TRUST OR CONTRACT?

NEGOTIATING FORMAL AND INFORMAL AGREEMENTS IN THE ARAB-ISRAELI PEACE PROCESS

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ABSTRACT

Contracts and *Trust* are ends of a continuum on which negotiations and interstate relations are based. Both arrangements are common in political negotiation and they played a significant role in Israel's peace negotiations with Egypt, Jordan and the Palestinian Authority. Contractual relationships are more likely in the case of states with a traditionally *hierarchical* order whereas trust plays an important role in relations with states based on a traditionally *networked system*. As boundaries within societies and between states and communities become increasingly blurred, there is a greater need to approach negotiated issues between states by simultaneously exploring contract and trust dimensions.

The rise to power of Benjamin Netanyahu in the 1996 Israeli general elections led to what has been characterized by Arab leaders and the Arab media as a *crisis of trust* in negotiations between Israel and its neighbors. While Netanyahu emphasized the implementation of formal agreements in contractual terms, the Arab side, time and again, insisted that trust is the key issue in the Arab-Israeli dialogue. With the victory of Ehud Barak in the 1999 prime ministerial elections, trust-building between Israel and the Arab parties appeared to have been put at the top of his agenda.

This article deals with the role of contract and trust in inter-state negotiations. Our main argument is that (a) the emphasis on either trust or

contract in bi-lateral and multi-lateral relationships is based on the political culture and social structures of the negotiating states and (b) negotiations between states whose foundations rest on a mainly hierarchical order will tend to be based on contracts whereas those between states exhibiting chiefly networked orders will focus more on trust as the basis for their relationship.

Trust constitutes a substantial, although not always publicly admitted, element in negotiations and relations between states. Trust plays a singularly important role in informal agreements between official as well as unofficial circles. Often such unofficial agreements and understandings are not legally binding and, as there are frequently secret, are also relatively easily denied. Hence, one may anticipate that the parties to such agreements will - to a significant degree - develop patterns of trust with each other in order to risk making and implementing such informal understandings.

While trust can be seen as constituting the basis for relationships between states at one pole, the opposite pole should be associated with *contract*. In the absence of the degree of trust necessary for reaching informal agreements, states may attempt to base their relations on formal codified agreements that afford what they assume to be a high degree of rigidity, and hence predictability, to their relations. This is not to say that formal agreements do not require trust between the parties. Undoubtedly, even formal, legally binding agreements require a significant degree of trust because they often necessitate compromises and risk-taking on the part of one or more of the parties – this has certainly been the case in the Arab-Israeli context. Yet formal and contractual relationships are designed to minimize uncertainty and thus leave less of an active role for trust. On the other hand, informal agreements and tacit understandings entail deniable agreements that create a high degree of uncertainty which can best be dealt with through a greater degree of trust vis a vis the other parties (clearly, a high-risk option, particularly when dealing with high stakes). Consequently, while trust is present in both types of arrangements, it is far more pivotal in the case of informal relationships and hence one may characterize such informal ties as 'trust-based' rather than 'contractual-based' relations.

This dichotomy does not, of course, suggest that any particular interstate relationship can be totally based on trust or totally based on

contracts. Rather, interstate relationships may be analyzed by incorporating both elements with varying degrees depending on the relationship in question. The degree of trust and the degree of contract between two given states will depend mainly on the nature of their governmental and social systems. We posit that states and societies with traditionally *hierarchical* orders will emphasize contract as a guiding principles in their external ties whereas those based on *networked* systems will operate on the basis of trust in their ties with the outside world.

Combining the concepts of *contract* vs. *trust* and *hierarchy* vs. *network*, may provide a useful conceptual tool that will help to explain the difference in relations between Israel and Egypt as opposed to relations and the prospect for peaceful negotiations between Israel and its "Fertile Crescent" neighbors: Jordan, the Palestinians and Syria. The nature of these relationships may in turn make it possible to judge the prospect for stability or crises in bilateral relations between Israel and each of these states. Egypt, as the quintessential Arab hierarchical state, with a long tradition of statehood, geographic distinctiveness, pre-Arab culture and *etatist-national* identity, conducts its negotiations and relations with Israel on the basis of formalized agreements, such as Camp David, in which contractual-based relations seems to be emphasized more than trust. This accounts for what many Israelis perceive as the "cold" nature of the peace between the two countries. Jordan and the Palestinian Authority (PA), may serve as examples of entities dominated by networked systems that have multi-layered and diverse relations with Israel, in keeping with their *communo-national* identities, many of which are informal and trust-based.

In order to understand the sources, scope and dimensions of the differences in relations between Israel and its Arab interlocutors, one should examine in greater depth the role of contract and trust in shaping these relations and their future effects on political processes and peace negotiations. We believe that our analysis is applicable to interstate relations beyond the Middle East region as well. We infer that the more the boundaries within societies between state, movement and communal levels are blurred, the greater the need to approach political negotiations among states by simultaneously exploring contract and trust dimensions.

