

**MIDDLE EAST PEACE: GROUND  
TRUTHS, CHALLENGES AHEAD**

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**HEARING**

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS**

**UNITED STATES SENATE**

**ONE HUNDRED ELEVENTH CONGRESS**

**SECOND SESSION**

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## CONTENTS

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	Page
Asali, Dr. Ziad, president, American Task Force on Palestine, Washington, DC .....	21
Prepared statement .....	23
Kerry, Hon. John F., U.S. Senator from Massachusetts, opening statement .....	1
Kurtzer, Hon. Daniel, lecturer and S. Daniel Abraham Professor in Middle Eastern Policy Studies, Princeton University, former U.S. Ambassador to Israel and Egypt, Washington, DC .....	6
Prepared statement .....	8
Lugar, Hon. Richard G., U.S. Senator from Indiana, opening statement .....	4
Makovsky, David, Ziegler Distinguished Fellow and director of the Project on the Middle East Peace Process, Washington Institute of Near East Policy, Washington, DC .....	30
Prepared statement .....	33
Malley, Dr. Robert, director of Middle East/North Africa Program, International Crisis Group, Washington, DC .....	13
Prepared statement .....	16



## **MIDDLE EAST PEACE: GROUND TRUTHS, CHALLENGES AHEAD**

**THURSDAY, MARCH 4, 2010**

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The committee met, pursuant to notice, at 10:05 a.m., in room SD-419, Dirksen Senate Office Building, Hon. John F. Kerry (chairman of the committee) presiding.

Present: Senators Kerry, Dodd, Feingold, Casey, Shaheen, Kaufman, Lugar, and Risch.

### **OPENING STATEMENT OF HON. JOHN F. KERRY, U.S. SENATOR FROM MASSACHUSETTS**

The CHAIRMAN. Good morning. The hearing will officially come to order, though you have all unofficially already come to order. We welcome you here today. Thanks so much.

We have a terrific panel, and we're very grateful to have you, and to be able to take a moment to reflect on one of the longest and most complex and sometimes frustrating challenges that we have, all of us, faced over the years. Today, we will take a moment to talk about where we are in the effort to revive the Middle East peace process.

Yesterday, as I think most know—certainly all those who follow these matters—in Cairo, the Arab League endorsed Palestinian President Mahmoud Abbas's entry into United States-mediated indirect talks with Israel. With negotiations likely to resume soon, we're really reaching a critical juncture. And after meetings, just this past weekend, that I engaged in with Israeli and Palestinian leaders, in Jordan and in the West Bank, and in Israel, I personally am confident that this really is a moment of opportunity.

Of course, we're all well aware that we've had those moments before. I remember standing on the White House lawn when the great handshake took place, and we had a sense of great optimism, and the President visited Gaza at the airport opening, and so forth. We've been down this road, and we're all well aware of the obstacles.

There is a profound trust deficit between Israelis and Palestinians, deep divisions between Palestinian factions in Gaza and the West Bank, perhaps even to some degree, with some leadership ensconced in Damascus, an Israel coalition government that initially retreated from prior peace initiatives, and a profound frustration in the region with the lack of progress since the President's Cairo speech raised expectations and new hopes.

While some are deeply skeptical, I do continue to believe that, to a greater extent than many realize, the conditions are in place for significant progress, but only if all sides can summon the leadership, the commitment, and the courage necessary to make lasting peace possible.

One thing on which I might just comment. I spoke at the Doha Conference on Islam and the West a few weeks ago. And in conversations that I had with different people, including the Emir of Qatar and the Prime Minister/Foreign Minister—same person—increasingly, from the people that I talked to, there is a growing realization and awareness of the few tracks that really can work. There's a unanimity out there, if you will, among many different parties, who don't often talk to each other, and, for political reasons, can't get together, but all of whom kind of have a good sense of the end game. And the bigger question is not, What's it look like? It's more, How do you get there? And these various restraints stand in the way of it.

The fact is, most Israelis and Palestinians still recognize that a two-state solution remains the only workable solution and the only just solution. The demographics in Israel simply demand a two-state solution if Israel is to remain a Jewish democracy.

Israelis are troubled by what they see as growing efforts to delegitimize Israel around the world. And, while many Israelis are understandably gravely concerned about the existential threat posed by Iran, and the danger of a rearmed Hezbollah and Hamas, nothing will do more to undermine extremists and rejectionists than progress—real progress—toward peace with the Palestinians. I have heard—in Pakistan, in Afghanistan, in Sudan, in other parts of the world—the constant drumbeat of the way the Palestinians are treated, and of Israel-Palestine relations. It is a recruitment tool. It is an albatross around all necks, in so many ways, and it needs to be resolved.

In President Abbas and Prime Minister Fayyad, I am convinced we have genuine partners for peace. And the Israelis seem to recognize this, as well, now. They've made unprecedented strides in the West Bank toward building a future Palestinian state, from the ground up, by increasing security capacity, fighting corruption, building institutions that can govern effectively. And if you talk to General Dayton or others, there's clear proof that, at times of great stress—i.e., during Gaza and the war—the West Bank stayed quiet. And large credit is given to the development of the security forces in that having happened.

But, we have to show progress now, in the peace process, to capitalize on Hamas's weakness at this particular moment and to build greater credibility with the Palestinian people. Ultimately, we all know it is the Israelis and the Palestinians who must reach agreement, but America has a vital role to play as an energetic and effective broker, ensuring that both sides make good-faith proposals that bring the parties closer to peace. And at the right moment, we will have a role to play in bridging any gaps between the respective positions.

Personally, I suspect that progress will likely come, first, on the combination of borders and security. And the reason is that they're closely integrated. Israelis cannot and will not accept a repeat of

what happened when they withdrew from Lebanon and Gaza, and nor should they be expected to. And it is entirely anticipatable and expected and appropriate that the Prime Minister of Israel should have a concern about security, and needs that concern met.

By the same token, as you resolve the issue of borders and you begin to build the security structure, you begin to give confidence on both sides about those issues. Focusing on borders and security initially, in my judgment, resolves the issue of West Bank settlements and lays the groundwork for reaching agreement on the other issues.

While a final agreement may seem far off, remember, it was not so long ago that Israelis and Palestinians came closer than ever to comprehensive peace at Taba. And the Clinton Parameters included tough sacrifices, on both sides, as part of a compromise that was fair to all. A contiguous Palestinian state based on 1967 borders, with land swaps, security guarantees for Israel, a capital for both states in Jerusalem, significant compensation for refugees, with a right of return to Palestine, and any resettlement in Israel subject to negotiation—that was the framework. And they came this close. I remember having a luncheon, in Ramallah with Chairman Arafat, at which he said to me, very directly and boldly, that he regretted that he hadn't taken advantage of Taba.

In 2002, the Arab Peace Initiative, endorsed by every Arab country, provided another key piece of the final puzzle: the promise for Israel that a comprehensive peace agreement would bring normalized relations with the Arab world, a regional shift more plausible at a moment when Israelis and Arab governments share profound concerns about Iran. And you need to focus on that. There's sea change in the discussions when you go over there. The first words out of the mouths of most of the leaders I met with in the region, and have over the last years, is not Israel; it's Iran.

I still believe the Clinton Parameters and the Arab Peace Initiative provide the only realistic basis—basis, I emphasize—with changes to reflect where we are today—but the basis for lasting peace and security. And I am confident that, deep down, most of the Israeli and Palestinian people understand that, as well.

America's role is vital, but we must all be partners in this effort. Prime Minister Fayyad has laid out a detailed plan for strengthening Palestinian institutions. And that effort, frankly, needs much greater support from the Arab world and from the West. I will never forget, being in Ramallah, the day he was elected—and I was the first person to meet with him—in 2005—and he looked at me and said, "Senator, I know exactly what you expect of me," meaning the United States, "We need to disarm Hamas. Now, you tell me how I'm supposed to do that. I have no radios, no police, no cars, no capacity. Hamas can deliver services, on any given day, more easily than we can." And we were just absent for the next 4½ years, literally.

So, we all must encourage Palestinians in this peace effort, and that's why the Arab League decision was really so significant. And I congratulate the administration, and those involved, in their efforts to help to bring about the kind of cohesion that was exhibited in that. I was particularly pleased to hear the Syrian Foreign

Minister, Walid Moullem, praise President Abbas's decision to enter proximity talks.

Finally, even as we move ahead with negotiations and building capacity in the West Bank, we must address the dire conditions in Gaza. One year ago, I personally saw, firsthand, the devastation there. And it's a great disappointment that so little has been rebuilt since then. In Southern Israel, I also saw the toll that Hamas rockets had inflicted in a barrage that no country should or could endure interminably. I recognize the importance of Gilad Shalit to the Israeli people. But, our grievance, and theirs, is not with the people of Gaza. And based on my recent visit and discussions with all the parties, I believe there is a way to work with international organizations to get more construction material into Gaza in a way that empowers the Palestinian Authority, and not Hamas. And that will help the peace process significantly, in my judgment.

We have a terrific panel today to bring a range of perspectives. Daniel Kurtzer is the former United States Ambassador to Israel and Egypt; Rob Malley directs the Middle East North Africa Program at the International Crisis Group; Ziad Asali is president of the American Task Force on Palestine; and David Makovsky is director of the Project on the Middle East Peace Process in Washington Institute of Near East Policy. So, we look forward to a frank and insightful conversation.

And I will have to step out for a couple of phone calls during this, and I ask your indulgence for that during the process.

And we also ask, if you could, to limit your prepared comments. We'll put your full testimony in the record as if read in full, but if you could summarize it in 5 minutes, then members would have a little more opportunity to be able to have a dialogue.

Thank you very much.  
Senator Lugar.

**OPENING STATEMENT OF HON. RICHARD G. LUGAR,  
U.S. SENATOR FROM INDIANA**

Senator LUGAR. Thank you very much, Chairman Kerry, for convening this hearing, and I join you in welcoming our distinguished witnesses.

The United States continues to support a negotiated Israeli-Palestinian peace agreement that would address Israel's security concerns and satisfy Palestinian aspirations for statehood, while resolving the full range of final status issues. I have welcomed the administration's efforts toward this end.

On his second day in office, President Obama appointed our former colleague, Senator George Mitchell, as Special Envoy for Middle East Peace. I was pleased that Senator Mitchell was able to meet with members of the committee a few weeks ago to share his perspectives.

The task before Senator Mitchell is daunting. Peace talks were suspended in the aftermath of the fighting in Gaza, and the parties have been at an impasse over the demand for a settlement freeze. Rhetoric on both sides remains incendiary. Whether through proximity talks, or some other mechanism, we are searching for a way to move forward. The question is, What can be done to build confidence and increase the likelihood of success?

New York Times columnist Thomas Friedman suggested in an editorial last November that the United States approach to the Middle East peace process had reached a point of inertia that is contributing to bad behavior by the parties. He proposed a dramatic shift in strategy, saying that the United States should end our participation in the peace process, publicly informing the parties that we will come back when they get serious. Friedman argues that by continuing active United States mediation efforts regardless of the behavior of both sides, "We relieve all the political pain from Arab and Israel decisionmakers by creating the impression in the minds of their publics that something serious is happening." This allows Israeli and Palestinian leaders to associate themselves with the peace process without making any political sacrifices or tempering their ideological agendas.

I would not want to take the ball out of Senator Mitchell's hands at this time, but I share Tom Friedman's frustrations and believe we should be thinking beyond conventional mediation strategies. I'd be interested to hear our witnesses' views on the likely impact of the move suggested by Tom Friedman.

Meanwhile, Palestinian Authority Prime Minister Salaam Fayyad has been working quietly to build governing institutions for the day when a Palestinian state is established. General Dayton, the U.S. security coordinator, and his international team have been helping to build the capacity of Palestinian security forces and the Interior Ministry. Substantial progress has been made, and the program merits continued support. Other ministries are making headway and becoming more accountable and transparent. But there is a limit to how much progress can be made absent results on the diplomatic front.

The administration has not limited its ambitions to the "Palestinian track." It has articulated a vision for a comprehensive Middle East peace. I would appreciate hearing from our witnesses today about how we can best capitalize on regional dynamics to advance this goal. To what extent has the common threat of a nuclear Iran influenced calculations on the part of key regional actors?

The administration has made overtures to Syria in recent weeks, including a visit to Damascus by Under Secretary William Burns and the nomination of a U.S. Ambassador to Syria, following a long hiatus. Nevertheless, the joint press conference last week by the Presidents of Iran and Syria produced provocative anti-American statements. What are the prospects, in the coming few years, for a meaningful advancement of United States-Syrian dialogue or of Israeli-Syrian peace talks?

I look forward to hearing the assessments of our witnesses regarding the situation on the ground in the Middle East and their prescriptions for making progress toward the goal of comprehensive peace.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Lugar.

Mr. Ambassador, if you would begin first, and then we'll run down the table. We appreciate it. Thank you very much.

**STATEMENT OF HON. DANIEL KURTZER, LECTURER AND S. DANIEL ABRAHAM PROFESSOR IN MIDDLE EASTERN POLICY STUDIES, PRINCETON UNIVERSITY, FORMER U.S. AMBASSADOR TO ISRAEL AND EGYPT, WASHINGTON, DC**

Ambassador KURTZER. Thank you, Mr. Chairman and distinguished members of the committee.

I want to thank you, first of all, for the invitation to appear here today and to use this opportunity also to thank you for the support that you gave me during the years that I served as our Ambassador in Egypt and Israel. It was really quite remarkable that we were able to actually accomplish something during those years, with the cooperation of the Senate, and what we did in the field.

Mr. Chairman, in some respects I could end my statement now by simply saying that I agree with everything that you and Senator Lugar said in introducing this subject. But, you asked us to address the question of ground truths and the challenges ahead, and I want to dig a little deeper, perhaps, in looking at both sides of those questions.

First of all, I think it's quite imperative to remind all of us that the pursuit of peace in the Middle East is not a favor that we do for the parties in the region, but is an imperative of our national interests. We benefit immediately from the process of peacemaking, and, of course, we would benefit from the success of peacemaking. And this also touches on Senator Lugar's point, which is, to the extent that we are seen as conducting a strong policy in pursuit of peace in the Middle East, it helps us build alliances and conduct our diplomacy much more strongly, with respect to the threats we face in the region, including Iran.

With respect to ground truths, there's no question that the situation on the ground today is challenging, and, as was indicated in the opening statements, this results from ongoing settlement activity, ongoing infrastructure of terrorism that exists, and incitement. There is a rightwing coalition in Israel which presents its own problems, with respect to developing its policies in favor of peace, and Palestinian governance is divided very badly, both politically and geographically.

But, frankly, this is no more challenging an environment than we have faced in the past. Resolute, bold, creative, determined, persistent American diplomacy has succeeded in dealing with similar challenges in the past. The Egyptian-Israeli Peace Treaty and the Madrid Peace Conference were not achieved in perfect environments for peacemaking, but required the kind of leadership that our leaders are capable of, and the kind of strong diplomacy of which we are capable, to try to translate potential opportunities into successes.

In this respect, the ground truth is actually not as bad as some analysts would try to convince us. Violence is down. The Israeli security agency, the Shabak, indicated that 2009 was one of the best years in recent memory, with respect to violence conducted by Palestinians against Israel. The West Bank economy is in good shape, and it's growing. Public opinion polls, on both sides, indicate consistent support for peace and consistent support for a two-state solution. So, it's not just that determined leadership can overcome

challenges; it's also that the situation on the ground is potentially conducive to exploiting opportunities for peacemaking.

What's needed, then, is a U.S. policy and a U.S. strategy. I must say, as much as I hope for the success of what the administration is doing these days, I have been disappointed this past year with the lack of boldness and the lack of creativity and the lack of strength in our diplomacy with respect to this peace process. We have not articulated a policy, and we don't have a strategy. We pursued a settlements freeze, and then we backed away from a settlements freeze. We pursued confidence-building measures on the part of some Arabs, and we backed away from confidence-building measures. And in neither case were these initiatives seen within a context of a larger strategy of peacemaking.

I would suggest, therefore, that we also reexamine this question of proximity talks. As much as I hope for their success, the very fact that we are conducting proximity talks these days, or thinking about conducting proximity talks, is a throwback to what we did 20 years ago. Palestinians and Israelis have negotiated, face to face, in direct talks for 20 years. And it's not understandable why we would now have them sit in separate rooms and move between them. If we had strong terms of reference, perhaps we would need to conduct proximity talks, but there is, so far, no suggestion that the terms of reference for these proximity talks are strong enough to warrant the absence of face-to-face negotiations.

Therefore, let me spend 2 minutes on what I think needs to be done, the challenges ahead.

First of all, I think it's time, after 43 years from the 1967 war, that the United States articulated our own views on the way this conflict should end. I'm not suggesting a U.S. plan, and I certainly am not suggesting that we try to impose a settlement. A settlement must emerge from negotiations between the two sides. But, we have views about how this conflict should end. We have views about territory, about Jerusalem, about settlements, about refugees, about security, about cooperation between the two sides with respect to economic and other matters. And it is really quite surprising that we are hesitant to express our views and let the sides in the Middle East understand where the United States is coming from.

As we do so, we also need a strategy, which I would suggest needs to be multipronged; not simply getting to negotiations, but, rather, getting to negotiations on the basis of strong U.S. parameters so that the parties don't start from scratch, but, rather, pick up from where they left off. They accomplished a great deal, as Senator Kerry suggested, at Taba. They also accomplished a great deal between President Abbas and Prime Minister Olmert in 2008, and we should try to capture that progress in establishing parameters within which the parties should negotiate.

If they choose to start with a negotiation on borders, which I support, then we need to articulate the principles, so that the parties don't wander into areas that are not going to be productive. We should also build regional and international support structures, including better use of the Arab Peace Initiative. We should revive the multilateral negotiations, so as to bring, again, the strength of Arab support for peacemaking. We should continue to advocate for

a settlements freeze and for action by the Palestinian authority against incitement and against terrorist infrastructure. In other words, between having a vision and having a strategy, the United States will be back in the diplomatic game, something where we have been absent for too many years.

Finally, I would suggest there are two contextual issues which need to be addressed. One question has been raised as to whether or not we should open up a dialogue with Hamas at this time. I think we should not. I have seen no indication on the part of Hamas that it's changed its policies or its practices, and therefore, it does not meet any of the conditions that are proper for the United States to engage in dialogue.

And second, I think the humanitarian situation in Gaza, as Senator Kerry and Senator Lugar suggested, needs to be addressed immediately. There is no excuse for having 1½ million people suffer as a result of a failure of peacemaking, and we can find ways for the international community to deliver assistance in a manner that protects both Israeli and Egyptian security.

Thank you.

[The prepared statement of Ambassador Kurtzer follows:]

PREPARED STATEMENT OF HON. DANIEL KURTZER, LECTURER AND S. DANIEL ABRAHAM PROFESSOR IN MIDDLE EASTERN POLICY STUDIES, PRINCETON UNIVERSITY, FORMER U.S. AMBASSADOR TO ISRAEL AND EGYPT, WASHINGTON, DC

Mr. Chairman, distinguished members of the committee, thank you for the opportunity to testify today about United States policy in the Arab-Israeli peace process. Let me take this opportunity to thank you for the support you gave me during my time as the United States Ambassador to Israel and Egypt. It was a real pleasure to work with you and the committee.

I have devoted almost 40 years to the study and practice of American diplomacy in the Middle East. From this experience, I believe the pursuit of peace between Arabs and Israelis is as important to our country's interests as it is for the parties themselves. I believe peace will enhance Israel's security and well-being. And I believe peace will help the United States build stronger relations with our Arab friends in the region.

You have asked this panel to examine ground truths and challenges ahead, and I will address both issues with candor.

#### GROUND TRUTHS

The environment for peacemaking in the Middle East has almost never been ideal, and it is not ideal today. But, the challenge of leadership is not to await the perfect circumstances, but to build on the imperfect. Opportunities rarely present themselves; they almost always have to be created. The situation on the ground is hardly ideal, but it certainly is not as bad and the challenges to reviving the peace process are not as daunting as some analysts and pundits would want us to believe.

