) any agreement produced by such negotiations will be submitted to a referendum; and
- (c) the movement will respect the outcome of such a referendum.

### **To the Palestinian National Liberation Movement (Fatah) and the PA Presidency:**

3. Activate the Palestinian National Security Council, with the participation of all relevant officials, agencies and political organisations, as the supreme arbiter of security policy.
4. Convene the sub-committees established pursuant to the Mecca Agreement to reach agreement on power sharing and expand these to include participation by representatives of other political organisations.

### **To Hamas and Fatah:**

5. Reach rapid agreement on the composition of the national unity government.
6. Pursuant to the Mecca Agreement, ensure that internal differences are resolved exclusively through dialogue and negotiations, and to this end cease incitement and provocative shows of force, including deployments by security forces and rallies by armed militiamen.
7. Withdraw all militia from populated areas and coordinate deployment of Hamas's Executive Security Force (ESF) through the joint operations room established with Fatah.

### **To the Palestinian National Unity Government, when established:**

8. Pursue a comprehensive and reciprocal Israeli-Palestinian ceasefire that is not only observed but also enforced on all armed groups by Palestinian security forces.
9. Engage with Israeli counterparts on day-to-day matters.

### **To the Government of Israel:**

10. Pursue efforts to achieve a prisoner exchange and a comprehensive ceasefire.
11. In parallel to achievement of a ceasefire and prisoner exchange:

- (a) hand over outstanding Palestinian revenues and resume regular transfer of withheld taxes; and
- (b) facilitate Palestinian movement and trade by implementing the November 2005 Agreement on Movement and Access (AMA).

**To the European Union and its Member States:**

12. Clearly adopt the goal of influencing Hamas's conduct rather than ousting it from power.
13. Ease sanctions upon formation of a Palestinian national unity government by:
  - (a) engaging in dialogue with the new PA government; and
  - (b) gradually restoring funding to the government through the ministry of finance, seeking creative ways to deal with U.S. banking restrictions on doing business with the PA government.
14. Gradually lift sanctions and establish normal relations when and as the PA government meets performance-based benchmarks, including:
  - (a) facilitation of an Israeli-Palestinian prisoner exchange;
  - (b) achievement, observation and enforcement of a comprehensive, mutual ceasefire; and
  - (c) clear authorisation to President Mahmoud Abbas to conduct negotiations with Israel and commitment to holding a referendum on any agreement reached in those negotiations and to respect its results.

**To Arab States:**

15. Encourage respect for and implementation of the Mecca Agreement by both parties; upon formation of a Palestinian national unity government, re-establish normal relations and, working through the ministry of finance, increase funding to the PA.
16. Re-energise the March 2002 Arab League peace initiative, in particular by directing public diplomacy at Israel, proposing meetings to explain and discuss its contents.

**To the UN Secretary-General:**

17. Upon formation of a Palestinian national unity government, authorise senior UN officials to

meet with PA cabinet members and Hamas leaders.

**To the U.S. Government:**

18. Cease efforts to scuttle or amend the text of the Mecca Agreement and use the potential lifting of sanctions as an incentive to influence the new government's conduct rather than an instrument to remove it from power.
19. Adopt a more flexible posture with regard to other countries' political and financial dealings with the PA, particularly concerning threats to blacklist banks which transfer funds on behalf of other governments.

**To Members of the Quartet:**

20. Press for Israeli-Palestinian negotiations and put forward a more detailed vision of a permanent status agreement.

**Amman/Jerusalem/Brussels, 28 February 2007**

## AFTER MECCA: ENGAGING HAMAS

### I. INTRODUCTION

The 8 February 2007 Mecca Agreement between the Islamic Resistance Movement ( Hamas ) and Palestinian National Liberation Movement ( Fatah ) has the potential to transform the Palestinian political system and its relations with the outside world. It may also amount to little more than a fragile and possibly temporary intra-Palestinian ceasefire.

The accord consists of four clauses: a “ban on the shedding of Palestinian blood...[and] adopting the language of dialogue as the sole basis for solving political disagreements in the Palestinian arena”; “reaching a final agreement on the formation of a Palestinian national unity government”; accelerated progress “in activating and reforming” the Palestine Liberation Organisation ( PLO ); and reinforcing “the principle of political partnership” within the Palestinian Authority ( PA ) “on the basis of political pluralism according to an agreement ratified by both parties”.<sup>1</sup> As the wording suggests, and further wrangling between the protagonists has confirmed, the Palestinians and their Saudi hosts have laid only the basis for the resolution of these issues. While an impressive achievement in its own right, it also means that key points will require further negotiation over the coming weeks and months.

On these grounds alone Hamas and Fatah may yet fail to establish a coalition government. Such a turn of events, or the rapid collapse of a new cabinet, would produce a dramatic escalation in the simmering conflict between the rival movements. Fear of such a scenario helped pave the road to Mecca and is likely to propel the parties into a national unity government. Yet by the same token, its assumption of office would remove only one in a series of imposing obstacles to sustainable power-sharing. Additional questions that go to the heart of the power struggle, such as the future of the PA security forces and the details of Hamas’s integration into the PLO, are either unmentioned or unresolved.

These cannot be postponed indefinitely and already are making their presence felt in coalition negotiations.

How the international community responds to the installation of a new government forms the other key determinant of the Mecca Agreement’s longevity. Saudi Arabia, and by extension most Arab and Islamic states, appear to have concluded that nothing can be achieved without Palestinian consensus and therefore worked to forge one that – although not strictly in line with the conditions of the Quartet ( U.S., EU, Russia and the UN represented by its Secretary General ) – is not inherently incompatible with the international objective of a negotiated two-state settlement. Their ability to shore up the PA’s finances and pierce the Islamists’ international isolation is likely to have a direct impact on how this consensus evolves. No less important is the position adopted by the Quartet, which in March 2006 severed relations with the PA government until it fulfils demands to recognise Israel, renounce violence and endorse past agreements. If the Quartet adopts the position that little has changed, the ensuing political and financial isolation might kill the agreement between Hamas and Fatah virtually at birth.

Implementation of the Mecca Agreement will confront Hamas with a new set of challenges and opportunities. In the past year, the Islamist movement found equal room for satisfaction and disappointment. It achieved an absolute parliamentary majority, established a government without the assistance of coalition partners and withstood various attempts to eject it from office. At the same time, its cabinet government proved unable to rule, as it was starved of resources and the instruments to exercise institutional power, while the movement became locked in increasingly bitter and violent conflict with domestic and external adversaries.<sup>2</sup>

<sup>1</sup> Text of 8 February 2006 Mecca Agreement, informal English translation, at [www.miftah.org](http://www.miftah.org).

<sup>2</sup> See further Crisis Group Middle East Report N°54, *Palestinians, Israel and the Quartet: Pulling Back from the Brink*, 13 June 2006; Crisis Group Middle East Report N°57, *Israel/Palestine/Lebanon: Pulling out of the Abyss*, 25 July 2006; Crisis Group Middle East Report N°58, *The Arab-Israeli Conflict: To Reach a Lasting Peace*, 5 October 2006.

While clearly concerned about this state of affairs, for Hamas the priority has been to retain sufficient popular support – whether active allegiance or passive acquiescence. Sporting a democratic mandate and able to point to opposition from Israel, the U.S. and Fatah, it largely maintained legitimacy while seeking to deflect responsibility onto its adversaries. Characterising the PA as “a means and not an end”,<sup>3</sup> Hamas also remained convinced it has a ready-made alternative: if leadership cannot be achieved through governance, the armed struggle and social welfare network that helped it win the elections could always be resumed.

Yet what seems to have worked in 2006 is unlikely to do so in 2007. Being the antithesis of Fatah may have sufficed to lift Hamas into power; it is insufficient to sustain it indefinitely, particularly as Palestinians in growing numbers have begun to conclude that the Islamists are as preoccupied with factional supremacy as their predecessors or that their personal circumstances are deteriorating.

Hamas understands that it must begin to make tangible progress towards those objectives it identified prior to the 2006 elections for the Palestinian Legislative Council (PLC): domestic reform and international legitimacy. It also understands that a national unity government remains its best and perhaps only option to do so. This, together with Fatah’s realisation that it is unable to prevail in a confrontation that likely would destroy the PA, lies at the core of the Mecca Agreement. That agreement’s fate depends on Hamas and Fatah, but also on virtually every other party to the Israeli-Palestinian conflict, including those most determined to remove Hamas from the political equation.

## **II. THE YEAR OF LIVING DANGEROUSLY**

### **A. HAMAS AND GOVERNANCE**

Hamas’s reputation for able administration, based on the performance of the social welfare sector it had run in the occupied territories, was a major contributor to its electoral victory. Its inability to meet the challenges of governance after it formed the government was – even as it deflected responsibility for this to domestic rivals and foreign adversaries – a major incentive for it to endorse the Mecca Agreement. Whether and how the Islamists acquire the capacity to rule will, therefore, have major consequences for the agreement’s sustainability.

#### **1. Budget constraints and social crisis**

When Hamas entered office on 29 March 2006, government coffers were all but empty. Reserve funds placed at the finance ministry’s disposal by donors also had been largely depleted and were in any case placed off limits to the Islamists. A series of political decisions eliminated most of the PA’s regular sources of income and ability to engage in debt spending. Its most significant source of revenue, the monthly transfer of \$50-60 million in Palestinian taxes and fees collected by Israel, was severed by the Israeli government. Direct and indirect donor subventions to the PA’s Single Treasury Account were halted, pursuant to the Quartet decision to discontinue relations. Of perhaps most significant and long-lasting effect, the U.S. announced it would blacklist any bank that continued doing business with the government.

Further complicating the challenge was the decline in private savings and investment since 2000 and the increasingly central economic role the PA had come to play as a result. As the biggest employer, largest spender and main service provider in the occupied territories, the government often was the only barrier between subsistence and poverty. This was true for not only public sector employees but also the retail and service sectors, which became more and more reliant on PA-generated economic activity. The PA’s economic impact has become visible to the naked eye, notably in the Gaza Strip: “You only need to look at the street to determine if salaries have been

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<sup>3</sup> Crisis Group interview, Mushir Masri, Hamas spokesman and PLC member, Gaza City, 22 November 2006.

paid. The change from empty stores to hustle and bustle is almost immediate”.<sup>4</sup>

Mistakenly confident that Arab and Muslim states would match the shortfall resulting from foreign sanctions and that their banks would defy Washington, the government initially acted as if there was no crisis. Once the extent of their problems became clear, Prime Minister Ismail Haniya, Finance Minister Omar Abd-al-Raziq and other cabinet officials on several occasions naively announced the imminent arrival of sums large enough to pay salaries and arrears to some 140,000 public sector employees. In reality, the treasury received only those fees and taxes collected directly by the PA; never a significant proportion of the overall budget, these sums decreased further as the economic activity generating them continued to decline. Arab and Islamic states either observed the boycott, deposited funds in an Arab League account in Cairo (where no bank was prepared to transfer them to the PA treasury), or sent their money to the president’s office.

The devastating socio-economic impact of the sanctions has been well-documented.<sup>5</sup> According to a November 2006 report on the “unprecedented macro-economic compression” in the West Bank and Gaza Strip issued by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA):

The PA fiscal crisis resulted in an estimated decline of more than \$500 million in [Palestinian] household income in first-half 2006. As a result, real per capita consumption levels (including external assistance) declined by about 12 per cent, with food consumption down by 8 per cent and non-food consumption down 13 per cent relative to second-half 2005. *This increased the number of deep poor from an average of 650,800 in second-half 2005 to an average of 1,069,200 in first-half 2006 – a 64.3 per cent increase.* The individual deep poverty rate climbed from 17.3 to 27.5 per cent as between these two periods.<sup>6</sup>

According to UNRWA Commissioner Karen Koning AbuZayd, “it is especially frightening to see the impact of prolonged crises on every aspect of the Palestinian body politic: the deterioration of law and order; the unravelling of community cohesion; the rise in crime and internal violence; and the increasing radicalisation of youth in an environment of economic and political hopelessness”.<sup>7</sup>

By February 2007, according to the British charity Oxfam:

Two thirds of Palestinians now live in poverty, a rise of 30 per cent last year. The number of families unable to get enough food has risen by 14 per cent. More than half of all Palestinians are now “food insecure”, unable to meet their families’ daily requirements without assistance. The health system is disintegrating. Public servants...are worst hit.... They haven’t had a regular income since February 2006. Their poverty rate has risen from 35 per cent in 2005 to 71 per cent in 2006.<sup>8</sup>

In what UN Special Rapporteur on Human Rights in the Occupied Territories John Dugard characterised as the first case in which an occupied people have been subjected to international sanctions,<sup>9</sup> Palestinians describe levels of poverty “that we never experienced nor even imagined would ever befall us”.<sup>10</sup> In the central Gaza Strip, a housewife relates the veritable transformation of the local fruit and vegetable market, “in which produce has become more scarce and expensive because of the closure, while people are poorer and buy less because of the sanctions”.<sup>11</sup> “Those who used to buy a *ratl* [three kilos]”, adds her daughter-in-law, “today settle for a kilo. Those who used to buy a kilo now buy only an *uqiyya* [250 grammes]. You always see people who inspect the produce, haggle with the vendor, then

<sup>4</sup> Crisis Group interview, PA civil servant, Gaza City, December 2006.

<sup>5</sup> See further Crisis Group Report, *Palestinians, Israel and the Quartet*, op. cit.; “West Bank and Gaza – Country Economic Memorandum: Growth in West Bank and Gaza: Opportunities and Constraints”, World Bank, September 2006, 2 vols.

<sup>6</sup> “Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-Economic Impacts”, UNRWA, November 2006, p. iii. (emphasis in original).

<sup>7</sup> Ibid, “Foreword”.

<sup>8</sup> “Middle East Quartet should end Palestinian Authority aid boycott and press Israel to release confiscated taxes  
Increasing levels of poverty - health and education near melt-down – peace further away”, Oxfam, 21 February 2007.

<sup>9</sup> United Nations, Department of Public Information, General Assembly GA/SHC/3858, 19 October 2006.

<sup>10</sup> Crisis Group interview, Palestinian resident, Gaza Strip, November 2006. The phrase was repeated by many others interviewed by Crisis Group.

<sup>11</sup> Crisis Group interview, Palestinian resident, Gaza Strip, November 2006.



walk away because they arrived penniless – as if they came only to relive memories of better days”.<sup>12</sup>

A charity worker in the same region relates the perceptible increase in beggars: “You almost never saw them, now you can’t go to the mosque without being approached by at least several. It’s heartbreaking”. Previously, he adds, “when I used to distribute cash during the holidays, some families that I know to be poor were too proud to accept anything and could at least scrape by without help. Now if I offer \$20, they respond as if I’ve given them a bar of gold. And some go so far as to come to me”.<sup>13</sup>

According to a private sector employee, “the Gaza Strip has in recent years been sustained by two things: salaries and rations. Now that the salaries are largely gone, you see the result”.<sup>14</sup> Large families, which tend to be the norm in the Gaza Strip, are the hardest hit. On an almost daily basis breadwinners are forced to decide between the necessary and the imperative. A Gaza Strip resident explains: “My father is diabetic, which means my daughter no longer goes to university because I need to choose between his medication and her transportation costs to and from Gaza City. If we hadn’t stopped eating meat, I couldn’t afford either”.<sup>15</sup>

A member of the security forces relates that “I have stopped paying rent. I only buy what is absolutely necessary – fruit once a week and meat only very rarely – and no longer help relatives who used to rely on my support. Along with nine others in my unit, we would each contribute \$100 a month to a pool that we would receive on a rotating basis for special expenses; that has now ended”.<sup>16</sup> The above-mentioned private sector employee asserts: “Only those with outside support have an even remote possibility of making ends meet”.<sup>17</sup>

We have become a society that lives on credit. The worst part is that when people earn some money, for example half a salary, they’re

unable to settle their debts. Instead they pay off only part to the local supermarket to guarantee continued credit until the next payday. Over time the amounts increase to alarming levels.<sup>18</sup>

Throughout the Gaza Strip and to a lesser extent the West Bank, residents claim there have been serious increases in drug use, prostitution, petty crime and other phenomena normally associated with deepening poverty. Many such reports are at best difficult to verify, though a resident of one of Gaza City’s more affluent neighbourhoods reported three attempted robberies in her street alone during a single week in October 2006. “What made it particularly shocking was that this was the first week of Ramadan, when such incidents usually decrease”.<sup>19</sup>

## 2. Resilience

As the months dragged on and the suffering of ordinary Palestinians increased, the political and economic pressure on the Islamist government the sanctions were intended to intensify in fact gradually eased. Using senior officials like Foreign Minister Mahmoud Zahhar as couriers,<sup>20</sup> Hamas has, according to EU monitors at the Rafah crossing, brought across approximately \$60 million in suitcases.<sup>21</sup> These sums, declared at the border and deposited in the PA treasury, were – along with locally collected revenues – subsequently used to finance partial salary payments and other government expenditures in the occupied territories.<sup>22</sup> At the same time, they fell far short of the PA’s 2005 monthly operating budget of approximately \$80 million.

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<sup>18</sup> Crisis Group interview, Palestinian charity worker, Gaza Strip, December 2006.

<sup>19</sup> Crisis Group interview, Palestinian resident, Gaza City, November 2006.

<sup>20</sup> “Ministers have performed the role of luggage carriers [*attalin*], bringing suitcases filled with money in order to facilitate the payment of salaries”, Crisis Group interview, Said Siam, PA interior minister, Gaza City, 1 December 2006.

<sup>21</sup> *The Guardian*, 16 January 2006.

<sup>22</sup> To date, there have been virtually no allegations of corruption or funds diversion regarding these sums. The funds are declared for customs purposes and can be compared to the amounts subsequently deposited in government accounts, and Hamas has been keen to emphasise the transparency and accountability of the operation. On the other hand, Palestinian and foreign observers note that Hamas resorts to a variety of money-laundering schemes and smuggles cash through tunnel networks on the Gaza-Egyptian border to finance the movement itself and pay loyalists. Crisis Group interviews, Palestinian finance official, Ramallah, November 2006; European diplomat, Jerusalem, January 2007.

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<sup>12</sup> Crisis Group interview, Palestinian resident, Gaza Strip, November 2006.

<sup>13</sup> Crisis Group interview, Palestinian charity worker, Gaza Strip, December 2006.

<sup>14</sup> Crisis Group interview, Palestinian private sector employee, Gaza City, November 2006.

<sup>15</sup> Crisis Group interview, Palestinian resident, Gaza Strip, November 2006.

<sup>16</sup> Crisis Group interview, Palestinian security officer, Gaza Strip, February 2007.

