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Central
Intelligence

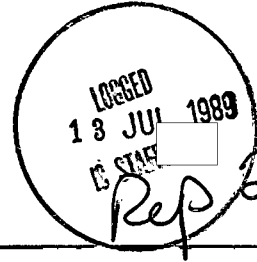
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Israel and the Palestinians: Prospects for the Uprising and the Peace Process

[Redacted]

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National Intelligence Estimate

*The National Intelligence Estimate represents
the views of the Director of Central Intelligence
with the advice and assistance of the
US Intelligence Community.*

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NIE 35-89
June 1989

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NIE 35-89

Israel and the Palestinians: Prospects for the Uprising and the Peace Process

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*Information available as of 1 June 1989 was used
in the preparation of this National Intelligence Estimate.*

*The following intelligence organizations participated
in the preparation of this Estimate:*

The Central Intelligence Agency
The Defense Intelligence Agency
The National Security Agency
The Bureau of Intelligence and Research,
Department of State

also participating:

The Deputy Chief of Staff for Intelligence,
Department of the Army
The Director of Naval Intelligence,
Department of the Navy

*This Estimate was approved for publication by the
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June 1989

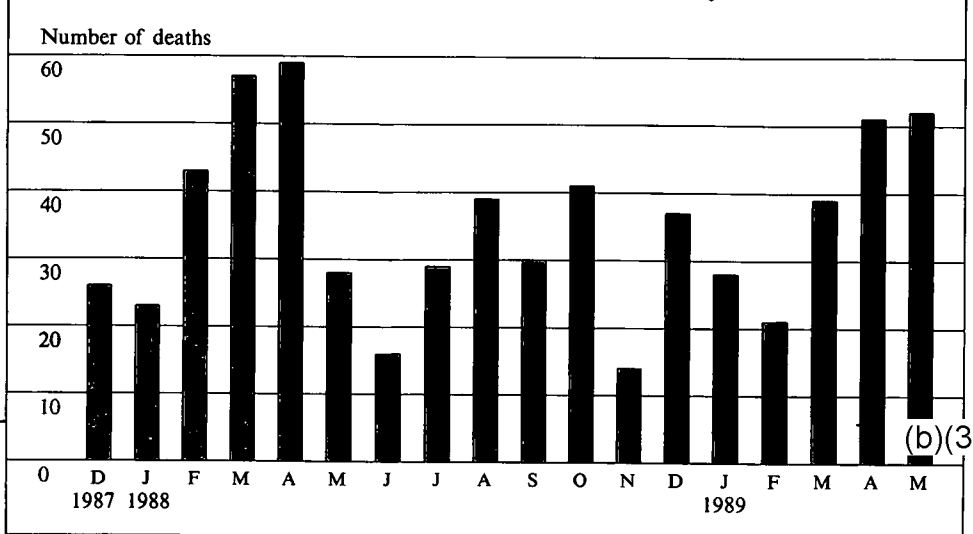
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Figure 1
Israeli Settlements in the Occupied Territories



Uprising-Related Palestinian Deaths, December 1987-May 1989



Egypt

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Israel and the Palestinians: Prospects for the Uprising and the Peace Process

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- *We see no sign of a fundamental breakthrough in the peace process in the next year. The uprising will become more vicious and violent, unless Palestinians on the West Bank and Gaza see progress toward ending the Israeli occupation.*
- *Nonetheless, the recent Israeli initiative, PLO flexibility, and a more constructive Soviet role have created some chance for incremental change and opportunities for US diplomacy.*
- *The Shamir government is under no significant pressure from Israelis to go beyond its recent election initiative; strong outside pressure on Israel and the PLO probably would be needed to bring about elections.*
- *PLO moderation will persist in the next year; the PLO also will demand a role in negotiating a final settlement but might make significant concessions on initial Israeli-Palestinian talks.*
- *If the peace process is not advanced, we expect more terrorism and Arab pressure on the United States in the next two to three years.*

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Alternative Scenarios for the Near Term

A significantly higher level of violence in the occupied territories would harm US peacemaking efforts and interests. Several scenarios, which we believe are unlikely in the next 12 months, could raise violence to this high level rapidly and with little warning.

- *Significantly greater use of firearms by Palestinians.*
- *Massive Israeli repression of the uprising.*
- *Israeli annexation of the West Bank or Gaza strip.*
- *Terrorist attacks in the occupied territories and Israel that cause heavy casualties.*
- *Major terrorist attacks on religious sites.*

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Key Judgments

A fundamental breakthrough in the peace process is unlikely over the next year. Continuing the current stalemate, however, will not pose immediate or direct dangers to US interests because the Israeli election initiative, the US-PLO dialogue, and changes in PLO policies have bought some time.

Some progress in the peace process is possible, particularly if both Israel and the PLO receive continuing encouragement from the United States. We believe the opportunity for progress will decline significantly within a year.

New opportunities for incremental change and US diplomacy have appeared since mid-1988:

- The Palestinians have shown they will revise long-held positions to find a solution.
- The PLO has consolidated its control over major sectors of the Palestinian movement.
- Israel's Likud bloc and Labor Party have agreed on a framework and initiative for negotiations.
- The Soviets have shown a willingness to play a constructive role.

Nonetheless, a lack of progress in the peace process over the next two to three years will increase the threat to US interests. Escalating violence in the West Bank and Gaza will lead to more casualties, more cross-border attacks against Israel and Israeli reprisals, and rising international outrage. Mounting Arab anger and frustration, in turn, will lead to more terrorism against the United States, more pressure on Arab governments to distance themselves from the United States, and pressure on Washington to bring about changes in Israeli policies. Thus, even in the short term, reducing the violence in the uprising, encouraging flexibility in Palestinian and Israeli positions, shoring up the Egyptian-Israeli treaty, and supporting Jordan will demand attention.

Palestinians and the PLO

PLO moderation probably will continue over the next year. Arafat, however, will need progress toward a settlement during that period to convince Palestinians that moderation yields significant results. A lack of results will erode his support and increase the influence of Palestinian hardliners.

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Syria, Libya, Iran, and Palestinian groups opposed to Arafat will use terrorism and assassination to try to undermine the US-PLO dialogue, especially if the peace process advances. Hardline groups within the PLO will continue to test—primarily by cross-border raids—Arafat's prohibition against terrorism. Disputes between Israel and the United States over PLO involvement in such incidents will increase. Many Israelis hold Arafat ultimately responsible for all acts of violence by Palestinians, which Israelis lump together as terrorism.

Movement toward a settlement will depend largely on resolving the issue of Palestinian representation in negotiations. Although leadership of the Palestinians cannot be separated from the PLO, Israel will continue to balk at negotiating with it. Israel, therefore, would have to overlook the PLO connections of local representatives for talks to occur. The PLO, in turn, would have to accept indirect representation at initial talks in exchange for a role in negotiations on a final settlement.

Israel

The Shamir government will continue to oppose negotiations with the PLO and any change in the territorial status quo. It is under no pressure from Israeli opinion to go beyond its initiative of May 1989. Shamir, however, is under pressure within Likud and from the far right to make no further concessions. The Palestinians do not want to appear obstructionist, but they will continue to reject the current Israeli initiative, which they see as a ploy to ward off pressure for concessions and to regain the diplomatic initiative lost to Arafat last year. Discussions over election details will require considerable outside encouragement to bridge differences between Israelis and Palestinians.