Trust and Contract

The concept of *Trust* implies confidence in one's expectations. Since individuals cannot possibly take into consideration all possible future scenarios, they must reduce this complexity by "pruning the future."[1] Trust can take many forms including the trust that people have in technology or in social stability, but often the most powerful form of trust is interpersonal - a willingness to rely on someone else. Trust allows one to avoid taking into consideration certain possibilities and thus simplify what is otherwise a highly complex reality.[2] In effect, this means that an individual believes that his or her interests will be safeguarded by other parties and that no one will try to take advantage of a given situation in order to advance interests that are contrary to those of the individual that is doing the trusting. Indeed, one can only trust a partner who is not only in a position in which he can abuse the trust, but in fact has a *substantial interest in doing so.*[3]

Trust is not blind faith, it presupposes an awareness that the act of trusting makes one vulnerable since it puts one's sometimes vital interests in the hands of another.[4] Whether at the level of interpersonal or interstate relations, risks abound since one side can never be sure as to the intentions of the other side - which in any case must be contradictory to one's own interests in at least some respects. Even if those intentions are wholly self-effacing, environmental or other factors may come into play that change the equation and hence the interests and intentions of the parties. The upshot of this is that in trusting, one is taking a chance since one can never be certain as to what the other side will do. Trust also requires openness through the provision of rapid and direct disclosure of information.[5] And this clearly makes those doing the trusting vulnerable because they are providing their interlocutors – and potential adversaries – with important information that could presumably be used against them.

It appears that relationships of trust, since they involve risk, must be frequently re-evaluated. The most effective way to build and reinforce trust is through *familiarity*. Trust may develop in an environment of familiarity where one can attempt to predict the future actions of a partner based on his past

and present behavior. In interstate relations, neither side can be sure as to the intentions and future actions of the other side. To compound matters, neither side can be certain as to the future nature of the environment (i.e., the global and regional systems) in which they operate. Hence many decisions taken in the international environment suffer from uncertainty where one cannot know which outcome will occur as a result of a particular choice or even the probability of a particular outcome occurring. Clearly, familiarity can also breed distrust – as evidenced by Egyptian President Hosni Mubarak's relationship with the then Israeli Prime Minister Benyamin Netanyahu – hence, while familiarity does not guarantee that a trust-based relationship will be created, such a relationship can hardly be conceived of in the absence of familiarity. Familiarity is thus a prerequisite for informal understandings and often serves to build trust.

Since states act in the international arena firstly in order to achieve and maintain security, contractual relationships seem to provide a greater degree of security than those based on trust and accordingly would appear to be more attractive to the state. It is not surprising then that states usually gravitate towards signing contractual-type agreements that codify the relationships between them and based them on a commonality of concrete interests rather than on general goodwill. Codification of the rules of the game between parties is thus seen as a way of diminishing uncertainty and establishing "concrete" guarantees as to the future behavior of an interlocutor. However, since the international system possesses no court that can effectively rule on breaches of contract and force compliance to its rulings, international negotiations that lead to the signing of a peace treaty and other international agreements rely mainly on trust. This notwithstanding, one should note that a qualitative difference exists between interstate relations based on such formal agreements and those based on unwritten "understandings" or multi-layered relationships.

Tacit understandings and multi-layered relationships are based on trust to a far greater extent since they possess both deniability and flexibility. Presumably, it is harder for states whose relations are based on codified documents to operate outside the clauses of the agreement without risking putting the entire agreement in jeopardy. Hence, there is a certain rigidity

involved since states, while they may still enjoy some leeway in *interpreting* the agreement, must more or less stick to its dictates. This rigidity and relative minimizing of trust, as compared to informal arrangements, makes such agreements particularly attractive when dealing with issues that are perceived by one or more of the parties as critical. Contracts can deal effectively with quantifiable threats but are unable to significantly minimize risks since risks are based on much more amorphous challenges.

Codified agreements set down rules of behavior and action. Such rules imposed by a central authority (i.e., a government) representing the signatory to the agreement (i.e., a particular state) become effective if imposed from above, on the rest of society, by a government capable of implementing them - which, in turn, requires a hierarchical state. On the other hand, informal arrangements are often based on tacit understandings arrived at by both sides to guide their behavior within the framework of the relationship. The relationships themselves can often occur in the context of a general conflict of interests and barely concealed hostility between the parties and hence constitute what may be called *antagonistic collaboration*. The problem with informal arrangements are that they are only effective to the extent that the players are interested in maintaining them and can be broken far more easily and with fewer sanctions than formal agreements.[6]

Within some states or societies, relationships of trust based on shared ethical values can be much more effective than contractual bonds. Such societies possess what Fukuyama calls *social capital*.[7] If such societies are highly homogeneous, as in the case of Japan, this translates into greater cooperation with state institutions and a blurring of boundaries between state and society. However, if states based on trust are highly heterogeneous, this means a weak state and a society broken down into communities in which social capital exists within the communities but is generally lacking between the communities. Trust is still essential in such societies since the state is weak and incapable of imposing a system of formal rules and regulations on the society and social control is exercised by what Migdal refers to as a *melange* of social organizations of which the state is only one.[8] Hence, the various communities must work out informal arrangements between themselves based on trust, but this type of trust does not usually produce the

kind of social capital needed to make trust relationships more binding and powerful than contractual ones.

