

## **THE BROOKINGS INSTITUTION**

**Moderator: Ambassador Indyk**  
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Operator: Good day and thank you for joining today's conference call on the Gaza disengagement. Today's call is being recorded. For opening remarks and introductions, I would like to turn the call over to Ambassador Indyk. Please go ahead sir.

Ambassador Indyk: Thank you. Good morning. This is Martin Indyk from the Saban Center for Middle East Policy, Brookings Institution. As you probably know, I'm also joined by my colleague, Shibley Telhami, the Sadat Chair at the University of Maryland, and also non-resident senior fellow at the Saban Center. The topic today of course is the Gaza disengagement.

I thought what would be most useful is I would talk for a few minutes about Israel and Prime Minister Sharon's situation and what I think he's up to. Shibley's going to talk about the Palestinians and Abu Mazen. And we'll both make some concluding comments about Bush and the United States.

I thought it was important that we focus on these three gentlemen, Sharon, Abu Mazen, and George Bush because you've all heard that this an historic moment. And indeed it is. But it's an historic moment because of the leadership that's being shown here. Without it, I don't think we'd be at this juncture. And that's where I want to start with Ariel Sharon, because this wouldn't be happening without his decision to take this unilateral move.

The settlers in Gaza, in particular, and in the West Bank more generally, don't understand it. They do not understand how a man who had been their strongest promoter over so many years, decades, should now as it were turn on them in a step that from their point of view is giving up parts of the lands of Israel for nothing in return. And many others don't understand either how this man who so long was portrayed as a general and a warrior, and an advocate of settlement in all of the land of Israel, now is the first prime minister of Israel to evacuate settlements from what is seen as the land of Israel.

And I think that the best way to understand what he's up to is to look at it beyond the obvious point, which is as a general he is consolidating his lines of defense as it were, withdrawing to more defensible lines. If you look at what he had to say to the Israeli nation last night, he began with that point. About how impossible it was to imagine that Gaza could be held on to forever. That over one million Palestinians that could live quietly with 8,000 Israeli's in their midst holding on to 25 percent of the territory of Gaza.

But beyond that I think there is a – what I would call a master plan Sharon always has a plan. And the plan that has emerged over the last few years is not giving up Gaza to hold on to all of the West Bank. But rather to give up Gaza to hold on to what he regards as vital for the survival of the Jewish State of Israel. I emphasize Jewish State of Israel because I think it really is what is praying on his mind. The demographic threat is more important these days than either the terror threat or the threat of conventional or even nuclear weapons.

And in that context, he understands the impatience of the Israeli people. That's the most skilled politician of taking pulse of the Israeli body politic. And understands that the – most Israelis have left much of Gaza. But the West Bank is in their minds because of this demographic threat. They seek a separation from the Palestinians. And Sharon's objective, his master plan if you like, is in that process of separating to avoid a return to the '67 borders and a divided Jerusalem, the things which he regards as jeopardizing the longevity of the Jewish enterprise.

And that's essentially what he's trying to do here. Give up Gaza. Give up the settlements in Gaza in order to hold on to those three that he regards as critical blocks – the Ariel finger in the north from the green line stretching out to Ariel in the northern West Bank; around Jerusalem out to Ma'aleh Adumim; and the Gush Etzion block to the south of Jerusalem stretching beyond Bethlehem.

And that's the essence of what Sharon is trying to do. And it was very interesting in an interview which he gave on Friday to the main Israeli newspaper which I don't think got reported here. He made a point of saying not that there would be no further settlement of ((inaudible)) but rather that it was the settlement blocks that would remain, clearly implying that there would be further evacuations in the West Bank in the future.

Indeed it was Sharon who added to the Gaza disengagement the evacuation of settlements in northern part of the West Bank. There are four settlements there. Two of them were closed down yesterday you'll notice. And there are two more that will be closed down in the next few days. But that is a further signal of what Sharon's intention is.

In terms of his disengagement from Gaza, he's done this unilaterally because he's averse to trying to work out a negotiated agreement. But because he understands that a negotiated agreement with the Palestinians would likely lead to their demand for the '67 borders and parts of Jerusalem. That's not part of his ((inaudible)).