The governing coalition in Israel is not likely to address Palestinian concerns over the next year. It will wait for non-PLO interlocutors to emerge—Jordanians and West Bank representatives—who are prepared to negotiate on Israel's terms. Meanwhile, the coalition will continue to push its election initiative and put the blame for a lack of progress on the PLO.

The Soviet Union and Syria

Moscow is expanding its relations beyond its traditional Arab allies to gain an active role in the peace process. To achieve equal status with the United States, the Soviets will show even greater flexibility on the details of the peace process and will continue to try to moderate Syrian and PLO positions.

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The Soviet ability to force Syria into an agreement is highly questionable. Syrian President Assad demands the return of the Golan Heights and a comprehensive settlement of all Arab-Israeli issues. He will play the "spoiler" if his demands are not met.

The Uprising

The uprising will become more vicious and violent unless Palestinians on the West Bank and Gaza see tangible progress toward ending the occupation. In the next year, harsh Israeli measures to suppress the violence will not solve the problems facing the Israeli Government that stem from the uprising. Vigilantism by Israeli settlers and settler clashes with Israeli security forces and Palestinians will continue to spoil the atmosphere for conciliation.

Israel will retain its substantial strategic superiority over the Palestinians. This will ensure that the material costs of the uprising will continue to be heavier for Palestinians than for Israelis.

PLO leaders abroad and local leaders in the West Bank and Gaza will continue to cooperate in support of the uprising. No alternative Palestinian leadership is likely to emerge from the occupied territories over the next year to negotiate with Israel. The self-confidence of the uprising's leaders will increase but not enough to cause local Palestinians to move forward on their own. Israeli arrests and deportations of prominent Palestinians will diminish Palestinian willingness to engage the Israelis in a dialogue.

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Discussion¹

Trends in Israeli Politics

Israel is struggling through a period of uncertainty that has eroded the confidence of many Israelis in their leaders and further divided Israel over the terms on which it should make peace with the Palestinians. Neither side is likely to make proposals the other will accept. The Israeli Government probably will resist changing its offer of limited autonomy and carefully controlled local elections. A major departure from the Israeli initiative—for example, incorporating as a final objective a land-for-peace formula—would destabilize the Israeli Government coalition. The Palestinian leadership will continue to reject the current Israeli offer as a device to avoid negotiations with the PLO and will put forward its own proposals. [redacted]

The Uprising

After 18 months of upheaval, the uprising shows no signs of abating, even as its character has changed from widespread demonstrations to more isolated, but frequent, instances of violence by Palestinian activists. Although Israel has suffered a drop in economic growth from 5.2 percent in 1987 to 1 percent in 1988, its economic situation is not severe enough either to force a change in Israeli tactics to deal with the uprising or to depart from its diplomatic and political strategy. The level of violence in the uprising appears to be escalating, as internecine Palestinian killings, Jewish settler vigilantism, and other acts of bloodshed become more frequent. These actions threaten to poison the atmosphere for conciliatory measures. [redacted]

Despite some popular ambivalence toward the government's handling of the violence [redacted] suggest that a broad majority of the Israeli electorate backs

¹ This Estimate examines political trends in Israel, the Palestinian movement, and the uprising (*intifadah*) primarily over the next year. It focuses on the context in which US policy toward the Arab-Israeli conflict will be formulated and the challenges the Bush administration will face. It is intended to give policymakers analysis and judgments on Israeli policies and the likely roles and attitudes of principal Arab actors and the Soviet Union. [redacted]

Israel Versus the Palestinians: The Unequal Struggle

The balance of power between Israel and the Palestinians is profoundly unequal and is a basic reason no settlement is likely in the next year. This imbalance, in our view, illustrates why Israel is yet to feel compelled to make major new concessions to the Palestinians even though the PLO has substantially altered its political program.

The differences in power form the framework for the current struggle. The Palestinians have resorted to a popular uprising to try to redress the balance by appealing to international and internal Israeli pressures:

- *Israel's armed forces are the strongest in the Middle East. It has deployed at most only 10,000 soldiers in the West Bank and Gaza at any one time to control the uprising. In contrast, the PLO has only a few thousand irregulars in southern Lebanon and some hundreds more elsewhere in the Arab world. No Arab state has even threatened to go to war to support the uprising.*
- *Israel's economy, measured in GDP, is 24 times larger than that of the West Bank and Gaza. Moreover, Israel received \$3 billion in US military and economic aid last year. On the other hand, all the Arab states together promised the PLO \$350 million, but only Saudi Arabia delivered its full share (about \$85 million).*
- *The cost of the uprising in human lives has been similarly unbalanced: over 500 Palestinians compared with two dozen Israelis killed since the start of the uprising in December 1987.*

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Figure 2. Palestinian demonstrators [redacted]



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the government's handling of the uprising. The impact of the uprising is not seen by the Israelis as severe enough to persuade the government or public to accept a territorial solution. [redacted]

The continued defiance of young Palestinians, even after hundreds of casualties, initially surprised the Israelis. The impact of the uprising in Israel has been reflected in many ways:

- Feelings of insecurity have been heightened, even though Israel's military supremacy remains unchallenged.
- Israelis and Palestinians confront each other directly without a Jordanian buffer; each side assumes the worst about the other's intentions.
- The range of issues under debate in Israel has broadened. The far right of the political spectrum talks about "transfer" (expulsion) of the Palestinians and annexation of the West Bank. At the other end of the spectrum, Israelis talk of negotiations with the PLO.
- Although the vast majority of Israelis do not believe the PLO has accepted Israel's right to exist or renounced terrorism, a narrow majority seems to favor talking to the PLO if it fulfilled these conditions. A substantial minority may be prepared ultimately to trade territory for peace. At the same time, however, a majority also supports stern measures against the uprising. [redacted]

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The Israeli Government

The national unity coalition is facing major internal disagreements over whether Israel should trade land for peace and a negotiated settlement with Palestinians. These differences, however, probably will be insufficient to bring down the government over the next year. [redacted]

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Neither the Labor alignment nor the Likud bloc will have the option of breaking up the coalition and forming a new government with the religious and satellite parties. The coalition agreement provides for holding new elections if the government collapses. The government's longevity, therefore, will hinge on

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Figure 3. This cartoon from the Arab press comments on the latest PLO moves. "He's threatening me," complains Prime Minister Yitzhak Shamir to a skeptical world, as an Arab offers an olive branch of peace. (Published in the East Jerusalem daily, *An-Nahar*.) [redacted]

whether Likud or Labor thinks it should go to new elections. This factor will be a stabilizing element as long as Israel remains closely divided between Labor and Likud over key issues, as appears likely for at least a year. [redacted]

Shamir's Strategy

Prime Minister Shamir is confident that his government can take measures sufficient to suppress the uprising and implement the government's initiative. The initiative, in his view, helps defuse tensions with the United States, and it appeals to the substantial number of Israelis who are prepared to make concessions if the Palestinians are prepared to forsake violence. Shamir calculates that most Israelis regard the status quo, however unpleasant, as better than the alternative of giving up parts of the West Bank, which he categorically opposes. [redacted]

Nevertheless, Shamir is not immune to pressures for change. Some of Likud's ambitious, younger leaders, for example, realize that Israel will need to produce suggestions of its own for the peace process that eventually will have to go beyond the plan for elections the cabinet adopted in May. Shamir's continuing concern about relations with the United States and the views of the Israeli military leadership also are pushing him to soften his position. [redacted]

The International Conference

Although he continues to oppose direct negotiations with the PLO, Shamir is willing to talk directly with non-PLO Palestinians and Jordanians under super-power auspices if the Soviet Union restores relations with Israel. The conference thus would become an umbrella for negotiations on limited autonomy. This contrasts with the Arab view that the conference should lead to a comprehensive peace and include the possibility of a Palestinian state. [redacted]

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The Israeli Initiative

The US decision in mid-December to open a dialogue with the PLO upset most Israeli politicians and led to the formulation of a four-point diplomatic initiative which the Cabinet and the Knesset approved. The most important part of the initiative is a two-stage proposal:

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1. "Free and democratic elections" among the Palestinians in the West Bank and Gaza. These elections will produce "interlocutors" for negotiations with Israel on an interim period of limited self-government. This interim period of no more than three years will be a test of cooperation and coexistence between Israelis and Palestinians.