<sup>17</sup> Crisis Group interview, Palestinian private sector employee, Gaza City, November 2006.

Irregular payments to PA employees are made in cash, via vouchers that can be redeemed at the Post Office (a PA agency that does not observe sanctions), or through deposits into their bank accounts.<sup>23</sup> The amounts are generally in the range of \$250 to \$350. Employees receive the same amount irrespective of their pay grade, the only exception being those whose salary is below the flat rate.<sup>24</sup> In practice this has meant that lower-paid employees have received a significantly higher proportion of their salaries than others.

The Temporary International Mechanism (TIM), established under Quartet auspices in June 2006 to relieve the effects of sanctions without dealing directly with the PA government, has further alleviated – albeit not eliminated – the financial burden. Between its inception and the end of 2006, the EU disbursed approximately \$140 million, in effect “providing more aid to the Palestinians in 2006 than in 2005”,<sup>25</sup> including direct payments to health and higher education institutions, operational support for vital infrastructure and, since August, regular “allowances” to 144,000 households of between \$200 and \$400 per month.<sup>26</sup> With almost 60,000 public sector workers (including 5,300 pensioners) in effect drawing salaries from the EU, Prime Minister Haniya told Crisis Group in January 2007 that sanctions were crumbling.<sup>27</sup> An early February European Commission press release asserted that “more than 80 per cent of civilian employees on the [PA] payroll” were about to receive a \$350 monthly “allowance”, and that the \$845 million allocated by the Commission and EU member states in 2006 “marks a 27 per cent increase in the level of assistance compared to 2005.”<sup>28</sup>

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<sup>23</sup> A number of PA civil servants and security officers interviewed by Crisis Group report that local banks exempt the deposit of salaries into employee accounts from their refusal to conduct business with the PA government. According to one, “given the exorbitant rates they charge for overdrafts and lending, they're earning so much money they couldn't give a damn what Bush thinks”. Crisis Group interview, PA security officer, Gaza City, February 2007.

<sup>24</sup> Crisis Group interview, PA employees, West Bank and Gaza Strip, January 2007.

<sup>25</sup> Crisis Group interview, British development official, Jerusalem, January 2007.

<sup>26</sup> “Temporary International Mechanism: Implementation Progress, 26 June – 15 December”, European Union, n.d.

<sup>27</sup> Crisis Group interview, Ismail Haniya, Palestinian prime minister, Gaza City, January 2007.

<sup>28</sup> “Temporary International Mechanism (TIM) Makes Fifth Payment from European Funds to Public Service Providers

According to Interior Minister Said Siam:

He who claims he hasn't been paid in eight months is a liar. 40,000 employees have received full payments, for the simple reason that the advances [*sulaf*] provided them are equal to their salaries. Others have received a quarter, half or two thirds of their salaries, along with other benefits like petrol coupons. Of course there are problems, and the problems are serious, but the aim of this [PA public sector] strike is to topple the government rather than achieving the rights of employees.<sup>29</sup>

All in all, Hamas claims that on account of these various mechanisms more than 50 per cent of the salary roll since the government took office is accounted for. According to Deputy Finance Minister Ismail Mahfouz, civilian PA employees, with funds coming in from outside, local revenues, and TIM, received “\$350 in March, 50 per cent of their salaries in April, \$350 during the months May-July, nothing in August, \$350 in September, full salaries from October to December and half of their salaries in January, including full salaries for health and education workers”.<sup>30</sup> In the words of a senior finance ministry official closely identified with the Fatah movement:

Civilian PA employees with salaries up to \$350 per month have been paid nearly everything. Those earning up to \$600 have received approximately half; those who earn up to \$850 have received about 40 per cent of their salaries, while those earning more than that are proportionately the worst off. Health and education employees are generally the best paid because of special [EU] programs to assist them, while those in the judiciary have relatively speaking received almost nothing because of their much higher salary levels.<sup>31</sup>

PA security forces, “specifically excluded” by TIM,<sup>32</sup> receive much of their budgets from the office of

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and Pensioners”, European Commission – West Bank & Gaza, 2 February 2007.

<sup>29</sup> Crisis Group interview, Siam, Gaza City, 1 December 2006.

<sup>30</sup> The figure of \$350 is a maximum, disbursed only to employees whose salaries equal or exceed this amount, Crisis Group interview, Ismail Mahfouz, deputy finance minister, 18 February 2007.

<sup>31</sup> Crisis Group interview, senior PA finance ministry official affiliated with Fatah, Gaza City, 19 February 2007.

<sup>32</sup> Crisis Group interview, British development official, Jerusalem, November 2006.

President Abbas with funds provided by Arab states.<sup>33</sup> Mahfouz asserts that since the government assumed office, his ministry has disbursed five payments of \$350 to all PA security personnel and that this “excludes payments provided by the presidency to the security forces which we are unable to track”.<sup>34</sup> A senior ministry official affiliated with Fatah confirms Mahfouz’s account, stating that “the government since it took office provided the security forces four payments of \$350 and paid January 2007 salaries in full”.<sup>35</sup> Asked to recount the payments he has received since March, a junior officer in the National Security Force (NSF) noted two \$100, one of \$200, one of \$220, one of \$300, three of \$350 and one full salary (paid in two instalments a week apart). While unable to distinguish which portion had come from the government and which from the presidency, he recalled “that some of these payments were accompanied by considerable media fanfare from Hamas, leading me to believe they came from the government”.<sup>36</sup>

A more senior officer in the same force earning \$670 per month states he has received six payments, “two in cash and four deposited into my account. But I wouldn’t be able to tell you which are from the government and which are from the presidency”.<sup>37</sup> Nor could his colleagues. Indeed, a European diplomat who interviewed TIM civilian beneficiaries was unable to convince them that the sums deposited directly into their bank accounts through this scheme were provided by the EU, “because they kept insisting the payments came from the government”.<sup>38</sup>

For all PA employees – civilian and military – it is not only the reduced salary levels that are at issue. The irregularity of payments, and fear that the next may be delayed for weeks or longer, breeds anxiety and, in many cases, debt. In an environment where most PA employees know exactly what amount they are still owed, often several thousand dollars, the fear

that these amounts may ultimately not materialise is considerable.<sup>39</sup>

Hamas leaders often emphasise that the sanctions are hurting them as well. Prominent Islamist legislator Salah Bardawil, for example, stated that since resigning from his previous job in December 2005 to participate in the PLC elections, “I’ve received half of my monthly PLC salary once, and two advances of \$300 and \$400 each. I’m now \$30-40,000 in debt”.<sup>40</sup> No less serious are the travails of a senior Palestinian diplomat who noted that the Islamist government had decided that only years of service in the PA would be considered when calculating pension rights – thus excluding those in the much older Palestine Liberation Organisation (PLO).<sup>41</sup>

The system of payments is far from ideal, though the cost is less in the volume of assistance than in the means of disbursement. It is difficult to determine who gets paid how much, how often and by whom; the multiplicity of payment mechanisms, most of which deliberately avoid the finance ministry, has demolished the Single Treasury Account established to trace all PA incomes and expenditures to a single source that once was the showcase of Palestinian reforms. In combination with the sanctions, the financial fragmentation is also pushing PA institutions to the point of collapse.

In a curious reversal, the presidency – whose role the U.S. and others had sought to diminish during Arafat’s last years – once again has been elevated to the centre of public finances, and spending, which the reform process had sought to render more transparent, is back to its less formal and accountable ways. In the interior minister’s words, “the Europeans have transformed transparency and accountability into a sacred principle but this is happening under their noses and with their support, and they say nothing”.<sup>42</sup>

This is hardly the state of affairs Hamas would have preferred. But the movement’s anger at continued sanctions notwithstanding, on the whole its leaders express little opposition to the Europeans, the

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<sup>33</sup> Crisis Group interview, Palestinian security official, Gaza City, November 2006.

<sup>34</sup> “The \$20 million Foreign Minister Mahmud Zahhar brought through Rafah in 2006 was exclusively spent on the security forces”, Crisis Group interview, Mahfouz, Gaza City, 18 February 2007.

<sup>35</sup> Crisis Group interview, senior PA finance ministry official affiliated with Fatah, Gaza City, 19 February 2007.

<sup>36</sup> Crisis Group interview, National Security Force officer, Gaza City, February 2007.

<sup>37</sup> “Our meat consumption is down to the single chicken I buy each time I receive a payment”, Crisis Group interview, National Security Force officer, February 2007.

<sup>38</sup> Crisis Group interview, European diplomat, Jerusalem, January 2007.

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<sup>39</sup> Crisis Group interview, PA civil servants, Gaza Strip and West Bank, January 2007.

<sup>40</sup> Crisis Group interview, Salah Bardawil, Hamas legislator, Gaza City, 21 November 2006.

<sup>41</sup> The presidency had only recently begun disbursing half salaries to such employees, with no guarantee that back pay would be compensated, Crisis Group interview, Palestinian diplomat, Berlin, February 2007.

<sup>42</sup> Crisis Group interview, PA Interior Minister Said Siam, 1 December 2006.

presidency and others performing tasks that otherwise would be theirs. “If a particular donor insists to pay salaries directly or through the presidency, so be it. Our responsibility is to make sure people get paid, and we are not going to stop them”.<sup>43</sup>

Indeed, PA cabinet minutes discuss such funds as if they are part of the government budget: “The funds that arrived on the basis of the agreement with the president will be paid in the form of a half salary for each of the past four months....The Europeans will pay the health and civil defence salaries, and we agreed these would be disbursed simultaneously....It was agreed to pay 25 per cent of the ministry of health’s debt to Egyptian hospitals, with such payments being made directly from Cairo from the funds deposited with the Arab League”.<sup>44</sup>

### **3. Public sector rebellion**

A second major problem confronting the government was the civil service. Initially plagued by growing inactivity and absenteeism due to sanctions, the Union of Public Service Employees (UPSE) began an open-ended strike on 2 September 2006 which lasted until 14 January 2007. Limited in scope within the Gaza Strip but widespread in the West Bank, it had a crippling effect at a time when Hamas was seeking to impose its authority, the more so because the civil service’s affiliation with Fatah made the strike tantamount to “a test of wills between Fatah and Hamas”.<sup>45</sup> Indeed, union leaders demanded the government’s resignation as early as June.<sup>46</sup> Public sector union officials “made no secret of the fact that they deliberately enforced it at revenue-generating facilities like the ministry of finance and its customs department in order to exert pressure on the government”.<sup>47</sup> Hamas and the government routinely characterised the strike as a partisan political initiative unrelated to work or salary issues<sup>48</sup> and

pointed out that salary disbursements – the ostensible motivation – seemed to have no impact on it at all.<sup>49</sup>

Within the Gaza Strip, where the PA employs no less than 44 per cent of the workforce,<sup>50</sup> Hamas resorted to heavy-handed tactics to ensure the public sector continued to function. A teacher relates that the education ministry monitored working hours much more regularly and closely than did the previous management, “which is fine but I’m a salaried employee who is not getting paid, and I am neither a slave nor volunteer. To strike is our constitutional right, but we were informed in no uncertain terms that if we exercised it, our replacement is ready and waiting. So we continued working”.<sup>51</sup> Given the precariousness of the local economy, few were prepared to challenge the government’s ability to dismiss them.

In the West Bank, where the strike was most successful, pressure to end it came mainly from civil society and the citizenry, which was particularly fearful of its impact on the education and health sectors. Due in no small part to these pressures, work in those areas resumed on 11 November and 10 December respectively. While the 13 January agreement between the PA and the public sector union to end the strike was a government victory, it may also prove to be a poisoned chalice. Pursuant to its terms the PA not only committed to resume full salary payments on the 15<sup>th</sup> of each month, but also to compensate civil servants for accumulated arrears in four monthly instalments ending on 15 May.<sup>52</sup> “As you might expect union leaders have already announced their intention to resume the strike if the agreement is not implemented”.<sup>53</sup> Indeed, resumption days after signature of the Mecca Agreement was

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<sup>43</sup> Crisis Group interview, Crisis Group interview, Hamas official, December 2006.

<sup>44</sup> “Report of Deputy Minister of Finance Ismail Mahfouz on the 2005 Budget and Financial Situation”, Record of the Council of Ministers Session 15/10 of 11 July 2006. A copy of the minutes was provided to Crisis Group.

<sup>45</sup> Crisis Group interviews, Amer Madi, Palestinian development specialist, Ramallah, January 2007; PA civil servants, West Bank and Gaza Strip, November 2006.

<sup>46</sup> Crisis Group interview, UPSE leaders, Ramallah, June 2006.

<sup>47</sup> Crisis Group interview, Madi, 25 January 2007.

<sup>48</sup> Crisis Group interview, Masri, 22 November 2006.

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<sup>49</sup> Crisis Group interview, Muhammad Barghouthi, PA minister of labour, Ramallah, 28 November 2006.

<sup>50</sup> The Palestinian Central Bureau of Statistics (PCBS) notes a corresponding figure of 15.4 per cent for the West Bank, for an average of 22.6 per cent throughout the occupied territories. Cited in “Monitoring and Analysis of Political, Social and Economic Development in Countries Affected by Conflict, July-December 2006”, United Nations Economic and Social Commission for Western Asia (UNESCWA), n.d., p. 17.

<sup>51</sup> Crisis Group interview, Palestinian Education Ministry employee, Gaza Strip, November 2006.

<sup>52</sup> Text of the 13 January Agreement between the PA and Union of Public Service Employees, copy obtained by Crisis Group.

<sup>53</sup> Crisis Group interview, Amer Madi, Palestinian development specialist, Ramallah, 25 January 2007.

narrowly averted when the union agreed to give the government a grace period to fulfil its commitments.<sup>54</sup>

The combination of these factors has created a strange amalgam in which the civil service is today largely functioning, in the sense that schools are operating, and health and other basic services continue to be provided at a rudimentary level,<sup>55</sup> yet the government is unable to govern because these services are increasingly being sustained by external actors like the EU.

#### 4. Society and culture

Preoccupied with survival and left with scant opportunity to pursue reform, the government has made only limited use of its prerogatives to further Islamise society, for example by increasing the volume of religious education in the school system.<sup>56</sup> According to a Palestinian in the Gaza Strip affiliated with the secular opposition, “the Islamisation of society is part and parcel of Hamas’s project, but for now their priority is the consolidation of power, which they will use to transform society later”.<sup>57</sup>

That said, Islamisation began well before the 2006 election, its main engine being “the growth in poverty, isolation and despair that have accompanied Hamas’s ascendancy. The economic collapse puts them in a better position to exercise control over the people than ever before”.<sup>58</sup> Residents in the Gaza Strip concur on how this economic need has been used by the Islamist movement since it took office. According to one, before the elections Hamas made a point of distributing social welfare equitably, sometimes even seeming to prefer those who were identified with rival movements in order to win their favour.

Today the situation is different. It is a time of consolidation, meaning they reward loyalists and punish opponents. They are sufficiently organised at the local level to know who voted for and against them, who prays in the mosque and who doesn't. One family will receive assistance but not its neighbours. A man will

be helped but his brother living in the same household is not. And it is causing social problems.<sup>59</sup>

More recently, according to a Gaza Strip resident, Hamas has begun distributing alms and other forms of assistance late at night to avoid being noticed by non-recipients.<sup>60</sup>

More disturbing are a series of incidents for which neither Hamas nor other known organisations claim responsibility but which are widely believed to have been carried out by radical Islamists in the movement’s orbit and perhaps from within its ranks as well. These activities, tracked by Crisis Group staff, include blowing up a number of internet cafes and music stores on the grounds that they are corrupting the morals of Gaza’s youth, the firebombing of pharmacies that sell birth control items and several cases of threatening and attacking women deemed to be immodestly attired.<sup>61</sup> While not as widespread as during the 1987-1993 uprising, when Hamas openly claimed sponsorship of such activities, they are today no less alarming because “we have an Authority that is supposed to prevent such acts and an Islamist government that doesn't seem in the least disturbed by them”.<sup>62</sup>

Pressed on this last charge a senior security official affiliated with Hamas responded that the security forces in fact know the identities of those responsible and are keeping them under surveillance. Without addressing the question of their political affiliation, he characterised them as “radicals and extremists over whom we have no control and whom we cannot confront under present circumstances”.<sup>63</sup>

Recalling the ease with which the West dropped its commitment to human rights during the 1990s when it encouraged the PA to dismantle the Islamist movement and subordinated all else to the continuation of the peace process, secular critics of

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<sup>54</sup> www.maannews.net, 18 February 2007.

<sup>55</sup> See, for example, Richard Horton, “Palestinians: The Crisis in Medical Care”, *New York Review of Books*, 54:4, 15 March 2007.

<sup>56</sup> Crisis Group interview, Palestinian parents, Gaza City, January 2007.

<sup>57</sup> Crisis Group telephone interview, Palestinian opposition activist, February 2007.

<sup>58</sup> Ibid.

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<sup>59</sup> Crisis Group interview, Palestinian resident, Gaza Strip, November 2006.

<sup>60</sup> Crisis Group interview, Palestinian resident, Gaza City, February 2007.

<sup>61</sup> The Islamist hostility to birth control is particularly curious because the practice has been considered permissible by theologians since the early Islamic period. It is perhaps better understood as a nationalist rather than religious response. Crisis Group interview, Palestinian sociologist, Ramallah, 1990.

<sup>62</sup> Crisis Group interview, Palestinian activist, Ramallah, January 2007.

<sup>63</sup> Crisis Group interview, Palestinian security official affiliated with Hamas, Gaza City, February 2007.

Hamas express fears the West may once again turn a blind eye to the evisceration of Palestinian society, this time by the Islamists, in return for Hamas concessions on the diplomatic front.<sup>64</sup>

## B. HAMAS AND SECURITY

One of the unity government's first responsibilities – a formidable one – will be to reverse the catastrophic deterioration in the security situation. The occupied territories have the dubious distinction of having become a failed state before even becoming a state. With the fragmentation and social dislocation resulting from the virtual collapse of the central governing authority, arms and the use or threat of force are increasingly becoming a means of access to basic resources. Added to this is the proliferation of decentralised security structures, with official branches mingling with militias, families and clans, against a backdrop of rising poverty levels and a decaying social safety net.

