

The Norwegian Aid Effort in the Oslo Peace Process 1993-2000

Why Norwegian Aid Increased as the Peace Process Deteriorated

Tessa Eriksen Grevle



Master's Programme in Peace and Conflict Studies (PECOS)

Department of Political Science

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A Thesis submitted in partial fulfillment of the requirements for the Degree of
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In loving memory of
Oddvar Grevle

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List of Abbreviations

AHLC	The Ad Hoc Liaison Committee
CG	Consultative Group
CIA	Central Intelligence Agency
COPP	Coordinating Committee of International Assistance to the Palestinian Police Force
DoP	Declaration of Principles
EU	European Union
GNP	Gross National Product
IDF	Israel Defense Forces
JLC	Joint Liaison Committee
LACC	The Local Aid Coordination Committee
MFA	Norwegian Ministry of Foreign Affairs
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NOK	Norwegian Krone
NORAD	The Norwegian Agency for Development Cooperation
NORBATT	Norwegian Battalion (in Lebanon)
OECD	Organization for Economic Co-Operation and Development
PA	Palestinian National Authority
PDP	Palestinian Development Plan
PECDAR	The Palestinian Economic Council for Development and Construction
PLO	The Palestinian Liberation Organization
PNC	The Palestinian National Council
PPF	The Palestinian Police Force
P2P	People-to-People Programme
SLA	South Lebanon Army
TC	The Trilateral Commission

TIPH	Temporary International Presence in Hebron
UN	United Nations
UNDP	United Nations Development Programme
UNIFIL	United Nations Interim Force in Lebanon.
UNRWA	United Nations Relief and Work Agency for Palestine Refugees in the Near East
UNSCO	The United Nations Special Coordinator for the Middle East Peace Process.
US	The United States
USD	United States Dollar
USSR	The Union of Soviet Socialist Republics
WB	The World Bank

Chapter 1: Introduction

In 1993, a historic agreement was finalized between the Palestinian Liberation Organization (PLO) and the Israelis. The Oslo Accord was a grand surprise to the world because the Israelis had never before agreed to communicate with the PLO, whom they considered terrorists.¹ The whole process leading up to the agreement had taken place in complete secrecy simultaneously with an official peace process that started in Madrid and continued in Washington.² Few therefore had expected such agreement, and even fewer had expected that Norway, a small country with no political power to “push” the two parties, would play the peacemaking role.

The Norwegians played the role as first facilitator, then mediator in the secret talks that would later be referred to as the Oslo Back Channel. The main reason why Yasser Arafat, the leader of the PLO, had requested the Norwegians to play this role back in 1979 was the close relationship that the Norwegians had shared with the Israelis since the initiation of the Israeli state in 1948.³ He knew that the mediator to serve in a peace process between the PLO and Israel would not be accepted unless they had a good relationship with Israel, the United States, and the European Union, and Norway therefore emerged as a potential choice to him.⁴ Norway thus played a crucial role in the materialization of the Oslo Agreement.

The Oslo accord was intended as an interim agreement. It included a mutual recognition of the two parties and an agreement of a future peace process, which, through an incremental approach, was meant to end in independence for the Palestinians, security in Israel, and, hopefully, a solution to this Middle Eastern conflict. After the Oslo Agreement was revealed to the public, the Norwegians were eager to extend their engagement from the Oslo Backchannel into the subsequent peace process through an extensive aid effort. As a donor, the Norwegians

¹ The Oslo Accord is also called the Oslo Agreement.

² Avi Shlaim, *The Iron Wall: Israel and the Arab World* (London, W.W. Norton & Company, 2001), 511-513.

³ Hilde Henriksen Waage, “Explaining the Oslo Backchannel: Norway’s Political Past in the Middle East,” *Middle East Journal* 56, no. 4 (Autumn 2002): 3.

⁴ Waage, “Explaining the Oslo Backchannel,” 12.

consequently increased their annual contribution of development aid to the Palestinians from 65 million NOK to an astonishing 250 million NOK. In 1993, the Norwegians envisioned to maintain this high level of aid for a period of five years. Unfortunately, the peace process did not proceed according to the plan laid out in the Oslo Agreement and in year 2000 the peace process collapsed completely as a new Intifada erupted. By this point, the Norwegian aid to the Palestinians had reached close to 500 million NOK per year.

Following the materialization of this first interim agreement and the initiation of the process that would supposedly lead up to the actual peace agreement, Norway took on several prominent roles in the international aid effort. This gave the small nation a unique position in terms of administrating foreign aid and rendering judgment as to where the need was great and where one would “throw money out of the window.” Norway served, to mention some, as chair of the Ad Hoc Liaison Committee (AHLC), chair of the Local Aid Coordination Committee (LACC), leader of the Temporary International Presence in the City of Hebron (TIPH), member in the exclusive Joint Liaison Committee (JLC), as well as administrator of the People-to-People Program.⁵ In a peace process between two adversaries, one very powerful and one not at all, it is therefore interesting to see how Norway managed to play its multiple roles as aid coordinator, donor, and monitor at the very same time.

This master’s thesis will explore the political ambitions behind the Norwegian aid effort to the Middle East between 1993 and 2000. It seeks to comprehend why the Norwegian aid to the Palestinians increased as the peace process deteriorated. Moreover, it asks the question whether the belief that economic prosperity in the occupied territories would lead to peace, entrapped Norway in a pattern where it was committed to increase economic support in the aid effort as the situation between the PLO and the Israelis deteriorated.

⁵ These will be introduced throughout the next chapters.

The Norwegian Policy of Engagement

The Norwegian aid effort in the Oslo Peace Process was part of the extensive Norwegian Policy of Engagement. The term “Policy of Engagement” was coined by historian Rolf Tamnes and describes a trend in Norwegian foreign policy of investing considerable resources in improving the world in terms of alleviating poverty, preventing natural catastrophes, and striving towards peace.⁶ According to the philosophy behind this line of action, Norwegian interest is served through such measures, as they are benevolent to the entire globe.⁷ In 2008, a Storting White Paper explained the correlation between Norwegian Engagement Policy and the global advantages in the following manner: “Norway should be among the leading political and financial partners in the international humanitarian effort and contribute in such manner that the international society is best possibly prepared and equipped to face the challenges of the future.”⁸

The Engagement Policy had grown in Norway since the 1970s, and by 1990 this was one of the most distinctive characters of the nation’s foreign policy.⁹ During the nineties, peace, democracy, and human rights were considered prerequisites for development to a larger degree than earlier and the Norwegian effort and support for such priorities was greatly escalated.¹⁰ One of the reasons behind this escalation was that the Engagement Policy was considered less left wing after the collapse of the Union of Soviet Socialist Republics (USSR).¹¹ Moreover, according to political scientist Turid Læg Reid, security concerns had dominated the foreign policy of Norway throughout the Second World War and the Cold War. When the Cold War

⁶ Rolf Tamnes, *Norsk Utenrikspolitikks Historie, Vol. 6, Oljealder* (Oslo: Universitetsforlaget, 1997); “Norway’s policy of engagement,” *Ministry of Foreign Affairs*, http://www.regjeringen.no/nb/dep/ud/tema/fred_og_forsoning/norway_engagement.html?id=587985.

⁷ Frode Liland and Kirsten Alsaker Kjerland, *Norsk Utviklingshjelps historie, Vol 3, 1989-2002 På Bred Front* (Bergen: Fagbokforlaget, 2003), 14.

⁸ “St. meld nr. 40 (2008-2009) Norsk humanitær politikk. 3 Humanitær engasjementspolitikk,” *Ministry of Foreign Affairs*, <http://www.regjeringen.no/nb/dep/ud/dok/regpubl/stmeld/2008-2009/stmeld-nr-40-2008-2009-3.html?id=563847>.

⁹ Tamnes, *Oljealder*, 344.

¹⁰ Liland and Kjerland, *På Bred Front*, 14.

¹¹ Tamnes, *Oljealder*, 342.

came to an end, a vacuum opened in the foreign policy, which the Norwegians filled with an enterprise to create an image of Norway as a humanitarian superpower.¹²

Concurrently with the development of the Engagement Policy, money from a booming oil industry had made Norway one of the wealthiest countries in the world per capita. This opened a possibility for Norway to be able to donate aid and in this manner impact the new world within its own ideology.¹³ Norwegians felt optimistic and self-confident after the defeat of the USSR and their own recent prosperous development, and were eager to help others attain what they had already achieved. The high percentage of Christians and social democrats in the population had built a strong missionary sense into the national identity, while at the same time the small country wanted to build a permanent identity in the international community. The small nation of Norway therefore felt strongly for influencing other countries in their own image. When Sweden, on top of it all, experienced a financial recession, Norway took over its neighbor's position as peace nation in the Nordic region. There were thus few obstacles to prevent Norway from gaining political support for a considerable extension of the Policy of Engagement.¹⁴

Along with the expansion of the Engagement Policy, a strong sense of altruism and idealism grew in the Norwegian society in the 1990s. This development was particularly noticeable among many of the prominent national leaders, politicians, and diplomats who played leading roles in the Norwegian aid effort to the Palestinians, for example Kjell Magne Bondevik, Bjørn Tore Godal, Knut Vollebæk, and Jan Egeland.¹⁵

An essential part of the Norwegian Engagement Policy is the Norwegian Model, which constitutes a triangular cooperation between the Norwegian government, the

¹² Liland and Kjerland, *På Bred Front*, 84.

¹³ Helge Pharo, "Altruism, Security and the Impact of Oil: Norway's Foreign Economic Assistance Policy, 1958- 1971," *Contemporary European History* 12, no. 4 (2003): 546.

¹⁴ Liland and Kjerland, *På Bred Front*, chapter 3; Tamnes, *Oljealder*, Chapter 1 of part IV.

¹⁵ Liland and Kjerland, *På Bred Front*, 83.

academics, and the Non-Governmental Organizations (NGOs).¹⁶ According to Terje Tvedt, author of the book *Development Aid, Foreign Policy and Power: the Norwegian Model*, the model has been presented as an “optimal tool to implement altruistic goals in the global arena and is marketed as the nation’s trademark product in the era of internationalization.”¹⁷ Tvedt contends that the achievements of the Oslo Back Channel were the crowning jewel of the Norwegian Model. This success served as the ideal example for the model.¹⁸ This is one of the reasons why it was tremendously important for the Norwegians that the Oslo Agreement and the subsequent Oslo Peace Process concluded in peace.

Entrapment in Negotiations: a Theoretical Framework

The research question of this thesis asks whether Norway became entrapped in the foreign aid strategy that it pursued. Entrapment theory is drawn upon in this assignment as a tool to help elucidate this phenomenon.

The theory of entrapment was originally developed by the political sociologist C. Wright Mills as a tool to describe the individual’s relation to the state.¹⁹ This concept has later been transferred to other phenomena. In recent time, Paul Meerts, Professor in International Negotiation Analysis, has theoretically approached entrapment in negotiation processes and this is the approach closest related to the topic of this assignment.

Meerts uses the following definition of entrapment: “A decision-making process in which individuals strengthen their commitment to a previously chosen, though failing, course of action to justify or recover the prior investments.”²⁰ Entrapment can occur,

¹⁶ Terje Tvedt, *Utviklingshjelp, Utenrikspolitik og Makt: Den Norske Modellen* (Oslo: Gyldendal Norsk Forlag, 2009), 42; “Den norske modellen,” *Ministry of Foreign Affairs*, <http://www.regjeringen.no/nb/dep/ud/dok/veiledninger/2005/den-norske-modellen.html?id=439681>.

¹⁷ Tvedt, *Den Norske Modellen*, 42.

¹⁸ Tvedt, *Den Norske Modellen*, 41.

¹⁹ Mills C. Wright, *The Sociological Imagination* (Cambridge: Cambridge University Press, 1959)

²⁰ This definition was originally developed by Brockner and Rubin in their book *Entrapment in Escalating Conflict*: J. Brockner and J. Z. Rubin, *Entrapment in Escalating Conflict: A Social Psychological Analysis* (New York: Springer Verlag, 1985), 5; Paul W Meerts, “Entrapment in International Negotiations,” in *Escalation and*

in other words, as a consequence of a strategy that has been invested so heavily in that the political consequence of admitting failure is not an option if one wants to survive politically. The same strategy that has already failed once is therefore applied again in an attempt to revive lost goods. However, this makes the situation grow worse and one is entrapped in a bad spiral. Consequently, every time the failing course of action is applied the range of options and reactions for the entrapped party diminishes.

The process of being entrapped is not a result of a single act, but of a number of disadvantageous, yet repeated, strategic moves. The eventually entrapped party often makes its first move at a point when the party has a range of options from which to choose. One of the primary factors that contribute to entrapping a party is that a decision has to be made before certainty is reached.²¹ In other words, one party plans a move based on the most logical assumption at the time. The move that is decided upon is subsequently put into practice accompanied with a heavy investment, still without the representatives of that party being sure that it is the right choice. When this move fails, one tries to regain the investment through another attempt and a pattern of repetition occurs. By shortsightedly attempting to act in one's own interest, the party ends up harming its own cause.²²

The best tool to avoid or create an entrapment situation is information.²³ By possessing information that the other party of a negotiation relationship does not hold, one can control the process of entrapment. The smaller or weaker party in a negotiation process thus often uses entrapment as a diplomatic tool in an attempt to gain the upper side. Though entrapment can be used as a strategic tool in diplomatic relationship, it does not necessarily need to be so.²⁴ This assignment does not claim that Norway was entrapped due to conscious planning by any party but simply makes the observation that a phenomenon of entrapment took place. The United States, for example, became

Negotiation in International Conflicts, 111-141, eds. I William Zartmann and Guy Olivier Faure (New York: Cambridge University Press, 2005), 113.

²¹ Meerts, "Entrapment in International Negotiations," 111-116.

²² Meerts, "Entrapment in International Negotiations," 115-122.

²³ Meerts, "Entrapment in International Negotiations," 129.

²⁴ Meerts, "Entrapment in International Negotiations," 131.

entrapped in Vietnam not because Vietnam planned for it to occur that way, but due to external factors. In this sense, one can say that the entrapment process described in this assignment was self-inflicted because no external party intentionally caused the process to occur.

The main sign of an entrapment situation is that one party finds itself in a situation it cannot get out of without considerable loss.²⁵ This situation came into existence because the party followed a strategy and this strategy proved to fail. Meerts calls entrapment an escalation process, meaning that there is no yes or no answer as to whether a party is entrapped; it is rather a question of degree. He clarifies that there is a distinction between escalation and entrapment. While escalation is a mutually coercive mechanism, which maintains the power balance between two conflicting parties, an entrapment process is where one party loses and another gains from its loss.²⁶

Methodological Approach

While this thesis does merge elements from history, political science, and economy, it is mainly rooted in history. Furthermore, though a master's thesis about an economic development necessarily includes references to statistics, graphs, and numerical data within the quantitative tradition, this assignment is written from a qualitative approach. The economic developments are therefore, for the most part, explained in words and not through figures. Furthermore, in order to recount sums as accurately as possible, two different currencies are used intertwined: United States Dollar (USD) and Norwegian Krone (NOK).

The primary sources in this thesis are archival documents, public reports published by the government, and one interview. The research for this thesis is carried out in three different archives: the Archive of the Ministry of Foreign Affairs (MFA), the Archive of the Storting of Norway, and the Archive of the Norwegian Agency for

²⁵ Meerts, "Entrapment in International Negotiations," 7.

²⁶ Meerts, "Entrapment in International Negotiations," 119-120.

Development Cooperation (NORAD).²⁷ One interview has been executed with Petter Bauck, Senior Adviser in NORAD's Department for Economic Development Energy, Gender, and Governance. In line with the qualitative approach this is an unstructured interview, meaning that no standardized questionnaire has been used. The interview has been transcribed and translated from Norwegian by the author of this thesis.

Knowledge Gap

Extensive research has been done on international aid to the Palestinian Authority in the Oslo Peace Process period. Already in 2000, Rex Brynen published the book *A Very Political Economy: Peacebuilding and Foreign Aid in the West Bank and Gaza*. In 2008 Routledge Studies on the Arab-Israeli Conflict published the book *International Assistance to the Palestinians after Oslo* by Anne Le More. The information provided in these books is essential in order to comprehend the interconnection between the Norwegian and the international aid effort.

Considering the wide-ranging explorations of international aid to the Palestinians, one would think that there would have been done lots of research on the correlation between Norway's political approach in peace negotiations and their financial contributions. However, to the extent of my knowledge there are few publications within this subject. Hilde Henriksen Waage's book *Peacemaking is a Risky Business*, which explores the Norwegian role in the peace process in the Middle East from 1993 till 1996, includes information relevant to the topic. This is the only comprehensive publication of research done on the Norwegian role in the Oslo Peace Process. Additionally, Waage has written a book chapter about the Norwegian political approach in the Oslo Process called *Norsk fredspolitik i Midtøsten* which contains significant material. Finally, there are a few pages on the subject in the book *På bred front* by Frode Liland and Kirsten Alsaker Kjerland, but little in-depth information. Bearing in mind the looming question of why Norway would continue international aid despite the faltering peace process and the limited research published on the subject, it can thus be concluded that there is a considerable knowledge gap.

²⁷ The name of the Norwegian parliament is the Storting.

Chapter 2: Norwegian Aid to the Palestinians Before the Oslo Agreement (1948-1993)

Before the Norwegians played their role in the creation of the Oslo Agreement, Norway had not had an overall strategy or one specific political philosophy behind the foreign aid it had donated to the Middle East. Norway had acted merely as an aid provider, similar to many other nations. This chapter explores Norwegian foreign aid to the Palestinians and the political implications behind this assistance before the Oslo agreement.

Prior to 1993, the year of the Oslo Agreement, the Norwegian foreign aid to the Palestinians was mainly channeled through the United Nations Relief and Work Agency for Palestine Refugees in the Near East (UNRWA). UNRWA was established in 1949 to provide services for the Palestinian refugees located in Lebanon, Syria, Jordan, the West Bank, and Gaza. The organization was originally intended as a temporary arrangement, but in the absence of a solution to the conflict between the Israelis and the Palestinians, the organization has repeatedly had its mandate updated.²⁸

From the Initiation of Israel as a State to the Intifada

From the very initiation of the Israeli state in 1948, the Norwegian political and public support for the Israelis had been resilient.²⁹ In 1949, Norway was the only country in Scandinavia to vote in favor of Israeli UN membership and grant Israel de jure recognition.³⁰ The strong ties between the Norwegians and the Israelis were, according to Hilde Henriksen Waage, due to the European collective guilt for the treatment of the Jews during World War Two, the strong Christian roots in Norway, and the fact that

²⁸ "About UNRWA," *United Nations Relief and Work Agency for Palestine Refugees in the Near East*, <http://www.unrwa.org/etemplate.php?id=47>.

²⁹ Hilde Henriksen Waage, "How Norway Became One of Israel's Best Friends" *Journal of Peace Research* 37, no. 2 (2000): 193.

³⁰ Waage, "How Norway Became One of Israel's Best Friends," 196-197.

both nations were social democracies.³¹ The sense of unity was further strengthened in November 1949 by a plane crash in Norway. The plane carried 27 Jewish children who were to participate in a school program located in Norway meant to prepare them for their arrival in Israel. Various initiatives to honor the memory of the children who died in the plane crash created more direct links and communication between the Israelis and the Norwegians. The biggest of these initiatives was the construction of a Norwegian kibbutz in Israel.³² The crash subsequently triggered more Norwegian sympathy toward the situation of the Jews in Israel and a closer relationship between leading politicians in the governments of the nations that were both led by the Labor Party.³³

The one-sided and uncritical Norwegian support for the Israelis endured throughout the 1950's without question as to the situation for the Arabs who had lived in the land of Palestine before the Jews turned the same territory into the state of Israel.³⁴ Norway was constantly informed by the United Nations (UN) of the challenges created in the Middle East by the massive wave of Palestinian refugees. Notwithstanding, Norway considered it the responsibility of the Arab countries to integrate Palestinian refugees just as the Israelis had to integrate multitudes of Jewish immigrants from around the world.³⁵ Norway did send some surplus of fish to the Palestinian refugees as a response to UN appeals for humanitarian aid. However, upon receipts of reports indicating that the fish were rotten and that other commodities were more needed, the Norwegians simply continued the export of its fish surplus and protecting its national fishing industry without further consideration as to what the Palestinians actually needed.³⁶ Furthermore, Norway rejected an appeal for construction supplies from the UN on behalf of the Palestinian refugees. Whereas the 1950s were a time when the

³¹ Hilde Henriksen Waage, *Peacemaking is a Risky Business: Norway's role in the Peace Process in the Middle East 1993-96* (Oslo: International Peace Research Institute, 2004), 31-46.

³² A kibbutz is a collective community in Israel. Traditionally these used to revolve around development of agriculture.

³³ Hilde Henriksen Waage, *Norge-Israels Beste Venn: Norsk Midtøsten Politikk 1949-56* (Oslo: Universitetsforlaget, 1996), 20-27.

³⁴ Waage, "How Norway Became One of Israel's Best Friends," 198-200.

³⁵ Waage, "How Norway Became One of Israel's Best Friends," 200.

³⁶ Waage, *Norge-Israels Beste Venn*, 84 and 91; Waage, "How Norway Became One of Israel's Best Friends," 201.

