Realigning European Policy toward Palestine with Ground Realities

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Principal Findings

What’s new? The European Union and its member states say they remain committed to their stated two-state objective in Israel-Palestine, contending that the cost of changing their approach would be too high in light of more pressing foreign policy priorities. Yet Israel’s de facto annexation of the occupied territories continues apace.

Why does it matter? European policy appears increasingly out of tune with the reality on the ground. As the conflict’s frequent outbursts suggest, this approach can only harm Europe’s interests in keeping the door open to a negotiated solution and avoiding regular bouts of violence that could get ever harder to contain.

What should be done? A better approach would entail Europe taking steps to check the Palestinian Authority’s authoritarian drift, reviewing its no-contact policy toward the Islamist group Hamas and pressing for Palestinian political renewal. Europe might also link cooperation and trade with Israel to progress toward a two-state solution and protection of Palestinian rights.
Executive Summary

The violence that roiled Israel and Palestine in April-May 2021 tested the established European approach toward the conflict, with regard to the Palestinian Authority (PA), the Islamist movement Hamas, the calamitous situation in Gaza and Israel’s de facto annexation of the West Bank. The European Union and its member states have a stated interest in bringing about a two-state solution, and the 2021 events highlighted that their policies hinder rather than serve that objective. Many officials acknowledge the discrepancy but say the price of adopting new positions is too high for decision-makers in European capitals. Still, Europe does have levers of influence it is not using. It could abandon its permissive approach vis-à-vis the PA leadership and push for conditions that would allow for Palestinian democratic political renewal. It could also adopt a firmer line toward Israel, by at least considering the use of cooperation and trade policy to deter violations of Palestinian rights and advance a sustainable resolution of the conflict.

Events in 2021 put in sharp relief how much European policy needs a refresh. First was President Mahmoud Abbas’s April cancellation of what would have been the first Palestinian general elections in fifteen years, thus ending any immediate hope of rejuvenating Palestinian leadership. Days later came the war, the fourth between Hamas and Israel in the past sixteen years. The violence revealed, on one hand, the credit, even if short-lived, that Hamas garnered among Palestinians for standing up to Israel and, on the other, Palestinian anger toward the PA for failing to do the same, on top of its authoritarian practices and incompetence. The cancelled polls and war topped years of dramatic changes that have seen Palestine’s polity and territory fragment as successive Israeli governments explicitly reject a negotiated two-state solution. Yet European policy still hews to its modus operandi: trying to bolster the faltering PA against Hamas, while shying away from any serious effort to encourage change in Israeli policy.

On the PA, while some European officials want to do more to hold the leadership accountable for its repression, Europe’s inertia reflects fear of seeing the PA collapse in toto and the two-state solution along with it if they do so. Indeed, Europe — like the U.S. — deems Abbas and his entourage to be the only group that can guarantee a modicum of stability in the occupied territories and, by extension, Israel’s security. It is reluctant to condition its support for the PA on steps toward democratic politics and improved governance, much less elections that could bring Hamas to power. As a result, PA leaders believe they can take European aid for granted.

As for Hamas, aversion to the Islamist movement has long impeded a more constructive European approach. Since the last vote, in 2006, which Hamas won, the EU and its member states have maintained a no-contact policy toward the group. They conditioned engagement with the group — and thus in effect its inclusion in an Abbas-led unity government — on its compliance with the Quartet principles, formulated back then by the UN, the U.S., Russia and the EU: commitment to non-violence, recognition of Israel, and acceptance of the Palestinians’ previous agreements. European diplomats stationed in Jerusalem and Ramallah have long seen this policy as a dead end, eroding Europe’s diplomatic clout, obstructing its stated pursuit of a via-
ble, democratic and contiguous Palestinian state and hampering efforts to end the sixteen-year siege of Gaza. Hamas itself rejects the Quartet conditions. But its leaders contend that they have revised their charter to address European concerns and that further steps require dialogue with the Europeans.

Many European diplomats on the ground want a change of approach, involving more political engagement and greater pressure on Israel, but Brussels and most European capitals reject any idea of even thinking through how, for example, Europe’s cooperation and trade could be used to encourage a change of Israeli policy toward the occupied territories. Instead, European decision-makers try to compensate for political disengagement through continued humanitarian and development aid to Palestinians, even if the volume of that assistance has declined steadily since 2015. At least, they say, leaving the spigot open keeps the PA and hope for Palestinian statehood alive. Yet, behind closed doors, many European officials admit this hope is an illusion. Aid alone will never suffice to preserve the possibility of a two-state solution. In reality, Europe has moved from efforts to build a Palestinian state to attempts at managing an ever-worsening “status quo” to which it clings mainly because it sees no alternative.

Underpinning European inertia is the sense in key capitals that the costs of a change in tack are too high, the benefits too uncertain and the prospects of success too low. European leaders baulk at the price of revising policy in their bilateral relationship with Israel, especially at a time when the U.S. itself is barely engaged and influential Arab capitals are normalising ties with Israel. Few European leaders believe that Europe alone can do much. Even within Europe, forging consensus on new policy is tough: more forward-leaning states like Belgium and Ireland run up against stiff resistance to any change, notably but not only from the “Visegrád group” (the Czech Republic, Hungary, Poland and Slovakia). For powerful middle-ground states – France and Germany especially – the Israeli-Palestinian conflict’s importance pales in comparison to the war in Ukraine and the larger standoff with Russia, which they and others view as existential questions for the continent’s security. Even compared to other Middle East crises, they see it as contained and not a priority.

This calculation is understandable but mistaken. There are strong normative reasons that Europe should not ignore violations of values it claims to uphold and what prominent human rights groups now liken to apartheid-type crimes. Even leaving that argument aside, the events of 2021, like the early August exchange between Israel and the militant group Palestinian Islamic Jihad, should serve as a warning that violence will erupt again and the conflict is not necessarily contained. As Israel deepens its presence in the West Bank and a Palestinian leadership succession nears, friction points multiply; Israel itself has seen internal unrest; and Gaza will never be calm so long as it remains an open-air prison. Absent change, future bouts will be more frequent and harder to end. Plus, Europe is not powerless. Just two years ago, in the face of opposition from the Visegrád countries, European leaders helped dissuade former Israeli Prime Minister Benjamin Netanyahu from formally annexing parts of the West Bank. If Europe can surmount its inertia, it has tools that might positively alter the conflict’s trajectory.

An alternative path would first involve the EU and its member states trying to help create conditions for Palestinian political renewal in the occupied territories.
Europe could hold the PA accountable for its repression, conditioning budget support for the justice and interior ministries, for example, on benchmarks. It could redirect some funds earmarked for the interior ministry to Palestinian civil society, especially human rights watchdogs. It could more decisively put its weight behind Palestinian legislative elections, while finding ways to interpret the Quartet conditions so as to allow Hamas to participate in some format in a prospective Palestinian unity government. European leaders should also launch a review of their no-contact policy toward Hamas. The idea is not to empower the Islamist movement, let alone cast it as Palestinians’ sole representative. But the group’s exclusion from politics has achieved the opposite of what the Quartet intended: its enduring popularity, certainly in the West Bank, compared with the PA. Palestinian political renewal requires its participation.

At the same time, the EU and those member states that are prepared to do so should set a tone in relations with Israel appropriate for a country whose leadership rejects a central tenet of European foreign policy. A first step would be simply to ask the Israeli government to clarify what vision it has for resolving the conflict and thus explain the rationale for Europe funding a process that Israeli leaders themselves appear to have given up on. Europeans could at least start discussions about how to adapt cooperation and trade policy with Israel in a way that would support their main political goal, namely peaceful resolution of the conflict, as well as protection of Palestinian rights. They could also explore more mechanisms to protect Palestinian space and development in Area C, the 60 per cent of the West Bank that remains under Israeli administrative and military control.

Finally, European officials should launch a debate – at a national level and in their own circles – about what most already suggest in private: that whether or not a two-state solution, at least in its Oslo format, is already beyond reach, it is all but impossible to imagine how the parties might get there, and the time has come to consider other options. They should do so quietly, to avoid the debate getting bogged down in European division. The idea would be to ponder early what the alternatives might mean for European policy. As a bottom line, European leaders would need to make clear that they will not support any political solution to the conflict that fails to guarantee full equality for all those residing in the territory under Israeli control and jurisdiction.

Brussels, 23 August 2022
Realigning European Policy toward Palestine with Ground Realities

I. Introduction

Since the violent outburst of April-May 2021, the economic and political situation in the occupied Palestinian territories has deteriorated further as outside powers, European nations prominent among them, noticeably disengage. The Palestinian Authority (PA), encountering unprecedented fiscal challenges, is struggling to pay the salaries of its employees (who make up about 29 per cent of the Palestinian work force). The PA leadership appears to have lost what little legitimacy it had left, especially following President Mahmoud Abbas’s postponement of legislative elections in April 2021. It was almost completely absent as a political actor during that spring’s war in Gaza. Its repression hit a new low the succeeding June, with the death in custody of activist and PA critic Nizar Banat.

By contrast, Hamas, the Islamic movement that governs Gaza, managed to capitalise on popular disaffection with the PA leadership during the 2021 turmoil. Centring its military actions on the symbolic defence of Jerusalem, the movement was able to briefly harness Palestinian energies throughout not only Gaza but also the West Bank, East Jerusalem, Israel and the diaspora, earning itself a surge in popularity.

Yet in Gaza itself, the situation is grim, with residents barely getting by in appalling economic conditions and bereft of a political horizon or even the prospect of seeing Israel lift its stifling siege. Their plight is compounded by the destruction of housing and infrastructure during the 2021 war, which came even as reconstruction following the previous war in 2014 remained unfinished. Unemployment and poverty are worsening, as the rebuilding continues to lag.

Three days of Israeli bombardment and Islamic Jihad rocket fire from 5-7 August 2022 were another reminder that vio-

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1 “Palestinian Authority struggles to pay public employees”, Al Jazeera, 2 December 2021. On the public sector workforce, see Palestinian Central Bureau of Statistics, 2020. The fiscal challenges are the result of a combination of factors: the Israeli government’s decision to increase deductions from the monthly taxes it collects on the PA’s behalf in the West Bank; decreased foreign assistance; slower economic growth (itself due to fiscal leakages and structural economic losses caused by Israeli restrictions on movement, access and trade); and higher public spending following the PA’s March 2021 decision to resume paying its former Gaza employees’ salaries in full, up from the 70 per cent it had been paying in previous years.


3 Ibid.

4 According to the UN Relief and Works Agency (UNRWA), 80 per cent of the Gazan population depends on international assistance. The May 2021 conflict pushed poverty to 59.3 per cent (using the $5.50 per day international poverty line), which is 2.3 percentage points higher than the COVID-19-induced peak in 2020. See “Economic Monitoring Report to the Ad Hoc Liaison Committee”, World Bank, 9 November 2021.
ence can erupt at any time. That will remain the case as long as Israel has no strategy for a long-term solution in the strip.5

In Israel, the coalition government of Prime Minister Naftali Bennett that took office in June 2021 introduced what it presented as an approach for “shrinking the conflict”, and adopted a different tone from its predecessor in dealing with Israel’s Western allies, especially Europe; as prime minister, Benjamin Netanyahu had tended toward the pugnacious.6 The coalition’s approach entailed a renewed focus on economic measures ostensibly aimed at improving Palestinian living conditions in the West Bank and Gaza in lieu of reviving talks about a political solution, the opportunity for which appears remote in any case.7 Bennett ruled out any diplomatic process and went on record stating that he opposes a Palestinian state.8 His government continued to create “facts on the ground”, building new infrastructure for and approving new housing units in Israeli settlements, thus unilaterally undermining the feasibility of a viable two-state solution.9

Before the government’s collapse in June 2022, the foreign minister, Yair Lapid, reportedly held out the prospect of a new policy if he were to become government leader (under a rotation agreement), but a significant revision of Bennett’s approach seemed unlikely.10 To the contrary, Lapid said he would honour the coalition agreement’s terms concerning the Palestine file – mainly, that the government would take no substantial action regarding the conflict. He also warned that the government’s composition, including right-wing parties, would likely prevent progress in political talks and allow only discussion of economic and security issues with the PA.11 In the event, he became head of a caretaker government with very little leeway to decide anything ahead of new elections.

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5 On Israel’s approach in Gaza, see, for example, Crisis Group Report, Beyond Business as Usual in Israel-Palestine, op. cit., Section III.B.
7 See “Israel’s Gantz hosts Palestinian President Abbas at home to talk ties, rising violence”, Haaretz, 28 December 2021.
8 Bennett said, “This government will neither annex nor form a Palestinian state. Everyone gets that. I’m prime minister of all Israelis, and what I’m doing now is finding the middle ground – how we can focus on what we agree upon”. Quoted in “New Israeli leader backs hard line on Iran but softer tone with U.S.”, The New York Times, 24 August 2021. A month later, he said, “I oppose a Palestinian state. It would be a terrible mistake”. Quoted in “Bennett says he won’t meet Mahmoud Abbas, Palestinian state a ‘terrible mistake’”, The Times of Israel, 14 September 2021.
9 Ibid. See also “Bennett rejects peace process with Abbas, focuses on Palestinians’ practical needs”, Haaretz, 1 September 2021.
10 Crisis Group interviews, European diplomats, Brussels, September 2021.
11 Lapid said, “This government is composed of a range [of people], from [New Hope MK] Ze’ev Elkin and [Yamina MK] Ayelet Shaked to [Ra’am leader] Mansour Abbas. I think it’s good that today’s foreign minister and the person who will serve from August 2023 as prime minister is a man who believes in the two-state solution. But even after the rotation, the coalition’s makeup will remain the same, and I will adhere to every agreement that I made with my partners”. Quoted in “Without peace talks, 2022 will likely see Israel designated apartheid state’, FM warns”, Israel Hayom, 4 January 2022. See also the Lapid-Bennett coalition agreement of June 2021, which includes a clause about “preserving Israeli interests in Area C” in the West Bank regarding Palestinian construction. “Coalition Agreement for United Government”, Knesset, 11 June 2021 (Hebrew). The coalition government’s collapse made these statements and agreements, but not their intent, obsolete.
Neither the decline of conditions on the ground, nor the April-May 2021 tumult, nor any subsequent flare-up has pushed the European Union or its member states to expend substantial political energy on addressing the Israeli-Palestinian conflict. The last genuine, albeit not effective, multilateral European diplomatic initiative dates from January 2017, at the tail end of the Obama administration, when France launched a Middle East peace conference. This exercise brought together 70 countries, including more than 40 at the minister level, and international organisations, jointly “reaffirming the international community’s commitment to the two-state solution” and “establishing an environment conducive to the resumption of bilateral and direct negotiations between the parties by lending tangible support to their efforts to promote peace”. This initiative fell short of its original goals, a senior French diplomat explained:

We had to revise our ambitions downward to get everyone to come, but we were able to reach the objective of reaffirming the two-state solution. Trump’s arrival in the White House stopped everything. Israelis never accepted the initiative: we could not get them to say the words “two-state solution”.

