

# THE END OF OSLO: A NEW EUROPEAN STRATEGY ON ISRAEL-PALESTINE

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## SUMMARY

- European policy this year saw significant wins in Israel-Palestine: helping to block Donald Trump's 'peace' plan and to avoid Israel's de jure annexation of Palestinian territory.
- But Europe is failing to fundamentally challenge the worsening situation on the ground, which is storing up future instability and threatens European interests.
- The Oslo process is exhausted and a viable two-state outcome is slipping out of reach.
- Instead of its rigid focus on the Oslo peace process, the EU should craft a new peacemaking paradigm based on equality and deoccupation.
- The absence of a two-state solution will mean Israel ensuring equal rights for Palestinians in one democratic state. The EU should also deter Israeli settlement activity and push Palestinians towards political renewal as prerequisites for a future resolution of the conflict.

# Introduction

This year saw a couple of rare wins for European policy on Israel and Palestine. Firstly, European countries helped face down the US administration's vision for resolving the Israeli-Palestinian conflict through the formalisation of a Palestinian Bantustan-like state. Europe then helped rally international opposition against Israeli plans to formally annex West Bank territory. Both threats have temporarily receded thanks in large part to the European Union. These were important accomplishments. But they make little difference on the ground, where a one-state reality of open-ended occupation and unequal rights continues to take hold – bearing the hallmark of modern-day apartheid.

This deteriorating trajectory is storing up deeper conflict on the ground, posing ever greater challenges to the EU's vision for its near neighbourhood and relations with Israel. While growing normalisation between Israel and the Arab world shows that the Palestinian issue is no longer the central dividing line in the Middle East, this does not spell the end of the Israeli-Palestinian conflict. Left to fester, it will continue to harm European interests – acting as a reservoir for instability, radicalisation, and violence (both locally and in the immediate neighbourhood). An unresolved conflict will only continue to inhibit Europe's prospects for deepening relations with both Israel and Palestine, and will represent an ongoing failure of the international rules-based order.

Countering this negative trend now requires a new 'post-Oslo' paradigm reset that puts deoccupation and equal rights front and centre. This does not mean discarding support for a two-state solution. But Europe must be clear that, if Israel continues to block a two-state outcome, then it will have to ensure equal rights in a single democratic state. Either way, European leaders must make clear that the current situation of deepening apartheid cannot remain the default option. They should be more willing to better deploy both sticks and carrots to prevent this from being the case.

European policymakers do, in fact, have the tools to craft a new, forward-looking vision that can stimulate positive transformation on both sides of the conflict and help bring about a resolution to the conflict. This summer's debate about the consequences of Israel annexing of West Bank territory provides important markers to guide their thinking. What is lacking, as is so often the case, is the political will to steer a new course.

A misconstrued desire to avoid prejudicing what remains of the peace process has seen the EU consistently miss opportunities to help achieve a two-state solution through practical measures to advance deoccupation and Palestinian sovereignty. In practice, Europe has instead put its political weight behind defending an interim framework established by the

1993 Oslo Accords, which was only ever supposed to act as a stepping stone towards a political agreement.

The EU's support for the Oslo framework could have been justified had it nevertheless generated sustained progress towards a diplomatic breakthrough, or at the very least prevented further deterioration on the ground. In truth, it has provided neither peace nor conflict management. Instead, a collapsed process has produced the opposite outcome – helping sustain what is the greatest threat to the two-state solution: Israel's settlement of Palestinian territory, in contravention of international law. The weight of open-ended occupation is, meanwhile, producing a dysfunctional and fragile Palestinian political system that is in crisis. Both trends are storing up future conflict.

As the two-state solution founders, European policymakers are desperate to regain diplomatic momentum. For the Trump administration, the answer was to embrace inequality and open-ended occupation. Europe must take the opposite approach, by reorientating its vision towards equality and deoccupation as the basic components of a just resolution to the conflict. To do so, the EU will need to reconfigure the basis of its relations with Israel and the Palestinian Authority (PA). European strategy has become stale and inflexible; breathing new life into it is not only a prerequisite for progress but is also eminently achievable.

## The EU's "Groundhog Day"

Much like the film "Groundhog Day", European diplomats find themselves stuck in a perpetual loop. For many decades, they have followed a well-rehearsed routine: developments on the ground steadily worsen and periodically provoke alarm in member state capitals, which then swing into action to defend their vision of a two-state solution. While they are sometimes successful in defusing successive crises, European governments have not fundamentally altered the overall trajectory of the conflict. Europeans thereby end up repeating the same interventions every time there is a diplomatic or security flare-up, only from an incrementally worse position on each occasion.

The first half of 2020 once again saw this scene play out. The EU notched up important wins in defending the concept of a two-state solution against concerted efforts to undermine it by the US and Israeli governments. And it overcame internal divisions in doing so. The EU's show of unity, even if shaky and skin-deep at times, helped rally international pushback against Donald Trump's Peace to Prosperity vision for the Israeli-Palestinian conflict. Unveiled in January 2020, the plan subverted the internationally agreed parameters framing a two-state solution, and in their place proposed an atrophied and disconnected 'Palestinian state-minus' – in essence, a self-governing entity under continued Israeli occupation and lacking, among

other things, sovereignty and control of its own borders.

The EU then played an important role in opposing Israeli plans to formally annex some 30 per cent of the West Bank. Despite perennial divisions among member states, European diplomats were able to muster international opposition and mobilise the EU's diplomatic machinery. This included issuing repeated warnings that “steps towards annexation, if implemented, could not pass unchallenged” – a rare example of Europeans brandishing sticks.

Each time, European actions were spearheaded by like-minded member states (often centred on France) and the European External Action Service (EEAS). However, protracted internal consultations gradually helped bring Germany and most other members on board – with the main exception of Hungary – reducing internal dissension and allowing the EU to present a relatively united front in public. More concretely, member states tasked the EEAS with preparing an internal ‘options paper’ laying out potential EU responses.

Earlier this year, preliminary consultations among member states outlined how the EU could deepen its “differentiation policy” of excluding Israeli settlements from bilateral relations with Israel. It also suggested the possibility of restrictive measures such as reassessing the funding that Israel receives through the European Neighbourhood Instrument, suspending the EU-Israel Association Agreement, and reviewing trade arrangements and Israel's access to community programmes such as Erasmus and Horizon Europe. This thrust was confirmed by French foreign minister Jean-Yves Le Drian in June.