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2. Negotiations on the final settlement, in which Israel will be prepared to discuss any option presented.²

This cautious plan helps the Israelis:

- Counter international pressure on Israel and the widespread impression that the PLO—but not Israel—is ready to talk.
- Focus international attention on an Israeli initiative that emphasizes an interim solution instead of a comprehensive plan that would involve withdrawing from occupied territory.

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² The other three points of the initiative are: reinforcing the Camp David accords, solving the refugee problem through multinational efforts, and negotiations on peace with regional Arab countries. [redacted]

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- Put the onus on the PLO and its followers in the West Bank and Gaza. If they reject Israel's proposal, they are seen as obstructionist. If they accept elections, they risk the formation of an alternate leadership to the PLO [redacted]

Palestinian Reaction

The PLO views Shamir's plan for elections and limited autonomy as a pretext for continuing the occupation, an attempt to dictate to the Palestinians who should represent them in negotiations, a ploy to create an Israeli-sanctioned non-PLO leadership, and a substitute for a Palestinian state rather than a step toward it. Nonetheless, the concept of elections was included in the November 1988 resolution of the Palestinian National Council and subsequently in the PLO election proposal of May 1989. [redacted]

The cautious reaction of various Palestinians—particularly those in the occupied territories—to the Israeli initiative reflects, in part, the interest of many West Bankers and Gazans in breaking the political impasse and demonstrating that the uprising has produced concrete movement toward eroding the Israeli occupation. Moreover, Palestinians worry that, if they appear intransigent by rejecting the idea of elections, the United States might conclude that the Palestinians had lost an opportunity for progress and thus reduce US involvement in the peace process. Some Palestinians also apparently want to trap Shamir in his own plan. If the complex modalities surrounding elections can be resolved and if elections can then be held, these Palestinians calculate that Israel's leaders will be forced to deal with the PLO as the representative of the Palestinian people or face increasing criticism and greater pressure for an international conference. [redacted]

Israeli and Palestinian Conditions

Both sides have taken hardline positions with respect to elections. These positions essentially are opening moves in advance of the tough negotiations that lie ahead:

- *The Uprising and Israeli Withdrawal.* Although not spelled out in the initiative, Shamir said in March that ending the uprising was a precondition for holding elections. The coalition is undecided on this

issue. The Palestinians, however, will not trade a scaling back of the uprising for a simple promise of elections, especially because Israel is barring in advance the idea of a Palestinian state. Moreover, the Palestinians demand the withdrawal of Israeli (b)(3) forces from at least some parts of the West Bank and Gaza before the balloting. They argue that elections under Israeli rule by definition would not be free and democratic. Shamir has reiterated that Israeli forces will not withdraw, even from major population centers, before elections.

- *Land for Peace and a Palestinian State.* Although there is a broad Israeli consensus for no return to the pre-1967 borders, Shamir has often stressed that Israel will not withdraw from *any* of the West Bank and Gaza, "which we believe belong to us." The (b)(3) Palestinians do not expect Israel to accept the idea of Palestinian statehood immediately, but they insist that this idea not be precluded at the start of negotiations.
- *Guarantees and Assurances.* The Palestinian side will want US assurances of a specific timetable for prompt movement from agreement on interim arrangements to final-status negotiations. The Israelis worry that US involvement ultimately will lead to pressure to accommodate Palestinian demands.
- *The Role of East Jerusalem Arabs.* This issue is fundamental and critical for both Israelis and Palestinians. The coalition is split: Shamir has said that he opposes participation in elections by East Jerusalem's 140,000 Palestinians, but Labor favors their participation. The Palestinians insist on participating. (b)(3)
- *Other Modalities.* Difficult issues will include voter eligibility, monitoring of elections, what offices candidates will run for, the role of those elected in negotiating an interim arrangement with Israel, and the link between interim arrangements and the final-status negotiations. Likud and some Labor ministers oppose international supervision of the voting but not observation by foreign journalists,

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politicians, or diplomats. Shamir and other government officials have expressed a willingness to work with the United States on "finalizing the details and creating the conditions which can turn the initiative into reality." He also seems to have ruled out as candidates "overt" PLO members but not PLO sympathizers. [redacted]

Shamir has expressed the hope of holding elections by the end of 1989. We believe that this timetable is optimistic. Its success would require considerable softening of the government's positions on major election issues. The PLO leadership, in turn, would have to accept the concept that elections will validate the role of Palestinians from the occupied territories, and not those from the diaspora, in negotiations with Israel on interim arrangements. [redacted]

The Possibility of Movement?

Despite the practical obstacles to implementing Israeli proposals, the positions of neither side seem frozen:

- Israelis feel obliged to push ahead with the election plan to recapture the diplomatic initiative, drive a wedge between local Palestinians and the PLO, and avoid alienating the United States. They are convinced of the need for an alternative to the PLO's insistence on an international conference leading to an independent Palestinian state.
- The cautious reaction to elections by some Palestinians—despite the rejection of Shamir's plan—reflects a longing by some for tangible results from the uprising and a "breakthrough" with the United States and Israel. [redacted]

For the first time in over 40 years of conflict, Palestinians and Israelis are debating within their own communities over the same issues: elections and interim arrangements. Although neither side can be sure how its positions will evolve, these controversial issues will be the major focus of attention over the next year. [redacted]

The Crackdown on the Uprising

Shamir promises firm measures to demonstrate to the Palestinians that violence is not a substitute for negotiations. Likud hopes that Israel's superior power



Figure 4. West Bank confrontation. [redacted]

will wear down the uprising over time and gradually reduce the pressure on Israel to make concessions. [redacted] (b)(3)

The government's methods will include greater use of economic pressure, selective deportations, arrests and detentions, and continued demolition of houses. Although some government officials assert publicly that Israel's vigorous tactics are already wearing down the uprising, most believe they are in a long war of attrition whose cost can be borne indefinitely. [redacted] (b)(3)

Vigilantism by Israeli settlers is increasing. A minority has organized its own militias. Settlers have become more frightened and less conciliatory because of the growing perception that the Israel Defense Forces are not committed to ensuring settler security. Clashes between settlers and Israeli soldiers, settlers and Palestinians, and settler provocations also are likely to increase. Moreover, ideologically nationalistic settlers will step up their activities if progress is made toward a settlement. [redacted] (b)(3)