Today, the Palestinians are divided geographically and politically. Hamas governs Gaza. Palestinian public discourse, including public education, about Israel and Jews is still infused with anti-Semitism, and the infrastructure of terrorism has not been dismantled. In Israel, a right-wing coalition governs, perceived by the Palestinians and others as more interested in enhancing Israel's grip on the West Bank than negotiating a peace settlement based on Resolution 242. Settlement activity continues, despite the highly conditioned and temporary moratorium on new housing starts. Some Israeli actions in East Jerusalem are provoking Palestinian protests that threaten to upset a relatively calm situation. So, this is not a perfect environment for peacemaking.

But it is no more challenging an environment than U.S. diplomacy has had to cope with and operate in the past. Creative, active, sustained, bold and determined American diplomacy helped bring Menahem Begin and Anwar Sadat to agreement at Camp David in 1978 and to a peace treaty in 1979. Equally resolute U.S. diplomacy helped bring Yitzhak Shamir and the Syrians, Palestinians, Jordanians, Lebanese, and most of the Arab world to the Madrid Conference in 1991—launching bilateral and multilateral peace negotiations. Indeed, U.S. diplomacy has operated at

times within far more complicated and challenging environments than the current situation and has transformed the imperative of peace into progress toward the achievement of peace.

Today, the ground truth in the Palestinian-Israeli arena actually has some important positive elements. Violence is down. According to the Israel Security Agency ([www.shabak.gov.il/English/EnTerrorData/Reviews/Pages/terrorreport09.aspx](http://www.shabak.gov.il/English/EnTerrorData/Reviews/Pages/terrorreport09.aspx)), 2009 saw “a significant decline in the amount of attacks coming from the Palestinian Territories as opposed to previous years.” There were no suicide attacks in 2009. Perhaps most importantly, the Shabak attributes the main reason for the decline in terrorism to “continuous CT (counterterrorism) activity conducted by Israel and the Palestinian security apparatuses”—i.e., those security forces trained by General Keith Dayton.

President Mahmoud Abbas and Prime Minister Salam Fayyad are making serious efforts to build the institutional infrastructure necessary for statehood. Fayyad announced an expedited program of state-building, something that we and the international community have long advocated. The West Bank economy is in good shape and growing. I saw this firsthand recently in Ramallah.

Public opinion polls in Israel and Palestine still favor a peaceful solution. According to the “War and Peace Index” compiled at Tel Aviv University, as of last October, “about three-fourths of the Israeli Jewish public currently supports holding negotiations between Israel and the Palestinians—the highest level of support registered in recent years.” And, according to noted Palestinian pollster Khalil Shikaki, “a majority of Palestinians (65–70 percent) support a two-state solution. Similarly, a majority (75–80 percent) supports efforts to negotiate a permanent agreement, a package deal, one that ends the conflict and all claims.” The idea of a one-state solution does not enjoy significant support among Palestinians or Israelis; and proposals for doing nothing—often couched in language of “managing” the conflict—will accomplish nothing except to allow the situation on the ground to deteriorate further.

Key leaders have spoken out in favor of the two-state solution. Prime Minister Netanyahu said last June 14, in a major policy speech: “In my vision of peace, in this small land of ours, two peoples live freely, side by side, in amity and mutual respect. Each will have its own flag, its own national anthem, its own government. Neither will threaten the security or survival of the other.” On February 2 in Herzliya, Prime Minister Fayyad said the Palestinians want to “live in freedom and dignity in a country of our own, yes indeed alongside the State of Israel, in peace, harmony and security.”

For Israel, in particular, the choices have never been starker. Defense Minister Ehud Barak made this clear when he told the Herzliya Conference on February 2: “As long as in this territory west of the Jordan River there is only one political entity called Israel, it is going to be either non-Jewish or nondemocratic. If this bloc of millions of Palestinians cannot vote, that will be an apartheid state.”

The situation on the ground is not static. If it does not get better, it will get worse. Absent a dynamic peace process, violence could erupt yet again in the territories. The triggers for such violence are present in the territories, and will become more evident if the two peoples lose hope in the peace making process.

So, the current ground truth in the Middle East is neither a self-evident moment of opportunity, nor what the naysayers and pessimists would have us believe. It is a moment in which deterioration will surely accompany diplomatic stagnation, but also a moment in which strong and determined leadership can move the peace process forward. There is also substantial reason to believe that a most important element of success will be the role exercised by the United States. Let me then turn to the challenges ahead and the role of the United States.

#### CHALLENGES AHEAD

I speak with great respect for President Obama and Senator George Mitchell, but also great disappointment over what can most gently be described as meager results of American diplomacy this past year. The President got it right, at the outset of the administration, in declaring that resolution of the Arab-Israeli conflict is a U.S. national interest, not a favor we do for the parties. He got it right when he said that helping to resolve the conflict would be among his administration’s foreign policy priorities. And he got it right when he appointed Senator George Mitchell, a man of great character and integrity and with a proven record in international peace negotiations, as special envoy for the peace process.

From that point on, however, the administration got everything wrong. In May, Secretary of State Clinton articulated a strong, insistent position on the need for an Israeli settlements freeze: the President, she said, “wants to see a stop to settlements—not some settlements, not outposts, not natural growth exceptions. We think

it is in the best interests of the effort that we are engaged in that settlement expansion cease. That is our position. That is what we have communicated very clearly, not only to the Israelis but to the Palestinians and others. And we intend to press that point.” And yet, some months later, after prolonged discussions that resulted in a suspension of some Israeli settlement activity in only some part of the West Bank and for only a limited period of time, Secretary Clinton hailed this achievement as “unprecedented.” The fact is that settlement construction activity has not stopped for even one day in the West Bank or East Jerusalem. And Israel has even expanded economic benefits to out of the way settlements as a kind of “compensation” for the government’s decision not to make new housing starts in settlements for 10 months. The U.S. diplomatic volte face was surprising enough in its own right; however, it also left the Palestinians in a lurch. President Mahmoud Abbas summed it up recently when he said that Palestinians could demand no less than the United States on settlements, and thus the U.S. abandonment of a total settlements freeze cut the legs out from under the Palestinians.

The administration also tried to elicit confidence building measures from the Arabs, in particular to gain the agreement of Saudi Arabia for the overflight of Israeli civilian aircraft. The President sought this gesture from the Saudis with apparently no groundwork having been done in advance. The President traveled to Saudi Arabia, asked for the confidence-building step and was turned down. I want to make clear that I do not understand why, in 2010, the Saudis do not allow normal Israeli civilian air traffic over its territory. Boycotts and similar actions against Israel are unacceptable. But how did this issue rise to the level of personal Presidential attention? Why was there no preparatory work done to see how the Saudis would react and to condition the Saudis to be more receptive? Why wasn’t this issue packaged as part of a larger strategy, instead of being advanced as a stand-alone measure?

It would have made far more sense, in my view, for the President to talk to the Saudis about the Arab Peace Initiative, the Saudi-inspired plan that offers peace, security, and recognition to Israel in return for Israel’s withdrawal from the territory occupied since 1967, the creation of a Palestinian state with Jerusalem as its capital and an agreed resolution of the Palestinian refugee problem. This statement of Arab policy—which need not be seen as the basis for negotiations and does not have to be formally endorsed by the United States or Israel—represents a major advance in Arab thinking. And yet almost nothing has been done, by either the Arabs or us, to use it as a supportive element in the peace process. It seems to me the President should have had a deep discussion with the Saudis about their policy and ours, rather than ask for a single Saudi gesture.

The administration also hastily arranged a trilateral meeting in New York in September with Netanyahu and Abbas, out of which nothing emerged and which sent Abbas home empty-handed. Since then, the administration has been trying to arrange proximity talks based on general terms of reference. The very idea of proximity talks is odd and disappointing. After 20 years of direct, face-to-face Israeli-Palestinian negotiations, is this the best the United States can do? Equally, the absence of detailed terms of reference is also problematic. After Prime Minister Olmert and President Abbas have noted publicly that their talks in 2008 advanced peace issues rather substantially, are general terms of reference the best the United States can do? Indeed, from press reports, it appears that these terms of reference are based on statements made by Secretary Clinton to the effect that the United States would seek “an outcome which ends the conflict and reconciles” two competing visions: “the Palestinian goal of an independent and viable state based on the 1967 lines, with agreed swaps, and the Israeli goal of a Jewish state with secure and recognized borders that reflect subsequent developments and meet Israeli security requirements.” Also, as the Secretary has said, the United States believes “that it is possible to realize the aspirations of both Israelis and Palestinians for Jerusalem, and safeguard its status as a symbol of the three great religions for all people.”

These are not terms of reference. These don’t reflect a U.S. vision of what needs to be done. These don’t articulate a strategy for moving forward. They don’t send a message to the parties that the United States is determined to try to make this effort a success. Strong terms of reference can help shape the negotiating process. They can define what needs to be done and can provide a specific set of guidelines and a compass for arriving at the sought-after destination. Combined with a determined leadership role by the United States, strong terms of reference can make the difference between negotiations that simply get started and negotiations that have a chance to end with success.

## A POLICY AND A STRATEGY FOR THE UNITED STATES

To meet the challenges ahead, the United States must adopt a sound policy and commit to sustained diplomacy. We have known for years that interim, incremental or step-by-step approaches will no longer work. We know that confidence-building measures, in a vacuum, do not work and instead inspire lack of confidence. We know that building peace from the ground up, while important, cannot work in the absence of serious negotiations within which this edifice of peace will fit.

There are, in my view, two critical ingredients for American policy—a clear vision of how the peace process should end; i.e., a U.S. view on the core issues in the negotiations; and a multipronged strategy for trying to achieve that vision. Even with these, we cannot assure success, but we would have a policy and a strategy which are sound, strong, and sustainable. I do not favor, and my views do not imply, a U.S. “plan” that would be imposed on the parties. Rather, the process needs a U.S. substantive set of ideas to get the parties focused on what we will support and what we will not support.

First, the United States should articulate its own views on the shape and content of a final peace settlement. Our policy will not be a surprise to anyone, and many of our views will in fact reflect the positions of the parties themselves. These U.S. positions would constitute the substantive core of strong terms of reference:

- A territorial outcome based on the 1967 lines that results in a 100-percent solution, that is, Israel would retain a limited number of settlements in the major blocs (consistent with President Bush’s 2004 letter to Prime Minister Sharon) and would swap territory of equal size and value to the Palestinians in a manner that assures the territorial contiguity and viability of the State of Palestine. Borders would be demarcated to reflect these minor territorial adjustments, in a manner that would also optimize security and defensibility for Israel and Palestine.
- All Israeli settlements and settlers will be evacuated from the area agreed as constituting the State of Palestine. The Israeli army will be evacuated consistent with the timetable and other provisions of the final agreement.
- In Jerusalem, outside the walls of the Old City, a division of the city along demographic lines that will result in two capitals for the two states. The border in Jerusalem, outside the Old City, should be demarcated to reflect sensitivity to religious and security issues affecting both sides.
- In the Old City of Jerusalem, the two sides should agree to withhold claims of sovereignty and develop a common approach to the management of the city that protects the claims of the two parties and the interests of all stakeholders in the city.
- Palestinian refugees will be permitted to exercise their “right of return” to the new State of Palestine, consistent with the laws of that state. Israel will decide on how many refugees will be permitted to move to Israel under family reunification or humanitarian hardship considerations. The two parties will establish a claims commission to reach agreement on compensation for refugees whose status resulted from the conflict. The two sides should examine whether a special commission should be established to study the historical grievances of the two peoples. The international community should establish a fund to help the parties deal with claims.
- In the negotiations, priority should be given to security concerns and measures that address the needs of both sides. The parties should consider the range of mechanisms available to assist this process, including international or multilateral peacekeepers, observers and monitors; intelligence cooperation; liaison mechanisms; and the like.

These positions and others to be decided by the administration would constitute the vision of the United States regarding a final peace settlement. They would flesh out the ideas first enunciated by President Bush in 2004 and repeated by President Obama in 2009. They would represent a sound policy basis for our country.

Once having decided on this vision, the administration should develop a strategy for trying to realize its vision of peace. This strategy will need to be multidimensional, and our diplomats will need to “walk and chew gum” simultaneously. This should also be incorporated into the operational part of the terms of reference.

1. The United States should lay out a substantive negotiations agenda, drawn from the results of previous negotiations, that defines where the negotiations should begin and channels the negotiations toward possible agreements. This would constitute an action-focused negotiating framework that would launch negotiations from where they left off and avoid having the parties start from scratch.

- a. The United States should consider starting negotiations on borders, since an agreement on borders would frame and resolve many other issues.
- b. If the United States decides on a borders-first approach, it should lay out the following principles to underpin the negotiations:
  - i. A borders/territory agreement should reflect the equivalent of 100 percent of the territory occupied in 1967;
  - ii. There should be territorial swaps of equal size and quality based on a 1:1 ratio;
  - iii. There should be equitable sharing/allocation of shared resources (water, minerals, etc.);
  - iv. The negotiations on territory should focus on a narrow definition of settlement blocs which hold the largest concentration of settlers;
  - v. The negotiations should avoid as much as possible impacting on Palestinian daily life, should ensure territorial contiguity and the viability of Palestinian state, and should not include population swaps;
  - vi. Borders-first negotiations will need to be complemented by simultaneous final status negotiations on Jerusalem.
2. Throughout the negotiations process, the United States would need to decide on a proactive, interventionist U.S. role in order to narrow gaps and bridge differences.
3. The United States and others should work cooperatively to build regional and international support structures and “safety nets” for the process. In the region, the Arabs should be encouraged to activate the Arab Peace Initiative, to transform it from an outcome of successful negotiations into a living catalyst and support mechanism during negotiations. Outside the region, the United States should work closely with the many special envoys and international elements interested in supporting negotiations, so as to minimize duplication of effort and maximize benefits to the parties themselves.
4. The United States should revive and restructure multilateral discussions on issues such as economic development, regional infrastructure, health, water, environment, security and arms control, and the like. These discussions should be led by strong chairs, involve primarily regional parties, and have action- and goal-oriented agendas.
5. Palestinian state-building activities need to be encouraged and accelerated, using Prime Minister Fayyad’s 2-year plan as basis. The United States and others should increase resources directed to building up Palestinian security capacity, and Israel should take steps to facilitate these efforts.
6. Firm U.S. diplomacy should seek a complete cessation of Israeli settlement activity and sustained Palestinian action against terrorist infrastructure and incitement. The administration and the Congress should reach understanding on a set of calibrated consequences should one or both parties continue activities seen by the United States as inconsistent with the peace process.

This vision and this strategy will put the administration’s policy on strong footing. They are not a guarantee of success, and the diplomacy of getting the parties to the negotiating table will be arduous. But we have the diplomatic experience and expertise to make it work.

As we engage in the period ahead, several contextual issues will need to be addressed. Some analysts believe that the United States should engage Hamas now and thereby help Palestinians achieve political reconciliation. I disagree. There is no evidence that I have seen indicating any change in Hamas’ firm rejection of a negotiated settlement of the dispute or willingness to reconcile with Israel. There is no reason now to reward this radical behavior and ideology. To be sure, if an agreement is reached between Israel and the PLO, there will need to be a method for validating this outcome among Palestinians, for example, a referendum or a new election. At that time, against the backdrop of a successful negotiation, Hamas will have an opportunity to argue its views before the Palestinian public and before world public opinion.

A second issue relates to United States-Israeli bilateral relations which have been strained during the past year. The Obama administration, and the President himself, need to do a better job of talking to the Israeli people. We need to explain our policies better, and we need to give Israelis a chance to see who our leaders are and how they think. Israelis need to feel confident that Americans will stand by Israel to assure its safety and well-being. At the same time, Israelis would be advised to dismiss the curious idea that Obama is not a friend of Israel’s. He is, and he is a supporter of the idea of peace. Better dialogue and communications should remove this irritant from the atmosphere.

Third, there is no reason for humanitarian stress to persist in Gaza or for the people of Gaza to suffer because of the misdeeds of Hamas. Both Israel and Egypt need

to be encouraged to open Gaza's borders to necessary humanitarian relief and to the requirements of normal life, such as building materials and the like. Neither Israel nor Egypt needs to sacrifice its security interests in this regard, but they must apply those interests in a manner that don't further exacerbate the humanitarian distress of Gaza's population.

Finally, there are two critical populations which have essentially been excluded from the peace process but whose views are critical for the process's success—namely, Israeli settlers and Palestinian refugees. There is little that the administration can do to persuade these constituencies of the long-term value of peace. But we can support Track II and people-to-people activities that encourage refugees and settlers to talk among themselves about these issues. Both of these communities need to move from the unrealities that they cling to and begin thinking about pragmatic outcomes that serve the best interests of their respective peoples.

#### ISRAEL AND SYRIA

Before concluding, let me share one thought with respect to the situation between Israel and Syria. The ground truth on the Syria-Israel front is equally complex but not a reason to avoid peacemaking. Syria continues to support terrorist groups, including Hezbollah, and has joined with Iran in threatening Israel's security and well-being. The Syrian alliance with Iran—which Syria argues helps to serve important Syrian interests—also poses challenges for the United States, for example with respect to Syrian behavior in Iraq and Syrian activities in Lebanon. Syria is also improving relations with Turkey at a time when Israeli-Turkish ties have become more complicated.

However, there is no substitute for peace in breaking out of this negative downward spiral. At the Herzliya Conference several weeks ago, Defense Minister Barak emphasized that the failure to demarcate Israel's borders represents a bigger threat to Israel than Iran, and Barak warned against complacency in this regard lest the process of delegitimizing the State of Israel gain momentum.

The time to act, therefore, is now. The four issues that divide Israel and Syria—borders, security, political relations and water—are not irresolvable. When the two sides last negotiated, indirectly under Turkish auspices, it was believed that further progress was made in narrowing differences.

To be sure, I am not entirely persuaded that either party really wants to conclude negotiations, for the status quo, however fraught it is with the possibility of small actions escalating into large confrontations may be easier for both sides to handle than the ultimate concessions that would be necessary for peace. But this should be tested through quiet but sustained diplomacy. If it becomes clear that either or both are unwilling to proceed, then the United States can turn its attention elsewhere. Until that point, the Syrian-Israeli issues ought to figure prominently in our peace process strategy.

The CHAIRMAN. Thank you very much. Very helpful, and obviously raises some questions. We'll come back.

Dr. Malley.

#### **STATEMENT OF DR. ROBERT MALLEY, DIRECTOR OF MIDDLE EAST/NORTH AFRICA PROGRAM, INTERNATIONAL CRISIS GROUP, WASHINGTON, DC**

Dr. MALLEY. Thank you, Mr. Chairman, members of the committee. Thank you for inviting me.

In the 17 years since the peace process began in earnest at Oslo, there have been better times, and, as Ambassador Kurtzer said, there have been many worse times. I can't recall a time that was more complex, contradictory, and confusing. And the reason for that, I think, is that, since the last time that we were engaged in a genuine effort, a real diplomatic effort to achieve comprehensive peace—in 2000, at the time of the Clinton Parameters and of Taba—since that time, the ground beneath the peace process has changed and been transformed in radical ways.

First of all, U.S. credibility, unfortunately, has decreased and diminished. And anyone who travels in the region hears that every day.

Second, the entities, Palestinian and Israeli, have changed and have fragmented since the time that we were last involved, in the year 2000.

Faith in the peace process, on both sides—there may be support for a two-state settlement, but belief in a two-state settlement, and even interest in plans, is waning in both Israel and on the Palestinian side.

And finally, on the regional—in the regional landscape, we’re seeing polarization, fragmentation between different camps, which is making it much harder to achieve a consensus on how to move forward.

Now, U.S. efforts—and I agree with everything, Mr. Chairman, you said, and Senator Lugar, and Ambassador Kurtzer—U.S. efforts need to be pursued. But, they have to adjust to these changing realities, and, so far, unfortunately, they haven’t fully done so.