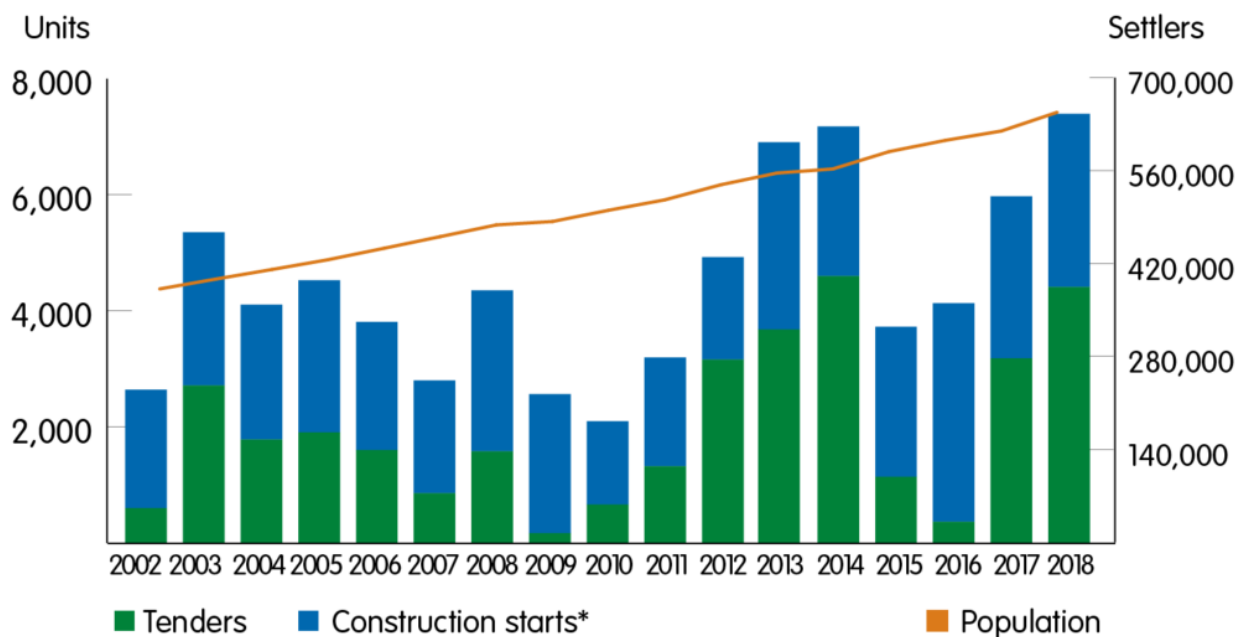
The concerns of a majority of European governments were accompanied by growing activism in national parliaments, which broke new ground. The same month, more than 1,000 MPs called on their governments to take action if Israel carried out its threat. Separate initiatives by Belgian, British, Dutch, and French parliamentarians called for sanctions.

Ultimately, in August, Israel decided to postpone formal annexation in favour of normalising relations with the United Arab Emirates. However, one should not discount the impact of warnings from European leaders that de jure annexation would have consequences for bilateral relations with Israel, and indications that they would follow through in some form. These warnings were the subject of exhaustive media and diplomatic speculation in Israel, and the Israeli government evidently factored them into its calculations.

These were important European interventions. But, once again, they did little to change the dynamics of the conflict. While the Israeli government agreed to temporarily suspend any move towards de jure annexation, its ongoing de facto annexation – through settlement expansion in the Occupied Palestinian Territories (OPT) – remains unaltered. Rather than using the momentum to push back more vigorously against settlement activity, the EU called

it a day and rapidly reset relations with Israel once formal annexation was taken off the table.

## Settlement expansion West Bank and East Jerusalem



\*The number of construction starts for the West Bank is based on data from Israel's Central Bureau of Statistics; for East Jerusalem, it is based on Peace Now's count of permits issued by Jerusalem Municipality.

Source: ECFR calculations based on data from B'Tselem and Peace Now  
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As part of this, European officials are once more championing the Middle East Peace Process (MEPP). In doing so, they are placing most of the onus on Palestinians to re-engage in negotiations even as they speak of their desire to intensify bilateral cooperation with Israel, including potentially convening the EU-Israel Association Council for the first time since 2012. During this time, the EU's work to further develop the list of its responses to annexation ground to a halt – despite the fact that, for the moment, formal annexation is only temporarily on hold.

The core problem is that the EU is trying to turn back the clock to an illusory status quo ante. But this approach is structurally unsustainable and every bit as problematic as the situation it has sought to avoid. In doing so, the EU has wasted the small amount of leverage it created during the first half of 2020. Thus, while it objected strenuously to the prospect of de jure annexation, it has shown itself able to live with ongoing de facto annexation. In doing so, the EU shows every ability to stomach the reality of deepening unequal rights and open-ended occupation on the ground, despite opposing the formalisation of this situation as proposed by the Trump plan.

Since Israel's normalisation deal with the UAE, there has been a surge in settlement-related activity. The Israeli authorities have advanced at least 6,205 new housing units since then – almost all in areas that Israel would have to evacuate in the context of a two-state solution. According to Peace Now, an Israeli anti-occupation organisation, these approvals make 2020 the highest year ever in terms of units in settlement plans promoted since the group began keeping records in 2012. This comes alongside the continued demolition of Palestinian property and homes, including those built with EU and member state funds.

Of course, the EU faces a long list of foreign policy challenges, many of them in the Middle East. Given the deeply intractable nature of the Israeli-Palestinian conflict and limited foreign policy bandwidth, it is understandable that the EU cannot devote the entirety of its resources to this one issue. There is also a pragmatic need to maintain a functional relationship with Israel against the backdrop of instability across the Middle East. But whereas Bill Murray's character uses each loop to perfect his responses (and ultimately escape), there is little sign of the EU learning or adapting to circumstances.

Precisely because they have limited time and political capital, Europeans should ensure that their investments are used in the most impactful way possible – by actually pushing forward positive conflict transformation rather than trying to sustain a fundamentally broken strategy. In the long term, a strategic rethink is, therefore, the only means of advancing European interests – not just in terms of a sustainable peace between Israelis and Palestinians, but also as a catalyst for greater stability on Europe's doorstep and more prosperous bilateral relations.

## The roots of European strategic paralysis

At the heart of Europe's strategic dead-end is a blinkered focus on the Oslo-configured MEPP. After 27 years, it has collapsed – having ultimately provided neither peace nor conflict management. As this author outlined with Omar Dajani in the July 2017 report “Rethinking Oslo: How Europe can promote peace in Israel-Palestine”, the situation is primarily a consequence of the MEPP's sidelining of international law and lack of any real enforcement mechanisms in favour of bilateral negotiations. This has given Israel veto power over Palestinian aspirations.