“Security has pretty much vanished in Gaza”, a Crisis Group researcher remarked to a security staffer in Prime Minister Haniya's office. “What do you mean ‘pretty much?’” the staffer replied. “It's completely gone”.<sup>65</sup> According to a conflict resolution expert in Gaza, “People do not show the same level of rejection of violent acts as they did before”.<sup>66</sup> With no clear structure of authority, “it's a golden opportunity for people and groups to do whatever they want under a variety of umbrellas. The resulting situation has encouraged many more people to get arms, to militarise. Now, in any incident, the guns come out, as the result of even the most minor spark. This was never the case before”.<sup>67</sup>

### 1. Lawlessness

The Hamas government inherited a situation marred by growing lawlessness. A study of the security sector produced well in advance of the PLC elections concluded: “The linkage between the national level PASF [Palestinian Authority Security Forces] and the rank and file is not an obvious one. Some local PASF figures are loyal to national level security

commanders; others act only in their own interests”.<sup>68</sup> The words were echoed in a U.S. Council on Foreign Relations report:

At the start of 2006, the PA police was in a state of near collapse. This is indisputably due in part to the systematic Israeli onslaught on police facilities and equipment since late 2000, hugely diminishing its morale, cohesion, and operational capacity, but it also is due to the PA's continuing failure to seriously address problems of structure and command.<sup>69</sup>

The collapse of law and order has meant both increased militarisation and a growing role for families, clans and armed factions as alternative sources of authority particularly in Gaza, but also in the West Bank. The actors' relative strength varies depending on the specific locale, with families enjoying greater influence in the Gaza Strip and the southern West Bank. According to a former PA minister, families in Gaza “have effectively turned themselves into their own militias”.<sup>70</sup> It is often difficult to tell whether factions use families or the reverse. “In the past, families used the political factions as umbrellas for their activities. Now families are becoming the driving force behind some of the factions”.<sup>71</sup> “Guns are everywhere, nearly every family has them for protection. The problem is that once you have them, you use them”.<sup>72</sup> A former NGO head recounted: “After a recent car accident, the family of the deceased bought three guns to leave casually lying about in the living room when the other family came to discuss compensation. ‘If we don't display the guns,’ the logic went, ‘they will think we are weak’”.<sup>73</sup>

A security official explains how national authority has taken a back seat to sub-national loyalties:

Let's say a police officer tells somebody to move his stand [*basta*] on the street. The person will likely refuse, possibly violently, knowing that the officer can't do anything.

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<sup>64</sup> Crisis Group interview, former PA minister, January 2007

<sup>65</sup> Crisis Group interview, staff member in Prime Minister Haniya's office, Gaza City, 29 August 2006.

<sup>66</sup> Crisis Group interview, conflict resolution expert, Gaza City, 23 August 2006.

<sup>67</sup> Crisis Group interview, UN staffer, Gaza City, 24 August 2006

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<sup>68</sup> “Planning Considerations for International Involvement in the Palestinian Security Sector”, Strategic Assessments Initiative/International Transition Assistance Group, July 2005, p. 42.

<sup>69</sup> “Reforming the Palestinian Authority”, Council on Foreign Relations Concluding Report, (2006), pp. 12-13.

<sup>70</sup> Crisis Group interview, former PA minister, Ramallah, 9 November 2006.

<sup>71</sup> Crisis Group interview, Gaza-based analyst, Gaza City, 31 August 2006.

<sup>72</sup> Crisis Group interview, UN staffer, Gaza City, 23 August 2006.

<sup>73</sup> Crisis Group interview, former Gaza head of the Palestinian NGO association, Ramallah, 7 November 2006.

Maybe the person hawking his goods comes from the Qalandiya or 'Amari refugee camp, the entire membership of which will support him in the confrontation. Or maybe he is a member of the local Fatah organisation or is wanted by Israel, which makes him politically untouchable. Or maybe he comes from a strong family. The officer knows that if he arrests him, he will have a personal problem on his hands. Can his security agency protect him from any of these? No, it cannot, only his family can protect him, and it's not worth precipitating a family clash over a little *basta* on the street.<sup>74</sup>

Similar incidents have become the norm: police intervention that snowballs into widespread family feuds and ends in bloodshed.<sup>75</sup> Politically-affiliated militias may well be involved, but politics is often far from their minds.

The growing trend of resorting to force to resolve conflict has affected the circulation of goods and provision of services, including food, medical care and utilities. Suhail Skaik, Gaza Electric Distribution Company board member, paints a gloomy picture: "We have to send out bill collectors, since if we didn't, we would have a 1 per cent payment rate instead of 20 per cent. But it's very dangerous: virtually every day our bill collectors are shot at and threatened".<sup>76</sup> A refugee

camp resident living near Ramallah spoke forthrightly about a threat he himself made:

I don't have enough money to feed my family, and I certainly don't have enough to pay the electricity bill. A couple months ago the company came to shut off my electricity. First, I tried telling the guy that I'm a refugee so he doesn't have the authority to cut off my electricity. That didn't work. Then I tried telling him my house was outside the camp boundaries. That didn't work either. Finally, I told him that if he cut my electricity, I'd cut his throat. That worked. He wrote in his book that he was threatened and went away.<sup>77</sup>

In Hebron, a group of men laughed when asked what would happen if the municipality cut off their electricity. "It wouldn't happen. The municipality simply wouldn't do it. People are really desperate, and the municipality tries to protect them. Besides, we would kill anybody who tried".<sup>78</sup>

Violence has become ever-present, and Palestinians routinely describe their situation as worse than ever.<sup>79</sup> At stake is the ability of the PA to govern as well as the rule of law itself. "If you do not have a machine gun, or if you do not have friends with machine guns, if you are not from a big family, if you are not backed by a big gang, then you will not be able to obtain your rights".<sup>80</sup>

These developments have caused long-term damage that will not easily be reversed. As Alvaro de Soto, UN Special Coordinator for the Middle East Peace Process, said, "the Palestinian Authority is not something that can be turned on and off like a light switch".<sup>81</sup> If and when the lights come back on, Palestinians and donors can expect to find much that was built – and, in the case of the international community, paid for – broken.

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<sup>74</sup> Crisis Group interview, Palestinian security official, Ramallah, 31 August 2006.

<sup>75</sup> On 2 November 2006, Hebron police in pursuit of a stolen car opened fire on the vehicle's occupants, killing a thirteen-year old. The victim was a member of the Jabari family, one of the city's leading clans. In retaliation, relatives stormed the local police station, injuring a number of officers in an attempted kidnapping. The families of the police officers in turn stormed the Preventive Security office to kidnap 'Arif al-Jabari, the Hebron Governor, who was holding an emergency meeting on the crisis. He escaped unharmed, although one of his guards was seriously wounded. Crisis Group interview, Palestinian journalist, Ramallah, 4 November 2006. In a similar instance in Jenin, an injured police officer was killed in hospital by the family of a suspect who had died while trying to escape in a stolen car. Crisis Group interview, Palestinian security planner, Ramallah, 14 November 2006.

<sup>76</sup> Crisis Group interview, Suhail Skaik 30 November 2006. "At first, we send a warning", says Hani Ghosheh, manager of international public relations and marketing for Sdeco, which holds an electricity concession for approximately a quarter of the West Bank, "and if they disregard it, we cut the power. But that's not a solution, since within a couple of hours people have a private electrician illegally reconnect the electricity. And if we try to do anything after that point, we face problems of hooliganism and vandalism. People are hungry and so prone to violence. We have had several

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employees end up in the hospital". Crisis Group interview, Jerusalem, 1 December 2006.

<sup>77</sup> Crisis Group interview, Palestinian refugee camp resident, Ramallah, 20 August 2006.

<sup>78</sup> Crisis Group interviews, Hebron residents, 24 August 2006.

<sup>79</sup> Crisis Group interviews, Palestinian residents, West Bank and Gaza Strip, November 2006-February 2007.

<sup>80</sup> Crisis Group interview, conflict resolution expert, Gaza City, 23 August 2006.

<sup>81</sup> Statement of Alvaro de Soto to UN Security Council, 28 February 2006, at <http://domino.un.org/unispal>.

## 2. The executive support force and the security sector

During the past year, and particularly since late 2006, much attention has been devoted to Hamas's attempt to build a parallel security branch. The emphasis has been not on its paramilitary wing, the Martyr Izz-al-Din al-Qassam Brigades, but rather the Executive Support Force (ESF), which was established as part of the PA security infrastructure and became an instrument of both law and order and factional fighting. Interior Minister Said Siam announced the ESF's formation in April 2006, claiming it was designed to strengthen existing security forces – deemed professionally and politically incapable of discharging their mandate – rather than compete with them.<sup>82</sup>

Yet from the outset it was clear Hamas was seeking to set up a loyalist presence within the security establishment. Mushir Masri, a prominent Hamas parliamentarian, said: "It was established after months of insubordination by the security forces and continuous attempts to undercut the interior ministry".<sup>83</sup> A Fatah spokesman, himself a former interior ministry spokesman, explained:

Hamas formed the ESF to meet several objectives, mainly to establish itself as a legitimate security force through which it can implement its own programs. It is also an attempt to circumvent the existing security establishment and provide legal cover for the activities of the Qassam Brigades, especially on the internal front.<sup>84</sup>

Hamas realised that it had at best only partial authority over a fraction of the 70,000 men composing the security forces which, since the PA's formation in the mid-1990s, have functioned as Fatah's principal source of power and patronage. Fatah has retained command over five of the six branches which currently make up those forces; only the ESF can be considered loyal to the Islamists.<sup>85</sup>

Led by Abu Ubayda Jarrah, a former Hamas military commander, the ESF consists of fighters drawn chiefly though not exclusively from the movement's armed wing. According to Khalid Abu Hilal, the interior ministry spokesman, organisational participation is determined by a quota system, with Islamic Jihad and the main (but not all) Fatah militias the only ones refusing to take part.<sup>86</sup> According to ESF spokesman Islam Shahwan, the force comprises 5,500 members, of whom 2,500 are from Hamas, 1,100 from Fatah, 900 from the Popular Resistance Committees (PRC), 250 from the Popular Front for the Liberation of Palestine (PFLP) and the balance from smaller groups and 540 unaffiliated independents.<sup>87</sup> Fatah loyalists reject this description of a cross-factional security force, dispute the figures and characterise ESF's Fatah contingent as "renegades" with primary loyalty to Hamas.<sup>88</sup> A more plausible version is that the ESF is less an integrated security force than a logical destination for Hamas militants, a refuge for those who lack clear affiliation and a job for others. "A friend of mine, with whom I used to poke fun at Hamas, joined the ESF. You don't have to be a believer – you just have to want the \$400 a month".<sup>89</sup>

Thus far the ESF is restricted to Gaza. Efforts to deploy in the West Bank have been stymied by Israel and Fatah, which is much stronger there. According to an official at the PA's Preventive Security force, "Hamas recognises and accepts its weakness in the West Bank. But its efforts to expand the ESF haven't stopped".<sup>90</sup> In Gaza, the ESF is widely acknowledged as the most effective force, possessing an integrated communications network, clear and flexible command structures and effective tactical skills. Amid growing suspicions of Iranian financial and material support, and widespread but unverified reports of Hamas and ESF personnel leaving the Gaza Strip for training courses in that country, its spokesman confirms only

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<sup>82</sup> Crisis Group interview, Said Siam, PA interior minister, Gaza City, 1 December 2006.

<sup>83</sup> Crisis Group interview, Masir, 22 November 2006.

<sup>84</sup> Crisis Group interview, Tawfiq Abu Khusa, Fatah spokesman and former Interior Ministry spokesman, Gaza City, January 2007.

<sup>85</sup> The other five are the Presidential Guard, which numbers 4,000 men with plans to add another 700 in the near term and perhaps an additional 5,000 over the longer term; General Intelligence, with 6,000; the National Security Force, officially 40,000-strong although Western diplomats claim it may have

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as few as 20,000 active members; the police, approximately 25,000; and the Preventive Security Force, 6,000.

<sup>86</sup> Crisis Group interview, Khalid Abu Hilal, PA Interior Ministry spokesman, Gaza City, 1 December 2006.

<sup>87</sup> According to Islam Shahwan, ESF members are nominated by their respective movements rather than recruited by the PA, Crisis Group interview, Gaza City, January 2006.

<sup>88</sup> Crisis Group interview, Abu Qusay, Al-Aqsa Martyrs' Brigades spokesperson, Gaza City, February 2007.

<sup>89</sup> Crisis Group interview, Gaza-based Palestinian analyst, Gaza City, 24 August 2006.

<sup>90</sup> Crisis Group interview, PSF officer, Ramallah, November 2006.



that members receive “academic and practical training in a number of countries”.<sup>91</sup>

Opinions on the ESF vary widely. Its legality, deployment and actions have been the subject of fierce debate,<sup>92</sup> particularly as it figured more prominently than even the Qassam Brigades in internal clashes (including with other PA security forces) during the second half of 2006 and early 2007. Hamas points to its achievement in reducing attacks against government installations and abductions of foreigners, both of which had become widespread. As interior ministry spokesman, Abu Hilal, argues:

The interior ministry assumed responsibility over a shattered society, the result of the negligent policies of its predecessors. The legacy is visible in security chaos and the priority is to create the widest possible consensus for policies of enforcing law and order. On a parallel track a study was undertaken of the security forces and the security reality. The conclusions were shocking. The most dangerous was that the security establishment was completely destroyed.

The main reason was that the security forces operate autonomously from central control and are internally corrupt, with appointments of officers often not on the basis of qualification but loyalty or affiliation with power centres. Like private militias. This general environment began to promote elements that exist in every society – families, clans, gangs, thugs, militias. But in ours they use the national flag and uniform to advance their interests.<sup>93</sup>

To some degree, the ESF helped re-establish order. At least until the bloody January 2007 clashes, its members generally were perceived as more disciplined than Fatah-linked militias and gangs and had earned a relatively positive reputation. Some residents claimed that, where present, the ESF helped diminish street crime.<sup>94</sup> Many Gaza City residents say that if confronted with an emergency, such as robbery, “the ESF are the only number we dial. We wouldn’t think of calling the police”.<sup>95</sup> A Gazan explained: “The mothers

like the ESF because they don’t leer or grope the girls, and they keep undesirable types away from schools.”<sup>96</sup>

But any such success has been limited at best. Fears regarding personal security have risen sharply,<sup>97</sup> a stark contrast to the 1990s when this was viewed as a major PA achievement. The force also has been unable and often unwilling to address the proliferation of armed gangs and family-based militias. While efforts have been made to incorporate some of these groups into the security forces and dissuade others from more egregious forms of conduct, their dissolution remains off the agenda. Some ascribe this to the symbiotic relationship that has developed between the Islamist movement and several of these groups.<sup>98</sup> But the problem goes deeper:

Hamis today, like Fatah before it, is unprepared to take factional responsibility for the costs associated with confronting security chaos or for that matter security sector reform. Doing so would create too many enemies and open up too many opportunities for their rivals. A solution requires these issues to be sorted out on the basis of consensus and joint action, so that the equation is one of the nation against its enemies rather than one faction against the other.<sup>99</sup>

There also is evidence that Hamas’s armed wing, the Qassam Brigades, or at least elements within it, is taking law into its hands. A number of Gaza residents mention incidents in which persons known to belong to the Qassam Brigades have administered vigilante justice. “Rather than calling such members to account and disciplining them, there is a pattern in which Hamas first denies any connection with such actions or says

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<sup>91</sup> Crisis Group interview, Islam Shahwan, ESF spokesman, Gaza City, January 2007.

<sup>92</sup> See further Crisis Group Report, *Palestinians, Israel and the Quartet*, op. cit.

<sup>93</sup> Crisis Group interview, Abu Hilal, Gaza City, 23 November 2006.

<sup>94</sup> Crisis Group interviews, Palestinian residents, Gaza City, 30 August 2006.

<sup>95</sup> Crisis Group interview, Palestinian resident, Gaza City, February 2007.

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<sup>96</sup> Crisis Group interview, Palestinian resident, Gaza City, 18 November 2006.

<sup>97</sup> Crisis Group interviews, Palestinian residents, West Bank and Gaza Strip, November 2006, January 2007. In this respect a January 2007 public opinion poll found that “48 per cent of the Palestinians said that they feel less secure since Hamas came to power, an increase of 17 per cent since the organization won the PLC elections in January of 2006... [T]he feeling of insecurity is stronger in the Gaza Strip than in the West Bank. While 58 per cent of the respondents in the Gaza Strip said that they do not feel secure, the percentage is 42 per cent in the West Bank”. Near East Consultants, “NEC’s Monthly Bulletin on Palestinian Perceptions Towards Politics and Economics”, Bulletin II-1 (January 2007), pp. 7-8. See further [www.neareastconsulting.com](http://www.neareastconsulting.com).

<sup>98</sup> Crisis Group interview, Palestinian analyst, Gaza Strip, November 2006.

<sup>99</sup> Crisis Group interview, Palestinian security expert, Ramallah, November 2006.

those involved have nothing to do with the movement but then quietly pays damages to the victims or their relatives. The question is: is it losing control over its men or covertly sponsoring them?"<sup>100</sup>

But the ESF's image (and, by extension, that of Hamas) has suffered principally from its other dimension – as an armed instrument in Hamas's struggle against Fatah. Responsible for attacks against PA security installations viewed as Fatah strongholds during January and February 2007, it also participated in ugly acts of factional violence it ostensibly had been deployed to quash – including assassinations and street clashes. In all this, the ESF consistently took the lead among Hamas militants, while attacks against Israel appear to be dominated by the Qassam Brigades. Tellingly, a January 2007 round of clashes was precipitated by Abbas's declaration that the force is "illegal" and would be "outlawed" unless "immediately integrated" into the security forces, itself the result of growing concern at the ESF's involvement in clashes and assassinations. The government responded several hours later by announcing that the ESF would be doubled in size to 12,000.<sup>101</sup>

### 3. Internecine battles

Since assuming office, Hamas has consistently maintained it is merely defending its democratic mandate against Fatah "putchists" and "coup-plotters" (*inqilabiyyin*) in league with Israel and Washington.<sup>102</sup> The government additionally has claimed the right to enforce law and order upon Fatah partisans sowing chaos. According to interior ministry spokesman Khalid Abu Hilal:

Their power comes from weapons and open channels of funding from the U.S. They claim to

be Fatah but achieved power through their position in the PA and are trying to sabotage every attempt at reconciliation between Fatah and Hamas, using all possible methods to spread chaos and disorder.<sup>103</sup>

In response, Fatah argues it rather than the Islamists has been engaged in legitimate self-defence, protecting the pluralistic nature of society and the national movement against the "trend of blood" (*tayyar al-damawi*) within Hamas. In the words of an opposition activist in the Gaza Strip unaffiliated with Fatah:

This government has failed in the fields of justice, administration, economy, development, security and resistance. The only option left for Hamas is to impose obedience on the entire society by force. Violent opposition to opposing views has been part of this movement since before it was founded. They've practiced it against everybody.<sup>104</sup>

Where Hamas saw a U.S. and Israeli hand behind Fatah, Fatah denounced Iranian and Syrian ones behind Hamas, their goals allegedly being to establish hegemony over Palestinian society in the service of regional rather than national interests.<sup>105</sup>

The conflict gradually developed into a bloody power struggle between the two movements that has gained both the opprobrium of other organisations and widespread public disgust. Generally speaking Hamas, and particularly the ESF, gained the upper hand in the Gaza Strip, deploying superior tactics and firepower and usually fighting with greater motivation.<sup>106</sup> But tactical success came at a heavy

<sup>100</sup> Crisis Group interview, Palestinian resident, Gaza Strip, November 2006.