Now, you’ve entitled the hearing, “Ground Truths and Challenges Ahead,” and I think that’s the absolutely befitting title, because what we need to do is take a sober look at what the ground truths are today, what are these changes that have occurred over the last decade, and see how we adapt to them to overcome the challenges. And that’s what I’d like to do now, just mention four areas in which I believe the situation has changed, and how we need to adapt.

The first is waning U.S. credibility. We need to devise a policy that takes that into account and tries to restore our credibility. I think Ambassador Kurtzer just mentioned that what we need is a strategy that has a clear vision of what we want to accomplish, a realistic way of accomplishing it, and a strategy to deal with failure, in the event failure were to occur. That wasn’t the case, so far, in the instance of the settlements policy, which serves as, sort of, a counterexample of what we ought to be doing, but now, if we’re moving toward final status talks, then we need, at some point, as a number have already suggested, to put ideas on the table, but do it at a time when we actually think we could back them up, do it with international support, and do it in a way that will resonate both with the Israelis—Israeli and Palestinian publics.

Senator Lugar, you asked about Tom Friedman’s suggestion. My answer would be that certainly I wouldn’t endorse it now, but if the United States were to put on the table clear principles for final status agreement—not an imposed solution, but just parameters—and one or both parties were to say no, it might then be time to reconsider our approach and tell them—whichever party said no—that they have to reconsider their own position.

Second, we need a policy that’s going to take into account the changed political outlooks on both sides, what I call the dramatic loss of faith in the two-state settlement. These are not—it’s not a personal issue. When President Abbas says he doesn’t want to engage in direct negotiations, we may lament it, but this is the cry of the last true believer, on the Palestinian side, in negotiations. He is not expressing a personal view. What he’s doing is, after long years of being a true believer, expressing a much more deeply held belief by the vast majority of Palestinians that talks at this point would be for naught. He is the most moderate expression of that deeply held and deeply entrenched collective disillusionment.

Likewise, on the Israeli side, when Prime Minister Netanyahu calls for Palestinian recognition of a Jewish state, or when he calls for much more stringent security measures than had been in place—than had been contemplated, even in Taba or Camp David, these may be his personal thoughts, but they go well beyond. They express deep disillusionment on the Israeli—on the part of the Israeli public, and the need that the Israeli public have today to believe that the Arabs truly recognize their right to exist as a Jewish state, and for security measures that would deal with the kind of unconventional threats that emerge in Gaza and South Lebanon. So, let's understand what we're dealing with, that these are deeply held popular views.

The third adaptation we need is to adapt to the growing fragmentation in both Israel and Palestine, and the fact that dynamic groups have emerged that we are not really equipped to deal with. And, in fact, the peace process today is doing the least, and matters the least to those who can do the most to disrupt it. I'm talking about settlers and the religious right in Israel, and I'm talking about Islamists, the diaspora and refugees on the side of the Palestinians. We need a process that reaches out to them and that tries to address some of their concerns.

Ambassador Kurtzer mentioned the question of Hamas. I'm not going to advocate engagement with Hamas; the time is not ripe. I'm not even saying that the United States, at this point, should openly promote Palestinian reconciliation. But, I would ask a simple question: Do we truly believe that a Palestinian national movement, as divided, fragmented, and unwieldy as it is today, is in a position to sign a historic agreement, to implement it, and to sell it to its people? I believe not. And so, I think we need a policy that at least does not object to efforts by Palestinians to come together.

Fourth, and last, we need a policy that reflects and adapts to the changed regional landscape. Today, the Palestinians cannot make peace on their own. It's not clear whether they could have in the year 2000. Today, they're too weak, they're too fragmented, and too subject to foreign interference to do so.

That brings me directly to the question of Syria. If we want to have peace between Israelis and Palestinians, I believe, today, moving toward peace between Israelis and Syrians is not an obstacle, it's a precondition.

Bringing Syria in would do three things. First, it would provide cover to the Palestinians, and they need it. Second, it would provide a real incentive to Israelis, who would know that if they reach peace with Palestinians, Syrians, and Lebanese, they would get full recognition and normalcy with all Arab States, which is the real incentive. Much more than a piece of paper they would sign with the Palestinians. And third, if the Syrians were engaged and involved, and if progress was made toward peace, other actors in the region—Hamas, Hezbollah, and perhaps even Iran—would have to read the writing on the wall and adjust their own behavior.

So far, the engagement with the Syrians has produced mixed results, as both sides see it. Both sides are disappointed. But, we shouldn't have the unrealistic expectation that Syria would break with Hamas, Hezbollah, or Iran, certainly not in a time of great uncertainty. What we ought to be doing is having a genuine con-

versation with the Syrians, a strategic conversation, on a blueprint for future bilateral relations, and doing everything we can to re-launch Israeli-Syrian talks.

Finally, one word about Gaza. And, Mr. Chairman, you were there, and I think that was absolutely the right thing to do. And I would hope that members of the administration would visit Gaza, as well. It is a humanitarian and political catastrophe, both.

I don't need to get into the details of the humanitarian situation, which you saw firsthand. But, politically, it is completely self-defeating. Yes, Hamas is being weakened in Gaza. We have people who work with the international crisis group, there, and they testified to Hamas's dwindling—dropping popularity. But, Hamas is not going away. It controls Gaza. And the more the siege remains, the more we're bringing up a generation of Palestinians who are going to be tempted by more radical forms of behavior. The economy is falling, in the hands of Hamas, because the private sector is being dried up. And who knows, if the situation continues, whether Hamas will be tempted with a new round of violence, which would bring to naught all our efforts on a peace process. So, we need a new policy toward Gaza, a more energetic policy that opens it up to normal trade and traffic. It's also in our interest. You were in Doha, Mr. Chairman. You know how Gaza has become the lens through which so many Arabs view United States policy.

My recommendations, obviously, entail a long haul, revising our approach toward Israelis, Palestinians, and the region. There are no shortcuts, but I also think we have no choice, because our credibility and national interests are at stake.

Thank you.

[The prepared statement of Dr. Malley follows:]

PREPARED STATEMENT OF DR. ROBERT MALLEY, MIDDLE EAST AND NORTH AFRICA PROGRAM DIRECTOR, INTERNATIONAL CRISIS GROUP, WASHINGTON, DC

Mr. Chairman, first, let me express my appreciation to you for the invitation to testify before the Senate Foreign Relations Committee. In the 17 years since it was first launched, the peace process has gone through times that were better and through times that were worse, but none that were more complex, confusing, or contradictory as today. That is because of late so much that had been relatively stable—in terms of the character of local actors, shape of the regional landscape and assessment of the U.S. role—has undergone dramatic shifts. Only a handful of these recent transformations need mention: the death of Yasser Arafat, father of Palestinian nationalism, and incapacitation of Ariel Sharon, Israel's last heroic leader; Fatah's crisis; Hamas's electoral triumph and takeover in Gaza; the 2006 Lebanon and 2008 Gaza wars, which shook Israel's confidence and bolstered that of Islamist militants; the failure of the Abbas-Olmert talks; U.S. regional setbacks in Iraq and diplomatic disengagement elsewhere; Iran's increased influence; and the growing role of other regional players. This is not a mere change in scenery. It is a new world. As the ground beneath the peace process has shifted, U.S. efforts have yet to fully adjust.

This hearing is entitled "Ground Truths, Challenges Ahead," and there could not have been more fitting title. Only by taking a sober, honest look at where things stand today might we have an opportunity to overcome the challenges and begin to reshape the region in ways that serve our national interests.

Mr. Chairman, at the outset it is important to acknowledge several stark, uncomfortable realities.

Among Palestinians, the national movement, once embodied by Fatah and led by Arafat, is in deep crisis, weakened, fragmented, and without a compass. Fatah is divided, lacking a clear political program, prey to competing claims to privilege and power. Rival sources of authority have multiplied. Mahmoud Abbas is President, though his term has expired; he heads the PLO, though the organization's authority has long waned. Salam Fayyad, the effective and resourceful Prime Minister, cannot

govern in Gaza and, in the West Bank, must govern over much of Fatah's objection. Hamas has grown into a national and regional phenomenon, and it now has Gaza solidly in its hands. But the Islamist movement itself is at an impasse—besieged in Gaza, suppressed in the West Bank, at odds with most Arab States, with little prospect for Palestinian reconciliation and with internal divisions coming to the fore. Meanwhile, diaspora Palestinians—once the avant-garde of the national movement—are seeking to regain their place, frustrated at feeling marginalized, angered by what they see as the West Bankers' single-minded focus on their own fate.

Both symptom and cause of Palestinian frailty, foreign countries—Arab, Western, and other—are wielding greater influence and in greater numbers. All of which leaves room for doubt whether the Palestinian national movement, as it currently stands, can confidently and effectively conduct negotiations for a final peace agreement, sell a putative agreement to its people, and, if popularly endorsed, make it stick. There is insufficient consensus over fateful issues, but also over where decisions should be made, by whom and how.

To this must be added more recent travails: the Goldstone affair, which damaged President Abbas's personal credibility; the U.S. administration's course correction on a settlements freeze, which undercut Palestinian as well as Arab trust in America; and steps as well as pronouncements by the Israeli Government, which depleted what faith remained in Prime Minister Netanyahu.

The backdrop, of course, is 17 years of a peace process that has yielded scant results, not a few of them negative, and has eroded confidence in negotiations as a means of achieving national goals. The Palestinian people, as much as its political elite, sees no real alternative option, and so for now will persist on this path. The acceptance of indirect talks, after some hesitation and after rejecting their direct version, is the latest indication. But the acceptance is grudging rather than heartfelt, and resigned rather than hopeful. They are hoping for guarantees now, a sense that talks will not last forever even as facts on the ground change in their disfavor.

In far less pronounced fashion, Israel too has witnessed a fragmentation of its political landscape. Endemic government weakness and instability as well as deepening social splits have combined with the rise of increasingly powerful settler and religious constituencies. Together, these developments call into question the state's ability to achieve, let alone carry out, an agreement that would entail the uprooting of tens of thousands of West Bank settlers.

Nor has disillusionment with the peace process been an exclusively Palestinian affair. Israelis too are losing hope; fairly or not, they read Abbas's rejection of former Prime Minister Olmert's offer as a sign that peace will remain elusive. Instead, they focus on the violent aftermaths of their withdrawal from South Lebanon and from Gaza; on the rise of militant forces in Palestine and throughout the region that reject their nation's very existence; on those groups' acquisition of ever more deadly and far-reaching weapons. Although still confident in their military superiority, Israelis have begun to doubt. The Lebanon and, to a lesser degree, Gaza wars were warning signs to a nation for whom the security establishment has from the start been a pillar of strength even amid political turmoil. The threat to Israel, real or perceived, from Iran, Hamas, and Hezbollah, supplants much else. Israelis are looking for security guarantees that take into account these broader regional shifts in any eventual agreement; they also are looking for signs of genuine acceptance of, rather than temporary acquiescence in, their existence.

Political fragmentation has hit the regional scene as well and the balance of power has been one victim. So-called moderate Arab regimes on which the United States long relied no longer can dictate or expect compliance from their counterparts. They too have suffered from the peace process dead-end, the Lebanon war and the conflict over Gaza which exposed them to their people as impotent or, worse, on the wrong side of history. Increasingly, they appear worn out and bereft of a cause other than preventing their own decline and proving their own relevance. Gradually, they are being upstaged or rivaled by other, more dynamic players, states (such as Iran, Syria or, to a lesser degree, Qatar) or movements (most notably Hamas and Hezbollah). They still can carry the day—witness the Arabs' decision to back proximity talks. But they do so with greater difficulty and so with greater reservations, feeling the pressure of dissenters both domestic and regional.

The final change, and one that arguably must concern us most, is the United States loss of credibility and influence. There are many reasons for this—setbacks in Iraq; Iran's rise; the failure of diplomacy in the 1990s and the disengagement from diplomacy in the decade that followed; and the unavoidable disappointment of unreasonably high Arab expectations coupled with the avoidable U.S. missteps that followed President Obama's election among others. The bottom line is that large numbers in the region wonder what the United States stands for and seeks to

achieve and that—an evolution far more worrisome—growing numbers have begun not to care.

U.S. peace efforts toward a two-state solution have a chance to succeed only if they take into account these profound alterations and adapt to them. They cannot assume that our credibility, the outlook, or nature of the Israeli and Palestinian polities, or regional dynamics in 2010 are even remotely similar to what they were in 2000. In this sense, the fate of some of the administration's early efforts should serve as a warning sign.

1. *Any approach must take account of reduced U.S. credibility and influence while seeking ways to restore them.* The first lesson, self-evident but too often honored in the breach, is to define a clear and achievable goal, assess what actions are required—domestically, regionally, and internationally—to realize it and make sure there is a strategy to cope with the fallout in the event one or both parties resist. It means avoiding high stakes risks at a time when neither the United States nor the region can afford another high-level failure. It means avoiding raising expectations and allowing actions to speak for themselves. And it means working closely with others to increase our leverage.

One particular idea that receives regular attention is for the United States to unveil a set of parameters that can serve as its terms of reference for negotiations—e.g., a Palestinian state on the 1967 borders with one-to-one swaps; Jerusalem as the capital of two states based on demographic realities; a third party security presence in the West Bank. I believe the time for such an initiative almost certainly will come. It would not be a concession to either of the parties but rather the prudential step of a mediator seeking to narrow negotiation positions within realistic bounds; if such terms cannot be agreed upon, it is hard to see what purpose negotiations might serve or how they could possibly succeed. Nor would it be dictating a specific outcome so much as defining a zone of possible compromise, making clear to leaders on both sides what the United States believes to be a reasonable outcome, giving their publics something to debate and rally around, and suggesting the costs of forfeiting this chance. But this should be done only at the right moment, in the proper context. It should only be done with strong regional (especially Arab) and international backing. And it should be done only if the United States is prepared to deal with the prospect of either or both sides saying no.

2. *Our strategy must be mindful of, without being captive to, both sides' politics and the mutual, collapsing faith in the old plans and formulas.* Mahmoud Abbas's refusal to engage in direct talks under the auspices of a more sympathetic and engaged administration was, seen from the United States, frustrating and puzzling almost to the point of incomprehension. Much of it was explained on account of his personal trauma—what the Goldstone humiliation meant to him and his close ones—and anxiety. Yet the impasse must be understood as going far beyond personal pique (though there is some of that) or the apprehensions of a single man (though he has a considerable amount of that too).

Abbas's reaction is, above and beyond all, a reflection of an enormous popular disappointment in the process that began in 1993. He is, in a sense, the last true believer, holding out hope in the promise of a negotiations strategy of which, among his colleagues, he was the first and most ardent supporter. But even he could no longer ignore that he sits at the centre of three concentric circles of failure: 16 years since the Oslo accords, 5 since he was elected President and 1 since Barack Obama took office. And so it has become that much harder for him to justify or defend a process that is deprecated in Ramallah, whether to a skeptical population, to his Fatah movement or even to himself. His demands for a settlements freeze (prompted, he believes, by the U.S.), then for robust terms of reference are not a sign that he has given up on negotiations. They are a sign that he wants to enter them under conditions that, in his mind, offer a chance of success. It would be a mistake for us, or for Israel, to see Abbas as a temporary obstacle rather than as the more moderate expression of a deeply entrenched collective disillusionment.

The same is true on the Israeli side. Benjamin Netanyahu can be maddening in his grudging acceptance of a two-state solution, numerous caveats, political maneuvering and foot-dragging. His coalition partners—a mix of right wing, xenophobic, and religious parties—certainly complicate the path toward a peace agreement. But Netanyahu's insistence on Palestinian recognition of a Jewish state as much as his demands for far more stringent security—and thus, territorial—arrangements—are not mere pretexts to avoid a deal and are far more than the expressions of a passing political mood. They reflect deep-seated popular sentiment regarding the yearning for true Arab recognition and acceptance and fear of novel, unconventional security threats. New coalition partners or new elections might change the atmosphere. They are not about to change the underlying frame of mind. In short, we should no more

underestimate how deep runs Palestinian skepticism than we should downplay how broadly Netanyahu's positions resonate.

3. *A successful strategy must reflect the changing nature—and increased fragmentation—of both Palestinian and Israeli politics.* New actors and forces have emerged on both scenes. As a result, we need to find a way to reach out to skeptical constituencies that often are the most energized, the most dynamic and the most indifferent to talk of a two-state solution. These include settlers and religious groups on the Israeli side; the diaspora, refugees, and Islamists on the Palestinian. This will entail finding ways to communicate with them, but also to reflect some of their concerns in an eventual peace deal.

Mr. Chairman, any talk of inclusiveness inevitably raises the difficult, controversial question of Hamas and how the United States ought to deal with it. I have long believed that the issue of direct U.S. engagement with the organization is a distraction, a diversion that prevents us from thinking clearly and rationally about a more basic issue—namely, whether we believe a politically and geographically divided Palestinian national movement is in a position to reach, implement, and sustain a historic deal.

My view is that it cannot. By challenging President Abbas, Hamas can make it more difficult for him to resume direct negotiations. By resuming rocket attacks from Gaza, it can once again disrupt talks should they begin. By mounting a campaign in the territories and refugee camps, it can torpedo the chance of passage in a referendum, should a deal be reached. And, throughout—by its activities, rhetoric and presence in Gaza—it lowers the Israeli public's belief in peace. Hamas almost certainly has lost popular support and its freedom of maneuver in the West Bank has been sharply curtailed. But it remains a powerful political and military presence, with strong domestic backing and the capacity to act. Conventional wisdom has it that Hamas should be dealt with only once the peace process has shown significant progress; the theory neglects the Islamist movement's ability to ensure that it does not.

It ought not to have escaped notice that, amid the flurry of discussions between Abbas and Olmert and then the drama surrounding the initiation of direct or indirect talks between Abbas and Netanyahu, some of the more practical, implicit arrangements and serious negotiations have been struck between Israel and Hamas—over Gaza for example, or the prisoners exchange. That does not mean that Hamas—any more than Fatah—can claim to represent the Palestinian people or speak on their behalf. It does not mean that the United States must deal directly with Hamas. And it does not mean that the United States should openly promote Palestinian unity, a Palestinian decision that they need to take themselves. But at a minimum, the United States should stop standing in the way of a possible reconciliation agreement and signal it would accept an accord to which President Abbas lent his name.

4. *A successful strategy must adapt to changing regional dynamics.* The Middle East is far more polarized and decentralized than a decade ago and our traditional partners no longer have the power they once had to carry the region with them. With too many actors able and willing to intervene, an Israeli-Palestinian track cannot proceed on its own, let alone succeed on its own.

Syria is not a central or perhaps even decisive actor in the Israeli-Palestinian conflict. But it undoubtedly is a crucial one, and its importance has risen as the regional landscape has changed. In particular, its allies—Hamas and Hezbollah—have gained considerable power. Damascus can take on a spoiling role or a stabilizing one. It can facilitate Middle East peace or retard it. How United States-Syrian relations evolve will go a long way toward determining what part the Syrian regime ultimately chooses to play.

Improved relations between the United States and Syria as well as a resumption of Israeli-Syrian peace talks are, in this respect, of critical importance. It used to be feared that movement on the Syrian track would impede progress on the Palestinian one. No more. There are several reasons. On its own, an agreement between Israel and the Palestinians, but without agreement with Syria or Lebanon, would not produce peaceful relations between Jerusalem and the rest of the Arab world. Without Syria, in other words, the most powerful incentive for Israelis to make the compromises required for a peace deal—recognition and normalcy—would be lacking. Nor would Syria see any reason to discourage its allies in Palestine from undermining the deal or Hezbollah from maintaining military pressure in the north. In other words, the benefits for Israel of a Palestinian deal are partial and political costs are high. A comprehensive accord, by contrast, would magnify the payoff: Arab States would establish normal relations with Israel; Hezbollah and Hamas would have to readjust their stance; even the Iranian leadership would be compelled to adapt.