Norwegians were working hard to reconstruct their own country in the aftermath of World War II, it was not surprising that Norway protected its construction resources for its own usage. However, when Norway built and maintained the Norwegian kibbutz in Israel, it sent two ships of seasoned timber to Israel despite the great shortage in Norway. So while Norway denied the UN's pleas for aid to the Palestinian refugees, it did grant building materials to Israel that were scarce in Norway. This clearly reflected the differentiated political stance that Norway held in relation to the two conflicting parties.³⁷

In the latter part of the 1960s, a short, yet significant, war occurred that ultimately made the Norwegians more cognizant of the situation for the Palestinians. During the Six-Day War in 1967, the Israelis occupied the entire Sinai Peninsula, the West Bank, the old part of Jerusalem, and the Golan Heights: this Israeli victory of geographically-expanded authority was a devastating blow for the Arabs and caused another massive wave of Palestinian refugees.³⁸ A long-term consequence of this war was a broadened interest and understanding among Norwegians for the Palestinian's predicament. Furthermore, it was vital to Norwegian interests that the Suez Canal remain open, whereas Norwegian maritime trade was heavily dependent on this passage. When the Egyptians closed the Straits of Tiran to Israeli ships and other ships carrying strategic goods for the Israelis, the Norwegians realized, granted the proximity between the Egyptians and the Palestinians, that they needed to take a more diplomatic approach to the Palestinian cause.³⁹ In 1967, Norway approved an additional two million NOK to the Palestinians. That same year, Norway also voted in favor of Resolution 242, which acknowledged Israel's right to exist within recognized borders, while clearly communicating that it was unacceptable to the UN that Israel occupied land through force and that the UN sought a just solution to the refugee problem. In 1969, the general contribution to UNRWA was increased by twenty percent, which meant that Norway contributed 800,000 NOK. Though this was a considerable increase, it was still a merely moderate sum in comparison to what Denmark and Sweden contributed.

³⁷ Waage, "How Norway Became One of Israel's Best Friends", 200-201.

³⁸ Shlaim, *The Iron Wall*, 241-250.

³⁹ Tamnes, *Oljealder*, 377.

The reason behind this difference was that the support for Israel was still strong in Norway and the political cost of increasing the foreign aid to the Palestinians would thus have been larger in Norway than in the other Scandinavian countries.⁴⁰

In the transition between the sixties and the seventies multiple events unfolded that were not directly linked to the situation in the Middle East, but which still caused the Norwegians to increase their financial aid to the Palestinians. In the beginning of the sixties the UN had initiated a project by which it was desired, ultimately, that each richer nation would contribute about one percent of its Gross National Product (GNP) in aid. Nonetheless, in 1967, the Norwegians were ranked by the Organization for Economic Co-Operation and Development (OECD) as the second-worst aid contributor to poor countries.⁴¹ Even though the Norwegians would have liked to contribute more, the Norwegians did not have an economy that enabled them to stand out as a donor in the international community. In 1969, however, oil was found in Ekofisk in the Norwegian Sea. This, and subsequent discoveries of oil, severely expanded the Norwegian economy which, in turn, increased the development aid budget.⁴² It now became feasible for the Norwegians to transform into an aid provider worth noticing, while at the same time the Arab countries had become more vital to Norwegian interests because of their common oil industry.⁴³ During the same time period, UNRWA was experiencing an economic crisis and the Norwegians suggested the expansion of the organization by the addition of an ad hoc group intended to help solve the financial crises in the organization. Other member countries in UNRWA welcomed this suggestion and Norway subsequently assumed a role as rapporteur to the newly established group. This expanded role in the UN organization was considered a good opportunity to reach the new Norwegian aim of distinguishing itself through aid. It also inspired the Norwegians to want to set a good example for other member nations of UNRWA. In 1974 the Norwegians subsequently contributed eight

⁴⁰ Jostein Peter Eikrem, "Ein ubetydelig bidragsytar? Norsk bistand til palestinske flyktningar, 1967-1993" (Master's thesis, University of Oslo, 2011), 29-33.

⁴¹ Tamnes, *Oljealder*, 390-392; Eikrem, "Ein ubetydelig bidragsytar?," 40.

⁴² Pharo, "Altruism, Security and the Impact of Oil," 542.

⁴³ Tamnes, *Oljealder*, 186-187; Eikrem, "Ein ubetydelig bidragsytar?," 40-41.

million NOK to UNRWA—ten times more than the general contribution had been in 1969.⁴⁴

The Norwegians also considered peace operations a good opportunity to extend their new role as aid provider. In 1970, a civil war erupted in Jordan, which led thousands of Palestinians previously living in Jordan to immigrate to Lebanon.⁴⁵ Eight years later, in March 1978, the Israelis occupied most of the southern part of Lebanon in an attempt to combat the Palestinians fighting from the Lebanese territory. The Lebanese consequently submitted a protest to the Security Council, and the UN quickly adopted two resolutions that called on the Israelis to withdraw from Lebanon. Additionally, a force named the United Nations Interim Force in Lebanon (UNIFIL) was established to maintain control in the interim period while the Israelis were expected to withdraw and help restore the situation back to normal.⁴⁶ Out of the total 6000 servicemen in the operation, the Norwegians battalion (NORBATT) turned up strong in numbers with 930 soldiers. While most of the Norwegian soldiers were full of admiration for the Israelis before they traveled to Lebanon with UNIFIL, the grand majority returned to Norway with a completely changed view after having been exposed to the Israeli conduct in the conflict. Furthermore, with several hundreds of soldiers in the field, the Norwegian media coverage of the Middle East improved and the average Norwegian thus learned more about the Arab perspective and the plight of the Palestinians.⁴⁷ The Israelis withdrew the summer 1978, but, as they controlled the South Lebanon Army (SLA) militia, they continued to extend their authority throughout the southern Lebanese territory. Several clinches between the Norwegians and the SLA did, to a certain degree, balance the Norwegian attitude towards the conflict between the Palestinians and the Israelis, as the Norwegians came to find that the Israelis did too little to prevent the attacks from happening.⁴⁸ Having 930 soldiers in Lebanon was no

⁴⁴ Eikrem, "Ein ubetydelig bidragsytar?," 39-43.

⁴⁵ Shlaim, *The Iron Wall*, 298.

⁴⁶ "United Nations Interim Force in Lebanon," *United Nations*, <http://www.un.org/en/peacekeeping/missions/unifil/background.shtml>.

⁴⁷ Waage, "Norwegians? Who needs Norwegians? Explaining the Oslo Back Channel: Norway's Political Past in the Middle East" *Evaluation Report no.9/2000* (Oslo: Royal Norwegian Ministry of Foreign Affairs, 2000), 42-43.

⁴⁸ Eikrem, "Ein ubetydelig bidragsytar?," 56-57.

cheap initiative. The general contribution to UNRWA in 1978 was fifteen million NOK. In addition, two extraordinary contributions of one million NOK each were donated to alleviate the situation for the Palestinian refugees in Lebanon.⁴⁹ Towards the end of the seventies, Norway had thus turned into a donor country worth noticing in the Middle East.

Starting in 1982, Norway increased its foreign aid budget by one billion, which meant that they finally reached the UN-defined aim of donating one percent of its GNP in international assistance.⁵⁰ That same year, the Israelis again invaded the southern part of Lebanon where the Norwegian soldiers were still serving. This second invasion was much more brutal than the first and weakened the PLO's undertakings in Lebanon.⁵¹ During this war, on September 16, 1982, the Israel Defense Forces (IDF) allowed the Phalangists, an aggressive militia of Christian Lebanese that had grown out of a political party opposed to Pan-Arabism, to enter the two refugee camps of Sabra and Shatila in order to "clean out terrorists". The Phalangists executed a massacre while in the camps and killed, at the very least, 800 Palestinian refugees. This incident led the Western countries, including Norway, toward a less Israel-friendly stance.⁵² The Norwegians expanded their general contribution to UNRWA from 22.5 million in 1982 to 55 million in 1984.⁵³ This increase was a result of both the Norwegian change in attitude towards the Palestinians and of the increase in Norwegian aid to one percent of GNP.

From Intifada to the Oslo Agreement

Towards the end of the 1980s, the internal conditions in the occupied territories were in upheaval. General Commissioner of UNRWA Giorgio Giacomello warned the world that the living conditions for the Palestinians situated in Gaza were unbearable

⁴⁹ Eikrem, "Ein ubetydelig bidragsytar?," 59.

⁵⁰ Tamnes, *Oljealder*, 392; Eikrem, "Ein ubetydelig bidragsytar?," 76.

⁵¹ Benny Morris, *Righteous Victims* (New York: Vintage Books, 1999), 533 and 538.

⁵² Shlaim, *The Iron Wall*, 415-416 and 342.

⁵³ Eikrem, "Ein ubetydelig bidragsytar?," 69 and 74.

and a disaster waiting to happen.⁵⁴ This proved to be correct in 1987 as the outbreak of the Intifada, a civil rebellion, started in Gaza and grew into massive and intense protests among the Palestinian refugees in the occupied territories. The Israelis fought against the non-violent protests with violence in order to silence the rebellion, but, to their great surprise, this only strengthened the uprisings. International media broadcasted pictures of Palestinian men and women in dirty and tattered clothes who were beaten up and shot at by the Israeli soldiers. This boosted the international support for the Palestinians, both politically and economically.⁵⁵

Both before and after the eruption of the Intifada, the Norwegians in the MFA were well aware of the situation for the Palestinians living in Gaza. One of the reports from the Norwegian Embassy of Israel to the Norwegian Foreign Ministry in 1990 concluded that the living conditions in Gaza were so poor that no one wanted the area.⁵⁶ The Intifada had caused the severe situation in Gaza to grow even worse. Forty percent of the population was younger than fourteen years old, and there was an annual population growth of five percent in the already over-populated strip of land. The sewage system was open and a severe lack of water made it nearly impossible to grow much. The limitation on the number of available job positions in Israel was stricter than ever before, and it was extremely hard to maintain any economic activity in a war-ridden area with constant restrictions imposed by the Israelis. Without the help of UNRWA, the report elaborated, starvation or an epidemic of disastrous proportions would most probably have occurred. However, if the situation was to remain the same the area would, the report predicted, still at least deteriorate into both a permanent poorhouse and powder keg by the year of 2000.⁵⁷

Despite the strong wording concerning the situation in Gaza, the problematic internal conditions and the great risk of epidemics, and notwithstanding several sectors within the MFA recognizing the importance and necessity of the project; Norway turned

⁵⁴ Benjamin N. Schiff, *Refugees unto the Third Generation* (New York: Syracuse University Press, 1995), 220-230.

⁵⁵ Shlaim, *The Iron Wall*, 450-455.

⁵⁶ MFA UNRWA 26 6/23 (44), Tel Aviv to MFA, July 3, 1990.

⁵⁷ MFA UNRWA 26 6/23 (44), Tel Aviv to MFA, July 3, 1990.

down several appeals for funding UNRWA's new project of building a hospital in Gaza.⁵⁸ There were various reasons why the appeals were turned down. A preparation note for Foreign Minister Kjell Magne Bondevik expressed concern that the donor community- though with various exceptions such as Sweden, Kuwait, Finland and Spain- worried that constructing a hospital was beyond the scope of UNRWA's mandate and thus could be interpreted as a political act. The dissenting countries believed it should be the responsibility of the occupying power to provide such services to the people living in the occupied territories. Additionally, the note concluded that Norway was, in principle, against UNRWA taking on a political task in the conflict. Most importantly, though, the various sectors within the Foreign Ministry established that this project was beyond the concentration principle for Norwegian financial aid.⁵⁹ This line of reasoning was also mentioned in the informal donor meeting on June 6, 1990. The Norwegian delegation stated that assistance to the hospital should not be expected from Norway because "one should not make commitments to projects that could undermine the demand to Israel to act, in all regards, according to the demands, stipulated by international law, to Israel as an occupying power."⁶⁰ On November 14, 1991 a Nordic common contribution was sketched for the UN's 46th General Council. While the other Nordic countries wanted to include a paragraph in favor of UNRWA's initiative to create a hospital in Gaza, Norway wanted this cut out of the document.⁶¹ Though the Norwegian government wanted to be primarily preoccupied with internal conditions of the countries to which they contributed aid, this example goes to show that this was not entirely the case in the Middle East: The political considerations, especially in relation to the Israeli perception, were still highly important.

Though the MFA rejected the appeal for funding the new hospital, Norway did attempt to take into consideration the steep population growth of the Palestinians— an annual

⁵⁸ MFA UNRWA 26 6/23 (44), Note, March 27, 1990; MFA UNRWA 26 6/23 (44), Note, July 4, 1990.

⁵⁹ The concentration principle stipulates that Norwegian aid should be donated to a limited number of countries and sectors: "Utviklingssamarbeid," *Store Norske Leksikon*, <http://snl.no/utviklingssamarbeid>; MFA UNRWA 26 6/23 (44), Note, June 15, 1990.

⁶⁰ MFA UNRWA 26 6/23 (44), Note, June 11, 1990.

⁶¹ MFA UNRWA 26 6/23 (46), The UN delegation in New York to MFA, November 14, 1991.

five percent increase in Norway's development aid to the Palestinians was necessary to maintain the status quo.⁶² Norway thus increased the general contribution in 1990 with one million NOK, which brought the total general contribution to 65 million NOK.⁶³ Though this made Norway one of the top contributors to UNRWA, it was remarked on multiple occasions in the Norwegian internal correspondence concerning UNRWA that Sweden had decided to increase their contribution. With a donation of 130 million Swedish Kroner, Sweden ranked as the second largest contributor to UNRWA.⁶⁴ The sense of competition was always present between the Norwegians and the Swedes and did serve as an encouragement to increase their donations even further for the Norwegians.

Towards the end of 1990, the situation in the Gulf became the single most important influence on the conflict in the Middle East. After the Israeli invasion of Lebanon, the PLO had been forced to move its headquarters to Tunis and the geographic distance between the PLO and the people in the occupied territories was vast.⁶⁵ During the Intifada, which had started independently of the PLO, academic youth had assumed lead roles among Palestinians and thus challenged the authority of the PLO as the sole representative of the people.⁶⁶ In the subsequent process of striving to maintain its political status, the PLO received economic support from Saddam Hussein, the President of Iraq.⁶⁷ Iraq's invasion of Kuwait on August 2, 1990 had infuriated the surrounding Arab countries. Nevertheless, most of the countries in the Middle East were reluctant to wage a war against the Iraqis, whereas they were worried how this might influence the balance of power between Israel and the other Middle Eastern countries. The one who worried the most about this particular point was Arafat.⁶⁸

⁶² MFA UNRWA 26 6/23 (44), Note, June 11, 1990.

⁶³ MFA UNRWA 26 6/23 (44), MFA to Vienna, January 15, 1990; MFA UNRWA 26 6/23 (44), MFA to Vienna, January 25, 1990.

⁶⁴ MFA UNRWA 26 6/23 (44), Fax from Vienna to MFA, January 24, 1990; MFA UNRWA 26 6/23 (44), Vienna to MFA, January 23, 1990.

⁶⁵ Shlaim, *The Iron Wall*, 413.

⁶⁶ Shlaim, *The Iron Wall*, 459-460; Morris, *Righteous Victims*, 563-565.

⁶⁷ PLO Executive Committee, "On the Intifada (December 1987)" in *The Israel-Arab Reader: A Documentary History of the Middle East Conflict*, eds. Walter Laqueur and Barry Rubin (New York: Penguin Books, 2008), 315.

⁶⁸ Shlaim, *The Iron Wall*, 474.

Furthermore, in a rhetorical move that appealed to the Palestinians, Saddam Hussein compared his occupation of Kuwait with the Israeli occupation of land and proposed a peace plan for the Middle East in which he demanded Israel to withdraw from all land they had occupied.⁶⁹ In this manner, he gained the support of the PLO and the Palestinians. However, Arafat's choice of supporting Hussein soon proved to be a political mistake for the leader of the PLO as the consequences for the Palestinians were fatal, both politically and economically. Kuwait expelled about 300.000 Palestinian workers, the Gulf countries ended their financial backing of the Palestinians, and the Israeli border closures led to serious economic devastation. In addition, Arafat's decision to back Hussein had a strongly negative impact on the international view of the Palestinians.⁷⁰

The Norwegian reaction to the Gulf Crisis was to earmark 76.1 million NOK to humanitarian initiatives in 1990. Nine million was given to Jordan and ostensibly to the Palestinian refugees who had immigrated to Jordan from Kuwait. However, none of the money was given specifically to the Palestinians.⁷¹ In 1991, the donation rose to 130 million NOK, from which 15 million NOK was given to Israel and 89.5 million NOK was donated to the Kurds. The remaining money was devoted to miscellaneous purposes, one of which was the Palestinian cause.⁷² Most of the Palestinian workers returning from Kuwait to the Occupied Territories were dependent on aid. This subsequently caused considerable disturbances in the already fragile UNRWA budget. The Norwegian fiscal budget reserved 50 million NOK in emergency aid for those affected by the crisis, yet only a minor portion of this was channeled through UNRWA.⁷³ All in all, the aid to the Palestinians in the aftermath of the Gulf War was fairly meager.

⁶⁹ Avi Shlaim, *Israel and Palestine* (New York: Verso, 2009),145.

⁷⁰ Morris, *Righteous Victims*, 612-613.

⁷¹ The Storting, "Rapport om Norges samarbeid med utviklingslandene 1990. 5.6" White paper no. 49, 1990-1991.

⁷² The Storting, "Rapport om Norges samarbeid med utviklingslandene 1991. 5.3," White paper no. 66, 1991-1992.

⁷³ MFA UNRWA 26 6/23 (45), Note, October 2, 1990.

The Norwegian donations to the Palestinians channeled through UNRWA had grown considerably during the seventies and the eighties, yet at the beginning of the nineties, the donations stabilized around 65 million NOK.⁷⁴ This was puzzling considering the Norwegian engagement policy and the strong Norwegian economy. It is possible that donations were not increased further because of Norwegian unhappiness with UNRWA. The Norwegians had emphasized on several occasions that they wanted a more prominent role in the organization through increased import of Norwegian goods and more Norwegian employees in high-ranking positions. In 1991, the Norwegians again stressed that the import of Norwegian goods and services ought to be part of what the Norwegian aid to UNRWA should be spent on.⁷⁵ It was also emphasized that Norway was under-represented in terms of number of employees working in the organization in relation to the size of the Norwegian donations.⁷⁶

The Norwegian request to be more included did not cause the desired change in terms of imports. This was not, however, entirely to blame on UNRWA. The Norwegian goods were often unsuited for the conditions in the Middle East or unable to compete with international prices. In April 1991, the Norwegians decided to re-evaluate financial aid donated to the Middle East. Political Advisor Jan Egeland was sent to the occupied territories as a part of the ongoing evaluation.⁷⁷ During this visit he communicated to UNRWA that it was a Norwegian wish to earmark a minor percentage of the Norwegian general contribution to UNRWA for specific projects in the budget for 1992. He was specifically looking for a project that was suitable for delivery of Norwegian goods such as prefabs for buildings.⁷⁸ Out of the 65 million NOK Norway contributed annually, Norway preferred to earmark about 10-15 million NOK.⁷⁹ By earmarking a percentage of the general contribution, the Norwegians exerted pressure on UNRWA to import Norwegian goods.

⁷⁴ The Storting, "Rapport om Norges samarbeid med utviklingslandene 1992," White Paper no.9, Annex 11, 1993-1994.

⁷⁵ MFA UNRWA 26 6/23 (45), Tel Aviv to MFA, 1990.

⁷⁶ MFA UNRWA 26 6/23 (45), Beirut to MFA, November 14, 1990.

⁷⁷ MFA UNRWA 26 6/23 (45), MFA to Tel Aviv, March 18, 1991; Eikrem, "Ein ubetydelig bidragsytar?," 97.

⁷⁸ MFA UNRWA 26 6/23 (45), MFA to Vienna, May 8, 1991.

⁷⁹ MFA UNRWA 26 6/23 (45), Note, August 6, 1991.

Throughout earlier attempts to enforce the inclusion of Norwegian goods, UNRWA had persistently argued that it was a better option to buy commodities for the Palestinians from the Palestinians themselves. Through this approach they not only provided short-term aid, but they also strengthened Palestinian trade, which meant more long-term job positions. This was an extension of UNRWA's mission to prepare the Palestinians for becoming an independent state. However, in a letter treating the various proposals that UNRWA had suggested to use the earmarked money on, the Norwegian Trade Council wrote to the MFA that "it should be specified to UNRWA that it from Norwegian side is heavily weighted to include Norwegian deliveries, even though it is indicated in the project suggestion that the inputs should be bought locally."⁸⁰ Norway subsequently received two suggestions for what it could fund with the earmarked money, it could either build a part of the hospital in Gaza or it could build classrooms. Norway did not consider supporting the hospital as an option and chose to build classrooms.⁸¹ The Norwegians thus contributed an additional sum of 907,000 USD for the purpose of building classrooms.⁸² In this case, as in former cases, despite the increased pressure and the extraordinary contribution, UNRWA again turned down an offer to import Norwegian prefabricated houses or other components within construction with the same reasoning as before; "because it is UNRWA's political philosophy to use traditional materials/ construction methods and local manpower."⁸³ Even though the Norwegians struggled to enforce the inclusion of Norwegian goods, it turned out that UNRWA declined the Norwegian produced commodities.

The Norwegians also wanted to play a greater role in the organizations and expressed their discontent with being underrepresented in terms of high positions in relation to the size of their financial contribution.⁸⁴ When Leif Herheim, a Norwegian, consequently assumed the position in UNRWA as main responsible for purchases, one

⁸⁰ MFA UNRWA 26 6/23 (46), Norwegian Trade Council to MFA, November 20, 1991

⁸¹ MFA UNRWA 26 6/23 (45), Vienna to MFA, June 26, 1991; Eikrem, "Ein ubetydelig bidragsytar?," 99.

⁸² MFA UNRWA 26 6/23 (46), MFA to Vienna, December 3, 1991; MFA UNRWA 26 6/23 (46), Tel Aviv to MFA, February 13, 1992.

⁸³ MFA UNRWA 26 6/23 (46), Vienna to MFA, December 13, 1991.