The determination as to whether relations between any two given states will be based more on contractual-based or more on trust-based relations is, as noted above, predicated on the nature of the states and societies involved in the relationship. It is in this context that we can distinguish between *hierarchical* and *networked* states.

Hierarchical vs. Networked States

States can be broadly classified along a continuum in which hierarchical orders constitute one pole and networked systems the other. Hierarchical orders are based on powerful states and relatively homogeneous, uniform, and geographically distinct societies. Such societies usually have a long history of existence within a common state and tend to be ethnically homogeneous. In hierarchical societies, most activity is vertical in the sense that information and actions are channeled from the government down to society or from society up to the government. Since most activity is vertical in nature, links between the hierarchical state and other states will tend to be at the official level rather than at other levels. Since the state is acting as the spokesman for the society, and is able to enforce its will on the society, relationships based on trust constitute an unnecessary risk for such a state since it can base its relations with the outside world on formal agreements. In the presence of a powerful central authority, laws and directives can be enforced by the state thus making the kind of informal ongoing negotiating process and communal balance-of-power typical of fragmented heterogeneous societies based on trust most unlikely.

In an era in which the legitimacy of regimes is based on notions of popular sovereignty and national self-determination, hierarchical states can probably be characterized as *etatist-national* states. That is to say that the population consist overwhelmingly of members of the same national group who view the state as the primary expression of their national identity and goals. The population of an *etatist*-national state will have far fewer linkages with groups outside their state both because they will tend to view the state as

the sole legitimate spokesman for the society and thus tend to defer to the state in matters of communication and links with external groups - and also because they will not feel any particular ethnic or communal affinity with groups external to the state. This naturally reinforces the position of the state as the sole legitimate actor at the international level thus ensuring that external links will be based on formal agreements rather than on informal agreements.

Networked states, by contrast, are heterogeneous, fragmented polities. The various social subgroups or communities undergo different socialization experiences with different patterns of social communication thus inducing their members to view the state and each other in different ways.[9] One can certainly convincingly argue, as Putnam does, that all states are made up of a plurality of decision makers and centers of power and that international negotiations are a *two-level game* in which governments act simultaneously both to strengthen their position vis a vis other states and also their domestic standing vis a vis their own polities.[10] But in the case of networked states, the government not only has to balance international and domestic interests, but in fact becomes only one among a number of players in the political arena, not necessarily stronger, and often much weaker, than other domestic political players. The flow of information and links is mainly horizontal rather than vertical with each set of players able to expand its ties to other states or societal elements within those states independently of the governmental level. Since such ties are not official, they must of necessity be informal with trust playing a much larger role. Informal ties, as noted above, rely on trust to a much greater extent since they are much more easily denied and the sanctions involved in breaking them are usually minimal.

Unlike hierarchical orders, one may argue that the state in a network system is far from having a monopoly on the formulation and implementation of foreign policy and other forms of ties with foreign states and societies. The policymaking process in such states is largely governed by a balancing of power between the various political players. While one group may, by virtue of its control of the government, dominate the area of official ties with foreign states, other groups will carry out their own relationships with foreign states, or societal elements within those states, independently.

Networked states, being heterogeneous, do not rest on long-established, unified societies, existing within a geographically distinct and highly defined region. Rather they tend to be products of the twentieth century whose population does not posses a commonality of culture, ethnicity or values on which to build an *etatist*-national identity. Their populations cling to old ethnic/communal affiliations and identities and many tend to view the state and its institutions with suspicion. Consequently, the state does not enjoy the same level of legitimacy in the eyes of the entire population in a communo-national society as it does in the case of an *etatist*-national society. This does not mean that the state is incapable of penetrating the society and enjoys no popular legitimacy whatsoever. In fact, in virtually all cases, the state and its institutions will, for historical, military, political or economic reasons, come to be associated with a particular community within the society. That element will view the state as a legitimate expression of its nationalist aspirations while other communities in the society will view the state in either an entirely negative light, or functionally in terms of the services and benefits that it can provide them with.

Hierarchical vs. Networked States in the Middle East

The Arab Middle East provides us with examples of both hierarchical, *etatist*-national states and networked, communo-nationalist ones. Egypt may serve as a good example of a hierarchical state while networked states can be divided into those based on a supra-state political ideology (pan-Movement) and communal affiliations, such as Syria and Iraq, and those that are dominated more by ethnic communal associations, such as Jordan and Saudi Arabia.[11] While Syria and Iraq possess powerful state machinery , the fact that they represent either minority regimes – Alawi in Syria – or regimes that represent only one ethnic group in a multi-ethnic state – Sunni in Iraq – means that they must attempt to base their legitimacy through an all-encompassing state ideology (Ba'athism) as well as informal arrangements between the various ethnic communities.

