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The Middle East Peace Talks

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SUMMARY

After the first Gulf war, in 1991, a new peace process was begun, with Israel and the Palestinians discussing a five-year period of interim self-rule leading to a final settlement. Israel and Syria discussed Israeli withdrawal from the Golan Heights in exchange for peace. Israel and Jordan discussed relations. Israel and Lebanon focused on Israel's withdrawal from its self-declared security zone in south Lebanon and reciprocal Lebanese actions.

On September 13, 1993, Israel and the Palestine Liberation Organization (PLO) signed a Declaration of Principles (DOP), providing for Palestinian empowerment and some territorial control. Israeli Prime Minister Rabin and King Hussein of Jordan signed a Peace Treaty on October 26, 1994. Israel and the Palestinians signed an Interim Self-Rule in the West Bank/Oslo II accord on September 28, 1995. Israel continued implementing it despite the November 4 assassination of Prime Minister Rabin.

Israel suspended talks with Syria after terror attacks in February/March 1996. They resumed in December 1999, but were postponed indefinitely after January 2000. Israel withdrew from south Lebanon on May 24, 2000.

The Palestinians and Israelis signed additional incremental accords in 1997, 1998, and 1999. From July 11 to 24, 2000, President Clinton held a summit with Israeli and Palestinian leaders at Camp David, but they did not succeed in producing a framework accord on final status issues. A Palestinian uprising or intifadah began in September. Ariel Sharon was elected Prime Minister of

Israel on February 6, 2001. He said that the results of Camp David and afterwards were null and void.

The international war against terrorism after September 11, 2001, prompted renewed U.S. focus on a peace process. On June 24, 2002, President Bush declared, "peace requires new and different Palestinian leadership so that a Palestinian state can be born." On April 30, 2003, the United States, the U.N., European Union, and Russia (the Quartet) presented a "Roadmap" to Palestinian statehood within three years. It has not been implemented. In December 2003, Sharon proposed to unilaterally disengage from the Palestinians in Gaza and four small settlements in the West Bank. Implementation is scheduled to begin in August 2005. Palestinian Authority (PA) Chairman/President Yasir Arafat died on November 11, 2004, and, on January 9, 2005, Mahmud Abbas was elected to succeed him. On February 8, Abbas and Sharon declared an end to violence. On August 23, Israel completed its disengagement from the Gaza Strip and four small West Bank settlements.

Congress is interested in the peace talks because of its oversight role in the conduct of U.S. foreign policy, its support for Israel, and keen constituent interest. It is concerned about U.S. financial and other commitments and the Palestinians' fulfillment of their commitments to Israel. Congress has appropriated aid for the West Bank and Gaza, with conditions intended to ensure Palestinian compliance with agreements with Israel. Congress has repeatedly endorsed Jerusalem as the undivided capital of Israel, and many Members seek sanctions on the PLO and PA.



MOST RECENT DEVELOPMENTS

On September 19, Israeli Prime Minister Ariel Sharon told an American Jewish group that the Ma'ale Adumim settlement would be connected to Jerusalem and that a solution would be found for the Palestinians to link Bethlehem to Ramallah. He noted that the United States had "never supported" the building of or in settlements, but all Israeli governments had built anyway. Sharon voiced opposition to Hamas participating in the January 2006 Palestinian parliamentary elections if it did not disarm or revoke its 1988 charter calling for Israel's destruction and said that Israel would not assist with the elections if Hamas took part. After an upsurge in Hamas rocket attacks from Gaza into Israel, the group announced on September 25 that it would halt "operations" from Gaza. On September 27, Hamas claimed responsibility for kidnaping and killing an Israeli settler in Ramallah (the West Bank) to demand the release of Palestinian prisoners. Israel has responded to the rockets with air and artillery strikes, closure of charities linked to terror groups, and mass arrests in the West Bank, reportedly including likely Hamas electoral candidates, and resumed targeted killings of terrorists. The U.S. State Department spokesman said, "we fully understand Israel's right to defend itself," while Palestinian Authority Chairman Mahmoud Abbas condemned Israel's actions, saying that they jeopardized the peace process. Also on September 27, a Sharon advisor said that if an impasse continues, "we might consider turning disengagement into a strategy. Israel would determine its borders independently." On September 29, however, Sharon insisted that Israel would "work to advance the diplomatic process solely via the Road Map. Any additional territorial changes will be discussed and decided upon only in the framework of negotiations on a permanent agreement. Until we reach this stage, if we reach it, there will not be any further unilateral territorial moves."

BACKGROUND AND ANALYSIS

Arab-Israeli conflict marked every decade since the founding of Israel, until the 1990s. With each clash, issues separating the parties multiplied and became more intractable. The creation of the State of Israel in 1948 provided a home for the Jewish people, but the ensuing conflict made refugees of thousands of Arab residents of formerly British Palestine, with consequences troubling for Arabs and Israelis alike. The 1967 war ended with Israel occupying territory of Egypt, Jordan, and Syria. Egypt and Syria fought the 1973 war, in part, to regain their lands. In 1982, Israel invaded southern Lebanon to prevent terrorist incursions; it withdrew in 1985, but retained a 9-mile "security zone" that Lebanon sought to reclaim. Middle East peace has been a U.S. and international diplomatic goal throughout the years of conflict. The 1978 Camp David talks, the only previous direct Arab-Israeli negotiations, brought about the 1979 Israel-Egypt Peace Treaty.

Changed International and Regional Scenes

In 1990, Iraqi President Saddam Hussein offered to withdraw from Kuwait if Israel withdrew from Arab territories it occupied. The United States and others denied a linkage, but, during and after the Gulf war in 1991, President George H.W. Bush declared solving the Arab-Israeli conflict among his postwar goals. He directed Secretary of State Baker to

organize a conference. The end of the Cold War and the decline of the Soviet Union aided Baker's mission. The Soviets needed Western aid and agreed to U.S. initiatives. They also were unable to continue to aid Iraq, Syria, and the Palestine Liberation Organization (PLO). Arab states, whose unity was damaged in the war, recognized the United States as the remaining superpower. Egypt, Syria, and the Gulf states (Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates, Qatar, Oman) joined the anti-Iraq coalition. After Camp David, Egypt had become the second largest recipient of U.S. foreign aid. Syria opposed Saddam Hussein, sought benefactors, and sent troops to defend Saudi Arabia. The PLO and Jordan, however, were sympathetic to Iraq and debilitated by the choice. European and other sympathy for the Palestinians eroded temporarily as Iraqi missiles hit Israeli civilian sites. Meanwhile, Palestinian moderates argued for negotiations to ease the plight of their people. Thus, each party sought U.S. support: Egypt as a consequence of Camp David; Syria to replace lost Soviet patronage; Jordan to reclaim lost goodwill, aid, and trade; the Palestinians for some gain after years of loss; and Israel because of its dependence on U.S. aid and resources.