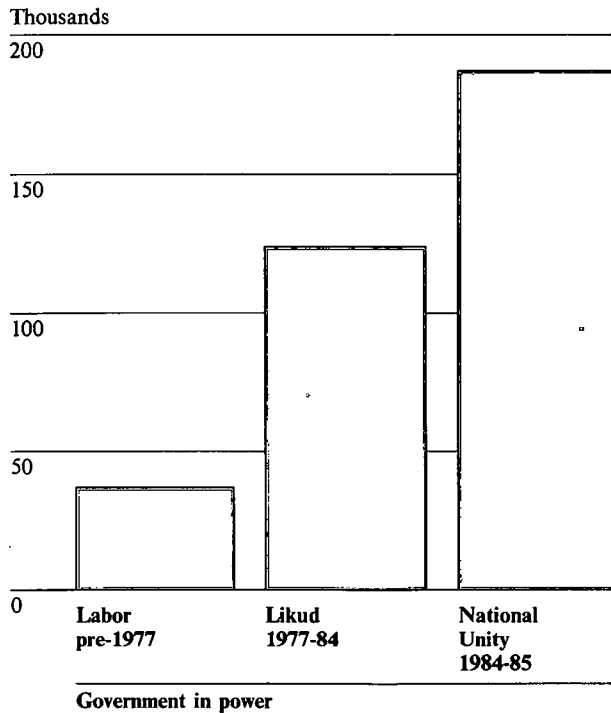
Palestinian Perspectives on Key Issues

Palestinians believe the uprising has forced Israel, the Arab governments, and the United States to confront the Palestinian national movement for the first time. West Bank and Gaza residents believe it has transformed the Palestinians into the agents of their own destiny. Palestinians demand that the uprising lead to tangible results that will end the Israeli occupation. [redacted] (b)(3)

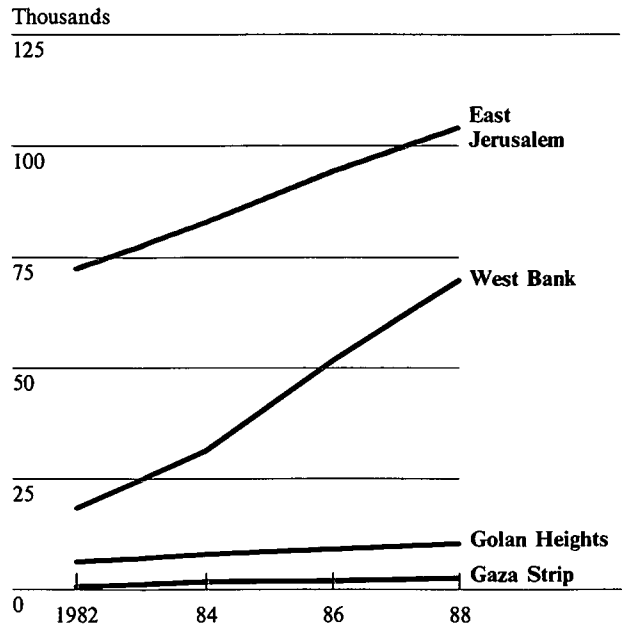
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**Figure 5
Israeli Settler Population**

Total Estimated Israeli Settler Population



Jewish Population



Since 1982, Israel has established 56 new settlements in the West Bank, 3 in the Golan Heights, 5 in the Gaza Strip, and 2 in East Jerusalem. Settler population has increased by 89,000, half in the West Bank, for an estimated total of 187,000 in all the occupied territories.

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and eventually establish a Palestinian state. This demand produces both anxiety that the uprising may fail to achieve its objectives and determination not to lose opportunities for progress. Although economic hardships have increased, these problems are unlikely to cause a reduction of the disorders or make West Bank and Gaza Palestinians more likely to accept the Israeli initiative for local elections [redacted]

The uprising and the changing international environment have heightened PLO confidence in its ability to negotiate with Israel and to achieve a Palestinian

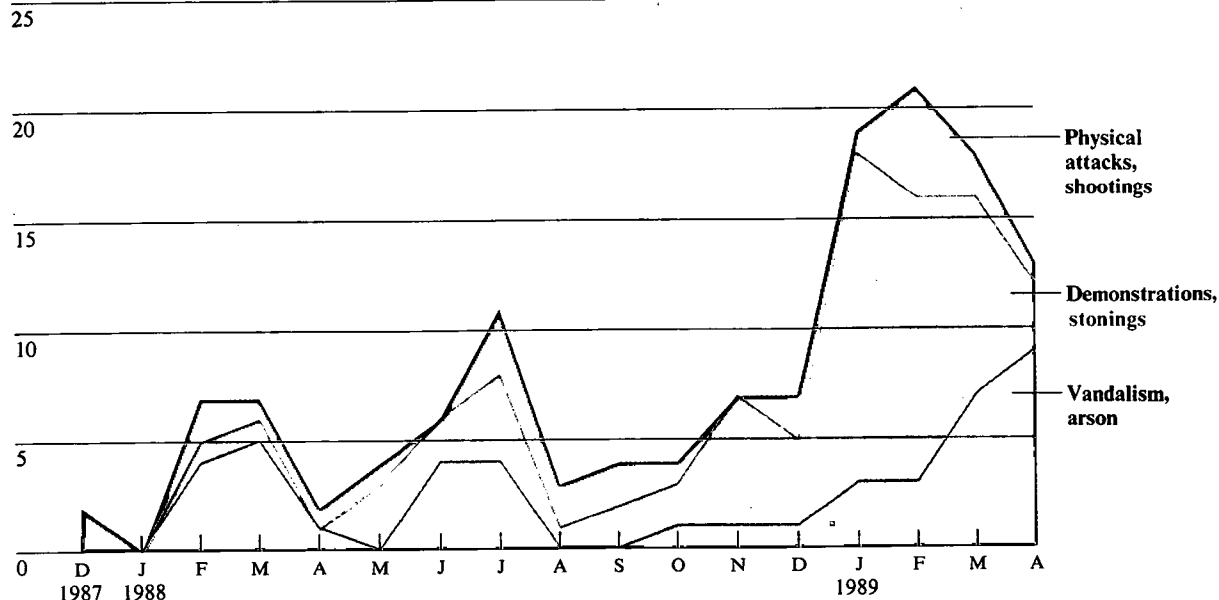
state. Growing Soviet activism in the region and improving US-Soviet relations also have encouraged the PLO. Most Palestinians have replaced the PLO's old idea of a secular, democratic state of Palestine (incorporating Israel and the occupied territories) with the concept of a two-state solution [redacted] (b)(3)

PLO-West Bank Relations (b)(3)
The symbiotic relationship between the PLO and the Palestinian leaders in the occupied territories will continue. The PLO realizes that the uprising has

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Figure 6
Significant Acts of Settler Violence During the Palestinian Uprising in the West Bank, December 1987-April 1989

Number of incidents



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shifted attention and power in the Palestinian movement from the more prominent diaspora personalities—the “outsiders”—to underground, new leaders—the “insiders”—in the West Bank and Gaza. Nevertheless, both insiders and outsiders have their own legitimacy: the insiders through their role in the uprising and the outsiders through their recognition among Palestinians as authentic representatives. The insiders, who—along with PLO proxies—make up the “Unified National Leadership of the Uprising,” are autonomous but are prepared to let the PLO handle the diplomatic arena, where the Israelis keep the insiders from operating [redacted]

Insiders will not blindly take orders from the PLO, but they will listen to it. Although insider leaders have given a mandate to the PLO, the insiders can exercise restrictive and “corrective” influence. Discussions between the groups, therefore, will remain a two-way street. PLO leaders, for their part, are confident that

the insiders will remain loyal to the PLO, but they are listening closely to insider demands. Contacts between the two groups will be carefully maintained. [redacted] (b)(3)