⁸⁴ MFA UNRWA 26 6/23(46), Note, November 21, 1991.

again felt optimistic about import from Norway. It was thus communicated to UNRWA that though the MFA was understanding of the political philosophy of the organization, they would like Norwegian trade to be considered when goods and services were bought in from outside the occupied territories.⁸⁵

UNRWA finally did show interest for one Norwegian commodity, but it was not prefabricated houses or other construction materials as the Norwegians had hoped for. In a meeting with Jan Egeland, General Commissioner Ilter Türkmen explained that the Norwegian inventor Thor Børresen had developed a technology of irrigation in arid areas, which UNRWA wanted to try in Gaza. Later in the same meeting, Egeland brought up that the MFA was under strong pressure from the Norwegian Parliament to export Norwegian commodities to UNRWA. This time, however, there was no mentioning of the construction trade, but instead irrigation technology, hospital equipment, etc., that Egeland mentioned to exemplify such export.⁸⁶ A couple of weeks later, the Norwegian Trade Council reported that equipment to the hospital in Gaza was to be exported from Norway. Though the Norwegians did not support the construction of the hospital in Gaza, they now demonstrated a change of mind through the export of medical equipment. In the UN's 47th general assembly the Nordic governments, represented by Norway, praised UNRWA for its work with establishing the hospital in Gaza and emphasized the need for further economic assistance in the area.⁸⁷ The irrigation technique invented by Børresen also continued to be of great interest to UNRWA. In August 1993, the MFA received various proposals for what the earmarked money could fund, in which this technique could be a vital part of the project and thus serve Norwegian interests.⁸⁸

In summary, the Norwegian aid to the Middle East from Israel's initiation in 1948 until the Oslo revelation of the Oslo Agreement in 1993 fluctuated in correlation with the Norwegian economy. After the Norwegians discovered oil in 1969 the aid to the

⁸⁵ MFA UNRWA 26 6/23 (46), MFA to Vienna, February 27, 1992.

⁸⁶ MFA UNRWA 26 6/23 (46), Summary of meeting between Jan Egeland and Ilter Türkmen, September 18, 1992.

⁸⁷ MFA UNRWA 26 6/23 (47), The UN delegation in New York to MFA, November 2, 1992.

⁸⁸ MFA UNRWA 26 6/23 (47), Fax from UNRWA to MFA, August 30, 1993.

Middle East increased drastically. This development progressed even further when the Norwegians made it an aim to become an international donor worth noticing by reaching the UN goal of donating one percent of its GNP. Furthermore, as the Norwegians participated in the UNIFIL force in Lebanon, the Norwegian public became more knowledgeable about the conflict between the Israelis and the Palestinians. Therefore, the political cost of giving aid to the Palestinians was no longer as great as it had been when most of the Norwegians, especially the politicians, one-sidedly supported the cause of Israel. Other events, such as the 1967 war, the Intifada, and the Gulf War also influenced the Norwegian aid to a certain degree, but mostly for brief periods. From 1990, the Norwegians felt increasingly unappreciated in UNRWA because UNRWA was reluctant to import Norwegian goods and services and because the Norwegians held less prominent positions in the organization than their contribution called for. One example particularly demonstrates the importance placed on import of Norwegians goods by the MFA: The MFA was unwilling to support the hospital in Gaza because they considered it Israeli responsibility, as an occupier, to carry this financial burden. However, when asked to export medical equipment and thus support Norwegian trade, the Norwegians changed their stance on the issue. All in all, though the Norwegian aid to the Middle East before 1993 was influenced by both internal, domestic circumstances and external, international occurrences, it was not tied up to the mere general assumption that money would create peace in the Middle East. This assumption, which the overall strategy of providing billions of kroners to the Palestinians would be based on, was only born after the Oslo Agreement was revealed.

Chapter 3: The Norwegian Aid Effort in the Oslo Peace Process (1993-1994).

With the signature of the Oslo Accord in September 1993, Norway experienced one of its greatest achievements in foreign policy. Up until this point in time, Norway had served as secret mediator in the negotiations between the Palestinians and the Israelis. Now, when there was no longer a secret backchannel, but rather an extremely public and overwhelming peace process, the big mystery was what role the Norwegians should play. The Norwegians were impatient to show their critics that the Oslo Agreement was indeed the first step in the right direction for a future solution to the conflict and peace in the Middle East. Eager to impress and obtain tangible results, Norway undertook the vocation of peacemaker very earnestly. Consequently, in the period between September 1993 and March 1994, the peace process in the Middle East officially entered into the Norwegian foreign policy's main priority and the role as donor to the Palestinians grew immensely with this shift of primacies.

The Oslo Agreement

Already in 1979, Arafat asked Norway to serve as third party in a possible direct communication line with the Israelis. He considered Norway a suitable candidate for the job because the Norwegians shared a close relationship with both Israel and the United States.⁸⁹ Though the Norwegians were more than willing to undertake such important mission, Israel was not equally enthusiastic to communicate directly with the PLO, whom they considered terrorists.⁹⁰ Nevertheless, the MFA, led by Minister of Foreign Affairs Thorvald Stoltenberg, was not easily discouraged and continued to try, but got nowhere.

In 1993, Israeli Deputy Foreign Minister Yossi Beilin agreed to make a careful attempt by commissioning two Israeli academics to talk to the PLO. This indirect approach would allow him to deny the existence of such direct communication if word of the

⁸⁹ Waage, "Explaining the Oslo Backchannel," 597.

⁹⁰ Hilde Henriksen Waage, "Fredspolitik i Midtøsten," in *Vendepunkter i Norsk Utenrikspolitikk: Nye Internasjonale Vilkår etter Krigen*, eds. Even Lange, Helge Pharo, and Øyvind Østerud (Oslo: Unipub, 2009), 164-165.

meetings was revealed.⁹¹ At the same time, Terje Rød Larsen, the director of the Norwegian Institute for Applied Social Science, Fafo, was constructing a research project in Gaza and the West Bank. This project was commissioned by the MFA to assess the living conditions for the Palestinians. Through the preparations for this project, Larsen needed to consult prominent politicians and front figures for the Israeli, the Palestinian, and the Norwegian side.⁹² Consequently, Fafo's research project was recognized as a perfect cover for the secret meetings that would make up the backchannel to the official peace process in Washington and then Madrid.⁹³ In January 1993, Israelis, Palestinian, and Norwegians consequently met in the small town of Sarpsborg to explore what direct communication could lead to. As the negotiations in the backchannel advanced, representation was taken to a higher and higher level and these advances eventually led to the Oslo Agreement.⁹⁴

The Oslo Agreement consisted of two parts. The first part was the Mutual Recognition, in which the PLO acknowledged Israel's right to exist and Israel recognized the PLO as the true representative of the Palestinians. The second part was the Declaration of Principles (DoP) —a timetable for the negotiations to take place.⁹⁵ The agreement was thus a mere contract about the headway of the future negotiations intended to lead up to a comprehensive agreement. For the following interim period, trust was expected to grow between the Israelis and the Palestinians and this would enable the adversaries to discuss and establish the difficult questions through an incremental approach.⁹⁶

According to the timetable laid out in the DoP, the Israelis were to withdraw from the areas of Gaza and Jericho within four months. An agreement on the practicalities surrounding this withdrawal was to be completed within two months.⁹⁷ Simultaneously

⁹¹ Waage, "Explaining the Oslo Backchannel," 599-600.

⁹² Waage, "Explaining the Oslo Backchannel," 599 and 608.

⁹³ Waage, "Explaining the Oslo Backchannel," 600.

⁹⁴ Waage, "Fredspolitik i Midtøsten," 166-171.

⁹⁵ Waage, *Peacemaking is a Risky Business*, 135-140.

⁹⁶ Waage, *Peacemaking is a Risky Business*, 135-140.

⁹⁷ DoP, Annex II: Paragraph 1 and 2 in "Declaration of Principles," *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

with the Israeli retreat, the Palestinians would assume responsibility for its own education, culture, social welfare, health, direct taxation and tourism.⁹⁸ This in turn would initiate the interim period of five years, which was to lead up to a permanent settlement in thread with Security Council Resolutions 242 and 338.⁹⁹ In this interim period, the Palestinians were to establish a Self-Government Authority and no later than nine months after the DoP became effective, an election of a Council should be held for the Palestinian people.¹⁰⁰ As the Council was installed, the Palestinians would assume power over security in the areas under its jurisdiction and the Palestinian Police Force would be replacing the Israeli Military.¹⁰¹ An interim agreement was to be negotiated before this in order to further discuss the details concerning this transition.¹⁰² The Council would extend its jurisdiction over Gaza and the West Bank, expect for issues that were to be negotiated in the permanent status negotiations.¹⁰³ These permanent status negotiations were to be commenced within the third year of the interim period and were to cover the core disputes such as the issues of Jerusalem, settlements, and refugees.¹⁰⁴

The Declaration of Principles included many clauses for the economic development of the Palestinians. Issues such as the right to water, cooperation on the exploitation of electricity and energy resources, the establishment of a Palestinian Development Bank, as well as transport and communication lines, particularly between Gaza and the West Bank, the establishment of a Gaza Seaport, trade and industry promotion were only some of the aspects mentioned to enhance the development of the Palestinian

⁹⁸ DoP, Article VI: Paragraph 2 in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

⁹⁹ Both resolutions called on Israel’s forces to withdraw from territory occupied during the 1967 war; Article 1 and Article V: Paragraph 1 in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

¹⁰⁰ DoP, Article III: Paragraph 2 in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

¹⁰¹ DoP, Article IV and Article XIII, Paragraph 1,2, and 3 in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

¹⁰² DoP, Article VIII, Paragraph 1 in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

¹⁰³ DoP, Article VIII and Article VI in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

¹⁰⁴ DoP, Article V: Paragraph 1, 2, and 3 in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

economy.¹⁰⁵ In short, though, the mission was to construct a Palestinian autonomous area apt to work sufficiently in terms of all state functions and this aspect made the peace process laid out in the DoP pretty unique. Through cooperation between the two rivals and the donor community, the ultimate aim was to construct a sustainable economy for the Palestinians even as negotiations continuously changed the framework of the areas that the budget pertained to. Without precedent and without any form of political stability this was certainly an ambitious undertaking.¹⁰⁶

International Donor Effort in the Dawn of the Peace Process

The incremental approach, which laid the framework for the Oslo Agreement and subsequent peace process, was based on the assumption that trust would grow between the two adversaries as negotiations proceeded. The main reason why this trust was expected to grow among the Israelis and the Palestinians was that the peace process would be underpinned with economic development, which would show the adversaries that negotiations towards peace was for the best.¹⁰⁷ According to Anne Le More, a researcher who has written extensively on aid to the Palestinians, the approach of the international society in the aftermath of the Oslo Agreement was “premised upon an unsophisticated but common assumption about linear progress between peace, security and development.”¹⁰⁸

Consequently, after the agreement was revealed to the international community, numerous donor countries moved swiftly to mobilize economic support for the peace process. In September 1993, a six-volume World Bank (WB) study estimated that 2.4 billion USD would be needed in the implementation phase that was to take place for the next five years.¹⁰⁹ Already on October 1, 1993 an international donor conference in Washington D.C. assembled 43 donors from all over the world. Over two billion USD

¹⁰⁵ DoP, Article VII: Paragraph 4 and Annex III: Paragraph 1-12 in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425.

¹⁰⁶ Rex Brynen, “Recent Political Developments,” in *Development Under Adversity*, eds. Diwan and Shaban (Washington: The International Bank for Reconstruction and Development, 1999), 33-45.

¹⁰⁷ Anne Le More, *International Assistance to the Palestinians after Oslo* (New York: Routledge, 2008), 3.

¹⁰⁸ More, *International Assistance to the Palestinians after Oslo*, 7-8.

¹⁰⁹ Waage, *Peacemaking is a Risky Business*, 172.

was pledged in financial assistance for the next five years to underpin the peace process.¹¹⁰

One month after the Washington Conference, two organizations were established to help coordinate the massive aid to the Palestinians: the Ad Hoc Liaison Committee and the Consultative Group (CG).¹¹¹ The AHLC constituted an exclusive group of the most essential donors and it was to serve as the principal coordination mechanism for the aid to the Palestinians. It was established to “provide overall political guidance for the aid process” for the international community of donors.¹¹² Its first formal meeting was held already on November 5th in Paris. The CG, a World Bank initiative, was a more inclusive group of about 30 countries, which gave the various donors a place to present their more technical questions and concerns regarding aid.¹¹³ In the AHLC meeting in Brussels on November 29, 1994 another two bodies were established to enhance the coordination of aid: the Local Aid Coordination Committee and the Joint Liaison Committee. The purpose of the LACC was to augment coordination at the local level and the intended function of the JLC was to overcome problems, which could arise in donor-recipient relations.¹¹⁴

Norwegian Role in the International Effort

As the international donor effort materialized, a strongly competitive relationship arose between the United States and the European Union (EU). The aggravated tone between the two most important donors was a problem that stained the peace process by creating multiple challenges. For the Norwegians, nonetheless, the strained relationship between the EU and the United States was beneficial because it gave Norway the role as chair of the AHLC. Neither the United States nor the EU would accept the other as chair, and Norway thus became a compromise acceptable to them

¹¹⁰ Rex Brynen, *A Very Political Economy* (Washington: United States Institute of Peace, 2000), 3; More, *International Assistance to the Palestinians after Oslo*, 2.

¹¹¹ More, *International Assistance to the Palestinians after Oslo*, 32.

¹¹² Brynen, *A Very Political Economy*, 92.

¹¹³ Ali Khadr, “Donor Assistance,” in *Development Under Adversity*, eds. Diwan and Shaban (Washington: The International Bank for Reconstruction and Development, 1999), 144-145.

¹¹⁴ MFA AHLC 308.82 (4), Brussels to MFA, November 30, 1994.

both.¹¹⁵ This secured the Norwegians a prominent role in the peace process and gave them the spotlight in the Middle East that they had been wanting for many years.¹¹⁶

The role as chair of the AHLC, in turn, gave Norway other important positions. In the LACC, for example, Norway was granted the role as co-chair, together with the World Bank and the United Nations Special Coordinator for the Middle East Peace Process (UNSCO). Additionally, the JLC was intended to be an exclusive group restricted to LACC co-chairs and the Palestinian National Authority (PA). Norway was thus given the role as shepherd, while the Palestinians themselves assumed the position as chair.¹¹⁷ The Norwegian responsibility was thus further expanded.

Norwegian Aid to the Middle East

The Norwegian involvement in the materialization of the Oslo agreement led to a strengthened image of Norway as a peace nation, both among the international community and within Norway itself. Given this reputation, the little nation was willing to go to great lengths, and further than most other donors, to maintain the peace in the Middle East and their own novel image as peace builders. Providing aid to the Palestinians in the aftermath of the agreement was not only a manner of securing the peace process, but it was also great commercial for Norway's reputation. The West Bank and Gaza Strip area was now in the spotlight of attention, both among the greatest international actors and in the global media, and this meant that any investment provided a "large potential for political returns on aid investments."¹¹⁸

The general idea internationally, as well as in Norway, was that economic development was a prerequisite for peace.¹¹⁹ This assumption led Norway and most other donor countries to a rigorous increase of its financial contribution to the West Bank and Gaza region. On October 25, 1993, a month and a week after the official

¹¹⁵ Waage, *Peacemaking is a Risky Business*, 175-176.

¹¹⁶ See chapter 2

¹¹⁷ Brynjen, *A Very Political Economy*, 90.

¹¹⁸ Brynjar Lia, *Building Arafat's Police* (UK: Garnet Publishing Limited, 2007), 27.

¹¹⁹ Lia, *Building Arafat's Police*, 26; Waage, *Peacemaking is a Risky Business*, 178.

signature ceremony, Foreign Minister Johan Jørgen Holst presented the Oslo Agreement to the Storting. He explained that the reason for the incremental approach laid out in the interim agreement was that the situation was not yet sufficiently mature to address the key questions in the conflict, such as Jerusalem, the Jewish settlements, and the borders. However, he assured the Storting, “the agreement contains decisions regarding the development of a close and institutionalized economic and regional cooperation. It is expected that this will change the political framework for the creation of a state and the integration in the Middle East.”¹²⁰ This communicated a crystal clear message to the representatives of the Storting— if only the economic conditions would change, the political situation would be riper for peace. This laid the framework for the Norwegian strategy throughout the peace process.

Holst’ plea to the Storting came after great decisions had already been made. An “aid package” had been developed few days after the signature ceremony. The aim for this package was to “improve living conditions for the Palestinian population and in that way contribute to ensure the peace in the Middle East.”¹²¹ As soon as September 30, 1993, the Norwegians had initiated their aid effort by signing an agreement with the Palestinian Bureau of Statistics, one of the first Palestinians organizations to be established.¹²² Other already ongoing projects were the support for the Palestinian universities, the agricultural irrigation project,¹²³ various consultancy services, and Fafo’s social survey on the living conditions in the occupied territories. The aid package stipulated increased support for projects intended to ensure the Palestinians’ water, houses, a functional sewage system, telecommunication, functional institutions, and economic development. In addition, the aid package planned for expanded aid channeled through UNRWA and various Palestinian and Norwegian NGOs.¹²⁴ In the Conference for aid to the Middle East in Washington on October 1, 1993, Johan Jørgen Holst pledged one billion NOK. In his statement to the conference he asserted his faith in the correlation between aid and peace:

¹²⁰ The Storting ”Utenrikspolitisk redegjørelse av utenriksministeren,” October 25, 1993, 270.

¹²¹ MFA 25.11.19T (1), Press Release no.175/93, September 30, 1993.

¹²² MFA 25.11.19T (1), Press Release no.175/93, September 30, 1993.

¹²³ See chapter 2.

¹²⁴ MFA 25.11.19T (1), Internal note, October 21, 1993.

We must seek operational efficiency rather than presentational glory. We must ensure open access to decisions. Our efforts should be pooled and coordinated so as to maximize total impact and efficiency... On this basis and understanding, I am happy to pledge the sum of 250 million NOK, or 35 million USD, over the next twelve months, or in excess of 8 USD from every Norwegian citizen per year. This is the handshake of peace from the people of Norway... A light of hope has been lit for the children of the Palestinian people. It is up to us to convert promise into reality and dream into substance.¹²⁵

The assumption that aid would make the political situation riper for peace was Holst's main argument when suggesting a drastic increase in financial support to the Middle East. Holst informed the members of the Storting that the government proposed to donate 250 million NOK to the Palestinians for 1994 and the remaining months of 1993. Furthermore, granted the approval of the Storting, the government envisioned to maintain the aid to the Palestinians at this high level for a five-year period.¹²⁶ A month later, on November 19, 1993 the official petition from the MFA was sent to the Storting. The year before the total sum given to the Palestinians had been 65 million NOK, and it was now rapidly changed to an annual 250 million NOK.

The Ministry of Foreign Affairs needed to convince the politicians of this drastic change, and they thus promised that this time, Norwegian trade would be involved in the international aid projects. The dual aim of foreign aid to the Middle East was therefore to extend the infrastructure for the Palestinians in order to show them that peace was the better option and combine this with extensive cooperation with Norwegian trade.¹²⁷ In 1994 and in 1995, the importance of supporting Norwegian trade was thus emphasized twice in the fiscal budget item concerning aid to the Palestinians.¹²⁸ As the MFA had felt that Norwegian goods and services were unappreciated in the period prior to the agreement, there was a lot of pride and prestige at stake in this process of the inclusion of Norwegian trade.¹²⁹ When the Storting approved the government's proposal, it was definite that Norway would give nearly

¹²⁵ MFA 25.11.19T (1), Washington to MFA, October 1, 1993.

¹²⁶ The Storting "Utenrikspolitisk redegjørelse av utenriksministeren," October 25, 1993, 271.

¹²⁷ MFA 25.11.19T (1), Internal note, October 21, 1993.

¹²⁸ The Storting, "Bistand til Midtøsten," Storting Preposition no.1 (0154), 1994-1995; The Storting, "Bistand til Midtøsten," Storting Preposition no.1 (0154), 1995-1996.

¹²⁹ See chapter 2.

1.3 billion NOK in the five-year time span that the interim period was expected to endure.¹³⁰ This was a direct consequence of the Oslo agreement.¹³¹

Overcoming Challenges in the Start-Up Phase of the Peace Process.

Even though the donor countries had pledged a great deal of aid to the Palestinians, problems soon became evident with the implementation of the aid. On November 5, 1993 the Norwegians chaired their first AHLC meeting in Paris. Given the timetable of the peace process, the donors had specific expectations to what kind of aid would be required at the different stages of the peace process. For the initiating phase it was anticipated that the Palestinians needed help to establish a sustainable economy while they were building bureaucratic bodies to collect tax revenues. Nevertheless, during the meeting in Paris most of the donor countries reported that it had proved highly complicated to donate untied aid for the next six months. This type of aid was untraditional because aid was not normally used to cover such expenses. The donor countries thus requested assurances of accountability in order to defend these extraordinary contributions at home.¹³² This proved to be a problem as there were no real mechanisms on the Palestinian side to coordinate the aid and enhance transparency. Furthermore, none of the institutions that were required to govern an autonomous area and its population were in place. In order to start the construction of these, it was necessary to have the means to finance them.¹³³ The Norwegians took these concerns seriously. As the administrative capacity of the Palestinians had been considerably lower than what was necessary, Norway helped construct the Palestinians Economic Council for Development and Construction (PECDAR).¹³⁴ The purpose of this organization was to serve as a linkage between donors and the Palestinians by mapping donor assistance and distribute aid in accordance with both the needs of the Palestinians and the donor countries.¹³⁵ Johan Jørgen Holst, the Norwegian Foreign

¹³⁰ MFA 25.11.19T (2), Norwegian Press Release no. 211/93, November 3, 1993; MFA 25.11.19T (1), Washington to MFA, October 1, 1993.

¹³¹ NORAD, "Annual Report: 1994," 66.

¹³² MFA 25.11.19T (2), Note, November 9, 1993; Waage, *Peacemaking is a Risky Business*, 178.

¹³³ Khadr, "Donor Assistance," 144; Brynen, *A Very Political Economy*, 132.

¹³⁴ The Storting, Storting Proposition no. 1, 1994/95, 131.

¹³⁵ Brynen, *A Very Political Economy*, 90.