All Arab states operate to a large extent on the basis of interlocking triangular relationships between state authority, supra-state (pan-Arab or pan-

Muslim) movements, and ethnic or clan communal affiliations. In most cases, one element clearly dominates at the expense of the others, but all are present to some degree.

The triangular nature of Arab polities may explain why the political culture of even the most hierarchical Arab state, Egypt, entails elements of supra-state ideology as well as communal loyalties. Informal groups - cliques or factions - remain central to political and social action in all Arab societies and hence social relations are ever-changing with groups alternately fusing and splitting.[12] The historic basis of the Egyptian state and the powerful *etatist*-nationalism in Egypt ensures that the state will penetrate society to a great extent thus weakening the hold of pan-Arabism and Communalism on the Egyptian population. Hence in Egypt, formal governmental structures are highly influential. However, in "Fertile Crescent" Arab states (namely Syria, Lebanon, Iraq, Jordan and the PA), the state has been unable to completely penetrate society and weaken the hold of ideological and communal forms of identity and thinking. Hence, people find narrower informal communally-based groups to promote their interests at the expense of formal state structures.[13] Others will base their identity on broader concepts of pan-Arab visions emphasizing the informal ties between members of the same Arab nation, pride in past achievements, and aspirations for all-Arab unity.[14]

The greater the influence of the non-state elements of the triangle over the society, the weaker the state and the greater likelihood that non-official social elements will endeavor and succeed in establishing ties with external entities. If the basis for popular identification is the state, then members of the population cannot view members of another state and society in the same way as they view members of their own state and society. *Etatist*-national affiliations are mutually exclusive and focus on allegiance to one state. On the other hand, in *networked* states, people often identify with an ideological or ethnic community that inhabits the territory of a different state and will typically view them as part of their community although they do not share their citizenship, whereas others who share their citizenship will not be viewed as part of their community. This is true both for pan-Arabists as well as for ethnic groups. Such links with other communities, since they often do not reflect official policy, are of necessity informal, based on trust and personal

connections. Hence, trust becomes a major factor in links with the outside world in the case of networked, communo-nationalist states whereas it constitutes an unnecessary risk in the case of hierarchical, *etatist*-national states.

Egypt as a Hierarchical State

Unlike most Arab states in the Middle East, Egypt has existed as a state in largely the same geographical region for millennia. The Nile, as the major transportation and information artery as well as the primary source of livelihood in an otherwise parched region has governed life in Egypt throughout history. As a result of the geopolitical conditions, Egypt was not only blessed with a long and culturally rich history including long periods of independent or largely-independent existence, but also a geographically compact and relatively ethnically homogeneous population.   Unlike virtually all other Arab states, there does exist in ethnic, cultural, and linguistic terms something approximating an average Egyptian.[15]   This ethnic homogeneity is, of course, a central precondition to the establishment of an *etatist*-national identity since the state and nation are seen as reflecting and complementing each other. Since the common, Pharonic tradition is an identity shared only by Egyptians and not other Arabs, it acts to bind Egyptian society to the Egyptian state. And since this identity is also pre-Islamic, it also works to narrow the major communal divide in Egypt between Moslems and Coptic Christians. Not surprisingly, the Coptic community in particular emphasizes the link with Egypt's Pharonic past.

While Egypt has a long pre-Arab and pre-Islamic Pharonic tradition, it is also an Arab state which means that it has also been affected by pan-Arab ideas.   The evolution of modern Egyptian identity has always been characterized by ambivalence. Politically self-conscious Egyptians were torn between their identification with Egypt and its particularist cultural heritage and their identity as Arabs.[16] Egypt's short-lived flirtation with pan-Arabism via its union with Syria (1958-1961) and the subsequent Yemen debacle, as well as the ongoing Arab-Israeli conflict with its periodic wars, weakened

popular enthusiasm for pan-Arab ideas and strengthened *etatist*-national identification.   The mood of war weariness following the 1973 conflict with Israel enabled President Sadat to strengthen the position of the Egyptian state at the expense of pan-Arab identification.[17]   This, in turn, strengthened the hierarchical nature of the Egyptian state and society.

At Camp David, Egypt proved that when it came down to making significant decisions, it would act just like any other state putting its own interests ahead of any doctrinal ideas such as pan-Arabism.   This has not meant that Egypt views its connections to the rest of the Arab world strictly in interstate terms just as it views its relations with non-Arab states.   The triangular nature of society remains and thus special links with the Arab world remain as well.   Yet even under Nasser's rule in the heyday of pan-Arabism, Egypt acted in such a way as to promote its interests as a hegemonic power vis a vis the other Arabs rather than as a sacrificial lamb on the altar of the pan-Arab "mission."   Egypt's recent attempts to slow normalization between Israel and Jordan, the Maghreb and the Gulf, were motivated less by pan-Arab considerations, such as the fate of the Territories and Jerusalem, and more by Egypt's desire - as a state that aspires to regional leadership - to contain its dynamic and powerful Israeli neighbor.