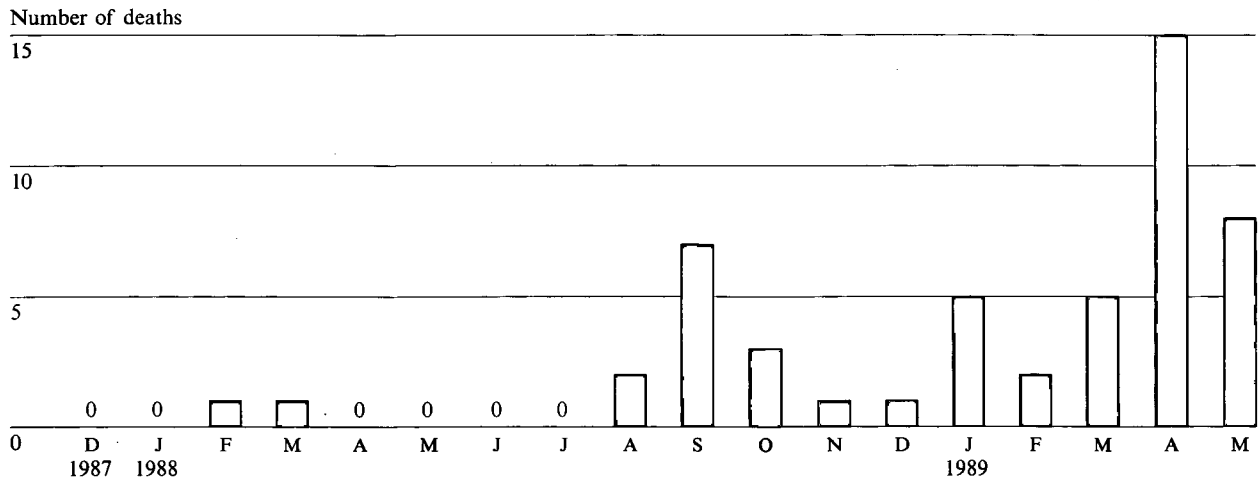
Israeli pressure and PLO intimidation will prevent a dominant indigenous leadership, capable of carrying out a sophisticated political program, from emerging in the occupied territories over the next year. The uprising, however, has produced a leadership capable of organizing strikes and demonstrations. These new leaders tend to be young and well educated. They do not look to outsiders—including the PLO—for inspiration [redacted] (b)(3)

Insiders and outsiders agree that a political settlement has to be reached, that concessions will have to be made, and that direct negotiations with the Israeli Government will be required. Both believe that interim

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Figure 7
Palestinians Killed as Suspected Collaborators,
December 1987-May 1989



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arrangements are acceptable only if they are part of a plan to reach a comprehensive solution. Both Palestinian camps also agree that the sorts of interim measures the Israelis are talking about are an unacceptable Israeli ploy to ward off the pressure generated by the uprising. [redacted]

The US-PLO Dialogue and Future Concessions

Doubt is likely to increase among Palestinian leaders over the utility of the dialogue with the United States. Such doubts, however, probably will not become critical this year. PLO leaders are jubilant over the US decision to open a dialogue. Despite their complaints, they are pleased that the dialogue has gone beyond focusing on terrorism, and they hope that the United States will exert pressure on Israel. The extent of further PLO concessions will depend on favorable US or Israeli reactions to the PLO's actions to date and on Arafat's ability to dominate his rejectionist opponents. We believe he probably will continue to dominate PLO decisionmaking. [redacted]

Policy Changes and Steps Toward Moderation

The challenge Arafat faces in coming months will be to strengthen those moderate Palestinian elements that accept coexistence with Israel. The PLO will also need to improve its diplomatic and public relations

skills to maintain the movement toward moderation so that the PLO can ultimately become a participant in negotiations. Such negotiations will not occur during the coming year, but we expect the PLO to hold to its moderate course. [redacted]

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PLO Chairman Yassir Arafat is in a strong position. His priorities are to keep the Palestinian movement relatively unified and to remain its leader. He is a pragmatist and proven survivor who has reacted to the uprising by lining up with the more pragmatic Palestinians living under Israeli occupation and not with the hardline ideologues in the diaspora. [redacted]

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By directly addressing an American audience through its actions in recent months, the PLO hopes that it has prepared the way for an active US role in the settlement process. This orientation reflects the PLO's hope that the United States will try to change Israel's position or, by virtue of its dialogue with the PLO, that it will help to break open the political debate in Israel on dealing with the Palestinians. [redacted]

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The dialogue with the United States helps Arafat and is a key element in his efforts to gain international

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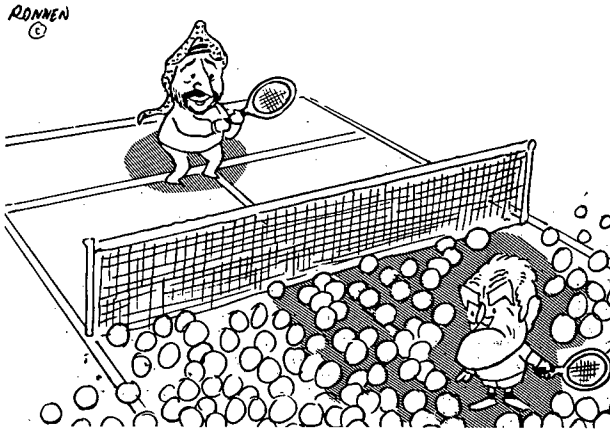
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Figure 8. "242—Count'em." [redacted]

recognition. He uses it to consolidate his dominant position in the PLO and to cope with PLO hardliners, especially fundamentalists. The fundamentalists will become a serious problem if local leaders of the uprising and the PLO fail to make progress toward a settlement. The dialogue also has encouraged Palestinians to think that talks with Israelis and the United States on transnational arrangements and election modalities are likely within the next several months.

PLO Positions

Decisions of the Palestine National Council late last year and subsequent PLO statements and interviews give insights into the PLO's posture in coming months on key issues in the peace process:

- The PLO is aware that the peace process will require time and confidence-building measures. Therefore, it will consider arrangements for autonomy during a transitional period, but only if they are closely linked to a comprehensive settlement that, at a minimum, will not preclude a Palestinian state. The PLO is prepared to exhibit flexibility on procedures and modalities if it is represented at the negotiating table. To obtain that representation, Arafat, for example, probably would be prepared to revise the Palestinian National Covenant considerably beyond his recent characterization in Paris of its reference to the single, democratic, secular state of Palestine as having "lapsed."
- PLO leaders believe that an international conference eventually will be necessary to forge a coalition in its favor that is strong enough to compensate for

its lack of leverage on Israel. The conference will require careful preparation. It could be merely a ratifying mechanism for agreements reached in other forums.

- The PLO is eager for direct talks with Israeli officials, but it realizes that Israel will need time to accustom itself to talking with the PLO.
- Because the uprising provides the PLO's only leverage on Israel, the PLO will make no commitment to stop it before negotiations begin. We believe that the PLO could not halt the uprising altogether. The PLO, however, could increase or decrease the scale of the disorders, depending on how well preliminary negotiations were going.