Role of the United States

On March 6, 1991, President Bush outlined a framework for peace: grounded in U.N. Security Council Resolutions 242 and 338 and the principle of "territory for peace." Secretary Baker provided non-binding letters of assurance to all parties that have not been released officially. He reportedly accepted Israel's view that 242 is subject to interpretation, stated that the United States would not support creation of an independent Palestinian state, and that the United States would give "considerable weight" to Israel's view that the Golan Heights are important to its security. He reportedly assured Syria that the United States believes 242 applies to all fronts and gave Lebanon a commitment to its territorial integrity within its internationally recognized borders. He told the Palestinians that the United States wanted their legitimate political rights and opposed Israel's annexation of East Jerusalem.

President Clinton said that only the region's leaders can make peace, and vowed to be their partner. With the Hebron Protocol of 1997, the United States seemed to become an indispensable party to the Israeli-Palestinian talks. Clinton mediated the 1998 Wye River Memorandum, and the United States undertook to coordinate its implementation. Clinton personally led negotiations at Camp David in 2000.

The current Bush Administration initially sought a less prominent role. Secretary of State Powell did not appoint a special Middle East envoy, saying, "the United States stands ready to assist, not insist." Since the September 11, 2001, terror attacks on the United States, the Administration has focused on the peace process as part of the war on terrorism. Secretary Rice also has not appointed a special envoy, but she has traveled to the region several times to encourage Israelis and Palestinians to act.

Conference and Developments

Madrid. The conference opened on October 30, 1991. Parties were represented by 14-member delegations. A Jordanian/Palestinian delegation had 14 representatives from each. An unofficial Palestinian advisory team coordinated with the PLO. The United States, the

Soviet Union, Syria, Palestinians/Jordan, the European Community, Egypt, Israel, and Lebanon sat at the table. The U.N., the Gulf Cooperation Council, and the Arab Maghreb Union were observers.

Bilateral Talks

Israel-Palestinians. (Incidents of violence are noted selectively because of space constraints.) In November 1991, Israel and the Jordanian/Palestinian delegation agreed to separate Israel-Jordan and Israel-Palestinians negotiating tracks, the latter to address a five-year period of interim Palestinian self-rule in the West Bank and Gaza Strip. In the third year, permanent status negotiations were to begin. On August 9, 1993, Palestinian negotiators were appointed to a PLO coordination committee, ending a charade that had distanced the PLO from the talks. Secret talks in Oslo in 1993 produced an August 19 agreement on a Declaration of Principles, signed September 13, 1993. (See Significant Agreements, below, for summaries of and links to accords reached between 1993 and 2000.)

President Clinton, Israeli Prime Minister Barak, and Palestinian Authority (PA) Chairman Arafat held a summit at Camp David, from July 11 to July 24, 2000, to forge a framework accord on final status issues. They did not succeed. The parties had agreed that there would be no agreement unless all issues were resolved. Jerusalem was the major obstacle. Israel proposed that it remain united under its sovereignty, leaving the Palestinians control over East Jerusalem and Muslim holy sites. Israel was willing to cede more than 90% of the West Bank, wanted to annex settlements where about 130,000 settlers lived, and offered to admit thousands of Palestinian refugees in a family unification program. An international fund would compensate other refugees as well as Israelis from Arab countries. The Palestinians reportedly were willing to accept Israeli control over the Jewish quarter of Jerusalem and the Western Wall, but sought sovereignty over East Jerusalem, particularly the Haram al-Sharif/Temple Mount, a site holy to Jews and Muslims. (See CRS Report RS20648, *Israeli-Palestinian Peace Process: Camp David Negotiations*.)

On September 28, Israeli opposition leader Ariel Sharon, with 1,000 security forces, visited the Temple Mount/Haram al-Sharif. Palestinians protested, and Israel responded forcefully. The second Palestinian *intifadah* or uprising began. On October 12, a mob in Ramallah killed two Israeli soldiers, provoking Israeli helicopter gunship attacks on Palestinian official sites. An international summit in Sharm al-Shaykh, Egypt, on October 16 set up a commission under former Senator George Mitchell to look into the violence.

Barak resigned on December 10, triggering an early election for Prime Minister. Further negotiations were held at Bolling Air Force Base, December 19-23. On December 23, President Clinton suggested that Israel cede sovereignty over the Temple Mount/Haram al-Sharif and Arab neighborhoods in Jerusalem, 96% of the West Bank, all of the Gaza Strip, and annex settlement blocs in exchange for giving the Palestinians Israeli land near Gaza. Jerusalem would be the capital of two countries. The Palestinians would cede the right of refugees to return to Israel and accept a Jewish "connection" to the Temple Mount and sovereignty over the Western Wall and holy sites beneath it. Israeli forces would control borders in the Jordan Valley for three to six years, and then be replaced by an international force. The agreement would declare "an end to conflict." (For text of speech, see the Israel Policy Forum website at [<http://www.israelpolicyforum.org/display.cfm?rid=544>].) Barak said he would accept the plan as a basis for further talks if Arafat did so. Arafat sought

clarifications on contiguity of Palestinian state territory, the division of East Jerusalem, and refugees' right of return, among other issues. The talks concluded at Taba, Egypt.

On February 6, 2001, Sharon was elected Prime Minister and vowed to retain united Jerusalem as Israel's capital, the Jordan Valley, and other areas for security. Sharon's associates asserted that the results of negotiations at and after Camp David were "null and void." The Bush Administration said that Clinton's proposals "were no longer United States proposals." Sharon sought an interim agreement, not dealing with Jerusalem, Palestinian refugees, or a Palestinian state and, on April 13, said that he could accept a disarmed Palestinian state on 42% of the West Bank.

On April 30, the Mitchell commission made recommendations for ending violence, rebuilding confidence, and resuming negotiations. On June 12, the two sides agreed to CIA Director Tenet's plan to cement a cease-fire and restore security cooperation. On June 28, they agreed to a seven-day period without violence followed by a six-week cooling-off period. Secretary Powell said Sharon would determine if violence abated. On August 8, a Hamas suicide bomber detonated in Jerusalem. On August 10, Israeli forces seized Orient House, the center of Palestinian national activity in East Jerusalem, and then repeatedly entered Palestinian territory. On August 27, Israel killed the Popular Front for the Liberation of Palestine's (PFLP) leader.