The emphasis on Egypt as first and foremost an *Egyptian* state and only secondly an Arab state serves to bind the society strongly to the state and its institutions thus ensuring that links with foreign states, particularly semi-adversaries like Israel, will flow through the Egyptian government. As a result, the relationship with Israel is a formalized one conducted mainly at the official level in which the ties are based on formal agreements that ensure relative certainty for the Egyptian side thus obviating the need to base the relationship primarily on trust.   When Israelis speak of a "cold peace" with Egypt, they do not suggest that Cairo is not living up to the bulk of its commitments under the peace treaty, but rather that there is a distinct lack of non-governmental interactions, especially as compared with Israeli-Jordanian and Israeli-Palestinian relations. Trade, student and academic exchanges, cultural exchanges and the like between the two countries are limited. At the same time, Egypt has not attempted to re-militarize the Sinai or take any other steps that might put its contract-based peace treaty with Israel in jeopardy.

Hence, because the relationship is primarily carried out at the governmental level, it is mainly contractually-based rather than trust-based.

Jordan as a Networked State

If Egypt represents a hierarchical, *etatist*-national state in the Arab world, Jordan can be defined as a communo-nationalist, networked state. Jordan does not enjoy the advantages that Egypt does in terms of prolonged existence as a state, having an ethnically homogeneous population, and being geographically distinct. The Jordanian state, led by the Hashemite dynasty, was created by the British and based on former inhabitants of the Hejaz. It was thus a product of the marriage of tribal Hejazi society, former nomads turned peasants who lived east of the Jordan River and Palestinians. The original settled population of former nomads- the *Transjordanians* - were organized along clan and local community lines and were divided among themselves. The influx of Palestinians into the area during the early part of the century provided a rallying focus for the Transjordanian communities who viewed the Palestinians as enemies.[18]

The tribal elites were convinced of the superiority of their culture and possessed high levels of communal identification which were the result of the harsh desert conditions from which they originated (in which the individual was dependent on the solidarity and self-protection of the tribe).[19] This ensured that the Hejazis would act on the basis of communo-nationalist feelings. Likewise, the settled Transjordanian and the Palestinian populations were used to thinking in communal terms. However, like other Fertile Crescent Arab societies, and perhaps more than some, Jordan was created in the wake of the first great wave of modern Arab nationalism - the Arab revolt against the Ottoman Empire.

The Pan-Arab vision developed in part as a response to the Turkification policies of the Young Turk government of Enver Pasha.[20] The Pan-Arab nationalists, unlike their Egyptian counterparts who viewed the Ottoman Sultan favorably (because he was also Caliph and Egypt had not been ruled from Istanbul since 1798), felt that Ottoman rule had to be replaced by Arab rule in the Fertile Crescent.[21] The Sharifian revolt against

the Turks in the Hejaz was thus inspired by pan-Arab ideas and its leader, Faisal, swept into Damascus in the wake of the collapse of the Ottoman armies with the aim of proclaiming a unified Arab state in the Fertile Crescent. Thus, the Hashemites, as leaders of the revolt, attempted to create legitimacy for their rule on the basis of pan-Arab rather than communo-tribal sentiments.

The Hashemites continued to carry the banner of pan-Arabism even after they were relegated to ruling only Jordan. King Hussein attempted to justify his annexation of the West Bank and East Jerusalem in 1952 on the grounds that it was part of a process of pan-Arab unification. Even after Jordan's decision in July 1988 to sever its links with the West Bank, the King reaffirmed his commitment to pan-Arabism and Arab unification (thus alluding to possible grounds for a Jordanian return to the West Bank).[22] While Pan-Arabism played an important doctrinal role in Jordan, its use to justify the existence of the Hashemite regime reflected the fact that Jordan's society was deeply divided along communal-national lines. Egypt did not need to use pan-Arab doctrines to justify its existence as a state, whereas Jordan did. The Jordanian state, insofar as it plays the role of a nation-state, is dependent on the development of a powerful *etatist*-national identity among Jordanians. As this has not happened, the state has been unable to seriously penetrate society - with the exception of those Transjordanian and Bedouin elements that prop it up and view it as legitimate. The state in Jordan is in effect a proxy of the dominant communal-national group.

The upshot of this is that Jordan is a weak state that, rather than controlling its society, is controlled by particular communal elements within it. Jordanian society is thus a networked society in which important matters are often dealt with in communal circles rather than at the official level and in which communal groups forge ties with governments or communities in other states – as evidenced by ties between Palestinians in Jordan and the Syrian government during the civil war of 1970 or the ties between the Hashemite ruling house and Israel. Hence, the state and society are non-hierarchical with horizontal ties with external states and communities that are often more important than vertical ties between the society and the state.