But instead of doing a negotiation with the Palestinians, he does a negotiation with George Bush of letters of assurance that enable him to claim that the United States supports the absorption of these settlement blocks that I enumerated into Israel. And indeed what we will see I believe after the disengagement is completed from Gaza is that Sharon will seek American acquiescence. In fact I would say that he's already seeking acquiescence from the White House for an expansion of settlement activity within those settlement blocks, but not beyond that, because that is what he is trying to get the Israeli public now to accept. That's a much bigger challenge than Gaza. Because as you probably know there are over 200,000 settlers in the West

Bank. Many of those are concentrated in those settlement blocks; 80,000 are not. But dismantling those outlying settlements on the West Bank is a much bigger challenge for him. But I believe that that's where he is headed. And one of the other interesting things about his statement to the nation last night in his little motive was that he said something that was very reminiscent of Yitzhak Rabin when he became prime minister.

What Sharon said last night was – the disengagement will allow us to look inward, but that our national agenda will change. We will turn to closing the social gaps and engaging in a genuine struggle against poverty. We'll advance education and increase social security of every citizen in the country. This is exactly what Yitzhak Rabin said to the people of Israel when he became prime minister and launched the peace process. That it was time to change the national agenda from expanding settlement activity in the land of Israel, to focusing inward on the quality of life of Israelis.

And the fact that Sharon borrows from Rabin in this case, ((inaudible)) of the historic band which the Gaza evacuation depends, I believe is very important, carefully planned, very short speech. He is signaling that this is the beginning of a process that does not end with Gaza. Rather goes on to a redefinition of Israel's borders along the lines that I've suggested.

Our last point is – how will he be – will he be in a position to be able to actually pull this off when he's under such a challenge from Binyamin Netanyahu, who has resigned as finance minister, and when his own Likud party is split. Netanyahu's argument is that Sharon's disengagement will be a disaster for Israel. It will create a Hamas stand, terror state in Gaza, which will then go on to attack Israel.

And if in fact terrorism comes from Gaza against Israel after he's made full withdrawal, then I think Binyamin will be strengthened and Sharon will be weakened. But I don't believe that that game is up yet. He should be talking what chances are there in terms of what will happen on the Palestinian side. But I believe that Sharon will in the end wipe the floor with Netanyahu, that the disengagement will be seen to be a success. That his focus on what Israelis really care about will gain him support even within the Likud.

That even though he may lose the far right wing of his party, he will succeed not only surviving but in ((inaudible)). Shibley.

Shibley Telhami: Thanks very much. I mean it's clear that with the completion of the withdrawal, each side is going to sit back and see how the game has been redefined. I think it's clear that – if you look back at the past year, every side, the Palestinians, the Israelis, and certainly the Bush Administration has said, well the top priority right now is to assure the reasonably stable Israeli withdrawal from Gaza. They put off everything else and they didn't allow anything to jeopardize it. And they didn't tackle some of the difficult questions.

With the completion of that withdrawal, I think the game will be redefined. And everybody's going to have to look at another priority of how to address the next stage. And I think in the short term it is clear that the game is going to be mostly domestic politics, both the in the Palestinian areas and in Israel. Sharon is going to have to figure out how to mobilize people behind him. How he's going to regain the upper hand within Likud. And Abu Mazen is going to have figure out how he's going to assert the Palestinian Authority's control. How he's going to fight off the challenge from Hamas. And how he's going to fight off the bigger challenge, the economic challenge from all Palestinians on the immediate improvement of the situation.

I would estimate that unemployment in Gaza could be over 50 percent. And I think there's a huge challenge in that regard. So I think what we're likely to see is a real focus on the domestic debate, particularly as the Palestinians gear up for the delayed elections that are now expected to take place in January. And obviously the Israelis are expected perhaps to have elections in the spring.

I think the problem with that is that as they both engage in that domestic politics game, their position on the relations with each other are going to harden; positions on the final status issues. Sharon's position on settlements, Abu Mazen's position on the final status issues are going to harden inevitably as a consequence of the battle for the domestic constituencies. It's going to create a very difficult environment, I think for

negotiations in the short term. And I think in the Palestinian areas, Abu Mazen's challenge is primarily in three different arenas.