Since then, divisions within the EU have only widened. Several countries, especially the Visegrád group (the Czech Republic, Hungary, Poland and Slovakia) but also Austria, Greece, Latvia and Cyprus, were particularly vulnerable to Netanyahu’s attempts to divide the EU and to U.S. President Donald Trump’s approach to the conflict, which departed from agreed international parameters. Each state had a different motive for bowing to Netanyahu’s wishes. Still, Visegrád government officials say the main shared reasons included a desire to curry favour with the Trump administration after their governments’ bilateral relations with the U.S. had become strained under Obama; lessen criticism that anti-Semitism plays a role in Visegrád countries’ politics; and find in Israel a partner on files on which they felt isolated within the EU, such as the 2015 refugee crisis in Europe, which they viewed through a security prism.

12 In this report, the term “Europe” will denote “the EU and its member states” unless otherwise specified, as will the term “Europeans” or “European officials/diplomats”.
15 Crisis Group interviews, European diplomats, Brussels, September 2021. A diplomat said, “Netanyahu decided to confront and weaken the EU. Trump helped him in this. As a result, the Israel-Palestine file became one of the most sensitive and controversial ones among member states, and in some cases became a matter of domestic dispute, including vis-à-vis the EU”. See also “Vexed by annexation: The battle inside the EU over Israel”, Reuters, 23 June 2020. In the July 2014 Council conclusions, the EU set out the parameters for a twostate solution as follows: “An agreement on the borders of the two states, based on 4 June 1967 lines with equivalent land swaps as may be agreed between the parties. The EU will recognise changes to the pre-1967 borders, including with regard to Jerusalem, only when agreed by the parties; Security arrangements that, for Palestinians, respect their sovereignty and show that the occupation is over; and, for Israelis, protect their security, prevent the resurgence of terrorism and deal effectively with security threats, including with new and vital threats in the region; A just, fair, agreed and realistic solution to the refugee question; Fulfilment of the aspirations of both parties for Jerusalem. A way must be found through negotiations to resolve the status of Jerusalem as the future capital of both states”. “Press release – foreign affairs”, Council of the European Union, 22 July 2014.
and the COVID-19 pandemic, which they struggled to cope with. Prospects of enhancing bilateral cooperation in the economic, research, health and agricultural fields played a part, too.

A Visegrád diplomat summed up the core of the relationship:

We support each other on mutual concerns, both publicly and informally. For example, Israel supported us when we were criticised for being anti-Semitic. And when the EU criticised Israel, we supported the Israeli leadership in return.

The four Visegrád states chide the EU for what they consider its bias against Israel, saying its bilateral relationship with Israel should be disconnected from the conflict. Their diverging position has made it impossible for the EU Council to formulate new Council conclusions since January 2016. The Visegrád states have blocked EU joint statements (drafted by the office of the EU representative in Jerusalem or the EU high representative for foreign affairs and security policy in Brussels), which require unanimity, such as one criticising the January 2020 Trump Prosperity to Peace plan and warning Israel not to move toward formally annexing parts of the West Bank, compelling Josep Borrell, the EU high representative, to issue statements in his own name. He did so most recently during the 2021 Gaza war, after Hungary blocked a joint EU call for a ceasefire.

The 2021 change of government in Israel may have cooled “the romance” between Israel and the four Visegrád states, as one Visegrád diplomat put it, but it did not

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16 For security-related cooperation, see Netanyahu’s declaration during the V4-Israel summit in Budapest: “PM Netanyahu attends Visegrád Group summit”, Israel Ministry of Foreign Affairs, 19 July 2017. Regarding cooperation during the COVID-19 crisis, a Visegrád official said, “Israel helped us because we did not have a lot of vaccines. There are times when our European partners do not help us much, whereas Israel does. Israel helped us with epidemiological approaches, for example”. Crisis Group telephone interview, September 2021.

17 For example, Israel is Hungary’s biggest trading partner in the Middle East. Crisis Group telephone interview, European official, September 2021.

18 Crisis Group telephone interview, September 2021.


20 An EU senior official said, “When Trump made his plan public, the real challenge for the EU was not to be proactive but to maintain unity, as some member states, such as Hungary and the Czech Republic, were willing to go along with [the Trump plan]”. Crisis Group telephone interview, December 2021. See also “Council conclusions on the Middle East Peace Process”, press release, Council of the EU, 18 January 2016. Council conclusions are a document that the Council adopts to express a political commitment or position. They are not legally binding. The European Council (composed of the heads of state or government of the 27 EU member states, the European Council president and the president of the European Commission) sets overall EU foreign policy guidance and the Foreign Affairs Council (which brings together the EU member states’ foreign ministers once a month in Brussels) specifies and implements its goals. The Foreign Affairs Council is responsible for EU foreign policy, defence and security relations, trade, development cooperation and humanitarian aid. See “Creation of the European External Action Service”, EEAS, 19 August 2021.

21 “6 countries block EU resolution that would have condemned Trump plan, annexation”, The Times of Israel, 4 February 2020.

fundamentally change the relationship. Nor are fresh Israeli elections brought on by the Bennett-Lapid coalition’s collapse likely to do so, as another right-leaning government is the most likely outcome. The EU’s 27 member states may thus remain unable to agree on anything other than the main lines stated in the 2016 Council conclusions. They may be condemned to pursue this lowest common denominator approach if they want to preserve EU unity vis-à-vis the Israeli-Palestinian conflict.

Despite growing internal divisions, the EU and its member states remain the biggest provider of external assistance to the Palestinian territories, even if aid has been in continuous decline since 2015. The main EU financing tool for Palestine, the European Neighbourhood Instrument, includes direct financial support, support for Palestinian refugees and development programs (€1.28 billion in 2017-2020). To this aid should be added the EU’s humanitarian assistance (€25 million in 2022 so far, and more than €852 million since 2000). Aid policy is set by the European Council and the Foreign Affairs Council, with the European External Action Service (EEAS) mandated to implement and monitor. The European Commission is in charge of operational expenditures.

This report aims to shed light on where the EU and its member states stand in terms of their diplomacy and aid policy toward the occupied Palestinian territories, and what dilemmas they face, given developments on the ground. It explores three main axes around which discussions have taken place in the past two years among European officials and in diplomatic circles: the political crisis around the PA, the EU’s no-contact policy toward Hamas and the feasibility of a viable two-state solution. It aims to give European officials ideas that could help them transform these discussions into substantive debates and design tools for adapting their policy accordingly. The report does not cover domestic political considerations in Europe that shape the extent and nature of their engagement on the conflict. It is based on more than a hundred face-to-face and telephone interviews between September 2021 and January 2022 with European officials and diplomats in European capitals, Jerusalem and Ramallah; Palestinian officials (of the PA and Hamas); Palestinian civil society representatives; and officials of international organisations.

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23 He said, “Lapid has different priorities, and we therefore have less public support from Israel. Let’s say that our bilateral relationship became less personal, more formal. But Israel’s governing coalition still needs European allies; this did not change”. Crisis Group telephone interview, September 2021.
25 To the EU’s assistance should be added bilateral aid packages from member states amounting to €300-400 million per year. See “Palestine”, European Neighbourhood Policy and Enlargement Negotiations, European Commission website.
26 Ibid.
28 See “Creation of the European External Action Service”, op. cit.
II. The PA’s Political Crisis: A European Conundrum

After the May 2021 Gaza war, the U.S. and European governments, alarmed by the growth in Hamas’s popularity, turned their attention to how to revive the PA and, eventually, restore it to power in Gaza. A European diplomat said: “The U.S. set the tone, as did German Foreign Minister Heiko Maas”.29 With the Islamist movement riding high in Palestinian opinion at war’s end, Washington and European capitals were keen to strengthen what, in their eyes, is the sole bulwark in the Palestinian polity blocking its rise.

Europe, in particular, repeatedly states it wants to shore up the PA. Both before and after the 2021 war, officials regarded the PA as an entity in deep crisis. The bilateral relationship had become strained after Mahmoud Abbas cancelled Palestinian elections at the end of April and Nizar Banat died in PA custody in June. Yet no real debate has developed in European capitals over how to stop the PA’s authoritarian drift, let alone whether to keep backing the PA, due mainly to the high priority put on West Bank stability and disagreements over the criteria for conditioning European aid. Seeing the confusion, the PA leadership has kept acting on the assumption that it can take continued European support for granted.

A. Discomfort with the PA’s Authoritarian Drift

Its attitude after the war notwithstanding, Europe has been increasingly uncomfortable with its support for the PA in Ramallah.30 No election for a PA body has taken place since 2006 and Abbas’s term as president was to have ended in 2009. Hence European capitals for the most part welcomed Abbas’s January 2021 announcement of three rounds of elections for later that year: legislative contests in May, a presidential election in July and elections for the Palestinian National Council, the Palestine Liberation Organisation’s decision-making organ, in August. The EU issued a statement declaring its support for these steps, offering its assistance and calling on Israel to facilitate the process.31 It was notably keener on Palestinian elections than the U.S., which had distanced itself from the issue.32 As a European diplomat put it, Europe considered elections to be “a way to support a more democratic governing authority”.33

Europeans thus experienced Abbas’s cancellation of the polls in April “as a slap in the face”.34 It was partly the decision itself that stung, though as discussed below, Europe was more ambivalent about the elections than its public enthusiasm indicat-

32 A European diplomat said, “We [Europeans] were alone on the elections question. The U.S. was not particularly reluctant but was counting on us to do the job. ... They knew that they could only receive blows [for pushing for elections that Hamas might very well have won], and that made little sense for an administration that had just come into office”. Crisis Group interview, Brussels, September 2021.
33 Crisis Group interview, European diplomat, Brussels, September 2021.
34 Crisis Group interview, European diplomat, Brussels, September 2021.
ed. But another irritant was that the PA leader indirectly blamed Europe for his decision, saying it had applied insufficient pressure on Israel to allow Palestinians in East Jerusalem to vote. He invoked the East Jerusalem issue to justify indefinitely postponing the polls; in reality, he took the decision partly because he had become convinced that his Fatah party, which had fragmented, could not achieve victory.35

In any case, European relations with Ramallah suffered.

The violent death in detention of Banat, an outspoken Palestinian critic of the PA, in June ratcheted up tensions a notch. His death came against the backdrop of increasing political arrests and harassment of civil society organisations by the PA. A European diplomat said the EU and member states assumed a low profile following the incident, still wanting to bolster the PA, but noted that Banat’s death “changed European minds”.36 It prompted informal discussions among diplomats in Jerusalem and Ramallah, as well as in some European capitals, such as Berlin and Rome, about “if” and “how” to build leverage to seriously hold the PA accountable for rule of law failures and human rights violations.37 These discussions remained limited in scope, however, and so far have not led to policy changes.

The primary reason, again, is fear of the unknown should the PA collapse. The Europeans were well aware that Abbas was more unpopular than ever, following his inactivity during the war and amid the PA’s deepening repression and severe fiscal crisis.38 But they were too worried about a possible Hamas victory to put serious pressure on him. Putting aside their discontent with the cancelled polls, they focused on how to help the PA overcome its political and economic challenges, including by attempting to give it a firm foothold in Gaza through almost exclusive oversight of reconstruction, replicating the Israeli government’s stance.39 The Biden administra-

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35 Crisis Group interview, EU official, Brussels, September 2021. See Crisis Group Report, Beyond Business as Usual in Israel-Palestine, op. cit. A European diplomat said, “From our side, we felt that we would not be able to press Israel to allow voting in East Jerusalem by ourselves, but we did not really explore alternative ways to enable East Jerusalem Palestinians to vote. And we were not clear about how we should deal with the results”. Crisis Group interview, Brussels, September 2021.
36 Crisis Group interview, European diplomat, Jerusalem, October 2021. According to diplomats in Jerusalem and Ramallah, European governments sent several private messages of protest to the PA at the local diplomatic mission level. European capitals also made telephone calls to Abbas’s close advisers to register their dismay. Yet almost all public expressions of “serious concern” came only from the mission level. See “EU local statement on the death of activist Nizar Banat”, Office of the EU Representative (West Bank and Gaza Strip, UNRWA), 24 June 2021. A European diplomat in Brussels explained that for some member states it is common practice to make such declarations in specific cases only at the diplomatic mission level. Crisis Group interview, September 2021.
37 A European diplomat said, “After Banat, we started to question our support for the PA. We considered adding more conditions. This was new. It was not about abandoning the PA but being more forceful in our demand for reforms”. Crisis Group interview, Jerusalem, November 2021.
38 Crisis Group interviews, European diplomats, Jerusalem, October-November 2021.
39 See “Can US help rebuild Gaza without rehabilitating Hamas?”, The Times of Israel, 26 May 2021. A European diplomatic mission’s head of cooperation said, “The decrease of investment for reconstruction – not of humanitarian aid – in Gaza derives from new donor requirements. Donors are unwilling to provide funds in the absence of a more sustainable solution [that would forestall a new war], but they are acting partly also on the basis of a European conclusion following the May war that Europe needs to strengthen the PA in the wake of Hamas’s political gains”. Crisis Group interview, Jerusalem, October 2021.
tion, for its part and for its own reasons, has adopted a similar policy vis-à-vis the PA, favouring small steps to “fix Ramallah”.

B. Stability or Better Governance?

Fear of what might happen were the PA to collapse largely explains Europe’s general reluctance to pressure it, including through aid conditionality, to better serve Palestinians. In principle, Europe would like the PA to exercise better governance and show greater respect for the rule of law. But it is loath to weaken the PA leadership by withholding resources and international backing when, in its view, it lacks an alternative. European governments consider Abbas and his circle, despite their lack of legitimacy among Palestinians, to be Europe’s only “reliable” partners, because they subscribe to the agreed-upon international parameters for resolving the conflict – a two-state solution within the Oslo framework – including the security arrangements that result, which are aligned with Israel’s interests.

Europe is thus heavily focused on what it perceives as stability in the West Bank. The EU and its member states are the PA’s primary donors, well ahead of the U.S. and Gulf Arab states, especially in the last few years. They are afraid that, if they withhold even partial funding, not only would it harm the Palestinian population, but it might precipitate the PA’s collapse, contributing further to Palestinian suffer-

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40 A U.S. official said, “Washington’s policy today is ‘do not rock the boat’. We would not prevent elections, of course, but we do not have an interest in elections either, because of Hamas. Our policy today is to ‘fix Ramallah’ through practical measures, nothing related to the peace process. The PA is in a such a bad position financially and facing such growing protests that we do not focus on Israel’s confidence-building approach. Let’s push them to try to fix themselves and see how we can help. It is hard to talk about other things when the PA could collapse at any moment”. Crisis Group telephone interview, December 2021.

41 A European diplomat said, “We are aware of the PA leadership’s diminishing legitimacy. We are sending strong messages. But the question is: what happens once Abbas is no longer in charge?” Crisis Group interview, Ramallah, October 2021. Another European official said, referring implicitly to Hamas, “Abbas is telling us: ‘If you take a harder approach toward the PA leadership, you will weaken us, and other political forces will become stronger’”. Crisis Group telephone interview, September 2021.

42 A European head of mission said, “We [Europeans] do it everywhere: we support the powers that be for the sake of stability and overlook the fact that people no longer support them. And you need to add another factor: that we do not have the will to confront Israel”. Crisis Group interview, Jerusalem, October 2021. Another European diplomat said, “We are not ready to challenge the security cooperation between Israel and the PA and we don’t want to weaken the PA, as this would go against Israel’s interests”. Crisis Group interview, Jerusalem, October 2021.