While Oslo froze the political situation as it was in 1993 – by putting Palestinian independence on ice, pending a negotiated deal – it has failed to hold Israeli actions in check or freeze the situation on the ground. Instead, it has effectively provided Israel with diplomatic cover to entrench its hold over the West Bank (including East Jerusalem) by showing an ostensible willingness to talk to Palestinians even as it ramps up settlement activity and dispossesses

them (through constant house demolitions, land confiscation, and access restrictions), leading to their forced displacement. These trends have deadlocked negotiations, gnawed away at the territorial footprint needed for a viable two-state agreement, and entrenched a one-state reality in its place.

Ultimately, the MEPP remains alive and well as an intricate system of occupation maintenance that has provided Israel with an effective matrix of control over Palestinians and borne much of the financial, political, and security burden that Israel might otherwise have had to shoulder. This rests on: a supposed peace process that has provided cover for Israel's maximalism, whereby the country's political and territorial demands have grown from one round of negotiations to another; a Palestinian political system, including the PA, that has been co-opted into administering the occupation; and an enabling international environment.

Through its diplomatic cheerleading for, and generous funding of, the PA, Europe has effectively bought into the Oslo model of occupation maintenance and avoided the hard conversations that would be required to effectively counteract present-day realities. Whereas the model created by Oslo was only ever intended as a five-year interim framework leading to a final peace agreement, it has become an end in itself. Along the way, the EU has come to view Oslo's promotion of Palestinian self-governance under overarching Israeli control as the best alternative to a negotiated outcome.

A desire to work strictly within the confines of the Oslo process – which marginalises international law and defers recognition of Palestinian statehood, pending the outcome of negotiations – has given the EU and European governments little appetite to take steps that help to anchor Palestinian sovereignty. Instead, they talk about the need to support state-building efforts, pending a negotiated agreement with Israel.



In prioritising self-governance over self-determination, the EU has failed to capitalise on one of its few tangible accomplishments, which is to have invested greatly in helping make Palestinian institutions statehood-ready. This was acknowledged as far back as 2011 by high representative Catherine Ashton, the World Bank, and the International Monetary Fund. But, with the exception of Sweden, member states steadfastly refuse to take the final step by formally recognising a Palestinian state, often in the belief that this would pre-empt the outcome of negotiations. Since then, the weight of continued occupation and a lack of control over its own resources have eroded the fragile gains achieved in Palestinian state-building and squandered European investments, including more than \$2 billion given to the PA budget since 2007. Through this support, the EU has effectively given the PA the responsibilities of statehood, such as providing services for Palestinians and security for Israelis, without any of its benefits, such as political recognition and on-the-ground sovereignty.

The ruling duo of Fatah and Hamas, the two dominant political and security actors in Palestine, has ended up managing the occupation on Israel's behalf. In the West Bank, this has seen the emergence of a close security partnership between the Fatah-ruled PA and Israel, which has prevented any genuine popular mobilisation against the occupation. For its part, Hamas has reached repeated ceasefire deals that allow for a limited easing of Israeli restrictions on the Gaza Strip in exchange for its policing of local Palestinian groups. There have, of course, been occasional security flare-ups (most notably in Gaza); in comparison with past decades, these appear to be exceptions to the norm. Along the way, both groups have exploited the power and patronage that comes with self-governance, giving them a stake in the existing system of occupation maintenance and providing them with both cash and legitimacy.

While it is destructive to Palestinian aspirations, the Oslo process has allowed the EU to profess its commitment to Palestinian rights even as it deepens its ties with Israel and its settlements. These relations have flourished over the past decades despite Europeans' concerns about Israeli policies in the OPT. The EU has, therefore, actively undermined the foundations of Palestinian statehood by shielding Israeli settlements from international accountability and the EU's own laws, including the full application of its differentiation requirement, as enshrined by UN Security Council Resolution 2334.

Some important progress has been made to exclude the OPT from bilateral agreements with Israel. Yet elected and appointed European officials often mistakenly justify inaction out of a desire to avoid hampering the prospects of peace talks and to preserve Europe's self-perceived role as a neutral mediator that has Israel's ear. This ignores the fact that there is no credible peace process to speak of; and that Israel has long since learned it can usually



dismiss European concerns as empty words.

Even when fighting to preserve their core policy objectives as the two-state solution becomes increasingly unviable, Europeans have been outplayed by Israel and the Trump administration (and by both Congress and state legislatures). The Trump administration and Israel have acted together to defend the settlement enterprise and change facts on the ground, aiming to preclude a two-state solution in line with international parameters. They achieved this through a mixture of diplomatic browbeating; quid pro quos; public policy changes; economic threats against the EU, its member states, and private companies; and sanctions against officials from the International Criminal Court (ICC), which is pursuing a preliminary investigation into the situation in Palestine.

To be sure, Europe's increasingly laborious and fragile consensus-making among its 27 members complicates its approach, with some eastern member states, such as Hungary, tending to more closely support the policies put forward by Israel and the Trump administration. But pointing to the difficulties of internal consensus-making distracts attention away from the more debilitating problem: an unwavering and uncritical commitment to the diplomatic architecture that has framed international peacemaking attempts since 1993.

When the EU has been able to take a collective stand, as it mostly did against the Trump plan and formal annexation, it has done so primarily to defend the semblance of a peace process that most of its members still support. But, given that this overarching paradigm is completely broken, those relative successes do little more than enforce an unequal reality of prolonged occupation.

## Israel's turn towards permanent control and inequality

Since the beginning of the occupation in 1967, Israel has gradually developed a bifurcated legal regime that has favoured Israelis and Israeli settlers over Palestinians, keeping both populations separate and unequal. Having been denied their rights as citizens of their own sovereign state, Palestinians living in the West Bank, East Jerusalem, and Gaza find themselves denied the same civil and political rights enjoyed by Israelis living in the West Bank. Unlike their settler neighbours, more than five million Palestinians living under Israeli control are unable to vote in Israeli elections. They are denied the ability to influence the system that ultimately governs their fate and that legislates for their territory on an increasingly regular basis. Although less severe, Palestinian citizens of Israel also face a combination of informal and formal discrimination – enshrined in Israel's 2018 Jewish Nation State Law

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Even before the recent spectre of formal annexation arose, the combined effect of these practices was to entrench what the EU calls “a one-state reality of unequal rights, perpetual occupation and conflict”. In simpler language, Israel has created a situation of egregious human rights violations and institutionalised discrimination that amounts to modern-day apartheid.