In a state like Jordan, a balance of power between the various communal groups or the dominance of some at the expense of others is

maintained through on-going negotiations and application of pressure. Agreements between the various groups tend to be flexible, so as to leave them enough maneuvering room, and hence informal. Informality is also a necessity since the agreements are carried out at the social rather than state level and because making them formal would undermine the perceived sovereignty and unity of the state. With respect to external ties, these communal groups typically establish links with outside states and communities. These links too tend to be informal since the communal leaders, not being leaders of sovereign states, are not empowered to act as agents of the state or to guarantee that others outside the community will adhere to agreements that they have reached with third parties. As a result, trust becomes critical since the agreements are informal, deniable and provide no long term guarantees.

The relationship between Israel and the Hashemite elite in Jordan was, for a long time, an informal but solid one based on trust. This elite could not act in the name of the Jordanian state and sign formal treaties with Israel because of Hashemite fears of the Arab reaction to such a move. Small, weak Jordan could certainly not conceive of the possibility of being the first Arab state to sign a formal agreement with Israel. Most likely, the Hashemites also feared that the Palestinian majority in Jordan would use such a move as a pretext to attempt to overthrow the regime. Hence, the Hashemite/Bedouin community cultivated informal ties with Israel outside official channels – both during the reign of King Abdullah I and that of his grandson King Hussein.[23] This type of activity is typical of a networked society. The evident "warmth" of the formal relationship with Jordan since the signing of the peace treaty between Israel and Jordan in 1994, especially when contrasted with the Israeli-Egyptian relationship, reflects the long-association between Israel and the Hashemites based on trust.

The immediate post-peace treaty period has shown that Israel's ties to Jordan, despite the existence of a codified document, are still based on ties with the Hashemites. The chief public supporters in Jordan of the peace treaty and increased cooperation with Israel come from the social sectors of Transjordanian and Bedouin communities, whereas many circles within the Palestinian community in Jordan are opposed to this. The Hashemites and

their supporters need Israel as a counterweight not only to their external enemies Iraq and Syria, but also to their Palestinian rivals within Jordan and the PA. Hence, informal bonds with Israel based on trust remain as important to the Hashemites as formal agreements with Israel.

The Palestinians: Networks on Top of Networks

The relationship between Israel and the Palestinians in the West Bank and Gaza Strip has been based by and large on networks since the Palestinians did not, and still do not fully have, a state that can try to penetrate society and create a hierarchical system in which external links flow through it. The state element of the triangle is extremely weak and was non-existent for most of modern Palestinian history. Hence, unlike Egypt, the society evolved independently of a state. While communal affiliations play a role in dividing Palestinian society along regional and extended family lines, it too has not played a definitive role in shaping Palestinian identity and claims to self-determination vis a vis Israel. Rather, pan-Arab ideology played a crucial role in the development of a unique Palestinian Arab identity.

Palestinian national consciousness developed, in its initial stages, as part of the general national awakening among the Arabs in the early part of the century. Due to the influx of Jews into Palestine during this period, Palestinian leaders found themselves waging a struggle for Arab self-determination against Zionism. The struggle with the Jews became a major factor in the creation of a unified pan-Arab national identity among the community of Arabic speakers. With the creation of Israel and the beginning of the Palestinian diaspora in 1948, the Palestinians became caught up in the general struggle between the Arab states and Israel. Having been unable to create their own state, the Palestinians could not attempt to develop a coherent *etatist*-nationalism and a hierarchical society. Being more or less ethnically homogeneous, the Palestinians did not face the same kind of problems that Jordan faced and continues to face. Egypt had both a strong state and a homogeneous population, Jordan had a state, but a severely communally divided polity, and the Palestinians had a relatively homogeneous population, but no state.

Lacking a state which could penetrate and unify society and around which they could build their own separate national identity, the Palestinians adhered to the pan-Arabist vision hoping that in so doing, they would be able to influence political developments in the inter-Arab arena. Such developments, they hoped, would encourage a strategy of all-out war against Israel that would lead to its destruction and the return of the Palestinians to their homeland. Palestinian politics thus became a microcosm of Arab politics in general with different Palestinian factions supported by rival interests in the Arab world such as: Nasserists, Syrian Ba'athists, Iraqi Ba'athists, and Islamists. The Arab states actively encouraged their own 'pet' factions among the Palestinians because by 1948, and perhaps even before then, the Palestinian issue had become part and parcel of internal politics within most of the Arab states and was therefore 'too important' for the Arabs 'to leave in the hands of the Palestinians.' The Palestinians were mainly interested in returning to their homeland and were perfectly happy to do so within the political framework of an all-Arab state.[24] Indeed, since the Palestinians could not return to their homeland without massive Arab support and military intervention, they had to appeal to universalistic ideals that were larger than their own narrow nationalism.[25] Hence, in the early stages of the Palestinian struggle, the Palestinians portrayed themselves as fighting for 'Arab' rather than 'Palestinian' rights.