43 The EU’s PEGASE Direct Financial Support Instrument provides financial assistance to the PA to cover its recurrent costs in three sectors: 1) salaries and pensions for a list of civil servants based on specific criteria, mainly in the education ministry (in 2020, the EU contribution represented 4 per cent of the PA’s total expenditures for all civil servants); 2) a cash transfer program for the most vulnerable families (between 30 and 60 per cent of the PA’s total social allowances); and 3) East Jerusalem hospitals (15 per cent of their total cost). In 2020, PEGASE funds amounted to around €140 million. In addition, Norway provides 150-200 million kroner (approximately €15-20 million) in budget support per year, on a total budget to the Palestinian territories of 600-700 million kroner (€59-69 million) per year. Crisis Group interview, EU official, Jerusalem, October 2021. U.S. financial support for the PA and its security services came to a halt after Congress passed the Anti-Terrorism Clarification Act in 2018.
ing and auguring the end of any hope for the two-state solution. They have a hard
time distinguishing the PA leadership from PA institutions, mainly because they see
no alternative, but also because they believe that the PA’s governance problems are
so fundamental that the institutions require substantial reforms, which in turn might
also lead the PA to ruin. A European diplomat said,

We are aware that the PA has no democratic institutions, that it consists of a small
decision-making circle, that it is unreformable. We know that the PA requires ma-


Finally, some EU member states underline the difficulty of putting serious pressure
on the PA, including through aid conditionality, to respect human rights while taking
no concrete steps to hold Israel to its obligations under international law. A European
diplomat said, “If we don’t speak out against Israel’s settlement policy, how can we
hit the PA [on human rights violations]?”

As a result, European criticism of the PA’s autocratic tendencies has been limited.
In turn, Europe, as the PA’s main political and financial backer, faces ever sharper
criticism from Palestinian civil society that it is failing in its responsibility to put an
end to the PA’s authoritarian drift.

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44 A European diplomat said, “Should we continue to support the PA given its authoritarian drift? The PA is not a bankrupt state. It is still providing services. The idea is that you can’t make people pay when they are already in bad shape. The PA is telling us: we are not Egypt or Jordan [in terms of repression]. And whoever says the end of the PA says the end of a Palestinian state”. Crisis Group interview, Jerusalem, September 2021.

45 A European diplomat said, “We feel that we don’t have an alternative to the current leadership. Hamas is not an option. And civil society is not as strong and organised as we would like. You have some other Fatah leaders, but apart from Marwan Barghouthi, they offer too little counterweight to Abbas. The same holds for the other or new political parties. So, what should we do? How can we have a new partner in Palestine?” Crisis Group interview, Jerusalem, September 2021.

46 Crisis Group interview, European diplomat, Jerusalem, October 2021.

47 Crisis Group interview, Brussels, September 2021. Another European diplomat said, “Putting pressure on the PA is complicated as long as we are not putting pressure on Israel. How do you want us to seriously and credibly ask the PA to respect human rights when we are not putting pressure on Israel to respect the basic tenets of international law?” Crisis Group interview, Jerusalem, October 2021.

48 A Palestinian working for an international organisation that promotes respect for human rights said, “After the killing of Nizar Banat, Canada stopped its funding of the judicial sector in protest. But what has the EU done? Or France or Italy? Did one of them use its cooperation with the judicial apparatus and security services to raise its voice?” Crisis Group interview, Ramallah, October 2021. Four EU countries (the Netherlands, Italy, Poland and Bulgaria) and the UK are part of the U.S. Security Coordinator, the main organ working with the PA on security sector reform and security coordination with Israel. See the United States Security Coordinator for Israel and the Palestinian Authority website. A European diplomat said some EU member states also maintain bilateral cooperation with different branches of the PA security services, such as Italy and France (respectively training civilian police in tourist and cultural areas and special police forces). Crisis Group interview, Jerusalem, October 2021. According to an official of the EU Coordinating Office for Palestinian Police Support (EUPOL COPPS), EU cooperation with the Palestinian civil police, which Palestinian civil society organisations have heavily criticised for its excessive use of force during demonstrations, is
C. **Fear of a Pandora’s Box Effect**

Alongside the priority of stability, internal divisions (including between the EU and member states) have undermined Europe’s capacity to adapt its collective policy toward the PA based on developments on the ground. Increasing European discontent with the PA is far from limited to rule of law issues. It assumes different forms and comes from different vantages, including advocacy for better governance and desire to please Israel.

Over the past few years, the PA has become a target for criticism in the European Parliament, as well as in member states’ national parliaments. Some member states have gone as far as to make funding cuts in specific sectors, such as justice, to register their concern. In 2018, worried about PA mismanagement, the EU Commission created an incentives-based approach in specific fields of cooperation (public finance, water and energy), using a set of performance criteria, which are still in place. The aim is to ensure that the PA spends money in these sectors according to European development goals in Palestine. It entails conditioning a certain percentage of funding on defined benchmarks, for instance, enactment of relevant laws, that the PA needs to meet.

All the member states accepted these criteria, which they deemed objective, but some European governments, such as France and Ireland, feared that holding the PA thus accountable might open a Pandora’s box of indiscriminate “PA bashing”.

limited to an advisory role on a strategic level and does not provide training or lethal materials, unlike other EU missions in the world. Crisis Group interview, Ramallah, November 2021.

49 In this respect, it is noteworthy that some European criticism of the PA’s shortcomings echoes complaints lodged by Israel – and might thus be seen as taking sides. Education is one example: Israel has long protested that Palestinian textbooks incite violence, for example by referring to a legitimate right to resist occupation. Another complaint relates to the PA’s welfare payments to families of Palestinian prisoners in Israeli jails, whom Israel calls “terrorists”. In November 2019, after the Israeli government condemned these payments, the Dutch legislature slashed budget support to the PA that allowed it to pay the salaries of justice ministry employees. See “Netherlands cuts aid to Palestinian Authority over terrorist salaries”, *Haaretz*, 21 November 2019. European officials note the apparent contradiction between Israel’s push to undermine the PA’s funding because of payments to prisoners’ families and its parallel call to provide financial support to the PA during its fiscal crisis. One said, “Israel repeatedly said during Ad Hoc Liaison Committee meetings in 2021 that it wants more international funding for the PA. It is clear that it wants to wash its hands of its responsibilities as an occupying power. The paradox is that it bashes the PA whenever it can. But it also wants to make sure that this very limited authority [the PA] remains in place”. Crisis Group interview, January 2022.

50 In the water sector, for example, financial incentives are linked to indicators of reforms, such as enactment of a law establishing an accountable national water agency. Crisis Group telephone interview, EU official, December 2021. An EU official said, “We have an open and frank dialogue with the PA. While we acknowledge that some things cannot be done because of the occupation, there are other things the PA can do, such as developing accountable institutions. This is the governing principle in our work, especially because of what we see as worrying trends”. Crisis Group telephone interview, EU official, September 2021.

51 Crisis Group interviews, European diplomats, Jerusalem, October 2021. One of the interviewees used this term. A European official said, “We would like to be tougher. But not at all of us are in favour of conditioning aid. We do not want the Palestinian people to pay the price for the PA’s failings”. Crisis Group interview, European capital, January 2022.
These governments say they must carefully calibrate any conditionality as long as the occupation persists.52

Tensions have been particularly prominent between these member states and European Commissioner for Neighbourhood and Enlargement Olivér Várhelyi since his arrival in December 2019. In January 2022, Várhelyi, who has the backing of the Visegrád countries, drew opposition from major European states when he attempted to extend the incentives-based approach to the PA’s education sector in response to the findings of an EU-funded project that examined the content of revised Palestinian textbooks for the 2017-2018 academic year following major curricular reforms in 2017.53

The main European governments had two concerns about the consequences of Várhelyi’s initiative. First, they were worried that EU budget support for the PA, which had been delayed for a year in 2021 due to technical issues and remained blocked while Várhelyi’s proposal was debated, would compound the PA’s financial difficulties.54 Secondly, they felt that what Várhelyi did had strangled debate about governance and rule of law conditionality in its crib, because they believed that opening such a debate would play into the hands of those “who want to use aid conditionality to harm the PA”.55 A European diplomat said,

52 Crisis Group interviews, European diplomats, Jerusalem and Ramallah, October-November 2021.
53 Crisis Group interviews, European officials, European capitals, January 2022. The researchers examined Palestinian textbooks for expressions of ethno-religious hatred and violence, promotion of peace and religious coexistence, and text advocating reconciliation, tolerance and respect for human rights. The report’s executive summary states, “The analysis revealed a complex picture: 1) the textbooks adhere to UNESCO standards and adopt criteria that are prominent in international education discourse, including a strong focus on human rights; 2) they express a narrative of resistance within the context of the Israeli-Palestinian conflict; and 3) they display an antagonism towards Israel”. “Report on Palestinian Textbooks”, Georg Eckert Institute, 2021. A European diplomat said about the Palestinian textbooks case, “There was a lot of pressure in the European parliament, especially from Hungary. It was a way to touch UNRWA”. Crisis Group interview, Brussels, September 2021. In September 2021, the European Parliament Committee on Budgets advanced an amendment to condition more than €20 million in aid to UNRWA on “substantive positive changes in the Palestinian Authority curriculum that promotes coexistence and tolerance with the Jewish-Israeli ‘other’ and peace education with Israel in alignment with the goals of the two-state solution”. The amendment is headed for a plenary vote as part of the overall 2022 budget package. “EU Parliament moves to condition UNRWA aid over PA incitement”, i24 News, 29 September 2021. The EU has never made such a demand of Israel. During Várhelyi’s visit to the occupied territories in March 2022, PA Prime Minister Mohammad Shtayyeh rejected the commissioner’s request regarding the education sector and threatened to refuse all EU assistance. Crisis Group telephone interview, European diplomat, April 2022.
54 The EU Council has to approve all cooperation programs. Member states vote on their priorities and the total budget only, not on budgets allocated to specific sectors. For this reason, the budget stayed blocked as long as there was no consensus regarding Várhelyi’s proposal on applying the incentives-based approach to the education sector. Crisis Group interview, European official, European capital, January 2022. Several member states criticised the Commission for its lack of transparency about how the indicators relate to the incentives-based approach, especially because the discussions delayed not only EU but also some member state funding for the PA, which is channelled through PEGASE – the EU Direct Financial Support Instrument. Crisis Group telephone interview, European diplomatic mission’s head of cooperation, December 2021.
55 Crisis Group interview, European diplomat, Jerusalem, October 2021. Major European powers stress that the EU-funded research concluded that Palestinian textbooks adhere to UNESCO standards. A European diplomat said, “If we toughen our tone and introduce conditionality, it has to be
The cancellation of elections and Banat’s death prompted a debate on conditionality. But it became a dangerous portal that some member states wanted to use for reasons other than governance and human rights. Várhelyi’s obsession with Palestinian textbooks has choked off any debate about governance-related conditionality or democracy criteria for aid.56

During a visit to Israel and the Palestinian territories in mid-June, European Commission President Ursula von der Leyen confirmed the resumption of EU funding for 2021 (€214 million), belatedly rejecting Várhelyi’s approach.57 But similar disagreements over the incentives-based approach to funding the PA could crop up again, given the different priorities among member states.

More generally, the EU and its member states could find that using money as a tool to advance a two-state solution is almost impossible, absent agreement on how to treat the two sides. They are reluctant to introduce any sort of incentives-based approach in their bilateral relationship with Israel.58 Paradoxically, the impossibility of member states agreeing on a strategy for using EU funds to ease the Israeli-Palestinian conflict led them to give the Commission an almost free hand. The Commission is more inclined to require efforts from the PA (for example, in the area of textbooks) than to push Israel to move ahead with the two-state objective.59

on real issues, such as the rule of law and democracy, not fake ones like the textbooks”. Crisis Group interview, Jerusalem, October 2021. A diplomat from a Visegrád Group state replied, “We need to use incentives. We are giving a lot of aid to the Palestinians, but we don’t see a lot of progress. It’s a good thing that the Commission is starting to expand incentives, like in the education sector”. Crisis Group telephone interview, European official, September 2021.

56 Crisis Group interview, Jerusalem, October 2021.
57 “EU unfreezes Palestinian funds, top official confirms in Ramallah”, Haaretz, 14 June 2022.
58 In July 2018, the European Commission’s director-general for Neighbourhood and Enlargement Negotiations (DG-Near), Christian Danielsson, and the managing director for the Middle East and North Africa at the EEAS, Fernando Gentilini, launched an initiative to review the modalities of EU engagement on the ground in support of a two-state solution. A main point in this paper was that the EU should engage Israel in an effort to give the Palestinians greater access to basic resources in Area C (the 60 per cent of the West Bank that, pursuant to the Oslo accords, is under full Israeli military and civil control) as a way to maximise the impact of EU investment in the Palestinian territories. But the paper did not link this “triangulation concept” to any kind of conditionality in the bilateral EU-Israel relationship, because senior European leaders have never accepted such a notion. Crisis Group telephone interview, senior EU official, December 2021.
59 An EU senior official said, “If you want to link the policy objective and the money, meaning if you want to link the EEAS and DG-Near, you need to have the member states on board. If the EEAS is unclear about its strategy, the Commission will go ahead with its own policy”. Crisis Group telephone interview, December 2021. Another senior EU official explained that the review’s principal ideas informed the EU’s annual programming, leading to the incentives-based approach toward the PA. But the Commission did not press Israel to commit to triangulation; those in the EU who wanted to do so had insufficient political support. The PA has thus felt more pressure to reform than Israel has to ease constraints on West Bank development. Crisis Group telephone interview, December 2021. Another senior EU official stressed the difficulty in getting Israel to endorse triangulation: “We [the EU] only do one thing: stay calm, we’ll fix this, we’ll pay more. How is this contributing to the two-state solution? We need to reconcile financial support with the political. The main problem is that on the Israeli side they don’t want to commit to triangulation. On the contrary, they want to control our support so that it further enables the occupation, while we want our support to help Palestinians to become more independent and self-determined”. Crisis Group telephone interview,
D. **What PA Leaders Say**

The PA leadership does not expect that the EU will impose aid conditionality based on governance criteria. A Palestinian analyst with access to the PA explained that PA leaders view EU financial support not “as a favour” but as “what the international community pledged to provide in exchange for [the PA’s] political commitments within the Oslo framework”. He argued that the West has not fulfilled its own commitments under Oslo and therefore bears responsibility for the peace process’s failure, which in turn is the root of the PA’s political and fiscal crisis. In the PA’s view, Europe cannot expect the Palestinians to build a functioning state without the right tools – such as a fiscal policy, control of borders and access to resources. A PA official said:

> Of course, we need to fix our mismanagement. But if Israel gave us our rights, we would not need Europe’s financial help. Look only at the trade system: we estimate that sector’s loss at $1 billion a year. Israel wants a weak PA, not its complete collapse. But how can you ensure democratisation and economic development with a weak PA? Europe is giving us aid, but what it should really be doing is forcing Israel to deliver.