Progress on the Syrian track also would bolster the Palestinians' ability to move in their talks. Palestinians need Arab backing and cooperation to legitimize compromises, most notably on issues that are not strictly Palestinian—the status of Jerusalem or the fate of the refugees—and for which Damascus's acquiescence would make a difference. This is all the more true given the state of Palestinian politics, weak, divided and susceptible to outside interference. Should Syria feel excluded, it could undermine the accord and mobilize its allies to do the same.

Finally, U.S. engagement with Syria could be put to use to seek to establish new redlines between Israel and Hezbollah. The border between Israel and Lebanon might seldom have been calmer, but the threshold for renewed—and large-scale confrontation—rarely has been lower.

To date, the Obama administration's experience with the Syrian regime has left many doubtful. Despite signs of engagement, including high level visits and the decision to dispatch an ambassador, Washington sees little evidence of reciprocity. To the contrary, it sees signs of deepening ties to Hezbollah and Iran and, most recently, opposition to indirect Israeli-Palestinian talks.

It was always to be expected that engagement with Syria would be an arduous, painstaking affair; prospects remain uncertain. But to judge results at this stage or on the basis of its ties to traditional allies is to misunderstand the regime and how it makes its decision. Syria itself sees little of value emerging from the first 14 months of the administration—continued sanctions; repeated calls for it to sever ties to reliable allies; paralysis on the peace process; and lack of cooperation on regional issues.

There is a broader point. In Western capitals as well as in Israel, considerable time and energy is spent on the question whether Syria is genuinely interested in a peace deal; whether it would be prepared to fundamentally shift its strategic orientation—shorthand for cutting ties to current allies; and, if so, what it might take (returning the Golan, neutralizing the international tribunal on the murder of former Lebanese Prime Minister Hariri, lifting U.S. sanctions, or providing vast economic support) to entice Damascus to make that move.

At its core, the question is ill-directed and the conceptual framework underpinning it is flawed. However much Syria aspires to these political or material returns, and notwithstanding the importance it places on the bilateral U.S. relationship, the key for the regime relates to its assessment of regional trends, domestic dynamics as well as the interaction between the two. The end result is a debilitating perceptions gap: whereas outsiders ponder how far Syria might be willing to go in helping reshape the region, Damascus considers where the region is headed before deciding on its next moves. What Washington can do for Damascus matters; what it can do in and for the region may matter more.

The temptation in Washington so far has been to test Syrian goodwill—will it do more to harm the Iraqi insurgency, help President Abbas in Palestine, loosen ties to traditional allies or stabilize Lebanon? On its own, that almost certainly will not succeed. The United States is not the only one looking for evidence. So too is Syria—for proof that the risks it takes will be offset by the gains it makes. The region's volatility drives them to caution and to hedge their bets pending greater clarity on where the region is heading and, in particular, what Washington will do.

Ultimately, we do not know how far the Syrian leadership can or will go. It likely will make up its mind only when it deems it absolutely necessary—when it is faced with a concrete and attractive alternative strategic role in the region and peace offer. Today, Syria's incentives—strategic, economic, and social—to adjust its posture and policies are high but uncertain; the risks are profound and tangible. In particular, as long as the current situation of neither peace nor war that defines Syria's relations with Israel endures, Damascus most likely will seek to maintain—and play on—the multiplicity of its relations and will continue to use its ties to Hezbollah, Iran, and Hamas to provide it with what it considers a form of leverage and deterrence. For Washington, the challenge was and remains to adopt regional and bilateral policies that help Syria's calculations in the right direction.

One thing is clear: Syria will be careful not to move prematurely and risk alienating current allies without at a minimum having secured complementary ones (regional or international). In this sense, Syria's ability to adjust its strategic stance also will be, in part, a function of its allies' situation and perceptions at the time. The more Iran, Hezbollah, or Hamas feel pressured, the more they interpret Syrian moves as betraying them at a critical juncture, the harder it will be for Damascus to display signs of greater autonomy or distance from them. As a result, the more Syria's historic partners are embattled and the United States clamors for a break between Syria and them, the more Damascus will redouble signs of loyalty toward them. The recent summit meeting between Presidents Assad and Ahmadinejad, and the highly dismissive tone adopted toward the United States are exhibit A.

Because sanctions will not be lifted until Syria changes its relations with its allies and because Syria will not modify these relations in the absence of far more substantial regional changes, a wiser approach would be for the United States and Syria to explore together whether some common ground could be found on specific issues and work on a blueprint for their relationship. If successful, this could provide a more realistic test of both sides' intentions, promote their interests and start shaping the Middle East in ways that can reassure Syria about what the future holds. On Iraq, Damascus may not truly exercise positive influence until genuine progress is made toward internal reconciliation. The United States could push in that direction, test Syria's reciprocal moves and, together with the Iraq Government, offer Damascus the prospect of stronger economic relations with its neighbor. In Palestine, Syria claims it can press Hamas to moderate its views but again only if there is real appetite in the United States for an end to the internal divide. Likewise, both countries could agree to try to immunize Lebanon from regional conflicts and push the state to focus on long-overdue issues of governance. Given the current outlook and suspicion in Damascus and Washington, these are all long shots. But, with little else in the Middle East looking up, it is a gamble well worth taking.

One cannot conclude an overview of the situation in the Middle East without warning about real and potential flashpoints, either one of which risks steering the region in unpredictable—but predictably perilous—directions. There are many—the explosive situation in Jerusalem is one, the tense situation on Israel's northern border another—but I will focus briefly on one.

Mr. Chairman, you have visited Gaza recently and so there is no need to describe the appalling humanitarian conditions of a population, 40 to 60 percent of whom are unemployed, in excess of that living beneath the poverty level. Israel has legitimate security concerns; it also has an interest in obtaining the release of Corporal Shalit, held in captivity in Gaza for over 1,300 days.

But to inflict collective punishment on the people of Gaza is both morally unconscionable and politically self-defeating. Hamas has lost backing as a consequence of the siege, it is true, but at what price and to what end? It is nowhere nearer losing control over Gaza and elections are nowhere in sight. The end of all legal commerce and flourishing of a tunnel-based economy is destroying the business class and granting more power to those who currently hold it. A generation of Gazans is being brought up knowing nothing but want and despair. Hamas—although hardly eager for renewed confrontation after Operation Cast Lead—might soon conclude its best bet is to provoke a new escalation in order to break out of its current impasse. Arab public opinion, which harbored such high expectations for President Obama, increasingly is viewing U.S. policy through the lens of Gaza's ordeal and Washington's seeming obliviousness to this plight.

It is hard to see how any of this is good for Israel's security or U.S. national interests. There are options for opening Gaza up to normal trade—through Israel, through Egypt, or by sea—in ways that meet Israel's legitimate security concerns. We should press for them and help put them into place.

Mr. Chairman, at the dawn of this new Presidency, my colleague Hussein Agha and I wrote: "so much of what the peace process relied upon has been transfigured. It was premised on the existence of two reasonably cohesive entities, Israeli and Palestinian, capable of reaching and implementing historic decisions, a situation that, today, is in serious doubt; continued popular faith and interest in a two-state solution, which is waning; significant U.S. credibility, which is hemorrhaging; and a relatively stable regional landscape, which is undergoing seismic shifts."

The challenge for the administration is to devise a strategy that strives for our traditional goals but in a radically transformed environment. It will take persistence and flexibility, determination and creativity, a retooled approach toward local parties and the region. It likely will take time. There are no shortcuts. There is no choice.

The CHAIRMAN. Thank you very much, Dr. Malley.  
Dr. Asali.

**STATEMENT OF DR. ZIAD ASALI, PRESIDENT, AMERICAN TASK  
FORCE ON PALESTINE, WASHINGTON, DC**

Dr. ASALI. Mr. Chairman, Senator Lugar, I wish to thank you and the esteemed members of your committee for the privilege of testifying before you.

The situation facing Israel, the Palestinians, and all other interested parties, especially the United States, is difficult, but it also

presents new opportunities. I'm confident that negotiations will resume soon with measures in place to maximize the possibility of success.

Yesterday's Arab League's decision facilitates Special Envoy Mitchell's efforts to bring the parties together. Proximity talks, regional cooperation, and more constructive rhetoric by the parties will all help. But, past experience should temper our expectations for the immediate future.

The PA has initiated an important innovation with regard to Middle East peace: the program issued last August by Prime Minister Fayyad under the leadership of President Abbas. Palestinians plan to build the institutional, infrastructural, and economic foundations of their states while under occupation, to end the occupation. All parties, including Israel, say it is their intention to realize a two-state solution.

The Palestinians are taking up the responsibilities of self-government as they continue to insist on the right of self-determination. In extemporaneous remarks at the Herzliya conference last month, Fayyad explained this, and the Israeli leadership applauded. He addressed accusations of unilateralism by noting that only Palestinians can build up their own state. It must be clearly stated that the Palestinian state can only be established through a negotiated agreement. The Israeli establishment, that understands that a peace agreement with the Palestinians is a strategic imperative, should recognize this program as a serious pathway to that end. And there should be no doubt about the negative strategic consequences of thwarting it.

Institution-building is not a substitute for diplomacy. They support each other. The PA innovation is to add a bottom-up approach, based on palpable achievements, to top-down diplomacy. Convergence between these two will result in a mutually reinforcing dynamic toward peace.

At the heart of the state-building enterprise are the new Palestinian security forces. The restoration of law and order and increased security cooperation, along with Israel's removal of several checkpoints, has led to an economic upturn in the West Bank. This demonstrates what Palestinians can accomplish and how Israeli concerns can be overcome, given appropriate levels of coordination, international aid, technical support, and sustained political engagement. It is vital that Palestinian security forces are allowed access and mobility. Israeli incursions undermine the legitimacy and effectiveness of these forces as state-builders. Despite the harsh realities of life under the occupation, conditions have improved under—areas in—under PA control. But, significant challenges remain.

Last week tensions were raised by Israel's decision to add holy sites in the occupied territories to its international heritage registry. Continued settlement activity, confrontations in East Jerusalem, excavations near holy sites, evictions of Palestinian families, travel and visa restrictions, belligerent conduct by extremist settlers, and sporadic violence by individual and organized Palestinian extremists, all undermine the viability and credibility of negotiators and negotiations. In this context, I acknowledge Prime Minister Netanyahu's intervention to defuse a crisis over building plans in Silwan.

The situation in Gaza is dire. Israel's blockade has produced a humanitarian tragedy without weakening Hamas control. Isolation helps Hamas increase its hold on the long-suffering people of Gaza, and to create a totalitarian theocracy that systematically takes over civil society and harasses international NGOs, the very organizations best placed to lead the reconstruction effort. In short, the people suffer while Hamas benefits politically from this unconscionable blockade. I strongly recommend that reconstruction commence soon, and that legal and orderly operations of the crossings be resumed.

I also call for ending the frankly mystifying and counterproductive pattern of Israel preventing Gaza students from traveling to study abroad.

I commend Congress for the substantial aid it provided to the Palestinians last year. This positive trend needs to be expanded by offering the necessary financial and political support for the PA to successfully pursue the state- and institution-building program. This is not simply a development project, it is a serious political program that advances a key American national interest. I believe that this program should be funded by Congress, and that the United States Government should lead others to fund and support it, as well. I look forward to Special Envoy Mitchell's enlisting necessary partners to achieve coordinated political, economic, and security progress.

The United States is the indispensable partner that can bring all parties to negotiations and agreement. And in this, I see the answer to Tom Friedman's suggestion. The United States is the indispensable partner that can neither outsource this issue, nor can let anybody else handle it alone. The regional alliances needed to be formed, considering the challenges of this year and next year, can only be dealt with by a coordinated effort through the United States diplomacy.

I thank you for the opportunity and look forward to answering questions.

[The prepared statement of Dr. Asali follows:]

PREPARED STATEMENT OF DR. ZIAD J. ASALI, PRESIDENT, AMERICAN TASK FORCE ON PALESTINE, WASHINGTON, DC

Mr. Chairman, I wish to thank you and the committee's esteemed members for the privilege of testifying before you. The bipartisan leadership of this committee has for many years been a bulwark for all those seeking peace and compromise in the Middle East.

The situation facing Israel, the Palestinians and all other interested parties, especially the United States, is difficult but also presents important new opportunities for moving forward.

I am confident that negotiations will resume soon, with the appropriate measures in place to maximize the possibility of success and minimize the consequences of stalemate. Yesterday's Arab League decision will facilitate Special Envoy George Mitchell's efforts to bring the parties together in the near future. Proximity talks and regional cooperation will all be helpful in resuming negotiations.

It is also extremely important that the parties employ more constructive, positive messaging aimed at each other and their own constituencies, and avoid incitement and provocative, belligerent or counterproductive rhetoric. Words matter. It is unacceptable for officials and political figures on either side to pander and try to score cheap debating and political points at the expense of jeopardizing the serious effort to resume the negotiations and to end the conflict. There should be political consequences, short of censorship, for individuals and organizations on both sides that engage in provocative and belligerent rhetoric. We strongly encourage the United

States Government to pay more attention to this serious problem, and to become more engaged in public diplomacy on Middle East peace.

In addition to the vital diplomatic track, the Palestinian Authority has initiated the most important innovation in many years with regard to Middle East peace: the program of the 13th Palestinian Government issued last August by Prime Minister Salam Fayyad and his Cabinet, under the leadership of President Mahmoud Abbas. The plan is for Palestinians to build the institutional, infrastructural, economic and administrative framework of their state in spite of the occupation with the intention of ending the occupation. All parties, including Israel, say it is their intention to realize the two-state solution. By adopting this program, Palestinians are taking up the responsibilities of self-government as they continue to insist on the right of self-determination.

The document, entitled “Palestinian National Authority: Ending the Occupation, Establishing the State,”<sup>1</sup> affirms that, “The establishment of an independent, sovereign, and viable Palestinian state is fundamental for peace, security, and stability in our region,” and pledges that, “Palestine will be a peace-loving state that rejects violence, commits to coexistence with its neighbors, and builds bridges of cooperation with the international community. It will be a symbol of peace, tolerance and prosperity in this troubled area of the world.”

Prime Minister Fayyad explained this policy at the annual Herzliya security conference in Israel a few weeks ago. His extemporaneous remarks reflected his determination and the logic of these policies, and the Israeli political and security leadership in attendance applauded. He addressed the charge that this program is inadmissible because it is unilateral by pointing out that only Palestinians can build their own state and develop their society. This has to be a Palestinian program. It has to be conceived by the Palestinians and coordinated by a Palestinian central nervous system in order to channel global donor assistance in a purposeful and meaningful way that has political and economic coherence and impact. The Prime Minister cited numerous examples of what this means in practice, including more than 1,000 community development projects that have already been completed, the implementation of a transparent and accountable public finance system, the creation of the nucleus of a Palestinian central bank and the performance of the new Palestinian security services.

It must be clearly stated that the actual establishment of a state can only be the consequence of a negotiated agreement based on the 1967 borders. The Israeli national security establishment that understands that a peace agreement with the Palestinians is a strategic imperative should recognize this program as a serious pathway to that end. As Israeli Defense Minister Ehud Barak noted here in Washington just last week, “A successful peace process—especially with the Palestinians—is not just in the interest of Israel. It is a compelling imperative for the state of Israel. And that’s why I say it’s the uppermost responsibility of any Israeli Government. Not as a favor to the Palestinians, but out of our own interests—out of strength and without compromising our security.”<sup>2</sup> Therefore Israel too has a vital interest in the success of the Palestinian state and institution building project. And there should be no doubt about the consequences of thwarting it. That would play into the hands of extremists throughout the region and beyond, and promote and accelerate the process of radicalization. Indeed, it would have a powerful negative impact on the strategic balance in the region.

The state and institution building program is not a substitute for diplomacy, it compliments and supports it. The PA innovation is to add a bottom-up approach to the top-down diplomatic track, adding substance, credibility and political momentum based on concrete, palpable achievements that are especially important when diplomacy seems to be moving too slowly. What is needed is convergence between the bottom-up and top-down approaches. Strategically significant, positive, changes on the ground and diplomatic progress should be mutually reinforcing.

However, the Palestinians will not be able to fully realize this ambitious and potentially transformative program on their own. It will require a sustained global effort to provide the PA with the financial and technical support and the sustained political engagement that will be required for it to succeed. The Obama administration, the Middle East Quartet, Arab Governments and the Israeli Government all have a stake in the creation of a Palestinian state. Now is the time for them to act.

<sup>1</sup>“Palestine: Ending the Occupation, Establishing the State.” Palestinian National Authority. Aug 2009. Accessed 1 March 2010. <[http://www.american taskforce.org/sites/default/files/Ending%20the%20Occupation\\_Establishing%20the%20State.doc](http://www.american taskforce.org/sites/default/files/Ending%20the%20Occupation_Establishing%20the%20State.doc)>.

<sup>2</sup>Barak, Ehud. “Unedited Transcript,” The Washington Institute for Near East Peace. Washington DC. 26 Feb 2010. Accessed 1 March 2010. <<http://www.washingtoninstitute.org/html/pdf/Baraktranscript20100226.pdf>>.

In January 2010 the Ministry of Finance and the Ministry of Planning and Administrative Development issued a new budget document, "Palestine: Moving Forward, Priority Interventions for 2010,"<sup>3</sup> which spells out priorities for the Palestinian Government in the coming year, and includes cost estimates and funding status. The document lists the following priorities:

- Finalize the building of central and local government institutions that are essential to the establishment of a modern and sovereign State of Palestine on the June 1967 borders.
- Upgrade public service delivery to all citizens throughout the Palestinian territory occupied in June 1967.
- Launch major projects to build strategically significant infrastructure throughout the Palestinian territory occupied in June 1967.
- Improve and promote the image of Palestine internationally and the role which the State of Palestine will play in bringing stability and prosperity to the region.

Building on the August 2009 Cabinet document, this detailed financial agenda is a clear guide to what the Palestinian Government seeks to accomplish in 2010 and how this can be supported financially, technically and politically by all those seeking to promote peace based on the creation of a Palestinian state alongside Israel.

The program is ambitious, but those who closely follow events on the ground in the occupied West Bank will know that projects are already under way and things are beginning to happen in both the public and private sectors. Public/private partnerships are also being developed with international support. The U.S. Overseas Private Investment Corporation and the nonprofit Middle East Investment Initiative, together with U.S., international and Palestinian partners, have established a loan guarantee program that is helping to generate \$228 million in lending to small- and medium-sized Palestinian businesses; are launching a half-billion dollar lending facility that will provide Palestinians living in the West Bank with access to affordable mortgages for home ownership; and are creating a risk insurance product to protect Palestinian businesses against losses resulting from trade disruption and political violence. The Palestine Investment Fund concentrates on placing new strategic investments in Palestine, including companies such as PALTEL, PADICO, Palestine Electricity Company, the Palestine Commercial Services Company, the Arab Palestinian Investment Company, and Salam International Investment Limited. Its current major projects include the \$200 million Ersal Land Development Project to develop a new commercial center in the heart of the Ramallah-Al-Bireh Metropolitan Area, the PIF Housing Program which aims at developing 30,000 housing units in all of Palestine during the next 10 years beginning with the Al-Reehan neighborhood of northern Ramallah, and the Wataniya Palestine Mobile Telecommunications Company. The first planned Palestinian city in the West Bank, Rawabi, is under way. The Palestinian Investment Promotion Agency will be hosting the 2nd Palestine Investment Conference on June 2–3, 2010 in Bethlehem, entitled "Investing in Palestinian Small and Medium Businesses: Empowerment of SMEs."

However, in spite of these important public and private initiatives and partnerships, the PA budget document contains too many line items that are either unfunded or have funding pending.

Conditions in the occupied West Bank remain difficult, with restrictions imposed by Israel's occupation that limit the ability of Palestinians to have a normal life and that complicate state and institution building and economic development. The problem of access is improved but not yet resolved. Travel restrictions include onerous required permits and military closures. Checkpoints, though significantly reduced, continue to add to unpredictability and delay in travel. Israeli-only highways which Palestinians are not allowed to approach are a further restriction. In a recent and welcome decision in December 2009, Israel's High Court ruled that Palestinians should no longer be prevented from access to Israeli Highway 443 that runs through the occupied West Bank.<sup>4</sup> Finally, Israel's West Bank separation barrier cuts many Palestinians off from each other and, in some cases, their relatives and even their own privately owned land.