On September 24, Sharon declared, "Israel wants to give the Palestinians what no one else gave them before, the possibility of a state." On October 2, President Bush said, for the first time, "The idea of a Palestinian state has always been part of a vision, so long as the right of Israel to exist is respected." The PFLP assassinated Israel's Minister of Tourism on October 17. On November 10, President Bush declared that the United States is "working toward the day when two states — Israel and Palestine — live peacefully together within secure and recognized borders...." Secretary Powell sent Anthony Zinni to work on a cease-fire, but violence impeded his mission. Israel confined Arafat in Ramallah on December 3. On December 7, Sharon doubted that an accord could be reached with Arafat, "who is a real terrorist...." On December 12, Hamas ambushed an Israeli bus in the West Bank and perpetrated two simultaneous suicide bombings in Gaza. Israel charged that Arafat was "directly responsible" for the attacks "and therefore is no longer relevant...."

On January 3, 2002, Israel seized the *Karine A*, a Palestinian-commanded freighter, carrying 50 tons of Iranian-supplied arms. Secretary Powell stated that Arafat "cannot engage with us and others in the pursuit of peace, and at the same time permit or tolerate continued violence and terror." At the White House on February 7, Sharon said that he believed that pressure should be put on Arafat so that an alternative Palestinian leadership could emerge.

On February 17, Saudi Crown Prince Abdullah unprecedentedly had called for "full withdrawal from all occupied territories, in accord with U.N. resolutions, including Jerusalem, in exchange for full normalization of relations." Sharon said that he was willing to explore the idea but it would be a "mistake" to replace U.N. resolutions affirming Israel's right to "secure and recognized borders" with total withdrawal to pre-1967 borders.

On March 27, a Hamas suicide bomber exploded at a hotel in Netanya, killing 27 and wounding 130. Israel declared Arafat "an enemy" and, on March 29, besieged his compound in Ramallah. Its forces soon controlled all major Palestinian-ruled West Bank cities.

Secretary Powell met moderate Arab, U.N., and EU leaders and representatives before visiting Israel on April 10. On May 2, the Quartet (i.e., U.S., EU, U.N., and Russian officials), proposed a conference on reconstructing the PA and related issues. On May 8, President Bush emphasized providing “the framework for the growth of a Palestinian state,” while Sharon was reluctant to discuss a state before “real reform.” After a Hamas suicide bombing near Tel Aviv, Sharon called for “the complete cessation of terror” before negotiations. After meeting Sharon on June 9, President Bush said that conditions were not ripe for a conference because “no one has confidence” in the Palestinian government.

On June 24, President Bush called on the Palestinians to elect new leaders “not compromised by terror” and to build a practicing democracy. (For speech, see [<http://www.whitehouse.gov/news/releases/2002/06/20020624-3.html>].) Then the United States will support the creation of a Palestinian state, whose borders and certain aspects of sovereignty will be provisional until a final settlement. He added, “as we make progress toward security, Israeli forces need to withdraw fully to positions they held prior to September 28, 2000 ... and settlement activity must stop.” The President foresaw a final settlement within three years. On September 17, the Quartet outlined a preliminary “Roadmap” to peace. Six weeks of relative quiet ended with two suicide bombings on September 19. On September 20-21, Israeli forces demolished buildings in Arafat’s compound. Violence was at a high level.

On March 7, 2003, Arafat named Mahmud Abbas (aka Abu Mazen) Prime Minister. On April 14, Sharon allowed that Israel would have to part with some places bound up in the history of the Jewish people, but insisted that the Palestinians recognize the Jewish people’s right to its homeland and abandon their claim of a right of refugees to return to Israel. On April 14, Israel submitted 14 reservations on the Roadmap to U.S. officials. On April 30, the “Quartet” presented the Roadmap. Abbas accepted it. On May 23, the Administration stated that Israel had explained its concerns and that the United States shares the view “that these are real concerns and will address them fully and seriously in the implementation of the Roadmap,” leading Sharon and his cabinet to accept “steps defined” in the Roadmap “with reservations” on May 25. The next day, Sharon declared, “to keep 3.5 million people under occupation is bad for us and them,” using the word occupation for the first time.

On June 4, the President met Abbas and Sharon in Aqaba, Jordan. Abbas vowed to achieve the Palestinians’ goals by peaceful means and denounced “violence against Israelis wherever they are.” Sharon expressed understanding of “the importance of territorial contiguity” for a viable Palestinian state and promised to “immediately begin to remove unauthorized outposts.” Abbas said that he would use dialogue, not force, with Palestinian groups. On June 29, Hamas and Palestine Islamic Jihad (PIJ) suspended military operations against Israel for three months, while Fatah declared a six-month truce. Israel was not party to the accord, but began withdrawing forces from Gaza. On July 17, Abbas asked Sharon to release Palestinian prisoners, remove roadblocks, withdraw from more Palestinian cities, allow Arafat free movement, and end construction of a security fence in the West Bank. Israel demanded that the Palestinians dismantle terrorist infrastructures and act against terrorists. In a July 25 meeting, President Bush told Abbas, “to make progress on a lot of difficult issues (referring in part to Israeli settlements),” he had to fight terror.

On August 6, Israel released 339 prisoners, far fewer than Abbas had sought, but it freed more on August 15. On August 19, a Hamas suicide bomber exploded in Jerusalem, killing

22, including 5 Americans, and injuring more than 130. Abbas cut contacts with Hamas and the PIJ, and unsuccessfully sought Arafat's support to act against terrorists. Israel suspended talks with the Palestinians, halted plans to transfer cities to their control, and resumed "targeted killings" of terrorist leaders, among other measures. On September 6, Abbas resigned because of what he charged was lack of support from Arafat, the United States, and Israel. On September 7, Arafat named Palestinian Legislative Council Speaker Ahmed Qureia, known as Abu Ala, to be Prime Minister.

On October 15, a bomb detonated under an official U.S. vehicle in Gaza, killing three U.S. security guards and wounding a fourth. Palestinian authorities arrested members of Popular Resistance Committees — disaffected former members of the Palestinian security services and other groups. (They were freed in April 2004.)

Sounds of discontent with government policy were heard in Israel. On October 30, the Chief of Staff of the Israeli Defense Forces said that use of harsh tactics were acting contrary to Israel's strategic interests by fomenting hatred and terrorism. On November 14, four former heads of Israel's General Security Service (Shin Bet) criticized the focus on military considerations to the detriment of a political solution. Former Shin Bet head Ami Ayalon and Palestinian intellectual Sari Nusseibeh lead the People's Voice campaign, a petition setting out principles for peace (see [<http://www.mifkad.org.il>]). On December 1, Israeli opposition politicians and prominent Palestinians signed the Geneva Accord, a Draft Permanent Status Agreement, (see [<http://www.heskem.org.il>]).