Hearing the growing European criticism of the elections’ cancellation and Banat’s killing, the PA quickly denounced what it considered European double standards. PA leaders do not believe that Europe would risk destabilising the PA over human rights or governance concerns. Instead, they believe that Europe’s priority lies with stability and security cooperation with Israel and that, in any event, it lacks a ready alternative to Abbas and his coterie.

Self-interested as this analysis may be, it is true that Europe is a victim of its own choices. These choices leave it wedged to a PA that is drifting further and further...
toward authoritarianism at a time when the possibility of a two-state solution seems to be disappearing. A diplomatic mission head of cooperation put Europe’s conundrum as follows: “We’re stuck: we can’t stay, but we cannot leave, either”.  

Crisis Group interview, Jerusalem, November 2021. The head of a Palestinian research centre said, “If Europe is unable to protect its own investment in Area C [60 per cent of the West Bank that is under full Israeli military and civil control]; if Israel does not fear the consequences for having destroyed European-funded structures in Area C; if Europe does not manage to hold Israel accountable, not only in front of international law but also in its own bilateral relationship, then Abbas understands that Europe is impotent. And he will have no problem with making it seem as if he postponed the elections because Europe was unable to deliver on East Jerusalem [pressing Israel to allow Palestinian residents to vote], or to make the Europeans believe that this was the reason for the cancellation”. Crisis Group interview, Ramallah, October 2021.
III. A No-contact or a No-action Policy?

A main reason why Europe is stuck with the PA is that it has refused to deal with Hamas. In early 2021, Abbas’s elections announcement revived debates that Europeans had been able to push to the side. While the EU and European capitals welcomed his decision, everyone’s mind was on the elephant in the room, Hamas.67 Elections risked confronting Europeans with an old dilemma: how would they respond were Hamas to win?

The Islamist movement had put Europe in this tight spot in 2006, when it prevailed in parliamentary polls. Europe recognised the result but reiterated its long-time position that there was no place in Palestinian formal politics for groups or individuals advocating violence. It issued a statement urging “all factions to disarm, renounce violence and recognise Israel’s right to exist”.68

Days later, the EU joined the U.S., the UN and Russia – the other members of the so-called Quartet formed in 2002 to back Middle East peace efforts – in a second, more consequential statement. The Quartet members said they would review financial assistance against the new PA government’s commitment to the principles of non-violence, recognition of Israel, and acceptance of previous agreements and obligations.69 Along with the U.S., Europe did indeed cut its direct aid when Hamas formed its first cabinet without acceding to these demands, which have become known as the Quartet conditions.70 The aid resumed only in mid-2007, when Hamas took over Gaza following an attempted Fatah coup and Abbas formed a new Fatah-led government in the West Bank that excluded Hamas. In the interim, the EU and its member states adopted a policy of no contact with the Islamist movement.71 Another Hamas victory would thus threaten to shake what has become a pillar of the European approach to the Israeli-Palestinian conflict.

67 See “Palestine: Statement by the Spokesperson on launching the preparations for elections”, op. cit.
68 See “Presidency statement on behalf of the European Union on PLC elections”, European Commission, 26 January 2006.
70 Crisis Group interviews, European diplomats and Palestinian NGO representatives, Brussels and Ramallah, September-October 2021. The EU and U.S. continued to withhold funds from the short-lived Hamas-Fatah unity government that formed in March 2007, because while the government’s program referred to a commitment to respect the agreements signed by the Palestinian Liberation Organisation (PLO), it did not mention the Quartet conditions explicitly.
71 The EU and its member states started the no-contact approach in 2006, based on a non-paper presented by the Netherlands, Belgium and Luxembourg to the European Foreign Affairs Council in April 2006. Not all EU member states formally adopted this approach, which was separate from the Quartet conditions, and neither did the UN and Russia. The policy is also separate from the “terrorism list” that the EU adopted pursuant to UN Security Council Resolution 1373 (2001), which imposed a travel ban and asset freeze on certain individuals, groups and entities, but did not include a no-contact element. See “EU Terrorist List”, European Council. Regardless of the official no-contact policy, communication channels with Hamas do exist, but mainly indirect ones through former officials of EU member states. There are also strong hints that some member states’ intelligence services have direct channels with Hamas. Yet these contacts have not translated into political engagement that could affect Hamas’s or European positions, likely because they are not at a sufficiently senior level.
Hamas leaders see the contradiction in the European position – wanting democratic renewal while rejecting the movement’s integration into Palestinian politics – as enabling the PA to avoid elections, as well as reconciliation with its rival. They contend that, even if Hamas continues to formally reject the Quartet conditions, the movement has already had substantial internal debates and revised its charter in part to allay European concerns. Any further steps, they say, require direct dialogue.72

A. The Palestinian Election Conundrum

After Abbas’s announcement, the EU promptly expressed its approval, saying it stood ready to engage to assist in organising the elections.73 A diplomat said Europeans all wanted to demonstrate that the EU strongly supported the polls “because of the absolute need for democratic renewal, legitimacy and representativeness” after fifteen years without an electoral exercise.74 As another diplomat underlined, it was also a matter of heading off criticism from anyone who might try to pin the blame on the EU should the balloting not take place.75

Europe’s elections consensus came about as the EU and its member states were taking flak mainly from Palestinian civil society organisations for contributing to democracy’s decline in Palestine, starting with their refusal to extend recognition to the elected Hamas government in 2006 and extending through their support for the increasingly authoritarian PA today.76 Moreover, almost all EU member states favoured – at least in principle – elections “as a way out of the split between Hamas and Fatah, and the division of the West Bank and Gaza, enabling the PA’s return to Gaza”.77

While the EU’s declaration of support was clear, internal divisions complicated the effort to translate it into concrete policy. The majority of European governments wanted to avoid what had happened in 2006, when they were unprepared for Hamas to win or to participate in government.78 Most European capitals appear to have concluded, in hindsight, that they were wrong not to work with the first two Palestinian governments that followed the 2006 polls – the initial Hamas government and the Hamas-Fatah unity government of March 2007 – because Hamas did not formally accept the Quartet conditions. These capitals seem to believe that their refusal to cooperate entrenched intra-Palestinian divisions and undermined democracy, both of which effects were detrimental to the goal of reaching a two-state solution.79

In early 2021, mainly on the initiative of EU Special Representative for the Middle East Peace Process Susanna Terstal, member states started discussing “how to come to a position to deal with a possible outcome if elections were to take place”, as a senior EU official put it.80 At first, these talks occurred among a small group of member nations, but they became more inclusive as the timeframe for hosting elections closed. As this report was going to press, the EU was preparing a position paper setting out the conditions under which it would support elections in the West Bank and Gaza, with the aim of ensuring that the PA would have uncontested control over the elections.81

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72 Crisis Group telephone interviews, Hamas leaders, January 2021.
73 See “Palestine: Statement by the Spokesperson on launching the preparations for elections”, op. cit.
74 Crisis Group interview, European diplomat, Brussels, September 2021.
75 Crisis Group interview, European diplomat, Brussels, September 2021.
76 Crisis Group interviews, EU officials and Palestinian civil society representatives, Jerusalem and Ramallah, September-November 2021.
77 Crisis Group telephone interview, EU senior official, December 2021.
78 Crisis Group interviews, Jerusalem, September-November 2021.
79 Crisis Group interviews, Jerusalem, September-November 2021.
80 Crisis Group telephone interview, EU senior official, December 2021.
states, including France, Germany and Spain, based on a consensus that the EU needed a policy for the eventuality of a government including Hamas members. European officials suggested that they could reach this point because Hamas had indicated it would not try to be at the forefront of a future government. But no one questioned either the Quartet principles or the no-contact policy. What was on the table instead was the flexibility that would be needed to interpret the Quartet conditions in such a way as to allow interaction with a government of which Hamas was part. A European diplomat explained:

The Quartet principles remain valid, but it is all about substance. Our discussions focused on defining what would suffice as a declaration of acceptance of these principles, and second, from whom we would need such a declaration. Would it be enough if all the cabinet ministers were to say they accept them, or just the prime minister or the president? Or would we expect this from Hamas as a whole?

According to a European diplomat, the two scenarios that these member states considered most probable were, first, that the government would not include Hamas members but technocrats selected by Hamas on the model of the 2014 “national consensus” government – which Hamas had said it would accept; and secondly, that the prime minister would accept the Quartet principles, but he alone, and that no senior Hamas member would take a prominent ministerial post.

Although these discussions saw progress, internal divisions prevented EU member states from formulating a common position ahead of the elections. Some, such as Hungary and the Czech Republic, refused to formally debate this matter. A European diplomat from one of the major member states explained:

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81 A European diplomat said, “Discussions were easier than one might have expected, as there was a shared assessment that Europe could not afford to repeat its mistake of 2006”. Crisis Group interview, Brussels, September 2021.
82 Crisis Group interviews, European officials and diplomats, September-November 2021.
83 Crisis Group interview, European diplomat, Brussels, September 2021.
84 Crisis Group interviews, European diplomat, Jerusalem, October 2021; and Hamas officials, Gaza, January-March 2021. Hamas and Fatah made several attempts after 2007 at reconciling and reunifying Gaza and the West Bank. They came closest in June 2014, when they formed a “national consensus” government led by a Fatah prime minister, Rami Hamdallah. The EU and U.S. accepted and continued funding this government, as it consisted exclusively of independent technocrats and publicly endorsed a speech by Abbas reaffirming the two-state solution, respect for previous agreements signed with Israel and rejection of violence. See “Palestinian unity government of Fatah and Hamas sworn in”, The Guardian, 2 June 2014. On the U.S. reaction and relevant domestic legislation, see “Obama administration to work with Palestinian unity government”, Reuters, 2 June 2014. The government dissolved in June 2015 following disagreements between Abbas and Hamas.
85 Crisis Group telephone interviews, EU senior officials, December 2021.
86 A Visegrád diplomat explained, “Our position on elections was clear. Before opening a debate, we should wait for the elections to happen and the results to be announced. We were pessimistic from the beginning. Why decide on something if it is not going to happen anyway? Some member states wanted to open the debate, but we said no. Three main factors accounted for our position: our policy on terrorist groups, our privileged relationship with Israel and the same for Egypt”. Crisis Group telephone interview, September 2021.
The Hungarians, Czechs, Romanians and Bulgarians showed huge reluctance to discuss how to apply the Quartet conditions. Israeli diplomats lobbied them really hard. These countries did not reveal their hand. It is therefore difficult to say if they would have blocked a decision by other member states, or where precisely they drew their red lines.87

Nor were major member states, such as France and Germany, ready to review the no-contact policy.88 Instead, said a senior EU official, the only way to have debates around the elections was to think of ways of dealing with a post-election government while leaving the EU’s policy on Hamas intact.89 A European diplomat from the same group said:

The fact that we didn’t announce anything ahead of the elections despite progress during our informal small-group discussions was normal. We’re not at a point yet to really change things. Obviously, this reduced the scope of our discussions. But we quickly understood that these elections were anyway hypothetical, and this comforted us.90

B. The No-contact Policy: A Capital Taboo

EU and member state officials, especially diplomats in the region, have questioned the EU’s no-contact policy for years, underlining the gap between official pronouncements and what many privately acknowledge is a failed policy. A senior European official said:

Everyone [in Europe] admits that the no-contact policy has been a total failure, but we can’t get out of it. There is no real initiative out there that could lead to a serious policy change vis-à-vis Hamas.91

Such European voices argue the no-contact policy undercuts European interests. They question the alignment between the no-contact policy and Europe’s official support for establishing a viable, democratic and contiguous Palestinian state, ending violence harming civilians from both sides and lifting Israel’s closure of Gaza. They contend that, contrary to its stated objective, the no-contact policy has undermined democracy and failed to re-establish the PA’s control of Gaza, a prerequisite in Europe’s view for a viable Palestinian state.92 More generally, they contend that the policy has undermined Europe’s diplomatic clout by weakening its influence over the parties and European actors’ potential role as mediators despite their significant financial investment. Europe has instead mostly been limited to providing humanitarian and development assistance, which often comes to naught due to recurrent out-

87 Crisis Group telephone interview, senior European official, September 2021. A former senior Israeli official contended that dropping the Quartet conditions would amount to “rewarding Hamas for spurning these conditions and for its violence”. Crisis Group telephone interview, 15 August 2022.
88 Crisis Group interviews, European diplomats, Jerusalem, October 2021.
89 Crisis Group telephone interview, senior EU official, December 2021.
90 Crisis Group interview, Jerusalem, October 2021.
91 Crisis Group telephone interview, September 2021.
breaks of violence, particularly in Gaza, and lack of interaction with the main stakeholders on the ground.93

In 2019-2020, the Office of the EU Representative to the West Bank, the Gaza Strip and UNRWA in Jerusalem undertook a study of the no-contact policy’s impact on future Palestinian elections and on European activities in Gaza.94 Yet none of the non-papers resulting from the discussions about the no-contact policy has reached a desk above the Middle East director level in European foreign ministries. A European diplomat said the issue has come up at the directors’ level only on the few occasions, when a foreign minister was planning a visit to the region.95 The EU office in Jerusalem, as well as some of the European representations to the occupied territories, have repeatedly but fruitlessly pointed out to the European Commission and their own capitals that no one has undertaken a review of this policy since its adoption, contrary to the policy’s own guidelines, suggesting that even discussing it is off limits.96 A European head of mission said:

It is a taboo to touch sensitive issues in the Commission, and Hamas is one of them. The EU delegation in Jerusalem sent a report regarding the no-contact policy but never received an answer. The Commission did not even distribute it to member states. It is even a taboo to ask questions: is this a realistic policy? Is it in compliance with the Lisbon Treaty? Does it make sense to have this policy if the EU is to play the role of mediator? Is it consistent with our approach toward Hezbollah and the Taliban? The same problem exists in almost all European capitals.97

Most European capitals’ unwillingness to debate the no-contact policy results mostly from sensitivities, due to Israeli pressure, over two main arguments: that Hamas conducts indiscriminate missile strikes on Israeli territory and that, allegedly, it is an Iranian proxy.98 Behind closed doors, EU and member state officials recognise that

93 Crisis Group interviews, European diplomats and diplomatic missions’ heads of cooperation, Jerusalem, October-November 2021.
94 Crisis Group interviews, European diplomats, Jerusalem, October-November 2021. In December 2018, Abbas had announced his intention to dissolve the Palestinian Legislative Council and call elections within six months. See “Palestine to dissolve Legislative Council and hold elections in six months”, Arab News, 23 December 2018. He did not do so.
95 Crisis Group interview, European consul-general, Jerusalem, October 2021.
96 These guidelines, which are part of a non-paper presented by the Netherlands, Belgium and Luxembourg to the European Foreign Affairs Council in April 2006, stipulate that the policy should be reviewed according to developments on the ground and Hamas’s position regarding the conflict. The idea is to reward compromise by Hamas or to encourage such concessions. This non-paper has not been adopted formally, however – it is more an informal guide to practice than a policy statement itself. For that reason, there is no official framework for reassessing the no-contact policy. Nor is there any authority responsible for sanctioning any violations of the policy. Crisis Group interviews, European diplomats, Jerusalem, November 2021.
97 Crisis Group interview, Jerusalem, November 2021.
98 Crisis Group telephone interviews, officials in European capitals, September 2021 and January 2022. A European diplomat said, “Everyone agrees that the no-contact policy has been a total failure. But to change this policy – that’s tough, and this is due mainly to Israeli pressure. I don’t see any of those in charge in my capital explaining to Tel Aviv that we will change our policy on this, especially when the Israelis are redoubling efforts in Europe to put Hizbollah’s political wing on our terrorism
the no-contact policy is the result more of a European fear of having to clash with Israel and the U.S. than any consideration of its own in creating a path toward resolving the conflict. They underline that Europe has been more inclined to engage in contacts with groups listed as terrorist elsewhere, whether for humanitarian or mediation and peace-building purposes, citing the recent example of Afghanistan and the Taliban.99 A senior European diplomat said:

Why is Europe still asking Hamas to renounce violence before any serious negotiations for resolving the conflict begin? We know the movement can’t accept this. In the end, Europe does not want to legitimise any political party that comes to the negotiating table with maximalist positions and arms in hand. But in doing so, we end up acquiescing in what Israel wants, namely, to have a single legitimate interlocutor who no longer makes the types of demands of a classic national liberation movement.100

Without a pressing need to rethink their policy, European leaders put the issue aside.101 When Abbas cancelled the elections in April 2021, and following the May war in Gaza, there was no longer any incentive, and plenty of disincentive, to revisit the Quartet conditions, due to Hamas’s rising popularity among Palestinians.102 Those Europeans who argued in favour of reconsidering the approach toward Hamas now suggested it could happen only if circumstances forced European leaders to discard the no-contact policy as irrelevant, for example, in the event of Palestinian reconciliation and elections that would include the Islamist movement.103

It is something of a chicken-and-egg scenario: without reconciliation or elections, the EU is unlikely to talk to Hamas; without the EU being willing to talk to Hamas,
Abbas and his circles are unlikely to pursue reconciliation or go for elections. Looming over the whole discussion is what Israel will and will not do. A European diplomat summed it up:

We are telling Palestinian leaders that we need elections, that we need them to reform the PA. But how do you want to sound convincing if we are not inclined to press Israel to allow elections to take place in East Jerusalem or to accept the election results?