The occupation involves significant disparities in resources and social services provided to settlers and Palestinian residents. Settlers are Israeli citizens living under Israeli civil law, with all the rights and protections accruing from that status. Palestinians in the occupied territories are not citizens of any state, and are dealt with

<sup>3</sup> "Palestine: Moving Forward, Priority Interventions for 2010." Palestinian National Authority. Jan 2010. Accessed 1 March 2010. <[http://www.americantaskforce.org/sites/default/files/Palestine%20Moving%20Forward\\_English%20Final\\_14%201%2010.pdf](http://www.americantaskforce.org/sites/default/files/Palestine%20Moving%20Forward_English%20Final_14%201%2010.pdf)>.

<sup>4</sup> Zarchin, Tomer, "High Courts Allows Palestinians To Use Israeli highway," Haaretz.com. 29 Dec. 2009. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/spages/1138488.html>>.

by Israeli authorities through civil administration regulations that are separate from Israeli civil law. Such disparities are too numerous to list in this written testimony. But these fundamental realities define the hardships of daily life under the occupation and demonstrate the moral and political necessity of Palestinian statehood.

Despite these harsh realities, conditions have been improving in the areas under PA control. At the heart of the state-building enterprise are the new Palestinian security forces. Their restoration of law and order and coordination with Israeli authorities, along with Israel's removal of several checkpoints, has led to an economic upturn in the West Bank. This model demonstrates what Palestinians can accomplish, and how Israeli concerns can be overcome, given appropriate levels of coordination, international aid, technical support and sustained political engagement, and this process can be repeated in sector after sector. It is vital that Palestinian security forces are allowed access and mobility. Israeli incursions undermine the legitimacy and effectiveness of these forces as state builders.

The most recent State Department Country Report on Terrorism noted that, "In the West Bank, PA security forces (PASF) followed up on efforts to establish law and order and fight terrorist cells with security deployments to Jenin, Bethlehem, and Hebron. All observers, including Israeli security officials, credited PASF with significant security improvements across the West Bank."<sup>5</sup> Dov Weissglas, a former senior advisor to Prime Minister Ariel Sharon, noted that the new Palestinian security forces "are efficient, disciplined and determined, they have good working relations and coordination with their Israeli counterparts and their performance is immeasurably better than it was in the past."<sup>6</sup>

But significant challenges remain, and a number of Israeli actions in the occupied territories are complicating both the situation on the ground and the prospects for renewed, successful negotiations. Belligerent conduct by extremist settlers, confrontations in occupied East Jerusalem, and travel and visa restrictions, along with sporadic violence by both individual and organized Palestinian extremists, undermine the viability and credibility of negotiators and negotiations.

- New claims on holy sites in the occupied West Bank: Last week tensions were raised by Israel's decision to add holy sites in the occupied West Bank to its national heritage registry. On February 21, 2010, Prime Minister Netanyahu announced that Rachel's Tomb/Bilal ibn Rabah Mosque in Bethlehem and the Tomb of the Patriarchs/Al-Haram Al-Ibrahimi in Hebron would be included in an Israeli-government \$107 million "national heritage" restoration program.<sup>7</sup> Both sites are considered holy by both Jews and Muslims. The U.N. and several European countries expressed serious concerns about the move, and State Department official Mark Toner called it "provocative."<sup>8</sup> Anger about the announcement, combined with the commemoration of the 1994 massacre of 29 Palestinian worshipers at a mosque by the Israeli settler Baruch Goldstein, led to significant clashes between Palestinian protesters and Israeli troops in Hebron and other West Bank cities over several days last week.<sup>9</sup>
- Continued settlement activity: Settlement activity is continuing, especially in and around occupied East Jerusalem, in spite of the partial moratorium, both by the Israeli Government's own admission and according to numerous credible reports from NGOs, journalists and others. The Israeli Government itself has identified 28<sup>10</sup> settlements that are continuing construction in defiance of the partial moratorium, and the Israeli NGO Peace Now has said the actual num-

<sup>5</sup>United States State Department, "Country Reports on Terrorism 2008," Office of the Coordinator for Counterterrorism. 30 Apr. 2009. Accessed 1 March 2010. <<http://www.state.gov/documents/organization/122599.pdf>>.

<sup>6</sup>Weissglass, Dov, "Working with the PA," Yedioth Ahronoth 29 Dec. 2009. Accessed 1 March 2010. <[http://www.american-taskforce.org/daily\\_news\\_article/2009/12/29/1262062800\\_9](http://www.american-taskforce.org/daily_news_article/2009/12/29/1262062800_9)>.

<sup>7</sup>Mitnick, Josh, "Israel Names Two Biblical Tombs in West Bank Heritage Sites," The Christian Science Monitor. 23 Feb. 2010. Accessed 1 March 2010. <<http://www.csmonitor.com/World/Middle-East/2010/0223/Israel-names-two-biblical-tombs-in-West-Bank-heritage-sites>>.

<sup>8</sup>"Hebron Clashes Over Israel's West Bank Heritage List," BBC News. 26 Feb. 2010. Accessed 1 March 2010. <[http://news.bbc.co.uk/2/hi/middle\\_east/8538948.stm](http://news.bbc.co.uk/2/hi/middle_east/8538948.stm)>.

<sup>9</sup>Berger, Robert, "Israeli Troops Clash With Palestinians in Biblical Hebron," Voice of America News. 26 Feb. 2010. Accessed 1 March 2010. <<http://www1.voanews.com/english/news/middle-east/Israeli-Troops-Clash-With-Palestinians-in-Biblical-Hebron-85501817.html>>; see also Mitnick, Joshua, "Israeli Settlement Freeze Shields Dismantling of Illegal Outposts," The Christian Science Monitor. 11 Dec. 2009. Accessed 1 March 2010. <<http://www.csmonitor.com/World/Middle-East/2009/1211/Israel-settlement-freeze-shields-dismantling-of-illegal-outposts>>.

<sup>10</sup>Levinson, Chaim, & Haaretz Service, "Defense Ministry Reveals West Bank Settlement Freeze Abuses," Haaretz.com. 15 Feb. 2010. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/pages/1149899.html>>.

ber is 33.<sup>11</sup> This does not include areas specifically excluded from the partial moratorium, including Jerusalem in which hundreds of new settlement housing units are planned.<sup>12</sup> State Department spokesman Philip Crowley said the recent approval of 600 new settler housing units in the Pisgat Ze'ev neighborhood of occupied East Jerusalem is "counterproductive and undermines trust between the parties."<sup>13</sup> A February 2010 report by Chatham House warns that, "The settler-driven entrenchment of the Israeli Government in East Jerusalem is reaching the point at which a peaceful division of the city between Israel and a future Palestinian state may no longer be possible."<sup>14</sup> A March 2010 study by the Applied Research Institute—Jerusalem found that "during the years 2006 and 2009, Israel escalated its settlements construction activities in the Occupied Palestinian Territories, particularly in and around East Jerusalem, in an attempt to change realities on the ground."<sup>15</sup> On January 7, 2010, Defense Minister Barak issued additional construction exemptions easing restrictions even in areas where the moratorium does apply.<sup>16</sup> Moreover, data compiled by Brigadier General (res.) Baruch Spiegel on behalf of the Israeli Ministry of Defense reportedly demonstrates that about 75 percent of all Israeli settlement construction has been carried out either without the appropriate permits or in violation of permits that were issued by the government.<sup>17</sup> This suggests that historically and typically, settlement activity has proceeded outside of the control of formal Israeli government regulations. The database also reportedly confirms that at least 30 percent of Israeli settlements are built on privately owned Palestinian land. None of the data cited above includes so-called "illegal outposts," which further complicate the problem, many of which are not being dismantled by the Israeli authorities.<sup>18</sup> According to a report in the Israeli newspaper Ha'aretz just 2 days ago, "Under the cover of the partial and temporary freeze, the outposts are putting down deeper roots."<sup>19</sup> In another troubling move, in December 2009 the Israeli Government added many settlements throughout the occupied territories to the list of "national priority areas," providing Israelis with special benefits and incentives to stay in or move to these settlements.<sup>20</sup>

- Excavations near holy sites: Archaeological excavations conducted by the Israeli Government in the occupied territories, especially in the so-called "Holy Basin"—the area of and surrounding the Old City of occupied East Jerusalem—are another significant source of anxiety and tension. Excavations beneath the Mugrabi Gate,<sup>21</sup> underneath the "Isaac's Tent" structure which is adjacent to the Temple Mount/Haram al-Sharif,<sup>22</sup> and underneath Palestinian homes in the Silwan neighborhood<sup>23</sup> have all proven highly controversial.
- Evictions of Jerusalemite Palestinian families: The most noteworthy recent case reflects ongoing disputes in the Sheikh Jarrah area of occupied East Jerusalem. On August 2, 2009, two Palestinian families (al-Hanoun and al-Ghawi), consisting of 53 persons, were evicted from two homes in Sheikh Jarrah, a move

<sup>11</sup> Ofran, Hagit, "Ministry of Defense Acknowledges: One Quarter of all Settlements Breached the Settlement Freeze" Peace Now. February 2010. Accessed 1 March 2010. <<http://www.peacenow.org.il/site/en/peace.asp?pi=61&docid=4564>>.

<sup>12</sup> Hasson, Nir, "Israel Planning To Build 600 More Homes in East Jerusalem," Haaretz.com. 26 Feb. 2010. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/pages/ShArtVty.jhtml?sw=eases+moratorium&itemNo=1152587>>.

<sup>13</sup> "U.S. Slams New East Jerusalem Homes," Ynetnews.com. 3 Feb 2010. Accessed 1 March 2010. <<http://www.ynetnews.com/articles/0,7340,L-3856471,00.html>>.

<sup>14</sup> Dumper & Pullan, "Jerusalem: The Cost of Failure," Chatham House. Feb 2010. Accessed 1 March 2010. <[http://www.chathamhouse.org.uk/files/15994\\_bp0210jerusalem.pdf](http://www.chathamhouse.org.uk/files/15994_bp0210jerusalem.pdf)>.

<sup>15</sup> Isaac & Khalilieh, "Jerusalem Governorate: Israeli Occupation Practices in Jerusalem Governorate," Applied Research Institute-Jerusalem (ARIJ). 2 March 2010.

<sup>16</sup> Levinson, Haim, "6 Weeks Into Settlement Freeze, Barak Eases Restrictions," Haaretz.com. 8 Jan. 2010. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/spages/1141162.html>>.

<sup>17</sup> Blau, Uri "Secret Israeli Database Reveals Full Extent of Illegal Settlement," Haaretz.com. 1 Feb. 2009. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/spages/1060043.html>>.

<sup>18</sup> Mitnick, "Israeli Settlement Freeze Shields Dismantling of Illegal Outposts." 2009. Accessed 1 March 2010.

<sup>19</sup> Eldar, Akiva, "Supreme Court Abetting, Not Curbing, Illegal Settlements," Haaretz.com. 2 March 2010. Accessed 2 March 2010. <<http://www.haaretz.com/hasen/spages/1153301.html>>.

<sup>20</sup> Ravid, Barak, "Netanyahu Extends Benefits to Isolated West Bank Settlements," Haaretz.com. 9 Dec. 2009. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/spages/1133918.html>>.

<sup>21</sup> "The Mugrabi Gate," Ir-Amin. N.D. Accessed 1 March 2010. <<http://www.ir-amim.org.il/eng/?CategoryID=235>>.

<sup>22</sup> "Excavations at 'Isaac's tent'," Ir-Amin. N.D. Accessed 1 March 2010. <<http://www.ir-amim.org.il/eng/?CategoryID=293>>.

<sup>23</sup> "Excavations at Silwan," Ir-Amin. N.D. Accessed 1 March 2010. <<http://www.ir-amim.org.il/eng/?CategoryID=299>>.

that was officially protested by the United States Government.<sup>24</sup> Jewish settlers immediately seized control of and moved into the residences. The Palestinian families have been keeping a Friday vigil outside the homes ever since. Israeli authorities in Jerusalem have repeatedly announced plans for additional settlement housing units in the area.<sup>25</sup> Tensions in the area are running high, as indicated by a violent confrontation on February 24, 2010, between Palestinian residents and ultra-Orthodox Jews which left a Palestinian woman and child hospitalized.<sup>26</sup> In this context, we acknowledge Israeli Prime Minister Benjamin Netanyahu's intervention to defuse a crisis over building plans in Silwan.<sup>27</sup>

The situation in Gaza is dire. Israel's blockade has produced a humanitarian tragedy without weakening the political grip of Hamas. In January 2010 the World Health Organization said Gaza was facing an "on-going deterioration in the social, economic, and environmental determinants of health," and outlined a generalized health care crisis involving all levels of care, the increasing unsuitability of the drinking water supply, and the serious impact of lack of building materials on public health and the health care system.<sup>28</sup> The findings, which incorporate the work of 80 NGOs, concluded that, "the economy of Gaza is in virtual collapse with rising unemployment and poverty which will have long-term adverse effects on the physical and mental health of the population. The environment is also in decline including water quality, sewage and waste disposal and other environmental hazards." The WHO also pointed out that, "Rising unemployment (41.5 percent of Gaza's workforce in the first quarter of 2009) and poverty (in May 2008, 70 percent of the families were living on an income of less than \$1 dollar a day per person) is likely to have long term adverse effects on the physical and mental health of the population."

A March 2009 report<sup>29</sup> by the EU listed the following priorities for reconstruction in Gaza:

(a) Short term:

- Rubble removal is a priority as reconstruction cannot start if the rubble is not cleared. This operation should take place together with the clearance of UXOs, for the sake of safety;
- Private sector as it is the key to economic recovery and job creation;
- Agriculture to reduce the risk of food insecurity;
- Water, wastewater, and solid waste as there are a number of critical health related issues and a looming environmental crisis;
- Housing is one the basic needs of the population, although Arab States have shown interest in financing this sector entirely.

(b) Medium term:

- Public buildings, particularly schools, health care facilities, and buildings providing social services.

(c) For the longer term, infrastructure rehabilitation will be essential for economic development:

- Energy, as there is no economic recovery without access to energy, for both the population and the private sector;

<sup>24</sup>Eldar, Akiva, "U.S. Protests Eviction of Arab Family From East Jerusalem Home," Haaretz.com. 27 July 2008. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/pages/1005342.html>>.

<sup>25</sup>"Sheikh Jarrah," Ir-Amin. N.D. Accessed 1 March 2010. <<http://www.ir-amim.org.il/eng/?CategoryID=324>>; see also "Evictions and Settlement Plans in Sheikh Jarrah: The Case of Shimon HaTzadik," Ir-Amin. 25 June 2009. Accessed 1 March 2010. <[http://www.ir-amim.org.il/eng/\\_Uploads/dbsAttachedFiles/SheikhJarrahEngnew.doc](http://www.ir-amim.org.il/eng/_Uploads/dbsAttachedFiles/SheikhJarrahEngnew.doc)>; see also Hasson, Nir, "Jerusalem to turn Sheikh Jarrah land into parking lot near Jewish Tomb," Haaretz.com. 1 March 2010. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/pages/ShArt.jhtml?itemNo=1150665&contrassID=2&subContrassID=1>>; see also U.N. Office for the Coordination of Humanitarian Affairs: Occupied Palestinian Territory, "Sheikh Jarrah," United Nations Information System on the Question of Palestine. 15 Aug. 2009. Accessed 1 March 2010. <<http://unispal.un.org/UNISPAL.NSF/0/62542A1C86A18E5A852576150064C414>>.

<sup>26</sup>Hasson, Nir, "Ultra-Orthodox Jews, Palestinians Clash in Sheikh Jarrah," Haaretz.com. 24 Feb. 2010. Accessed 1 March 2010. <<http://www.haaretz.com/hasen/pages/1152158.html>>.

<sup>27</sup>Sofer, Roni, "Barak To Suspend Silwan Plan at PM's Request," Ynetnews.com. 3 Feb. 2010. Accessed 1 March 2010. <<http://www.ynetnews.com/articles/0,7340,L-3856753,00.html>>.

<sup>28</sup>"Gaza Health Fact Sheet," World Health Organization. 20 Jan 2010, Accessed 1 March 2010. <[http://www.emro.who.int/palestine/reports/advocacy\\_HR/advocacy/Gaza\\_health\\_fact\\_sheet\\_20Jan2010.pdf](http://www.emro.who.int/palestine/reports/advocacy_HR/advocacy/Gaza_health_fact_sheet_20Jan2010.pdf)>.

<sup>29</sup>"Damage Assessment and Needs Identification in the Gaza Strip," European Network of Implementing Development Agencies (EUNIDA). March 2009. Accessed 1 March 2010.

- Roads, to increase access to social services and improve movement of persons and goods.

A February 2010 letter<sup>30</sup> to President Barack Obama signed by the Foundation for Middle East Peace, Americans for Peace Now, the Arab-American Institute, J Street, Churches for Middle East Peace, B'Tselem and Rabbis for Human Rights—North America points out that:

- 850 trucks daily with food, goods and fuel entered from Israel, preclosure; 128 today.
- The closure and the war have virtually halted manufacturing and most agricultural exports. Before 2007, 70 trucks a day carried Gazan exports for Israel, the West Bank and foreign markets valued at \$330 million, or 10.8 percent of Gaza's GDP.
- 11 percent of Gazan children are malnourished, to the point of stunting, due to poverty and inadequate food imports. Infant mortality is no longer declining.
- 281 of 641 schools were damaged and 18 destroyed in the war because of the closure. Few have been rebuilt, and thousands of students lack books or supplies. There are daily 8-hour power shortages.
- The war and Israel's refusal to allow imports of cement and material to rebuild 20,000 destroyed or damaged homes have left many more thousands of Gazans in tents, temporary structures, or with other families.
- Many war-damaged or deteriorating water and sewage facilities are health and environmental hazards, for lack of rebuilding supplies and equipment.
- The war damaged 15 of 27 hospitals and 43 of 110 clinics. Imports of medicine and equipment are delayed. Doctors cannot leave for training, and patients face long delays to visit Israeli hospitals; 28 have reportedly died while waiting.
- Movement of people in and out of Gaza, including students, aid and medical workers, journalists, and family members, is severely limited.

The main issue holding back an effort to engage in the necessary reconstruction has been the legitimate concern that measures benefiting the long-suffering people of Gaza will advantage the de facto Hamas rulers. However, we believe that as long as Gaza is cut off from the outside world, Hamas will use smuggling to increase the people's dependence on it. Gaza's isolation has allowed Hamas to increasingly move from an authoritarian regime to a totalitarian theocracy that harasses international NGOs—the very organizations best placed to lead a reconstruction effort—and that systematically takes over civil society organizations. Over the past year or so, Hamas has been increasingly imposing ultraconservative social restrictions in Gaza, particularly impacting the rights of women. Campaigns to enforce the Muslim headscarf and other forms of “modest dress,” prevent women from riding on the back of motorcycles, ban “improper” literature and similar measures suggest a creeping fundamentalism of Hamas rule in a Gaza Strip cut off from the outside world. Even more alarmingly, under these circumstances Hamas itself is being increasingly challenged by even more radical armed groups of Muslim extremists, including a violent clash at a mosque in August 2009 between Hamas fighters and al-Qaeda-like fanatics which left 24 Palestinians dead and 130 injured. The bottom line is, the people suffer while Hamas and other extremists benefit politically from this unconscionable blockade. We strongly recommend that reconstruction commence as soon as possible, and it is vitally important that the legal and orderly operation of the crossings is resumed.