On December 18, Sharon declared that, "to ensure a Jewish and democratic Israel," he would unilaterally disengage from the Palestinians by redeploying Israeli forces and relocating settlements in the Gaza Strip and intensify construction of the security fence in the West Bank. (For text of his speech, see [http://www.israelemb.org/current_events.html].) On February 13, 2004, the White House said that an Israeli pullback "could reduce friction," but that a final settlement "must be achieved through negotiations." U.S. officials wanted disengagement to be consistent with the Roadmap. After an upsurge in violence, on March 22, Israeli missiles killed Hamas leader Shaykh Ahmed Yassin and others.

On April 14, President Bush and Sharon met and exchanged letters. (For text of letters, see [<http://www.whitehouse.gov>].) The President welcomed the disengagement plan and restated the U.S. commitment to the Roadmap. He noted the need to take into account changed "realities on the ground, including already existing major Israeli population centers," (i.e., settlements), asserting "it is unrealistic to expect that the outcome of final status negotiations will be full and complete return to the armistice lines of 1949." He said that a solution to the refugee issue will be found by settling Palestinian refugees in a Palestinian state, "rather than in Israel," thereby rejecting a "right of return." He called for a Palestinian state that is "viable, contiguous, sovereign, and independent." Sharon presented principles of his disengagement plan as independent of but "not inconsistent with the Roadmap." He said that the "temporary" security fence would not prejudice final status issues including borders. A day before, he had identified five large West Bank settlements and an area in Hebron that Israel will retain and strengthen. Palestinians denounced the President's "legitimization" of settlements and prejudgment of final status. On April 19, Sharon's chief of staff Dov Weisglass gave National Security Adviser Condoleezza Rice a written commitment to dismantle illegal outposts. On April 17, Israeli missiles killed Hamas leader Abdel Aziz Rantisi and two others.

On May 6, President Bush stated, “all final status issues must still emerge from negotiations...” On June 6, Israel’s cabinet approved a compromise disengagement plan whereby Israel would evacuate all 21 settlements in the Gaza Strip and 4 settlements in the northern West Bank. (For text, see [<http://www.pmo.gov.il/PMOEng>].)

On June 30, the Israeli High Court of Justice upheld the government’s right to build the security fence, but struck down some land confiscation orders for violating Palestinian rights and ordered the route to be changed. The government said that it would abide by the ruling. On July 9, the International Court of Justice (ICJ) issued a non-binding, advisory opinion that the wall violates international law and “cannot be justified by the requirements of national security.” (For text, see [<http://www.icj-cij.org>].)

On October 6, Sharon’s aide Weisglass claimed that disengagement was aimed at freezing negotiations in order to “prevent the establishment of a Palestinian state and a debate regarding refugees, borders, and Jerusalem.” The U.S. Embassy complained that this view did not coincide with Washington’s, prompting Sharon’s office to restate his commitment to the Roadmap. Yet, on October 26, Sharon declared that “disengagement will strengthen Israel’s hold over territory which is essential to our existence.”

Yasir Arafat died on November 11. Mahmud Abbas became Chairman of the PLO and a candidate for president. On December 1, President Bush declared, “Achieving ... (t)wo states, Israel and Palestine, living side-by-side in peace and security ... can be reached only by ... the path of democracy and reform and the rule of law.”

On January 9, 2005, Abbas won election as President of the PA. He called for implementing the Roadmap while beginning discussion of final status issues and cautioned against “interim solutions designed to delay reaching a full and comprehensive solution.” Hamas, the Al Aqsa Martyrs Brigades, and the Popular Resistance Committees jointly claimed responsibility for an attack at the Israel-Gaza crossing on January 14. Sharon suspended official contacts with the Palestinians and instructed Israeli forces to step up operations, but gave Abbas a chance to act first. Abbas deployed security forces to Gaza and reached a one-month cease-fire accord with militant groups. Israel then said that it would halt military operations as long as calm continued, and make other goodwill gestures. The two sides increased cooperation on security.

Secretary of State Rice visited Israel and the PA on February 7. She praised the Israelis’ “historic” decision to withdraw from the Gaza Strip and some West Bank areas, discussed the need to carry out obligations concerning settlements and outposts, and warned them not to undermine Abbas. She appointed Lt. Gen. William Ward as Middle East Security Coordinator and emphasized the importance of Israeli-Palestinian security cooperation. Rice did not attend a February 8 meeting of Sharon, Abbas, Egyptian President Hosni Mubarak, and Jordanian King Abdullah II in Sharm al-Shaykh, explaining, “Not every effort has to be an American effort. It is extremely important that the parties themselves are taking responsibility.” At Sharm al-Shaykh, Sharon and Abbas declared the end of violence and military operations.

On February 20, the Israeli cabinet adopted a revised route for the security barrier closer to the pre-1967 border in some areas, taking about 7 to 8% of the West Bank to envelope major settlement blocs.

On March 8, former State Prosecutor Talya Sasson gave Sharon a report accusing state authorities of supporting the establishment of illegal settlement outposts in the West Bank. His cabinet endorsed “the basic principle” that the rule of law should be obeyed, but officials said that outposts would not be uprooted until after the withdrawal from Gaza. On March 16, Israel handed Jericho over to PA control. On March 17, 13 Palestinian groups agreed to extend the “calm” or informal truce until the end of the year if Israel stops military operations against Palestinians and frees all prisoners. On March 21, Israeli forces transferred Tulkarem to PA control.

On March 20, it was reported that the Israeli defense minister had approved the building of 3,500 new housing units between the Ma’ale Adumim settlement and East Jerusalem, in the E-1 corridor. Critics charge that the construction would cut East Jerusalem off from Palestinian territory, impose a barrier between the northern and southern West Bank, and prevent a future contiguous Palestinian state. Secretary Rice told the *Los Angeles Times* on March 25 that the plan was “at odds with American policy.” On April 4, however, Sharon told a Knesset committee, “There is a need to carry out construction in the E-1 corridor.” On April 5, President Bush noted, “(T)he Roadmap ... calls for no expansion of the settlements.”

On April 11, Sharon and President Bush met at the President’s ranch. The President conveyed his “concern that Israel not undertake any activity that contravenes Roadmap obligations or prejudices final status negotiations.” He said that there is “no expansion of settlements” under the Roadmap. Mr. Bush strongly supported Israel’s plan to disengage from the Gaza. He repeated that “new realities on the ground make it “unrealistic” to think that a final settlement would lead to a return to 1949 borders, but this was to be agreed with the Palestinians. Sharon restated his support for a democratic Palestinian state with territorial contiguity and his position that Israel would proceed with the Roadmap only after the Palestinians act against terror. He stated, “It is the position of Israel that the major Israeli population centers will remain in Israel’s hands under any final status agreement” and declared that Ma’ale Adumim is a major population center and, therefore, Israel is interested in contiguity between it and Jerusalem.