One is the one I already suggested, the economic challenge – don't underestimate it. I think even within his own constituencies, ((inaudible)) the demand for jobs and an immediate improvement is huge, and he's going to have to address it very quickly. And I – you know, there's – that is entirely dependent on outside support because he simply doesn't have the resources. And I think here it could be argued that his strategy has been – it depends mostly on the Bush Administration. I think – you know, Abu Mazen has put most of his eggs in Bush's basket. And I think he's entirely dependent in a way for a lot of what happens on how that administration proceeds. What support it manages to get him.

The second point is – he's – in his attempt to take credit for the Israeli withdrawal – he really cannot. I mean let's face it. This is a unilateral Israeli withdrawal. It was declared on – not on his clock when Arafat was still there. He went along with it. And to his credit he was able to bring about far more stability than people expected after Arafat's death. But that doesn't win him points with his own constituencies so much. And I think that Hamas can – is in a better position to take credit for a unilateral Israeli withdrawal.

If you read the Palestinian press, they're calling it liberation. And they're calling it the Palestinian ((inaudible)) steadfastness that has generated this. Even in the mainstream, people who support Fatah and Abu Mazen – the sense is that this withdrawal is not as a consequence of an agreement with the Palestinian Authority, but unilaterally.

Hamas is in a very strong position to capitalize on this, particularly if there is no revival of the negotiations. And that does put pressure on Abu Mazen to harden his positions politically. And I think that what we're likely to see is his attempt to garner particularly Arab support from the outside to shore up his domestic support. You're likely to see visits by Arab leaders into Gaza, depending on the transit issue, to congratulate him for the liberation, to give him more credit and visibility and support. They could carry

him only so far, because I think in the end, Gaza people are going to judge him by what happens on the ground.

And that brings me to the last point, which is my ultimate worry about all this. Clearly there is a great opportunity for – its withdrawal is good. I think it does improve the situation with the Palestinian potential of creating a better environment. But because it's unilateral, it's problematic. And because in his attempt to take credit, Abu Mazen has tied it as step in the peace process, not as an Israeli unilateral withdrawal.

He's under tremendous pressure to figure out what the next step will be. That Gaza first is not Gaza only. And I think there's a huge gap of expectations between the Palestinians and the Israeli's. The Israeli public will be happy to sit there for awhile if this happens peacefully and Gaza becomes more stable. And not tackle final status issues for quite a while. The Palestinians expect a much faster timetable for renewing final status negotiations. And for the establishment of a Palestinian state on George Bush's clock. And I think that's a huge gap that is going to be a big challenge for the Bush Administration.

Ambassador Indyk: Ah, thanks, Shibley. I just had a couple of comments about the Bush Administration. And then we can go to questions. I as some of you would know, have been critical in the past of President Bush's unwillingness to engage in a serious effort to help stop the violence ((inaudible)) every Palestinian's relationship back on a negotiating track. But I do think that he and Condoleezza Rice deserve credit for the way in which, first of all they sent Ward and Wolfensohn out there to work on security and economic issues. And then lately have stepped up their own political involvement.

I thought that the President's interview on television was well timed and well set in terms of bolstering Sharon in the face of the challenge that was being posed by Netanyahu. I thought that Condoleezza Rice's visit out there and her willingness to ((inaudible)). The dispatch of David Welch as assistant secretary this weekend to be out there during the disengagement. They were all manifestations of a political engagement which was absent for the last four and half years. And I think that's going to be very important in the aftermath of this disengagement.

How the President will deal with the dilemma of – that Shibley has posed here is going to be a question for him as early as September, when he comes back from the ranch. He's going to have to make a decision. The way it will present itself first of all will be – what is his attitude going to be to Sharon's desire to expand settlement activity in the blocks in a fairly public way so that he can use this as part of his arsenal against the challenge from Netanyahu.

And the second challenge is going to be – how does he bolster Abu Mazen as well and move on to some kind of negotiation. Sharon will insist that phase one of the road map means the Palestinians have to begin the process of dismantling the infrastructure of terror. George Bush has endorsed that. But phase one of the road map also requires a complete settlement freeze, including natural growth; and the President is going to have to address both sides of that question if he is to take advantage of the opportunity that will be created by the disengagement to move the parties towards a negotiation.