Having no state and formal political institutions, and being divided among themselves by the ideological currents gripping the Arab world, Palestinian society emerged as a networked society *par excellence*. Palestinians lacked any kind of hierarchical or networked state, instead being divided among other states none of which, with the partial exception of Jordan, attempted in any way to assimilate them into their societies. Palestinians were divided by ideologies between various streams of pan-Arabism.

The Arab-Israeli war of 1967 hastened the decline of the pan-Arab vision with the result that by the nineteen seventies, most Arab states began emphasizing their own *etatist*-national identities at the expense of pan-Arabist doctrine. Egypt dramatically defected from the common Arab attitude and position towards Israel by signing a separate peace treaty with it in 1979. The

Palestinians too began to increasingly emphasize their own particularist national identity at this time and this was given a great boost by the Intifada which began eight years later. By that time, the Palestinians were emphasizing their 'rights' to form an independent state and minimizing the ideological distinctions between them. Even the ostensibly pan-Islamic movements such as Hamas, were emphasizing Palestinian statehood, rather than the inclusion of Palestine in some broader all-Islamic state, as the ultimate goal.[26] Hence, Palestinian politics had come full circle.

Nevertheless, since the Palestinians continued to lack a state, they were unable to build a centralized institutions and a hierarchical political order. The decentralized nature of Palestinian society has become all the more evident in the wake of the Oslo Accords - despite the fact that the Palestinians had been given an opportunity to begin constructing a hierarchical state to penetrate and centralize Palestinian society via the PA. They have in fact made the PA into a reflection of their society - an amalgamation of decentralized and perpetually quarreling factions. Hence, in the Palestinian case and in contradistinction to the Egyptian one, the society is penetrating the state rather than vice versa.

The 1993 Declaration of Principles (the first, in a series of agreements that came to be known as the Oslo Accords) signed between Israel and the PLO was followed by the establishment of the PA in May 1994. Despite the creation of a quasi-official Palestinian government, the pattern of relations between Israel and the Palestinians did not change significantly, despite the existence of a supposedly all-Palestinian PA, and was still based on relations between Israel and the PLO (especially Fatah). Yasser Arafat's hesitation to transfer real authority from Fatah to the organs of the PA, thus ensures that real understandings reached between him and Israel will tend to be based on informal channels of communication rather than via official links. Hence, as in the case of Jordan (but all the more so since the Palestinian state is still in its fetal stage), ties tend, to a large extent, to be based on informal relations and a large measure of trust - since formal agreements worked out with the PA will be largely meaningless if not backed by Fatah.

Examples of the reality of informal cooperation between Israelis and Palestinians abound. The long and meandering border between Israel and

the West Bank provides a plethora of opportunities for gray market trade in merchandise. Copies of Israeli food products and international brand name clothing and shoes are produced in the West Bank and sold to Israeli Arab and Jewish middlemen who then sell them to retailers in working class Israeli neighborhoods.[27]   Black market trade also abounds with Israeli and Palestinian auto thieves cooperating in stealing and selling Israeli vehicles or their components. Israeli criminals use PA territory in order to hide from the Israeli police and tens of thousands of Palestinian laborers work informally (and hence illegally) in Israel.[28]   Israeli entrepreneurs have also concluded deals with various branches of the Palestinian security forces and are selling them military equipment (in which case they do not require export permits as the Palestinian Authority is not classified by Israel as a foreign state).[29]

Hence, under such conditions, codified agreements between Israel and the PA provide only a part of the overall relationship between the parties. Trust is essential since most of the relationships exist outside the documents and the formalized relationships provide insufficient certainty since they are not binding on the parties with respect to the final settlement of the conflict.

Israel: Between A Networked and a Hierarchical Society

Israel in many ways represents a society caught directly between the poles of networked states and hierarchical orders. Having been founded on the basis of a networked political base - the Jewish *Yishuv*, it is not surprising that the influence of networks in Israel is still highly pronounced. The old socialist Labor movement elites, some of whom attempted, to varying degrees, to replace the political networks of the pre-state period by a coherent *etatist*-national identity and hierarchical state, have passed from the scene. New social networks have been established based on increasingly salient communal cleavages in Israel. Israeli politics has come to reflect these new social cleavages and its highly networked coalition governmental system serves to help perpetuate them. One may argue that Israel of the 1980s and 1990s strove to develop a coherent identity and state structure and was caught between two counteracting forces: the hierarchical, *etatist*-national model and the networked, communo-nationalist one. These two opposing

undercurrents naturally reflect on Israel's relations with its neighbors. It is here that one should look in order to understand how delegations of Israeli business people could plan joint ventures with their Palestinian counterparts during periods of hiatus in the peace process and why members of the Knesset from the *Shas* party could be welcome guests at the late King Hussein's palaces in Amman.