On April 15, the Quartet appointed outgoing World Bank President James Wolfensohn to be their Special Envoy for Gaza Disengagement.

On May 26, President Bush met Abbas at the White House. President Bush said that “changes to the 1949 armistice lines must be mutually agreed to.” He reaffirmed, “A viable two-state solution must ensure contiguity of the West Bank, and a state of scattered territories will not work. There must also be meaningful linkages between the West Bank and Gaza. This is the position of the United States today, it will be the position of the United States at the time of final status negotiations.” He said, “Israel should not undertake any activity that contravenes Roadmap obligations or prejudices final status negotiations with regard to Gaza, the West Bank, and Jerusalem. Therefore, Israel must remove unauthorized outposts and stop settlement expansion. The barrier being erected by Israel ... must be a security, rather than political, barrier.” Abbas said that the boundaries of a future state should be those of before the 1967 war. He asserted, “there is no justification for the wall and it is illegitimate.” He also stated that the PA was ready to coordinate the Gaza disengagement with Israel and called for moving immediately thereafter to final status negotiations. He later clarified that he seeks “back-channel” talks on final status issues. President Bush noted that Israel’s

disengagement “presents an opportunity to lay the groundwork for a return to the Roadmap,” which is a phased process.

On June 18-19, Secretary Rice visited Israel and the PA. She said that “security is the most important issue” because an orderly disengagement would lead to greater confidence between the parties and “an ability to accelerate progress on the Roadmap.”

At a June 21 meeting with Abbas in Jerusalem, Sharon expressed disappointment with the PA’s inaction against escalating violence. Sharon authorized Abbas to prepare the Gaza airport for reopening and announced that Israel would transfer control of Bethlehem and Qalqilyah to the PA within two weeks. (This has not happened.) In lieu of Palestinian action, Israeli forces stepped up operations against the Palestine Islamic Jihad (PIJ). At Senate Foreign Relations Committee hearings on June 29, Gen. Ward said that the Palestinians did not yet have the ability to combat terrorism, while Assistant Secretary of State Welch observed, “Palestinian performance in confronting violence has been far from satisfactory.”

On July 10, the Israeli cabinet approved the final route of the security barrier around Jerusalem, ensuring that the large settlement of Ma’ale Adumim remains on the Israeli side and that there is a Jewish majority in the city, while 55,000 Palestinian residents, or one-quarter of the Arab population of East Jerusalem, are left outside.

PIJ claimed responsibility for a suicide bombing in Netanya on July 12, killing 5 and injuring more than 90. Israeli forces then launched operations against the PIJ, reoccupying Tulkarem and closing the West Bank. Meanwhile, Hamas increased rocket and mortar fire against settlements in Gaza and towns in southern Israel. Israel helicopters responded by firing missiles at targets in Gaza and the West Bank. The PA declared a state of emergency as its security forces clashed with Hamas. Egypt mediated a truce between Palestinian factions on July 20.

On a visit to the West Bank settlement of Ariel on July 21, Sharon reiterated that it and “the other blocs” will be part of the state of Israel for the future. On July 22, Secretary Rice met Sharon and encouraged him to coordinate the Gaza disengagement with the Palestinians. After meeting Abbas on July 23, the Secretary declared that the United States is “committed to connectivity between Gaza and the West Bank” and to the “freedom of movement for the Palestinian people.” She also asserted that “it is important that areas vacated by Israel will not be used as a base for terrorist actions.”

On August 4, an Israeli army deserter opposed to the disengagement from Gaza killed 4 Israeli Arabs and injured 13 on a bus in northern Israel.

On August 10, Sharon told Israel Television that he would not negotiate regarding Jerusalem under any circumstances, that large West Bank settlement blocs would be retained and territorially connected to Israel, and that Palestinians refugees of 1948 would not return to Israel. On August 15, Defense Minister Mofaz said that the blocs to be kept include Ma’ale Adumim, the Etzyon Bloc, Efrat, Ari’el, Qedumim-Qarney Shomrom, and Rehan Shaqed — all are within or expected to be within the security barrier. He added that Israel would retain the Jordan Rift Valley to guarantee Israel’s eastern border.

Israel evacuated all of its settlements in the Gaza Strip and four small settlements in the northern West Bank between August 17 and August 23. (See CRS Report RS22000, *Israel's Disengagement from Gaza*.) On August 17, a settler opposed to the disengagement shot four Palestinians at the West Bank settlement of Shiloh. On August 24, President Bush praised the disengagement and said, "What must take place next is the establishment of a working government in Gaza..." On the same day, the Israeli military ordered the seizure of Palestinian land to extend the security barrier in the West Bank around Ma'ale Adumim and link it to Jerusalem. On August 29, Sharon declared that there would be no further unilateral or coordinated disengagements and that the next step must be negotiations under the Road Map framework. He affirmed that while the large blocs of settlements will remain in Israeli hands and linked territorially to Israel, not all West Bank settlements will remain; but this will be decided in the final stage of negotiations.

On September 15, the Israeli High Court of Justice ruled that the government must reconsider the route of the separation fence in the northern West Bank in order to better balance security needs with Palestinians' human rights. It also held that the fence need not be build within the 1967 borders, but could be built in the West Bank and connect settlements to Israel.

Israel-Syria. Syria seeks to regain sovereignty over the Golan Heights, 450 square miles of land along the border that Israel seized in 1967. Israel applied its law and administration to the region in December 1981, an act other governments do not recognize. Syria initially referred to its goal as an end to the state of belligerency, not a peace treaty, preferred a comprehensive Arab-Israeli peace, and disdained separate agreements between Israel and Arab parties. Israel emphasized peace, defined as open borders, diplomatic, cultural, and commercial relations, security, and access to water resources.

In 1992, Israel agreed that 242 applies to all fronts. Syria submitted a draft declaration of principles, reportedly referring to a "peace agreement." Israeli Prime Minister Rabin accepted an undefined withdrawal on the Golan, pending Syria's definition of "peace." On September 23, 1992, the Syrian Foreign Minister promised "total peace in exchange for total withdrawal." Israel offered "withdrawal." In 1993, Syrian President Asad announced interest in peace and suggested that bilateral tracks might progress at different speeds. In June, Secretary of State Christopher said that the United States might be willing to guarantee security arrangements in the context of a sound agreement on the Golan.