When it comes to the Palestinian issue, Israelis enjoy a comfortable international, regional, and local environment that has pushed deoccupation down the list of priorities. Far from facing costs over open-ended occupation, the regional situation has largely moved in a direction that favours Israel thanks to its military and technological clout, as well as its growing ties with Arab states.

Internationally, Israel can count on an ever-friendly US political scene, irrespective of who sits in the White House. Europe too has proven deeply reluctant to restrict its ties with Israel and its settlements over its treatment of Palestinians. Both the United States and European countries have also often shielded Israel from international accountability mechanisms. At the local level, Israelis, including those living in the West Bank, are in a relatively good security situation, thanks in part to the efforts of PA security forces. Additionally, a segregated infrastructure network and intricate permit system for Palestinians in the OPT has kept the everyday mechanics of apartheid and Palestinians themselves out of sight and out of mind for ordinary Israelis.

This is encouraging a sense of sustainability and calm, skewing the cost-benefit analysis for many Israeli Jews who have come to see continued occupation as the least-worst option and have deprioritised the conflict. Consequently, the pro-two-state ‘peace camp’ has dwindled, with only 39 percent of Jewish Israelis, according to an August 2018 survey, favouring a two-state deal – the lowest figure in two decades. Today, the only parties to include traditional two-state positions in their electoral platforms are the predominantly Arab Joint List and the small, progressive Meretz – which together hold 18 of the Knesset’s 120 seats.

Instead of debating how best to end the five-decade occupation, the public conversation in Israel centres on how best to manage Palestinians to avoid the demographic threat of a one-state solution. As Yehuda Shaul, co-founder of human rights organisation Breaking the Silence, puts it, there are two schools of thought about how Israel should do this. [1] Neither advocates a two-state solution based on international parameters. Both visions support the settlement project and continued military control over Palestinians. Both also see segregation and Palestinian self-rule as key to avoiding the perils of a binational state. Taken together,

they reflect a majority of Israeli political and public opinion.

The first – the Control Camp – favours the prevailing model of open-ended security control and de facto annexation, which aims to preserve a degree of ambiguity in the status of the West Bank while still allowing for the growth of settlements. Among its advocates are generally old-school right-wingers such as the prime minister, Binyamin Netanyahu, and members of the security establishment (such as Israeli military officers and intelligence officials). Of late, they have been joined by centre-left politicians – including alternate prime minister Benny Gantz, opposition leader Yair Lapid, and the now largely defunct Labor Party – who argue for political and physical separation of Israeli and Palestinian populations in the OPT while maintaining overarching military control over the territories.

This contrasts with the vision put forward by a second school – the Sovereignty Camp – which supports practical steps to apply Israeli sovereignty through the de jure annexation of all, or part, of the West Bank. A minority view among its supporters, who include President Reuven Rivlin, favours granting Palestinians in the West Bank Israeli citizenship and civil rights – but not national collective rights. (He is silent on the fate of Palestinians in Gaza.) A majority – as represented by a younger generation of right-wing politicians such as the leader of the Yamina (Right) political alliance, Naftali Bennett – offers Palestinians nothing more than continued self-governance under Israeli control.

The Control Camp has dominated Israeli policy on the Palestinians for more than five decades. However, as Israel's policy drifts further to the right, and as settlement construction decreases the territorial footprint of a Palestinian state, maintaining its preferred approach based on strategic hedging – by avoiding any concerted move towards either de jure annexation or deoccupation – will become ever more difficult. Given that Netanyahu's eventual successor as leader of the right and (in all likelihood) prime minister will come from the ranks of the Sovereignty Camp, this will probably be the prevailing trend for the foreseeable future.

Israeli right-wingers in the Sovereignty Camp (as well as Trump administration officials) have welcomed this moment of maximum Israeli strength and historical Palestinian weakness as an opportunity to once and for all kick the Palestinian issue into the long grass and assert Israeli sovereignty over the West Bank. Here they have been aided by normalisation deals with Arab states that are now more interested in forging common fronts against Iran and Turkey than they are in Palestinian rights.

While those in the Control Camp are more likely to see the demographic perils that would accompany a one-state outcome, their response is largely to reconfigure Israel's occupation

model around the physical and political facts created by the construction of Israeli settlements. Instead of advocating significant territorial withdrawal by Israel, they are now pressuring Palestinians to renounce the established parameters of a two-state solution in favour of the realities imposed by Israel.

Such is the scale of the settlement enterprise and its dominance of Israeli politics that future deoccupation entails a growing political cost for Israeli leaders. This has long been the clear intent of the settler movement and its supporters within successive governments, who have sought to create Israeli “facts on the ground” to scuttle territorial withdrawals from the West Bank. As Daniel Seidemann, a leading expert on the conflict and the geopolitics of contemporary Jerusalem, reasons: “if Israel has the will and the capacity to relocate 180,000 settlers, the two-state solution lives. If we don’t, it’s dead.” Judging by current trends in politics and public opinion, prospects are not positive.

Settler leaders and government officials are busy promoting new infrastructure projects with the goal of boosting the settler population to one million. Alongside this, the Israeli government has reportedly allocated \$5.9m to its Ministry for Settlement Affairs to map “illegal” Palestinian construction in the West Bank’s Area C – a first step towards another round of demolition and deprivation of private property. In parallel, the Knesset has on several occasions extended its domestic legal jurisdiction to the West Bank, while planning authorities continue to mull long-standing settlements plans relating to geographically sensitive areas in and around East Jerusalem. Such steps would sever East Jerusalem from its West Bank hinterland and make a two-state solution even less feasible. While international pressure has slowed this process, Israeli authorities have, this autumn, advanced settlement initiatives in the key areas of Har Homa E, Givat Hamatos, and Silwan.

## Brewing instability

Until now, the occupation maintenance system put in place by the peace process has allowed Israelis (and the international community) to dodge any serious conversation about the reality of apartheid unfolding in the OPT. But there is no room for Israeli – and international – complacency about the sustainability of Israel’s ever-tightening grip on Palestinian territory. The core pillars of this system are starting to buckle under the weight of open-ended occupation. This could have a high cost, including for European interests. The election of Joe Biden as US president will help create the perception that the situation is sustainable, but it will not do much to mitigate future instability.

In addition to the incapacitation of any meaningful peace process between Israelis and Palestinians, the current trajectory clearly poses a direct threat to Israel’s survival as a

democracy. As the path to equal rights in two states becomes ever more submerged, Israeli Jews – who are at rough parity with Palestinians in terms of population, with demographic growth favouring the latter – will find themselves choosing between Israel’s future as either a democratic state or a Jewish-majority state.