<sup>101</sup> www.english.aljazeera.net, 6 January 2007. Some observers claim the ESF has already far exceeded 12,000. According to a European diplomat, "the ESF is organised in three levels. First there are 12,000-15,000 full time members; a similar number can be rapidly mobilised and deployed, and then there are the emergency reserves", Crisis Group interview, Jerusalem, January 2007. This seems vastly exaggerated. In fact, there is some evidence Hamas has had difficulty building it up, not having access to required resources or the time to properly train recruits. Crisis Group interview, U.S. security official, Jerusalem, January 2007. This latter view also would explain why Qassam units increasingly were observed backing up ESF forces as clashes between Hamas and Fatah expanded and intensified in January-February 2007.

<sup>102</sup> Crisis Group interview, Masri, 22 November 2006.

<sup>103</sup> "He who claims that the current ministry has failed is a liar. I've given you evidence of things we've resolved, institutions we've defended, government land we've protected, and how we've stopped the gunmen's demands. There are elements seeking armed chaos, their voices are extremely loud and some of the media is helping them by exaggerating their influence", Crisis Group interview, Khalid Abu Hilal, Gaza City, 23 November 2006.

<sup>104</sup> Crisis Group telephone interview, Palestinian opposition activist, February 2007.

<sup>105</sup> Crisis Group interviews, Hamas and Fatah officials, Ramallah and Gaza City, November 2006.

<sup>106</sup> "It is inaccurate to describe the security forces or even the al-Aqsa Martyrs' Brigades as Fatah loyalists. Many would say, including me, that most are motivated by the desire to make an honest living, opportunism, or the national cause. They are therefore unlikely to aim their guns at other Palestinians in defence of Fatah, even less so on behalf of individual warlords. The problem is that they are being

price as one red line after another was crossed. On 21 November 2006 Abd-al-Aziz (Abu Ali) Shahin, a veteran member of the Fatah Revolutionary Council who founded its youth movement in the Gaza Strip during the 1980s, was shot and moderately wounded in the first such attack on a politician with no connection to the security forces.<sup>107</sup> On 11 December, a hail of bullets aimed at the blacked-out windows of a car belonging to senior (Fatah) General Intelligence officer Baha Ballousha, killed his three sons and a passer-by (Ballousha was not in the vehicle, which was transporting his children to school).

On 4 January Shaikh Adel Nassar, a Muslim cleric hostile to Hamas, was gunned down as he left a mosque in the Maghazi refugee camp where he had just delivered a sermon criticising the Islamists' role in the escalating violence.<sup>108</sup> As in the previous incidents, Hamas denied any connection to the unknown assailants. Nonetheless, suspicion of its role was widespread and, as far as Fatah was concerned, a certainty.

Hamas's denials were particularly hard to sustain in the incident that prompted Nassar's final sermon. On 4 January, dozens of ESF and Qassam Brigades gunmen laid siege for hours to the Gaza City home of Col. Muhammad Abu Ghayib, a close associate of Fatah's Gaza strongman Muhammad Dahlan, until Abu Ghayib and a number of his bodyguards were dead and his wife and eight children wounded, some seriously. Throughout the siege, Ghayib had been on the telephone to associates and finally the media, appealing for help. The event, replete with the prolonged siege of a private home, sustained indiscriminate gunfire that wounded every member of the household and the grisly summary execution that concluded it, sent shock waves throughout society. If the killers had intended to send a message that no one is beyond their reach, it was not well received. In the words of a distraught Palestinian, "for Hamas every enemy is an infidel, and pulling the trigger God's work regardless who is on the other end of the barrel. I question whether Fatah gunmen have the capacity to kill other Palestinians. It contradicts the entirety of their political culture".<sup>109</sup>

While there is insufficient evidence to reach a conclusive verdict on the wave of assassinations during the second half of 2006, it seems more than coincidental that a high proportion were conducted against senior officers associated with the Preventive Security Force and General Intelligence service. The former is considered a stronghold of Muhammad Dahlan, who has repeatedly and in unambiguous terms been denounced by the Islamists as the leader of the campaign to unseat them. The latter played a lead role in the PA's violent crackdown on Hamas and Islamic Jihad in 1996. Today, many such officers – including Ballousha – have sought temporary refuge in the safer confines of Ramallah. Islamist victims of assassination have by contrast generally been lower level operatives, possibly suggesting their opponents have experienced more difficulty locating targets.

The next round of clashes, in the second half of January, led many to conclude a turning point was being reached. Dahlan, who according to some reports was appointed General Commander of the PA security forces by Abbas in the wake of the Ghayib killing,<sup>110</sup> organised a mass rally in Gaza City on 7 January, where for the first time since the elections Fatah's demoralisation and apathy seemed to be replaced by pride and determination.<sup>111</sup> He also began to impose better coordination and communication within the unwieldy security services and made new appointments. On the ground, "the security forces occupied strategic rooftops and other key locations to prevent their forces from once again being bottled into their bases by the ESF".<sup>112</sup> The result was that they were able to obstruct the Islamists in the next round, with the clear majority of dead and wounded in late January coming from Hamas ranks.

As demonstrated by the heavy clashes in early February, concentrated in the northern Gaza Strip, Fatah's cheer was short-lived. It sustained the majority of casualties, and most PA security installations in northern Gaza were overrun by the ESF as well as Qassam Brigades support units. By the time the leaders departed for Mecca, only the *saraya* (the main security headquarters in Gaza City) and the presidential compound remained under Fatah control in Gaza City.<sup>113</sup>

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attacked and forced to defend themselves", Crisis Group interview, PA security officer, Gaza City, December 2006.

<sup>107</sup> Crisis Group interview, Palestinian analyst, Gaza City, 23 November 2006.

<sup>108</sup> "In Gaza, Hamas Critic Gunned Down Outside Mosque", Associated Press, 5 January 2007.

<sup>109</sup> Crisis Group interview, Palestinian activist, Ramallah, January 2007.

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<sup>110</sup> According to Dahlan, "I don't have such a position. But if I am asked to advise or assist I do so", *Haaretz*, 11 January 2007.

<sup>111</sup> The demonstration was attended by Crisis Group staff.

<sup>112</sup> Crisis Group interview, European diplomat, Jerusalem, January 2007.

<sup>113</sup> Crisis Group interviews, Palestinian residents, Gaza City, February 2007.

For their part, Fatah forces rampaged through the campus of the Islamic University, a Hamas stronghold and its leading institution in the Gaza Strip,<sup>114</sup> and launched a number of attacks against PA ministries. According to a Fatah participant in these clashes, “ Hamas was able to attack our security installations, but doesn’t really have any serious ones of its own [in the northern Gaza Strip]. That’s why we went after the Islamic University and the ministries they control, because these are the symbols of their power”.<sup>115</sup>

Fatah compensated for its relative weakness in the Gaza Strip by exploiting Hamas’s in the West Bank. Hamas loyalists were abducted, in part to force the relief of comrades under attack in Gaza. On 27 January, the armed siege of the Gaza home of senior Fatah activist Mansur Shalayil was lifted after nine Hamas cadres in Nablus were abducted and threatened with summary execution if Shalayil was hurt. The nine were later freed unharmed. Similarly, on 5 February Fatah gunmen in Ramallah abducted interior ministry official Arafat Said to swap him for one of Dahlan’s nephews, who had been seized a day earlier in Gaza.<sup>116</sup>

While the clashes went on, life in the northern Gaza Strip, where they were at their most intense, came to a virtually complete halt. Streets emptied, and even journalists were compelled to cover the fighting from their homes.<sup>117</sup> A PA employee from the Strip’s central region made it only to the outskirts of Gaza City: “I was warned by armed men that there were snipers everywhere and should not attempt to proceed any further”.<sup>118</sup> One couple related how they were stuck in buildings on opposite sides of the same street, “but until the following day neither of us dared risk crossing it to be with the other”.<sup>119</sup> In the words of a Gazan, “it was impossible to tell who was Fatah

and who was Hamas, so better to remain indoors rather than be mistaken by one for the other”.<sup>120</sup>

Ultimately, the clashes proved inconclusive. Hamas sought, and failed, to deal Fatah a fatal blow, while Fatah’s numerical superiority did not provide it with a distinct advantage. According to a PA security officer aligned with Fatah, “we took a real beating in the early rounds and were forced to demonstrate that we, too, can inflict painful blows to deter further attacks. That is why so many from Hamas were killed in late January. That is why the Islamic University was ransacked”.<sup>121</sup> For its part Hamas believed it established its superiority and attached particular importance to its 2 February interception in the central Gaza Strip of a supply convoy from Egypt intended for the Presidential Guard – the incident that brought a rapid end to the ceasefire agreed only shortly before. While the convoy carried equipment of potential military value such as flak jackets but apparently no arms, “it was a clear message, especially to the Americans. Don’t try this because it will not work”.<sup>122</sup>

The geographic imbalance was one factor restraining the slide towards full-scale civil war. Indeed, should the latter come to pass, conventional wisdom suggests Fatah will be defeated in the Gaza Strip, Hamas eliminated from most West Bank cities and – more importantly as far the Palestinian people are concerned – what remains of the occupied territories’ unity annihilated. Another mitigating factor has been the purely political and opportunistic nature of the conflict which, given the composition of Palestinian society, is not magnified by ethnic or sectarian differences.<sup>123</sup> Indeed, thus far neither party has succeeded in mobilising civilian support or drawing other Palestinian organisations to its cause.<sup>124</sup> This, too, helped pave the road to Mecca.

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<sup>114</sup> Crisis Group staff who visited the campus after the rampage found that the most serious damage was done to the computer centre on the fourth floor of a university building, which along with its hundreds of computer terminals was completely destroyed, and to part of the library.

<sup>115</sup> Crisis Group interview, Fatah militant, Gaza City, 19 February 2007. The ESF does have a large base in Khan Yunis, but this was not a focus of the clashes in early 2007.

<sup>116</sup> “Fatah Gunmen Abduct Hamas Official in West Bank Despite Truce”, Associated Press, 5 February 2007.

<sup>117</sup> Crisis Group interview, foreign correspondent, Gaza Strip, February 2007.

<sup>118</sup> Crisis Group interview, PA civil servant, Gaza City, February 2007.

<sup>119</sup> Crisis Group interview, Palestinian couple, Gaza City, February 2007.

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<sup>120</sup> Crisis Group interview, Palestinian resident, Gaza City, February 2007.

<sup>121</sup> Crisis Group interview, PA security officer, Gaza City, February 2007.

<sup>122</sup> Crisis Group interview, ESF officer, Gaza City, February 2007. Hamas members are convinced outside parties – U.S. and Arab – are heavily supplying Fatah. According to an ESF officer, “in the latest clashes Fatah has been using weapons which we have not previously witnessed in their arsenal previously”, Crisis Group interview, ESF officer, Gaza City, February 2007.

<sup>123</sup> “Our society does not have Sunni and Shia, Kurds and Arabs, we are all of the same stock”, Crisis Group interview, PA Interior Minister Said Siam, 1 December 2006.

<sup>124</sup> A January 2007 public opinion poll found that “24% blame Hamas for the recent internal problems, 22% blame Fatah, and 54% blame both equally. With respect to the

### III. THE MECCA AGREEMENT

#### A. THE ROAD TO MECCA

By early 2007 successive rounds of clashes between Hamas and Fatah had become more intense, widespread, and bloody than ever before. More than 80 Palestinians have been killed since the beginning of the year. This was a lose-lose situation, in which victory was impossible or, if achieved, would have entailed an unacceptably high price in terms of human life and political legitimacy. Both Hamas and Fatah were under pressure to reach an agreement. On the whole, reality on the ground has more or less faithfully reflected the state of play at the top. Just as the renewal of negotiations between Abbas and Haniya in late November 2006 produced an almost instantaneous halt to the clashes for the duration of the talks,<sup>125</sup> the failure of the 20 January Abbas-Mashal meeting in Damascus precipitated a further round of fighting. Since the Mecca Agreement was announced on 8 February, direct clashes between Hamas and Fatah and associated phenomena such as abductions have virtually ended.<sup>126</sup>

Mecca was long in the making, yet paradoxically its outlines have long been known. In recent months Hamas leaders and independent mediators consistently claimed that a deal was at hand and were keen to emphasise that “more has been agreed than remains to be agreed”.<sup>127</sup> Where Fatah tended to ascribe blame for the impasse to Hamas’s ideological

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security agency Palestinians blame most, 30% put the blame on the Executive Force of Hamas, 15% on the Preventive Security, 5% mentioned various other security agencies, and 37% blamed all equally; 79% of the Palestinians believe that the Executive Force should be integrated within the other security forces; 50% think that the responsibility of the security forces should be in the hands of the president, 28% think it should rest with the prime minister, and 23% believe that it should be the responsibility of both”. NEC, “NEC’s Monthly Bulletin on Palestinian Perceptions Towards Politics and Economics”, Bulletin II-1 (January 2007), p. 5.

<sup>125</sup> Observations by Crisis Group analysts in the Gaza Strip, November 2006.

<sup>126</sup> That said, there have been provocative shows of force by both sides, including deployments by security forces and rallies by armed militiamen. The occasional skirmishes since 8 February including one in Khan Yunis on 24 February that left 4 dead, appear not to have been direct clashes between Fatah and Hamas though the movements are believed to have played a role in inciting the families that took part.

<sup>127</sup> Crisis Group interview, Khalil Hayya, leader of the Hamas parliamentary faction, Gaza City, 29 November 2006.

rigidity and hostility to power-sharing,<sup>128</sup> the Islamists usually pointed the finger at influential advisers in Abbas’s orbit rather than the president himself or his movement as a whole. In the words of outgoing Interior Minister Said Siam, “his closest aides are his worst adversaries”.<sup>129</sup>

By late 2006 the parties had agreed that the government would be formed on the basis of the 25 June National Conciliation Document, essentially a modified version of the 11 May Prisoners’ Initiative formally endorsed by both Hamas and Fatah. The National Conciliation Document calls for a broad-based unity government that reflects the results of the 2006 elections, identifies a state in the territories occupied by Israel in 1967 as the collective Palestinian territorial goal,<sup>130</sup> and specifies that “administration of the negotiations falls within the jurisdiction of the PLO and the [PA] President”.<sup>131</sup>

Assisted by mediation led at various stages by Ziad Abu Amr, Mustafa Barghouthi or Qatari and other Arab diplomats, the parties agreed Abbas would issue a supplementary letter of commission (*risalat taklif*) to the new government which the prime minister this time would officially accept. Agreement was also reached on division of cabinet posts (*muhāsasa*). According to Hamas spokesman and legislator Mushir Masri, “on the basis of the election results Hamas would be entitled to nineteen cabinet portfolios but we went down to nine”.<sup>132</sup> At an earlier stage, Hamas acquiesced to Abbas’s insistence that no prominent politicians (from any party) would sit in the new cabinet,<sup>133</sup> and Haniya

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<sup>128</sup> “[Foreign Minister] Mahmoud Zahhar says that a national unity government must implement Hamas’s political program because it won the elections. If this is the case why have one?” Crisis Group interview, Abu Khusa, 19 November 2006.

<sup>129</sup> Crisis Group interview, Said Siam, Gaza City, 1 December 2006.

<sup>130</sup> The National Conciliation Document further calls for implementation of the Palestinian right of return and the “right of the Palestinian people to resist and to uphold the option of resistance of occupation by various means and focusing resistance in territories occupied in 1967 in tandem with political action, negotiations and diplomacy whereby there is broad participation from all sectors in the popular resistance”. See further text of the National Conciliation Document at [www.jmcc.org](http://www.jmcc.org).

<sup>131</sup> Ibid. For background and analysis on the Prisoners’ Initiative and National Conciliation Document see Crisis Group Report, *Palestinians, Israel and the Quartet*, op. cit.; Crisis Group Report, *Israel/Palestine/Lebanon*, op. cit.

<sup>132</sup> Crisis Group interview, Mushir Masri, 22 November 2006.

<sup>133</sup> Hamas had previously rejected Abbas’s proposal to form a “technocratic government” on the grounds that political independence is an illusion. The parties instead agreed to

offered to relinquish the premiership in exchange for the lifting of international sanctions.

By the end of November only three outstanding points reportedly remained in dispute: disposition of the so-called “sovereign ministries” (*wizarat siyadiyah*), namely finance, interior, foreign affairs and information; the text of the letter of commission; and whether Abbas could guarantee that sanctions would be lifted.<sup>134</sup> With negotiations stalled, Abbas threatened on 16 December to call for early presidential and parliamentary elections if they were not speedily concluded. This was strongly rejected by Hamas, which argued any such poll would be “unconstitutional”<sup>135</sup> and tantamount to a “coup”,<sup>136</sup> while asserting that preparations were already under way to falsify the results.<sup>137</sup>

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appoint a cabinet composed of “politically-affiliated specialists”. Crisis Group interview, Khalil Hayya, leader of the Hamas parliamentary faction, 29 November 2006.

<sup>134</sup> Crisis Group interviews, Palestinian negotiators, Gaza City, November 2006. On the first issue Hamas was prepared to relinquish the foreign and information portfolios but insisted on controlling finance and interior. Crisis Group interview, Ghazi Hamad, PA government spokesman, Gaza City, 20 November 2006. On the letter of appointment, the main issue concerned the new government’s attitude towards previous Israeli-Palestinian agreements, specifically Hamas’s demand to “respect” (*tahtarim*) rather than “comply” (*taltazim*) with them. “*Tahtarim*” has also been translated as “honour” by Islamist politicians in an effort to narrow the gap. Crisis Group interview, Palestinian negotiator, Gaza City, November 2006. With regard to international sanctions, actors across the spectrum concurred that “ending the siege forms the main objective of establishing a new government”. Crisis Group interview, Palestinian mediator, Gaza City, November 2006. Hamas insisted on obtaining a “guarantee” from Abbas that sanctions would be lifted prior to the government’s resignation. Crisis Group interview, Hamad, 20 November 2006. Hamas leaders, however, were highly critical of Abbas’s advisers for “telephoning [U.S. Assistant Secretary of State for Near Eastern Affairs] David Welch to seek his approval of every proposal in the negotiations and basing their response on that of the Americans”, Crisis Group interview, Hamas leader, Damascus, December 2006, while seeming unwilling to recognise that this conduct was at least in part a reflection of their own demands to know what the Americans would do.