- The PLO will reject Israeli proposals for non-PLO negotiators. Its delegation, however, would include representatives from the occupied territories. [redacted]

Violence and Terrorism

Actions by Syria and Palestinian splinter groups in particular, and by Libya and Iran to a lesser degree, will play a central role in the future of the US-PLO dialogue. All have a major interest in the collapse of the dialogue and will try to undermine it, especially if they see movement toward a solution that ignores their interests. Many extremist non-PLO Palestinian organizations—Abu Nidal's Fatah Revolutionary Council, Abu Musa's Fatah Uprising faction, and Ahmad Jabril's Popular Front for the Liberation of Palestine—General Council (PFLP-GC)—will try to stage terrorist actions both outside and inside Israel and the occupied territories. The effect of these incidents on the dialogue will depend on Arafat's willingness to condemn them. Nevertheless, a successful terrorist strike against an Israeli target would generate strong reaction against the PLO regardless of which groups were involved.

Hardliners within the PLO—especially the PFLP and the Democratic Front for the Liberation of Palestine (DFLP)—will continue to test the limits of Arafat's prohibitions on terrorism. Their actions will include continued infiltration of guerrillas into Israel from southern Lebanon, which has become a focal point for Shia fundamentalism and radical Palestinian activity

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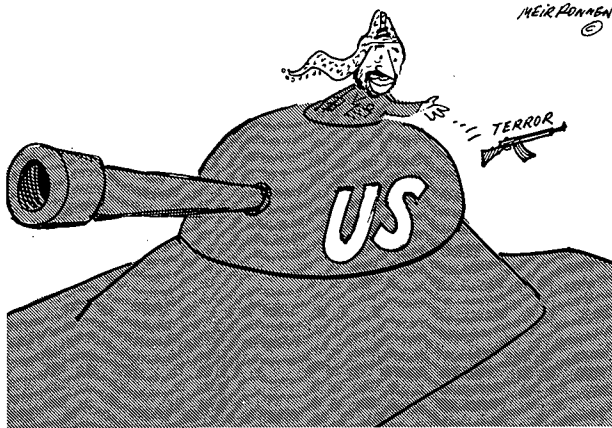
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Figure 9. Israeli view [redacted]

directed against the Israelis and their Lebanese allies. At least for the near term, Arafat probably will be able to prevent PLO groups from launching attacks outside Israel and the occupied territories [redacted]

Continued violence will be accompanied by disputes between the United States and Israel over the definition of terrorism and whether PLO elements played a role in a particular incident. For many Israelis, Arafat is ultimately responsible for all acts of violence by Palestinians, which the Israelis lump together as terrorism. For the United States, however, the identity of the perpetrators will often be difficult to determine and responsibility hard to pin down. [redacted]

Radical Palestinians will seek to assassinate PLO moderates as "traitors." We also do not rule out the possibility of additional Israeli assassination operations. Arafat thus is a real target of assassins, and the risk to him has increased considerably. His death would cause a power struggle in the PLO, but it would not reduce pressure from Palestinians to pursue a moderate course. The decisions to change PLO policy made late last year were not Arafat's alone. Thus his closest associates in Fatah and at the top of the PLO hierarchy could be expected to maintain present policies, at least for the next year. [redacted]

Israeli Reaction

Israeli officials have strongly attacked the PLO's actions since mid-November as an effort to legitimize terrorism and an exercise in disinformation designed to appeal to the United States. Israelis will continue to reject the PLO as a interlocutor even as its rhetoric changes. Moreover, some Israeli leaders will point to

continued violence against Israeli soldiers and civilians in the occupied territories as evidence that the PLO has not abandoned terrorism. [redacted] (b)(3)

Underlying this view is the Israeli fear that the PLO's ongoing "peace offensive" will lead to the integration of the PLO into the negotiating process. The Israelis see the PLO's dialogue with the United States as the first step in a process that will lead most Western countries to upgrade relations with the PLO and to exert heavy pressure on Israel to negotiate with the PLO. [redacted] (b)(3)

Next Steps

International organizations will remain an important arena for a PLO campaign in coming months. This campaign will keep PLO-related issues at the forefront of deliberations in international organizations, in general, and the United Nations in particular. The PLO will try to obtain financial aid and other tokens of recognition if it fails to win membership for the state of "Palestine" in specialized UN agencies. [redacted] (b)(3)

The Soviet Union and the Peace Process

Moscow's efforts to expand relations with Israel and key Arab states are intended to secure equal status for the USSR with the United States in the peace process. The Soviets also aim to stop successful US or Israeli bilateral negotiations with Palestinians or Arab states. The Soviets will work diligently over the next year to demonstrate to the Bush administration that Soviet participation in Arab-Israeli negotiations is necessary. [redacted] (b)(3)

International Peace Conferences

To ensure Soviet involvement, Moscow focuses on convening an international conference to settle the Arab-Israeli dispute. The Soviets are blurring their previous insistence that the conference must have full decisionmaking authority by suggesting that it merely provide the "proper environment" for negotiations. The Soviets still oppose a conference designed solely to bless US-brokered bilateral deals between Arabs and Israelis. Moscow will continue to show flexibility on the details of a conference to ensure its inclusion in the process. Moscow also is likely to accept a super-power conference cosponsored by the United States [redacted] (b)(3)

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and the USSR with any combination of Arab representatives and Israel. To demonstrate Moscow's importance to the process, the Soviets [redacted]

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[redacted] will work to modify baseline Syrian and PLO demands. Soviet ability to deliver Syria, however, is highly questionable. Damascus is not responsive to Soviet pressure when major Syrian interests are at stake [redacted]

Israel

Moscow's moves toward reestablishment of relations with Israel are designed to correct the admitted mistake of severing official ties in 1967, which left the USSR unable to deal with one of the key players in the peace process. For the near term, Moscow will be satisfied with its present level of contacts with Israel. The exchanges of consular delegations, cultural and economic visits, and tourism allow the Soviets to claim that they have normal contacts with Israel. The lack of movement toward a peace conference, coupled with Israel's apparent willingness to maintain these low-level contacts, has taken the pressure off Moscow to reestablish relations immediately. The Soviets, however, will encourage East European states to reestablish relations with Israel. If the Soviets believe the peace process is moving forward without them—an unlikely event this year—they will find a way to finesse their preconditions and resume relations to underscore their relevance to the process. [redacted]

Palestinians

Just as Moscow is pressing leaders of Arab states to adopt a unified position, it seeks to achieve Palestinian unity. The Soviets exerted pressure on the PLO for moderation and concessions last year and will continue to support Arafat's moderate course. Arafat, for his part, is reassured by renewed Soviet support for his leadership and by Soviet pressure on hardline Palestinian elements to support his policies [redacted]

Moscow's Strategy Toward the United States

The Soviets remain concerned that the United States is not convinced of the need for Soviet participation in the peace process. Therefore, they will press the United States harder to set forth its own comparable basis for further dialogue with Moscow and to indicate how Moscow will be included and how Washington intends to deal with the Shamir government on

key issues. In return for having influenced the PLO's evolution toward moderation and because of their strong ties to many Arab states, Moscow will continue to argue that it is an indispensable player in the peace process.³ [redacted]

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Implications for the United States

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The pace of activity surrounding the Arab-Israeli conflict has accelerated since the US decision in December 1988 to open a dialogue with the PLO. In anticipation of renewed US involvement, Arab and Israeli leaders—over the next year—will continue to struggle to control the terms of reference for the peace process, gain the diplomatic initiative, and dominate the public relations battle. They will want to shape the Bush administration's approach to the Middle East. [redacted]

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The Pressure of Events

The Arab-Israeli conflict affects so many US interests that it will tend to force itself on the US agenda. Nurturing US-Israeli relations, warming the "cold" peace between Israel and Egypt, and shoring up Jordan, for example, will ensure a continuing focus of attention on Arab-Israeli issues:

