

# Wye 2 agreement paves way for restructuring of economic relations in Middle East

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No sooner was the “land for peace” agreement (known as Wye 2) signed between Israeli Prime Minister Ehud Barak and Yassir Arafat, chairman of the Palestinian Authority (PA), than a flurry of diplomatic activity began.

Barak immediately handed over 7 percent of the West Bank and 199 Palestinian prisoners to the Palestinian Authority, three days ahead of schedule. The “final status” negotiations began at the Erez crossing point on the Gaza Strip. US Middle East envoy Dennis Ross and European envoy Miguel Maratinos, as well as delegates from several other countries, were in attendance.

Jordan's new King, Abdullah, went to Beirut to try to establish closer economic ties between Jordan, Syria and Lebanon. Israeli envoys were dispatched to five Arab states—Tunisia, Morocco, Oman, Qatar and Mauritania—to see what could be done to drum up trade and investment in the region.

US Secretary of State Madeleine Albright had engaged in extensive shuttle diplomacy throughout the region to speed up the process and broker the agreement. Egyptian President Hosni Mubarak and King Abdullah of Jordan were present at the signing of Wye 2 at Sharm el-Sheikh, as well as Albright, underlining its wider geopolitical significance and their own role in this important restructuring of economic and political relations in the Middle East.

The so-called peace process began in earnest with the 1993 Oslo Accord, which was signed on the White House lawn by Arafat and the then-Israeli Prime Minister Yitzhak Rabin. Under the Oslo agreement, Arafat—isolated by the Arab bourgeois leaders upon whom he had relied for decades—accepted the division of Palestine between Israel and the Palestinians.

It meant acceptance of the principle of the 1947 United Nations partition of Palestine and establishment of a Jewish state on Arab territory. Such a state necessarily involved the forced expulsion of hundreds of thousands of Arabs and their transformation into refugees.

Rejection of the Israeli state led to the 50-year war between the Arabs and Israel. The Arab boycott and the closure of borders with Israel severely disrupted economic relations in the region.

Rabin and Arafat agreed to resolve issues such as the status of Jerusalem and the refugees' right of return, and to establish a Palestinian state within five years. However, the assassination of Rabin in 1995 by a right-wing opponent and the subsequent election victory of the Likud coalition, headed by Benjamin Netanyahu, stalled the talks for three years.

Although Netanyahu, beholden to the Jewish fundamentalists and Zionist settlers, was hostile to land for peace proposals, he reluctantly signed up to the “peace process” at Wye, Maryland last year. But he was unable to sell it to his coalition partners, and froze the agreement after a single pullback in December 1998, alleging that the Palestinians had broken the agreement. His coalition collapsed and the Likud party splintered.

Underlying the political disintegration of Likud was the collapse of its perspective—a belief in the viability of a “fortress Israel”, isolated from the regional and international economy and dependent on US grants.

Barak, with strong backing from the US, came to power pledged to resolve the conflict within 12 months. The new agreement, while broadly the same as the one signed at Wye last October, involves new concessions by the Palestinians and spells out implementation of the land for security process with dates and numbers:

- \* Israel will withdraw from a further 11 percent of the West Bank in three stages over the next six months, rather than the three months previously laid down. The Palestinians will be given blocks of adjacent territory between the patchwork of Zionist settlements and the highways linking them. The Palestinian Authority will control, fully or jointly, a mosaic of just over 40 percent of the West Bank and 95 percent of the Gaza Strip.

- \* Israel will release 350 Palestinian prisoners in two batches. This is less than the number agreed verbally at Wye, whereby 700 out of 3,000 prisoners were to be released. Instead of freeing political prisoners, Netanyahu had released some street criminals, prompting thousands of furious Palestinians to protest—as much against their own leaders as against Israel. Many of those who have been locked up, some for more than 20 years, are there because they were members of a proscribed organisation. Barak refused to release more than 350, saying that the rest had “blood on their hands”.

- \* The Palestinian Authority will step up their already harsh policing of the areas they control in order to prevent attacks on Israelis and the settlements. This comes on top of the recent arrest by the Palestinian police of more than 50 Hamas and Islamic Jihad members in Gaza and Bethlehem. The PA will submit a list of their security officers and implement a plan, still to be agreed, to collect weapons.

- \* Work will begin on a seaport in the Gaza Strip. Currently nearly all external trade must go through Israel.

\* A Palestinian market in Hebron, closed for “security” reasons for the past five years, will reopen.