Most Israeli Jewish interlocutors doubt they would ever willingly give up control in one state. As one veteran peace activist and former Israeli diplomat, notes: “if two states is no longer possible, then there can be no other option for Israel except apartheid”. [2] This conclusion is echoed by Michael Sfard, a prominent Israeli human rights attorney. In a recent study, he warns, ominously, that continued creeping legal annexation, let alone official annexation, could strengthen the argument that “the crime of Apartheid is not committed only in the West Bank. That the Israeli regime in its entirety is an apartheid regime. That Israel is an Apartheid state.”

Europeans wishing to maintain a close partnership with Israel should be deeply concerned by this trajectory. Many officials, commentators, and policy analysts in Israel now tell Europeans that they should look beyond the Palestinian issue and focus on the opportunities associated with a strengthened bilateral relationship and Israel’s regional normalisation. But it remains a hard reality that a deepening situation of apartheid will, with time, prove an insurmountable obstacle to EU-Israeli relations, as occurred with South Africa.

Moreover, the EU is too heavily implicated in the fabric of the occupation to look away – given the extent to which its bilateral relations with Israel have been compromised by the growth of Israeli settlements and its deep funding commitments to the Palestinians. The EU’s continued failure to make its will felt would also undermine its ambition to act more geopolitically on the world stage. In addition, there will remain a strong current in European public opinion, on both sides of the debate, pressuring their respective governments to act.

Meanwhile, faced with this worsening situation, the Palestinian movement is likely to adopt a less accommodating set of tactics and strategies – as some activists and leaders swing behind renewed popular mobilisation and demand equal rights, while others embrace a more nihilistic return to violence. This complex landscape will be further complicated by a host of factors such as internal political divisions (including within Fatah itself); a potentially fraught transition of PA/Palestine Liberation Organisation (PLO) leadership in the post-Mahmoud Abbas era; the inherent volatility of Gaza’s slow-motion collapse; declining international donor aid; and a Palestinian economic bubble nearing its bursting point.

Against this backdrop, the very real potential for growing instability and conflict will once again put key European interests at stake, due to the Israeli-Palestinian conflict’s role as a

driver of instability, radicalisation, and violence in Europe's immediate neighbourhood. The rise in the number of Palestinians fleeing Gaza to Europe is another example of how the conflict can spill over. According to an investigation by *Haaretz*, an Israeli newspaper, "in 2018 alone, nearly 2,500 Gazans applied for political asylum in Belgium – making them the second-largest group seeking asylum there after Syrians."

## Palestine in crisis

European diplomats are accustomed to predictions of an imminent Palestinian crisis. Often, such alarm has proven unfounded. Nonetheless, as in the tale of the boy who cried wolf, repeated warnings do not mean that the worst never happens.

Fatah's and Hamas's duopoly on Palestinian politics has frustrated the emergence of any significant political or strategic alternatives to the current Palestinian leadership.

Consequently, the Palestinian national movement finds itself at its lowest ebb since at least the PLO's expulsion from Beirut in 1982. It has been left treading water, unable to either renew itself or identify an alternative path to national liberation after the failure of both armed violence and international diplomacy.

Regular threats to dismantle the PA by its Ramallah-based leadership have been nothing more than a bluff until now, given their self-interest in its preservation. But exasperation with the lack of a viable diplomatic track or a future strategic shift may one day see them make good on their threats. They may have no choice, given the large numbers of Palestinians who see the PA as an impediment to national liberation and its leaders as corrupt, ineffective, and unrepresentative.

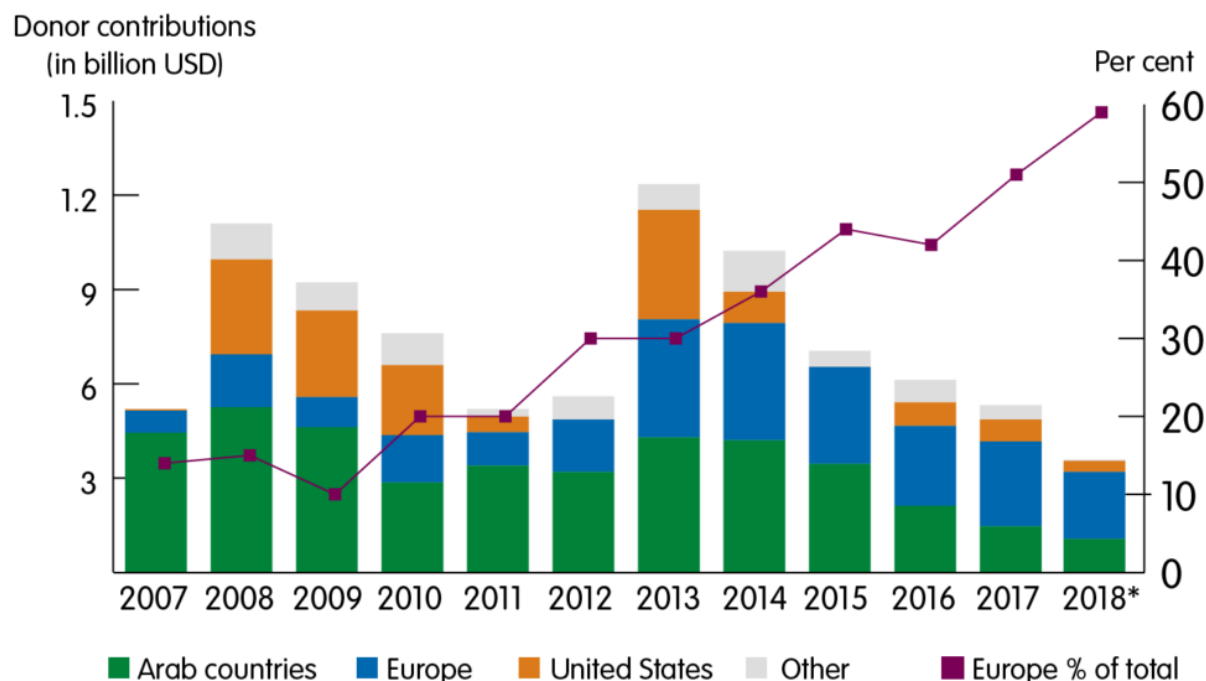
As Palestine's governance crisis grows, popular discontent with the established political order and rising authoritarianism has occasionally erupted into protests, such as those in Ramallah in June 2018 and in Gaza in March 2019. For now, these have fallen short of the mass protests seen elsewhere in the Middle East due to the specificities of the occupation.