I'd like to emphasize the plight of Gaza students, and the counterproductive and frankly mystifying pattern of Israel denying them the ability to travel to study abroad. To illustrate the extent of this problem, in September 2009 the Palestinian Interior Ministry said that of 1,983 students who were accepted by universities abroad and applied for the necessary permits, only 1,145 were cleared to travel through the Rafah crossing.<sup>31</sup> According to Israeli press reports, “Since June 2008, Gaza students are required to be accompanied by an official diplomatic delegate from the county they are bound to. The complexities of coordinating such efforts, as well as the fact that the Rafah crossing is mostly closed, have resulted in only 12 percent of students having been able to cross through it.”<sup>32</sup> I have been personally involved in efforts to encourage the U.S. consulate in Jerusalem to escort Gaza students as required for their visa interviews, and I can attest to this complexity.

<sup>30</sup>“Letter to President Obama on Israel's Gaza Closure Policy,” Foundation for Middle East Peace. 4 Feb. 2010. Accessed 1 March 2010. <<http://www.fmep.org/resources/Gaza%20Closure%20Letter%20to%20Pres-final%20Feb-4-2010.pdf>>.

<sup>31</sup>Zelikovich, Yaheli Moran, “Gaza Students Stuck in Strip,” Ynetnews.com. 21 Oct. 2009. Accessed 1 March 2010. <<http://www.ynetnews.com/articles/0,7340,L-3793623,00.html>>.

<sup>32</sup>Zelikovich, Gaza students stuck in Strip. 2009.

Some students had to wait for over a year, sometimes meaning their scholarship opportunity had expired. I'd like to thank the consulate and the State Department for their efforts to deal with this difficult complication and their efforts to encourage Israel to drop its onerous requirement. However, a systematic solution clearly needs to be found. It is imperative that this unacceptable practice ends.

There is also the deeply troubling case of Berlanty Azzam, a 21-year-old student at Bethlehem University who was arrested and removed to Gaza by the Israeli military in October 2009. Azzam was completing her last semester of a bachelor's degree program in Business Administration, with a minor in Translation, and was 2 months away from graduation. She was blindfolded and handcuffed during her expulsion from the West Bank.<sup>33</sup> The U.S. Consulate in Jerusalem said it was "very concerned" by this troubling incident.<sup>34</sup> Azzam, a practicing Christian, said she made the decision to study in the West Bank because she was concerned about possible discrimination in Hamas-controlled Gaza.<sup>35</sup> In December 2009 the Israeli High Court ruled that she would not be allowed to return to the West Bank.<sup>36</sup> On February 4, 2010, she participated in a panel discussion on "The Right of Palestinians to Study and Travel" at the Carnegie Endowment for International Peace, but had to do so via telephone as Israeli authorities refused to allow her to leave Gaza for the event.<sup>37</sup> We should all carefully consider what the likely consequences will be of policies that in effect deny Gaza students the chance at a decent education.

I would like to conclude by commending Congress for the substantial aid and support it provided to the Palestinians last year. This positive trend needs to be expanded and developed by offering the necessary financial, technical and political support for the PA to successfully pursue the state and institution building program. This is not simply a development project but a serious political program that advances a key American national interest. Therefore this program should be funded and supported by Congress as well as the executive branch. The United States Government as a whole and with its full weight should lead and encourage others to shoulder their own responsibilities by embracing, funding and supporting the program as well. We look forward to Special Envoy Mitchell enlisting necessary partners to achieve coordinated political, economic, and security progress.

Convergence between the top-down diplomatic track and the bottom-up state and institution-building program constitutes the best prospect for realizing a two-state agreement. A conflict-ending agreement negotiated on the basis of the 1967 borders is vital to Israeli and Palestinian interests, but, more importantly, it is in our own national interest.

The United States is the indispensable partner that can bring all parties to negotiations and to an agreement. This role can neither be relinquished nor outsourced.

The CHAIRMAN. Thank you, Dr. Asali. I appreciate it.  
Mr. Makovsky.

**STATEMENT OF DAVID MAKOVSKY, ZIEGLER DISTINGUISHED FELLOW AND DIRECTOR OF THE PROJECT ON THE MIDDLE EAST PEACE PROCESS, WASHINGTON INSTITUTE OF NEAR EAST POLICY, WASHINGTON, DC**

Mr. MAKOVSKY. Thank you, Mr. Chairman, Ranking Member Lugar, and distinguished members of the committee. Thank you for the opportunity to appear before this committee this morning.

I'd like to just briefly touch upon some of the key points of my written testimony.

<sup>33</sup> "As Military Lawyer Gives False Promise, Bethlehem University Student is Blindfolded, Handcuffed, and Taken to Gaza by Force," GISHA: Legal Center for Freedom of Movement. 29 Oct. 200. Accessed 1 March 2010. <<http://gisha.org/index.php?intLanguage=2&intItemId=1619&intSiteSN=113>>.

<sup>34</sup> Bekker, Vita, "U.S. 'Very Concerned' About Palestinian Student Deportation," The National. 12 Nov. 2009. Accessed 1 March 2010. <<http://www.thenational.ae/apps/pbcs.dll/article?AID=20091113/FOREIGN/711129848/1011>>.

<sup>35</sup> Bekker, "U.S. 'Very Concerned' About Palestinian Student Deportation." 2010.

<sup>36</sup> Tang, Anne, "Israel Expels West Bank Resident to Gaza," English.news.cn. 4 Feb. 2010. Accessed 1 March 2010. <[http://news.xinhuanet.com/english2010/world/2010-02/04/c\\_13163965.htm](http://news.xinhuanet.com/english2010/world/2010-02/04/c_13163965.htm)>.

<sup>37</sup> "BU Student Recounts Forced Deportation to Carnegie Endowment in DC," Ma'an News Agency. 5 Feb. 2010. Accessed 1 March 2010. <<http://www.maannews.net/eng/ViewDetails.aspx?ID=259323>>

To date, the Israeli-Palestinian issue has not worked out as the Obama administration had hoped. While the developments on the ground in the West Bank have shown great promise, as we've all agreed upon here this morning, the top-down political negotiations have not only made little progress, but have even regressed. While proximity talks will commence very soon, they can only be effective as a transition to direct talks between the parties themselves, or as a political cover for those talks, or they are bound to fail. It's impossible for any party or country to make the requisite vital decisions without the confidence of dealing directly with the other side.

Is there a role for the United States? Surely, there will come a time for a U.S. bridging proposal. But, as you know, you can bridge over a river; you can't bridge over an ocean. Until the parties come close enough, it seems to me a bridging proposal by the United States will fail.

The issue, then, is where to focus the talks now. I believe the prospects of Israelis and Palestinians reaching a grand agreement on all the core issues is very unlikely at this time. The four core issues are known: the rights of refugees; Jerusalem; security; and territory borders. Refugees and—the refugees and Jerusalem are narrative issues. Both are tied to the historic connection of the people to this conflict. And, in my opinion, both are unlikely to be resolved anytime soon. Leaders have not conditioned the societal landscape for accommodation and breakthrough.

We should, instead, focus these coming talks on what is attainable in our quest for a two-state solution. And the issue where the gap between the parties is narrowest is land. And, of course, security and land go together. In negotiations between Olmert and Abbas in 2008–2009, their differences were only over 4½ percent of the land. Both said that any land taken by Israel could be swapped for an equal amount of land inside Israel. This narrow percentage difference, coupled with the fact that both parties agreed to the idea of equal land swaps, suggests that the differences regarding land are bridgeable. And I was happy, Chairman Kerry, that you made your comments this morning, as you did in Doha.

Moreover, a successful deal on borders would be a major victory for all the concerned parties. The Palestinians would obtain 100 percent of the land they seek through negotiations, undermining Hamas's rejectionist narrative.

With a demarcation of the border, the settlement issue would become moot. Therefore, Israelis could annex the majority of the settlers, which live in less than 5 percent of the land and largely adjacent to Israeli urban areas, and finally resolve their different—their difficult legal status. They've been in a legal limbo for 40 years.

For our part in the United States, we would be free of the thorny issue of settlements disrupting American-Israeli relations and the idea of a two-state solution would look to be a reality.

Now, what are the challenges to this negotiating strategy on borders/territory/security? The first is the deferral of the issue of Jerusalem. While no border can be complete without dealing with Jerusalem, it is interesting that the Oslo Declaration of Principles of 1993 made clear that Jerusalem was a separate final-status issue

from territory. If the disposition of the West Bank could be worked out, the city's municipal border—boundary—should be the line until an agreement on Jerusalem is ultimately reached.

However, to allay Palestinian concerns that “deferring the issue is now tantamount to conceding the issue,” there would have to be a baseline agreement now, between the parties, where it is understood that Jewish and Arab neighborhoods in east Jerusalem will not expand into each other.

A second challenge to the borders-first approach will be the timetable for implementing it. It would be up to the parties to decide whether they would implement it immediately or wait until an overall agreement is reached. Some would say nothing should be agreed until everything's agreed. But, in the Middle East, when it's all or nothing, it often tends to be nothing.

Implementation of a territorial agreement before solving all the core issues would cause considerable pain for Israeli leaders, as this would mean they'd have to evacuate tens of thousands of settlers—maybe 60,000 of them—without guaranteeing a final peace treaty. To alleviate this problem, the parties could agree to a non-belligerency agreement, and a statement could be made by both sides, in which Israel would accept the idea of a Palestinian state as a homeland for the Palestinian people, and the Palestinians would accept the idea of Israel as a homeland for the Jewish people, with equal rights for all its citizens.

A third set of challenges are related to security. Much has changed since President Bill Clinton convened Camp David summit of 2000. Since then there's been a Palestinian intifada, a Hamas coup in Gaza, and the introduction of stand-alone rockets. Furthermore, many Israelis see the Gaza withdrawal in 2005 as triggering thousands of rockets, which culminated in the Gaza war of 2008–2009.

While Palestinians have been despairing about the enterprise of peacemaking because they see it as producing insufficient results, Israelis have been equally despairing as they increasingly equate withdrawal with vulnerability, and not with security. Therefore, the security dimension needs to be handled very carefully.

Another set of challenges deals with Iran, and that's regardless of what issue is first on the agenda. It's been mentioned here. I think it's clear, if Iran has nuclear weapons, the prospects for Middle East peace are very bleak. Rejectionists will be emboldened, and moderates will be intimidated.

A fifth challenge will be the role of the Arab States. You correctly point out, the Arab Peace Initiative has been constructive compared to the past, but I think we need to be clear that it is completely backloaded. Just as it would be unacceptable for it to be completely front-loaded, for Israel to receive the benefits without getting—paying the price; so, too, the reverse is not acceptable. Israel can't be asked to give all the land—West Bank, East Jerusalem, Golan Heights—before the Arabs do anything. For the Arab Peace Initiative to have real impact, it must be done in parallel, that Israeli moves to the Palestinians are matched by moves by Arab States toward Israel.

It's been stated here about all the economic progress of Prime Minister Fayyad and Lt. Gen. Keith Dayton. They've done an excel-

lent job. Indeed, Fayyad's approach of institution-building is nothing short of a new paradigm for Palestinian nationalism. His idea of a—of building an accountable, nonviolent movement as the ticket to statehood is a dramatic departure from Yasser Arafat's sense of entitlement.

The relationship between Fayyad and Israel will be important. Ziad touched on some of the issues of unilateralism. Ultimately, bottom-up cannot be done without top-down. They must go hand in hand.

And therefore, to conclude, I would just say, as negotiations begin, direct talks will need to come forward. Time is not on the side of moderates, but if they—the moderates do not come together, it will not be surprising if extremists exploit the situation for their own benefit.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Makovsky follows:]

PREPARED STATEMENT OF DAVID MAKOVSKY, ZIEGLER DISTINGUISHED FELLOW AND DIRECTOR OF THE PROJECT ON THE MIDDLE EAST PEACE PROCESS, THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY, WASHINGTON, DC

Mr. Chairman, Ranking Member Lugar, and distinguished members of the committee, thank you for the opportunity to appear before this committee this morning to discuss a subject whose future holds great importance for U.S. foreign policy.

To date, the Israeli-Palestinian issue has not worked out as the Obama administration had hoped. The picture is mixed. While the developments on the ground in the West Bank have shown promise and hope, the top-down political negotiations have not only made little progress, but have even regressed. We have gone from a point where Israeli Prime Minister Olmert and Palestinian President Mahmoud Abbas were at advanced stages of negotiations, to a point where there have been no negotiations at all between the parties for nearly a year. There may be several reasons for this, yet as President Obama himself has publicly admitted, it is due in no small measure to an early miscalculation by Washington that triggered a series of events and expectations that could not be overcome during the administration's first year.

On Wednesday March 3, Arab Foreign Ministers gave their long-awaited support for Abbas to participate in proximity talks, whereby Senator Mitchell will shuttle between Israelis and Palestinians. Such talks must be a transition to direct talks between the parties themselves. In contrast, if these talks become an alternative to direct talks, they will fail. It is impossible for any party or any country to make the most vital decisions possible without the confidence of dealing directly with the other side.

The issue is where to focus on the substance of talks. My point of departure on this issue is that I think the prospect of the Israelis and Palestinians reaching a grand agreement on all the core or so-called final status issues is very unlikely at this time. The four core issues are: the rights of refugees, control of Jerusalem, security and territory/borders. The first two issues seem unlikely to be resolved anytime soon.

Refugees and Jerusalem are narrative issues, and both are tied into the historic connection of the people to this conflict. Jerusalem has both religious and nationalistic dimensions for Israelis and Palestinians and for key constituencies in and outside the region. The refugee issue taps into the self-definition of Palestinians, including many Gazans. Yet, neither Israeli nor Palestinian leaders have conditioned their respective publics to deal with these third rail issues. In the case of refugees, many of the descendants come from Gaza, which is not even under the control of the Palestinian Authority at this time, but rather is controlled by Hamas. This even further complicates the refugee issue. In short, whenever it is all or nothing in the Middle East, it is always nothing. We should not set ourselves or the parties up for failure. Too much is stake. Hamas rejectionists are waiting in the wings for pragmatists like Abbas to fail. Furthermore, Israel will be facing demographic challenges, which will threaten its goal of ensuring its future as a democratic and Jewish state. With these increasingly high stakes, it is vital that we concentrate our efforts on areas that are amenable to progress.

Instead, we should focus on what is attainable. The issue where the gap between the parties is narrowest is land. This might sound counterintuitive to some because many think the conflict is only about land, but this is not the case. This is why I have advanced the idea of “borders first” for the past year, and was delighted to see that Senator Kerry endorsed it in a recent speech in Qatar. In a press conference in November, Senator Mitchell said, “My personal and fervent wish is that we will during this process at some point have a resolution of the issue of borders so that there will no longer be any question about settlement construction, so that Israelis will be able to build what they want in Israel and Palestinians will be able to build what they want in Palestine.”<sup>1</sup>

In negotiations between Olmert and Abbas in 2008 and 2009, their differences were over only 4.5 percent of the land. Olmert suggested retaining 6.4 percent of the West Bank in return for equivalent land inside Israel. In a November 2009 interview Olmert stated, “It might be a fraction more, it might be a fraction less, but in total it would be about 6.4 per cent.”<sup>2</sup> Abbas thought the figure should be 1.9 percent. Both said any land taken by Israel could be swapped for an equal amount of land inside Israel. The narrow percentage differences coupled with the fact that both parties agreed to the idea of land swaps suggests that the differences regarding land are bridgeable. For example, 80 percent of all Israeli settlers, which is approximately 240,000 people, live in less than 4.5 percent of the territory being negotiated, largely adjacent to the pre-1967 boundaries. The remaining 60,000 settlers live in the 95.5 percent remainder of the West Bank. As these statistics illustrate, the so-called insurmountable obstacle of settlements is actually relatively open to resolution.

The only way to deal with the settlement issue is to render it moot by subsuming it into peacemaking efforts and heading straight into the final negotiations on territory. There are three distinct advantages to focusing the negotiations on territory now. First, this approach allows the Palestinian Authority to tell its people that it has obtained the equivalent of 100 percent of the land to be part of a contiguous Palestinian state. As such, negotiations and not Hamas terrorism will be vindicated. The Palestinians can say they obtained what Anwar Sadat received in peace talks with Israel—full withdrawal. Second, Israelis will have something to gain and not just to give. Until now, no Israeli leader has succeeded in legally annexing a single settler, let alone a large majority of them. This approach would give many of the settlers who live in the major blocs a stake in being part of the solution, rather than being part of the problem. They would have their legal status normalized as part of Israel and they would no longer live in legal limbo, where they have been human bargaining chips for several decades. Their status will be clarified. Finally, for the United States, after many years, the settlements issue would no longer be a thorn in United States-Israel relations.

This approach alone will not guarantee successful resolution of the Jerusalem and refugee issues. After success on land, these issues will have to be addressed and a timetable set. At that time, a conscious effort must be made by all parties, including Arab states, to condition public opinion to deal with the remaining contentious issues. Over time, Israel will need to make concessions on Jerusalem, and the Palestinians will need to concede that refugees can only return to the Palestinian state and not to Israel.

The prioritization of land negotiations is not without its problems. I would like to address some of the challenges to this idea. One such challenge is Jerusalem. A Palestinian may ask if by deferring Jerusalem, one is actually conceding this issue. This is a fair question. Obviously nobody wants to trade a political conflict for an incendiary religious one. Moreover, no border can be complete without dealing with Jerusalem. Yet having written a book about the origins of the Oslo accord in 1993, it is not coincidental that Article V of the Declaration of Principles signed on the White House lawn and sealed with a famous handshake listed Jerusalem as a separate category from the issues of borders and settlements.<sup>3</sup> The municipal border should be the line until an agreement on Jerusalem is ultimately reached. To allay Palestinian concerns about the changing character of the city, there should be a

<sup>1</sup>From Senator Mitchell’s press conference on Nov. 25th, 2009; found at: <http://www.america.gov/st/texttrans-english/2009/November/20091125160029ihecuor0.3026021.html>.

<sup>2</sup>From Ehud Olmert’s interview with The Australian, published November 28, 2009; found at: <http://www.theaustralian.com.au/news/opinion/ehud-olmert-still-dreams-of-peace/story-e6frg76f-1225804745744>.

<sup>3</sup>The Oslo Declaration of Principles, Article V, Provision 3 states: “It is understood that [permanent status] negotiations shall cover remaining issues, including: Jerusalem, refugees, settlements, security arrangements, borders, relations and cooperation with other neighbors, and other issues of common interest.” Full text can be found at: <http://www.mfa.gov.il/MFA/Peace+Process/Guide+to+the+Peace+Process/Declaration+of+Principles.htm>.

baseline agreement between the parties, perhaps with the assistance of the United States, whereby it is understood that Jewish and Arab neighborhoods in East Jerusalem will not expand into each other. A strict freeze has shown to be impractical, but a no-expansion approach into the neighborhood of the other is something that should be attainable. An assurance that Jerusalem will be addressed in the future would be an important sign of confidence.

Another challenge will come from some Israelis who may ask whether such an approach will minimize their leverage in future talks, since they are playing their “land card” now, so to speak. Clearly, if a grand deal on all of the core issues could be struck it would be preferable, yet privately, many of the same hesitant Israelis are extremely dubious that a grand deal is achievable. Moreover, it is hard to escape the idea that there will be trade-offs between the narrative issues anyway. In other words, it is unlikely that playing a “territorial card” will obviate the need of addressing Jerusalem.

A third set of challenges will be the timetable of when a borders first approach will be implemented. This could be left to the parties. Some may say that a full agreement on the core issues is within reach and therefore, implementation should happen all at once. Others say full agreement will take considerable time, and therefore, it is best to implement the territorial dimension now. This second approach will create considerable political pain for Israel as it may mean Israel evacuating—many forcibly—at least 60,000 settlers when there is no guarantee of a peace treaty. (To give one a sense of context, this would be more than seven times the number of settlers who were withdrawn from Gaza in 2005. Moreover, the withdrawal would be taking place in the West Bank, which Jews deem as the heart of biblical patrimony.) In this context, it may be advisable to have not just a non-belligerency agreement, but also a statement by both sides that would have resonance. It would be useful for each side to agree in the borders negotiations that they recognize one other. Specifically, Israel would accept the idea of a Palestinian state as a homeland for the Palestinian people and Palestinians would accept the idea of Israel as a homeland for the Jewish people. Each has a historic claim to the land, but it must be shared for the benefit of each. Neither party should be seen as prejudicing in any way the full civil rights of any citizen of either country, nor should it prejudice negotiations over refugees.