Minister, and Arafat created the guiding principles for the organization together.¹³⁶

Holst also worked intensely to have a fund established that enabled countries to make transfers of money to the Palestinian police force easier. Unfortunately, Holst's work for a fund was abruptly interrupted. In January 1994, Holst, who had played a vital role in the Oslo Backchannel and the subsequent three months of peace process, died as a consequence of a series of strokes.¹³⁷ Later that same month, the World Bank established a fund similar to the one Holst wanted to create. The fund would serve as a channel for donor aid designated to the start-up and recurrent expenses of the PA as well as expenditures related to the construction of PECDAR. This made transactions between the donors and the PA move faster and thus improved the coordination of the financial aid to the region. As a guest of honor, the account was named Johan Jørgen Holst Peace Fund.¹³⁸

Even though these changes did serve to improve the coordination of aid from the donors to the everyday Palestinian, progress took time. Meanwhile, the lack of visible results and the unstable predictions for the future caused a radicalization among the Palestinians, which led to increased support for groups that promoted terror attacks against the Israelis. The Israelis responded to this growing threat by closing the borders and cutting off most traffic between Gaza and Israel. This again caused the economy among the Palestinians to further deteriorate as roughly fifty percent of the Palestinians working in Israel were prevented from going to work.¹³⁹

Meanwhile, the negotiations continued. The first agreement on the withdrawal from Gaza and Jericho was to be completed by December 13, 1993 according to the DoP. The talks were initially held at Taba in Egypt and were open to media coverage. It soon became evident, however, that both parties used the media to broadcast the most public-friendly versions of their demands and the talks consequently stalemated. The

¹³⁶ Waage, *Peacemaking is a Risky Business*, 180.

¹³⁷ Waage, *Peacemaking is a Risky Business*, 184.

¹³⁸ Waage, *Peacemaking is a Risky Business*, 184.

¹³⁹ David Makovsky, *Making Peace with the PLO* (Colorado: Westview Press, 1996), 149.

negotiations were therefore moved to a secret location to avoid the publicity around it and the two parties made some concessions on both sides in order to resume the talks.¹⁴⁰

Negotiations were still ongoing, when an incident caused a sudden but definite halt.¹⁴¹ On February 25, 1994 a Jewish settler massacred Muslim worshippers during the morning prayers at Hebron's Ibrahimiya Mosque. Twenty-nine Palestinians were killed and many more wounded. In the subsequent uprising another thirty Palestinians were killed by IDF troops and around a hundred were injured.¹⁴² When the PLO angrily suspended its participation in the negotiations and rioted, this was punished by the Israelis with curfews. The PLO demanded that the Israeli settlers were removed from Hebron, but Israel's Prime Minister Yitzhak Rabin did not accept this, as these in his opinion were issues they had established as final issues in the DoP.¹⁴³

The Israeli unwillingness to make any concessions made it close to impossible for Arafat to resume negotiations, as this would cost too much politically. However, Rabin did agree to a temporary international observatory presence in the region, something the Israelis consistently had denied since 1967.¹⁴⁴ Subsequently, on March 31, 1994, the Hebron Agreement was signed. Norway assumed the leading role of the international presence and contributed 20 million NOK to cover the expenditures. The Temporary International Presence in Hebron was initiated in May 1994 and completed after three months. Even though the mission was criticized for its devastating lack of authority, it served the main purpose of giving Arafat sufficient concessions, if barely, to continue the negotiations with some political dignity.¹⁴⁵ Thanks to this maneuver, the peace process could progress.

¹⁴⁰ Makovsky, *Making Peace with the PLO*, 145.

¹⁴¹ Makovsky, *Making Peace with the PLO*, 145-146.

¹⁴² Morris, *Righteous Victims*, 624.

¹⁴³ Makovsky, *Making Peace with the PLO*, 146.

¹⁴⁴ Makovsky, *Making Peace with the PLO*, 146.

¹⁴⁵ Waage, *Peacemaking is a Risky Business*, 192-196.

In March 1994, six months had passed since the Oslo Agreement had started an extensive peace process. At this point, it was clear that the Norwegian role in the interim period would be more than extensive, especially taken the size of the country into consideration. The Norwegians chaired the AHLC, the main mechanism for coordinating aid to the Palestinians. This role gave them considerable power concerning the coordination process, especially since the EU and the United States disagreed on many issues. Furthermore, the role as chair of the donor group automatically made them chair of the LACC, members of the CG and the JLC groups. In addition, the Norwegians were leading the TIPH mission and the Coordinating Committee of International Assistance to the Palestinian Police Force (COPP).¹⁴⁶ They were one of the key initiators in developing Palestinian institutions such as PECDAR and the Holst Fund.¹⁴⁷ Financially, the Norwegians had invested considerably to be a good supporter of the Declaration of Principles. Through their involvement and extensive aid effort to the Palestinians, the Norwegians showed their willingness to go to great lengths, and further than most other, in order to support the peace process in the Middle East.

¹⁴⁶ See chapter 4

¹⁴⁷ Brynen, *A Very Political Economy*, 134.

Chapter 4: No Problems, Only Solutions (1994-1995)

Much was at stake for the Norwegians as the peace process advanced. Not only was the outcome of the peace process important for Norway's new reputation as a peace nation, the Norwegians also took the role as chair of the AHLC very seriously. Their main strategy was to do what the job called for by putting in their full effort to ensure that the Palestinian economy developed in a positive direction. Even though the Palestinians by May 1994 had a considerably improved apparatus for receiving aid, many challenges arose that few had predicted. While many of the other donor countries were reluctant to support a former terrorist group without assurance in demands of transparency and accountability that were still often impossible for the Palestinians to redeem, the Norwegians took a chance and did what the other donor countries had not dared to do. The Norwegians consistently tried to undermine the rigid stance of the other donor countries through innovative solutions and allocation of its own aid. However, even though the Norwegians did what they could to ensure economic progress amongst the Palestinians, challenges continued to arise. Money alone simply did not make the political situation riper for peace.¹⁴⁸ Nonetheless, as the Cairo Agreement set the first phase of the Oslo Agreement into action, Norway invested immensely in making sure that the Palestinian self-rule was not hindered by economic reasons.¹⁴⁹

The Cairo Agreement

In Cairo, on May 4, 1994, the PLO and Israel signed an agreement containing a framework for the Israeli withdrawal and consequent implementation of Palestinian self-rule in Gaza and Jericho. The Cairo Agreement incorporated the Paris Protocol, an agreement signed in Paris on April 29, 1994 on economic relations between Israel and the PA.¹⁵⁰ Subsequent to the Israeli withdrawal, the transfer of power would proceed in three stages: first, in the five spheres tourism, taxation, social welfare, health, and culture, then, by the Israelis redeploying their forces from the Palestinian populated

¹⁴⁸ More, *International Assistance to the Palestinians after Oslo*, 7-8.

¹⁴⁹ MFA AHLC 308.82 (1), Athens to MFA, June 8, 94.

centers, finally, by an election of a new governmental body that would represent and govern the Palestinian people.¹⁵¹

In accordance with the steps laid out in the Cairo Agreement, the Palestinian Authority was established and the IDF withdrew from Gaza and Jericho.¹⁵² On June 1, following the Paris Protocol, the Israelis ceased the payments to the central administration of the Palestinians and the PA was left with the responsibility of covering their wages. The Norwegians worried that this would cause considerable economic problems for the Palestinians for the upcoming three or four months.¹⁵³ As Chair of the AHLC, Norway thus invited the donor countries in the committee to the second meeting of the AHLC in Paris on June 9-10, 1994. Jan Egeland, who chaired the AHLC meetings, opened the Paris Conference by reestablishing the assumption of the correlation between aid and peace: "It is now more important than ever for us around this table to underpin the peace process by concrete financial measures- or the peace process may very well fall apart."¹⁵⁴

In order to be viewed as a legitimate chair of the AHLC, Norway wanted and needed other countries to look upon Norway as an exemplary donor to the Palestinians. Out of all the donor countries, Norway therefore gave the highest percentage of their GNP.¹⁵⁵ The purpose of setting a high standard for the other member countries was one of the main reasons why Norway usually pledged additional assistance to the Palestinians in the AHLC meetings.¹⁵⁶ It was typically elaborated how much or by what priorities Norway intended to pledge aid in the upcoming meeting already in the invitations to the AHLC meetings sent out by the Norwegian Minister of Foreign Affairs. In the invitation to the AHLC meeting of June 9, 1994, for example, Foreign Minister Bjørn Tore Godal emphasized that Norway had adopted the burden sharing formula so as to

¹⁵⁰ The Cairo Agreement is also known as the Gaza- Jericho Agreement. Brynen, *A Very Political Economy*, 56.

¹⁵¹ Shlaim, *The Iron Wall*, 525-526.

¹⁵² Morris, *Righteous Victims*, 625; Brynen, "Recent Political Developments", 36.

¹⁵³ MFA AHLC 308.82 (1), Note, June 7, 1994; Waage, *Peacemaking is a Risky Business*, 181.

¹⁵⁴ MFA AHLC 308.82 (1), Paris to MFA, June 10, 1994.

¹⁵⁵ Waage, *Peacemaking is a Risky Business*, 179.

¹⁵⁶ MFA AHLC 308.82 (4), MFA to the AHLC member countries, November 8, 1994.

encourage the other donor countries to do the same thing.¹⁵⁷ The merging of the role as coordinator with the role as donor was a strategic choice intended to show the other donor countries that Norway did in practice what it preached in theory.

Financing the Palestinian Police Force (PPF)

In the AHLC meeting, Norway was particularly concerned with financial coverage for the Palestinian Police Force. Financing the PPF was problematic, as the donor society was highly reluctant to financially assist the construction of a police force for PLO, a former terrorist organization.¹⁵⁸ Nonetheless, it was part of the Oslo Agreement and the subsequent Cairo Agreement that the Palestinians were required and entitled to have an own police force.¹⁵⁹ This was the reason why Norway had stepped in and assumed the responsibility of both coordinating means for the force and financing the transition period until the donor society was more willing to donate to the PPF.¹⁶⁰ In the very beginning of the implementation of the peace process Foreign Minister Holst and his companions in the Ministry of Foreign Affairs had played a key role in assisting with setting up and establishing a structure for aid to the PPF. On December 20, 1993 Norway organized a police donor meeting in Oslo intended to find ways and means to finance the PPF. Nevertheless, only Norway and Japan had committed themselves to giving money, which was far from solving the problem of financing the police force. Since the Cairo Agreement negotiations were coming to a conclusion and the need for the PPF to be operational thus became more acute, Norway invited the donor countries to an emergency meeting in Cairo on March 24, 1993.¹⁶¹ In this meeting a Coordinating Committee of International Assistance to the Palestinian Police Force was established.¹⁶² Norway had proposed itself as both chair and

¹⁵⁷ The “burden sharing formula” stipulated that each donor country made 25% of total pledges available to cover start up and recurrent costs. Hence, if all countries would adopt the burden sharing formula, it would mean that the unfunded gap would be covered: MFA AHLC 308.82 (1), MFA to UN, NY, June 7, 1994; MFA AHLC 308.82 (1), MFA to the donor countries, June 01, 1994; MFA AHLC 308.82 (1), Note, June 7, 1994.

¹⁵⁸ Lia, *Building Arafat's Police*, 317.

¹⁵⁹ DoP, Article III, VI, VIII, and XIII Annex II in “Declaration of Principles,” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 413-425; Cairo Agreement, Article II, VIII, and IX in “Israel and the PLO: Cairo Agreement” *The Israel-Arab Reader*, eds. Laqueur and Rubin, 442-455.

¹⁶⁰ MFA AHLC 308.82 (3), Letter, MFA to Jordan, September 22, 1994; MFA AHLC 308.82 (3), Press Release, September 15, 1994.

¹⁶¹ Waage, *Peacemaking is a Risky Business*, 181-185.

¹⁶² MFA AHLC 308.82 (3), Cairo to MFA, September 22, 1994.

secretariat of the newly established committee, something that both the United States and the PLO had cherished and Norway thus became chair of the COPP.¹⁶³ Throughout the year 1994, 16 million NOK was disbursed to COPP.¹⁶⁴

After the Cairo Agreement became a fact, the main problem was still to establish a safe channel through which the donors could donate money to the PPF without running a too high political cost. None of the multinational organizations wanted to establish and serve as guarantor for an international channel that enabled the donor countries to transfer money to the PPF. In preparation for the upcoming AHLC meeting, Ambassador Per Haugestad had written with concern to the MFA. The World Bank had recently denied incorporating the budget for the Palestinian Police Force into the Holst Fund. In other words, though the donor countries would contribute enough to reach the aim of getting 100 million USD in the Holst Fund, this would not save the PPF.¹⁶⁵ The ambassador's concern would prove correct—the AHLC meeting on June 9th gathered 45 million USD, yet none of this was to be given to the police.¹⁶⁶

In September, the Norwegians' extensive effort finally resulted in an acceptable arrangement to channel money to the PPF. UNRWA would serve as a temporary “emergency measure” through which the donor community could transfer aid to the PPF from May through October 1994.¹⁶⁷ As time passed, the emergency mechanism set up through UNRWA turned into the permanent solution.¹⁶⁸ A press release emphasized to the Norwegian public that Norway had carried most of the responsibility for coordinating the aid to the PPF until this point.¹⁶⁹

¹⁶³ Lia, *Building Arafat's Police*, 44.

¹⁶⁴ MFA AHLC 308.82 (5), Note, January 11, 1995.

¹⁶⁵ MFA AHLC 308.82 (1), Ambassador Per Haugestad to MFA, June 2, 1994.

¹⁶⁶ MFA AHLC 308.82 (2), Note, June 16, 1994.

¹⁶⁷ MFA AHLC 308.82 (3), Press Release, September 15, 1994.

¹⁶⁸ Lia, *Building Arafat's Police*, 128.

¹⁶⁹ MFA AHLC 308.82 (3), Press Release, September 15, 1994.

The Oslo Declaration

In June, Arafat asked Godal to pass on a message to Warren Christopher, the American Secretary of State. The World Bank had informed Arafat of the sum intended to covering running expenditures and Arafat thought this price was too high. He felt betrayed by the bank and the donor society. He could not return to Gaza without money to pay his people, yet it was not an option to tell them that there was no money when the Holst fund contained 54 million USD.¹⁷⁰

Godal did send a letter, but Christopher partially passed the ball back to the Norwegians. On August 8, Christopher replied to Godal by urging Norway, as chair of the AHLC, to get a move on transforming pledges made a year earlier into real money and changes on the ground.¹⁷¹ Nevertheless, when Arafat had decided to delay his return to Gaza in protest few weeks earlier, Christopher Warren had indeed intervened and emphasized to Arafat the contingency between American aid and Arafat's return.¹⁷² On July 1, 1994 Arafat set foot in Gaza for the first time since 1967.¹⁷³

The staff in the MFA took the response from Christopher quite seriously. In a high-level meeting, it was commonly interpreted that the international community was searching for someone to assign the responsibility for the slow disbursement of money. To avoid being the one blamed for this problem, Norway needed to step things up and show that they were making an extraordinary effort to improve the situation. Furthermore, it was of utmost importance that the next AHLC meeting was arranged as soon as possible after the upcoming CG-meeting and preferably as early as September.¹⁷⁴

Things were not to proceed as the Norwegians planned, however. The CG meeting that was to take place in Paris from the 8th to the 9th of September was cancelled in the

¹⁷⁰ MFA AHLC 308.82 (2), Tunis to MFA, June 20, 1994.

¹⁷¹ MFA AHLC 308.82 (3), Warren Christopher to Foreign Minister Godal, August 8, 1994.

¹⁷² Brynen, *A Very Political Economy*, 113.

¹⁷³ Waage, *Peacemaking is a Risky Business*, 170.

¹⁷⁴ MFA AHLC 308.82 (3), Note, August 30, 1994.

morning because of political disagreement between the PLO and Israel over a reference to Jerusalem in the documentation provided by the PLO to the meeting.¹⁷⁵ This was similar to a situation that had occurred two months earlier, when the AHLC meeting on June 9th had been dominated by the dispute between the Israelis and the Palestinians over a reference to Jerusalem as the base of PECDAR. That time a threat of walk out by the Israelis had been averted, but just barely.¹⁷⁶

It now became evident to the MFA that something needed to be done before another donor meeting could be assembled. The Norwegians realized that the next time Arafat and Shimon Peres, the Israeli Minister of Foreign Affairs, were united, was the one-year celebration of the Oslo Agreement to be held in Oslo on September 13, 1994. This was a good opportunity to bring the adversaries together, get the process back on track, and avoid that the crisis of the CG meeting would be allowed to dominate for too long. The aim for this meeting in Norway was to work on the transition to *Early Empowerment*, its consequences for the budget, and the PPF.¹⁷⁷ The meeting focused on the mechanism for the police that still was not in place and the creation of a tripartite agreement between Israel, the PLO and the donor community. In addition to discussing the peculiarities of the economic development, Peres and Godal had a meeting in which they agreed to make a commission consisting of three representatives: one from PLO, one from Israel and one from Norway. These would work out a declaration containing a solution to the problems that had caused the CG meeting to be cancelled.¹⁷⁸ With help from Godal, the commission did manage to reach a declaration in which Israel and the PLO agreed to “accept the request by the AHLC chairman that they shall not bring before the donor community those political

¹⁷⁵ Brynen, *A Very Political Economy*, xxii.

¹⁷⁶ MFA AHLC 308.82 (1), Ottawa to MFA, June 14, 1994.

¹⁷⁷ Early Empowerment describes the transitional phase when authority was to be transferred from the Israelis to the Palestinians in the fields of welfare, tourism, health, direct taxation and Value Added Tax (VAT) in accordance with the DoP and the Cairo Agreement: “Background on Early Empowerment,” *Israel Ministry of Foreign Affairs*,

<http://www.mfa.gov.il/mfa/peace%20process/guide%20to%20the%20peace%20process/background%20on%20early%20empowerment>; MFA AHLC 308.82 (3), Paris to MFA, September 9, 1994.

¹⁷⁸ MFA AHLC 308.82 (3), Note, September 13, 1994.

issues that are of disagreement between them”.¹⁷⁹ The Norwegians considered the Oslo Declaration a “major breakthrough” as it allowed the aid effort to continue independently of the political disagreements between the two adversaries.¹⁸⁰ Warren Christopher congratulated Godal and his staff for achieving to create a declaration that settled the problems that arose on the CG meeting.¹⁸¹ Nonetheless, while the commitment to abstain from referring to political disagreements when discussing aid was necessary, it complicated communication, which made the role as coordinator further challenging.

Steps to Deal with the Problem of Slow Disbursement

As the Oslo Declaration allowed the aid effort to continue, the issue of slow disbursement became the hot topic of the peace process. In an interview with the *Financial Times*, Terje Rød Larsen, in the capacity of his new job as the first UN Special Coordinator in the Occupied Territories, made the following statement: “the donor effort is a failure. The strategy [is] wrong, the timetable [is] wrong and the priorities [are] wrong.”¹⁸² Below the interview sent to the MFA a handwritten note by Ambassador Truls Hanevold sarcastically commented: “isn’t that what he has been employed to do something about?” Larsen complained in the interview that only 140 million USD out of a pledged 700 million USD had been disbursed. The only project, according to Larsen, that had actually succeeded in having a positive effect was the *Clean-Up-Gaza*.¹⁸³ This project, which was organized by the United Nations Development Programme (UNDP) and co-founded by Norway and Japan, basically hired Palestinians to clean up Gaza.¹⁸⁴ As was the case in most of the employment generating programs in the Palestinian Areas, the wage that was given each individual

¹⁷⁹ “Oslo Declaration,” *Israel Ministry of Foreign Affairs*, <http://www.mfa.gov.il/MFA/Archive/Peace+Process/1994/OSLO%20DECLARATION%20-%2013-Sep-94>; Brynen, *A Very Political Economy*, 147.

¹⁸⁰ MFA AHLC 308.82 (3), MFA to the donor countries, September 30, 1994.

¹⁸¹ MFA AHLC 308.82 (3), Warren Christopher to Foreign Minister Godal, September 19, 1994.

¹⁸² Brynen, *A Very Political Economy*, 100; MFA AHLC 308.82 (4), Note, November 22, 1994 also cited in Waage, *Peacemaking is a Risky Business*, 200.

¹⁸³ MFA AHLC 308.82 (4), Note, November 22, 1994.

¹⁸⁴ Brynen, *A Very Political Economy*, 183; More, *International Assistance to the Palestinians after Oslo*, 115-116.

was below average, in order to avoid exploitation by those who were not poor.¹⁸⁵ In 1994, this project provided work for 4000 Palestinians in Gaza and it thus succeeded in reaching many families in an efficient way and create utile labor that benefitted the whole area.¹⁸⁶

The third official AHLC meeting that was supposed to be held immediately after the failed CG meeting in the beginning of September did not take place before 29th and 30th of November. The meeting was set in Brussels and the aim for the meeting was to acquire 145 million USD. This high number, which made many of the representatives from the European countries raise their eyebrows, was agreed upon in exclusive negotiations between the Americans and the Palestinians. The sum was meant to cover the shortage of funds for the period October 1, 1994 till March 31, 1995, which was considered the remaining period of *Early Empowerment*.¹⁸⁷

The AHLC meeting went better than Norway had predicted. Out of the 145 million USD needed, 102 million USD was pledged. Even though this was better than expected, it also meant that 43 million USD was still needed just to cover the estimated budget deficit of the PA. As was always the case with the AHLC meetings, Norway intended to serve as example for the other donor countries. 13 million out of the 102 million USD pledged were made by Norway itself. They pledged three million USD to the PPF and ten million USD to *Immediate Action in Gaza*, which was intended to be a follow up to the successful *Clean Up Gaza*. The project was supposed to continue for five years and employ 5000 people.¹⁸⁸ The aim was to improve neighborhoods, green spaces, and children's playgrounds. This was no ordinary development programme and Norway was later criticized for using such vast resources on a cosmetic work-generating project, which only helped the economy for a short

¹⁸⁵ Brynen, *A Very Political Economy*, 183.

¹⁸⁶ "UNDP. Programme of Assistance to the Palestinian People," *United Nations*, <http://unispal.un.org/UNISPAL.NSF/0/17B3CB19FE0182A9852561A9005742D0>.

¹⁸⁷ MFA AHLC 308.82 (4), Washington to MFA, November 15, 1994.