C. **What Hamas Leaders Say**

Talks among Hamas, Fatah and other Palestinian political factions at the end of 2020 led to agreement to hold the three sets of elections that Abbas announced in January 2021. To Hamas, elections – and reconciliation – increasingly appeared to be the only way to shed the burden of caring for the Gazan population by allowing the PA to share it, while enabling Israel to ease restrictions and breaking the movement’s own international isolation. Hamas hoped to start this process by participating in the Palestinian National Council elections slated for August 2021.

The deputy head of Hamas’s political bureau, Mousa Abu Marzouk, said the movement called on Europe to help make sure elections would take place – by pressing Fatah to stick to its declared commitment – as a rare opportunity to overcome intra-Palestinian divisions:

We told them elections are the only way to solve the problems among Palestinians. We asked them to put pressure on Abbas to make sure elections would happen regardless of Israel’s position. And we asked them to tell Israel to stop telling Abbas not to hold elections. Unfortunately, they didn’t listen to us. European diplomats told us: “You are going to win these elections”. So, they decided to say nothing to Abbas when he cancelled the elections, because they believed Hamas would win.

From its side, Hamas made what it considered substantial concessions to Fatah ahead of the elections, in part to signal to outsiders that it was acting in good faith, by stating it would agree to share power if it came out on top. Hamas officials said they made these concessions mainly to enable Western stakeholders to deal with an elected government that included Hamas without needing to drop its no-contact policy, which they believe no country is prepared to do. Hamas said it would not put for-

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104 A Palestinian analyst close to the PA said, “Before the elections, the EU came to the PA and asked: ‘What will you do if Hamas wins?’ The PA responded: ‘You should first tell us what you will do’. Some member states were open-minded. They said: ‘We need to start a new era and open communication channels with Hamas. It is time’. But there was a lot of opposition to the elections within the PA. The [younger] members of the Fatah Central Committee think that it is their time now to assume power”. Crisis Group interview, Jerusalem, November 2021.

105 Crisis Group interview, Jerusalem, October 2021.


107 Crisis Group telephone interview, January 2022.


ward its own candidate for president or nominate any of its members to head a ministry. It accepted electoral arrangements and a new proportional voting system for the Palestinian Legislative Council contests that was favourable to Fatah.\textsuperscript{110}

In approaching European diplomats, Hamas ran up against its interlocutors' dilemma: whether to support Palestinian democratic renewal, followed by the PA's return to Gaza, or to stick to the Quartet conditions and no-contact policy.\textsuperscript{111} Hamas leaders claim that by neither pushing seriously for nor blocking the path toward elections – or even reconciliation – and by maintaining a lack of clarity about what they would do in the event Hamas won, Europeans implicitly encouraged Abbas not to proceed with the vote.\textsuperscript{112}

In Hamas's view, the movement had already made a number of concessions to the Europeans, even if it continued to formally reject the Quartet conditions, and that to go further would require direct dialogue with European leaders to clarify the two sides' objectives.\textsuperscript{113} On several occasions, Hamas has indicated – through its leaders' comments or documents it signed – that it accepts the 1967 lines as the borders of a future Palestinian state.\textsuperscript{114} But it views demands that it renounce “resistance” and formally recognise Israel as “unbalanced” and “unrealistic”.\textsuperscript{115} Hamas leaders say they would consider such demands only if similar things – renouncing violence, respecting international law and respecting previous peace agreements – were required of Israel.\textsuperscript{116} More importantly, they say such demands should not be preconditions for dialogue but objectives for the outcome of a final peace settlement.\textsuperscript{117}

\textsuperscript{110} See also Crisis Group Report, \textit{Beyond Business as Usual in Israel-Palestine}, op. cit. Apart from international considerations, Hamas made these concessions primarily because it wanted to relinquish its governing responsibilities in Gaza. For example, Hamas accepted the elections timeline offered by Abbas, despite its concern that Abbas might halt the process following the legislative elections, which would prevent Hamas from gaining full access to the PLO and its organs. Crisis Group interview, Swiss diplomat, Ramallah, October 2021.

\textsuperscript{111} A senior Hamas official said, “European diplomats face a big problem. They want democratic renewal and a PA leadership that needs new electoral legitimacy, yet at the same time they want to keep Hamas out of power. They have not been able to solve the basic question: how to deal with Hamas if it wins again?” Crisis Group telephone interview, January 2022.

\textsuperscript{112} Crisis Group telephone interview, senior Hamas official, January 2022. Abbas’s decision to hold the elections in the first place came out of desperation over the socio-economic and political situation, as well as in response to European demands. But he thought he would retain his position through a pre-cooked power-sharing arrangement with Hamas that would ensure Fatah’s continued dominance. When that scenario became unlikely because of Fatah’s split into three electoral lists, Abbas decided to call off the voting. Crisis Group telephone interviews, Fatah members, September 2021.

\textsuperscript{113} Crisis Group telephone interview, senior Hamas official, January 2022.

\textsuperscript{114} Crisis Group telephone interview, senior Hamas official, January 2022. Hamas’s 2017 Political Document considers the establishment of a Palestinian state based on the 1967 borders to be a “formula of national consensus”. See “A Document of General Principles and Policies”, 1 May 2017. The demand that Hamas recognise the 1967 borders automatically raises the question of whether Israel itself recognises them, having done much in 45 years to forestall a return to those borders as part of a two-state solution, both on the ground and in its rhetoric opposing a viable Palestinian state.

\textsuperscript{115} Crisis Group telephone interview, senior Hamas official, January 2022.

\textsuperscript{116} Crisis Group telephone interview, senior Hamas official, January 2022.

\textsuperscript{117} A senior Hamas leader said, “The Quartet conditions are not only unrealistic, they are unjust and unfair. Renounce violence when there is violence from both sides? Why are the Europeans asking the Palestinians to recognise Israel and not vice versa? We have an Israeli prime minister who is
Almost a year later, Hamas says it is still looking to find a way to engage with Europe. Absent a strong policy line from Washington, a senior official reiterated that Europe should push for elections and reconciliation, even if its role would be limited by the no-contact policy.\textsuperscript{118} Though Hamas perceives Europe as a partisan actor tied to U.S. policy, he said, it stands ready to open a direct dialogue, even out of the public eye. He said talking would help Hamas become more pragmatic than it is today.\textsuperscript{119}

Despite what Hamas leaders consider concessions and a change of tone, Europe has shown no sign it is prepared to review its longstanding policy toward the movement. This absence of a “positive reaction”, warned a senior Hamas official, will work against those in the movement who support a more pragmatic approach.\textsuperscript{120}

\textsuperscript{118} Crisis Group telephone interview, January 2021. Abu Marzouk added, “The Europeans can’t play a primary role, because they speak with only one side [the PA]. We want them to encourage elections; this would be the way to get to reconciliation by default”. Crisis Group telephone interview, January 2022.

\textsuperscript{119} Crisis Group telephone interview, senior Hamas official, January 2021. “The conflict is not a priority, not only in France or Germany, but also not in the U.S. Why would somebody else come to help the Palestinians? What have the Europeans done to preserve the two-state solution these past sixteen years or to protect international law? … These have all been nice words but no action”. He added, “More direct engagement can lead to more concrete compromises. With a third party as intermediary, you cannot reach concrete results”.

\textsuperscript{120} Crisis Group telephone interview, senior Hamas official, January 2022.
IV. **De Jure vs. De Facto Annexation: Confronting the Two-state Solution’s Feasibility**

A third internal debate in which Europeans appear stuck concerns how to preserve the feasibility of a two-state solution. In 2020, by brandishing threats of retaliation, the EU and its member states helped prevent the Netanyahu government from formally annexing parts of the West Bank. Yet, as soon as Israel suspended its de jure annexation plans, Europe reverted to its former strictly declaratory policy – sticking to statements condemning the Israeli settlement policy but without taking any concrete action to deter it – thereby accepting by default Israel’s de facto annexation. In the absence of a different approach, and despite its financial and development aid to the Palestinian territories, Europe cannot achieve its stated goal of a two-state solution or even help preserve the possibility of one.

In reality, Europe has moved on, but without expressly saying so, from efforts to build a viable Palestinian state to more modest goals. It now aims to help prevent the PA from falling apart and to sustain the Palestinian population’s basic living conditions in the almost exclusive pursuit of maintaining stability. Hobbled by internal divisions, European leaders mostly assess that the price for changing policy would outweigh any realistic benefit. Having thus lowered its ambitions, Europe keeps up the illusion that there is such a thing as the status quo and that it is worth preserving.

A. **No to De Jure Annexation**

European unity vis-à-vis the Israeli-Palestinian conflict came under serious strain in January 2020 due to two initiatives taken by the U.S. and Israel, respectively. First, the Trump administration rolled out its Peace to Prosperity plan for Israel-Palestine, which abandoned key elements of the two-state solution. Subsequently, Netanyahu declared that he intended to annex 30 per cent of the West Bank, by means of a strategy he would present by 1 July.121 The EU and the majority of its member states, including Germany and France, firmly reasserted the need for Israel to respect internationally agreed-upon parameters and international law, stating that the Trump plan deviated from these.122 They warned that any formal annexation would harm regional stability and that “such steps would not pass unchallenged and shall not be overlooked in the relationship with Israel”.123

But the Visegrád countries, among other smaller member states, refused to join a formal European position, forcing EU foreign policy chief Borrell to issue statements

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121 Trump’s controversial plan offered U.S. recognition of Israeli settlements across the West Bank and Israeli sovereignty over the Jordan Valley. Netanyahu then set 1 July 2020 as the date to start moving forward on partial de jure annexation. See “Vexed by annexation: The battle inside the EU over Israel”, op. cit.

122 See, for example, “Peace Plan for the Middle East presented by the President of the United States of America”, Government of France, 29 January 2020.

on his own. These same governments opposed opening an internal debate on what the EU’s strategy to stop Israeli plans should be, or on how to respond if Israel were to go ahead. A senior official from a Visegrád government said:

Our position regarding discussions at the EU level to shape a consolidated position was as follows: “Until there is a formal decision to annex, it’s all just rumours”. This was our way of showing our support to the Israeli government.

The schism prevented the EU from producing an options paper requested by Belgium, joined by ten other member states, which would have laid down collective retaliatory measures in the event of formal annexation.

It did not, however, impede former EU Special Representative Terstal from putting on paper the outcome of informal consultations among diplomats stationed in Israel-Palestine, which took place in February 2022. This internal document, which bears her signature, underlined the EU’s difficulty in crafting a common position, but it also offered suggestions for retaliatory measures that the European Commission and member states could consider in the event of formal annexation. Among these were stricter observance of the EU approach to differentiation (a term referring to measures excluding settlement-linked entities and activities from the EU and its member states’ bilateral relations with Israel); review of the bilateral relationship with Israel, including the EU-Israel Association Agreement; reconsideration of commercial ties and Israel’s access to cooperation programs, such as a research and innovation funding program called Horizon Europe; public support for proceedings against Israel at the International Criminal Court; and, for some member states, recognition of the Palestinian state.

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124 See, for example, a tweet by the Austrian chancellor welcoming “the release of the U.S. plan which hopefully brings new momentum to the [Middle East Peace Process] having been in a deadlock for far too long. We call on the parties to start negotiations on the basis of this plan under U.S. leadership with a view to achieving a two-state-solution”. Tweet by Sebastian Kurz, @sebastiankurz, 4:17pm, 28 January 2020. For Borrell’s statement, see “MEPP: Statement by the High Representative/Vice President Josep Borrell on the US initiative”, EEAS, 4 February 2020. In June 2020, Borrell said, “On the possible annexation by Israel of parts of the occupied Palestinian territory, our position is clear; although once again it is difficult to find unanimity, there is a strong, very strong majority of countries that continue supporting a negotiated two-state solution, based on international parameters and considering that any annexation would be against international law”. “European Parliament: Remarks by the HR/VP Josep Borrell”, EU Neighbours South, 18 June 2020.