Israel, then, is to some extent a reflection of its Fertile Crescent neighbors and at the same time of Western societies blending *etatist* and communal components in a state with hierarchical as well as networked elements. Being to some degree both hierarchical and networked, Israel can, chameleon-like, develop formal, contractual-based relationships with hierarchical states while at the same time create informal, trust-based ties with networked states. Israeli foreign policy has often been characterized by great flexibility and variability with Israel developing, where possible, formal relationships with other states and, where necessary, informal 'under the table' ties. Hence, while Israel ultimately sought formal agreements which brought with them formal recognition of the Jewish State, it was willing to settle for tacit relations with many countries in the developing world – such as those in sub-Saharan Africa – that had previously broken off formal ties with it due to Arab pressure.

The far-reaching changes brought about by Yitzhak Rabin's decision to adopt the Oslo track reflected a shift from the deep-rooted focus on formalized contractual relations with its neighbors which was supposed to lead to permanent peace settlements, and adopted an approach that took into account the need to rely more on networked-based relations with the Palestinians revolving around trust. Netanyahu, on the other hand, adhered to the paradigm of negotiations based more on contract and less on trust. One may argue that the Palestinians found it difficult to meet these requirements because their society is based in a political culture that is inherently networked and in which such agreements represent only one facet of the bilateral relationship. Hence, Rabin's approach seems to have been more suitable and attractive to the Palestinians than that of Netanyahu.

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Israel's relations with the three Arab neighbors with which it has formal treaties and agreements: Egypt, Jordan and the PA, differ qualitatively because of the nature of these three Arab societies and the political culture of their states. (and their resultant interactions with the Israeli state and society). The Egyptian tradition of a hierarchical order and *etatist*-national society has led Egypt to base its agreements with Israel more on formal agreements than informal ones because ties between Egyptian and Israeli societies pass through the sieve of the Egyptian state. Egypt prefers to conduct relations officially with a maximum of contract.

Jordan and the Palestinians, having states that rely on networked orders (or the beginnings of one in the Palestinian case), and "Fertile Crescent" polities that are based on communo-nationalist affiliations, can hardly funnel most interactions with Israel through official channels and often the official channels themselves are the servants of particular communities in their states without an autonomous status of their own. States of this type are based on a negotiated political order in which the balance of power, as well as the loyalty and adherence of the populous with the state, is fluid, constantly-changing and effected by dynamic internal networks. Hence relations with such states are intergovernmental, as much as intersocietal since officials that operate within such states may not necessarily be those that have power over events. In such states, which Hofstede characterizes as "Collective societies", symbolism and personal contacts are far more important than official titles and positions.[30] Hence, since they cannot rely on codified official agreements, multi-level informal relations have developed between Israel and Jordan and Israel and the Palestinians in which trust becomes a necessary part of the *modus operandi* between the parties.

With states that possess a hierarchical order, relationships with other states are largely carried out in formal terms and hence require contracts. Networked states relate to other states informally and hence make trust the basis for their relations. This however, does not mean that states with a hierarchical order do not view trust as a goal or that states with networked orders do not strive for contractual relationships. In both cases, the ideal situation for each is to build relationships with other states in which trust and contract overlap. If the relationship is initially based on contract (Israel-Egypt), trust can be achieved later based on the original contractual relationship. If relationships are based initially on trust and informal arrangements (Israel-Jordan, Israel-PA), then contracts can perhaps be achieved in the future assuming that the states become more powerful and more adept at penetrating their respective societies. In cases where states of hierarchical or networked orders develop relationships, both formal and informal ties will be developed. Each state will view its relationship with the other on the basis of its own socio-political prism. Hence, the hierarchical state will view the formal agreements with its networked interlocutor as being central to the relationship while the networked state will view informal arrangements as far more critical to the relationship than contractual agreements. This, not surprisingly, can open the door to significant misunderstandings and to a broad range of interpretations during the process of implementing agreements, either between Israel and the Arabs or between Arab states.

The Israeli-Jordanian and Israeli-Palestinian relationships are likely to provide a conceptual framework for future Israeli-Syrian and Israeli-Lebanese peace negotiations as these two states are also based on networked political orders. We may assume that successful Israeli-Syrian peace negotiations will depend not only on codified agreements but on a multiplicity of contacts that will act to bolster the formal relations that, as with other networked states, represents only part of the relationship.

A balanced relationship between Israel and its neighbors involving both contractual-based and informal, trust-based elements can create the conditions for a political climate of reduced suspicions and lessened likelihood of future hostilities. Such a development will serve to tie social and political

elements in the different states together – much as has been done in the case of the European Union.

Ultimately, increasing globalization is reducing the importance and power of states in favor of sub-state actors that base their relationships with foreign sub-state entities on the basis of trust. Paradoxically, as the modern political world continues to produce greater and greater abstractions (e.g., European or North American identities, global culture, etc.), the role of individual contacts between decision-makers based on familiarity and openness, and hence trust, becomes increasingly important.

NOTES

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