¹⁸⁸ MFA AHLC (4), Brussels to MFA, November 30, 1994; MFA AHLC (4), Note, December 9, 1994; MFA AHLC (4), MFA to the AHLC member countries, November 8, 1994.

period.¹⁸⁹ This particular project was chosen because *Clean Up Gaza* had worked so well in terms of distributing money quickly, and it showed that Norway made an effort to disburse its pledges in an efficient manner.¹⁹⁰

The transitions from pledged to implemented money, and from implemented to disbursed money continued to be a challenge for the Norwegians. This was emphasized to the Norwegians when they already in December transferred three million USD of their new pledges to PECNDAR, the organization established to deal with international aid, and PECNDAR only accomplished to implement 18 000 USD on the ground. This showed the Norwegians that not only was there a problem of making the donor countries realize their pledges into actual aid, but there was still insufficient resources on the recipient side to implement the money and a lack of coordination locally.¹⁹¹

The Honorable and Challenging Position in the Middle of the EU and the United States.

In the preparation period before the AHLC meeting, the conflict between the European Union and the Americans became stronger. The EU thought the United States acted as though it owned the peace process, even though the EU was the biggest donor of aid to the Middle East. Furthermore, in a EU meeting, the French were of the opinion that the Israelis and the Americans cooperated to exaggerate the unemployment problem of the Palestinians living in the occupied territories so as to have the Europeans cover the budget gap caused by the Israeli closure of borders.¹⁹² The Americans did little to dispute these accusations. In fact, before the AHLC meeting to be held in Europe, the Americans sent out a demarche requesting all countries to provide surveys of their financial aid to the Palestinians, even Norway was requested to present this overview. As Norway was chair of the AHLC, the MFA felt that they should have been the ones

¹⁸⁹ Brynen, *A Very Political Economy*, 193.

¹⁹⁰ MFA AHLC (4), Brussels to MFA, November 30, 1994; MFA AHLC (4), Note, December 9, 1994; MFA AHLC (4), MFA to the AHLC member countries, November 8, 1994.

¹⁹¹ MFA AHLC 308.82 (4), Note, December 9, 1994.

¹⁹² MFA AHLC 308.82 (4), The Norwegian Delegation to the European Commission in Brussels to MFA, November 17, 1994.

sending out such documents.¹⁹³ In order to keep the donor assistance on track, a great part of the Norwegian job was to negotiate between the EU and the United States. It was therefore important in the role as chair of the AHLC to appear impartial. By overturning Norway, Americans to some degree disregarded the Norwegian authority and made it harder to refute the EU's accusation that Norway served secondary to the Americans.¹⁹⁴ Eventually, the MFA found that the easiest way to work with the United States and accomplish the tasks at hand was by simply allowing the United States to assume the leading role.¹⁹⁵

As the historic peace process progressed, the aid coordination role in the midst of the quarrel between the EU and the United States became increasingly difficult for Norway. The donors wanted something in return for their contributions. In similarity with Norway, all of the AHLC member nations wanted to play a role in the coordinating process to which most donors now gave major donations. Particularly, the EU felt that there was no correlation between the money they put in and the political role they were handed to play in the whole process.

This was further exacerbated when the Norwegian Nobel Committee in December 1994, granted the peace prize to the leading men in the Middle East: Rabin, Peres, and Arafat.¹⁹⁶ The MFA used the convenient occasion of having all the chairmen gathered in Oslo to establish the Trilateral Commission (TC), which was to serve as a space where the Israelis and the Palestinians could raise questions concerning aid. The donor countries would be represented in the same way that they were represented in the JLC, through Norway, the WB and UNSCO.¹⁹⁷

This decision was not acceptable to the EU, which had already been offended that they were not to be members in the JLC and then only got to hear about the decision about

¹⁹³ MFA AHLC 308.82 (4), MFA to the Norwegian delegation for the meeting in the political committee of the EU, Petersburg, Bonn, November 21, 1994.

¹⁹⁴ MFA AHLC 308.82 (4), MFA to the Norwegian delegation for the meeting in the political committee of the EU, Petersburg, Bonn, November 21, 1994.

¹⁹⁵ Waage, *Peacemaking is a Risky Business*, 176.

¹⁹⁶ Shlaim, *The Iron Wall*, 280.

¹⁹⁷ MFA AHLC 308.82 (4), MFA to Nigel Roberts (WB), December 14, 1994.

the commission after it had already been established. Sven Svedman, the Norwegian chair of the LACC and the ambassador at the embassy of Tel Aviv, ensured the French representative for the EU, the Consul General in Jerusalem, that they would be well represented through the Norwegians. The French representative responded that Paris was about to demarche for the chair of the AHLC about the EU participating in the TC.¹⁹⁸ When Uri Savir, the Chief Negotiator of the Oslo Accords and the Director-General in the Israeli MFA, was informed about the EU's reaction, he encouraged Svedman to remember that it was against the nature of the peace process to come up with new structures in unofficial meetings. Moreover, he thought the Norwegians should consider how it would influence the whole donor process if one dogmatically kept solutions that caused the EU to go separate ways and contribute less in the donor meetings.¹⁹⁹

This caused a difficult dilemma for the Norwegians. On one hand, Norway wanted the countries to donate as much money as possible, yet on the other hand it was in Norwegian interest to keep the prominent role they played in the peace process.²⁰⁰ "We are forced to relate to the fact that the EU is the greatest donor", Svedman wrote to the MFA "yet at the same time it is possible that the EU may interpret a concession from our side to set in new advances to assume the position as chair of the AHLC."²⁰¹ In an attempt to deal with the issue, Ambassador Rolf Trolle Andersen met with Jean-Luc Sibiude, the EU chair's Middle East coordinator. Andersen argued that it was important to remember that the exclusive representation in the TC was to ensure faster and more efficient communication coordination of the aid to the Palestinians, but to no avail. Sibiude had been instructed to inform the Norwegians that the EU's disgruntlement about the established mechanisms for local coordination was about to reach the presidency of the EU. As the greatest donor, the EU raised questions as to whether the best representation of the donors was by the three meant to represent them in the TC and JLC. In Sibiude's opinion, the situation on the donor side locally had

¹⁹⁸ MFA AHLC 308.82 (5), Tel Aviv to MFA, January 22, 1995.

¹⁹⁹ MFA AHLC 308.82 (5), Tel Aviv to MFA, January 22, 1995.

²⁰⁰ MFA AHLC 308.82 (5), Tel Aviv to MFA, January 22, 1995.

²⁰¹ MFA AHLC 308.82 (5), Tel Aviv to MFA, January 22, 1995.

become so edgy that it reminded of "guerilla warfare".²⁰² Shortly after, the EU and the United States were granted membership in the TC.²⁰³ Furthermore, in the next AHLC meeting, the JLC too was extended to include the United States and the EU, with Norway as Shepherd.²⁰⁴

Economic and Political Crisis Causes Norway to Step it Up

By February 1995, the situation between the Israelis and the Palestinians was in crisis both economically and politically. The frequency of terrorist attacks had increased drastically and many Israelis felt that Rabin and Peres had failed, as the peace process did not lead to reduced terrorism.²⁰⁵ In an LACC meeting in February 1995, Arafat reported that the Israeli border closures and the lack of Israeli transfer of tax money entitled to the Palestinians had brought the peace process entirely to a halt. One of the side effects of the closures was that 50-60 000 Palestinians were left without a job. The total cost of the Israeli border closures was calculated to USD two million per day. Svedman aggregated that the donor process, too, was in deep trouble, which further exacerbated the overall picture of the situation.²⁰⁶

With the peace process moving in a negative direction, the prestigious undertaking of collecting aid to the Middle East was a heavier responsibility than ever before.

Svedman reported home that because the problems were so great, the MFA needed to run the coordination effort forward with great engagement and speed, and distribute the responsibility on as many donor countries and organizations as possible. One could already trace hints of repudiation of responsibility and "blame sharing" that needed to be worked against by engaging all donor countries actively in the LACC process.²⁰⁷

This demonstrated a major shift in the Norwegian attitude towards the responsibility of coordinating the aid to the Palestinians. The role as chair for the AHLC was originally

²⁰² MFA AHLC 308.82 (5), Cairo to MFA, January 24, 1995.

²⁰³ MFA AHLC 308.82 (5), Tel Aviv to MFA, February 1, 1995.

²⁰⁴ MFA AHLC 308.82 (7), Paris to MFA, April 28, 1995.

²⁰⁵ Morris, *Righteous Victims*, 627.

²⁰⁶ MFA AHLC 308.82 (5), Tel Aviv to MFA, February 1, 1995.

²⁰⁷ MFA AHLC 308.82 (5), Tel Aviv to MFA, February 1, 1995.

intended to be a rotating role.²⁰⁸ At this point, the MFA thought it necessary to consider whether the role should be passed on. Even though there seemed to be satisfaction as to how the Norwegians performed their role, the position included such “great costs” that it was still natural to consider the future. The assessment of the Norwegian role concluded that “even though it would be close to impossible to find someone to take over the role, this should not be of hindrance to communicate a political wish to change. If we chose an active role we have to be prepared to carry the responsibility, meaning political engagement and increased weight on the government, including the Prime Minister.”²⁰⁹ Nonetheless, instead of passing on the role as chair of the AHLC, the Norwegians stepped up their effort. “As chair of the AHLC, we carry the responsibility to find solutions to these acute problems that are rising” wrote Ambassador Andersen from the embassy in Tel Aviv.²¹⁰

²⁰⁸ Waage, *Peacemaking is a Risky Business*, 176.

²⁰⁹ MFA AHLC 308.82 (6), Note, March 4, 1995.

²¹⁰ MFA AHLC 308.82 (6), Tel Aviv to MFA, March 3, 1995.

Chapter 5: Norway Leads by Example (1995- 1997)

To find a solution to the Palestinian economy, which appeared bleaker and bleaker for each day, became more difficult as the peace process kept moving in a negative direction. The numerous suicide attacks carried out by militant Palestinians caused the Israelis to close the borders. Consequently, the Palestinians who worked in Israel were prevented from going to work and unemployment increased sharply among the Palestinians.²¹¹ Furthermore, the projects that were implemented in Gaza and in the West Bank did not receive the revenues required to proceed.²¹² The cost of the Israeli closure of two million USD per day eventually reached a sum that exceeded the aggregate amount of international assistance committed for 1994.²¹³ Moreover, the price of the border closures was higher than the donors could ever compensate.²¹⁴

The preparations for the AHLC meeting to be held in April 1995 in Paris clearly demonstrated the severity of the financial problems to the Norwegians. The absolute minimum stipulated budget deficit of the Palestinians was 136 million USD—a sum that was still so high that it was clearly unrealistic for the donors to cover the whole sum.²¹⁵ The Norwegians expected that donors would not be able to pledge more than sixty million USD and with one million in the Holst Fund this caused reason to worry. At the same time, the donors were growing tired of pledging aid to the Holst Fund which covered the running expenditures, because this money went straight into covering the consequences of the Israelis closing their borders and not for long-term development purposes.²¹⁶ At the outset of the peace process, the donor countries had been informed that it was unlikely that the need for budgetary support would continue beyond 1994, and the donor countries had planned accordingly.²¹⁷

²¹¹ Sara Roy, *Failing peace: Gaza and the Palestinian-Israeli Conflict* (London: Pluto Press: 2007), 170.

²¹² More, *International Assistance to the Palestinians After Oslo*, 115.

²¹³ MFA AHLC 308.82 (6), Note, March 9, 1995.

²¹⁴ MFA AHLC 308.82 (7), Tel Aviv to MFA, April 19, 1995.

²¹⁵ MFA AHLC 308.82 (7), MFA to the CG member countries, April 6, 1995.

²¹⁶ MFA AHLC 308.82 (7), Washington to MFA, April 3, 1995.

²¹⁷ Khadr, "Donor Assistance," 146.

In the AHLC meeting in Brussels on November 29-30, 1994, the Palestinians and Norway, in its capacity as chair of the AHLC, had made an agreement named “The Understanding on Revenues, Expenditures and Donor Funding for the Palestinian Authority.”²¹⁸ One of the conditions in this agreement had been that the Palestinian budget should have been in balance by March 1995.²¹⁹ Consequently, most donor countries had planned to contribute primarily long-term development aid after March. By March, however, it was evident that commitments undertaken in the Brussels agreement could not be completed.²²⁰ While the United States was increasingly disturbed with the fact that this still was not the case, the Europeans showed considerable patience and understanding, and were even requesting stipulated deficits to be calculated for the budget year 1996-7 too, in order to commence preparations. The MFA considered their own approach closer to the American approach and they were of the opinion that the Palestinians needed to portray more budget discipline and cooperation about taxation and expenditures.²²¹

Despite criticism, most donors did not see it as an option to downsize the economic assistance to the Palestinians in times when their economies were deteriorating.²²² This was particularly the case for Norway, as their role as chair of the AHLC would be increasingly challenging if donor countries did not maintain the high level of assistance. It was thus even more important than in the initiating phase for Norway to set an example and keep positive. Norway thus increased its total contribution because they considered it fatal for Norway, as chair, to point to own effort to solve the problems before requesting that the other donor countries increased their financial aid to the Palestinians.²²³ The situation was thus quite predetermined for the Norwegians in the sense that there were few realistic choices beyond increasing the level of aid as the Palestinian economy deteriorated.²²⁴ Norway thus allocated 35 million NOK to be pledged in the AHLC meeting for the Holst Fund, which constituted four percent of

²¹⁸ Brynen, *A Very Political Economy*, 106.

²¹⁹ See chapter 4.

²²⁰ MFA AHLC 308.82 (6), Tel Aviv to MFA, March 3, 1995.

²²¹ MFA AHLC 308.82 (7), Note, April 25, 1995; MFA AHLC 308.82 (6), Note, March 23, 1995.

²²² Brynen, *A Very Political Economy*, 108.

²²³ MFA AHLC 308.82 (8), MFA to Tel Aviv, May 26, 1995.

²²⁴ MFA AHLC 308.82, 1996/00222 (1), Tel Aviv to MFA, March 19, 1996.

the stipulated Palestinian budget deficit. This sum brought the total Norwegian contribution thus far in 1995 to 383 million NOK, which was a steep increase from the 257 million donated in 1994.²²⁵ This sum was considerably higher than the 250 million NOK that Norway had planned to donate annually in the Washington Conference in 1993. Granted the size of the contribution, Foreign Minister Godal therefore had to defend this expansion for the Committee of Foreign Affairs in the Storting. Norway, as chair of the AHLC, had a responsibility to mobilize money from the donors to the budget and to the police, he explained, before assuring the committee that from 1996, Norway would indeed phase out the budget support and support for emergency causes and concentrate on more long-term projects.²²⁶

The responsibility to mobilize money was no easy task when the budget was in crisis and the donors were tired of giving. The MFA considered it vital to get out of what they coined the last-minute-pledging syndrome and the Foreign Minister ensured in an interview that the AHLC meeting in Paris would be the last emergency summit to be held.²²⁷ Furthermore, during the meeting in Paris, the “Tripartite Action Plan on Revenues, Expenditures, and Donor Funding for the Palestinian Authority” (TAP) of April 1995 was made between the two adversaries and the donors. This agreement opened for the possibility that budget support could be necessary in 1996 too, but that it would not be possible to extend this beyond 1996.²²⁸ The TAP was signed by Norway on behalf of the donor countries.²²⁹

As the MFA had expected, though 136 million USD was required to cover the estimated budget deficit, only approximately 60 million USD was pledged during the meeting. Moreover, by May 1995, it was clear that the donors were not able to cover

²²⁵ MFA AHLC 308.82 (7), Letter from Bjørn Tore Godal to Warren Christopher, Secretary of State in the United States, April 26, 1995; MFA AHLC 308.82 (6), Note, March 9, 1995.

²²⁶ MFA AHLC 308.82 (8), MFA to Tel Aviv, May 26, 1995.

²²⁷ MFA AHLC 308.82 (6), Note, March 9, 1995.

²²⁸ More, *International Assistance to the Palestinians after Oslo*, 33 and 142; MFA AHLC 308.82 (7), Paris to MFA, April 28, 1995; MFA AHLC 308.82 (7), Paris to MFA, April 28, 1995; Brynen, *A Very Political Economy*, 108.

²²⁹ Brynen, *A Very Political Economy*, 107.

the stipulated budget deficits, and the aid effort was in its greatest crisis thus far in the peace process.

Oslo II

Towards the end of September, a finalization in the negotiations between the Palestinians and the Israelis served to mitigate the economic crisis. Oslo II was the main interim agreement and was signed by Rabin, Peres, and Arafat in Washington on September 28, 1995. In accordance with the stipulations of the DoP, this agreement contained a road map for further Israeli withdrawal from the West Bank, the details for the upcoming Palestinian election, and arrangements to sort out the situation in Hebron and the safe passage between Gaza and the West Bank.²³⁰

One part of the second interim agreement carried particular importance for Norway: the section about the People-to-People Programme (P2P).²³¹ The P2P was an inter-communication programme intended to enhance communication between the Israelis and the Palestinians, and hence public support for the Oslo Process. The wording of the accord specified that Norway would develop the structure of the P2P, which served to further emphasize the Norwegian importance in the peace process and thus, as far as the MFA was concerned, serve Norwegian interest.²³²

In general, the way the agreement split the Palestinian areas, particularly within the West Bank, caused considerable practical challenges for the implementation of the donor projects.²³³ Article XI in the Oslo II Agreement split the areas in the West Bank into three types of areas; A, B and C.²³⁴ Area A were areas densely populated by Palestinians, area B were areas less densely populated, and area C was the land confiscated by Israel for settlement, roads, and military. Areas type A was placed under Palestinian jurisdiction while areas type C were subject to Israeli jurisdiction.

²³⁰ Morris, *Righteous Victims*, 627-629.

²³¹ Oslo II, Annex 6; Oslo II, Article III, in Waage, *Peacemaking is a Risky Business*, 207.

²³² Waage, *Peacemaking is a Risky Business*, 207-209.

²³³ Brynen, *A Very Political Economy*, 121.

²³⁴ "Interim Agreement on the West Bank and Gaza Strip," *The Israel-Arab Reader*, eds. Laqueur and Rubin, 509.

Areas pertaining to type B were under Palestinian civil jurisdiction, but they too, were subject to Israeli jurisdiction as far as security was concerned. In Gaza, Israel remained in control over the settlement areas and their pertaining roads, which made up approximately 35 percent of the Gaza Strip, while the rest was given to Palestinians. This arrangement caused political challenges for both sides. On the Israeli sides the right-wing devotees saw their dream of an undivided Israel being destroyed while on the Palestinian side many felt that too many concessions were given in exchange for too little land. Extremists' responses on both sides created serious impediments for the implementation of the peace process.²³⁵

Notwithstanding the obstacles, Oslo II definitely was an agreement and in itself the progress needed for the donor effort to gain momentum again. From having held many emergency meetings primarily concerned with saving the Palestinian budget crises, the Norwegians now wanted to exploit this momentum for all it was worth. Shortly after the signing ceremony three important meetings were therefore held: an informal AHLC meeting in Washington, a Consultative Group meeting, and finally a new big donor conference in Paris. These three meetings were preparations for what was coined the "Second Phase of Assistance to the Palestinian people".²³⁶ The new phase, it was agreed among the main donor countries, was to concentrate more on long-term aid in the form of project support and to a lesser degree on running expenditures to the Palestinian Authority covered by the Holst Fund.²³⁷ The World Bank and the UNSCO thus prepared sixteen sectors/projects for the donors, prioritized according to need for implementation.²³⁸ In order to implement this phase-two package, 550 million USD was required.²³⁹

Optimism reached a new high point in the Norwegian MFA, when the total aid pledged in the donor society reached far above what they had expected and the peace

²³⁵ Shlaim, *The Iron Wall*, 527-528.

²³⁶ MFA AHLC 308.82, 1995/01332 (3), Note, October 16, 1995.

²³⁷ MFA AHLC 308.82, 1995/01332 (1), Washington to MFA, September 28, 1995.

²³⁸ MFA AHLC 308.82, 1995/01332 (1), Washington to MFA, October 3, 1995.

²³⁹ MFA AHLC 308.82, 1995/01332 (3), Washington to MFA, December 1, 1995; Brynjen, *A Very Political Economy*, 164.

process was moving in the right direction.²⁴⁰ Considering the problems that the Norwegians had faced while collecting aid to cover the estimated budget deficit before Oslo II, the MFA had not been able to understand how the donor countries could possibly be able to cover the running expenditures and additionally be able to implement the project package prepared by the World Bank and UNSCO. As chair of the AHLC, the Norwegians saw it as their prime responsibility to ensure that there was enough aid to carry out an optimal aid effort, both in terms of budget support and plan support, and this concern had therefore given them considerable headache.²⁴¹ Nevertheless, in the AHLC meeting in Washington it became clear that the estimated budget deficits for the 1995 budget was decreased from 228 million USD to 101 million USD and that the prospects for deficits were expected to be depleted by 1997. The reason why the estimated deficits were decreased was that the Israelis had been able to transfer collected tax revenues more efficiently than before and that the Palestinians had improved their own tax collecting systems.²⁴² Furthermore, in the Paris Donor Conference on January 9, 1996 the donor community pledged 856 million USD, this came in addition to the previously committed 500 million USD for the WB/UNSCO projects, and the total collected revenues for the Palestinians reached 1.3 billion USD.²⁴³ When the Palestinian election occurred without major problems two weeks later, on January 21, 1996, the Norwegians considered it a major success.²⁴⁴

Vicious Cycle

Unfortunately, on November 4, 1995 the assassination of Yitzhak Rabin served to destabilize the fragile situation in the Middle East and thus the Norwegian optimism. Though the Israeli Prime Minister was killed by an Israeli fanatic and nationalistic Jew and not by a Palestinian, the future of the peace process without Rabin was highly uncertain.²⁴⁵ Shimon Peres, the Foreign Minister, assumed the Prime Minister position subsequent to Rabin's death. But Peres did not enjoy the same public trust among the

²⁴⁰ MFA AHLC 308.82, 1996/00222 (1), Note, Rolf Trolle Andersen to Foreign Minister, January 26, 1996.

²⁴¹ MFA AHLC 308.82, 1995/01332 (1), Note, September 25, 1995.

²⁴² MFA AHLC 308.82, 1995/01332 (1), Washington to MFA, October 3, 1995.

²⁴³ MFA AHLC 308.82, 1996/00222 (1), Note, January 11, 1996.

²⁴⁴ The Storting, Storting Proposition no. 1, 1996/97, 152; Shlaim, *Israel and Palestine*, xix.