<sup>135</sup> Crisis Group interview, Ahmad Bahar, PLC Deputy Speaker, Gaza City, December 2006. Bahar’s reasoning in this respect was constitutionally sound. See further Crisis Group Report, *Palestinians, Israel, and the Quartet: Pulling Back from the Brink*, op. cit.

<sup>136</sup> Crisis Group interview, Ahmad Bahar, December 2006.

<sup>137</sup> Crisis Group interview, senior Hamas leader, Damascus, December 2006.

The impasse that continued amid escalating factional violence until late January 2007 reflected more than disagreement over the above issues; it masked continued differences on others that go to the heart of power-sharing: distribution of authority within the PA; Hamas’s future inclusion in a reformed PLO; and integration of its armed forces in a reformed security sector. While Fatah suspected Hamas of harbouring hegemonic designs, Hamas accused Fatah of having deliberately excluded it since its electoral victory. In the words of the interior minister:

President Abbas is the head of the National Security Council but since we assumed office he has not convened it even once. In fact, he has not once chaired a cabinet meeting even though it is his government. He has not once called upon a minister of the present government to join him in receiving a foreign dignitary or accompany him on a trip abroad, even when it concerns states that are not boycotting us. He has sought to completely marginalise us. Hamas’s position and first choice, since before the election and until today, has been for political partnership, a national unity government. But Fatah has rejected this every step of the way.<sup>138</sup>

With regard to security, a Hamas official stated plainly: “the existence of the Executive Force is not open for discussion. Integration maybe, but only in the context of a general reform of the security forces which is in much more need of this than the Executive Force. Nor would an independent interior minister have the authority to disband it”<sup>139</sup>.

But, ultimately:

This is not about Hamas vs. the PA government but about Hamas – whether inside or outside government – vs. the PLO. Hamas has never made a secret of its ambition to replace the PLO. Who leads the Palestinians needs to be separated from the question of how to govern them. The problem is that under the

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<sup>138</sup> Crisis Group interview, Said Siam, Gaza City, 1 December 2006. Responding to this charge, a Fatah official asserted that “the reason the NSC does not meet is because it does not exist, and the reason Abbas does not invite Hamas to his meetings is because these have been with countries that do not recognize them, and he would then be boycotted as well. He at one point did delegate Foreign Minister Zahhar to represent the Palestinians at an Arab League Foreign Ministers’ meeting”, Crisis Group interview, Abu Khusa, 17 February 2007.

<sup>139</sup> Crisis Group interview, Masri, 22 November 2006.

current circumstances it is becoming increasingly difficult to do so.<sup>140</sup>

As a Hamas leader put it: “If Abbas wants elections, fine. But rather than start with the most recent and cleanest ones [the PLC elections], let him start with those that are now more than a decade overdue, for the PLO. In any event, we will start the process of designating a new PLO leadership by organising elections among refugees”.<sup>141</sup>

As violence worsened and with both sides realising they had more to lose than to gain by continued conflict, pressures for a compromise grew. Fatah agreed that Haniya would remain prime minister, in exchange for which Hamas accepted that Abbas would select the interior minister from a list of nominees presented by the Islamists, while the finance portfolio would revert to a member of neither movement, Salam Fayyad. By the end of January, Musa Abu Marzuq, the Hamas Politburo deputy chairman, asserted that only one word separated the Islamists and Fatah from a national unity government:

The main difference between us, perhaps the only difference, regards previous agreements. It is now a matter of one word. We said we would honour past agreements, Abbas wants us to comply with them. But some of these agreements go against Palestinian interests. We can talk with Israel and others on how best to correct some of these agreements.<sup>142</sup>

At Mecca, the two sides split the difference. Abbas’s letter of commission calls upon Haniya to “comply” with the interests of the Palestinian people by “respecting” past agreements; Mashal dropped his insistence that past agreements would be respected “only insofar as they served the Palestinian interest”.

## **B. AN AGREEMENT TO AGREE ON WHAT HAD BEEN AGREED**

Coming on the heels of the bloodiest intra-Palestinian clashes in the occupied territories’ history and amid widespread fears that a failure to resolve their

differences would quickly lead to full-scale civil war,<sup>143</sup> negotiations between Fatah and Hamas, under Saudi auspices, concluded in the Mecca Agreement of 8 February 2007. As PA presidential adviser Nabil Amr read out its contents on live television, and President Abbas, Hamas Politburo chairman Khalid Mashal and Prime Minister Haniya in turn pledged to ensure its full and timely implementation, the sense of relief was both immediate and palpable. In Gaza City gunmen took to the streets – this time not to fire upon each other as so often in recent months, but into the air in celebration. Ordinary citizens seemed equally content. But euphoria was tinged with caution and bitterness.<sup>144</sup> A Palestinian woman said: “The security situation has become so bad that we’ve stopped complaining about the lack of money. Our ambition has been reduced to seeing our children return safely from school and being able to cross the street without having to worry about getting shot. Today that’s all we ask for”.<sup>145</sup>

The agreement’s most detailed provisions concern the immediate challenge of forming a new government. These are set forth in two documents: a “letter of commission” from President Abbas appointing Prime Minister Haniya to form a new government for presentation to the PLC “within five weeks”,<sup>146</sup> and a “preliminary agreement on the distribution of ministerial portfolios”.<sup>147</sup> The latter assigns nine of 24 portfolios (including the premiership) to Hamas, six to Fatah, five to independents and four to representatives of other Palestinian political organisations. It specifies that Abbas will designate a deputy prime minister,<sup>148</sup> that former Finance Minister Salam Fayyad will resume leadership of the PA treasury,<sup>149</sup> that independent legislator Ziad Abu Amr will be appointed foreign minister<sup>150</sup> and that Hamas will nominate an

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<sup>140</sup> Crisis Group interview, specialist on Palestinian Islamism, Jerusalem, November 2006.

<sup>141</sup> Crisis Group interview, senior Hamas official, Damascus, December 2006.

<sup>142</sup> Crisis Group interview, Musa Abu Marzuq, Deputy Chairman of the Hamas Politburo, Damascus, 24 January 2007.

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<sup>143</sup> Crisis Group interviews, Palestinian residents, West Bank and Gaza Strip, 5-7 February 2007.

<sup>144</sup> Crisis Group interviews, Palestinian residents, West Bank and Gaza Strip, 8-10 February 2007.

<sup>145</sup> Crisis Group interview, Palestinian resident, Gaza City, 9 February 2007.

<sup>146</sup> Text of 8 February 2006 Mecca Agreement, op. cit.

<sup>147</sup> Ibid.

<sup>148</sup> The Mecca Agreement does not indicate whether this individual must be a minister or can be separately recruited.

<sup>149</sup> The agreement identifies Fayyad as an independent, though he is the leader of the Third Way, a political party established in 2005, and heads its two-person parliamentary faction.

<sup>150</sup> Abu Amr, who served as a key mediator between Fatah and Hamas during the past year, is a secular independent elected to the PLC with Hamas backing but whose views on the Israeli-Palestinian conflict largely coincide with Fatah’s.

“independent” approved by Abbas as interior minister.<sup>151</sup>

The letter of commission also contains the Mecca Agreement’s main reference to Palestinian relations with the outside world, a central aspect of the current crisis. In it Abbas states:

I call on you as premier of the next government to abide by the interests of the Palestinian people;...and to work towards achieving their national goals as ratified by the resolutions of the PNC, the Basic Law, the national conciliation document and the resolutions of Arab summits. Accordingly, I call on you to respect legitimate Arab and international resolutions and agreements signed by the PLO.<sup>152</sup>

Putting paid to media reports that the deal already was coming apart under a deluge of new demands,<sup>153</sup> Haniya on 15 February presented the government’s resignation to Abbas, who promptly reappointed him to put together its successor. In contrast to the previous government he led, Haniya this time accepted the terms of Abbas’s letter of commission, formally and in writing.<sup>154</sup>

The Mecca Agreement is not the first political deal to be concluded between the rival movements; indeed, and as noted, in its broad outlines it reflects agreements that had been more or less reached weeks and, in some cases, months before. Nor is it a comprehensive agreement. In some cases it provides important details, in others it offers only declarative statements. Still, it carries considerable importance and potential. It is the first formal power-sharing agreement, as such a radical departure in Palestinian

history. Saudi Arabia’s patronage, heavy involvement and determination to demonstrate its clout (and apparent ability to outmanoeuvre Iran) gives the agreement unprecedented weight. The royal family’s prestige is now at stake, and any violation of the agreement will be viewed as a direct rebuff to Riyadh; this also makes it far more difficult for others – Europeans or Arabs – to dismiss. According to Jamal Abu Hashem, a leading Hamas negotiator during 2006:

The difference with the past is that Fatah and Hamas agreed at the highest level under a Saudi umbrella. It’s important especially given Saudi Arabia’s relations with the U.S. With its religious perspective, it’s a strong sponsor. Because the Saudis blessed the agreement no Arab party can oppose the national unity government or the breaking of the siege.<sup>155</sup>

Abu Hashem’s statement hints at another important factor. Rather than keep the Islamists at arms’ length, as Egypt and particularly Jordan have done,<sup>156</sup> or seeking to play one part of the Islamist leadership off against the other, the Saudis pointedly invited the movement’s senior leaders from both Damascus and Gaza. Similarly, and over Islamist objections, they insisted that Fatah leaders known for their earlier opposition to agreement with Hamas such as Muhammad Dahlan also attend the conclave.

Finally, and perhaps most significantly, having witnessed the tell-tale signs of a potential civil war, Hamas and Fatah are far more aware than in the past of the consequences of breakdown. In this sense, they appeared less motivated by what they stood to gain than by the urgency of preventing further losses. In the short term at least, that is the best guarantor of success. In the words of Minister of Refugee Affairs Atif Adwan, “Fatah realised it couldn’t achieve a military victory against Hamas, and Hamas learned the same lesson. Anyone who breaks the agreement will stand accused before the Palestinian people, and neither wants to take the blame”.<sup>157</sup> Fatah official and former PA Minister of Prisoners’ Affairs Sufian Abu Zaida concurred: “The main achievement of the

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<sup>151</sup> There remains some confusion about the independent ministers. Both parties seem to agree that Hamas is entitled to appoint three, and Fatah two. However some in Fatah – despite the Mecca Agreement’s clause that “Fatah will appoint the Minister of Foreign Affairs (Ziad Abu Amr)” – claim that Abu Amr should be considered a Hamas nominee. To this a Hamas spokesperson responded: “The best way to determine who wants him in the cabinet is to see who is prepared to leave him outside it. If he’s ours, will Fatah agree to Hamas replacing him with someone else?” Crisis Group interview, Hamas spokesperson, Gaza City, 14 February 2007.

<sup>152</sup> Text of 8 February 2006 Mecca Agreement, op. cit.

<sup>153</sup> See, for example, Avi Issacharoff, “Yet another crisis delays PA unity government”, *Haaretz*, 15 February 2007.

<sup>154</sup> This exchange of letters is not a constitutional requirement but had become a tradition since the post of premier was created in 2003. The Hamas government, unwilling to accept Abbas’s letter of commission or to reject it in writing, chose not to respond in 2006.

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<sup>155</sup> Crisis Group interview, Jamal Abu Hashim, Hamas negotiator, Gaza City, 14 February 2007.

<sup>156</sup> Despite regular contacts between Egyptian officials and Hamas, President Husni Mubarak has refused to receive any of the movement’s leaders.

<sup>157</sup> Crisis Group interview, Gaza City, Atif Adwan, outgoing PA minister of refugee affairs, 14 February 2007.



Mecca Agreement is that it ends the shedding of Palestinian blood".<sup>158</sup>

But the challenges and obstacles will be formidable. The most immediate challenges include filling the posts of deputy prime minister (a Fatah prerogative) and interior minister (a Hamas prerogative, subject to presidential veto). Another unresolved issue is fostering reconciliation where possible and administering justice where necessary in order to prevent a renewal of armed clashes, particularly revenge killings (*tha'ir*) and blood feuds. The potential for the bloodletting to develop a dynamic of its own was already pointed out before Mecca: "We are heading towards the point where clashes are no longer the initiative of those in charge, but driven by comrades, relatives, even friends seeking revenge. The general mayhem, if it erupts, will create space for any number of other agendas".<sup>159</sup> Even after the agreement, a banker in the Gaza Strip was informed by a member of the powerful Dughmush clan, which in late 2006 lost two members to Hamas gunfire: "We killed a few but still have not avenged our loss. Others remain on our list".<sup>160</sup>

What is more, the two arguably most contentious and significant questions (reform of the PLO and the security forces) remain open. According to a Hamas official, "There is a crucial difference between the demand for the revitalisation (*iadat ihya*) of the PLO, which is the resuscitation of a corpse, and its reconstruction (*iadat bina*), which is building an organisation on a solid foundation so that it can achieve its objectives. We are only interested in the latter".<sup>161</sup> Usama Hamdan, Hamas's representative in Lebanon, emphasised the need to overcome the organisation's "lack of internal democracy, debts, corruption and absence of a shared national framework".<sup>162</sup> Likewise, the movements will need to find an answer to the status of the ESF, which Hamas wishes to preserve and Fatah to extinguish and about which Mecca offers no answer.

More broadly is what Hamas calls "the change from an era of a single-party domination to one of participation that provides all movements with an

opportunity".<sup>163</sup> According to one of its spokesmen, Ismail Radwan, "this can't be limited to the government and parliament, but must be extended to all Palestinian institutions. This includes the security forces, civil service, diplomatic corps, PLO, everything. And it can't be indefinitely postponed".<sup>164</sup> For Hamas, a key issue concerns the many governmental appointments that Abbas refused to ratify. Setting a high bar, Hamas negotiator Jamal Abu Hashim said: "The prerogatives assumed by the president have to revert to the prime minister".<sup>165</sup> Foreshadowing potential clashes, Yusif Zahhar, a founder of the ESF and currently an official in the Ministry of Finance, adds:

Abbas ratified all senior [public sector] appointments made by the previous [Fatah] government. But of the 45 which have come before him since March 2006, he's accepted only 26. But if Abbas chooses not to confirm my appointment at the finance ministry, or Fayyad sacks me, I'm not just an individual. My supporters can defend me. We won't accept being pushed out of power.<sup>166</sup>

Fatah-Hamas subcommittees have been formed to address almost every conceivable issue, from the withdrawal of militiamen from the streets to the composition of the PLO's Palestine National Council (PNC).<sup>167</sup> In short, far from resolving core issues, the Mecca Agreement established a framework and mechanisms through which the rival organisations are to jointly tackle them: ensuring dialogue as the sole means of resolving intra-Palestinian conflicts; establishing a national unity government; reforming the PLO; and achieving power-sharing arrangements throughout the PA.

Whether the two sides can live with genuine power sharing remains to be seen. Many are sceptical, convinced (in some cases) that Fatah has yet to understand it has lost *some* power and (in other cases) that Hamas has yet to realise it has not won *all* of it. Fatah spokesman Tawfiq Abu Khusa asserts that the Islamists "don't believe in coexistence with the other, they want to get rid of all of us. We're dealing with two incompatible national projects so

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<sup>158</sup> Crisis Group interview, Sufian Abu Zaida, former minister of prisoners' affairs, Gaza City, February 2007.

<sup>159</sup> Crisis Group interview, Palestinian analyst, Gaza City, January 2007.

<sup>160</sup> Crisis Group interview, Palestinian banker, Gaza City, 15 February 2007.

<sup>161</sup> Crisis Group interview, Crisis Group interview, Hamas official, December 2006.

<sup>162</sup> Crisis Group interview, Usama Hamda, Hamas representative in Lebanon, Beirut, 19 February 2006.

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<sup>163</sup> Ibid.

<sup>164</sup> Crisis Group interview, Ismail Radwan, Hamas spokesman, Gaza City, 14 February 2007.

<sup>165</sup> Crisis Group interview, Abu Hashim, Gaza City, 14 February 2007.

<sup>166</sup> Crisis Group interview, Yusif Zahhar, Hamas official, Gaza City, 14 February 2007.

<sup>167</sup> Crisis Group interview, Abd-al Hakim Awad, Fatah spokesman, Gaza City, 15 February 2007.

any agreement will be short-lived”.<sup>168</sup> A Hamas detractor asks: “Integration requires a clear Hamas response on whether it wants integration. Does it want to rule or to change the rules?”<sup>169</sup> Similar suspicions about Fatah’s true intentions exist among Islamist ranks. An independent Palestinian analyst suggests both perspectives are equally credible:

Neither Fatah nor Hamas is capable of genuine power-sharing; both remain hegemonic. Since neither can defeat the other, they will agree on temporary coexistence, during which Hamas allows Fatah to negotiate in order to break the siege and Fatah allows Hamas a greater role in governance. It is a temporary condition rather than a strategic choice, pending the ability of one or the other to establish hegemony through elections or other means.<sup>170</sup>

As a result, some already are referring to the next cabinet “not as a national unity government but as a two-headed one, consisting of a Hamas council of ministers and a Fatah council of ministers”.<sup>171</sup> Certainly, if Fatah becomes convinced it is providing legitimacy and cover to Hamas without gaining in return, or if Hamas reaches the conclusion that although in office it remains marginalised, the Mecca Agreement is unlikely to last. Just as importantly, Israel’s and the international community’s attitude towards a future national unity government will do much to determine its sustainability.

### C. INITIAL INTERNATIONAL RESPONSES

In the wake of the Mecca Agreement, President Abbas embarked on an effort to persuade the Quartet – and Washington in particular – to give it an opportunity to succeed.<sup>172</sup> He has a tough task ahead.

The Quartet’s initial response was guarded. In the months preceding Mecca, EU and UN officials had privately suggested they would welcome a unity government and use it as an opportunity to turn a page in relations with the PA.<sup>173</sup> For its part, Russia suggested a review of Quartet policy even in advance of the Mecca deal. As news emerged of the agreement, however, reaction was cautious. While welcoming the Saudi role, the Quartet:

called for Palestinian unity in support of a Government committed to non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Road Map. The Quartet reaffirmed that these principles endure. The Quartet reiterated its call for the Palestinian Authority Government to commit to these principles.<sup>174</sup>

The response of individual Quartet members was more nuanced, hinting at underlying differences. The EU expressed support for the deal and reiterated a phrase from an earlier Quartet communiqué, calling on the government to “reflect” – rather than adhere to – its principles.<sup>175</sup> Officials from numerous member states signalled their interest in an even more forthcoming approach toward the new government, privately criticising Washington’s more rigid approach<sup>176</sup> though few (France being one exception) held out the hope that the EU as a whole would break ranks with the U.S. on this matter.