On January 16, 1994, President Clinton reported that Asad had told him that Syria was ready to talk about "normal peaceful relations" with Israel. The sides inched toward each other on a withdrawal and normalization timetable. Asad again told President Clinton on October 27 that he was committed to normal peaceful relations in return for full withdrawal. On May 24, 1994, Israel and Syria announced terms of reference for military talks under U.S. auspices. Syria reportedly conceded that demilitarized and thinned-out zones may take topographical features into account and be unequal, if security arrangements were equal. Israel offered Syria an early-warning ground station in northern Israel in exchange for Golan stations, but Syria insisted on aerial surveillance only and that each country monitor the other from its own territory and receive U.S. satellite photographs. It was proposed that Syria demilitarize 6 miles for every 3.6 miles Israel demilitarizes. Rabin said that Israeli troops must stay on the Golan after its return to Syria. Syria said that this would infringe on its sovereignty, but government-controlled media accepted international or friendly forces in the

stations. Talks resumed at the Wye Plantation in Maryland in December 1995, but were suspended when Israeli negotiators went home after terrorist attacks in February/March 1996.

A new Israeli government called for negotiations, but said that the Golan is essential to Israel's security and water needs and that retaining sovereignty would be the basis for an arrangement with Syria. Asad would not agree to talks unless Israel honored prior understandings, claiming that Rabin had promised total withdrawal to the June 4, 1967-border (as opposed to the international border of 1923). Israeli negotiators say that Rabin had suggested possible full withdrawal if Syria met Israel's security and normalization needs, which Syria did not. An Israeli law passed on January 26, 1999, requires a 61-member majority and a national referendum to approve the return of any part of the Golan Heights.

In June, Prime Minister-elect Barak and Asad exchanged compliments through a British writer. Israel and Syria later agreed to restart talks from "the point where they left off," with each side defining the point to its satisfaction. Barak and the Syrian Foreign Minister met in Washington on December 15-16, 1999, and in Shepherdstown, WV, from January 3-10, 2000. President Clinton intervened. On January 7, a reported U.S. summary revealed Israeli success in delaying discussion of borders and winning concessions on normal relations and an early-warning station. Reportedly because of Syrian anger over the leak of the summary, talks scheduled to resume on January 19, 2000, were "postponed indefinitely."

On March 26, President Clinton met Asad in Geneva. A White House spokesman reported "significant differences remain" and said that it would not be productive for talks to resume. Barak indicated that disagreements centered on Israel's reluctance to withdraw to the June 1967 border and cede access to the Sea of Galilee, on security arrangements, and on the early-warning station. Syria agreed that the border/Sea issue had been the main obstacle. Asad died on June 10; his son, Bashar, succeeded him. Ariel Sharon became Prime Minister of Israel in February 2001 and vowed to retain the Golan Heights. In a December 1 New York Times interview, Bashar Asad said that he was ready to resume negotiations from where they broke off. Sharon responded that Syria first must stop supporting Hizballah and Palestinian terror organizations. (See also CRS Issue Brief IB92075, *Syria: U.S. Relations and Bilateral Issues*.) On August 29, 2005, Sharon said that this is not the time to begin negotiations with Syria because it is collaborating with Iran, building up Hizballah, and maintaining terrorist organizations' headquarters in Damascus from which terrorist attacks are ordered. Moreover, he observed that there was no reason to relieve the pressure that France and the United States are putting on Syria.

Israel-Lebanon. Citing Security Council Resolution 425, Lebanon sought Israel's unconditional withdrawal from the 9-mile "security zone" in southern Lebanon, and the end of Israel's support for Lebanese militias in the south and its shelling of villages that Israel said were sites of Hizballah activity. Israel claimed no Lebanese territory, but said that it would withdraw only when the Lebanese army controlled the south and prevented Hizballah attacks on northern Israel. Lebanon sought a withdrawal schedule in exchange for addressing Israel's security concerns. The two sides never agreed. Syria, which dominated Lebanon, said that Israel-Syria progress should come first. Israel's July 1993 assault on Hizballah prompted 250,000 people to flee south Lebanon. Secretary of State Christopher arranged a cease-fire. In March/April 1996, Israel again attacked Hizballah and Hizballah fired into northern Israel. The two sides agreed to a cease-fire monitored by U.S., French, Syrian, Lebanese, and Israeli representatives, but retained the right of self-defense.

On January 5, 1998, Israel's Defense Minister indicated readiness to withdraw from southern Lebanon if the second part of Resolution 425, calling for the restoration of peace and security in the region, were implemented. He and Netanyahu then proposed withdrawal in exchange for security, not peace and normalization. Lebanon and Syria called for an unconditional withdrawal. As violence in northern Israel and southern Lebanon increased later in 1998, the Israeli cabinet twice opposed unilateral withdrawal. In April 1999, however, Israel decreased its forces in Lebanon, and in June, the Israeli-allied South Lebanese Army (SLA) withdrew from Jazzin, north of the security zone. New Prime Minister Barak promised to withdraw in one year, by July 7, 2000.

On September 4, 1999, the Lebanese Prime Minister confirmed support for the "resistance" against the occupation, (i.e., Hizballah.) He argued that Palestinian refugees residing in Lebanon have the right to return to their homeland and rejected their implantation in Lebanon. He rejected Secretary of State Albright's assertion that refugees will be a subject of Israeli-Palestinian final status talks and insisted that Lebanon be a party to such talks.

On March 5, 2000, the Israeli cabinet voted to withdraw from southern Lebanon by July. Lebanon warned that it would not guarantee security for northern Israel unless Israel also withdrew from the Golan and worked to resolve the refugee issue. On April 17, Israel informed the U.N. of its plan. On May 12, Lebanon informed the U.N. that Israel's withdrawal would not be complete unless it included Sheba'a farms. On May 23, the Secretary General noted that most of Sheba'a is within the area of operations of the U.N. Disengagement Observer Force (UNDOF) overseeing the 1974 Israeli-Syrian disengagement, and recommended proceeding without prejudice to later border agreements. On May 23, the SLA collapsed, and on May 24 Israel completed its withdrawal. Hizballah took over the former security zone. On June 18, the U.N. Security Council agreed that Israel had withdrawn. The U.N. Interim Force in Lebanon (UNIFIL) deployed only 400 troops to the border region because the Lebanese army did not back them against Hizballah. (See CRS Report RL31078, *The Shib'a Farms Dispute and Its Implications*.)

On October 7, Hizballah shelled northern Israel and captured three Israeli soldiers. On October 16, Hizballah announced that it had captured an Israeli colonel. On November 13, the Security Council said that Lebanon was obliged to take control of the area vacated by Israel. On April 16 and July 2, 2001, after Hizballah attacked its soldiers in Sheba'a, Israel, claiming that Syria controls Hizballah, bombed Syrian radar sites in Lebanon. In April, the U.N. warned Lebanon that unless it deployed to the border, UNIFIL would be cut or phased out. On January 28, 2002, the Security Council voted to cut it to 2,000 by the end of 2002.