²⁴⁵ Shlaim, *Israel and Palestine*, 203.

Israeli people and did not manage to sway public opinion in the way that Rabin had done.²⁴⁶

Moreover, despite the recently signed interim agreement, the situation between the adversaries was far from peaceful. The expansion of the Israeli settlements on the territories pertaining to the Palestinians continued. Settlers controlled one third of the land in Gaza and three quarter of the land in the West Bank. In both areas the Israelis were in control of the scarce water resources.²⁴⁷ Furthermore, in October 1995, on orders from Peres, the Israelis killed the leader of Islamic Jihad, a Palestinian militant group, and in January 1996, the chief bomb maker of Hamas, another Islamic and militant group, was assassinated. The two groups cooperated to make their retaliation more forceful and launched a series of terror attacks throughout the year 1996.²⁴⁸ The cost of the frequent border closures of the borders that followed the terror attacks far exceeded the number pledged as a result of the interim agreement and caused the Palestinian economy to further deteriorate. According to David Makovsky, author of the book *Making Peace with the PLO*, the donors had understood by the spring of 1995 that the “key premise of Oslo - that economic development equals security - had proven difficult to realize.”²⁴⁹

Norwegian Aid to the Middle East is Assessed

In the shift between 1995 and 1996, the Norwegian donor assistance had to be assessed. As a result of the consistent rise in the level of Norwegian aid, the whole one billion NOK pledged in 1993 would be spent by the end of 1996, two years earlier than planned for. By this point, 188 million NOK had been disbursed in 1994, 340 million NOK had been disbursed in 1995 and 1996, in addition to 100 million NOK paid to the Holst Fund since 1993.²⁵⁰ As the pledged one billion was pledged for a five-year period, the MFA decided to only evaluate whether or not to continue this high level of financial aid until the end of 1999. In 1998, a comprehensive assessment

²⁴⁶ Morris, *Righteous Victims*, 635-636.

²⁴⁷ Shlaim, *The Iron Wall*, 530.

²⁴⁸ Morris, *Righteous Victims*, 636-638.

²⁴⁹ Makovsky, *Making Peace with the PLO*, 149.

was planned in accordance with the original time period intended for the one billion NOK pledged. The question in 1996 was thus whether to continue the high level that the aid had come to by 1996 or whether to downsize it.²⁵¹

The assessment concluded in a decision to maintain the high level of aid, but to shift priorities to more long-term financial aid. This was in thread with the decisions agreed upon amongst the donors in the AHLC meeting in Washington on September 28, 1995.²⁵² The Norwegians continued to use the role as donor as a supplement to their role as chief coordinator for the AHLC. It was of utmost importance for the Norwegian interest of maintaining a high profile in the Middle East, that the role as chair of the AHLC was given a prominent place by the donor community. This was always a concern for the Norwegians, but less so in the aftermath of the Oslo II agreement than earlier in the peace process. The reason was that the Norwegians considered themselves undisputed leaders of the AHLC because no one else was able to take over their role. Accordingly, the Norwegians no longer saw a particular need to make an exceptional contribution to the Palestinians, only one that reflected their special interests and responsibility in the AHLC, but no more than this. Ambassador Svedman concluded this in the following manner: “our position in the region is secured even without extraordinary new commitments, partially because no one can take over our role.”²⁵³ Nevertheless, to be on the safe side, the Norwegians still pledged two million USD to the Holst Fund as an emergency contribution and 38 million USD to the World Bank/UNSCO projects in the Paris Conference.²⁵⁴

The incremental nature of the peace process, made it close to impossible to plan long-term which was problematic when donor countries wanted the move on to long-term aid.²⁵⁵ As a donor, the Norwegians were as interested as other donor countries in

²⁵⁰ MFA AHLC 308.82, 1996/00222 (1), MFA to the German Embassy in Oslo, March 15, 1996.

²⁵¹ AHLC 308.82, 1995/01332 (3), Note, December 7, 1995.

²⁵² AHLC 308.82, 1995/01332 (3), Note, December 7, 1995.

²⁵³ MFA AHLC 308.82, 1996/00222 (1), Tel Aviv to MFA, March 19, 1996.

²⁵⁴ MFA AHLC 308.82, 1996/00222 (1), MFA to the German Embassy in Oslo, March 15, 1996.

²⁵⁵ Brynen, *A Very Political Economy*, 121.

giving more project aid than budget aid.²⁵⁶ As the chair of the AHLC, however, the MFA was concerned with covering the recurrent budget. Despite decisions and promises to the Storting to prioritize long-term aid, the NORAD annual report of 1996 concluded by the end of the year that the border closures had led a considerable share of Norwegian foreign aid to be inserted into short term projects.²⁵⁷

Likud Takes Over

Shimon Peres made many choices throughout his short period as Prime Minister, which led him to grow less popular among the Israeli population. He had given permission to shoot the “Engineer” of Hamas, which resulted in brutal vengeance attacks against the Israelis. In fear of appearing weak for an Israeli population who expected retaliation for these attacks, he launched Operation Grapes of Wrath and invaded southern Lebanon. Through this undertaking he had intended to enhance security by pushing guerillas fighting for the Lebanese militant group Hizbullah away from the Israeli border. What he actually achieved, however, was that countries all around the world condemned the invasion of Lebanon and the operation led to less rather than more security for the Israelis and hence less Israeli support for Peres as Prime Minister.²⁵⁸

Well aware of this development, the Norwegians paid close attention to the election in May 1996. This was the same month that was set as deadline for the initiation of the final status negotiations in the DoP, but the peace process was far behind schedule. Binyamin Netanyahu, the leader of Likud, won the election by small margins and assumed the position as Prime Minister in June. This shift of governments to a political party that based most of its ideology in a strict interpretation of Zionism was a hard stroke for the already fragile peace process.²⁵⁹ Netanyahu himself came from a background that did not recognize the Palestinians’ right to national self-determination

²⁵⁶ MFA AHLC 308.82, 1995/01332 (1), Note, September 6, 1995.

²⁵⁷ NORAD, “Annual Report: 1996,” 65.

²⁵⁸ Shlaim, *The Iron Wall*, 554-563.

²⁵⁹ Shlaim, *Israel and Palestine*, 569.

and who considered the whole Land of Israel as entitled to the Jewish people alone.²⁶⁰ According to Netanyahu, the creation of the Oslo Agreement had been a violation of the Jew's historic right to a united and great Israel.²⁶¹ Nevertheless, before the election he had recognized that most Israelis supported the peace process, and consequently changed his approach and rhetoric. Hence, his main slogan throughout the buildup to the election was that while the Labor Party had created peace without security, he intended to make peace with security.²⁶²

Netanyahu and his staff's ignorance concerning Palestinian's economic situation and the international aid effort were evident from the beginning. It was clear to the MFA that the novel government only prioritized what they had to deal with. As the peace process continued, this caused such considerable worries for the Norwegians that the MFA started referring to this tendency as the Likud's government's "First Thing First" principle. The main problem was that the AHLC was not prioritized on any level. In order to solve this, the MFA considered it important to throw a meeting as soon as possible in order to pressure the Israelis into a more active involvement.²⁶³

Subsequently, on September 5, 1996 an informal AHLC meeting was held in Washington which emphasized to the participants that that the economic and social conditions for the Palestinians were moving in a negative direction because of the frequent border closures throughout 1996.²⁶⁴

Another main topic in the AHLC meeting was Arafat's refusal to consolidate accounts under the Ministry of Finance. Arafat had funds outside the control of the Ministry of Finance, which was subdued to his personal control.²⁶⁵ According to Rex Brynen, these funds were primarily used to finance Arafat's patronage way of ruling, as

²⁶⁰ Shlaim, *The Iron Wall*, 564-566.

²⁶¹ Shlaim, *Israel and Palestine*, 203.

²⁶² Shlaim, *The Iron Wall*, 567-568.

²⁶³ MFA AHLC 308.82 1996/ 13445, Note, July 15, 1996.

²⁶⁴ MFA AHLC 308.82 1996/ 13445, Washington to MFA, September 5, 1996; MFA AHLC 308.82 1996/ 13445, Note, September 16, 1996.

²⁶⁵ Brynen, *A Very Political Economy*, 139; Ali Khadr, "Fiscal Management," in *Development Under Adversity*, eds. Diwan and Shaban (Washington: The International Bank for Reconstruction and Development, 1999), 114.

opposed to the institutional model of the West.²⁶⁶ Money that were left out of the budgetary control of the Ministry of Finance were revenues from quasi-private monopolies that distributed key necessities to the Palestinians such as petroleum products and cement.²⁶⁷ On January 9, 1996, the “Tripartite Action Plan” was revised and Arafat and his companions committed to consolidate accounts before January 31, 1996. However, by September, Arafat still had not honored his promise and the donor countries exerted considerable pressure on the Palestinians. The message the Norwegians emphasized to the Palestinians on behalf of the donors was clear: if Arafat was not willing to ensure transparency, the donor countries were no longer willing to donate aid to the Palestinians.²⁶⁸

Due to problems, both on the Palestinians side and on the Israeli side, the donors became more reluctant and used more political caution with regard to the aid effort. The United States withheld ten million USD and terminated all future aid to the Holst Fund.²⁶⁹ Canada was unsure whether it could continue its level of aid as they considered aid a continuation of payments to cover the running expenditures, which paved the way for an Israeli closure politic that Canada was against.²⁷⁰ The World Bank was not willing to give more money for budget support before the accounts were consolidated as this violated the TPA.²⁷¹ In a meeting in Gaza on September 18, 1996, intended to follow up the AHLC meeting in Washington, the EU made it clear that they were not willing to give more financial support before the Palestinians consolidated the accounts and the Israelis were more willing to share responsibility with regard to taxes etc.²⁷²

Norway did not chain any such conditionality to the aid in contributed, rather on the contrary as the Norwegian high level of aid became even higher in 1996. The increase

²⁶⁶ Brynen, *A Very Political Economy*, 140; Brynen, *A Very Political Economy*, 145.

²⁶⁷ Ali Khadr, “Fiscal Management,” 114.

²⁶⁸ MFA AHLC 308.82 1996/ 13445, Note, September 11, 1996.

²⁶⁹ AHLC 308.82 1996/ 13445, Washington to MFA, September 6, 1996; Brynen, *A Very Political Economy*, 158.

²⁷⁰ AHLC 308.82 1996/ 13445, Ottawa to MFA, July 10, 1996.

²⁷¹ AHLC 308.82 1996/ 13445, Note, September 24, 1996.

²⁷² AHLC 308.82 1996/ 13445, MFA to Tel Aviv, September 23, 1996.

from 340 million in 1995 to 440 million NOK in 1996 was due to an increase in Norwegian aid to emergency measures, TIPH, and the People-to-People Programme.²⁷³ Furthermore, more money was granted to Norwegians NGOs working in the Palestinian Areas and to UNRWA. Additionally, some of the sum was support for the refugees in Lebanon, which had been increased as a result of the Israeli invasion.²⁷⁴ By November 1996, the Norwegians had contributed 17.7 million USD to budget support through the World Bank since the creation of the Holst Fund.²⁷⁵ One reason why there was a difference between Norway and the other donor countries, according to the MFA, was that the aid to the Palestinians still served Norwegians interests as it maintained the role as chair of the AHLC. This role was considered important to Norwegian interests, also outside the AHLC context. In 1998, Foreign Minister Knut Vollebæk expressed the rationale for prioritizing the prominent role in the aid effort in the following manner:

Our engagement in the Middle East has made us interesting. When I talk with Kinkel (German Foreign Minister), with van der Broek (Commissioner in the EU) and Talbott (US Deputy Secretary of State), they are very interested in what happened in the Middle East. What did I get out of my visit there? What is my view on this? And then I can include something about salmon and gas market directive and such, because I have already given them something.²⁷⁶

Furthermore, the Norwegians had wanted to use their own effort as a manner of serving as example for the donor countries since it assumed the position as chair of the AHLC. The example it set in 1996 clearly encouraged all donor countries to increase their financial contribution, as the Israeli border closures were more frequently implemented and thus impacted the Palestinian budget more heavily. This was taken notice of in the Storting. On June 5, 1996 Erik Solheim, Leader of the Socialist Left Party and member of the Storting, asked Godal in an open Storting session:

What I want to ask the Foreign Minister to confirm is that he will counter that we're now moving into a hostage situation in which the international community becomes hostages for Likud's restrictive politics, and accepts the Israeli cuts of their contributions and that these shall be covered by the international contribution... will Norway, as leader of the AHLC, ensure itself that we do not risk becoming hostages for the Israeli economic and foreign policy's cutbacks?

²⁷³ TIPH is explained below, under subtitle "the Hebron Agreement".

²⁷⁴ MFA AHLC 308.82 1996/ 13445, MFA to the Rep. Office in Gaza, September 23, 1996.

²⁷⁵ MFA AHLC 308.82 1996/ 13445, Letter from Jan Egeland to Benjamin Gilman, November 6, 1996.

²⁷⁶ "Vil favne verden fra norsk tue," *Aftenposten*, January 22, 1998; also quoted in Waage, "Fredspolitikk i Midtøsten," 178 and in Liland and Kjerland, *På Bred Front*, 86.

Godal answered that he expected that Erik Solheim was aware that it was not benevolent for a Foreign Minister to answer such hypothetical question.²⁷⁷

Even though Godal was not able or willing to answer the hypothetical question, the truth of the matter was that Norway had few other choices, as the chair of the AHLC, than to encourage the donor society to increase aid as the living conditions among the Palestinians approximated unbearable. The Norwegians recognized that the role as chair would be more challenging when the political peace process came to a halt. The donor countries were forced to reprioritize the aid effort to meet the acute crisis. For Norway, this meant that it was necessary to be even more flexible and go back to again focusing Norwegian aid on short-term aid in order to mend the consequences of the Israeli border closures.²⁷⁸ Though the situation appeared dark, the MFA had little belief in that the closure politics that the Israelis were pursuing could go on. According to diplomat Tor Wennesland: “such solution cannot be combined with a continuation of the peace process, which, at the end of the day is the only realistic way to go for the states and the peoples of the Middle East region”²⁷⁹ This would partially prove true, as the frequency of the border closures actually went down after Netanyahu assumed office.²⁸⁰

The Hebron Protocol

In the middle of the night on September 24, 1996, Netanyahu opened a new entrance to an ancient underground passage along the Wailing Wall and in the heart of the most holy Muslim sites of Jerusalem.²⁸¹ This incident provoked strong reactions amongst the Palestinians and fighting scenes similar to that of the Intifada in 1987 arose. The difference from the Intifada, however, was that this time the Palestinians had a police force consisting of thousands of trained men to fight against the Israeli IDF.²⁸² The

²⁷⁷ The Storting, “Spørretime,” June 5, 1996, 3857-3858.

²⁷⁸ MFA 308.80 1996/00570, Tel Aviv to MFA, March 6, 1996.

²⁷⁹ MFA 308.80 1996/00570, Tel Aviv to MFA, March 6, 1996.

²⁸⁰ Brynen, *A Very Political Economy*, 126.

²⁸¹ Charles Enderlin, *Shattered Dreams: The Failure of the Peace Process in the Middle East, 1995-2002* (New York: Other Press LLC, 2003), 53.

²⁸² Laura Zittrain Eisenberg and Neil Caplan. *Negotiating Arab- Israeli Peace*, (Indianapolis: Indiana University Press: 1998), 197.

battle lasted for three days and only calmed down when the IDF threatened with moving into the Palestinian cities with armor. A cease-fire was agreed on. By then the short, but brutal resurgence had already ended about seventy Palestinian and fifteen Israeli lives.²⁸³

The involvement of the Palestinian Police Force in violent clashes between the Palestinians and the Israelis was a concern for the Norwegians, as they had donated extensively and held wide-ranging responsibility for the aid to the PPF since its creation.²⁸⁴ The Israelis had granted Arafat permission to expand the PPF in order to deal with Palestinian terrorism in a more efficient manner and hence enhance security for the Israelis. While the Cairo Agreement had allowed 7000 recruits to the PPF, Oslo II stipulated the number to 30,000. By year 2000, this number would increase to 50,000.²⁸⁵ In mid-1995, subsequent to publicity concerning the application of abusive measures in the PA, the Norwegians had decided to cut back their all-encompassing engagement in the police aid sector.²⁸⁶ Human rights violations performed by the PPF on the Palestinian population were a widely recognized problem and particularly worrisome to Norway.²⁸⁷ When TAP was updated, subsequent to the interim agreement, the Palestinians wanted the clause that set the upper limit for the budget deficits as a condition removed. The Norwegians strongly opposed this desire, as this clause prevented the Palestinians from having a bigger police force, and the Norwegians thought it was better that the police force did not keep expanding.²⁸⁸ Nonetheless, despite Norwegian attempts to cut back their responsibility in relation to the police, no one else wanted to assume their position and the Norwegians had few choices than to continue their involvement even as the police force was gradually expanded. Professor Hilde Henriksen Waage, who has published extensively on the Norwegian role in the Middle East, contends that

It [Norway] was still unhappy about its heavy involvement with a problematic police force. But nobody else wanted to take over, Norway was the only acceptable candidate and it would not run

²⁸³ Morris, *Righteous Victims*, 641-642.

²⁸⁴ See chapter 4.

²⁸⁵ More, *International Assistance to the Palestinians after Oslo*, 75.

²⁸⁶ Lia, *Building Arafat's Police*, 58; Waage, *Peacemaking is a Risky Business*, 188.

²⁸⁷ Lia, *Building Arafat's Police*, 239.

²⁸⁸ AHLC 308.82, 1995/01332 (3), Tel Aviv to MFA, November 10, 1995; NORAD, "Annual Report: 1995," 62.

away from its obligations—even when these were clearly risky and unpleasant. Norway was committed to making peace in the Middle East.²⁸⁹

Norway was not the only country that was concerned; the United States was startled by the severity of the violent outbreaks between the Palestinians and the Israelis. In order to save what could be saved of the peace process, the Americans therefore intervened by assuming an active mediating role.²⁹⁰ When Netanyahu subsequently initialed the Hebron Protocol on January 15, 1997, approximately four months after the tunnel crisis, it was considered a major breakthrough for the mere reason that Netanyahu signed an agreement with the Palestinians. The agreement itself had already been negotiated and concluded by the Labor Party in September 1995, but then it had been suspended due to extensive terror attacks.²⁹¹ The Hebron Protocol was an extension of the second interim agreement and divided the hand-over of Hebron into several phases. In the beginning of this process an external body of observers would monitor the transition.²⁹² After the first agreement on Hebron, Norway had again taken on the responsibility to serve in a Temporary International Presence in Hebron and had implemented this alone through a mission lasting for three months.²⁹³ After this novel version of the agreement, the TIPH mission was implemented yet again, this time as a cooperation project between Italy, Sweden, Switzerland, Turkey, Denmark, Sweden, and Norway.²⁹⁴ Netanyahu altered the original agreement in Israeli favor in multiple ways but primarily by giving the Israeli settlers, which only constituted approximately 0.3 percent of the population, a whole twenty percent of the town's commercial centers. The Palestinian population was given eighty percent of the land and the administration of this land was subjected to numerous restrictions.²⁹⁵ Nonetheless, five days later, when the Israeli military withdrew from most of Hebron and the Palestinians assumed control, it was still considered a historic achievement in the peace process, as even the Israeli conservatives now worked towards peace.²⁹⁶

²⁸⁹ Waage, *Peacemaking is a Risky Business*, 189.

²⁹⁰ Shlaim, *The Iron Wall*, 579.

²⁹¹ Shlaim, *The Iron Wall*, 580.

²⁹² Laqueur and Rubin, "Hebron Accords," *Documentary history*, 522; Waage, *Peacemaking is a Risky Business*, 207.

²⁹³ The first TIPH is described in chapter 3.

²⁹⁴ Waage, *Peacemaking is a Risky Business*, 212-215.

²⁹⁵ Shlaim, *The Iron Wall*, 580.

²⁹⁶ Morris, *Righteous Victims*, 643-644.

The donor countries, and particularly the MFA, again felt optimism as for the future of the peace process and the efficiency of the donor effort.²⁹⁷ Nevertheless, the optimism didn't last for long as the Israelis failed to implement the decisions made in the Oslo Agreements and move forward with the negotiations as planned in the DoP. The political cost for Netanyahu in signing the Hebron Protocol meant that he needed to toughen up in other causes and he adopted a strict line of confrontational politics, which went against the land for peace principle that the Oslo Process was based on. This meant that no further progress was achieved in the peace process, rather on the contrary.²⁹⁸ The lack of development was not only political; the continuous economic deterioration of the Palestinian budget was just as big a problem. The prolonged and severe border closures in 1996 had worsened the economic situation in Gaza and the West Bank considerably.²⁹⁹ In a Storting gathering in April 1996, Paul Chauffey, a Socialist Party politician, asked Foreign Minister Godal whether, granted the asymmetrical power relation between the two adversaries, it was about time to state more explicitly that Israel was destroying the peace process with its consistent border closures. Godal replied that he was certain that Israel would give in to Norwegian and international pressure and soon open the borders as Israel understood that "In the long run, it is impossible to insert lots of capital into a big black hole consisting of Palestinian economy, which is not given living room to develop. I know that wise Israelis understand this and this is why alleviations are about to happen."³⁰⁰ Contrary to Godal's calculations, the borders between the Israelis and the Palestinians were completely closed for a whole 82 days in 1996 and this led to devastating consequences for the Palestinian economy.³⁰¹ Moreover, despite the optimism in terms of Israeli goodwill, Godal's statement demonstrated that the strong belief in the correlation between aid and peace had started to crack. Nevertheless, as aid became increasingly important to avoid a catastrophe to occur in the West Bank and Gaza, it

²⁹⁷ MFA AHLC 308.82, 1997 (3), MFA to Tel Aviv, March 26, 1997.

²⁹⁸ Shlaim, *The Iron Wall*, 580-581.

²⁹⁹ MFA AHLC 308.82, 1997 (1), MFA to various embassies, January 6, 1997; Brynen, *A Very Political Economy*, 103.

³⁰⁰ The Storting, Question from Paul Chauffey (SV) to Foreign Minister Bjørn Tore Godal, April 24, 1996.