Russia, still a step ahead, argued there was now sufficient reason to lift Quartet sanctions.<sup>177</sup>

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the basis of its political program or vacate the political arena”. Crisis Group interview, Gaza City, 18 February 2007.

<sup>173</sup> Crisis Group interviews, UN and EU officials, New York, Brussels, September 2006-January 2007.

<sup>174</sup> Quartet Statement of 2 February 2007 at [www.state.gov](http://www.state.gov).

<sup>175</sup> The EU General Affairs and External Relations Council (foreign ministers) said the EU “stands ready to work with a legitimate Palestinian government that adopts a platform reflecting the Quartet principles”. The 20 September 2006 Quartet meeting had first introduced such language, prompting UN and EU officials to suggest a softening in the Quartet position. U.S. officials privately expressed disagreement, insisting the word change did not represent any change at all, and complained about EU attempts to spin it in that fashion. Crisis Group interviews, U.S. and EU officials, Washington DC, January-February 2007. During the 9 February 2007 Quartet meeting in Washington DC., the U.S. rejected a request to repeat the “reflect” language.

<sup>176</sup> Crisis Group interviews, European officials, European capitals, February 2007.

<sup>177</sup> In the words of a Russian Foreign Ministry statement: “The future Palestinian national government...will be an important factor in the process of reviving Israeli-Palestinian

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<sup>168</sup> Crisis Group interview, Tawfiq Abu Khusa, Gaza City, 19 November 2006.

<sup>169</sup> Crisis Group interview, Palestinian activist, Gaza City, November 2006. A Palestinian activist in Ramallah adds that “everyone has been discussing what needs to be done by others to accept the participation of Hamas, but much less attention has been paid to what Hamas needs to do to persuade its rivals it has accepted the principle of integration”, Crisis Group interview, Ramallah, January 2006.

<sup>170</sup> Crisis Group interview, independent Palestinian analyst, Gaza City, December 2006.

<sup>171</sup> Crisis Group interview, independent Palestinian activist, Gaza City, 18 February 2007.

<sup>172</sup> According to a Fatah official, “the Saudis are telling the Americans to withhold judgement. Their message to Hamas is to either continue the path of integration into the PLO on

Receiving Mashal in Moscow on 27 February, Foreign Minister Sergei Lavrov stated: "Russia favors the agreement between Hamas and the Fatah group to share power because it shows wisdom, reason and responsibility before the Palestinian people.... We are pushing for all members of the international community to support this process and make it irreversible, including efforts to lift the blockade".<sup>178</sup>

After discussions with Abbas in Paris on 24 February, French Foreign Minister Philippe Douste-Blazy also hinted at greater French flexibility than other EU states: "If this government is formed on the basis of the Mecca Agreement, I told the Palestinian President France will be disposed to cooperate with it and that our country will also plead in that direction within the European Union and with other partners in the international community".<sup>179</sup> This may have well been a response to EU foreign policy chief Javier Solana's decidedly cooler response after his own meeting with Abbas in which he expressed the hope that the new cabinet "will be part of the solution and not part of the problem" and suggested he would not meet with Hamas members of a unity government.<sup>180</sup> For her part Chancellor Angela Merkel of Germany, which currently holds the EU Presidency, insisted that any new government recognise Israel if aid is to be resumed.<sup>181</sup> Subsequently, speaking at the beginning of her Middle East tour, EU External Relations Commissioner Benita Ferrero-Waldner called on the new government to "respond" to Quartet policy. She added that Brussels was having initial thoughts about cooperating with the new PA

government, but that "we will judge this government by its actions".<sup>182</sup>

Norway (not an EU member) went furthest. Responding that same evening, Foreign Minister Jonas Gahr Støre characterised the agreement as "an important step towards stopping the internal Palestinian violence and promoting stability in the Palestinian area...which we've supported all along", adding that it "will enable Norway to renew full and normal relations with the PA when a new unity government is in place".<sup>183</sup>

Washington's position has been a study in ambiguity. Officials expressed displeasure with the Mecca process before the agreement was reached, discomfort on announcement and a wait-and-see attitude subsequently.<sup>184</sup> Meeting with visiting Egyptians and Palestinians as the Mecca summit was under way, they did not conceal their objections: too many concessions were being made to Hamas; the agreement would complicate Secretary of State Rice's planned diplomatic initiative with the Palestinian president and Israeli prime minister; and Saudi Arabia's efforts were at odds with the previously agreed stance of undermining the Islamists and strengthening Abbas.<sup>185</sup> As news of the accord filtered out of Mecca and details became public, U.S. officials were bolstered in their view that it fell significantly short of meeting the Quartet's three conditions.

Still, Washington's reaction was not unequivocally negative. There are several explanations. It may reflect a tacit arrangement within the Quartet whereby the U.S. would not be overly critical of the agreement in exchange for its partners not being overly positive. The U.S. also presumably wishes to avoid a costly public spat with Saudi Arabia, one of its more important regional allies, particularly on an issue in which the Royal family had invested much

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talks.... The implementation of Mecca agreements should be combined with lifting a blockade of the Palestinian territories which has inflicted suffering and hardship on the people". *Reuters*, 9 February 2007. Several days later at Amman airport in Jordan President Putin was overheard informing Abbas: "We hope that very soon conditions will be created for lifting the blockade". "Putin Hopes Palestinian Sanctions Will be Lifted", *Reuters*, 13 February 2007.

<sup>178</sup> "The Russian leadership supported forming such government from the very start", Lavrov added. "We have consistently backed specific steps which helped make this process successful, and we shall continue acting like that.... The Mecca meeting was also important because it opened the way toward the resumption of the peace process between the Palestinians and Israel". *Haaretz*, 27 February 2007.

<sup>179</sup> Francois Murphy, "France backs Palestinian unity cabinet", *Reuters*, 24 February 2007.

<sup>180</sup> Glenn Kessler, "United front on unity government", *Washington Post*, 22 February 2007.

<sup>181</sup> Associated Press, 23 February 2007.

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<sup>182</sup> *Haaretz*, 27 February 2007.

<sup>183</sup> "Palestinian pact welcomed", *Aftenposten*, 9 February 2007.

<sup>184</sup> According to one official, "we learned of the Saudi initiative through the media. This was something King Abdallah personally wanted to do in order to assert Saudi Arabia's role in the region. It had more to do with Saudi-Iranian relations than with anything else. We were not kept informed of developments either. We expressed our view that any agreement had to meet the Quartet conditions, but we only heard of the outcome when it was announced". Crisis Group interview, U.S. official, Washington DC, February 2007.

<sup>185</sup> Crisis Group interviews, U.S., Egyptian and Palestinian officials, Washington DC, February 2007.

prestige. Finally, at the State Department at least, there was a determination to keep Secretary Rice's initiative alive; strong U.S. condemnation could have jeopardised her 19 February trilateral meeting with Abbas and Olmert.<sup>186</sup> As a result, Washington has stressed the need to await formation of the government before taking a definitive stance. Speaking to journalists on 15 February, Rice would only say: "Talking about recognising or not recognising the government [is premature].... There isn't one yet. When there is one, the United States will make a determination".<sup>187</sup>

Analysts also have pointed to signs of tension within the administration, with some (particularly at the White House) arguing for a more negative response based on non-compliance with the Quartet's conditions. Their hope appears to be that, by signalling the U.S. would maintain a hostile stance toward a national unity government and reject contact even with its non-Hamas members, they could still torpedo the Mecca Agreement or, short of that, shape its implementation. Where precisely the U.S. will come out is not fully known, though some broad trends are likely. The economic and financial sanctions almost certainly will remain in place, for a combination of political and, importantly, legal reasons.<sup>188</sup> In particular, Washington will continue to

threaten sanctions against any bank, domestic or foreign, doing business with the PA – arguably its harshest and costliest measure. While the internal debate continues, the U.S. may well agree to distinguish between those members of the government who abide by the Quartet conditions, and those who do not, allowing it to entertain relations with Salam Fayad, the presumptive finance minister, and Ziad Abu Amr, the presumptive foreign minister, among others.<sup>189</sup> Finally, despite a reportedly difficult first trilateral meeting, Secretary Rice will want to continue moving on her diplomatic initiative and see whether any progress toward a political agreement between Abbas and Olmert on broad final status principles can be reached.<sup>190</sup>

Like the U.S., Israel's initial reaction was relatively restrained. The weekly cabinet meeting immediately following the Mecca agreement released a statement which said "Israel is not rejecting, nor is it embracing the Mecca accord. Israel is studying the details of the agreement".<sup>191</sup> Olmert also signalled that release of the soldier captured in June 2006 might affect Israel's attitude toward the new government.<sup>192</sup> At the same time, Olmert has made clear to the U.S. that the Mecca Agreement constrains his ability to move diplomatically, exposed as he now is to further attacks from the right; Israeli officials have ruled out any talks about final status issues should Fatah join a cabinet that does not adhere to the Quartet

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<sup>186</sup> Crisis Group interview, U.S. official, Washington DC, February 2007.

<sup>187</sup> Associated Press, 16 February 2007. On 15 February, the State Department spokesman said: "You don't have a national – a government of national unity. You don't know who's in that government, you don't know the platform of that government. You don't know if it comes into existence, what they are going to say about their policies and what they're actually going to do. So you have a lot of blanks here to fill in. And on the basis of that lack of facts, I can't offer you an answer as to how the United States or the Quartet is going to relate to a potential government of national unity".

<sup>188</sup> The Palestinian Authority is subject to several U.S. Treasury Department-administered economic sanctions programs. Hamas has been designated as a "terrorist" organisation under three separate U.S. governmental regulations. An additional determination by the U.S. Treasury in April 2006 that Hamas has a "vested interest" in the transactions of the PA means that U.S. individuals and entities are prohibited from conducting business with the PA unless specific authorisation is obtained from the Treasury's Office of Foreign Assets Control (OFAC). Congressional legislation signed into law by President Bush on 21 December 2006 (Public Law 109-446), introduced as "A bill to promote the development of democratic institutions in areas under the administrative control of the Palestinian Authority, and for other purposes", and enacted as the Palestinian Anti-Terrorism Act of 2006, further reinforces the prohibition on U.S. government dealings with the PA government, restricts

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U.S. assistance to the office of President Abbas, and places additional conditions on U.S. humanitarian aid to the occupied territories.

<sup>189</sup> The question of whether the U.S. would deal with Fatah and some independent ministers has given rise to a curious diplomatic minuet. According to some Palestinian aides to President Abbas, American officials have explained there would be no contact, even with non-Hamas government members. Crisis Group telephone interview, Saeb Erakat, chief Palestinian negotiator, 15 February 2006. U.S. officials denied this. Crisis Group interview, U.S. official, Washington DC, February 2007. Insofar as U.S. officials justified their decision to continue engagement with President Abbas on the grounds that he explicitly adhered to the Quartet conditions, the same standard could in principle apply to government ministers. *New York Times*, 16 February 2007.

<sup>190</sup> According to unconfirmed Palestinian reports, an angry Prime Minister Olmert lectured President Abbas about the national unity government, claiming it represented a betrayal of prior commitments. Crisis Group interviews, Palestinian officials, 20 February 2007.

<sup>191</sup> *Haaretz*, 11 February 2007.

<sup>192</sup> "Olmert also said that if the Palestinian unity government were to free captured IDF soldier Gilad Shalit, Israel's position would change with respect to the prospective Hamas-Fatah coalition". *Haaretz*, 13 February 2007.

conditions.<sup>193</sup> For a prime minister who never was comfortable with Rice's process – fearful that it would prematurely drag him into discussion of politically sensitive issues – Mecca provided yet another argument or pretext to slow things down.

International jockeying and manoeuvring is likely to continue at least until formation of a national unity government. The U.S., Israel and others will try to use the intervening period either to scuttle the agreement or press Abbas to extract additional concessions from Hamas.

The key for the Palestinians is to borrow a page from the Israelis, ignore current pressures and create facts on the ground. They should form their government and present it to the world as the only interlocutor it has. That – and only that – may begin to convince the Europeans to deal with it, and, over time, persuade the U.S. and Israel to do likewise. The alternative for them is to have *no* Palestinian interlocutor for the foreseeable future, which will be hard to sustain.<sup>194</sup>

## IV. INSIDE HAMAS

Lack of interaction with the outside world has been hugely detrimental to Hamas. The movement greatly underestimated Palestinian economic dependence on Israel, overestimated the willingness of Arab countries to come to its rescue and downplayed European aversion to its ideological stance and resort to violence. They have not been alone in misconceptions. During the twelve months since Hamas formed the government, observers and international policymakers have proceeded on the basis of assumptions about how the Islamist movement operates, what guides its decisions and how best to influence them. All too often, these have been off-target. Handicapped by their refusal to have direct contact with Hamas leaders, outsiders with the greatest stake in the movement's policies have had to rely on second-hand impressions, conjecture and presumptions. Such judgments have proved costly and – if the ultimate goal is to influence Hamas's behaviour – are in need of revision.

### A. HAMAS VERSUS HAMAS?

Of all the assumptions concerning Hamas, perhaps the most widespread is that the movement is divided between a radical, hard-line and uncompromising external leadership and a more pragmatic and flexible internal one; that the Damascus-based leadership follows orders handed down by Syria and Iran; and that they (notably Politburo chairman Mashal) possess the final word. The belief is not a product of Western minds alone. It is shared and echoed by many Arab leaders – most notably Egyptian – and Fatah officials who argue that Haniya's more conciliatory moves have been blocked by Mashal and that Mashal has been following dictates from Damascus or Tehran. Asked why he appeared to equate the organisation with its exiled Politburo chairman, Tawfiq Abu Khusa responded: "because we have the transcripts of his telephone calls to Palestine and they concern everything large and small".<sup>195</sup> Others point to an incident in which Qassam Brigades deputy commander, Ahmad Jabari, is alleged to have bluntly informed Interior Minister

<sup>193</sup> *Washington Times*, 21 February 2007.

<sup>194</sup> Crisis Group interview, Middle East analyst, Washington DC, February 2007.

<sup>195</sup> "We're not making things up when we use the term 'remote control'". Crisis Group interview, Tawfiq Abu Khusa, Gaza City, 19 November 2006.

Said Siam “I don’t take my orders from you” – an apparent reference to higher authorities in Syria.<sup>196</sup>

Divisions within the movement undoubtedly exist. Sensitivities are based on geography, ideology and membership in government, the political branch or the military wing. The relative influence of Hamas’s constituent parts has waxed and waned over the years in accordance with changing circumstances. The movement’s most prominent West Bank leaders, for example, have – like Jamal Mansur and Jamal Salim in 2001 – either been assassinated or, as with numerous others, imprisoned by Israel since 2002. This in part helps explain their successors’ failure to sway their colleagues in the other leadership centres against participation in the 2006 legislative elections.<sup>197</sup> Similarly, Israel’s 2002-2004 killings of the movement’s founder and leader, Shaikh Ahmad Yasin, and four of its most influential Gaza leaders – Abd-al-Aziz Rantisi, Ismail Abu Shanab, Ibrahim Maqadma and Salah Shihada – significantly increased the influence of the veteran leadership in exile and particularly of Mashal, which had been in relative decline following Yasin’s 1997 release from Israeli imprisonment.<sup>198</sup>

The leading role played by the Qassam Brigades in Hamas’s ascendancy since 2000, the hundreds of casualties they have sustained and inflicted, together with the increasing appeal of militancy in the context of renewed conflict and hardship has given the military wing a much greater voice.<sup>199</sup> The same might be said of the prison population, which has

grown exponentially in recent years.<sup>200</sup> That the Hamas signatory to the May 2006 Prisoners’ Initiative, Abd-al-Khaliq Natsheh, was both a prisoner and a military commander was no coincidence; his background gave him a degree of credibility not many others within the movement possess, making it difficult for detractors to reject the document or denounce him for signing it without the movement’s prior endorsement.

The installation of a Hamas prime minister and cabinet created a new locus of power outside the movement’s formal structures that has a greater stake in the government’s success and that the rest of the movement must take into account. Unlike Fatah, whose senior leaders (including Arafat and Abbas) assumed top PA posts – thus blurring the line between movement and government – Hamas’s leaders are in Damascus and, in contrast to many Fatah Central Committee members during 1996-2006, not even members of parliament. The most senior Hamas politician in the occupied territories, Mahmoud Zahhar, assumed the foreign ministry portfolio rather than the premiership. Going further in establishing that distinction, members who have taken senior PA positions reportedly recused themselves from senior positions in the movement. “They remain members of Hamas and contribute to its internal discussions, but you can’t, for example, be a PA minister and at the same time remain a member of the Consultative Council [*majlis shura*] or Politburo [*maktab siyasi*]”.<sup>201</sup>

Different explanations are given, among them that “Hamas understands that the government is subject to different pressures and may need to make decisions that are different from the movement’s”.<sup>202</sup> The corollary is that where a clash of interests occurs, Hamas must be relieved of responsibility for PA

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<sup>196</sup> Crisis Group interview, Palestinian analyst, Gaza City, November 2006.

<sup>197</sup> According to some, whereas Hamas’s leadership in Gaza, under growing popular pressure to govern, came out strongly in favour of participation, its West Bank counterpart tended to advocate a continuation of resistance in light of direct Israeli military occupation, settlement expansion and the encroaching separation barrier. The exile and prison leaderships also supported participation. Crisis Group interview, Azzam Tamimi, Director, Institute for Islamic Political Thought and author of *Hamas: Unwritten Pages* (2006), London, 9 October 2006.

<sup>198</sup> This became particularly apparent after Yasin’s assassination, when Rantisi initially accepted the mantle of leadership over the movement but thereafter quickly clarified that his leadership role was limited to the Gaza Strip and proclaimed his loyalty to Mashal as the movement’s overall leader. When Rantisi was killed in an Israeli air strike 40 days later, Hamas decided not to publicly reveal the name of his successor, widely believed to be Mahmoud Zahhar. Crisis Group interview, Palestinian analyst, Gaza City, November 2006.

<sup>199</sup> Crisis Group interview, Palestinian analyst, Gaza City, November 2006.

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<sup>200</sup> “They are more influential because they are prisoners but they are in prison. Their participation is more constrained because of communication difficulties”. Crisis Group interview, Hamas activist, Gaza City, November 2006.

<sup>201</sup> Crisis Group interview, Hayya, 29 November 2006.