This will enable an Israeli leader who will lead such a very difficult withdrawal to tell the settlers that their mission is completed as there will be an acknowledgment of a historic Jewish connection to the land. (Some have argued that the settlers on the wrong side of the line should be allowed to stay within Palestine. This has surface appeal, but it will run into a host of problems. The Government of Israel will not want to leave behind settlers whom it cannot protect with its own security forces, especially given the trauma between the Palestinians and settlers over the last four decades.)

A fourth set of challenges will be the issue of security. At the Camp David II talks in 2000 led by President Clinton, this was the most straight-forward issue that was technical in character. Much has happened subsequently. Security cooperation crashed in the second intifada between 2000 and 2004. Hamas came to power in Gaza, stand-alone rockets became a factor, and the idea of borders management after Israeli withdrawal has been undermined by the expansion of cross-border tunnels under Gaza for rocket smuggling. Many Israelis see the Gaza withdrawal in 2004 as triggering thousands of rockets which culminated in the Gaza war of 2008–09. Therefore, as part of the growing cynicism of publics on both sides about the very enterprise of peacemaking, Israelis increasingly equate withdrawal with vulnerability and not security. (Palestinians and Israelis are equally jaded about the idea of grand peace conferences that do not yield results.) Therefore, the security dimension needs to be considered very carefully.

A fifth set of challenges are not unique to a borders first approach, but will be present in any serious peace effort. These challenges are related to Iran’s quest for a nuclear weapon. I recently wrote a book with Dennis Ross, who is currently a senior White House official in the Obama administration, entitled “Myths, Illusions and Peace.” In this book, we deal with the issue of linkage. There are no strict linkages between the Palestinian and Iranian issues. Regardless of progress on peace, Iran will seek a nuclear weapon. Moreover, senior Arab security officials say privately that they do not see progress on peace as decisive in influencing Arab efforts to halt Iran in any way. The Arabs face many problems, including domestic challenges, in this regard. However, a change in climate could at the margins make it somewhat harder for Iran to exploit this issue. Yet, if it is clear that Iran will have a nuclear weapon, the prospects for the Middle East peace process are very bleak. Rejectionists will be emboldened and moderates will be intimidated. Alternatively, there is no doubt that if the Israelis and the Palestinian Authority did not think

Iran was on its way to being a nuclear problem and a regional power in a manner that will boost Hamas, their evaluation of risk would certainly drop.

These challenges lead many to believe the current proximity talks will fail. In order for the talks to succeed, it is important that they are not pro forma and not just a means for the Palestinians to force the United States to put forward its own plan. Historically, the Arab states and the Palestinians have always hoped that the United States would “deliver” Israel, but this has virtually never materialized. Last summer, the Obama administration raised Arab expectations that it would deliver a settlement freeze, but it fell short. Obama did not even mention these negotiations in the State of the Union. The United States is smarting from the fact that the Arab states were supposed to match Israeli moves on settlements with gestures toward Israel, but failed to do anything. The Arab states may say that the settlement moratorium is not 100 percent of what they would like. No negotiation is what one side wants. Yet, even if they think Netanyahu only moved 70 percent, they have responded with zero percent reciprocity. It is unlikely the United States will go down this road again.

There is a big difference between the United States imposing a solution on the parties and the United States putting forward a bridging proposal after direct negotiations have brought the parties closer to a deal. It is possible to bridge over a river, but not over an ocean. A U.S. bridging proposal may occur, but only after direct negotiations have been tried in earnest. The Palestinians need to be careful what they wish for. If the Palestinians want the United States to be explicit in its views regarding the final disposition of Jerusalem, they will get a United States that is every bit as explicit about the Palestinian refugees returning to Palestine, and not to Israel.

In short, the United States can supplement negotiations but cannot substitute for them. Speaking at the Washington Institute for Near East Policy last Friday, Israel’s Defense Minister Ehud Barak said that Abbas should “test” Netanyahu’s sincerity instead of presupposing any outcome. Netanyahu feels he has traversed an ideological distance over the last year as he overturned his own opposition to a Palestinian state.

For all the problems of restarting peace talks during 2009, there was an important bright spot between Israelis and Palestinians. There were signs on the ground in the West Bank of economic progress, as well as heightened security cooperation between Palestinians and Israelis. Of course, economic development is not a substitute for political progress, but it is a key component that could facilitate steps forward and moderation. Economic progress enables the public to gain faith that the future can be better, and it creates political space for the leadership to gain more political capital with success. The hope is that economic improvement facilitates political moderation as people develop a stake in success. Palestinian polls consistently show that Gazans living under Hamas and West Bankers alike would prefer to live in the West Bank where there is economic progress, rather than living under the repressive hand of Hamas in Gaza.

International Monetary Fund officials report that economic growth in the West Bank is making major strides despite a worldwide recession. They say that growth could reach as much as 7–8 percent in 2010 if Israel continues its current policy of relaxing security restrictions, most notably the removal of roadblocks. It is estimated that Israel has removed all but a dozen of the 45 roadblocks that were in place to prevent suicide bombers. Among the benefits of the relaxation of restrictions is that it enables Israeli Arabs to enter the West Bank, engage in commerce and generate jobs. Unemployment in the West Bank may be high by American standards, but it has been cut by a third in the last few years.

The following examples of growth provide a glimpse of the changes occurring in the West Bank. There have been an approximately 2,000 new Palestinian small businesses and other companies registered with PA since 2008. A second new cell phone company in the West Bank, Wataniya Palestine, was recently launched. The introduction of this second mobile phone company is expected to inject US\$700 million investment into the Palestinian Territory and to generate \$354 million in fiscal revenue for the PA. It will also create thousands of jobs. Another project underway is Rawabi, or “hills” in Arabic, which will be the first-ever planned Palestinian city. Located about 5 miles north of the Palestinian provisional capital of Ramallah, it is expected to have 40,000 residents at its formation. In Bethlehem, the rise of tourism has already yielded 6,000 new jobs, and tourists are filling up hotels in the city, marking a significant change. Previously, due to an uncertain security situation, tourists feared staying overnight in the West Bank, but the security is indeed improving. Palestinian security forces have been trained with American and European money and guidance. In 2002, it is estimated that 410 Israelis were killed in attacks emanating from the West Bank. In 2009, the figure was five.

Barak has publicly stated that a key factor in this improved situation is Israeli-Palestinian security cooperation. This dramatic drop in deaths from attacks originating in the West Bank has allowed Israel to take more risks than it would have even 2 years ago. The improvement in security has not just facilitated economic progress, but has meant that chaos no longer reigns in the West Bank. In a sharp departure from the past, Palestinian polls show that most Palestinians feel safe in their towns. For the first half of the decade, Israeli and Palestinian officials shot at each other, but now they are working together to prevent Hamas from expanding a foothold in the West Bank. Beyond the security establishments of both sides, there are other factors at play. Palestinian President Mahmoud Abbas and Palestinian Prime Minister Salaam Fayyad have a set an antiviolenence tone. Fayyad has worked very closely with his commanders on the ground to ensure coordination with Israeli counterparts. Added special mention should be given to the excellent work of U.S. Lt. Gen. Keith Dayton and his team. Dayton has spearheaded the training of over 2,000 Palestinian troops in a bid to professionalize the Palestinian security services. Netanyahu also deserves credit in prioritizing economic growth by lifting some key restrictions. Israeli military officials say that their cushion to lift such restrictions as West Bank roadblocks is a function of the Israeli security barrier, which limits the amount of suicide bombers who can penetrate into Israel.

Perhaps the most exciting idea that emerged from the West Bank in 2009 is Fayyad's idea of state-building or creating institutions as a precursor to Palestinian statehood. Fayyad has won over the international community during the last few years with his focus on transparency and his opposition to corruption. He has a doctorate in economics, and excelled at the World Bank/International Monetary Fund before first becoming Palestinian Finance Minister and now Prime Minister. The U.S. Congress, which was reluctant during the Arafat period to give any money to the PA, no longer worries that its financial assistance will go to private coffers. This is a tribute to the stature of Fayyad.

Fayyad's idea of state-building is a departure from the approach favored by his predecessor Yasser Arafat. Fayyad's approach is nothing short of a new paradigm for Palestinian nationalism. Arafat always defined Palestinian nationalism in revolutionary terms—physical defiance, armed resistance, while Fayyad seems to be identifying institution-building as the ticket to statehood.

There are profound implications to these very different approaches. Arafat viewed the Palestinian condition as guaranteeing a sense of victimhood and entitlement—Palestinians were responsible for nothing. The world owed them. In contrast, Fayyad seems to see institution-building as a way of creating a culture of accountability among Palestinians. In the Arafat era, airports, railroads, and sea ports seemed like adornments of a sovereign state, not central vehicles to achieving statehood. In contrast, Fayyad has said that building the PA institutions is important “to gain the international community's respect and pass its unjust test of building these institutions under occupation.” While Fayyad has yet to fully elaborate about how state-building would be accomplished beyond using donor aid from around the world to assist the formation of legal, economic and security institutions, he wants to maintain the momentum of his previous economic plans until a political breakthrough occurs. This way he can keep his security plans in place during a time of political void that might devolve into unpredictable violence.

It is said that after George Bush visited Israel for its 60th anniversary in May 2008, Fayyad told him that he should look to the example of the Zionists, meaning to point out that the Israelis built the institutions of their state for 30 years before they declared it. While Fayyad certainly would not accept that timetable, he accepts the principle that statehood should be earned. In general, these economic and security developments provide hope of a brighter future for both peoples in 2010.

While my remarks make abundantly clear that I have a favorable view of Prime Minister Fayyad for the important new elements that he has introduced to the political equation, I would be remiss if I did not voice caution about two sets of relationships that will be important to focus on in the future. One is the Abbas-Fayyad relationship. On one hand, Abbas's veteran credentials in the Fatah party provide cover for Fayyad as he pursues his course. Yet, there have been clear differences between the two over appointment of personnel and even a sense that Abbas may be somewhat envious at times of the international attention showered on Fayyad.

The second set of relations that merits attention is Fayyad's relations with Israel, which have cooled somewhat of late. Specifically, Israel is unsure if Fayyad's focus on nonviolent protest will spill over in an unintended violent direction. Moreover, in a bid to cool episodic tensions on the ground, Fayyad has on several occasions in the last few months visited families of Palestinians whose sons have been involved in fatal violent actions against Israel. Israelis see this behavior as sending the wrong signal to the Palestinian people especially because it is coming from

someone identified with nonviolence. At least, in one of the two incidents Palestinians claim the violence was not premeditated. Finally, the third source of concern in the Fayyad-Israel relationship is his sense that institution-building is a unilateral enterprise that is part of a 2-year sprint toward statehood. Israelis suspect that this bottom-up state-building is a unilateral move coming at their expense. The irony is that the only way for Fayyad to deliver on institution-building is by working with Israel, given the security dimension of proposed projects and Israel's control over West Bank land. A good working relationship is key for the Fayyad plan to succeed. In short, there are no substitutes for negotiations.

This is precisely why the bottom-up approach cannot substitute for top-down negotiations. The two must go together. Without a top-down approach, the bottom-up approach will be unsustainable over time. Palestinian soldiers will think security cooperation is designed to make Israeli control more palatable, and Israelis will harbor doubts about Palestinian state-building intentions.

While there have been important signs of progress on the ground in the last few years, one must be careful not to extrapolate too much in looking ahead. Much is at stake. If moderates on the Palestinian and Israeli sides do not come together, it will not be surprising if the extremists discredit the moderates and exploit time for their own benefit.

The CHAIRMAN. Well, thank you. Thank you, all of you.

We have a good summary of complexity and of hurdles that can always be put in the way.

One of the things that strikes me, as you listen to all of that—and it has struck me for some period of time—is that these hurdles underscore the need to get to final status talks as fast as you can. Would you all agree with that?

Dr. Asali, go ahead.

Dr. ASALI. Yes, sir.

I think that getting to a final status is crucial and important. The question of timing is a major issue. At the present time, as we speak, with the present political standings of the Israeli and the Palestinian entities, it is hard to see meaningful progress done right away. I think some other things have to be done first.

The CHAIRMAN. Let's be more articulate about that, because I understand and to some degree I share, Ambassador Kurtzer, your comments about the disappointment of being where we are, based on 20 years ago. I mean, obviously it is a disappointment. It's almost pre-Madrid, in terms of having a proximity talk. On the other hand, because of the Goldstone report, and because of the way in which the settlement issue was handled, publicly hanging President Abbas out to have an expectation that that was the standard, and then going back from it, left him weakened. Would you agree with that?

And therefore, the reality is, you've got to find a way to get him back. So, I think what happened with the Arab League is a big deal, in terms of opening up this process. I think, once you've begun that, the sooner you get concrete things happening, of one kind or another, in the privacy of the talks, the faster those talks can expand.

Ambassador Kurtzer.

Ambassador KURTZER. Mr. Chairman, while I would like to see success in proximity talks, there's a relationship between the methodology of negotiations and the substance of what's being negotiated. Now, if there are strong terms of reference that have been put before the two sides, then maybe proximity talks can help narrow differences, because it would be impossible to bring them to

the table on the basis of very strong terms of reference without such talks.

But, frankly, I haven't seen any indication of strong terms of reference. Secretary of State Clinton has talked about finding a way to reconcile the views of the two parties. Well, that's the natural purpose of diplomacy. It's not a strategy, it's not a U.S. policy. Where is it that we say to the parties, "We think you ought to be considering X, Y, and Z"—a full return to the 1967 lines with swaps, a solution on Jerusalem based on demography outside the old city, and so forth?

The CHAIRMAN. If I can interrupt you just one second, to pursue that. I mean, timing is important in those things. If you lay that out publicly, which we could do—I certainly, in Doha, said some things that could create a framework. I can say them. I'm chairman of this committee. I'm not in the talks, and I'm not the administration and the executive that's responsible for leading those talks. But, if you are that entity leading them, and you put it out there yourself as the stated position, it's a big move in the context of all the other perceptions. And if it were to be refused because, in terms of the politics of one side or the other, it's simply unacceptable, you've actually done more damage than good at that point in time.

Ambassador KURTZER. Mr. Chairman, I'm not persuaded that you do more damage by putting out U.S. views, and I'll explain why. We've been at this business—

The CHAIRMAN. But, isn't timing important?

Ambassador KURTZER. Timing is critical, but—

The CHAIRMAN. We know what U.S. views are.

Ambassador KURTZER. We've been at this business of intermediation now for more than 30 years. And the parties keep turning to us. And yet, in a sense, what we do is try to provide auspices. What we do is set the table. We cater for peace. And I think it's important, both for our own people, but also for the people in the region, for the Israeli public and the Palestinian public, to understand what it is that the United States believes.

Now, I don't see this as an action-forcing event. In other words, this is not a U.S. plan that's "take it or leave it." But, it gives our diplomats a tremendous amount of material to work. And I wouldn't expect that we would demand from the parties a "take it or leave it" response, but, rather, an ongoing set of diplomatic contexts to try to reach some kind of understanding.

The CHAIRMAN. Well, I have urged, and I am for, putting out what we believe ought to happen at the right moment. I think the right moment is going to be soon. But, I do believe that the mistrust on both sides has been expanded over the course of the last months to such a degree that the first thing you've got to do is get people back to the table to see what room there is to really have that discussion. Prime Minister Netanyahu was very clear to me. He wants to talk about security. You know, President Abbas was very clear to me. He wants to talk about a bigger picture of what final peace is going to be. So, there's a difference, in terms of those terms of reference, right now. And you've got to get something cooking here that I think we need to encourage, since we're not brokering it in that way at this point. But, I think one can move

very quickly to a better term-of-reference basis on which you are then proceeding.

Yes, Mr. Malley.

Dr. MALLEY. Mr. Chairman, I mean, you touch on a—something that I think is very important, which is—I was involved in the last grand effort at Camp David. I don't regret it. But, there are consequences to failure. And I think we have to be very mindful—if we were to now rush, for example, to direct talks—at what would happen if, in fact, those talks were to fail. So, I've—I'm not as perturbed by the notion that we're going to go through proximity talks if we use them smartly to probe the parties, to push our ideas, but also to get a sense, What is the realistic achievement that we could—that's possible? Because the worst thing would be to have something that ends in failure.

And I also agree, in terms of putting ideas on the table—I've been a strong advocate of it over the years. Right now, I think timing is critical. Content matters—context matters just as much. And if we were to put ideas on the table and they were rejected by one or both sides, then the good ideas could be discredited—and could have been more useful in the future, but discredited now because the timing wasn't right.

I think we need to work with the parties, I think we need to work with Arab countries and the international community to make sure that, when we put those ideas on the table, we maximize the chances of a positive reception.

The CHAIRMAN. There is always the potential that, in the privacy of a room, without the public forces that pull this apart continually—you may be able to have some much deeper discussions that actually advance things, providing you can keep that privacy. And I think that's a concern I heard expressed on both sides. And particularly, there are concerns of one party about the other party leaking a lot more, and that that then clouds the atmosphere within which they're trying to have a negotiation.

I was particularly struck, Dr. Asali—you mentioned these groups that are out there—if you look back at Oslo, Oslo set out, "You do this, we'll do that, then this'll happen, and we'll do this." You go that route, and you leave extraordinary opportunity, every step of the way, for the people who don't want anything to happen to blow it up. And we've learned enough about that now. And that is a critical reason for why you want to get to the big pieces as privately as you can, and get them done. If you get them done, you have stripped those people of their power to pull it apart.

Mr. Makovsky.

Mr. MAKOVSKY. I just wanted to endorse what you said on timing, too. Because I think that that's crucial, what you said, that—look, if we learned something in 2009, it is that there are consequences when America raises expectations. That's why, I think—respectfully—Ambassador Kurtzer and I may differ, because I believe we raised expectations too high on settlements, and we couldn't deliver on those expectations, and the net effect was we hurt our relations both with the Israelis and with President Abbas, who said in two interviews, with Asharq Alawsat and Der Spiegel, that left alone, he wouldn't have gone that way, but now he was out on a limb. So, I think we've got to be very careful when we put

forward an American bridging proposal. That doesn't mean we shouldn't probe. And our mediator will be active, I'm sure. Senator Mitchell will do that very well. But, I think timing is everything, and I think that's one of the lessons of 2009.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Let me just follow through on the themes that have already been expressed in Senator Kerry's questions. I agree with your view, Ambassador Kurtzer, that the importance of stating United States views is really paramount in this. Now there's some modification necessary, as I heard Mr. Makovsky and others saying, but it's very important for it to be clear as to what the views are, and maybe when they are stated. We did state a view on settlements fairly early on, although, for a variety of reasons, to date this has not worked out as well as we had hoped.

Let me just question you all further about this issue, but in a different way. Let's state, for the sake of argument, we finally decide, as an administration and as a country, when the timing is right to clearly state our views. Now, some of you would say, "Well, you've got to prime this to find out when the timing is right. You can't simply observe and say this is about the time." I understand that. But, let's say that we've come to some conclusion that the timing is right for the United States to state very strong views; in other words, to adopt a strategy, on our part, which states, essentially, how we believe things ought to come out, or what the parties ought to do.

Ambassador, after we have done that—and this presumes the timing is right—let's say it turns out that—perhaps due to the fragmentation of authority in Israel or on the Palestinian side, or maybe other events in the Middle East that have arisen—the parties, although aware of our views and knowing that we are committed to a strategy that has staying power and is meaningful, still do not really come to a conclusion. Now, for the sake of argument, in this instance, should we state the consequences if there is not some assent to our strategy on the part of the actors involved? In other words, not that we've been involved in amateur hour with others trying to do the very best they can, talking a bit here or there—but, if we take ownership of and lend our prestige to this strategy and say, "This is what needs to happen if we are to be a party to this," and if it doesn't happen, what sort of consequences should we state so that the seriousness of the effort is apparent?