In March 2003, Hizballah shelled Israeli positions in Sheba'a and northern Israel. Israel responded with air strikes, and concern about a possible second front (in addition to the intifadah). At its request, the Secretary General contacted the Syrian and Lebanese Presidents and, on April 8, Vice President Cheney called President Asad. In April, Secretary Powell visited northern Israel and called on Syria to curb Hizballah. While in Lebanon and Syria, he urged the cessation of attacks, which stopped briefly and then resumed intermittently, as did Israeli retaliation. On January 30, 2004, Israel and Hizballah exchanged 400 Palestinian and 29 Lebanese and other Arab prisoners, and the remains of 59 Lebanese for the Israeli colonel and the bodies of the 3 Israeli soldiers.

U.N. Security Council Resolution 1559, September 2, 2004, called for the withdrawal of all foreign (meaning Syrian) forces from Lebanon. There were massive anti-Syrian demonstrations in Lebanon after the February 14, 2005, assassination of former Lebanese Prime Minister Rafik Hariri. On March 5, Asad announced plans for a phased withdrawal of Syrian troops from Lebanon, which was completed on April 26.

Israel-Jordan. Of Jordan's 3.4 million people, 55 to 70% are Palestinian. Jordan initialed a June 1993 agenda with Israel on water, energy, environment, and economic matters on September 14, 1993. A peace treaty was signed on October 26, 1994. (See Significant Agreements below). The border was demarcated and Israel withdrew from Jordanian land on February 9, 1995. More agreements followed.

On March 9, 1997, King Hussein charged that Netanyahu was "bent on destroying the peace process...." After Israeli agents failed to assassinate a Hamas official in Jordan on September 25, 1997, the King demanded that Israel release Hamas founder Shaykh Yassin, which it did on October 1, with 70 Jordanian and Palestinian prisoners in exchange for the detained agents. In December 1998, the King lambasted Netanyahu and called for Jordan-Palestinian coordination, observing that many final status issues are Jordanian national interests. King Hussein died on February 7, 1999, and was succeeded by his son.

King Abdullah said that the Palestinians should administer the Muslim holy sites in Jerusalem, a traditional responsibility of his family, and proposed that Jerusalem be an Israeli and a Palestinian capital, but rejected a Jordanian-Palestinian confederation. On November 21, 2000, Jordan stopped accreditation of its new ambassador to Israel because of its "aggression" against the Palestinians. On March 18, 2004, the King met Sharon to discuss Israel's security fence and disengagement from Gaza. In February 2005, Jordan proposed deploying about 1,500 Palestinian soldiers (Badr Brigade) from Jordan to the northern West Bank, pending approval of the PA and Israel. Israeli Defense Minister Mofaz has said that the Badr Brigade could train Palestinians in the West Bank. Jordan is training Palestinian security force officers in Jordan. In February, Jordan sent an ambassador to Israel and, in March, its foreign minister visited Israel for the first time in four years.

Significant Agreements and Documents

Israel-PLO Mutual Recognition. On September 9, 1993, Arafat recognized Israel's right to exist, accepted U.N. Security Council Resolutions 242 and 338, the Middle East peace process, and the peaceful resolution of conflicts. He renounced terrorism and violence and undertook to prevent them, stated that articles of the Palestinian Charter that contradict his commitments are invalid, undertook to submit Charter changes to the Palestine National Council, and called upon his people to reject violence. Rabin recognized the PLO as the representative of the Palestinian people and agreed to negotiate with it. (For text, see [<http://www.state.gov/p/nea/rls/22579.htm>].)

Declaration of Principles. On August 29, 1993, Israel and the Palestinians announced that they had agreed on a Declaration of Principles on interim self-government for the West Bank and Gaza on August 19, after secret negotiations in Oslo, Norway, since January 1993. Effective October 13, it called for Palestinian self-rule in Gaza and Jericho; transfer of authority over domestic affairs in the West Bank and Gaza to Palestinians;

election of a Palestinian Council with jurisdiction over the West Bank and Gaza with Palestinian residents of East Jerusalem voting, etc. During the interim period, Israel is to be responsible for external security, settlements, Israelis, and foreign relations. Permanent status negotiations to begin in the third year of interim rule and may include Jerusalem. (For text, see [<http://www.state.gov/p/nea/rls/22602.htm>].)

Agreement on the Gaza Strip and the Jericho Area. Signed on May 4, 1994, provides for Israeli withdrawal from Gaza/Jericho, and describes the Palestinian Authority's (PA) responsibilities. The accord began the five-year period of interim self-rule. (For text, see [<http://www.state.gov/p/nea/rls/22676.htm>].)

Israel-Jordan Peace Treaty. Signed on October 26, 1994.

Israeli-Palestinian Interim Agreement, West Bank — Gaza Strip. (Also called the Taba Accords or Oslo II.) Signed on September 28, 1995. Annexes deal with security arrangements, elections, civil affairs, legal matters, economic relations, Israeli-Palestinian cooperation, and the release of prisoners. Negotiations on permanent status to begin in May 1996. An 82-member Palestinian Council and Head of the Council's Executive Authority will be elected after the Israeli Defense Force redeploy from Jenin, Nablus, Tulkarm, Qalqilyah, Ramallah, and Bethlehem, and 450 towns and villages. Israel will redeploy in Hebron, except where necessary for security of Israelis. Israel will be responsible for external security and the security of Israelis and settlements. Palestinians will be totally responsible for Area "A," the six cities. Israeli responsibility for overall security will have precedence over Palestinian responsibility for public order in Area "B," Palestinian towns and villages. Israel will retain full responsibility in Area "C," unpopulated areas. Palestinian Charter articles calling for the destruction of Israel will be revoked within two months of the Council's inauguration. (For text, see [<http://www.state.gov/p/nea/rls/22678.htm>].)

Protocol Concerning the Redeployment in Hebron. Initialed by Israel and the PA on January 15, 1997. Details security arrangements. Accompanying Israeli and Palestinian Notes for the Record and letter from Secretary of State Christopher to Prime Minister Netanyahu. (For Protocol text, see [<http://www.state.gov/p/nea/rls/22680.htm>].)

Wye River Memorandum. Signed on October 23, 1998. Delineated steps to complete implementation of the Interim Agreement and of agreements accompanying the Hebron Protocol. Israel will redeploy from the West Bank in exchange for Palestinian security measures. The PA will have complete or shared responsibility for 40% of the West Bank, of which it will have complete control of 18.2%. The PLO Executive and Central Committees will reaffirm a January 22, 1998, letter from Arafat to President Clinton that specified articles of the Palestinian Charter that had been nullified in April 1996. The Palestine National Council will reaffirm these decisions. President Clinton will address this conclave. (For text, see [<http://www.state.gov/p/nea/rls/22694.htm>]; also see CRS Report 98-911, *Israeli-Palestinian Peace Process: The Wye River Memorandum*.)