125 Crisis Group telephone interview, September 2021.

126 Crisis Group telephone interview, Visegrád official, September 2021.

127 Crisis Group interviews, European diplomats, Brussels, September 2021.


129 A senior European official said Germany, which generally does not formally support Palestinian demands in international forums, including the International Criminal Court’s investigation into “the Situation in the State of Palestine”, informed Israel that it might change its position in case of formal annexation. Crisis Group telephone interview, September 2021. For possible retaliatory measures, see the options detailed by former French Foreign Minister Jean-Yves Le Drian, “Quelle réponse de la France au projet d’annexion de la vallée du Jourdain par l’État d’Israël?”, Sénat France, 24 June 2020. Several member states spoke publicly of recognising the state of Palestine (as Sweden had done in October 2014). See, for example, an interview with Luxembourg Foreign Minister Jean Asselborn: “Jean Asselborn s’exprime sur l’annexion”, The Times of Israel, 24 June 2020.
European officials indicated that some of these steps would not require unanimity within the EU but could be decided by majority-qualified vote or even at a national level.\(^{130}\) This position gained credibility when national parliaments in France, Belgium and the Netherlands called for sanctions against Israel in the case of formal annexation.\(^{131}\) In addition, member states, in particular France, Italy, Spain and Germany, along with Borrell, worked closely together and with Arab states to mobilise international opposition.\(^{132}\) By hewing to international parameters on the conflict, Europeans maintained quasi-unity and helped stop the Trump plan from becoming the new point of departure for subsequent peace initiatives.\(^{133}\)

But the talk of tough measures did not last long. When the Netanyahu government suspended its plans for partial annexation in August 2020, presenting the change as part of its agreement with the United Arab Emirates to establish full diplomatic ties — the Abraham Accords — Europe reverted to its longstanding declaratory diplomacy, by default condoning settlement expansion and other ways in which Israel is tightening its grip on the West Bank, annexation or not.\(^{134}\) As the head of a member state mission in Jerusalem put it:

> The plan for formal annexation forced us to take a stand. But now that we are back to creeping annexation, we are no longer under pressure. We have lots of red lines but have never respected them; we have been accepting de facto annexation since 1993.\(^{135}\)

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130 A decision to review cooperation programs such as Horizon Europe and Erasmus requires only a qualified-majority vote, contrary to bilateral association agreements, which require unanimity. Regarding differentiation, UN Security Council Resolution 2334 (2016) stipulates that states should “distinguish, in their relevant dealings, between the territory of the State of Israel and the territories occupied since 1967”, meaning that any bilateral agreement with Israel should contain a clause defining the territorial scope of its application to Israel’s pre-June 1967 borders. Many European pacts with Israel already had such language, but as discussed below, enforcement has often been spotty. Some member states did start labelling products originating in Israeli settlements in Palestinian territories as such, pursuant to a November 2019 EU Court of Justice ruling to that effect. See Parliamentary Questions, European Parliament, 12 December 2019.


132 According to German and French officials, Paris, Berlin, Amman and Cairo coordinated efforts to prevent annexation by activating what they refer to as the Munich Format, a meeting their foreign ministers held on Israel-Palestine peace efforts on the sidelines of the Munich Security Conference in February 2020. Crisis Group telephone interviews, September 2021.

133 A senior EU official said, “I wish we could have done more at the EU level regarding Trump’s policy, but by sticking to our position we avoided war [because of subsequent annexation of parts of the West Bank]”. Crisis Group telephone interview, December 2021.

134 A European diplomat said, “The only time when we discussed the possibility of giving negative incentives to Israel was during the threat of [formal] annexation. Since then, the hierarchy in Brussels advised us ... not to bring this up, as this would be wasting our time”. Crisis Group telephone interview, European diplomat, November 2021.

135 Crisis Group interview, European diplomat, Jerusalem, November 2021.
B. Trying to Compensate with Aid

The EU and its member states are the largest provider of external assistance to the Palestinians. European aid to Palestine is intended to serve the overarching goal of a just and comprehensive solution to the Israeli-Palestinian conflict, based on two states, and guided by the idea that greater Palestinian autonomy is a way to prepare for statehood. Yet contrary to what the considerable amount of aid (€1.11-€1.356 billion in 2017-2020) would suggest in terms of European priorities, this assistance is not accompanied by meaningful political engagement. Hence the aid is of little effectiveness in achieving its stated objective. The head of cooperation at a European mission in Jerusalem said:

There is a lot of aid but no political capital. You can use our aid engagement to answer parliamentary questions, but it doesn’t have a real impact [in achieving a two-state solution]. We do what we can to push the PA to advance reforms and Israel to provide permits for our projects. But what are we trying to achieve? Cooperation will never deliver the main goal – its raison d’être: it cannot bring about a political solution.

The mid-term review of the European Joint Strategy in Support of Palestine (2017-2020) underlined the limits of what cooperation can achieve without progress on the political front, whether it be state-building or opening access to Area C (the 60 per cent of the West Bank under full Israeli control under the terms of the Oslo accords). It stated that European aid had failed to contribute in any significant way to protecting the feasibility of a two-state solution.

European aid designated for Area C illustrates perfectly how money cannot compensate for a deficit in political investment. Public infrastructure development in Area C is limited because, under the Oslo agreement, all development projects require an Israeli permit. In 2015, the EU mission in Jerusalem, backed by the UK, France, Denmark and Belgium, tried to overcome Israel’s issuance of few permits with a “European master plan approach”, whereby approval would be tacit. Every project is considered approved and the EU moves ahead unless Israel rejects it within eighteen months. Yet infrastructure projects in Area C remain limited, whether geo-

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137 During 2017-2020, the EU’s bilateral assistance to Palestine under the European Neighbourhood Instrument focused on governance reform, fiscal policy, rule of law, justice, citizen safety and human rights, sustainable service delivery, access to self-sufficient water and energy services, and sustainable economic development. See “The European Union Assistance to Palestinians”, op. cit.
140 Projects for Areas A and B must also be submitted to Israeli authorities if they involve new technologies or impinge upon Area C (even by a few metres). The Israeli government has provided only a few permits since 1993, but precise numbers are lacking. The EU also invests in the private sector, mainly agriculture (around €50 million since 2015). Crisis Group interviews, PA officials and European missions’ heads of cooperation, Jerusalem and Ramallah, October-November 2021.
141 Of 125 EU-backed master plans, Israel approved five, rejected twenty for “security reasons” and did not respond to the other hundred, which the EU then considered tacitly approved. Thus far, no
graphically (only in unconnected urban areas, which cover a mere 3 per cent of Area C) or in scale (€25 million since 2015).

The main reason is that European capitals have not taken a strong political stand to protect Area C. Instead, they have left the matter to the discretion of heads of mission and heads of cooperation, who in turn lack political backing from headquarters to move forward with more development projects in accordance with the Palestinian needs. Member states do not push harder because they do not want to spend heavily on projects that risk being postponed or even destroyed. Nor do they wish to raise tensions with Israel.

Europeans are ready to take more risks when it comes to humanitarian activities in Area C, although these represent only half the amount of funding compared to that allocated to development in the same area. In 2015, the EU Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG Echo, the body in charge of providing needs-based humanitarian assistance) and nine EU member states funded the West Bank Protection Consortium, along with five international NGOs, to prevent Israel from forcibly transferring Palestinians from Area C to Areas A and B. Their mandate includes emergency relief, provision of basic infrastructure, legal aid and humanitarian assistance. In the course of their work, they had to deal with the Israeli army confiscating materials they had provided and seizing and/or demolishing European-funded humanitarian structures. In 2021, Israel knocked off activity under these master plans has been halted and nothing destroyed. Crisis Group interview, European official, Jerusalem, October 2021.

A European mission’s head of cooperation said, “There is a crucial need for development in Area C, because of the natural resources there (land, water, minerals), the need for space to build infrastructure outside the built-up Areas A and B, and the need to connect cities and villages. But not a single EU country is willing to put up capital to make it happen”. Crisis Group telephone interview, December 2021. For more on Area C’s natural resources and their link to economic development, see “Palestinians’ Access to Area C Key to Economic Recovery and Sustainable Growth”, World Bank, 8 October 2013.

The tacit approval approach cannot guarantee that a project will start. The EU still needs to obtain Israeli authorisation at various stages, for example to import building materials. A European mission’s head of cooperation participating in this program said, “We decided to join the EU master plan approach for small-scale projects, those of less than half a million euro. But I had to get the approval from my capital, which wasn’t easy. My capital decided not to invest too much money. The idea was to lower the risk of losing money due to destruction and lower the risk to our political reputation. We don’t want a confrontation with the Israeli authorities”. Crisis Group interview, Jerusalem, October 2021. A European diplomat said, “There are simply too many constraints on our aid to the West Bank and East Jerusalem to have any impact: constraints imposed by Israel, lack of involvement by the PA, and our own internal constraints vis-à-vis the Commission and our own capitals. So, we engage only in micro-projects”. Crisis Group interview, Jerusalem, October 2021.

The member states are Belgium, Denmark, France, Ireland, Italy, Lithuania, the Netherlands, Spain and Sweden. Germany joined in early 2022. The UK is part of the Consortium as well. The NGOs are the Norwegian Refugee Council as lead agency, the Agency for Technical Cooperation and Development, Action Against Hunger, Gruppo di Volontariato Civile and Première Urgence Internationale. The amount allocated to the Consortium since 2015 is around €11 million, half of it EU-provided.

Crisis Group interview, EU official, Jerusalem, November 2021.
down more of these than in any year since 2016.\textsuperscript{146} The Europeans have asked Israel for financial compensation, but to no avail in the past two years.\textsuperscript{147}

These developments triggered discussions in pertinent European capitals about what can be done to address the situation.\textsuperscript{148} Yet it appears that the will is lacking to elevate such discussions above the Middle East director level. European officials say the present approach derives not from a coherent and comprehensive policy toward Area C, or the two-state solution writ large, but from ad hoc steps aimed at reaffirming European opposition to isolated Israeli actions on the ground, such as asking for compensation for demolished structures, though without concrete follow-up.\textsuperscript{149} As a European mission’s head of cooperation summed it up:

The problem with our policy in Area C is that it only concerns aid. We’re staying in the humanitarian field because we’re not engaging politically. The two-state solution will not be saved through humanitarian aid. If we were to confront Israel, our aid policy would be stronger. To develop a political policy is more important than a humanitarian one, or even development assistance.\textsuperscript{150}

C. Dialling Back Europe’s Ambition

While keeping the same objectives, most European governments have started to recalibrate their aid policy without saying so. Since 2015, international funding for the Palestinian territories has decreased steadily. Budget support for the PA declined by almost two thirds, from $1,358,200 in 2013 to $808,100 in 2015 and $524,100 in 2020.\textsuperscript{151} The fall in European funding is partly responsible, along with the Trump administration’s aid cutoff and the decline in support from the Gulf states.\textsuperscript{152} At the

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\textsuperscript{146} Under the Fourth Geneva Convention and the Oslo agreement, Israeli authorities must allow the free passage of humanitarian assistance. Yet Israeli authorities require Europeans to request permits and coordinate with them on humanitarian activities. They consider any provision of humanitarian aid without such a permit illegal. Crisis Group interview, senior European head of cooperation, Jerusalem, November 2021. Demolitions in the West Bank reached a five-year high in 2021, when Israel razed a total of 904 structures and displaced 1,205 people (including 650 children). Of these structures, 140 were European-funded – mainly through the West Bank Protection Consortium – representing a 15 and 43 per cent increase over 2020 and 2019, respectively, at a cost of €331,031, more than 10 per cent higher than in 2020 (€300,233). Between 2016 and 2021, Israel demolished or seized a total of 673 EU-funded structures, representing a cumulative value of €2,110,151. See “One-Year Report on Demolitions and Seizures in the West Bank, including East Jerusalem Reporting Period: 1 January-31 December 2021”, Office of the European Union Representative (West Bank and Gaza Strip, UNRWA), 14 February 2022.

\textsuperscript{147} Crisis Group interviews, European diplomats, Jerusalem, October-November 2021.

\textsuperscript{148} Ibid.

\textsuperscript{149} Ibid.

\textsuperscript{150} Crisis Group interview, Jerusalem, October 2021.

\textsuperscript{151} See “Financial Reports”, Finance Ministry of the State of Palestine.

\textsuperscript{152} Because of divisions over the incentives-based approach in the education sector, the EU has yet to approve its 2021 budget for the Palestinian territories, but the provisional allocation to PEGASE funding for salaries and pensions is about €55 million, compared with €85 million in immediately preceding years. In 2018, the PEGASE contribution reached €152.5 million, of which €85 million was allocated for salaries and pensions, €50 million to support the most vulnerable Palestinian families and €13 million for East Jerusalem hospitals.
same time, Europe is increasingly channelling funds to the private sector. These
trends result not from an explicit European strategy but from growing donor fatigue,
especially because of the multiplying crises in the region since 2011 and the lack of
a political horizon in the Israeli-Palestinian conflict. A European mission’s head of
cooporation explained:

Following the Arab Spring, the departure of [Prime Minister] Fayyad and then the
Trump peace plan, which clearly revealed that the occupation is no longer tempo-
rary, the European aid paradigm began to change. Europeans no longer want to
be the ATM for the occupation if there is no political process. But they can’t get
out either. This situation translates into less funding, but without changing the
language or turning it into official policy.

Thus, while Europe formally sticks to its state-building project with the goal of a two-
state solution, in practice it is lowering its sights to merely ensuring that the PA has
sufficient support to stave off collapse while sustaining the Palestinian population’s
basic living conditions. This approach represents a shift in international diplo-
macry from conflict resolution to largely attempting just to manage what European capi-
tals perceive as a status quo. European diplomats are clear about the turn things
have taken. As one put it:

Our key word is stability, to avoid new flare-ups. Everyone has understood that
we will not be making any political commitments at this time. Palestine is no long-
er one of Europe’s five priorities in the region. So, all we do is stability manage-
ment. We are aware of the economic problems, security control, people’s frustra-

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153 Crisis Group interviews, European missions’ heads of cooperation, Jerusalem and Ramallah,
October-November 2021. One said, “Everything we do must go through the PA. But seeing the PA’s
fragility and the absence of political prospects, we are gradually switching to the private sector, so
we’re giving less money in budget support. This is related to two things: a general European move-
ment to redeploy aid to the private sector worldwide, and developments on the ground. Thinking
began with the Trump peace plan: what do we do if it’s implemented? That would probably mean
the end of the PA. So, if we want continued stability, we would need a very strong private sector and
strong local authorities”. Crisis Group interview, European mission’s head of cooperation, Jerusa-
lem, November 2021.

154 Crisis Group interview, Jerusalem, October 2021.

155 Crisis Group interviews, European missions’ heads of cooperation, Jerusalem and Ramallah,
October-November 2021.

156 A Palestinian analyst said, “The Europeans have gone from state-building to stabilisation –
to maintain a minimum level of basic services and security to prevent the PA’s collapse instead of
creating long-term institutions”. Crisis Group interview, Jerusalem, October 2021. The decrease in
international funding has not affected the security sector. A U.S. official said security is the only
sector from which Washington did not cut funding during the Trump administration. Crisis Group
telephone interview, December 2021. A European official noted, “Because of the decrease in fund-
ing, except for the security sector, the budget for security services became proportionally higher
than that for other sectors. Today, the security sector represents 22-25 per cent of the PA’s budget
and is the biggest single employer in the West Bank. Betting only on the security services became
Abbas’s gambit – because of the political deadlock”. Crisis Group interview, Jerusalem, November
2021. According to a European diplomat, “The U.S. are pushing Abbas to nominate a deputy [as
potential successor]. But their objective is preserving stability, not institutional renewal”. Crisis
Group interview, Jerusalem, October 2021.
tions. We try merely to oil the wheels through promoting short-term stability and micro-managing the situation. This is our alpha and omega.

D. Preserving the Illusion of a Status Quo

The Israeli-Palestinian conflict is thus no longer at the top of the European agenda in the Middle East. Even the events of April-May 2021, which should have served as a reminder that the conflict remains on a knife edge, spurring repeated cycles of violence, another of which occurred in August 2022, did not prompt a renewed diplomatic push.