One fly in the ointment here is and should be said that both the Israelis and the Palestinians will be preoccupied over the next six months or so with domestic politics. The Palestinians have elections coming in January. The Israelis have to have an election by November 2006, but that may in fact be moved up to ((inaudible)). And it's difficult then for the United States to launch an initiative during that period. I think therefore it will be a very important if that is in fact the case, that the parties are going to be preoccupied with domestic politics that he do everything to hold the ring against activities that could undermine the opportunity for moving forward after elections on both sides.

That means holding the line on settlement activity and getting, making sure that Abu Mazen is, at a minimum, maintaining the calm and stopping further terrorist activity, then beginning the process of dismantling the terrorists' infrastructure. Let's stop there and operator, we're ready to go to questions.

Operator: Thank you sir. OK, we do have one question. Mr. Andrew Tully from Radio Free Europe. Please proceed with your question.



Andrew Tully: Hi, there was some mention, excuse me, of how of Gaza's future, immediate future in terms of the economy – I was wondering if both of you – since much of what you said dealt with how Gaza will effect the overall relationship between Israel and the Palestinians. I wonder if you could just tell me what you think about the somewhat immediate foreseeable future of Gaza itself, in terms of security in Gaza? The economy in Gaza, what kind will it be? It was already mentioned that the Bush administration would be apparently involved in that. The nature of the Israeli occupation in Gaza? Whether air rights and port rights – how soon they may be relinquished? And whether Gaza becoming a non-Jewish I guess is the best – you know, with the withdrawal – whether that is the first real step to a state of Palestine? But it's all – you know, the idea the focus being on Gaza itself.

Shibley Telhami: Well, if I may – you know the challenge really is more enormous than you think. You know, Gaza surely is small, relatively small in terms of population and geography. But the economy has been devastated. Security services are in array and weak. The Hamas has taken hold and there is a – we forget is how ((inaudible)) in a way no longer can live on hope. And what happens when you have rounds and rounds of promises and failure. They don't want promises any more, they want action. I mean we see the awful ugly mentality. Ask people to be patient. Many of them were. And obviously it didn't work out. And things eventually got even worse.

And I think now, you know, people are not going to live on promises. And I think that creates a huge challenge for any one, particularly even a fully sovereign government. And the problem is that the Authority is not going to be a government. So the Authority is going to have more autonomy than was experienced in the Oslo agreement since Israel will be completely out. Israel will end technically its occupation. But you know, when you don't have sovereignty, it's not clear what their legal status is. And as long as Israel has control on the crossing over to the outside world, you know, that's still large. It's not a total end to the occupation. And that does complicate the economic picture as well as the political picture. So the challenge is really enormous I think for Abu Mazen.

I think Hamas is in a very strong position. The biggest arena I think that Abu Mazen can use legitimately is the economic. And I think – here's a real issue for international aid. If you look back at the way the United States used its aid back in the 50s and 60s and 70s – it was mostly going to governments, understanding that governments are going to disperse that aid mostly to buy favors with their public; to help them, in essence, to strengthen themselves against the opposition as long as those governments were seen to be friendly with the U.S.

We got away from that a little bit in the 1990s and certainly in the past few years with the idea that NGOs – typically there's been a loss of faith in not only the Palestinian Authority, but many governments that are recipients of U.S. and international aid. But what that has done of course is weaken the hands of those governments, because governments use that money to buy loyalty. And I think it's going to be tricky business here in terms of how the aid is dispersed in Gaza. In terms on the one hand, having the Palestinian Authority take charge of some of it while remaining fully transparent in ways that was not the case in the past versus just having international projects that may not translate into political leverage for Abu Mazen. And I think that's going to be a critical balance in the months ahead.

Ambassador Indyk: I'll just add to that that I think that the economic future of Gaza will depend on two things.

One: the ability of goods and people to flow in and out of Gaza. And that is partly up to Israel in terms of the passages, particularly into Israel. I don't think that Sharon intends to stay in control of the passages from Egypt into Gaza. Or necessarily from the sea or the air into Gaza. Because he understands that in order to be freed of the responsibility for Gaza, he needs international acceptance of Israel's end of the occupation. And he can't get that unless he relinquishes control in those areas.