Sharm al-Shaykh Memorandum. (Also called Wye II.) Signed on September 4, 1999. Agreed to resume permanent status negotiations for an agreement by September 13, 2000. (For text, see [<http://www.state.gov/p/nea/rls/22696.htm>]; see also CRS Report RS20341, *Israeli-Palestinian Peace Process: The Sharm el Sheikh Memorandum*.)

A Performance-Based Roadmap to a Permanent Two-State Solution to the Israeli-Palestinian Conflict. Presented to Israel and the Palestinian Authority on April 30, 2003, by the Quartet (i.e., the United States, European Union, United Nations, and Russia). To achieve a comprehensive settlement in three phases by 2005. Phase I calls for the Palestinians to unconditionally end violence, resume security cooperation, and undertake political reforms, and for Israel to withdraw from areas occupied since September 28, 2000, and to freeze all settlement activity. Phase II will produce a Palestinian state with provisional borders. Phase III will end in a permanent status agreement and end of the conflict. (For text, see [<http://www.state.gov/r/pa/prs/ps/2003/20062.htm>].)

Role of Congress

Aid. (See also CRS Report RL32260, *U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2006 Request*.) P.L. 108-447, December 8, 2004 prohibits aid for a Palestinian state unless its leaders have not supported terrorism, have been democratically elected, have demonstrated their commitment to peaceful coexistence with Israel, have taken measures to counter terrorism and terrorism financing, and have established security entities that cooperate with Israeli counterparts. The President may waive the prohibition for national security interests. The act also prohibits aid to the PA unless the President certifies that it is in the national security interest. On July 9, 2003, and December 8, 2004, President Bush waived a similar restriction and granted \$20 million directly to the PA. In his February 2, 2005, State of the Union address, President Bush pledged \$350 million in aid for Palestinian democracy and security programs. P.L. 109-13, the FY2005 Supplemental Appropriations Act, provides 200 million in ESF, on top of regular FY2005 ESF appropriations of \$75 million. In addition, Congress specified that \$50 million in FY2005 should be made available for assistance to Israel to help ease the movement of Palestinian people and goods in and out of Israel; \$5 million in ESF is for evaluating PA's accounting procedures and an audit of its expenditures. In May 2005, President Bush transferred \$50 million of the regular FY2005 West Bank and Gaza ESF directly to the PA. For FY2006, the President has requested \$150 million in ESF for the West Bank and Gaza Strip. On February 7, Secretary Rice announced that \$40 million in reprogrammed aid would be provided via non-governmental organizations over the next 90 days for Palestinian social and economic programs.

P.L. 109-13, May 11, 2005, the Emergency Supplemental Appropriations Act for 2005, states that \$200 million should be made available for programs to support the Palestinians, of which \$50 million should be made available to assist Israel to help ease the movement of Palestinian people and goods in and out of Israel. The act continues the ban on direct aid to the PA. On May 26, 2005, President Bush promised the PA \$50 million in direct aid for projects in Gaza from unobligated FY2005 funds. H.R. 3057, the Foreign Operations Appropriations Act for FY2006, passed in the House on June 28, 2005, and in the Senate on July 20, prohibits aid to a Palestinian state and to the PA but recommends \$150 million in funding for the West Bank and Gaza, with audit and reporting requirements. The House requires the President to report on the PA's steps to arrest terrorists, confiscate weapons, and dismantle the terrorist infrastructure and on how funds will be spent and accounted for when he exercises his waiver authority. On July 8, the G-8 group of industrialized countries pledged \$3 billion for the PA per year for three years, from 2006 to 2008. The U.S. share has not been specified.

P.L. 108-11, April 16, 2003, appropriated \$9 billion in loan guarantees to Israel over three years to be used only within its 1967 borders. In November 2003, the Administration deducted \$289.5 million from \$3 billion in guarantees for the year for spending on the security fence and settlements. Congress has extended the period for the guarantees through 2008. The Israeli press reported in July 2005 that Israel is requesting about \$2.25 billion in grants and loan guarantees over four years to relocate military bases from the Gaza Strip, to develop the Negev and Galilee regions, and for other purposes, but no aid to help compensate settlers. In light of the costs of Hurricane Katrina, an Israeli delegation intending to discuss the aid cancelled a trip to Washington and Deputy Premier and Finance Minister Ehud Olmert said, "The request is being postponed until a more fitting date."

Jerusalem. Israel annexed the city in 1967 to be its eternal, undivided capital. Palestinians seek East Jerusalem as their capital. Successive U.S. Administrations have maintained that the parties must determine its fate. H.Con.Res. 60, June 10, 1997, and S.Con.Res. 21, May 20, 1997, called on the Administration to affirm that Jerusalem must remain the undivided capital of Israel. Congress prohibits official U.S. government business with the PA in Jerusalem and the use of appropriated funds to create U.S. government offices in Israel to conduct business with the PA and allows Israel to be recorded as the place of birth of U.S. citizens born in Jerusalem. (See P.L. 108-447, December 4, 2004, and H.R. 3057, passed in the House on June 28, 2005 and in the Senate on July 20.) The State Department does not recognize Jerusalem, Israel as a place of birth for passports because the U.S. government does not recognize Jerusalem as part of Israel.

A related issue is the relocation of the U.S. Embassy from Tel Aviv to Jerusalem. Proponents argue that Israel is the only country where a U.S. embassy is not in the capital, that Israel's claim to West Jerusalem, proposed site of an embassy, is unquestioned, and that Palestinians must be disabused of their hope for a capital in Jerusalem. Opponents say a move would undermine the peace process, U.S. credibility in the Islamic world and with Palestinians, and prejudice final status. P.L. 104-45, November 8, 1995, provided for the embassy's relocation by May 31, 1999, but granted the President authority, in national security interest, to suspend limitations on State Department expenditures that would be imposed if the embassy did not open. Presidents Clinton and Bush each used the authority. The State Department Authorization Act for FY2002-FY2003, P.L. 107-228, September 30, 2002, urged the President to begin relocating the U.S. Embassy "immediately." The President replied that the provision would "if construed as mandatory ... impermissibly interfere with the president's constitutional authority to conduct the nation's foreign affairs." The State Department declared, "our view of Jerusalem is unchanged. Jerusalem is a permanent status issue to be negotiated between the parties."

Compliance/Sanctions. The President signed the Syria Accountability and Lebanese Sovereignty Restoration Act, P.L. 108-175, on December 12, 2003, to hold Syria accountable for its conduct, including actions that undermine peace. On May 11, 2004 and May 5, 2005, he issued executive orders to impose sanctions on Syria.