In the West Bank, this is largely caused by the overarching dynamics created by internal securitisation and domestic patronage networks that have secured public acquiescence to Fatah's ageing and ailing leadership. The Fatah leadership is heavily reliant on the international donor money channelled through the PA. Since internal Palestinian divisions led to violence in 2007, Hamas has similarly entrenched itself in Gaza through strength of arms, as well as through financial resources drawn partly from international stabilisation funds. In exchange, Hamas and Fatah have mostly been able to buy calm for themselves and for Israel.

However, international donor assistance is becoming increasingly strained. Compared to its peak in 2013, international funding to the PA had declined by approximately 60 per cent in 2017, according to the author's calculations. This comes on top of the added hardship faced by many Palestinians as a result of covid-19 restrictions, the curtailing of services in refugee camps due to UNRWA's own budget crunch, and the dire situation in Gaza, where a more serious humanitarian crisis and return to violence with Israel is only prevented by cash injections from Qatar totalling \$17m per month.



## Funding to the Palestinian Authority 2007-2018



\*Funding data for 2018 is partial.

Source: ECFR calculations based on data from the Palestinian Ministry of Finance  
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On top of this, Israel is withholding approximately \$138m per year in tax clearance revenues owed to the PA (in contravention of the Oslo Accords) due to the latter's support for the families of 'martyrs' and prisoners. This has increased a pre-existing budget deficit, which was running at \$800m in 2019 (4.6 percent of GDP) after external financing. Alarm bells are also ringing over the Palestinian economy, which is characterised by rising public and private debt, and is expected to contract by 20.3 per cent in 2020.

A potential financial crash coupled with widespread popular disaffection with political elites and the occupation would have serious security consequences given the large numbers of weapons that are stashed and easily accessible in both the West Bank and Gaza. The most apt comparison in such a scenario would be to imagine a 2009-style Greek debt crisis under military occupation. The popular anger that would be unleashed by Palestine's economic collapse would be directed in large part at the PA and senior officials, likely accelerating a change in both national leadership and strategy.

Palestinian stability is, therefore, heavily dependent on foreign aid. For this reason, Europe

places great importance on maintaining funding levels to the PA. But, despite the high stakes, and as Palestine's financial problems add up, Europe has to take on an increasing share of this funding, in addition to its sizeable financial commitments to humanitarian relief, development projects, and the UNRWA.

Some temporary respite for the PA may be provided by the emergency Qatari funding (in addition to Qatar's financial support for Gaza), its decision to once again accept partial tax clearance revenues from Israel, and a renewal of US donor commitments under Biden. However, these lifelines may well be insufficient to keep the PA afloat in the long term without political solutions.

While all these symptoms may be economic, their causes are linked to Israel's ability to veto trade and development initiatives; dwindling political horizons for achieving Palestinian independence and regaining control over natural resources; and Gaza's de-development, caused in large part by Israeli sanctions. New rounds of violence in Western Sahara and Nagorno-Karabakh should provide a further reminder of the consequences of leaving conflicts to fester without a viable political track to resolve core grievances.

## The contours of a new paradigm

The dysfunctionality of the so-called peace process means that Europeans must now adopt a new outlook – one that recognises, and seeks to mitigate, the dangers inherent in the current situation. If Europeans truly care about their partnership with Israel, Palestinian rights, and the risks of instability, now is the time for a change of course. They should recognise and act upon the contours of an alternative peacemaking paradigm that is not centred on the Oslo process.

A new approach does not necessarily mean abandoning the EU's political programme of achieving a two-state solution in line with international positions, even if this is clearly not an imminent prospect. And certainly, so long as the two-state solution also remains the focal point for the PLO, there will be little room for a pivot towards pursuing a one-state outcome. But, faced with Israel's consolidation of a one-state reality, public attitudes on both sides trending in opposite directions, and a shift in the political priorities of Arab states, the EU must at the very least acknowledge that it needs to adapt its strategy.

Europeans need to be clear-eyed about where things stand and begin pressing for equality for Palestinians in line with international law. Such a focus means prioritising equality in terms of civil rights and political agency. This position is absolutely intrinsic to any hope of reviving an eventual two-state solution. But it will also do much to positively shift dynamics on the

ground if it becomes apparent that it is already too late to sustain a viable and sovereign Palestinian state. Such a situation would require the two parties to work out how they can live with each other as equals preparing for a just one-state solution that provides meaningful stability and security to all.

In this regard, it is worth listening to younger Palestinian voices, such as that of Inès Abdel Razek, a former adviser in the Palestinian Prime Minister's Office, who explains how a new political paradigm can be fleshed out based on international law by providing for equal rights and self-determination for both the Palestinians and Israelis: "Regardless of whether this is ultimately achieved through one state or two, a new paradigm must first challenge the existing one-state reality of unending settler-colonialism, and oppose any ethnic discrimination." This view is echoed by some Israeli Jews, who warn that there can be no Israeli democracy without deoccupation and an end to apartheid – although they remain generally confined to the progressive left and the anti-occupation camp.

Of course, a shift towards accepting equality as the cornerstone of future arrangements will not happen overnight. It will face significant local resistance and will throw up many challenges. This is true even among Palestinian activists who favour one state. Many of them remain deeply reluctant to engage with mainstream Zionist politics due to their opposition to the discrimination built into the Israeli political system. As one leading thinker and activist explains: "How can I talk to someone who denies me my land and my fundamental rights?" [3]

In turn, a possible demand for Palestinian national rights and equal political agency within one state, and decolonisation (including the need for land restitution or reparations for Palestinians evicted from their homes in present-day Israel), meets with significant opposition from many Israeli Jews – including the part of the peace camp who remain deeply Zionist and committed to a two-state outcome. Winning over even a significant minority of the Israeli public is perhaps the biggest challenge that a strategy for equality will face. As Yuli Novak, a prominent Israeli activist, argues, such a shift would require a "new political Jewish identity [that] will have to acknowledge the wrongs of the past, but not be subjugated by them."

The European answer to this challenge cannot be to allow the legacy of the Trump administration to persist. This means Europeans will need to avoid bending the meaning of ‘two states’ and to oppose the gerrymandering of Palestinian populations to accommodate Israeli maximalism. Even putting aside morals and international law, any approach based on ethnic inequality and enduring occupation is incapable of winning the support of the Palestinian public – a crucial element in any meaningful and sustainable resolution in line with European interests and values.