- Dealing with developments in the Middle East—the uprising, changes in Israeli and Palestinian policies and terrorism, for example—is likely to require preparation either for sustained engagement, if that is deemed appropriate, or for effective crisis management. (b)(3)
- Friendly Arab leaders will continue to appeal for US involvement. They view the Arab-Israeli conflict as the principal threat to regional stability. They worry, however, that the United States will be too preoccupied with other issues and too tied to Israel to commit itself to the difficult process of making peace. (b)(3)

³ Soviet policy toward the region will be examined in more detail in the forthcoming Estimate NIE 11/30-89, *Soviet Policy Toward the Middle East*. (S NF)

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- Both Palestinians and Israelis look to the United States. For the Arabs, only the United States can pressure Israel to reach an agreement. For the Israelis, the United States is both Israel's shield against such pressure and the potential source of it.
- The Soviets will continue to press for a dialogue with the United States in coming months on super-power cooperation in reaching a settlement. [redacted]

The Changing Situation

Dramatic changes in the political environment surrounding the peace process have occurred over the past 18 months [redacted]

The Uprising. The Palestinian uprising in the West Bank and Gaza shows no signs of ending. It is sustainable at present levels by the Palestinians and tolerable to the Israelis. Nonetheless, it is forcing both sides to reassess how they deal with each other [redacted]

Jordan's Disengagement. King Husayn has made clear, as recently as his visit to the United States in April 1989, that Jordan will not play a central role in the peace process at this time. The King has given a qualified endorsement of the idea of elections in the West Bank and Gaza, but only in the context of a process leading to negotiations on the final status of the occupied territories [redacted]

Palestinian Movement Toward Moderation. Despite differences in emphasis between the inhabitants of the West Bank and Gaza and the Palestinian diaspora, the leadership of the Palestinian movement has reached a consensus in favor of recognition of Israel, acceptance of UN Resolution 242, and renunciation of terrorism. It wants direct negotiations with the Israeli Government and is prepared to accept interim steps, including autonomy, as long as they are tightly linked to reaching a final settlement. Moderate Palestinians, however, worry that the mood among activists in the occupied territories will turn more violent if the PLO's efforts toward accommodating Israel and the United States produce no movement toward a comprehensive settlement [redacted]

Shifting Israeli Views. The uprising has intensified the political debate in Israel over territorial compromise, dealing with the Palestinians, and coping with the violence in the occupied territories. The US dialogue with the PLO has increased pressure on the Israeli Government to counter the perception that the PLO—but not Israel—is ready to talk [redacted] (b)(3)

Opportunities and Threats for the United States

Although progress is not ensured, developments in the last year have created new opportunities in the peace process:

- Instead of waiting for others (Arab countries, the United States, the USSR) to solve Palestinian problems, the Palestinians themselves have taken the initiative and have shown that they will revise long-held positions to find a solution. (b)(3)
- For the first time in 10 years, Israel's Likud bloc and Labor Party have agreed—reluctantly—on a framework for peace negotiations. (b)(3)
- The PLO has consolidated its control over major sectors of the Palestinian movement, both inside and outside the occupied territories.
- The Soviets have shown a willingness to play a more constructive role. [redacted] (b)(3)

We believe the opportunities will not remain beyond one year. Divisions within the Palestinian movement and the Israeli Government are likely to deepen, leading to an inability on both sides to make further concessions and possibly a retraction of current offers if there is no progress. Such a deterioration of the situation is likely without significant outside involvement to encourage compromise by Israelis and Palestinians [redacted] (b)(3)

At the same time, traditional US concerns in the Middle East seem less acute this year:

- The cease-fire last summer has reduced the risk that the Iran-Iraq conflict will spill over to other states. (b)(3)

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- Unlike the period 1973-79, US policy in the Middle East will not be conducted, for at least the next year, under the threat of oil shortages and dramatically higher prices.
- Islamic fundamentalism has not swept through the Middle East.
- "Cold war" tensions are at a low ebb. [redacted]

The Near Term. In our judgment, US interests will not be directly or immediately threatened if there is no progress in the peace process over the next year:

- No peace process has been under way for 10 years. The absence of negotiations for another year will not increase the chance of war.
- The United States and its allies will not face a cutoff of oil if nothing happens in the peace process.
- The United States will not face a major terrorist threat because of the absence of negotiations. Terrorist actions, however, are likely to increase as a way for hardliners to sabotage developments that look promising. [redacted]

US interests would be threatened in the near term in several unlikely scenarios: for example, significantly greater use of firearms by Palestinians, massive Israeli military repression of the uprising, annexation of the West Bank and Gaza, or major terrorist attacks on holy religious sites. In such circumstances, we would expect Arab governments to pressure the United

States to restrain Israel—in some cases by threatening to act against US interests elsewhere. Jordan—where Palestinians are the majority—would become especially vulnerable. A strong Palestinian reaction there would seriously threaten King Husayn. We would also anticipate a substantial increase in international terrorism directed against US citizens and property [redacted]

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The Longer Term. We believe that a lack of movement in the peace process over the next two to three years will lead to more violence in the occupied territories, increased terrorism, and greater pressure from Arab states on the United States. Some activities that would lead to this include:

- A decision by the Israeli Government to use much greater force to try to quell the uprising.
- A judgment by Palestinians and other Arabs that the uprising and the PLO's moderate course are not leading to an acceptable solution. This failure will breed popular resentment and frustration and strengthen hardliners within the Palestinian movement and Islamic fundamentalists. As a result, violence in the occupied territories and terrorism against Israel and the United States would increase. [redacted]

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Annex

Principal Arab Actors

Syria.

President Assad insists on Israeli withdrawal from the Golan Heights and intimate Syrian involvement in the settlement process. He follows a two-track policy: (1) demand for Israeli withdrawal from all occupied territories and the establishment of a Palestinian state; (2) establishment of "strategic parity" vis-a-vis Israel. [redacted]

Palestinians. The vast majority of Syria's 320,000 Palestinians reject Assad's claim to speak for them and regard the PLO as their rightful representative. This has no effect on Assad's policy toward the peace process. The bitter personal antipathy between Assad and Arafat that has persisted for six years will continue. [redacted]

The "Spoiler" Role. Through terrorism and assassination, manipulation of various Palestinian factions, and perhaps military moves Assad will cause major problems if his interests are ignored and if Arafat seems to be moving toward a separate deal with Israel. Therefore, excluding Damascus from deliberations that have a direct impact on Syrian interests will be risky. [redacted]

Assad provides a home to two hardline components of the PLO—the PFLP and the DFLP—and to more radical rejectionists (the PFLP-GC and Abu Musa, for example) who share Syria's opposition to negotiations with Israel. In coming months the radicals are likely to stage terrorist actions to stop the US-PLO dialogue, undermine or assassinate Arafat, and block further evolution toward moderation. [redacted]

The Soviet Union. The Soviets supply Syria with high-technology weaponry to maintain Moscow's most important access to the Middle East. Nevertheless, the Soviets are unhappy with Syria's poor performance in repaying its huge debt, its efforts to dominate the Palestinian movement, and its confrontational approach to Arab-Israeli issues. The Syrians are displeased by Moscow's refusal to support "strategic parity," support of PLO moderation, and moves to improve relations with Israel. [redacted]

The United States. Opportunities for moderating Syrian actions are likely to arise only in those areas where Syrian and US objectives coincide: resolution of territorial claims between Israel and its neighbors and stabilization in Lebanon, where Assad's policy is financially and politically burdensome. [redacted]