³⁰¹ Waage, *Peacemaking is a Risky Business*, 196.

was not an option for the Norwegians to back out of the aid effort. In 1997, the donor countries made various reports that attempted to view the situation from a positive angle by stating that, in view of what one had projected to be the outcome of the border closures in 1996, the development of the Palestinians was much better than expected.³⁰² The budget for running expenditures covered by the Holst Fund, for example, approximated balance for the first time since the Oslo Agreement.³⁰³ Nevertheless, this did not change the fact that the overall economic situation continued to deteriorate. While one item within the overall budget, the running expenditure, approximated balance, other budget items moved further away from balance.³⁰⁴

The pace of this trend was accelerated in January, when the Israeli escalated their settlement policy by initiating the constructions in Har Homa, a hill in annexed East Jerusalem between the Arab village of Um Tuba and Bethlehem. This site was a strategic move in the facts-on-the-ground approach and would link the chain of Israeli settlements in such way that the contact between the Arab side of Jerusalem and the Palestinian areas would be cut off.³⁰⁵ Consequently, from March 1997, Palestinian terror attacks became even more frequent and the closures remained persistent. This cycle of violence and closure dug the economic situation of the Palestinians further and further away from a positive balance.³⁰⁶

As the budget moved further into a negative trend, the situation between the donors too became uneasy and competitive. Most of the donor countries faced critical questions from their governments and respective citizens, as it became more evident that the donor effort did not succeed in improving the economical situation for the Palestinians. The EU countries, in particular, were frustrated over this.³⁰⁷ Even in Norway, despite the influential role that Norway played as chair of the donor effort, the national newspapers critically examined the rationale behind the Norwegian aid to

³⁰² MFA AHLC 308.82, 1997 (2), MFA to Tel Aviv, February 27, 1997.

³⁰³ MFA AHLC 308.82, 1997 (4), MFA to Tel Aviv, November 18, 1997; More, *International Assistance to the Palestinians after Oslo*, 143.

³⁰⁴ Brynen, *A Very Political Economy*, 71.

³⁰⁵ Shlaim, *The Iron Wall*, 581.

³⁰⁶ Brynen, *A Very Political Economy*, 68-69 and 2-3.

³⁰⁷ MFA AHLC 308.82, 1997 (5), MFA to Tel Aviv, November 13, 1997.

the Palestinians, which in 1997 had reached 36.7 million NOK per month.³⁰⁸ Further complicating the situation, the United States vetoed Security Council resolutions that could have halted the Israeli settlement expansion in Har Homa.³⁰⁹ Hence, as it became evident that the Palestinian economy moved in a negative direction despite the extensive aid, the political differences between the main donors in the aid effort escalated in tact with the deterioration of the political situation between the Israelis and the Palestinians. As the five-year period that the donor countries had pledged money for in 1993 approximated its conclusion, the status of the aid effort was highly insecure, and the Norwegian role as middleman and chief coordinator was thus more challenging than ever before.³¹⁰

Chapter 6: Still Going Strong (1998-2000)

The Interim Period Approaches its End

1998 was the last year of the five-year interim period envisioned in the Oslo Agreement and also the end of the time-span for which Norway and the other donor countries had pledged money. The timetable laid out in the DoP went over five years, and this was the reason why the donor countries had pledged money for that same period in the Washington Conference in 1993.³¹¹ However, the status of the peace process after five years was not what the donor countries envisioned when they signed the agreement in 1993. The aim set forth in the DoP was that economic prosperity for the Palestinians would have improved the security situation and enabled the PLO and the Israelis to reach a permanent solution to the conflict. Nevertheless, in the AHLC meeting in Washington on November 7, 1997 donors expressed disappointment that there was a continuing decline in the Palestinian economy.³¹² Approximately one month later, in the fifth Consultative Group meeting, the World Bank released a statement:

Many of you were here for the first CG for the West Bank and Gaza, in December 1993. The atmosphere then was very different. There was a sense of anticipation. We were quite confident

³⁰⁸ MFA AHLC 308.82, 1997 (4), Note, July 30, 1997

³⁰⁹ Shlaim, *The Iron Wall*, 582.

³¹⁰ Brynen, *A Very Political Economy*, 93.

³¹¹ Declaration of Principles, Article 1.

³¹² MFA AHLC 308.82, 1997 (5), Letter to the AHLC members from MFA, November 13, 1997.

that Palestinian economic skills would at last flourish; that sustained growth was feasible; and that a sound economy would make a major contribution to peace. That was almost exactly four years ago. Where do we find ourselves today? Clearly not where we expected to be... To put it bluntly: we expected the economic program to succeed, and to strengthen the political process. Instead, political conflict has undermined the Palestinian economy and blunted the efforts of the donors.³¹³

As the interim period approached its end without having achieved the goals set forth, the donor society and the adversaries were anxious to identify what would happen in the future in terms of aid.

Securing the Continuation of the Norwegian Role in the Peace Process

For this special year of the peace process, the Norwegians focused on the development of reports and plans that would encourage the donor countries to continue their assistance to the Palestinians. The MFA commissioned Fafo to create a report on the socio-economic development in the Palestinian society and its influence on the strategy for the upcoming aid effort in order to plan for the Norwegians continuation of aid to the Palestinians.³¹⁴ Furthermore, the Norwegians helped the Palestinians both financially and with consultants to create the “Palestinian Development Plan” (PDP), which they could present for the donor society as time had come for new pledges to be presented.³¹⁵ As the PDP was presented in the CG meeting in December 1997, Norway was commended by the World Bank for showing flexibility as a donor in terms of allocating revenues from one project to another that should serve as example for the other donors.³¹⁶

Not everyone, however, was equally happy with the Norwegian role in the peace process, and in the beginning of 1998 the EU moved to assume the role as chair of the AHLC through a highly confrontational diplomatic line.³¹⁷ One reason for this move was that they were frustrated with the AHLC process, which had not given concrete results in the lives of the Palestinians, and they considered the AHLC as exclusively a way to cover up for the negative consequences of the Israeli politics. Despite all the

³¹³ MFA AHLC 308.82, 1998 (5), World Bank to MFA, December 14-15, 1997.

³¹⁴ MFA AHLC 308.82, 1997 (5), MFA to Tel Aviv, February 23, 1998.

³¹⁵ MFA AHLC 308.82, 1997 (5), Note, December 22, 1997.

³¹⁶ MFA AHLC 308.82, 1997 (5), Note, December 22, 1997.

³¹⁷ Brynen, *A Very Political economy*, 93-94.

money spent, no improvement in the lives of the Palestinians had happened.³¹⁸ The EU was disappointed that Norway left these economic concerns out of the summaries from the AHLC meetings; this should be done even though it was sensitive to some parties. It was particularly pointed out that the summaries were too positive as the Norwegians did not criticize the Israelis sufficiently.³¹⁹ According to some EU-countries, Norway had moved in a more Israel-friendly direction. The British were particularly mentioned in this context, as they had received signals from the Palestinians who had asked questions regarding the role of the Norwegians.³²⁰ Furthermore, the EU also argued they would better serve as chair than Norway as they had more power to stand against the more Israel-friendly US policy than Norway did.³²¹ As Norway, the EU had evaluated the donor experience thus far and concluded that the EU did not play the role they deserved, granted that they were the biggest donor. The EU thus wanted to take over the role as chair and pressured the Norwegians to withdraw voluntarily.³²² In a meeting to get the United States to support this plan, the EU's Vice President Manuel Marin had surprised the Americans by hitting his fist in the table and demanding that the Americans made a choice between the United States and Norway: "you will have to decide who you value the most!"³²³ Xavier Prats Monne, member of Marin's Cabinet, said that the EU was particularly impatient with regards to "Israeli obstruction of practical measures to hinder the development of the Palestinians economy."³²⁴

Granted the deep involvement of Norway in the peace process between the Palestinians and the Israelis, the loss of their function as chair for the AHLC would be devastating for the Norwegians. This prominent role was used as a justification for the

³¹⁸ MFA AHLC 308.82, 1997 (4), The Norwegian delegation to the European union, Brussels to MFA, October 27, 1997; MFA AHLC 308.82, 1997 (5), MFA to Tel Aviv, November 13, 1997.

³¹⁹ MFA AHLC 308.82, 1998 (1), EU-delegation in Brussels to MFA, March 13, 1998.

³²⁰ MFA AHLC 308.82, 1998 (1), London to MFA, April 27, 1998.

³²¹ MFA AHLC 308.82, 1998 (1), EU-delegation in Brussels to MFA, March 10, 1998.

³²² MFA AHLC 308.82, 1998 (1), London to MFA, April 27, 1998.

³²³ MFA AHLC 308.82, 1998 (1), EU-delegation in Brussels to MFA, March 27, 1998.

³²⁴ MFA AHLC 308.82, 1998 (1), EU-delegation in Brussels to MFA, March 10, 1998.

Norwegian high level of aid to the failing peace process.³²⁵ The Norwegians consequently counterclaimed to the EU that they were not willing to withdraw voluntarily as they had gained the role as chair because of their facilitative role in the creation of the peace agreement.³²⁶ Fortunately for Norway, it eventually became evident that not all countries in the EU agreed on the criticism of the Norwegian role. Norway's neighbor countries Denmark, Iceland, and Sweden defended the Norwegians as they thought that Norway was best suited for the job. The EU thus commonly decided to wait and see how the Norwegians responded to the criticism in the upcoming AHLC meeting.³²⁷

The next AHLC meeting was the first one held in Oslo, a location that served to emphasize the Norwegian role as chair. The Americans had recently tried to resume bilateral negotiations between the Israelis and the Palestinians, but the attempt had failed, and the AHLC was the only remaining operational part of the peace process. The meeting established, yet again, that the economy was deteriorating; according to numbers based on the GNP, the living standard had gone down throughout 1997.³²⁸ In the summary of the meeting, the Norwegians wrote "the meeting called on the Government of Israel to take action to alleviate this uncertainty [of the economy], particularly with regard to the movement of people and goods."³²⁹ This was a hint of criticism of Israel, but it remained to see whether it was enough for the EU.

A few weeks later, the EU Commission presented a non-paper about the coordination structure of aid to the Middle East, which suggested that the EU should aim to assume the chair role from the Norwegians.³³⁰ It did include that the Norwegians had suggested co-chairing an upcoming Minister Conference in Washington with the EU

³²⁵ It is explained in Chapter 2 that the Norwegian decision to donate extensive aid to the Palestinians was closely related to the role as chair of the AHLC; The Storting, "Interp. fra repr. Solheim om å bringe Oslo-prosessen ut av dødvanne," June 2, 1997.

³²⁶ MFA AHLC 308.82, 1998 (1), EU-delegation in Brussels to MFA, March 10, 1998.

³²⁷ MFA AHLC 308.82, EU-delegation in Brussels to MFA, May 12, 1998.

³²⁸ MFA AHLC 308.82, 1998 (1), Note, May 15, 1998.

³²⁹ MFA AHLC 308.82, 1998 (1), MFA to the member countries, May 19, 1998.

³³⁰ A non-paper is an off-the record or unofficial presentation of policy.

and that this was a good solution in order for the EU to learn from the Norwegians.³³¹ The Norwegian responded by presenting their own non-paper that suggested that the Norwegians would remain the chair of the AHLC, but that the role as chair would be divided between the Europeans and the Norwegians whenever the AHLC meetings were held in Europe.³³² Through this suggestion, they hoped to end the quarrel over the role as chair for good. Both the EU and the United States accepted this suggestion, and the Norwegians had thus secured their role in the aid effort to the Middle East for the future.³³³

Progress in the Peace Talks

Though the Norwegians had established their role in the coordinating structure of the aid effort for the future, the outlook of the peace agreement was much less secure. Little progress had been made since Likud was elected into government, rather on the contrary. In November, however, the Wye River Memorandum gave Norway and the other donor countries renewed hope that the peace process could still move in the right direction. Even though the agreement was a result of severe pressure from the Americans, it was the first sign of cooperation between Arafat and Netanyahu for nineteen months. The memorandum gave the Palestinians a chunk of Israeli occupied territory on the West Bank in exchange for Palestinian antiterrorist measures followed closely by the Central Intelligence Agency (CIA). Furthermore, the accord contained a paragraph to restore the progress of the peace agreement and re-initiate the final settlement negotiations.³³⁴ In addition, the agreement included many paragraphs that were essential to the economic development in Gaza and the West Bank. The most important of these were the commitments to materialize the construction of the Gaza airport, the Gaza Port, the Gaza Industrial Estate, and the two safe passages between the West Bank and Gaza.³³⁵ The donor countries knew that a high-level ministerial meeting was approaching that would renew pledges for another five-year period, and the Wye River Memorandum gave the perfect momentum for such meeting. Subsequently, on November 30, 1998 there was a new donor conference in

³³¹ MFA AHLC 308.82, 1998 (1), The EU delegation in Brussels to MFA, July 10, 1998.

³³² Brynen, *A Very Political economy*, 94.

³³³ MFA AHLC 308.82, 1998 (1), The EU delegation in Brussels to MFA, November 19, 1998.

Washington where the donors were expected to make pledges for a new five-year period.³³⁶

Establishing the Level of Norwegian Assistance to the Palestinians for the next five year period (1998-2003)

The foreign aid to the Palestinians had consistently exceeded the originally pledged one billion NOK since 1993. By 1998, the total Norwegian aid disbursed was 1,9 billion, almost twice the sum intended for the Palestinians for the five-year interim period.³³⁷ The aid envisioned to the Palestinians for the interim period in 1993 was 1.25 billion NOK, but this sum had already been spent by 1996.³³⁸ Therefore, new pledges had been made, and by 1998, the Norwegians were not donating 250 million annually as planned for in 1993, but more than 440 million NOK per year.³³⁹

The Norwegian economic assistance had been based on a wish to combine negotiations with economic and social development in order for the Palestinian people to see the positive effects of peace process. The main sectors that this aid had funded were social development by funding education (e.g., reconstruction, educating teachers, construction of schools) and water (e.g., creating the water institution and trust creating work to enhance regional cooperation about water). Furthermore, for the purpose of developing economic progress, funding had gone to electricity in Gaza and northern part of the West Bank and to the Palestinians Statistical Bureau.³⁴⁰

However, in 1998 it was evident that the peace process would not be completed by the deadline in May 1999 as stated in the DoP.³⁴¹ Ambassador Svein Sevje, leader of the Representative Office to the PA in Gaza,³⁴² wrote, “Even under the most optimistic

³³⁴ Shlaim, *The Iron Wall*, 602-603.

³³⁵ Brynen, *A Very Political Economy*, 130.

³³⁶ Brynen, *A Very Political Economy*, 209-210.

³³⁷ MFA AHLC 308.82, 1998 (2), Note, November 24, 1998.

³³⁸ See chapter 5

³³⁹ MFA AHLC 308.82, 1998 (1), Note, September 18, 1998.

³⁴⁰ MFA AHLC 308.82, 1998 (2), Note, November 24, 1998.

³⁴¹ Waage, *Peacemaking is a Risky Business*, 168.

³⁴² The Norwegian "embassy" to the Palestinian Administrated Territories.

conditions, the implementation of the result of the final negotiations will require multiple years with continued aid effort and consolidation of the peace process.”³⁴³ The annual report of NORAD acknowledged in 1998 that “aid cannot compensate for the lack of final political solution to the conflict between the Palestinians and the Israelis,” but argued that foreign aid “strengthened Palestinian ability to self-rule, which is a prerequisite for a long-term and stable peace solution with Israel.”³⁴⁴ Based in this rationale and the great need for aid, the Norwegians still wanted to continue donating more than 400 million NOK per year for the period that the PDP covered and then consider downplaying the aid for the subsequent two years. The aid was meant for transitional assistance and the level of aid in 2002 and 2003 would be determined with this in mind. By maintaining the level of aid for three years and then phasing it down beginning in 2002, the Norwegians calculated that 1.3 billion NOK was adequate for the new five-year period.³⁴⁵ This was pledged in the Consultative Group meeting in February 1999 and was primarily intended for physical planning, water, energy, education, institution building, and human rights.³⁴⁶

Disappointment

The first phase of implementing the Wye River Memorandum had proceeded pretty well. Two percent of Area C became Area B, and 7.1 percent of Area B became Area A. The Palestinian National Council in return removed sections of the Palestinian Charter that expressed a desire for Israel to be terminated, and the PA implemented tough measures to defeat terrorism.³⁴⁷ Unfortunately, the progress proved temporary when the Israelis boycotted the agreement by not transferring five percent of the West Bank from Israeli control to joint Israeli-Palestinian control by the deadline of February 1999, as stipulated for phase two.³⁴⁸

³⁴³ MFA AHLC 308.82, 1998 (1), Note, September 18, 1998.

³⁴⁴ NORAD, “Annual Report: 1998,” 58.

³⁴⁵ MFA AHLC 308.82, 1998 (2), Note, November 24, 1998.

³⁴⁶ MFA AHLC 308.82, 1999, Note, February 9, 1999.

³⁴⁷ Morris, *Righteous Victims*, 648-649.

³⁴⁸ Shlaim, *The Iron Wall*, 605.

Strong international pressure on the Israelis ensued with the Israeli decision to dismiss the Wye Memorandum, and this created an incentive for Israel to exploit all opportunities to damage the Palestinians image. In the Consultative Group meeting on February 4-5, the Palestinians presented the Palestinian Development Plan, which the Norwegians had helped them produce. This plan contained three different scenarios for the future; less, the same, and better. Some sections included maps for the envisioned future, which included all of the West Bank and Jerusalem. This aggravated the Israelis to such a degree that they left the meeting in protest. Negotiations were subsequently undertaken to pursue the Israelis to return to the meeting. The Norwegians, who were mainly in charge of these meetings, based their argumentation in the Oslo Declaration, but were still unable to bring the Israelis back to the summit.³⁴⁹ After the meeting, a letter was received by Foreign Minister Vollebæk from US Secretary of State, Madeleine Albright who thanked the Norwegian delegates by name for their outstanding effort in negotiating with Israel.³⁵⁰

The Israeli government's unwillingness to follow the Memorandum caused strong reactions on all sides of the political spectra in the coalition government. One side needed a majority government in order to proceed out of the stalemated situation. In the end, Netanyahu and the majority of the Knesset found themselves voting in favor of dissolution of the current government and early elections. Subsequently, on May 17, 1999 Ehud Barak, the Labor Party representative, won 56 percent of the votes.³⁵¹

Ehud Barak Assumes Position as Prime Minister

Ehud Barak was the former Israeli Minister of Defense and had served as Chief of Staff in Rabin's cabinet. While he had opposed the Oslo Agreement in his former position, he had keenly promoted the peace platform of the Labor Party in the buildup to the election for Prime Minister in 1999.³⁵² Whereas the victory of the Labor Party

³⁴⁹ See chapter 4; MFA AHLC 308.82, 1999, Note, February 9, 1999.

³⁵⁰ MFA AHLC 308.82, 1999, Letter from Secretary Albright to Foreign Minister Vollebæk, March 25, 1999.

³⁵¹ Morris, *Righteous Victims*, 647-650; Enderlin, *Shattered Dreams*, 102-110.

³⁵² Mark Levine, *Impossible Peace* (London: Zed Books Ltd., 2009), 61.

revived the optimism of the donor countries, Arafat was not equally positive. He worried that the international pressure on the Israelis would be lessened now that Barak had been elected.³⁵³ One of the reasons why Arafat was skeptical to the new Israeli Prime Minister was that Barak wanted to negotiate the implementation of the Wye River Memorandum and the final status negotiations simultaneously. Barak, in other words, wanted to renegotiate the Wye River Memorandum, an agreement that was already sealed by the former government.³⁵⁴ Giving in to the American, Egyptian, and Israeli pressure, Arafat agreed to the arrangement proposed by Barak. Few weeks later, the Sharm el Sheikh Agreement, essentially a renegotiated version of the Wye River Memorandum, was signed on September 4, 1999.³⁵⁵

Unfortunately, due to disagreements on what and how the Israelis would withdraw, failed rounds of final talks, and new terror attacks which resulted in Israeli delays, Barak and Arafat did not manage to complete an agreed framework for the final talks within February 13, 2000, which was a deadline Barak had wanted.³⁵⁶ The talks were resumed in March, but Barak was losing internal support in his government, which gave him less actual power. Bill Clinton, President of the United States, subsequently intervened in July in order to help the adversaries by hosting and mediating negotiations in Camp David. There are two versions of what happened during these negotiations. According to the first account, the Israelis offered larger concessions than ever before, but Arafat refused and was not willing to come up with a counter proposal of his own. In the second account, Barak proposed an agreement that was impossible for Arafat to accept, as it was a mere cover-up for Israel's continued settlement policy and a complete ignorance of the Palestinian claim for a viable state.³⁵⁷ Either way, the negotiations attested that the situation was unripe for a final settlement when the summit collapsed. Both Barak and Clinton publicly blamed Arafat for the break down of the negotiations. Arafat himself felt that he was

³⁵³ MFA AHLC 308.82, 1999, Note, June 15, 1999.

³⁵⁴ Enderlin, *Shattered Dreams*, 117.

³⁵⁵ Enderlin, *Shattered Dreams*, 118-119.

³⁵⁶ Morris, *Righteous Victims*, 654.

³⁵⁷ Eisenberg and Caplan, *Negotiating Arab-Israeli Peace*, 233.

treated unfairly and threatened to declare unilateral statehood independently of Israel on September 13, but budged this under increasing international pressure.³⁵⁸

The reaction among the Palestinians was strong. After seven years of peace process, imposed Israeli border closures, deteriorating social conditions and multiple life altering changes, the Al Aqsa Intifada broke out on September 28, 2000. The incident that triggered this massive insurgency was the visit of the new Likud Party leader Ariel Sharon to the Temple Mount Compound. Despite warnings from Arafat, Netanyahu gave Sharon the permission to enter the compound. Riots of protests subsequently erupted and these demonstrations kept escalating.³⁵⁹ With the Intifada, any hope of approaching a completion of the final talks was over for many years and the economic consequences for the Palestinians were fatal. The losses were estimated to an astonishing eight million USD per day, both because of destruction and the side effects of the Israeli repercussions of closures.³⁶⁰ After two months, 32 percent of the Palestinians were below the poverty limit; this constituted an increase of 50 percent.³⁶¹ Many of the projects that Norway was responsible for now came to a complete halt. This meant that 250-260 million NOK for the year 2000 had to be given to emergency measures, rather than the long-term projects that the money was intended for.³⁶²

³⁵⁸ Morris, *Righteous Victims*, 659-660.