## Recommendations

### Prioritise equal rights as the cornerstone of a political settlement

Europe must reclaim its historical role of driving international policy to resolve the Israeli-Palestinian conflict by focusing on equal rights for both peoples, in line with international law, and by unequivocally rejecting open-ended occupation and apartheid as the default outcome.

European policymakers can still present a two-state solution as the best means of achieving a lasting peace agreement and equality for Palestinians and Israeli Jews – particularly when it comes to safeguarding their respective desires for self-determination. At the same time, Europeans must also make clear that, if Israel continues blocking a two-state solution, then the only other acceptable means of ensuring equal rights will be through a single democratic state. While this may not be an outcome that the EU will willingly embrace in the near term, it should clearly convey that it may be forced to adopt this position if Israel turns its back on two states.

Ultimately, a European strategy centred on equality and deoccupation, rather than a dogmatic fixation on negotiations and the Oslo framework, is compatible with both a one-state and a two-state paradigm. It will allow the EU to continue working towards its vision of two states while seeking to extract Palestinians from the current reality of apartheid by laying the groundwork for a future European pivot towards one state, if necessary. In doing so, Europe can help frame the consequences for Israelis of creeping annexation and hopefully help expand the Israeli political constituency that supports deoccupation beyond its current narrow confines on the progressive left.

This strategic shift would not represent a policy rupture but would, in fact, be the logical evolution of Europe’s own pronouncements over many decades. These include its more recent deliberations, which, in light of the threat of de jure annexation, focused on previously

taboo subjects such as the lived reality of apartheid and the alternative to two states. The events of 2020 have already triggered an initial move towards framing equal rights as a basic requirement for a future solution – irrespective of what the ultimate political outcome is. For example, at the United Nations, Belgium, France, Germany, Estonia, and Poland issued in February 2020 a joint statement supporting “a political process in line with international law, which ensures equal rights and which is acceptable to both parties.”

Given continued blockages between member states in the European Council, it will be up to national governments, individually or as part of like-minded groups, to argue for this reorientation. To this end, senior EEAS officials have an important role to play in shepherding the conversation; these include the high representative, Josep Borrell, and the EU’s special representative for the Middle East Peace Process, Susanna Terstal. Indeed, during a hearing of the European Parliament’s foreign affairs committee in July 2020, Terstal laid out the options: “There is only one alternative [to two states], that is one state ... where two people live side by side with equal rights in peace and security.”

These are important building blocks for internal discussions to be held at multiple levels – within European capitals themselves and feeding into member state discussions, including those at the level of EU heads of missions in Jerusalem and in the newly created ‘Small Groups’ format, which brings member states together under the auspices of the EEAS with a view to narrowing policy differences on this file.

## Reconfigure relations with Israel

Given the many security challenges that the Middle East is facing, the EU and Israel have a joint interest in preserving a good and close dialogue. But, left unchecked, the current trend of creeping annexation will lead EU-Israel relations down a slippery slope. European officials must be frank with their Israeli colleagues – and the wider Israeli public – about the inevitable challenges that this will pose in advancing wider bilateral interests and working on other regional issues. No matter how much both sides may wish it otherwise, the Palestinian issue will continue to loom large.

Europeans have some clout with Israel. And they need to deploy the appropriate mixture of incentives and disincentives before it is too late. Experience shows that Europe can elicit positive responses from Israel when access to European partnerships are put on the line, such as those around trade, research and development, development funding, and other areas. This deterrent capacity was again demonstrated by Europe's response to formal annexation, which reverberated in the Israeli political debate. Europe should now shift its focus to ending de facto annexation.

To do this, European governments need to better demonstrate that the maintenance and expansion of EU relations with Israel are incompatible with its denial of Palestinian rights. An important aspect of this is for the EEAS and the European Commission to resume their work to finalise the internal EU options paper – including its listing of possible restrictive measures against Israel – which provides an important source for enhanced European deterrence. The EU will also be able to draw on its own response to Russia's annexation of Crimea in 2014 and its newly adopted Global Human Rights Sanctions Regime targeting those responsible for serious human rights violations.

None of this should prevent immediate action at the EU and national levels to deepen and expand the EU's differentiation policy. This represents a still largely untapped source of European normative power and has repeatedly proven to be a useful tool for chipping away at Israel's cost-benefit calculations and pushing back against annexation. For example, it has on several occasions forced the Netanyahu governments to sign up to EU policy positions recognising the 1967 Green Line and agreeing to exclude Israeli settlement entities and activities from the scope of their bilateral agreements.

But the EU's differentiation strategy should become more ambitious, including measures to exclude Israeli settlement products and restrict private business dealings. In doing so, it should seek inspiration from the international law-based measures taken to enforce non-recognition of South Africa's sovereignty claims over Namibia between 1969 and 1990.

Enhanced European deterrence also requires member states to stop shielding Israel and its settlements from the correct functioning of European laws and international legal accountability mechanisms. This means supporting the ICC's preliminary investigation and activating the UN's database of businesses with ties to Israeli settlements.

European governments prefer to talk about positive incentives to change Israeli behaviour. In truth, though, Israel has already been given most of the juiciest carrots (most significantly, an Association Agreement with the EU, which comes with benefits such as preferential trade tariffs and access to Horizon 2020 and other community programmes).

Despite European efforts to find new carrots, there seems little sufficiently attractive short of EU membership. A telling example was the EU's December 2013 offer of a Special Privileged Partnership to Israel in return for an end to its occupation, which fell on deaf ears. Yet efforts to identify new offers continue. In a confidential non-paper that they shared with fellow EU members in October 2020, Hungary and Croatia once again advocated a heavily incentivised strategy to facilitate a negotiated two-state solution, suggesting that the "Commission takes stock of existing [sic] and explore new possibilities of how we can deepen our cooperation [with Israel] in the already existing or new fields".

If the EU does put new, attractive incentives on the table, then the lesson since the signing of the 1995 EU-Israel Association Agreement is that these must be conditioned on real Israeli moves towards deoccupation and the full exclusion of Israeli settlement entities and activities. Beyond this, member states would also do well to point out that maintaining Israel's currently deep relations with Europe will become ever more difficult to justify if the country continues to entrench a one-state reality of unequal rights. Borrell hinted at this in [explaining](#) that Israel's recent "demolitions and settlements [expansion] are a strong impediment" to holding a new Association Council meeting.

## Press Palestinians towards reform

As the Palestinian national movement discusses alternative strategic options, European officials should make a point of engaging with all political actors – from the Fatah/PA leadership to Hamas – to support domestic reunification efforts and political reform. Alongside this, they must listen to younger activists and thinkers – Palestine's millennial generation – who represent an increasingly influential source of alternative leadership and positive strategic direction. This engagement is already happening with European diplomats at the local level and should be scaled up. This could include greater support for Palestinian civil society, focusing on non-violent youth groups and leadership structures. This approach is important to ensuring that the path forward develops in consultation with Palestinians, at both the political leadership and civil society levels.