\* Israel will open a southern “safe passage” between Gaza and the Hebron area of the West Bank, thereby connecting the two parts of the Palestinian entity. A northern route to Ramallah will be opened later. Barak agreed a number of measures to ease the entry of Palestinians into Israel. Real freedom of movement will depend upon the extent to which the Israelis continue their noxious border restrictions and frequent closures.

\* Final status talks will be divided into two six-month stages. The first half, in which a broad framework will be established, will be concluded in February. Final talks will be concluded in about a year, with a permanent peace plan ready by September 2000.

According to the original Oslo agreement, the final talks will encompass the contentious issues of the status of Jerusalem, the return of Palestinians outside the occupied territories, the Zionist settlements in the new entity, the borders of Israel and Palestine, and the use of water. Barak has ruled out the right of return for Palestinian refugees and any compromise over Jerusalem.

Whatever the ultimate outcome, the framework of the “peace process” does nothing to address the abysmal social problems facing Palestinian workers, peasants and the 3.5 million UN-registered refugees. Arafat and the PA are policing ever-worsening economic conditions for the vast majority of Palestinian workers.

Despite the Palestinian concessions, the deal represents a significant shift in Israel's position, with the Knesset (parliament) voting 54 to 23, with one abstention, in favour of Wye 2.

The Zionist political elite recognises that doing a deal with the Palestinians is the price it has to pay for economic survival.

Barak said, “We are also a responsible government, that knows that for the purpose of ensuring the future, sovereignty and power of Israel, we must make difficult, sometimes painful decisions, to separate from the Palestinians for peace.” He indicated in a radio interview that he would offer the Palestinians a “provisional state” if it became clear that a final deal could not be reached within a year.

While the agreement relates solely to Israel and the Palestinian Authority, what is at stake is an attempt to normalise political relations in the entire Middle East, end the relative isolation of the fragmented national—and very small—markets, and open the region up to greater investment by the transnational corporations.

At the behest of its creditors, Israel began the dismantling of its extensive state-owned enterprises and welfare state system, along with the deregulation of its financial markets and removal of restrictions on foreign investment, in the 1980s. It has now become a centre for pharmaceuticals, computer software, fibre optics, medical equipment, communications and commerce in diamonds. It is also becoming a centre for money laundering. However, without the normalisation of relations between Israel and its Arab neighbours, the Israeli market is inadequate to justify relocating production to the country to take advantage of its highly trained workforce.

With the slowdown in world growth following the South East Asian crisis, the loss of tourism due to terrorist attacks, a decline in immigration from Russia, high interest rates and cuts in public expenditure, economic growth has fallen from 7.2 percent in

1990-95 to just over 1.5 percent in 1998. Unemployment has risen to 10 percent. Cuts in public services and the downturn in the economy have eroded the living standards of Israeli workers and led to repeated strikes. It is the search for new markets to overcome these difficulties that lies behind Israel's new-found willingness to reach a deal with Arafat.

Immediately after brokering the agreement between Barak and Arafat, Albright flew to Damascus to try to get talks started between Syria and Israel. Syria has already indicated that it is eager to resume peace talks abandoned after Rabin's assassination, provided Israel will return the Golan Heights—occupied since the 1967 war.

After the Damascus meetings, Albright flew to Beirut, where Syria is the power broker, to talk to Prime Minister Selim al-Hoss. This was the first such visit by a US Secretary of State since 1983, underlining the US desire to include Lebanon in the new arrangements.

Hard on Albright's heels came Jordan's King Abdullah, keen to pursue the idea of economic integration between Jordan, Syria and Lebanon. This is, in part at least, an attempt to replace Jordan's trade with the West Bank, blocked by Israel, which wants to keep a captive market. King Abdullah's visit to Lebanon is the first by a Jordanian head of state in 30 years and follows a rapprochement between Amman and Damascus, after decades of strained relations.

Several trade agreements have been signed between Arab countries in the last two years, including one between Syria and Lebanon. Jordan, Egypt, Tunisia and Morocco have signed association agreements with the European Union to create a Mediterranean free trade zone.

Israel has sent envoys to five Arab states not directly involved in the Arab-Israeli conflict to discuss the establishment of a regional desalination research centre in Oman and an office in Jordan for co-ordinating regional development, including trade, tourism, finance, transport and electricity.

The rapprochement between the Israeli and Arab bourgeoisie, including Syria, Lebanon and the Palestinian leadership, the drive for closer economic integration and the opening up of the region to transnational investment must inevitably lead to an escalation in attacks on the working class throughout the region. It will create new conditions in which the class questions, so long submerged beneath nationalism and religious obscurantism, will emerge more clearly, pointing to the need for unity between the working masses throughout the Middle East.



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