The few initiatives taking place reflect Europe’s limited ambitions. Some European countries, for example, support attempts at dialogue between the Israeli government and the PA in order to improve Palestinians’ living conditions, but with no illusions about restarting serious political negotiations in the long term. Others are trying to think of ways to improve specific aspects of European policy, such as a Belgian-led effort to strengthen differentiation at the national and EU levels. In 2021, some European governments requested an options paper from the EEAS on what leverage the EU has vis-à-vis the two sides, but the EEAS quickly made it known it would not be able to produce such a paper due to EU member states’ internal divisions. A European official noted that simply drawing up an inventory of bilateral cooperation as a prelude to determining leverage is complicated, as the European Commission’s various directorates responsible for policy areas seem to baulk at providing the required details, reluctant as they are to see their cooperation with Israel conditioned on politics.

To support a “whole of the EU” approach to the conflict, the EU Special Representative for the Middle East Peace Process Sven Koopmans set up a group of “friends of the peace process”, supported by both Borrell and Von der Leyen, with the aim of enhancing the information flow among EU services regarding the peace process. But European member states are not planning a larger diplomatic initiative, because

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157 Crisis Group interview, Jerusalem, October 2021.
158 See “Israeli official nixes Belgium meetings over gov’t decision to label settlements products”, *Haaretz*, 24 November 2021. For background on differentiation, see the European Council on Foreign Relations’ Differentiation Tracker, which shows that “despite noticeable progress in advancing differentiation measures at the level of EU relations, member state practices have often lagged behind”. “Differentiation Tracker”, European Council on Foreign Relations.
159 Crisis Group interviews, European diplomats, October 2021.
160 A senior EU official said, “Some directorates have extensive cooperation with Israel, which clearly benefits the EU. To link it to politics is a no-go area. Look at von der Leyen’s speech [in Israel on 14 June 2022]. She did not mention the occupation or the Palestinians. Instead, she asserted that the EU is exploring ways to step up energy cooperation with Israel; this is the priority for the Commission, not the conflict. What do Palestinians have to offer [compared to Israel]?”, Crisis Group telephone interview, 15 June 2022.
161 Crisis Group interview, European official, Brussels, September 2021.
in their view, the conditions for it are far from ripe. As a senior European official put it, any such effort would merely seek to reaffirm the internationally agreed-upon parameters of a two-state solution.

European policy accordingly focuses on maintaining a minimum of stability, while attempting – though with limited success – to ensure that nothing is done that would completely doom a two-state solution. Despite Prime Minister Bennett’s repeated vows that no Palestinian state would arise on his watch, most European leaders appeared somewhat relieved when his coalition government came to power in June 2021, especially given the strain in their relations with Netanyahu. Along with this government’s warmer tone toward Europe, its pledge not to take what European leaders consider irreversible steps, such as formal annexation, was enough to placate them. The next Israeli government’s direction is unknown at present but unlikely to veer substantially away from Bennett’s.

European officials do realise that their policy is tantamount to accepting the further decline of the two-state solution’s feasibility. They are acutely aware of the growing gap between their formal position – to recall “the parties to take steps for the relaunch of a credible and meaningful peace process that can achieve a two-state solution based on the internationally agreed parameters” – and the reality on the ground. They condemn Israeli settlement expansion, demolition of Palestinian structures and evictions of Palestinian families as a threat to the two-state solution. They call for an end to intra-Palestinian divisions. But acknowledging the gap has not led to an adjustment in policy. A senior diplomat explained:

The settlements are expanding regardless of what government is in power in Israel. There is no status quo; we know this very well. To refer to the agreed parameters for the conflict’s resolution is upholding a fiction: these have become obsolete,

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163 A European diplomat said, “We avoid the most sensitive questions because of the Israeli government’s current line, European divisions and the U.S. position”. Crisis Group interview, Jerusalem, October 2021.
164 He said, “It is unthinkable now to speak in the name of the 27 member states, because Hungary no longer wants to join a common declaration, even on internationally agreed parameters. So, we are trying to think about meetings in the so-called Munich Format, at least to reaffirm the parameters. This is where we are in terms of ambition”. Crisis Group interview, European capital, January 2022.
165 Beyond annexation, Europe seeks to prevent settlement expansion in areas considered particularly sensitive, such as around Jerusalem, where construction “will cut the geographic and territorial contiguity between East-Jerusalem and the West Bank” and “sever the connection between the northern and southern West Bank”. See “Statement by the High Representative Josep Borrell on the Israeli announcement of construction plans in the West Bank (Area E1)”, EEAS, 28 February 2020.
166 See “Bennett: Israel won’t annex territory or establish Palestinian state on my watch”, The Times of Israel, 25 August 2021. The Bennett government postponed discussions on settlement construction in the E1 Area east of Jerusalem to an unknown date, without giving an explanation. In the past, Israel has frozen E1-related building plans following U.S. pressure. See “Israel indefinitely postpones contentious settlement building plan”, Haaretz, 5 January 2022.
168 “Palestine: High Representative/Vice-President Josep Borrell in the Ad Hoc Liaison Committee Ministerial Meeting”, EEAS, 19 November 2021.
169 See, for example, “Palestine: High Representative/Vice-President Josep Borrell in the Ad Hoc Liaison Committee Ministerial Meeting”, EEAS, 19 November 2021.
because the situation on the ground has changed. But we in the international community find it comforting to still talk about a two-state solution. And no one knows how to get out of this trap.\(^{170}\)

Maintaining the illusion of managing the “status quo” is possible, because, as a European official put it, Europeans “can afford to live in denial, as the conflict is no longer a priority”.\(^{171}\) Pretence also allows European leaders not to draw the logical consequences from what the end of the two-state solution would entail, namely admitting that the Middle East peace process, built within the Oslo framework since the 1990s, in which they invested significant political and financial capital, has failed.\(^{172}\) In turn, doing so would require them to find and forge consensus behind an acceptable alternative, which remains elusive.\(^{173}\) As a senior European official put it, “We only have the language of the two-state solution”.\(^{174}\)

Finally, not seriously questioning the feasibility of a two-state solution allows European leaders not to think about the consequences of their policy toward Israel. None is willing to hold Israel accountable, beyond declarations, for the progressive disappearance of the two-state solution, especially without strong and vocal constituencies in Europe pushing them to do so.\(^{175}\) The majority of EU member states have

\(^{170}\) Crisis Group interview, senior European official, European capital, January 2022.
\(^{171}\) Ibid.
\(^{172}\) Crisis Group telephone interviews, senior European officials, September and December 2021. A senior EU official said, “To act differently, things would need to change radically. The EU has based all its cooperation programs on Oslo. Saying Oslo no longer works would be highly problematic”. Crisis Group interview, Brussels, September 2021.
\(^{173}\) The EU has stated several times that “a one-state reality would not be compatible with the aspirations” of Israelis and Palestinians. See Middle East Peace Process, EEAS, 8 February 2021. Luxembourg and France have, respectively in 2020 and 2021, suggested that continuing settlement expansion – or the logic of the “status quo” – will unavoidably lead to an apartheid regime with different rights for Israelis and non-Israelis. See “Annexation is a gross violation of international law”, \textit{Der Spiegel}, 12 June 2020; and “Jean-Yves Le Drian met en garde Israël contre un ‘risque d’apartheid’ envers ses populations arabes”, \textit{Le Figaro}, 23 May 2021. A European diplomat said, “At the EU level, we are not even able to reaffirm the approved language on the conflict. So, changing our approach would require trust among us, which doesn’t exist. My colleagues at home are reluctant to open a discussion about where the current ‘status quo’ will lead. They are afraid that we might lose these achievements [the agreed language]”. Crisis Group interview, Brussels, September 2021. An EU diplomat said, “In Brussels, it’s impossible even to discuss the latest report from Human Rights Watch accusing Israel of the crime of apartheid. Our institutions are terrified of being accused of anti-Semitism”. Crisis Group interview, Brussels, September 2021.
\(^{174}\) Crisis Group interview, Brussels, September 2021.
\(^{175}\) Crisis Group interviews, senior European officials, September 2021-January 2022. Some member states, with Germany at the forefront, have been particularly vocal in their reluctance to support mechanisms for investigating international law violations in the occupied Palestinian territories. In May 2021, Austria, Bulgaria, the Czech Republic and Germany, as well as the UK, voted against a resolution in the UN Human Rights Council to establish an international commission of inquiry “to Investigate Violations in the Occupied Palestinian Territory, including East Jerusalem, and in Israel”, with Denmark, France, Italy, the Netherlands and Poland abstaining. “Human Rights Council Establishes International Commission of Inquiry to Investigate Violations in the Occupied Palestinian Territory, including East Jerusalem, and in Israel”, Office of the UN High Commissioner for Human Rights, 27 May 2021. Germany and Hungary opposed an International Criminal Court ruling in February 2021 that it had jurisdiction to open an investigation into alleged war crimes in the occu-
always rejected using negative incentives, such as strict enforcement of differentiation measures, as a policy tool.\textsuperscript{176}

At this stage, European governments appear keen to delay switching to a new approach as long as they can, including in internal discussions, even if that means maintaining an aid policy out of step with ground realities.\textsuperscript{177} They appear incapable of defining what the tipping point might be at which they would deem the two-state solution impossible, necessitating a policy overhaul. Discussions at the local level following the Trump plan suggest that partial annexation would not necessarily have been the tipping point.\textsuperscript{178}

To escape this impasse, the Europeans would need to rethink the Oslo paradigm. A European head of mission said:

If we don’t change our policy toward Abbas, Israel and Hamas, then what are we doing? The EU and its member states provide more than €700 million a year to prevent a further deterioration in the Palestinian territories. But without a fundamental change in our approach, we will continue to fund the occupation. We are complicit in it.\textsuperscript{179}

Yet, as another head of mission in Jerusalem pointed out, beyond the problem of internal divisions, no European leader inside or outside the EU is ready to take risks for a conflict that is no longer a priority and suffer the political blowback. Some more proactive member states, such as Belgium or Luxembourg, consider themselves too small to launch an initiative, and therefore insist on speaking through the EU.\textsuperscript{180} Others, such as Ireland, do not want to move if the major member states like France...
and Germany – considered the “middle-ground” countries – refuse to come along. They fear that they are already seen as too closely aligned with the Palestinians.\(^{181}\)

The EU itself does not appear ready to move until it is pushed by its member states.\(^{182}\) Internal divisions do not help member states in taking new initiatives toward the conflict, but the deeper reason for their paralysis is that they calculate that the price is not worth it compared to their international priorities. As a European member state diplomat put it, “Our current lack of comfort is far more tolerable than any cost from a future backlash”.\(^{183}\)

\(^{181}\) Crisis Group interview, European head of mission, Jerusalem, November 2021.

\(^{182}\) A European head of mission said, “The Commission is not ready to invest in trying to get the member states to move. Borrell is active, but he and his cabinet do not want a fight that they view as risky and stake his capital on this issue. In the absence of a EU initiative, can the member states do more? They mostly say as long as Borrell does nothing, they will do nothing. It’s a vicious circle”. Crisis Group interview, Jerusalem, November 2021.

\(^{183}\) Crisis Group interview, Jerusalem, October 2021.
V. An Alternative Path

European leaders see no immediate incentive to change course on an Israeli-Palestinian conflict they view as contained. While most European governments acknowledge that things are deteriorating and the prospect of a solution acceptable to both parties is fading, they are unwilling to pay the price of revising policy in their bilateral relationship with Israel, especially when U.S. President Joe Biden has made clear that his administration will not engage other than to push for measures that marginally improve Palestinians’ living conditions. Instead, they maintain the illusion of a status quo based on an increasingly illegitimate PA leadership supposedly capable of keeping the two-state solution alive and on successive Israeli governments – indeed, an Israeli body politic – that for the most part have disavowed the two-state solution and pursue with impunity policies that amount to de facto annexation. Notwithstanding still substantial financial aid, Europeans seem likely to disengage further and increasingly limit policy to declarations.

Pragmatic disregard may not be as comfortable for European leaders as it sometimes seems. First, Europe faces criticism for turning a blind eye to violations of fundamental values it purports to uphold and for finding itself in effect an accomplice to Israel’s abuses of Palestinians’ basic rights and creeping de facto annexation that violates international law. Reports by prominent human rights organisations over the past couple of years only accentuated the gap between Europe’s declarations and its practice, regardless of how much aid the EU provides to the Palestinians. If the normative case or electoral considerations carry insufficient weight in European capitals, a compelling argument can also be made that inaction heightens risks of instability. Europeans might believe the conflict is contained, but the events of April-May 2021 – and of August 2022 – serve as reminders that violence can occur unexpectedly at any time. The status quo is anything but. Israeli practices in the occupied territories, be it by the government, the army, security services or Jewish settlers, as well as the PA’s repressive and corrupt ways are steadily changing facts on the ground. As the situation deteriorates, potential triggers of conflict multiply: whether the uptick in settler violence in Jerusalem and the West Bank or the crackdowns by Israeli authorities, violence by far-right Israeli groups and resultant Palestinian protests on the Holy Esplanade, even leaving aside Gaza’s plight.

184 Crisis Group interviews, Palestinian NGO representatives, Ramallah, November 2021. In the past year, reports by prominent human rights organisations – Amnesty International, B’Tselem and Human Rights Watch – accused Israel of apartheid-type practices in the occupied territories. See, for example, “A Threshold Crossed: Israeli Authorities and the Crimes of Apartheid and Persecution”, Human Rights Watch, 27 April 2021. See also former French Foreign Minister Le Drian’s statement on this topic. “Jean-Yves Le Drian met en garde Israël contre un ‘risque d’apartheid’ envers ses populations arabes”, op. cit. These organisations’ criticism goes beyond Israel itself, targeting world powers, including Europe as a group for not taking action to hold Israel accountable. See, for example, “Israel’s Apartheid against Palestinians”, Amnesty International, February 2022.

185 A senior European official said, “Our policy toward the conflict is like the one that we have toward climate change: everyone knows the reality, that our position will cost us more with time if we do nothing, but since the current situation does not force us to move, we do nothing”. Crisis Group telephone interview, September 2021.
Indeed, new dynamics in 2021 illustrate how things could spiral next time around. In contrast to preceding rounds of violence, the 2021 events were not confined to Gaza, but affected all the Palestinian territories (including East Jerusalem and the West Bank) and Israel itself, with unrest among Palestinian citizens in Israeli cities that the authorities struggled to quell. Plus, even if Hamas can mostly tamp down violence in Gaza when it chooses, Fatah and the PA cannot do the same in the West Bank, given their loss of legitimacy, or for that matter in East Jerusalem, where the PA exercises no authority. The 2021 war also made clear that Israel’s emerging ties with a number of Arab countries have had no discernible positive impact on the situation in the Palestinian territories; they may even create new obstacles on the path toward a negotiated two-state solution.

Moreover, a shift to a more proactive European policy toward the conflict, while certainly not cost-free, could make a positive difference. This possibility was evident in 2020, when European leaders, after President Donald Trump presented his Peace to Prosperity plan, helped prevent the Netanyahu government from formally annexing parts of the West Bank by brandishing threats of retaliation. Of course, the responsibility for ending the conflict peacefully, or at least lessening tensions to create an environment in which a better way forward can be envisioned, rests ultimately with the main conflict parties, starting with Israel as occupying power. But none of the local actors is likely to take constructive steps absent a more active international line, since the power differential between the parties is increasingly unbalanced.