<sup>202</sup> Crisis Group interview, Tamimi, 9 October 2006. This confirms the most widespread rationale provided by the Islamists, that “Hamas is determined to avoid the experience and mistakes made by Fatah”. Crisis Group interview, Bardawil, 21 November 2006. Under this reading, Fatah was so inextricably intertwined with the PA that their identities became fused; PA tactical interests came to dictate Fatah’s strategic direction, Fatah was held responsible for every mistake and act of malfeasance committed by the PA and its officials, and ultimately voters who wanted to protest the PA’s failures punished Fatah by casting their ballots for Hamas.

policies that contradict its basic principles; where this is not possible, the movement's interests supersede the government's and not the other way around – thus, for example, the insistence by Hamas that it will not participate in any government that explicitly recognises Israel.

This complex picture is at odds with the simplistic notion of a Damascus vs. occupied territories divide, let alone that of an all-powerful Mashal. Some of the least flexible elements are based in Gaza, not Damascus, members of its Consultative Council dominated by clerics or of the armed wing over which Mashal reportedly has formal though far from absolute control. According to those who have negotiated with the Islamists, its leaders have not coalesced into rigid rival camps but rather form a series of fluid and shifting alliances. “Different elements within Hamas show flexibility on different issues”.<sup>203</sup>

Decisions typically are made by consensus, and while not all leaders have equal power, none can be ignored. For senior Islamist legislator Salah Bardawil:

Hamas is a coherent democratic movement, and no single level in the organisation can dictate to the others. Neither Khalid Mashal nor Ismail Haniya can take decisions on behalf of the movement, and every decision must go through the necessary decision-making levels before it becomes policy.<sup>204</sup>

It is not only Hamas that insists it functions as an institution. A Palestinian who has mediated between Hamas and Fatah remarks that the Islamist movement “is not a one-man show. Some leaders are more influential than others, but none owns its decisions”.<sup>205</sup> Members of other Palestinian movements – including Fatah and other rivals – also acknowledge this, adding that “it is a phenomenon that should be studied and learned from”.<sup>206</sup> “Consultation [*shura*]”, adds a Palestinian mediator, “safeguards the decision-making process. It prevents hasty, individual decisions and helps ensure that decisions taken by Hamas will stick. It helps contain and conceal dissent”.<sup>207</sup> The depth and intensity of

divisions are therefore difficult to assess, because “once Hamas takes a decision every member presents it as their personal point of view”.<sup>208</sup> Indeed, the Islamists' bottom line regarding the political system, Israel and the world beyond has been clearly expressed by Mashal, Abu Marzuq, Haniya and other leadership elements inside and outside the occupied territories with consistency. It is democratic centralism with an Islamist twist.

That Mashal ultimately exercises greater power may well be true; as a Palestinian analyst comments:

Power reflects guns and money, like any other organisation. The money comes from outside, and the military wing is subordinate to the Politburo, so this combination makes Mashal very powerful. At the same time, the Hamas leadership in government has become stronger by virtue of its position. But Hamas has institutions, and Mashal can't impose his will on the rest if they don't agree with him.<sup>209</sup>

Misconceived analysis has led to misdirected policies. These include efforts by Fatah and others to bypass Mashal, dealing exclusively with Haniya in order to foster divisions within the movement and bolster so-called pragmatic forces. Such attempts regularly failed. As the Mecca Agreement illustrates, progress was made only when the two participated together, the Saudi-led negotiations being the first time that occurred. This is not, according to a Palestinian mediator, because Mashal is the organisation's supreme arbiter, but rather because “he can't be by-passed”.<sup>210</sup>

By the same token, those hoping that pressures on Hamas will lead to a schism within the movement are likely to be disappointed.<sup>211</sup> Since the only previous organisational rupture experienced by the Islamists – the separation of radical Muslim Brotherhood elements in the late 1970s to form Islamic Jihad – the movement repeatedly has taken difficult strategic decisions without sustaining significant organisational damage. These have included the

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<sup>203</sup> Crisis Group interview, Salah Bardawil, Hamas PLC member, Gaza City, 21 November 2006.

<sup>204</sup> Ibid.

<sup>205</sup> Crisis Group interview, Palestinian mediator, Gaza City, November 2006.

<sup>206</sup> Crisis Group interviews, Palestinian politicians and activists, Ramallah and Gaza City, November 2006.

<sup>207</sup> Crisis Group interview, Gaza City, November 2006.

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<sup>208</sup> Crisis Group interview, Palestinian Islamist political analyst, Gaza City, November 2006.

<sup>209</sup> Crisis Group interview, Palestinian analyst, Gaza City, November 2006.

<sup>210</sup> Crisis Group interview, Palestinian analyst, Gaza City, November 2006. “Mashal can neither dominate the movement's decisions nor be by-passed in its decision-making process”. Crisis Group interview, Hamas activist, Gaza Strip, November 2006.

<sup>211</sup> Crisis Group interview, Taysir Muhaisin, Palestinian analyst, Gaza City, 29 November 2006.

formation of Hamas in the late 1980s; the post-Oslo policy of neither confronting the PA nor participating in its elections and institutions; the 2005 decision to pursue integration with the PA through elections; the unilateral ceasefires of 2003 and 2005; and, in the 2006 National Conciliation Document, explicit endorsement of a Palestinian state in the areas occupied by Israel in 1967.<sup>212</sup>

Corporal Shalit's fate is another example of questionable analysis. In the months since Palestinian militants captured him on 25 June 2006, Haniya often has been blamed for having been taken by surprise by the operation, appearing in the dark about the soldier's status and prisoner exchange negotiations. Yet, there is reason to believe this reflects a natural division of labour instead of deep organisational strains.

Did Haniya's critics expect him to order the attack, imprison the soldier in the prime minister's office and lead the negotiations for a prisoner exchange? It is a Hamas file, not a government one. When Haniya says he has no control over the Qassam Brigades and no knowledge of their activities, it's a reflection of reality, not an admission of defeat.<sup>213</sup>

Rather than reflecting a decision by Mashal (according to some versions an unsuccessful attempt to sabotage the National Conciliation Document of that same day), the operation more probably was a collective undertaking. "The political leadership will take a decision, such as renunciation of the ceasefire, and lay down general parameters – for example that military operations can be resumed but not suicide attacks within Israeli cities. How, when and where this is translated on the ground is determined by the Qassam Brigades according to local conditions".<sup>214</sup>

U.S., Israeli and Egyptian officials have since blamed Mashal and, more precisely, Tehran and Damascus, for undermining negotiations over a possible prisoner exchange.<sup>215</sup> According to an Egyptian official, "on several occasions, we have been close to a deal. But then Iran or Syria said 'no', and Mashal blocked it. We have no doubt that the internal leadership would

have said 'yes'".<sup>216</sup> This analysis suggests hard-line forces have been seeking to thwart any chance for progress. An alternative theory, at least equally plausible and as of yet wholly untested, is that Hamas views Corporal Shalit as one of its few available forms of leverage and that it has sought to extract other concessions – including on its ability to govern – before giving him up. Its leaders might not have seen the point of exchanging him at a time when Hamas was under intense internal and external military, political and economic pressure with no end in sight.

## **B. HAS PRESSURE WORKED?**

U.S. officials argue their strategy has been working and ought to be continued.<sup>217</sup> Sanctions have prevented Hamas from governing and hurt the movement's popular standing. During some of the Fatah/Hamas clashes in early 2007 in Gaza, the Islamists' stronghold, Hamas is said to have performed worse than anticipated; while Fatah did not prevail, it held its own. "The situation is not as bad as many have portrayed. Fatah is fighting back and surprising Hamas, which has yet to win a decisive head-to-head fight. By continuing to provide Fatah with support, we can ensure the Islamists will not win".<sup>218</sup> Apparent shifts in Hamas's political position also have been attributed to consistent international pressure.<sup>219</sup> A series of statements by Hamas leaders have reflected gradual, grudging albeit interesting movement: Mashal's declaration that "there is a reality that Israel exists on Palestinian territory.... There will remain a state called Israel, this is an issue of fact",<sup>220</sup> and the Mecca agreement's clause on "respecting" past PLO agreements as well

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<sup>212</sup> Ibid.

<sup>213</sup> Crisis Group interview, Hamas activist, Gaza City, November 2006.

<sup>214</sup> "The Qassam Brigades are an implementing agency and not a decision-making body. But they take field decisions within the parameters adopted by the leadership". Crisis Group interview, Hamas activist, Gaza City, November 2006.

<sup>215</sup> Crisis Group interviews, U.S., Israeli and Egyptian officials, Washington DC, September 2006-February 2007.

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<sup>216</sup> Crisis Group interview, Egyptian official, Washington DC, February 2007.

<sup>217</sup> Crisis Group interviews, U.S. officials, Washington DC, November 2006-January 2007.

<sup>218</sup> Crisis Group interview, U.S. official, Washington DC, January 2007.

<sup>219</sup> Crisis Group interviews, U.S. and EU officials, Washington DC, Brussels, December 2007.

<sup>220</sup> Responding to a question about his preparedness to recognise Israel, Mashal responded: "Why should we occupy ourselves with a distant future when we have urgent needs to achieve in the near future? The distant future will have its own circumstances, and positions could be determined then". "Q & A Interview with Khaled Mashal", Reuters, 10 January 2007. Hamas officials interviewed by Crisis Group in the occupied territories throughout 2006 also consistently referred to Israel as a reality that would remain throughout at least their generation's lifetime.



as Arab and international resolutions, thereby including the March 2002 Arab League initiative.

Some of the claims unquestionably are true. But the question is whether this amounts to success and whether more could have been achieved in a shorter time and at lesser cost through the alternative approach advocated by Crisis Group and others – judging the PA on the basis of actions, not words; refraining from fuelling internal strife; promoting national unity; and carefully engaging Hamas.<sup>221</sup>

### 1. Hamas and the Palestinian public

Reviewing an eventful year, Hamas spokesman and legislator Mushir Masri insists that “the present is better than the past for Hamas. Time is on its side”.<sup>222</sup> Asked to identify specific achievements, he responds confidently:

We have achieved the legitimisation of resistance. It is now defined as a right by a formal Palestinian political decision rather than condemned. We have demonstrated that jihad and politics complement each other. We have begun the construction of a new political equation, based on fixed principles [*thawabit*] forming red lines not subject to renunciation or backtracking. We are getting our people out of the state of corruption that dominated the system before the elections, and we have achieved self-reliance rather than throwing ourselves at the mercy of the Americans.

Our popularity is neither less nor more. Look at the election results of the professional associations. We won 85 per cent of the seats in the Nurse’s Association at the height of the crisis in September. We had never done so well.<sup>223</sup>

Having survived the better part of a year despite crippling international sanctions and an unprecedentedly strict Israeli siege, Israeli offensives throughout the occupied territories and escalating clashes with Fatah, Hamas has in recent months been

exuding growing self-confidence. In part this is accounted for by domestic realities. “Fatah assured the Americans that three months of sanctions would be sufficient to bring us down, but nothing happened”.<sup>224</sup> The failure of the civil service strike that commenced in September 2006, and the absence of anything approaching popular unrest, has further put the Islamists at ease.<sup>225</sup> So, too, has Fatah’s inability to pull itself together after the January 2006 elections.

Among Palestinians Hamas also garners praise from those who believe it has introduced dedication and accountability to government. “Of course they’re acting in the best interests of the Palestinian people”, commented a woman in the Gaza Strip who voted for the Islamists but is otherwise unaffiliated with the movement: “Why else do you think the West is determined to get rid of them and starving us? If they were corrupt and selling us out, Haniya would be having breakfast with Bush and dinner with Blair every day”.<sup>226</sup> The government has also put its limited resources to good use in order to retain public support. After it reduced already symbolic annual school fees to an insignificant \$5 and provided many poorer pupils with free bags and supplies, a housewife insisted this demonstrated its fealty to the people. “God preserve Hamas and its leaders”, she exclaimed.<sup>227</sup>

Hamas’s trump cards, however, are Israel and the Quartet. Not only do Israeli and Western hostility guarantee any Palestinian leader at least several additional percentage points in public support, but the sanctions also allow it to deflect responsibility for the Palestinians’ suffering. A Palestinian in the central Gaza Strip observed: “The problem is not that they’re stuffing their pockets with the people’s money like those before them, but that all of our pockets are being emptied by Israel, the U.S., and the Europeans. How can we say this government has succeeded or failed? We’ll only be able to judge when those who used to fund corruption allow Hamas to show its qualities”.<sup>228</sup> Among Fatah members, many of whom

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<sup>221</sup> Crisis Group Middle East Report N° 21, *Dealing With Hamas*, 26 January 2004; Crisis Group Middle East Briefing N° 16, *After Arafat? Challenges and Prospects*, 23 December 2004; Crisis Group Middle East Report N°49, *Enter Hamas: The Challenges of Political Integration*, 18 January 2006; Crisis Group Report, *Palestinians, Israel and the Quartet*, op. cit.

<sup>222</sup> Crisis Group interview, Mushir Masri, Hamas spokesman and legislator, Gaza City, 22 November 2006.

<sup>223</sup> Ibid.

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<sup>224</sup> Crisis Group interview, Hamas leader, Damascus, December 2006.

<sup>225</sup> Crisis Group interview, Khalil Hayya, leader of the Hamas parliamentary faction, Gaza City, November 2006

<sup>226</sup> Crisis Group interview, Palestinian resident, Gaza Strip, November 2006.

<sup>227</sup> Crisis Group interview, Palestinian resident, Gaza City, September 2006.

<sup>228</sup> Crisis Group interview, Palestinian resident, Gaza Strip, November 2006. According to a January 2007 public opinion poll, “60 per cent believe Hamas has failed to deliver on its campaign promises because it did not get the opportunity, 14

insist Hamas “is incapable of governing because it doesn’t understand the difference between a charity and government and thinks it can substitute slogans for experience”,<sup>229</sup> the complaint that Western sanctions have effectively delayed their return to power has not been uncommon.

That said, Palestinians who readily express discontent with their current government are not difficult to find. In the words of a civil servant, “better to be fed by thieves than to starve on account of angels”.<sup>230</sup> Others complain of political favouritism and nepotism in PA ministries, concluding that power is corrupting Hamas as readily as it did Fatah. “Their conflict is about which of them eats how much of the pie, and Palestine and its people be damned”.<sup>231</sup>

In this respect nothing has been quite as damaging to Hamas’s popular standing as the internecine fighting with Fatah. The view that “they are no different” and are just as factional and committed to hegemony as their adversaries has in recent months become increasingly widespread, and proven much more damaging to the Islamists – who campaigned on the basis that they were different – than it has been to Fatah. Given Hamas’s sensitivity to popular mood, it is this, much more than the effects of sanctions on public opinion, that contributed to its flexibility in Mecca.<sup>232</sup>

On the whole those advocating a Fatah restoration appear far fewer in number than those expressing discontent about the Islamists. Hamas’s loss is therefore not necessarily, and in the short run

unlikely to be, Fatah’s gain.<sup>233</sup> Many – including sympathisers – accuse Fatah of having “learned nothing” from its electoral defeat.<sup>234</sup> Apathy, and to a lesser extent other parties, probably will be the main beneficiaries of disillusionment with Hamas.<sup>235</sup> All things considered, and these include not only public opinion polls showing greater support for Fatah but also its abiding fragmentation, there is little reason to question the assessment of many independent analysts and also Palestinian politicians that the result of any new elections, though they may reflect decreasing levels of support for Hamas, are unlikely to differ substantially from the last ones.<sup>236</sup>

## 2. Hamas and Israel

As Hamas has sought to break out of its isolation, it has gradually moved toward consensual international positions. To that extent, the policy can be said to have partially achieved its goals. But there are two important caveats: first, a similar evolution likely could have been obtained through careful engagement and at a far lower price in Palestinian lives and well-being; secondly, that Hamas appears to have moved as far as it will for the time being, so further pressure is highly unlikely to translate into further results.

Indeed, as noted previously, the political platform embodied in the Mecca agreement is not a significant departure: to a very large extent, it reflects compromises reached first in the 11 May 2006 prisoner’s initiative and later in the 25 June 2006 National Conciliation Document. Hamas leaders insist they had already accepted a formula that is

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per cent think that Hamas did not utilize the opportunities at its disposal, 17 per cent feel Hamas is incompetent, while 9 per cent think that the Hamas government did not fail to deliver on its campaign promises”. Near East Consultants, “NEC’s Monthly Bulletin on Palestinian Perceptions Towards Politics and Economics”, Bulletin II-1 (January 2007), p. 7.

<sup>229</sup> Crisis Group interview, Fatah activist, Ramallah, January 2006.

<sup>230</sup> Crisis Group interview, PA civil servant, Gaza Strip, November 2006.

<sup>231</sup> Crisis Group interviews, PA civil servants, Gaza Strip, November 2006.

<sup>232</sup> Thus a public opinion released in late January suggested Fatah enjoyed at least 10 per cent more support than Hamas in the occupied territories, with the gap expanding to 20 per cent if only results from the Gaza Strip are counted. Near East Consultants, “NEC’s Monthly Bulletin on Palestinian Perceptions Towards Politics and Economics”, Bulletin II-1 (January 2007), p. 6.

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<sup>233</sup> The view is also shared by Israeli decision-makers. The head of Israel’s domestic intelligence service, Yuval Diskin, for example, recently estimated that Fatah’s chances of winning new elections are “close to zero”. He also called for solutions that are “more diplomatic than military” in response to the continued firing of rockets from the Gaza Strip. Gideon Alon, “Diskin: Fatah has Near Zero Chance of Winning PA Elections”, *Haaretz*, 25 December 2006.

<sup>234</sup> Crisis Group interviews, Palestinian residents and activists, Ramallah, January 2006.

<sup>235</sup> Crisis Group interviews, Palestinian analysts, Gaza City, November 2006.

<sup>236</sup> Crisis Group interview, Mustafa Barghouti, leader of the Independent Palestine parliamentary faction, 20 November 2006. This also appeared to be Washington’s view, “which doesn’t think Fatah is going to be in a position to confront Hamas electorally or militarily for at least another year. That’s why they’re pouring money into Fatah under the cover of democracy promotion and training of the Presidential Guard”, Crisis Group interview, senior correspondent, international news agency, Jerusalem, November 2006.

consistent with a two-state settlement – the National Conciliation Document, that clearly sets out a Palestinian state on the territories occupied by Israel in 1967 as the common objective of the Palestinian national movement, and mandates President Abbas to conduct negotiations to achieve this goal.<sup>237</sup> They say, too, that they had agreed at the time that any agreement would be submitted to a national referendum, whose outcome they would honour.<sup>238</sup> The months of wrangling that followed had little to do with extracting further Hamas concessions and much to do with both sides seeking to shift the balance of power on the ground.