And I believe that the arrangement with Egypt to control the Philadelphi corridor is the beginning of that process. But into Israel and from Gaza to the West Bank is something that any sovereign government would control, and Israel will definitely control. And that will depend—whether the goods flow in and out from there which will determine Gaza's economic viability will depend entirely on the second which is the extent to which—as Shibley points out—Abu Mazen is able to get control of the situation in Gaza. He

doesn't have the forces to impose the Palestinian Authority's will over Hamas. And so he's engaged in a power sharing arrangement with them.

The best example of this you can see in the *New York Times* this morning of this arrangement whereby Hamas is going to be involved in deciding on the disposition of the prime real estate that is going to be evacuated by Israel, which comprises about 25 percent of Gaza, prime beachfront property and also prime agricultural property. And that is mostly – 97 percent of that is Fatah lands under the control of the Palestinian Authority. But here Abu Mazen has brought Hamas into the decision making process ((inaudible)) because he doesn't have the ability to enforce his will without them. And without them being part of that there would be a struggle for control over that territory.

So to the extent that that a power sharing arrangement results in Hamas deciding that its interest lies in the economic development of Gaza which it can claim credit for, rather than using Gaza as a base for terrorism and further attacks on Israel will determine whether Israel is willing to allow goods and people to flow into and out of Gaza from Israel and from Israel's ports. And so I think it's very much up in the air at the moment. But I would have to say that I'm surprised by the degree of calm on the Palestinian side in the context of the beginning of Israel's withdrawal. I expected there to be more violence. Of course it's still the early days. But it's a good sign. And by the way in which, first of all, Abu Mazen moved his seat of government to Gaza, something that has been little remarked upon. And has it seems reached some understanding which could bode well for this process of economic development in Gaza.

Andrew Tully: I just wanted – am I still on?

Male: Yes.

Andrew Tully: Do you both of you then – I mean Mr. Indyk, Ambassador Indyk, you just made it sound as though in your opinion the economy sort of depends on – or security depends on whether Hamas chooses one side

of the coin or the other – further terrorism or getting involved in the economy. Do I understand you correctly?

Ambassador Indyk: That's correct. They have the ability to go either way. But Abu Mazen has the argument, which he made in a speech last week that, you know, if the occupation has ended of Gaza, what is the logic in launching attacks on Israel from Gaza? We've already achieved the objective of Israel's departure from Gaza.

And it will disrupt the lives of Gazans who now have a hope for a better future. So, yes it's in Hamas' hands but Hamas is not exactly a free agent here, especially because in the next six months it is going to be campaigning for legislative council elections. And it knows that the Palestinians, particularly the Gazans, are exhausted. They don't want the return of the Israeli military. And more attacks will bring that return. So I think Hamas finds itself in a situation where it's better off reaping the political rewards of its popularity rather than decreasing its popularity through further violent action.

Andrew Tully: Professor Telhami do you agree that there is sort of a two sided coin, either more terrorism or getting involved in the economy for Hamas?

Shibley Telhami: Well, Hamas has made a strategic decision to engage in the elections. And they have to pay a lot of attention to policy and public opinion. And for now policy and public opinion does want a bit of a quiet and they want to capitalize – this is of course a fluid situation. It is clear that they're not going to give up the militant strategy as something – that you know gives them leverage. And particularly with the Palestinian constituencies especially if you they manage to, you know, prevail on the claim that they forced the Israelis out. And I think, you know, obviously the Palestinians, whether they're in Gaza on the West Bank, don't see themselves as separate entities. They see themselves as whole. And I think it's hard to imagine that Hamas is going to have a Gaza-centric strategy rather than a Palestinian territory strategy. So there's a link. And I think that in the short term they have incentive to not rock the boat too much so as to score points electorally. But its going to depend on what else happens particularly on the West Bank.

Operator: And gentlemen it looks there's no further questions at this time.

Ambassador Indyk: OK. Thank you all very much.

Shibley Telhami: Thanks very much.

Operator: Thank you everybody. The conference has concluded. You may all disconnect.

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