³⁵⁹ Morris, *Righteous Victims*, 660-661.

³⁶⁰ MFA AHLC 308.82 2000/00082, Gaza to MFA, December 6, 2000.

³⁶¹ MFA AHLC 308.82 2000/00082, Gaza to MFA, November 9, 2000.

³⁶² MFA AHLC 308.82/2000/00082, MFA to Tokyo, November 30, 2000.

Epilogue:

In September 2001, the Intifada had taken 1,599 Palestinian and 577 Israeli lives.³⁶³ By March, Ehud Barak had resigned from his Prime Minister position and was succeeded by Likud's right wing Ariel Sharon.³⁶⁴ He was opposed to the peace process and ruled accordingly. When Sharon reoccupied large sections of the West Bank, the Palestinians responded through terrorist attacks.³⁶⁵ The Oslo Peace Process was over.³⁶⁶

In April 2003, Mahmoud Abbas (Abu Mazen) became the first Palestinian Prime Minister.³⁶⁷ In August he visited Norway. The MFA considered whether to throw a celebration in honor of the tenth anniversary of the Oslo Peace Agreement during his visit. This would serve to emphasize the Norwegian prominent role in the process. In the end, it was concluded that it was highly unlikely that Abbas would want to participate in a high-profile celebration of the agreement and it was thus decided that the arrangement should be postponed.³⁶⁸

After the Intifada and until this very day, the economic and political situation for the Palestinians has been extremely challenging. Currently in 2012, Norway is still chair of the AHLC. In its position as chair, the Norwegians have continued to encourage the donor community to give aid by serving as an exemplary donor. The Norwegian aid has continued to increase. In 2011, Norway contributed, at the very least, 628.4 million NOK per year only to the Palestinians living in the Palestinian Areas.³⁶⁹

³⁶³ Enderlin, *Shattered Dreams*, 373.

³⁶⁴ Eisenberg and Caplan, *Negotiating Arab-Israeli Peace*, 308.

³⁶⁵ Waage, "Fredspolitik i Midtøsten," 184.

³⁶⁶ Enderlin, *Shattered Dreams*, 361; Waage, "Fredspolitik i Midtøsten," 181.

³⁶⁷ Eisenberg and Caplan, *Negotiating Arab-Israeli Peace*, 308.

³⁶⁸ MFA 308.87 2003/04479, Note, July 31, 2003.

³⁶⁹ NORAD, Subtracted from "Norsk bistand i tall," March 24, 2012.

Chapter 7: Conclusion

As the 20th century approached its end, it was evident that the peace process initiated by the Oslo Agreement had failed in its mission to enable a peaceful coexistence between the Palestinians and the Israelis. After nearly a decade of extensive international aid flowing to the Palestinians, the situation was far less ripe for peace than it had been in 1993. The living conditions of the Palestinians had undergone a steady deterioration ever since 1993 and the eruption of the Al-Aqsa Intifada was the final proof that the situation for the Palestinians was unbearable.³⁷⁰

The contrast between this reality and the one the Norwegians had anticipated was unmistakable. In the initial phase of the peace process, the Norwegians had strongly believed that the incremental political approach of the Oslo Agreement would lead to a lasting peace.³⁷¹ This assumption had been only strengthened by the massive international media circus, which had applauded the Norwegians' achievement and thus appealed to the small oil-rich nation's advocates of an idealistic engagement policy. This extensive attention boosted Norway's national identity as altruistic peace creator. Jan Egeland, one of the most prominent Norwegians in the Oslo peace process, was considered the front figure of this altruism.³⁷²

When it became evident that Norway would be not only an influential donor but also the chair of the AHLC during the interim period, this reinvigorated the MFA's sense of satisfaction with its philanthropy —not only was the peace engagement in Norwegian interest, but Norway emerged as the only acceptable leader and thus an irreplaceable actor in the peace process. The Norwegians, therefore, considered the crucial role they played, both in the construction of the Oslo Agreement and in the following peace process, as very important. Subsequently, since 1993, the Norwegians demonstrated that they were willing to go far - further than most other donor countries - to ensure peace in the Middle East.

³⁷⁰ More, *International Assistance to the Palestinians after Oslo*, 1; Enderlin, *Shattered Dreams*, 292-293.

³⁷¹ Waage, "Fredspolitik i Midtøsten," 191.

³⁷² Liland & Kjerland, *På bred front*, 85.

Norway's role as mediator in a historic peace agreement placed Norway on the map of international negotiations and gave the small nation the recognition it desired. Norway received a new reputation as a peace nation and was praised nationally and internationally. It thus became highly important for Norway that the agreement succeeded and that peace between the Palestinians and the Israelis was actualized.

The Norwegian Role in the Aid Effort to the Palestinians through the Lenses of Entrapment Theory

The Strategy

The Norwegians, as many other donors, devised a strategy to support the peace process in 1993 that was premised on a linear progressive relationship between financial aid and the advance in the peace process.³⁷³ The main assumption behind this strategy was that financial assistance would improve the living conditions for the Palestinians, which would create security and mutual trust between the two adversaries and thus ripen the political situation for peace. This was the mantra of the Oslo peace process.³⁷⁴

Furthermore, as mediator to the Oslo Agreement and chair of the AHLC, the Norwegian decision to donate extensive aid to the Palestinians from the onset of the peace process was predicated in a sense of responsibility. The Norwegians wanted to serve as an example for the other donor countries and in this manner also demonstrate to the donor community that Norway accomplished in reality what it preached in the AHLC meetings. As such, the Norwegian aid effort to the Palestinians was closely linked with the Norwegian role in the AHLC. On several occasions, the MFA argued before the Storting that it was essential that Norway appeared as an exemplary donor so as to encourage the other donor countries to also support the peace process

³⁷³ More, *International Assistance to the Palestinians after Oslo*, 2.

³⁷⁴ Waage, "Fredspolitik i Midtøsten," 171.

financially.³⁷⁵ In 1993, Norway increased its annual assistance to the Palestinians from 65 million annually to 250 million NOK. This was a major ‘investment’ and positioned the Palestinians as one of the top recipients of Norwegian aid.³⁷⁶

In the Oslo peace process, the Norwegians considered themselves trendsetters in terms of advancing the strategy of giving aid as a means to improve security and create peace. As chair of the donor society, Norway intended - based on a sincere belief in the correlation between aid and peace - to use its own donor efforts as an example to motivate the rest of the donor society in the right direction. Subsequently, though it may be argued that the strategy was the same for all the donors, the Norwegian case stands out as fairly distinctive.

Why Did the Entrapment Occur?

Recurrent Pattern of Failure and Reinforcement of Strategy

Even though international aid to the Palestinians was increased sharply early in the peace process, a direct correlation between aid and improved living conditions failed to materialize. There were many reasons why the strategy failed in 1994. First and foremost was that the Palestinian apparatus to receive aid was not in place.³⁷⁷

Furthermore, the donor countries set conditions for transparency and accountability that were close to impossible for the Palestinians to follow due to the lack of necessary regulatory institutions.³⁷⁸ In short, at the beginning of the peace process the strategy to give aid as a means to improve security and create peace failed partially because the money did not even reach the Palestinians.

In the midst of intense efforts to remedy these problems, the Palestinian uprising in the aftermath of the Hebron Ibrahimiya Mosque massacre caused Israeli repercussion in the form of closures.³⁷⁹ The border closures further devastated the Palestinian

³⁷⁵ MFA AHLC 308.82 (8), MFA to Tel Aviv, May 26, 1995; The Storting, “2 juni interp fra repr Solheim om å bringe Oslo-prosessen ut av dødvanne”, June 2, 1997, 241.

³⁷⁶ Liland & Kjerland, *På bred front*, 107.

³⁷⁷ Khadr, “Donor Assistance,” 143.

³⁷⁸ Waage, *Peacemaking is a Risky Business*, 178.

³⁷⁹ Morris, *Righteous Victims*, 624.

economy, and the political stagnation halted the progress of the peace process. In order to get the peace process back on track, Norway led and financed the Temporary International Presence in Hebron.³⁸⁰ This initiated the trend of Norwegian aid increasing whenever the peace process deteriorated.

Despite these afore-mentioned issues, the Norwegian belief in aid as a strategy to create peace had not weakened – rather, the contrary. When the Cairo Agreement was signed, the Norwegians augmented their donor efforts. This expansion was partially based on the fear of becoming branded by other donor nations as irresponsible, due to the exacerbation of slow aid-implementation processes.³⁸¹ The MFA did everything in their power to ensure that financial aid reached the Palestinians. Empirically, this meant accepting tasks, which were too politically sensitive for the other donor countries to deal with. The biggest of these was to support the Palestinian Police Force and create a less politically precarious channel through which the other donor countries could also donate aid to the PPF. This required significant resources and served to expand the Norwegian financial contribution.³⁸² Furthermore, when heightened political disagreements between the Palestinians and the Israelis induced the corrosion of meetings amongst the donor countries, it was necessary for someone to ensure that politics and aid were separated. The Norwegians, therefore, facilitated the Oslo Declaration, which prevented political discord between the Israelis and the Palestinians from effecting deliberations among donor countries concerning aid to the region.³⁸³

While these problems caused the estimated budget deficit to gradually distance a positive balance, the Norwegian role in the peace process grew and Norway offered additional resources in order to supply the need demanded by the enlarged deficit. The donor countries had extensively discussed how it was possible to reverse the negative trend in the Palestinian economy, and it was decided to expand the local coordination

³⁸⁰ Waage, *Peacemaking is a Risky Business*, 192-196.

³⁸¹ MFA AHLC 308.82 (3), Note, August 30, 1994.

³⁸² Lia, *Building Arafat's Police*, 35; MFA AHLC 308.82 (3), Press release, September 15, 1994.

³⁸³ MFA AHLC 308.82 (3), MFA to the donor countries, September 30, 1994.

structure. This led to the establishment of the Joint Liaison Committee and the Local Aid Coordination Committee. As chair of the AHLC, Norway automatically assumed the co-chair for the LACC, and membership in the JLC, and this increased the Norwegian responsibility even further.³⁸⁴ In September 1994, when the Norwegians arranged the third donor group meeting, the estimated budget deficit had reached 145 million USD. The expanded deficit did disgruntle the Norwegians, but they responded by again strengthening their efforts by pledging 13 million USD: approximately twelve percent, out of the total 102 million USD pledged by all donor countries.³⁸⁵ As the donor endeavors continued languishing, the Norwegians resiliently tried even harder.

By February 1995, the slow implementation of aid as well as the frequent Israeli border closures caused the deficit to increase faster than the donors were able to provide funds.³⁸⁶ Granting the prominent Norwegian leadership role and the extensive Norwegian financial contributions, the MFA decided that the only option was to escalate the work and determination in the aid effort even further in order to avoid being blamed for the failure of the aid effort. The Norwegians considered it their responsibility to find some solution to bring the peace effort back on track. The Palestinian budget was in crisis and the Norwegians decided to call one last emergency-AHLC meeting in which they asked the donor countries to cover the expanding deficit. Well aware that the other donor countries were growing tired of offsetting the cost of the Israeli border closures, the Norwegians again set out to serve as an example and pledged 35 million NOK to the runaway expenditures.³⁸⁷ This brought the total-pledged Norwegian contribution to 61 million USD by April 1995.³⁸⁸ As had happened before, when the aid effort and the entire peace process was in crisis, the Norwegian contribution increased. Nonetheless, in the AHLC meeting only sixty

³⁸⁴ Brynen, *A Very Political economy*, 90.

³⁸⁵ MFA AHLC 308.82 (4), Brussels to MFA, November 30, 1994; MFA AHLC 308.82 (4), Note, December 9, 1994; MFA AHLC 308.82 (4), MFA to the AHLC member countries, November 8, 1994.

³⁸⁶ MFA AHLC 308.82 (7), Tel Aviv to MFA, April 19, 1995.

³⁸⁷ MFA AHLC 308.82 (7), Letter from Bjørn Tore Godal to Warren Christopher, US Secretary of State, April 26, 1995; MFA AHLC 308.82 (8), MFA to Tel Aviv, May 26, 1995.

³⁸⁸ MFA AHLC 308.82 (7), Letter from Bjørn Tore Godal to Warren Christopher, US Secretary of State, April 26, 1995.

million USD was pledged by member donor countries, far less than the 136 million USD required.³⁸⁹ While the Norwegian contribution was higher than before, the failure of the aid effort was more evident than ever.

Fortunately, by September 1995, the main interim agreement was signed.³⁹⁰ The Norwegians, in collaboration with the other donors, did their best to exploit the momentum of the agreement to collect more aid: pledges of 1.3 billion USD were consequently made by the donor society.³⁹¹ However, the political progress was highly temporary and a few months later Israeli border closures and Palestinian terrorist attacks were, again, causing big economic problems and instigating the deterioration of social conditions for the Palestinians.³⁹² In mid-1995, Norway wanted to downsize their extensive involvement in the PPF, subsequent to reports of abusive measures and human rights violations; but since no country was willing to take over the Norwegians were stuck in their role as main responsible donor country. On June 5th, 1995 Erik Solheim approached the Storting, concerned that Norway wasn't taking steps to avoid becoming "hostages for Israel's economic and foreign policy's cutback".³⁹³ Foreign Minister Godal answered that he would not respond to such hypothetical questions.³⁹⁴ However, the money pledged in 1993 that was supposed to last until 1998, was depleted by 1996.³⁹⁵

In May 1996, Benjamin Netanyahu, representing Likud, assumed the position as Prime Minister. The political ideology of Likud was more negative towards the peace process than that of the Labor Party previously in power, and the forecast for the future of the peace process appeared dark.³⁹⁶ Throughout 1996, the terror at the hands of the Palestinians became even more frequent and the Israeli border closures remained

³⁸⁹ MFA AHLC 308.82 (7), Paris to MFA, April 28, 1995.

³⁹⁰ Morris, *Righteous Victims*, 627.

³⁹¹ MFA AHLC 308.82, 1996/00222 (1), Note, January 11, 1996.

³⁹² Brynen, "Recent Political Developments," 41; Radwan A. Shaban, "The Harsh Reality of Closures," in *Development Under Adversity*, eds. Diwan and Shaban (Washington: The International Bank for Reconstruction and Development, 1999), 49.

³⁹³ The Storting, "Spørretime," June 5, 1996, 3857-3858.

³⁹⁴ The Storting, "Spørretime," June 5, 1996, 3857-3858.

³⁹⁵ MFA AHLC 308.82, 1997 (1), World Bank to MFA, January 3, 1997.

³⁹⁶ Shlaim, *Israel and Palestine*, 569.

persistent. This caused the further deterioration of the Palestinian economy and a difficult dilemma for the donor countries: the living conditions were worse than ever before for the Palestinians, and the only means to survival was through aid.³⁹⁷ While many countries then downsized their financial contributions, the Norwegians maintained their high level of aid. By 1997, Norwegian aid to the Palestinians had reached an astonishing 36,7 million per month or 440 million in total.³⁹⁸

In 1998, the EU strove to replace Norway as chair of the AHLC. The reason for the high level of aid to the Middle East had always been justified in the Oslo agreement and the subsequent prominent role for the Norwegians. If the Norwegians would lose their leadership, it would make it even more difficult to justify the high level of Norwegian aid to the failing peace process. Norway managed to avoid this quandary by offering the EU a co-chair position whenever the AHLC meetings were held in Europe.³⁹⁹ Still, the EU's criticism of the Norwegians for their role in AHLC made it even more important for Norway to show that they were dedicated to the job: the need to be an exemplary donor subsequently grew. Paradoxically, Norway thus increased its aid efforts in order to maintain the chair role within the donor society, which, by inherent virtue of the nature of the leadership position, was used as a justification for the high level of aid to the Middle East.

Even though the peace process was worse off than ever before and the Norwegian contribution was higher than ever, the Norwegians still upheld that the aid was a transitional contribution intended to economically underpin the political peace process. Therefore, when the five-year interim period ended in 1998 and it was upon the donor countries to make new pledges for the next five-year period, the Norwegians pledged 1.3 billion NOK. The rationale for this decision was that they planned to maintain the aid at the high level of about 450 million NOK annually for the first three years and then decrease the aid when it became excessive.⁴⁰⁰ In other words, none of the

³⁹⁷ Morris, *Righteous Victims*, 636-638.

³⁹⁸ MFA AHLC 308.82 1996/ 13445, MFA to the Rep. Office in Gaza, September 23, 1996.

³⁹⁹ MFA AHLC 308.82, 1998 (1), EU-delegation in Brussels to MFA, March 13, 1998.

⁴⁰⁰ MFA AHLC 308.82, 1998 (2), Note, November 24, 1998.

setbacks and challenges that arose from 1990 to 2000 prompted the Norwegians to act contrary to the strategy based in the assumption of linear correlation between aid and peace. Moreover, the Norwegians had invested so much that the audience cost of admitting to failure was higher than continuing the failing strategy of increasing aid whenever additional problems arose.

In 2000, a new Intifada erupted and the peace process officially collapsed. The economic consequences of the war further deteriorated the Palestinians' circumstances and the dangerous political situation made most aid projects come to a complete halt. This forced Norway to reallocate long-term aid to short-term purposes.⁴⁰¹ The role in the AHLC continued, and it became even more important to set the example as donor fatigue rose. All in all, the Norwegian role as chair became increasingly difficult as the Oslo Agreement came to symbolize decreased living standards as opposed to being the harbinger of peace. The gradual reduction of aid that the Norwegians had intended to enact beginning in 2001, never materialized. By 2012, Norway was still chair of the donor group to the Palestinians and the contributions to the Palestinians living in the occupied territories alone had amassed to over 600 million NOK annually.⁴⁰²

The Entrapment

As the peace process stagnated, it was evident that the aid to the Palestinians became increasingly political. Although the aid went primarily to the Palestinians, the Israelis also had a strong interest in international aid to the Palestinians: Even as the Israelis continued the occupation of territories pertaining to the Palestinians, the Israelis indirectly benefitted from the international society's 'paying of the bill' for these territories in the form of development aid.⁴⁰³ Lead Country Economist for the Middle East in the World Bank, Radwan A. Shaban contends that "while emphasis was placed on improving Palestinian economic conditions at the signing of the Declaration of Principles, the Israeli economy benefitted significantly from the peace dividend as the

⁴⁰¹ MFA AHLC 308.82 2000/00082, MFA to Tokyo, November 30, 2000.

⁴⁰² NORAD, Subtracted from "Norsk bistand i tall," March 24, 2012.

⁴⁰³ Waage, "Fredspolitik i Midtøsten," 171.

Palestinian economy was allowed to collapse.”⁴⁰⁴ The Israelis thus took advantage of the international aid to continue its policy of expansion. Because the Israelis controlled most aspects of Palestinian life, the Palestinians became increasingly dependent on international aid as their situation deteriorated. Anne Le More has explained this in the following manner:

Despite suffocating and consistently deteriorating Palestinian conditions on the ground, which became increasingly more discernible as the decade unfolded, international donors chose to remain steadfastly engaged, even if these conditions imposed critical limitations on the avowed political purpose, effectiveness, sustainability and legality of their intervention.⁴⁰⁵

While Le More argues that this occurred because the donors were primarily concerned with their relationship with the United States and Israel, this is not a sufficiently comprehensive explanation in the Norwegian case.

When formulating the strategy for the peace process, the Norwegians had not adequately considered the completely asymmetrical relationship between the adversaries. Consequently, the MFA had not foreseen that the Israelis could take advantage of the aid to precede their occupation. Hilde Henriksen Waage, who has written extensively on Norway’s ignorance of this problem of asymmetry, has explained it as such:

Taking the asymmetry of power into consideration, the role Norway played was the only one it could in the given context. Like it or not, such was Norway’s room for maneuver. Either Norway did as best as it could within these parameters –or it would have to give up the entire process. Norway chose to stay put and make the best of the situation.⁴⁰⁶

While the relationship with the United States was highly important to the Norwegians, the main reason for the continuous reinforcement of the faulty strategy was the altruistic belief in the correlation between aid and peace.⁴⁰⁷ The belief that economic prosperity in the occupied territories would lead to peace entrapped Norway in a pattern where it was committed to increase economic support as the situation between the two conflicting parties deteriorated. As the Palestinians became increasingly dependent on

⁴⁰⁴ Radwan A. Shaban, “Worsening Economic Outcomes Since 1994 Despite Elements of Improvement,” in *Development Under Adversity*, eds. Diwan and Shaban (Washington: The International Bank for Reconstruction and Development, 1999), 17; Waage, *Peacemaking is a Risky Business*, 171.

⁴⁰⁵ More, *International Assistance to the Palestinians after Oslo*, 172.

⁴⁰⁶ Hilde Henriksen Waage, “The ‘Minnow’ and the ‘Whale’: Norway and the United States in the Peace Process in the Middle East,” *British Journal of Middle Eastern Studies* 34, no.2 (2007): 176.

⁴⁰⁷ More, *International Assistance to the Palestinians after Oslo*, 173.

international aid, it was not an option for the chair of the donor society to decrease its donor efforts to the Palestinians: the audience cost of such a move was far too high as the implications for the novel, developing Norwegian reputation as peace maker would be devastating. As Paul Meerts observes: “entrapment is an increasing loss of alternatives. We are losing dimensions, becoming a one-dimensional man with only one choice: move on or withdraw. As long as the last option is not seen as realistic, the caravan will move on and the dynamics of entrapment will continue.”⁴⁰⁸ The Norwegians followed a strategy based on a linear relationship between aid and peace which they chose to reinforce numerous times, even as it became increasingly evident that the main assumption behind the strategy was misguided; this pattern gradually entrapped Norway whereas the audience cost of pulling out of the political aid effort was too high.

⁴⁰⁸ Meerts, “Entrapment in International Negotiations,” 112.

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