What is more, these positions largely are in line with those enunciated by Hamas since before the elections and documented in prior Crisis Group reports.<sup>239</sup> That these have now become formal Hamas positions is not an insignificant achievement; but the evolution was implicit for some time, and there is every reason to believe that a more open dialogue with the movement's leaders would have yielded the same outcome.

By the same token, there is no reason to believe that Hamas would respond to further pressure by explicitly complying with the Quartet conditions, however desirable that would be. The Mecca agreement, claims to the contrary by some Palestinians notwithstanding, does not meet this standard and in particular does not express recognition of Israel or acceptance of a two-state solution as the end of the Israeli-Palestinian conflict. That is something that, in countless discussions with Crisis Group, Hamas leaders repeatedly emphasised.

On recognition, our position is this: we are prepared to deal with Israel on day-to-day matters. We are prepared to have President Abbas negotiate a peace agreement with Israel. And we are prepared to have any agreement submitted to a national referendum. No more, no less.<sup>240</sup>

Hamas leaders also explain that they are prepared to enter into a long-term and renewable *hudna* (truce) with Israel, assuming release of Palestinian detainees;

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<sup>237</sup> Crisis Group interview, Hamas leaders, Gaza City and Ramallah, November 2006; Beirut and Damascus, December 2006.

<sup>238</sup> Crisis Group interview, Hamas leaders, Beirut and Damascus, December 2006.

<sup>239</sup> See further Crisis Group, *Enter Hamas*, pp. 19-22; Crisis Group, *Dealing with Hamas*.

<sup>240</sup> Crisis Group interviews, Hamas leaders, Damascus, December 2006

withdrawal to the lines of 1967; and dismantling of settlements.<sup>241</sup> What would happen at the truce's expiration, they say, "will be up to future generations. By then, they will have learned to live under different, more normal conditions. Who knows what they will decide".<sup>242</sup>

In explaining why they cannot go further, Hamas officials offer two rationales, one ideological the other more pragmatic. Formal acceptance of the two-state solution, even in the context of the Arab League initiative (full withdrawal to the borders of 1967 in exchange for full normalisation of relations and recognition) is incompatible with Hamas's religious worldview according to which all Palestinian land is an Islamic trust in perpetuity [*waqf*].<sup>243</sup> At the same time, Islamist officials argue that were they to take that step, more hard-line elements of the movement would split:

Fatah was deserted by those who were disappointed with its stance toward Israel. That is how Hamas came into being. We don't want to be deserted by those who will be disappointed by our stance – and the West shouldn't want that either. Today, the West has a historic opportunity: for the first time ever, all Palestinian organisations have agreed on the establishment of a state on the 1967 territories as a common political program. Seize this chance. Do not ask us for more – to say that this would end our conflict, that it would satisfy our claims. We would lose the people if we did so.<sup>244</sup>

The organisational position of Hamas, in other words, is that a two-state arrangement would be an interim rather than permanent settlement and that while, as noted above, it recognises that Israel is a reality it will never recognise the moral legitimacy of the Jewish state. In the words of a Hamas official, "the West should be careful about its demands. Does it want leaders who tell it what it wants to hear but can't deliver, or leaders who can carry their people

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<sup>241</sup> Crisis Group interviews, Hamas leaders, Damascus, London, November-December 2006.

<sup>242</sup> Crisis Group interview, Hamas leader, London, November 2006.

<sup>243</sup> Asked by Crisis Group why Hamas could not accept the Arab League Initiative, which every Arab leader has endorsed, an official in the movement said he had asked Saudi rulers whether it ultimately would mean recognition of Israel. "When he answered 'yes', we told him we simply could not do it", Crisis Group interview, Damascus, December 2006.

<sup>244</sup> Crisis Group interview, Hamas official, December 2006.

with them because they know what they can and cannot accept?"<sup>245</sup>

Summing up, Ziad Abu Amr, the independent member of the PLC who is slated to become the next foreign minister, said:

Hamis has made a lot of concessions in a short time. They have accepted a state within the 1967 boundaries, Arab and international legitimacy [i.e. the collective corpus of resolutions issued by the UN and Arab League organisations], UN General Assembly Resolution 194, the PLO as the sole legitimate representative of the Palestinian people, and committed to honour existing agreements. Hamas is not obstructing, but the extent of the transition some want in such a short period of time is beyond the capabilities of a movement whose *raison d'être* is resistance. It would be too much to handle and risk internal splits.

Considering the principles on which it was established Hamas is – from their perspective and mine – moving very fast. What they have done in six months took the PLO decades. The challenge is how to transform without risking splits, polarisation, or loss of credibility.<sup>246</sup>

There is little doubt that no Israeli government would agree to Hamas's proposal – at most, the promise of a long term truce in exchange for a withdrawal to the lines of 1967, while additionally insisting on the right of Palestinian refugees to return to homes within Israel, validating suspicion that it is only the first stage in a longer-term project in which Israel does not have a place. But the goal of the international community should be to use such statements along with formation of a national unity government as a means of achieving a ceasefire, further encouraging Hamas's evolution and accelerating talks between the PLO and Israel on a final settlement. If a peace agreement is reached, it should be put before a national referendum, giving the people – not Hamas – the final say. If it is not, Hamas's position on whether it recognises Israel will be, alas, the least of the international community's worries.

## V. CONCLUSION: THE WAY FORWARD

The Mecca Agreement provides an opportunity for all to re-assess their approach. It should not be missed. The last year has been a collective failure in which none of the parties achieved its objectives and during which rigid adherence to principle stood in the way of effective policy. In devising their approach, Palestinian and international actors should be guided by important lessons:

**Palestinian consensus and national unity is a pre-requisite.** Aside from the devastating costs to the Palestinian political system and society of internecine fighting, disunity is incompatible with a sustainable peace process. President Abbas simply cannot engage in historic negotiations, let alone conclude them, if his main political rival and a sizeable portion of his people feel excluded and disenfranchised.

**International efforts to oust Hamas are counter-productive.** As seen over the past year, Hamas may be weakened but retains considerable support; even assuming significant military assistance to Fatah, it is at best uncertain whether it could dislodge the Islamists. Likewise, there appears to be no legitimate means to call early elections and, were the president to do so, Hamas would be likely to disrupt them. Finally, even assuming Hamas somehow were ousted, a bloody confrontation would deprive Fatah of the legitimacy necessary both to rule the Palestinians and to negotiate with Israel. The goal, in other words, should be to encourage Hamas's evolution, not engineer its removal.

**Rather than focus on rigid, rhetorical preconditions, the Quartet and wider international community should look to practical behaviour and calibrate its policy to Hamas's performance.** Fixation on the three Quartet conditions has resulted in a political impasse, blocked diplomatic movement and limited influence over Hamas. A preferred approach would be to apply performance-based benchmarks and engage Hamas in an effort to meet them. The question should not be whether Hamas recognises Israel – something that is desirable but unlikely – but rather whether the Palestinian government and Israel can agree on and implement a comprehensive ceasefire and prisoner exchange, whether peace negotiations between Israel and the PLO can resume; whether a peace agreement can be reached; and whether a referendum endorsing such an agreement will be respected.

<sup>245</sup> Ibid.

<sup>246</sup> Crisis Group interview, Ziad Abu Amr, independent Palestinian legislator and Foreign-Minister designate, Gaza City, 21 November 2006.

## **A. THE PALESTINIAN AUTHORITY**

### **1. Restoring law and order**

The most urgent priority for the Palestinians is to prevent a renewal of clashes. More than the mere signing of the Mecca Agreement, this requires steps to avert revenge attacks and, over time, genuine security reform.

Defusing lingering tensions in what remains a small, closely-knit society requires much effort, skill and resources. A Fatah activist, noting that in one household a family had to ensure that two wounded brothers received visitors in separate rooms because one was active in Hamas, the other loyal to Fatah, remarked: "Although both parties demonstrated they have the power of deterrence, peaceful means have been exhausted. Mecca is no more than a break for the parties to strengthen themselves, and what came before only a dress rehearsal for what is to come".<sup>247</sup> According to a National Security Force officer, "the conflict between Fatah and Hamas is officially over, so they are no longer openly inciting against each other. Instead they are both inciting the families of the dead and wounded to take revenge, as if they are mobilising for the next round".<sup>248</sup>

A Fatah loyalist paints a more ominous picture: "Now integration has become more difficult than before. We will neither forgive nor forget. So far there has been no real confrontation, because many of us fled and other areas of the Gaza Strip remained quiet".<sup>249</sup> In the meantime teenagers in internet cafes play video games of Fatah fighting Hamas, which in addition to combat include logistics, such as buying equipment.<sup>250</sup>

As a first step, leaders and commanders should set the example, enforcing a halt to all kinds of factional incitement. Efforts also need to be made to achieve reconciliation through a combination of damage payment, amnesties coupled with acknowledgment of responsibility and repentance and, in some instances, prosecution for the worst attacks. Crucially, justice must be seen as non-partisan.

The mere reapportioning of governmental positions will not reduce the proliferation of arms or the self-interested behaviour of those who carry them. Security services are weak, and their off-shoots will resist any move to take away their autonomy. The broader challenge, in other words, is to undertake long overdue, comprehensive security sector reform, aimed at the integration of all armed entities – Hamas's but also Fatah's and those formally under PA command – into a streamlined, de-politicised security service. A key issue will be the future of the ESF. For Fatah its personnel should be integrated into the security forces and the ESF effectively disbanded. Hamas, while officially open to integration, insists on the ESF's continued existence.<sup>251</sup> Bridging the gap, at least in the short term, entails recognition of the ESF as a legitimate police unit, with a clearly and strictly defined law-enforcement role, and demanding its coordination with other police forces.

At the same time, the government should begin work on a comprehensive security sector reform plan including professionalisation of the command level coupled with integration of all partisan militias and disarmament/reintegration of local gang members. This in turn requires broadening and empowering the National Security Council so as to encompass representatives of all factions.

### **2. Power sharing**

Reallocating power to other organisations would be a veritable revolution in the history of a national movement that for decades has been under Fatah's monopoly control. Besides swift formation of a national unity government – and in particular selection of a professional and credible interior minister – discussions should begin on Hamas's and Islamic Jihad's integration into the PLO by the end of 2007, with visible progress on implementation (e.g., agreement on the composition of a new Palestine National Council and discussions on a new political program) even sooner. The government also should promote and empower a genuinely independent civil service commission as a means of ensuring power sharing in all PA institutions to the benefit of all, unaffiliated independents included. In other words, negotiations need to get beyond a Hamas/Fatah deal to encompass a fuller range of political and civil society actors.

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<sup>247</sup> Crisis Group interview, Fatah activist, Gaza City, 18 February 2007.

<sup>248</sup> Crisis Group interview, NSF officer, Gaza City, February 2007.

<sup>249</sup> Crisis Group interview, Fatah loyalist, Gaza City, February 2007.

<sup>250</sup> Observed by Crisis Group staff, East Jerusalem, February 2007.

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<sup>251</sup> Crisis Group interview, Masri, 22 November 2006.

### 3. Relations with Israel

To a large extent, the unity government will be judged by its policy toward Israel. A number of steps will be important:

- Strengthening the ceasefire in Gaza and extending it to the West Bank, making clear that a reciprocal cessation of violence entails action by the new government to prevent and punish any violators. So far, that has not been the case. While Hamas itself can be said to have observed the ceasefire, neither it nor the government has made any real effort to impose it on others; it also condoned the 29 January suicide bombing in Eilat, the first in nine months.<sup>252</sup> Inclusion of the West Bank is critical. As one activist said, “what good is a cease-fire in Gaza if violence continues in the West Bank? If operations continue there, at some point Palestinian will react in Gaza – we won’t keep the two separate for long.”<sup>253</sup>
- Releasing corporal Shalit in the context of a prisoner exchange. This is likely to have a real impact on Israeli perceptions of the new government and, at a minimum, encourage a change in attitude by some Quartet members.
- Making clear three key points: that political negotiations with Israel fall within the exclusive mandate of President Abbas (who adheres to the three Quartet conditions); that any agreement will be submitted to a national referendum; and that both the government and Hamas will respect its results.

### B. ISRAEL

Displeased as Israel may be with the Mecca Agreement, only an internal Palestinian consensus will be capable of ensuring security and imposing a ceasefire; internecine violence almost inevitably would spill over into Israel. To maximise the chances of a halt in violence, Israel should:

- agree to release significant numbers of Palestinian detainees in the context of a prisoner exchange, including special hardship categories such as minors and those seriously ill, along with cabinet members, parliamentarians and

prominent leaders such as signatories of the Prisoners' Initiative;

- endorse the principle of a comprehensive ceasefire throughout the occupied territories, on the understanding that it will be not just observed but also enforced;
- in conjunction with the ceasefire and prisoner exchange, resume transfer of withheld tax revenues to the PA;
- respect commitments on Palestinian movement embodied in the November 2005 Agreement on Movement and Access; and
- engage in serious negotiations with President Abbas and key Arab states on a possible final status agreement.

### C. THE QUARTET AND OTHER INTERNATIONAL ACTORS

Success of the national unity government – and, therefore, avoidance of further intra-Palestinian clashes and escalating Israeli-Palestinian violence – depends in no small part on outside actors’ policy choices. By maintaining a financial and diplomatic boycott of the Palestinian government, the Quartet risks jeopardising the Mecca Agreement without getting closer to any of its professed goals. While Quartet members would be loathe to fully discard their former stance, and the U.S. certainly would resist such a move, a new, more nuanced policy should be designed with the objective of promoting Palestinian unity, stability and institution-building, solidifying a ceasefire, encouraging Hamas’s further evolution and advancing toward a two-state solution. Crisis Group suggests the following steps:

**Upon formation of the national unity government, immediate easing of the boycott.** This would entail opening discussions with the government as a whole, in particular to describe what further steps – in terms of domestic reform and policy toward Israel – are expected for full normalisation of relations. Those countries that can should resume funding to the PA government, through the finance ministry’s Single Treasury Account. The practice of transferring funds to the presidency or directly to recipients has entailed a heavy cost. It has made a mockery of transparency and accountability, devastated the public finance system and undone years of seeking to set up effective and sustainable institutional structures.

To the extent possible, this should cease. Salam Fayad’s nomination as finance minister should offer EU governments considerable assurance as to the ultimate

<sup>252</sup> The attack, which killed three Israelis, was claimed by Islamic Jihad, the Fatah-affiliated Al-Aqsa Martyr’s Brigades, and the heretofore unknown Army of Believers.

<sup>253</sup> Crisis Group interview, Palestinian activist, December 2006.

destination of any funds. The most difficult problem will be dealing with U.S. banking restrictions penalising financial institutions that do business with the PA. Ideally, these would be eased; if not, the EU and others should seek creative ways of circumventing them.

**Calibrated lifting of the sanctions based on PA performance.** The focus here would be on practical steps – release of Corporal Shalit in a prisoners’ exchange; commitment and adherence to a mutual ceasefire; allowing President Abbas to negotiate with Israel; commitment to a referendum on any ensuing agreement and to respecting its results. This is a course the U.S., politically and legally hamstrung, is unlikely to adopt. But it is one Arab countries and other Quartet members, principally the EU and UN, should embrace. Faced with such a reality, the U.S. in time might be forced to adjust.

Maintaining sanctions and shunning a government that is expected to include some of the most pragmatic Palestinians would not promote a single stated international objective: it would strengthen hardliners within Hamas, further discredit Fatah, devastate Palestinian institutions and risk provoking another escalation in Israeli-Palestinian violence. Once again, in light of the U.S.’s anticipated decision to maintain banking restrictions, creative ways of transferring funds to the PA government likely will be required.

**Revitalisation of the peace process.** The first trilateral meeting between Rice, Abbas and Olmert apparently yielded little, as the Israeli prime minister seized upon the Mecca Agreement to repeatedly accuse the Palestinian president of “betrayal”.<sup>254</sup> The Quartet should reject such backward logic: under current circumstances, the formation of a national unity government is not an impediment to, but rather a pre-requisite for genuine negotiations; moreover, Abbas’s mandate as head of the PLO is in no way affected or constrained by composition of the cabinet.

It is hard to see how Hamas – which has long argued that neither Israel nor the U.S. is genuinely interested in a fair peace – would suffer from a freeze in talks, and equally hard to see how Palestinian pragmatists would benefit. Instead, the Quartet should press for final status talks and consider presenting proposals for a durable settlement, based in particular on the Clinton parameters and the Arab League initiative.

**Amman/Jerusalem/Brussels, 28 February 2007**

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<sup>254</sup> Crisis Group interview, PA official, February 2007.

## APPENDIX A

### MAP OF THE OCCUPIED TERRITORIES

#### MAP OF THE GAZA STRIP



<http://www.cia.gov/cia/publications/factbook/geos/gz.html>

#### MAP OF THE WEST BANK



<http://www.cia.gov/cia/publications/factbook/geos/we.html>



## APPENDIX B

### ABOUT THE INTERNATIONAL CRISIS GROUP

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The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with nearly 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

Crisis Group's reports and briefing papers are distributed widely by email and printed copy to officials in foreign ministries and international organisations and made available simultaneously on the website, [www.crisisgroup.org](http://www.crisisgroup.org). Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policy-makers around the world. Crisis Group is co-chaired by the former European Commissioner for External Relations Christopher Patten and former U.S. Ambassador Thomas Pickering. Its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

Crisis Group's international headquarters are in Brussels, with advocacy offices in Washington DC (where it is based as a legal entity), New York, London and Moscow. The organisation currently operates thirteen field offices (in Amman, Bishkek, Bogotá, Cairo, Dakar, Dushanbe, Islamabad, Jakarta, Kabul, Nairobi, Pristina, Seoul and Tbilisi), with analysts working in over 50 crisis-affected countries and territories across four continents. In Africa, this includes Angola, Burundi, Côte d'Ivoire, Democratic Republic of the Congo, Eritrea, Ethiopia, Guinea, Liberia, Rwanda, the Sahel region, Sierra Leone, Somalia, Sudan, Uganda and Zimbabwe; in Asia,

Afghanistan, Indonesia, Kashmir, Kazakhstan, Kyrgyzstan, Myanmar/Burma, Nepal, North Korea, Pakistan, Sri Lanka, Tajikistan, Turkmenistan and Uzbekistan; in Europe, Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kosovo, Macedonia, Moldova, Montenegro and Serbia; in the Middle East, the whole region from North Africa to Iran; and in Latin America, Colombia, the Andean region and Haiti.

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**February 2007**

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