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Egypt

Egypt as a Bridge. President Mubarak calculates that Egypt is well positioned to serve as a diplomatic bridge between Israel and the Arab world and will continue to counsel the PLO toward moderation and to encourage a PLO-Jordanian rapprochement. He is counting on movement in the peace process to help shore up support for his government at home and abroad as he tackles difficult domestic challenges. [redacted]

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The United States. Mubarak is convinced that the immediate and continuing engagement of the United States is essential to make progress toward peace. Therefore, he will continue to try to persuade the Bush administration that only the United States can offer hope for resolving the Arab-Israeli conflict, as he did during his Washington visit in April 1989. Equally important for Egypt, movement toward a settlement under US aegis will vindicate Egypt's treaty with Israel and its Cairo's relationship with the United States. [redacted]

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Mubarak's Opponents. Israeli efforts to suppress the uprising and the absence of an ongoing peace process have the potential to strengthen Mubarak's opponents. A deteriorating situation would offer them a major point of attack on a regime overburdened by economic problems. But his diplomatic efforts on behalf of the PLO have helped to neutralize much of the internal opposition to date. The Egyptian opposition will continue to seize on Israeli actions against the uprising to try to force Mubarak to cool the relationship with Israel. [redacted]

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Mubarak, however, realizes that correct relations with Israel are essential to preserving access to US aid and resolving bilateral issues with Israel. At the same time, he wants to keep Egypt's ties to the United States, Israel, and the Arab world in balance and to avoid another period of estrangement from his Arab brethren [redacted]

Jordan

King Husayn's decision in July 1988 to pull back from West Bank affairs reflected a need to shore up his East Bank base, concern that the uprising might spread to Jordan, an effort to combat the argument that Jordan should be the Palestine state, and acknowledgement of his loss of influence in the West Bank. The King's posture is clear:

- Measured by the steps he has taken in recent months, the King means business. He knows that he cannot dominate the Palestinian issue and that he retains neither admiration nor support in the West Bank and Gaza.
- Despite his difficulties with Arafat, the King also recognizes the PLO as the legitimate representative of the Palestinian people and has promised to work closely with it. Although Jordan has not ruled out a joint Palestinian-Jordanian delegation to an international conference or eventual confederation of a Palestinian state with Jordan, Amman is much less enthusiastic about either than in the past.
- Riots in Jordan in April 1989 have further discouraged the King from an active policy and focused his attention on domestic economic and political needs. [redacted]

Iraq

Baghdad's primary focus over the next year will not be the Arab-Israeli conflict. Instead, its preoccupation with Iran will continue as it tries to force Tehran into an "acceptable" peace treaty and attempts to counter Iranian moves elsewhere. [redacted]

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Iraq will revert to the active role on the Arab stage that it played before its invasion of Iran in 1980. In particular, it will look for ways—short of hostilities—to take revenge on Syria for its wartime support of Iran. [redacted]

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Supplying arms to anti-Syrian factions in Lebanon—possibly including FROG rockets to the Christians—is a preview of what can be expected as Iraq tries to thwart Syrian and Iranian objectives there. It will also continue to use terrorism and support for Syrian opposition groups as part of its campaign to oust President Hafiz al-Assad. It may try to undercut Syrian influence with economically hard-pressed Jordan by offering Amman modest military and financial aid. [redacted]

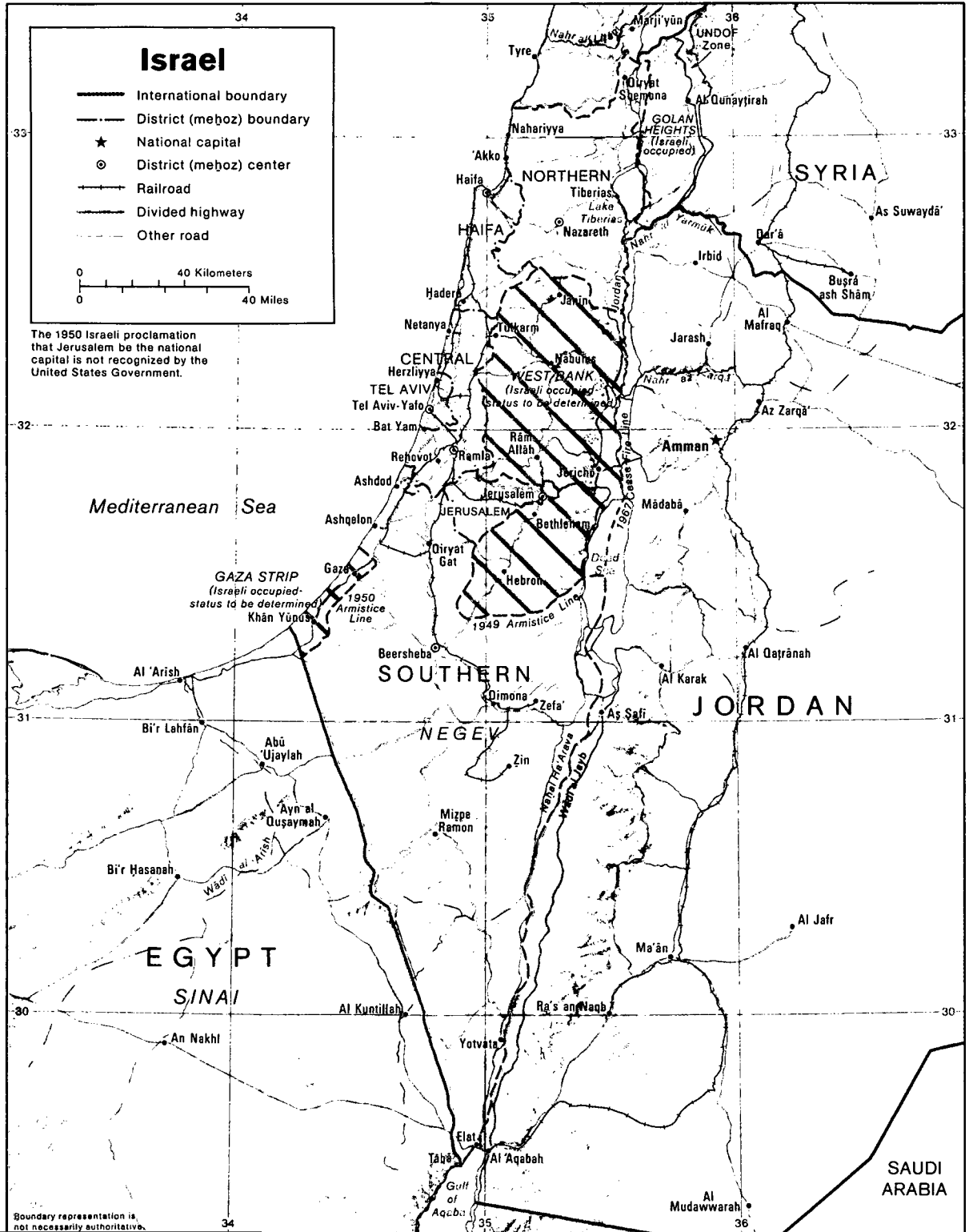
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Iraq will be interested in joining forces with Egypt, Jordan, and the PLO to isolate Damascus further, "strengthen" the Arab front against Israel, and exert influence on the PLO. Baghdad, however, will support a settlement of the Palestinian issue that meets the requirements of mainstream Palestinian groups [redacted]

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