European policymakers must do this in a way that avoids depoliticising Palestinian initiatives – which is one of the net effects of the [Oslo funding model](#). As part of this, they must resist the



growing trend to restrict and delegitimise non-violent Palestinian activism – which the Israeli government and its supporters have smeared with accusations of anti-Semitism and terrorism. At the heart of this is the Boycott, Divestment, and Sanctions movement, which represents an important mobiliser of grassroots support for Palestinian rights.

A particularly thorny – but important – element in any European recalibration will be reforming donor aid. As the prospects for achieving a two-state solution and Palestinian sovereignty disappear, policymakers need to rethink the purpose of Europe’s funding to ensure that it is investing in peace – and not occupation. European interlocutors should make clear that ongoing EU funding of the PA needs to be predicated on positive political transformation. Instead of pushing Abbas back into a broken peace process, the EU should prioritise measures to reform Palestinian governance. This could include advancing positive security sector and justice reform, and reinvigorating popular representation mechanisms that can help create greater space for the emergence of alternative sources of political leadership.

Of course, the EU must do its bit to support such changes – rather than inhibit them, as has too often been the case. The agreement reached by Fatah and Hamas in Istanbul in September 2020 to move towards elections to the Palestinian Legislative Council, PA presidency, and the PLO’s Palestinian National Council was a positive signal – even if it is unlikely to solve core grievances with governance. This has since petered out. The EU can help restore its momentum, not just by offering to provide technical assistance through an election observation mission, but also by creating a conducive and inclusive political atmosphere. It can do this by revoking its no-contact policy with Hamas (albeit while still conditioning the level of engagement on behavioural commitments), and by engaging in good faith with any future government that emerges from free and inclusive elections.

At the same time, Europe cannot perpetually delay its decision on the future of its funding, pending Palestinian transformation. If none is forthcoming, the EU should start by gradually decreasing funding from budget lines that most serve Israel’s occupation needs – such as the bloated PA security sector – and by prioritising the preservation of Palestinian political, cultural, and economic presence on the ground (including in areas most vulnerable to settlement activity, such as East Jerusalem and the West Bank’s Area C).

## Become an equal partner to the US

Biden’s election has encouraged a European belief that the wrongs of the Trump administration can be reversed, and that a resumption of a more traditional diplomatic process could be in the offing. There may be some truth in this, though Biden is likely to

maintain some of Trump's positions, such as keeping the US embassy in Jerusalem. But, without a deeper strategic rethink, none of this is likely to fundamentally alter the negative trajectory on the ground.

Europeans should still support a Biden peace push, if and when it comes. But they should do so with the aim of supporting longer-term conflict transformation, helping lay the building blocks for lasting peace based on legal equality, political emancipation, and the end of military rule, rather than labouring in the hope of an imminent political breakthrough.

The EU must do this not from the sidelines as an enthusiastic cheerleader of American efforts – as has too often been the case – but as a real partner for peace that brings its own contributions to the table and makes demands of the US. At the policy level, this means advocating a diplomatic framework based on international law and equal rights. On the ground, it means deploying real disincentives against Israeli settlement activities and working to support Palestinian domestic renewal.

While not being beholden to US positions, the EU must nonetheless work to bring a Biden White House with it down the path of equal rights, building on former secretary of state John Kerry's questioning in December 2016 of how Israel can reconcile permanent occupation with its democratic ideals. Along the way, the EU should push the US to reverse its sanctions on the ICC, allow for greater international action against Israeli settlement policies, and support free and inclusive Palestinian elections.

## Engage with the Arab world, with realistic expectations

The EU has welcomed the recent normalisation process between Israel and the UAE, Bahrain, and Sudan. To its credit, the bloc has sought to tie this process to renewing progress towards an Israeli-Palestinian peace agreement. The reality is, however, that it is geopolitics and bilateral interests that have spurred these relations, not concern for Palestinian self-determination. If anything, such deals have enabled hardline Israeli government positions, undermined Palestinian aspirations, and hobbled the 2002 Arab Peace Initiative, which conditioned Arab-Israeli normalisation on an Israeli-Palestinian peace agreement. Europeans must, therefore, be realistic about what these developments can accomplish on the Palestinian track.

While Israel-Arab normalisation will not lead to a positive transformation of the Israeli-Palestinian conflict, it should nevertheless allow for stepped-up EU-Arab dialogue on the issue. Europeans should particularly focus on keeping Gulf states in lockstep with their positions, including with regard to Israeli settlements and the EU's differentiation policy –

which is now a relevant issue for states that are in the process of deepening their own ties with Israel, such as the UAE and Bahrain.

The EU must also continue to engage with its traditional Arab interlocutors – Jordan, in its capacity as the custodian of Jerusalem’s holy sites and the Arab country most vulnerable to instability in the West Bank; and Egypt, which has been deeply involved in mediating ceasefires between Israel and Palestinian factions in Gaza, as well as intra-Palestinian reconciliation efforts. The EU should also continue to coordinate with Qatar, which is likely now the largest Arab funder of Palestinians.

## Life begins after Oslo

European diplomats have a natural predisposition towards negotiations around Israel-Palestine. This is a positive instinct, based on a realistic assessment that it is the only way to achieve a full resolution of the conflict. Whether through one state or two, peace can only come from an inclusive political process. But, more than 50 years after the start of Israel’s occupation, European decision-makers must be more honest in their assessment of where things stand. Without a change in Israeli calculations and reform of the Palestinian body politic, no amount of negotiations will end the conflict or turn back the tide of instability.

Creating genuine momentum for a lasting and equitable peace agreement will require time and political courage – starting with European governments. Ultimately, they can have strong policies on paper, but this will mean little until they show a willingness to carry these forward, not just as dotting funders, but as real political players – a role they have far too often shied away from. Europeans will have to pursue this against strong international headwinds, against the backdrop of a transforming regional landscape, and at a time in which the rules-based order has come under sustained pressure. It will not be easy. But should they prove unable to muster the requisite action, there will be even less reason to believe that Israelis and Palestinians can escape another half-century of conflict.

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<sup>1</sup> Discussion with author, West Bank, July 2019.

<sup>2</sup> Discussion with author, Tel Aviv, February 2020.

<sup>3</sup> Discussion with author, Ramallah, February 2020.

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