Europe has tools at its disposal to influence the conflict’s trajectory. While the time is not ripe for a new peace initiative, Europe could at least launch an internal discussion and start developing policies based on realities on the ground to eventually replace the current outdated political framework, which was established in the 1990s. More forward-leaning member states, such as Belgium and Ireland, could exert greater effort in rallying major European countries like France and Germany to their initiatives, for example, on differentiation, undeterred by internal European divisions. Belgium or Ireland might shy away from investing political capital in such an attempt given the slim chances of success, but even if it does not yield immediate results, it still could provoke useful debate.

Regarding Palestinian governance, the EU and its member states should first of all abandon their permissive approach vis-à-vis the Palestinian leadership by helping create conditions that would allow for political renewal. To this end, they could demand accountability from the PA for serious abuses of human rights, using budget support to enforce accountability. They could, for example, set benchmarks for the justice and interior ministries, and prepare retaliatory measures if the ministries fail to measure up. These might start with cutting EU funding for the interior ministry until it credibly investigates and holds to account those responsible for the death of the activist Nizar Banat and the subsequent mass arrest of protesters. Such a step would not affect essential services and thus not harm the population, but instead send a strong message to the PA that it cannot continue with repressive business as usual.

Secondly, the EU and its member states could help expand the space for Palestinian civil society, whose role is even more important in the face of the PA’s authoritarian behaviour and Israel’s violations of international law and human rights. They should progressively reallocate part of their budget support to Palestinian non-governmental watchdog organisations, and mark these groups as essential actors in Europe’s...
dialogue with the PA, especially when it comes to outlining development programs, fighting corruption and protecting the rule of law.

Thirdly, the EU could invest more political capital in efforts at Palestinian political renewal. Legislative elections would allow a revival of representative Palestinian institutions and improve prospects for national reconciliation. They might also lead to a change in political dynamics in Gaza. To move toward these polls, the Europeans would ideally bring the U.S. on board, something that, to date, European leaders have not tried too hard to do because of their own disquiet about elections. At a minimum, the U.S. could help press Israel to let East Jerusalem Palestinians vote, if absolutely necessary through online ballots.

Fourthly, major EU member states could work to convince more reluctant members to agree to at least debate a fresh interpretation of the Quartet conditions that would allow Hamas to participate in a unity government. It will not be easy, given the Visegrád countries’ refusal to discuss the issue and the likelihood that the U.S. would decline to fund such a government unless it is purely technocratic in nature. Yet the debate is necessary: the Quartet conditions are a major obstacle to elections and national reconciliation, as Crisis Group has long argued, and have contributed to Gazans’ suffering. The EU should seek to persuade the U.S. to join it in this effort to the extent U.S. domestic legislation permits, but regardless, Europe should continue to push for a more inclusive PA.

Lastly, and above all, Europeans need to reassess the EU’s own no-contact policy, based on review guidelines and factoring in developments on the ground, political deadlock and the evolution of Hamas’s positions. A review by itself would send a deterrent signal to potential election spoilers, be it the PA or Israel. In addition, the EU and its member states could use non-official or non-member state (Swiss and/or Norwegian) channels to explore with Hamas leaders what the content of a dialogue could be and how it could advance the prospect of legislative elections and a governing arrangement. No official or legal document stops the EU or member states from taking such a step.

If adjusting policies toward the PA is hard, even tougher would be forging a new European approach toward Israel. So far, European middle-ground countries have been reluctant to do so, deeming the benefits too hazy given the almost certain harm to their relationship with Israel. Moreover, the Biden administration’s disengagement and, in parallel, the normalisation process between Israel and some Arab states are acting as disincentives, as is the adamant opposition from Visegrád countries.

Still, there are things that Europe could do. First, Europeans could set a new tone by simply asking Israel about its objective in the occupied territories. Formal annexation may be on hold, but as Israel’s de facto annexation continues apace, Europeans could ask Israel on what basis and for what purpose it is requesting that Europe invest substantial funds in the occupied territories if this support is increasingly unlikely to help deliver a two-state solution. Europe would not necessarily have to cut off funding in the Palestinian territories even were Israel to formally end its commitment to the two-state solution; indeed, Palestinians themselves should have a voice

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186 On the national consensus government, see Section III.A above.
187 See, for example, Crisis Group Report, Beyond Business as Usual in Israel-Palestine, op. cit.
in any such decision. But Europe, as the top funder of the PA and a range of projects in the occupied territories, can reasonably pose the question to Israel and signal that its support is not unconditional.

Secondly, the EU and its member states could adapt their cooperation policy with Israel in support of their main political goal – the resolution of the conflict. Koopmans, the special representative for the Middle East peace process, has already proposed steps toward a “whole of the EU” approach to the conflict, which would aim to help EU institutions (including the European Commission, which leads on cooperation, and the EEAS, which deals with policy) work together better. Concretely, Koopmans has suggested, among other things, compiling a comprehensive list of all EU cooperation projects with Israel. The EU and member states could go a step further by actually using this list to assess the leverage Brussels has.

Ideally, they could link at least some of the EU’s cooperation with Israel to Brussels’ main political goal, namely progress on a two-state solution, and to protection of Palestinian rights. In line with this approach, Europeans could explore the possibility of setting benchmarks for Israel to access cooperation programs, such as Horizon Europe, or even commercial partnerships.188 Some of the conditions that might be applied include Israel removing impediments to Palestinian movement and trade; resolving outstanding fiscal issues with the PA; and halting settlement construction in the West Bank and East Jerusalem.189 They could even apply the so-called territorial clause to all EU-Israel bilateral agreements, explicitly excluding the occupied territories from pacts on the Horizon Europe model. Settlers and companies based in settlements would thus not be able to benefit from bilateral agreements between the EU or its member states and Israel. European leaders should also call on Lapid’s caretaker government to rescind the October 2021 order designating six Palestinian NGOs as terrorist organisations.190

Thirdly, Europeans have an interest in protecting the funds they invest in Palestinian development in parts of the West Bank designated as Area C. To that end, they could set up a mechanism to systematically monitor Israeli responses to their requests for development activities and import permits, and shorten the tacit permit approval deadline from eighteen to six months. Doing so might help accelerate European-funded projects in Area C. With respect to humanitarian aid to the Palestinians, they should continue to discuss remedial measures in case Israel confiscates materials or demolishes infrastructure, and begin to enforce them. They could, for exam-

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188 The EU failed to apply this clause to the memorandum of understanding it signed with Egypt and Israel on 15 June 2022 regarding the import of natural gas. It should do so if and when it signs the actual agreement.
190 European diplomats say Israel has failed to provide sufficient evidence that the six NGOs (Addameer, Al-Haq, the Bisan Center for Research and Development, Defence for Children International-Palestine, the Union of Palestinian Women’s Committees and the Union of Agricultural Work Committees) have funded and acted on behalf of the Popular Front for the Liberation of Palestine. Regardless, the European Commission suspended its financial support to Al-Haq and the Union of Agricultural Work Committees in May 2021, as did some of member states, before announcing its resumption at the end of June 2022. See “European diplomats: Israel failed to submit sufficient evidence against outlawed Palestinian NGOs”, Haaretz, 8 June 2022.
ple, withdraw funds from the EU’s cooperation program with Israel equivalent to the cost of the damage Israel inflicts upon EU-funded projects in the occupied territories.

Not all of these measures would require unanimity in the EU. Moreover, some can be adopted at the national level, including strict enforcement of differentiation between Israel and the occupied territories. It is unclear how Israel would respond to such steps, but a European policy change might, at the very least, shift some of the political debates in Israel and thus open new perspectives for dialogue. In any case, Europe, for the sake of its own credibility, should demonstrate greater resolve in respecting international law, including UN Security Council resolutions, to which it is committed. In doing so, the EU and its member states will likely face a good deal of pressure from both Israeli leaders and Israeli NGOs that support current Israeli policy toward the Palestinian territories. Europe would need to stand its ground and accept to have differences with not just Israel but all actors in the conflict, regarding the main drivers of violence, ways to mitigate them and a path toward a solution.191

Finally, with strong member state support, the EEAS should overcome its fear of lack of consensus and start working on the requested options paper regarding actual and potential European leverage vis-à-vis both parties to the conflict. Such a move would be a first step to suggest that the EU is serious about seeking a new and more influential approach.

In the long term, Europeans should start to think about the consequences on the ground and for their policy of what many officials readily volunteer in private – that the two-state solution, at least as framed in the Oslo accords, has lost all connection to the changing facts on the ground. To do so would, of course, mean rethinking the entire edifice of the peace process. This exercise would be tricky at any time, but particularly now in view of divisions among Europeans, the Ukraine crisis, a near-absent U.S., the PA’s failing capacity and the likely makeup of a new Israeli coalition government. But if most European governments believe that Oslo no longer offers a realistic solution, it makes sense at least to start a debate – at a national level or among a small group of member states – about what alternatives to the Oslo process could be and how to develop these, without necessarily jettisoning the two-state objective. Regardless, Europeans would need to make clear that they will not support any political solution that fails to guarantee full equality for all those residing in the territory under Israeli control and jurisdiction.

191 For example, see the pressure put on EU Representative in Palestine Sven Kühn von Burgsdorff following a 31 May speech at a conference in Jerusalem, in which he stressed the need for political decision-makers in Europe to tackle the main drivers of violence and engage politically to achieve a lasting peace and security. See “Terrorist attacks unsurprising given Palestinian suffering – EU envoy”, *Jerusalem Post*, 2 June 2022; “Wiesenthal Centre open letter: “We are aghast at EU representative’s words: ‘Terrorist attacks against Israelis should not be surprising!’... von Burgsdorff must be fired!”, Wiesenthal Centre, 2 June 2022; and Twitter thread of the EU Delegation to Palestinians, 5 June 2022.
VI. Conclusion

In the face of Israel’s deepening occupation of the Palestinian territories, European ambitions to at least ensure that the two-state solution remains a feasible option are at their lowest ever. Europe has mostly withdrawn from political involvement, instead supporting the illusion of a status quo through humanitarian and development aid. Its unwillingness to do more at this time derives from a calculation that the cost of adapting its approach is too high and the prospect of having a positive impact too low, especially in light of more pressing foreign policy priorities, not least of which are the war in Ukraine and crisis for European security unleashed by Russia’s invasion. Moreover, European leaders are internally divided on the Israeli-Palestinian conflict; unwilling to clash with Israel and the U.S.; spared the kind of domestic pressure that could steer them in a different direction; and convinced that, for now at least, the situation is just not that expensive for Europe.

This calculation is based on short-term thinking, which might turn out to be costlier in the longer term. Conflict triggers are multiplying, introducing new instability and rendering a peaceful resolution ever more difficult. This situation could easily backfire on Europe, domestically and on its interests in the region, given popular sentiment favouring the Palestinian cause despite Israel’s efforts at normalising its relations with authoritarian Arab governments.

A better path – one for which there is appetite among many officials, even if not in the halls of power – would be to bring Europe’s policies in line with the aspirations it claims to espouse. Europe should abandon its permissive approach vis-à-vis the Palestinian leadership by helping create conditions that would allow for political renewal and adopt a firmer line toward the Israeli government by holding it to account – including through the EU’s cooperation program – for explicit opposition to and policies that obstruct a viable Palestinian state. Europe has the tools to do so, or at least to positively affect the conflict’s trajectory by changing Palestinian political dynamics and helping stimulate discussion in Israel on the occupation’s sustainability, an issue that for now barely registers in public debate. The ultimate responsibility for ending the conflict peacefully or at least mitigating conflict triggers rests with the main parties. But a more active European approach could still make a difference and would at least better coincide with Europe’s declared interests and objectives.

Brussels, 23 August 2022
Appendix A: Map of Israel-Palestine
Appendix B: About the International Crisis Group

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

Crisis Group’s approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes CrisisWatch, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 80 situations of conflict or potential conflict around the world.

Crisis Group’s reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is co-chaired by President & CEO of the Fiore Group and Founder of the Radcliffe Foundation, Frank Giustra, as well as by former Foreign Minister of Argentina and Chef de Cabinet to the United Nations Secretary-General, Susana Malcorra.

Comfort Ero was appointed Crisis Group’s President & CEO in December 2021. She first joined Crisis Group as West Africa Project Director in 2001 and later rose to become Africa Program Director in 2011 and then Interim Vice President. In between her two tenures at Crisis Group, she worked for the International Centre for Transitional Justice and the Special Representative of the UN Secretary-General in Liberia.

Crisis Group’s international headquarters is in Brussels, and the organisation has offices in seven other locations: Bogotá, Dakar, Istanbul, Nairobi, London, New York, and Washington, DC. It has presences in the following locations: Abuja, Addis Ababa, Bahrain, Bak’ k, Beirut, Caracas, Gaza City, Guatemala City, Jerusalem, Johannesburg, Juba, Kabul, Kiev, Manila, Mexico City, Moscow, Seoul, Tbilisi, Toronto, Tripoli, Tunis, and Yangon.


August 2022
Appendix C: Reports and Briefings on the Middle East and North Africa since 2019

Special Reports and Briefings

Crisis Group Middle East Report N°237, 23 August 2022

**Israel/Palestine**

*Defusing the Crisis at Jerusalem’s Gate of Mercy*, Middle East Briefing N°67, 3 April 2019 (also available in Arabic).


*The Gaza Strip and COVID-19: Preparing for the Worst*, Middle East Briefing N°75, 1 April 2020 (also available in Arabic).

*Gaza’s New Coronavirus Fears*, Middle East Briefing N°78, 9 September 2020 (also available in Arabic).

*Beyond Business as Usual in Israel-Palestine*, Middle East Report N°225, 10 August 2021 (also available in Arabic).

*The Israeli Government’s Old-New Palestine Strategy*, Middle East Briefing N°86, 28 March 2022 (also available in Arabic).

**Iraq/Syria/Lebanon**


*The Best of Bad Options for Syria’s Idlib*, Middle East Report N°197, 14 March 2019 (also available in Arabic).

*After Iraqi Kurdistan’s Thwarted Independence Bid*, Middle East Report N°199, 27 March 2019 (also available in Arabic and Kurdish).

*Silencing the Guns in Syria’s Idlib*, Middle East Report N°213, 15 May 2020 (also available in Arabic).

*Managing Lebanon’s Compounding Crises*, Middle East Report N°228, 28 October 2021 (also available in Arabic).

*Averting an ISIS Resurgence in Iraq and Syria*, Middle East Report N°207, 11 October 2019 (also available in Arabic).


*Ways out of Europe’s Syria Reconstruction Conundrum*, Middle East Report N°209, 25 November 2019 (also available in Arabic and Russian).

*Steadying the New Status Quo in Syria’s North East*, Middle East Briefing N°72, 27 November 2019 (also available in Arabic).

*Easing Syrian Refugees’ Plight in Lebanon*, Middle East Report N°211, 13 February 2020 (also available in Arabic).

*Avoiding Further Polarisation in Lebanon*, Middle East Briefing N°81, 10 November 2020 (also available in Arabic).

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