Now, having heard the consequences, the parties may still say, "This is just too much for us. Politically we can't get it done. There are other forces that intrude upon us. You don't understand." Well, in response, we say, "We do understand. We've been at this for a number of years and enough is enough. You know, get on with it, because the peace of the world depends upon it. Our security depends upon it. Our commitment of Armed Forces and all the infrastructure depends upon it. This is expensive for us. So it's not, once again, incidentally one of five or six things we send envoys to do. American interests are at stake here. We need to get on with it."

What would be the consequences that we could state?

Ambassador KURTZER. Senator, when I had the privilege of serving our country as Ambassador in both Israel and Egypt, one of the most critical lessons I learned was that, when the United States

speaks its views, people actually pay attention. Sometimes we indicate what consequences are, and sometimes we don't. Sometimes we articulate those views to initiate prolonged periods of diplomatic contact. But, the point is that we deal every day, not only with governments, but we deal with publics. And until the Israeli public and the Palestinian public, and the Arab public generally, understand what it is that the United States stands for in this conflict, I think we do our diplomats a disservice.

Now, there's a difference between articulating our views on how the conflict should end and putting them out as a "take it or leave it." And I do not advocate the latter. I do not advocate saying that this is a U.S. plan to be imposed. I don't advocate putting it out for a period of time and then withdrawing it or somehow taking our plan and going home. But, rather, using it as a means for our diplomats to actually work this issue.

There are elements of what we would articulate that should have consequences for the failure of the parties to agree, and I would suggest that those be confined to what I would call behavioral issues—settlements, on the one hand, and Palestinian violence and incitement on the other hand. I think on behavioral issues, we should make clear to the parties—privately at first; if necessary, publicly—that there are consequences for behaviors that don't contribute to peace. But, with respect to substantive issues, our views on Jerusalem or on settlements, these are our views. And it gives our diplomats something to argue and to try to bring the parties closer together.

Senator LUGAR. Let me just add, anecdotally, because—this is far away from this—but, at the time of the Ukraine elections in 2004, 3 days or so before the second election, President Bush asked me to go to Kiev and to carry a letter from him to President Kuchma. Basically, the letter said that, "We want a free and fair election—unlike the one you just had, in essence—and ultimately there will be consequences if this does not occur."

President Bush didn't state in his letter what the consequences were going to be. But, after I gave President Kuchma this letter, and he sort of wearily dropped it to the side, I heard fairly quickly, within hours, from those who were very important to him. As a result, they invited me to appear on Ukraine television to at least give the American point of view. Someone even asked me, "Would the consequences be lack of visas and passports, and so forth?" In any event there was an inquiry right away.

Now, that was just one situation. It was an election. It was a pointed affair. The issue at hand today has assumed all sorts of manifestations. But, I'm attracted by your idea that we keep sending envoys, and they keep having talks, visiting with various parties, and exploring options. But, in terms of a decision to enunciate very clearly the strategy of our country, this may lead people to ask, "What are the consequences?" Well, the consequences might be that, "You really don't receive our support. For a while, you're on your own. Take it or leave it."

Some may say, "Well that's impossible. Our relationship with Israel is something in which you just can't say, 'Take it or leave it.'" Likewise, the Palestinians are important with regard to every-

body we're dealing with in the Middle East, and have been for 50 years.

But, at some point, there really has to be a concentration of the minds. Why in the world would the fragmentation or the politics ever change? I mean, you know, there are no imperatives here at all. Why wouldn't intrusion by Syria or Iran always outplay what seems to be an indecisive lack of strategy on our part?

And so, I don't mean to pin you down from your testimony. I'm just saying, in the event we do come forward with this—not necessarily through a “take it or leave it” approach—but, the consequences of failure to move ahead have to be evident at some point. Somebody has to worry about this. If they don't, then we're in trouble. We will continue to consult, to send folks back and forth, thus making this a profession for tens of folks. But, really, without taking any steps related to the formulation of the consequences that we want, I don't foresee the parties taking the necessary steps forward to pursue a lasting peace.

Ambassador KURTZER. Senator, I couldn't agree more. And that's why I would distinguish between what I think should be consequences for behavioral misdeeds, as opposed to policy issues.

Israel and the Palestinians have every right in the world to hold to their views with respect to territory in Jerusalem, as we will have a right to hold to our views. But, there are behaviors that are matters of choice, not matters of necessity, that need to change. And, in that respect, any implicit U.S. support for settlements should come to an end; any means by which American citizens may be funding settlements and getting tax breaks should come to an end. In other words, there are steps that can be contemplated, short of the “nuclear option,” which we wouldn't want to do anyway, with our friend Israel—but, there are steps that need to be contemplated on behavioral issues, as opposed to issues where we differ on policy terms.

The one issue that I would fence off in all of this discussion has to do with Israel's security. I think none of the discussions about consequences should touch on that issue. Our strategic and intelligence cooperation with Israel has proved beneficial to both sides, and should continue. But those are matters of necessity—where I would build a fence; on matters of choice that involve the bad behaviors, I think there are options before us with respect to those consequences.

Senator LUGAR. Well, then, in that case, you've stated a policy of Israeli security, so the other side understands the consequence of continuing whatever lack of dialogue there is. It is still going to be the United States that defends Israel, and therefore they'll need to accept that. Now, that is an important factor all by itself. It doesn't fence off Israel from bad behavior, as you're suggesting. But, on the other hand, it does, perhaps, slant the dialogue somewhat, because we haven't said we're going to come to the defense of the Palestinians, or necessarily defense of anybody else who happens to be in this process.

Yes, sir.

Mr. MAKOVSKY. Senator, I would agree with some of the points that Dan made on security and behavior. I think the following, though. Where I might, respectfully, disagree with you is to suggest

that, if there's not external pressure of some kind, however we define that—it might be walking away—and you could argue, “Well, if the U.S. makes best-faith efforts and it doesn't work, the U.S. will definitely put in less resources in the future.” But, I think I disagree with the premise that there's no internal drivers for a solution—that if there's no external pressure, it's not going to work. I think what Senator Kerry said about the demographic challenges to Israel and, I think, the fact that people like Abbas know that, if they don't succeed, you have Hamas waiting in the wings—those two challenges alone are what are going to drive this process. And frankly, I think that external pressure could be counterproductive. I mean, it could be natural that, after making the best efforts we decide, “Well, we can't try as hard, because we tried.” But I don't—respectfully, I don't think I accept the premise.

Senator LUGAR. My time is over. I'm sorry not to be able to recognize others, but the chairman has asked me to pass things along to Senator Dodd.

Senator DODD [presiding]. Well, thank you, Senator Lugar. And I apologize being a little late getting here. We had a hearing on—in the Labor Committee. In fact, Senator Casey was there briefly on health-related matters. So, I apologize for not being there at the outset to hear all of your opening comments.

And found this exchange, as I always do—Senator Lugar always asks great questions, and I find myself very comfortable with your questions, as well as the answers you solicit.

Let me ask about the Gaza, if I can. And I don't know who wants to respond to this, but—what's our end game here, in a sense? I mean, it seems to me—and I guess this—you're at a different level, I guess, than this question. I'm going to bring you back down to Earth, in a way, here. Given the conditions in the Gaza, at some point, it seems to me, we've got to go beyond what has been the policy, right now, of just allowing, basically, I guess, some food-stuffs in, and so forth, but not much more than that. Now, the danger of this—of course, people assume that, by saying this, you're somehow endorsing Hamas, which is hardly the case. But, the conditions are dreadful, and the reconstruction efforts just don't exist. And I wonder if you might comment on what is going on there and how would you assess the political strength of Hamas in Gaza at this point? And how much aid is getting in? What more should be done, in your views, with regard to Gaza? Because it seems to me this is just a festering situation that needs to be addressed in some way.

Yes.

Dr. MALLEY. Well, Senator, I agree with what you said. I think, first of all, what's happening in Gaza is both morally unconscionable and politically self-defeating. And I think I want to focus on the politics. The humanitarian side, we all could sympathize with, but I think the politics are what are—somewhat get lost.

If the notion was to weaken Hamas's hold of—in Gaza, I think one thing is clear. We have people who work with us at the International Crisis Group who live in Gaza, and they testify that Hamas's popularity has fallen, and in some cases quite significantly. But to what end? It's not as if there are going to be elections in Gaza anytime soon. It's not as if people are going to rise

up to overthrow Hamas. So, Hamas's ability to control the situation has, in fact, not only not lessened, it has increased. The blockade has meant that the formal economy has dried up. All of the goods come in through tunnels. Hamas can exact a tax on that, it can control the tunnels. It becomes, as in many cases of sanctions, the sole provider of the people. So, Hamas's grip on Gaza has increased, even as its popularity has decreased. But, that has no relevance today, unfortunately, because there are no elections or no way to gauge popular support.

What's happening, as—the future of Gaza is being held hostage. The business community is drying up, the civil society is drying up, as Dr. Asali said. And what we're seeing also is a generation of Gazans—1.5 million Gazans—who have known nothing but deprivation, want, and humiliation. I'm not sure that's best for Israel's security, in the long term. And there are articles now—and we see it, as well, on the ground in Gaza—of more radical groups that are challenging Hamas. That's not good for Israel's security either.

It seems to me what we need to do is devise a plan—and there are many ideas out there—about how you can get normal traffic resumed in Gaza, but make sure that weapons don't get smuggled, and make sure that the money doesn't get diverted into the wrong hands. The U.N. has plans to go that way, other organizations have developed plans.

The two—there are two legitimate—or two Israeli counterarguments. One is security. There, you need real monitoring. The other is the fate of Corporal Shalit. Now, we all would like to see a prisoner exchange take place, but I don't see—there's no evidence that, over the last years, the fact that we've held Gaza in the situation it is today has led Hamas to be more flexible on the issue of the prisoner exchange, and punishing a million and a half people because of that issue, I think is—again it's—it doesn't stand up to moral scrutiny, it doesn't stand up to political scrutiny either.

And I would add one point, which is, in terms of our own credibility in the region. This has become one of the filters through which—the prisms through which U.S. policy is viewed in the region. People say, "If the U.S. can't do anything to lift the siege of Gaza," what good are we? And I think we have to be front and center on this issue, work with the Israelis and the Egyptians to make sure that Gazans can recover as normal a life as possible.

Senator DODD. Yes.

Ambassador Kurtzer, do you have any comments on that?

Ambassador KURTZER. I would add one historical context to what Rob Malley has said, and that is, there's no proven experience that imposing this kind of a siege, of a closure, actually affects political views or behavior in Gaza. I had discussions, during the course of the intifada, with Prime Minister Sharon all the time on this issue. Something would happen, a terrible terrorist event in Israel, and people would get killed and injured, and the Israel military would shut Gaza down. And I would then go see the Prime Minister, and we'd have a conversation that basically went as follows: "The terrorists did something terrible, and the punishment is now being felt on the part of a population whose views you should want to affect to isolate the terrorists; but, by, in fact, isolating the popu-

lation, you are simply creating solidarity between them and the terrorists.”

The Prime Minister had a different view. He felt that this was a way to enhance Israeli security; it was a way to put some burdens on the part of the population to pressure the terrorists to not act. It never worked.

So, I would be extraordinarily sympathetic to Israeli security concerns with respect to any desire on the part of Gazans to export something out of Gaza. That’s where security is most directly affected. And I’d be very careful with respect to what, besides humanitarian goods, go into Gaza, so that you don’t have dual-use items. But, the idea of somehow affecting political views in Gaza by maintaining this tight grip makes no sense, and it has never proved to be correct in the past.

Senator DODD. Let me ask you quickly, about something Dr. Malley said here, and that is that the—at least the appearance, absent an election, that the popularity of Hamas has declined, as has the conditions in the Gaza declined. It seems to me one might draw the conclusion that, in fact, we are having a political impact on what’s happening in the Gaza. I’d like to ask the other two members of the panel to comment.

Dr. ASALI. Yes, Hamas has benefited from the blockade, the siege, whatever you call it, and it has benefited politically, while the people of Gaza suffer. There is no question that this policy is unsustainable, on not just moral and political and human conditions, it’s just not sustainable.

So, we have to divide it into specifics. What can be done? What can be done? One thing is to look at the crossings. The crossings have to be open. The crossings have to be open. The management of the crossings is something that can be worked out between the United Nations, the PA, et cetera, and the Egyptians and the Israelis, to allow goods in, to allow more goods in.

And the other thing is the reconstruction business. The reconstruction issue is a very sensitive issue. This is rebuilding after the damage. And this also has been resisted, primarily by Israel, for a long time. Not for security reasons, obviously, alone; for other considerations. This has to—this has to be ameliorated.

There are other things that can be done to combat Hamas, politically. This is—as long as Hamas stands up for the Palestinians, heroic defense against everybody else, it will score political points, even though it has been a political failure as a manager. So, that issue, in itself, has to be open to eventual elections. Elections have to take place at some point in time, and elections start by influencing the hearts and minds of the people. The policies of the United States, in coordination, in this particular case, with the Palestinians, the Israelis, and the Egyptians, will determine the outcome of the elections, whenever that takes place.

Senator DODD. Mr. Makovsky, do you want to comment?

Mr. MAKOVSKY. Thank you, Senator Dodd.

Look, I think the question is—we all agree that we would like to see some humanitarian approach on Gaza. The question is, How do you craft it in a way that—as I think your question implied—that Hamas doesn’t benefit?

Because if you look at Khalil Shikaki's polls—that's the Palestine Survey Research Polls in Ramallah—and you look at his last six polls, what you see is that Hamas is down by 20 percentage points. They spiked up due to sympathy right after the Gaza war in late 2008–09. Now they're below where they were before the war. So, they're 20 points below Abbas. Everyone likes to say Abbas is weak, but Abbas is running 20 points ahead of Hamas.

So—and Gazans say they'd rather live under Fayyad in the West Bank than live under Hamas—so there's something going on here that's interesting. So, I just think we have to be very careful. How do we craft this humanitarian approach, which we all favor, in a way that the Palestinian Authority in the West Bank gets the credit?

By the way, another factor—a player we have to look at is Egypt. They're the ones building a wall on the Egypt-Gaza border. They're frustrated by their efforts to mediate with Hamas that have failed. So, they have to be approached, as well.

It's not an easy solution, but we have to think creatively of how do you do something, in a humanitarian context, where it's the PA and Hamas that doesn't accrue the political credit?

Senator DODD. Well, thank you. Senator Risch, you're next.

Senator RISCH. I'm going to pass, Senator.

Senator DODD. You're going to pass?

I should know the order of arrival, but I'll go to Ted Kaufman. Ted, are you—are you ready? OK.

And the gavel's yours, Senator Casey. I've got to—

Senator KAUFMAN. You mentioned that the United States should—

Senator DODD. Turn your mike—

Senator KAUFMAN [continuing]. United States should get back in the diplomacy game. And I was just wondering, how would you characterize—you said some nice things about Senator Mitchell in your testimony—how would you characterize Senator Mitchell's efforts?

Ambassador KURTZER. Senator, I have great respect for Senator Mitchell, not only on the basis of his time served here in the Senate, but also his accomplishments diplomatically. I think this past year, however, our diplomatic efforts have fallen well short of the high expectations we all had.

I think the President and Senator Mitchell got it right, at the outset of the administration, when the President said that the solution of the Middle East conflict is a United States national interest. That's exactly right. The President also said that he was going to make this one of his foreign policy priorities. None of us would expect that it would be at the top of the agenda, but that it would be on his desk. And third, the President decided on the appointment of a senior Presidential envoy of the stature of Senator Mitchell.

But there were missteps this past year: miscalculations; the failure to articulate a clear strategy, and then to pursue it; the way in which we created situations in which we put Palestinians out on a limb on the question of settlements; or even on the question of convening a trilateral meeting in September that had no content

and had no results. All of this suggests that we didn't do as well as we might have done.

I am not suggesting that we can't do well. And I think that Senator Mitchell certainly has—and doesn't need me to say it—certainly has all the capabilities and diplomatic strengths to accomplish this. But, I think we need to have a strong policy with which he will operate, and an integrated strategy, so that we're not pursuing this or that whim, and then deciding, at the last moment, that we don't see it through to a conclusion.

Senator KAUFMAN. I would assume that Senator Mitchell will be doing exactly what you said. One of the questions that comes up is another issue you raise, which is the public statement of our views on how this peace process should end. I think there's a good reason why we haven't done that for 30 years, because I think—and I'd like your comment on it—you say, in a comment, you don't want this to become a U.S. plan imposed on the region. But, I'll tell you what, as soon as the United States announces where they want to go, folks on either end of the spectrum will usually take that and say, "That's where the U.S. is going, when the U.S. is engaged in this, the United States is forcing this." And so, I think that's why we haven't done it for 30 years.

It would seem to me that Senator Mitchell would be talking to the—he's talking to the parties all the time—that he can surely, I would assume, express to the parties what our position is.

What's the advantage of going public with this, as opposed to just letting it be a back—in a diplomatic area, without making it public?

Ambassador KURTZER. Senator, let me first deal with the disadvantages of not going public. And we've seen them for the last 20 years. We've had opportunities to move this peace process forward, and in the Clinton administration, in the Bush administration, and now in the Obama administration, we've not been able to exploit those opportunities diplomatically.

The interesting thing in this conflict is that most everyone knows approximately how this is going to end.

Senator KAUFMAN. Right.

Ambassador KURTZER. Public opinion polls in both communities reveal no surprises.

Senator KAUFMAN. Right.

Ambassador KURTZER. So, it will not be a surprise if the United States articulates our own views on how this will end, and uses that as a kind of galvanizing, or magnet force—

Senator KAUFMAN. Right.

Ambassador KURTZER [continuing]. To bring the parties closer together.

Senator KAUFMAN. Oh, I think it will galvanize—it'll galvanize the parties. I'm just afraid it's going to—everybody knows where we're going. I think publicly saying what we think we ought to do about Jerusalem would be a massive mistake. And I just really—I thought your comments—I agree with so much of what you're saying. I'm just trying to get that out.

I mean, just going into the final process and saying where we think it ought to go—I mean, even—I don't even want anybody, kind of, saying that. We want to go through the proximity, kind of

work it out, and then we get to the very end, and we all know what the issues are. I'm just trying to—because I respect you so much—what is the advantage of saying to everybody how we would resolve this, at this particular point in the process?

I guess I'm going back to Senator Kerry's comment, too, about timing.

Ambassador KURTZER. Senator, the advantage is based on the disadvantages of not doing it.

Take, for example, the situation that Rob Malley mentioned, Camp David 2, where the United States did not articulate its views—

Senator KAUFMAN. Yes.

Ambassador KURTZER [continuing]. Where we tried to bring the parties together.

Senator KAUFMAN. Right.

Ambassador KURTZER. And only very late in the Clinton administration did the President put out the so-called parameters, which he then took off the table when the parties would not agree to negotiate on their basis.

What would have happened, had the United States put those views out 6 months earlier?

Senator KAUFMAN. Well—

Ambassador KURTZER. Might it have acted as this magnet to bring the parties together? And might it have had an impact, also, on public opinion in the two constituencies?

Senator KAUFMAN. OK. We—and I think those are very, very good points. What I'd like you to focus on a second—what the impact would be on the region, on the parties, except extreme elements, in both Israel and the Palestinian movement, of us putting together what we think the final process should be—the final position should be? Just, if you could focus on that for a few minutes.

Ambassador KURTZER. Well, first of all, I think it would stimulate extraordinary public debate in every society in that region, particularly in Israel, where public debate is a national sport.

Senator KAUFMAN. Absolutely.

Ambassador KURTZER. But also in Palestine, and in other places, as well. That will be a healthy public debate, because it will give public opinion, and those who articulate the views about public opinion—the editorial writers, and the think-tankers, and the commentators—additional grist with which to fuel a very healthy discussion of how their respective societies should move.

So, No. 1, it's to fuel a public debate. No. 2, it provides our diplomats with a significant, constructive grounding with which to argue our case.

I don't doubt at all that Senator Mitchell, and anyone else who has been a special envoy in this conflict, has talked about final-status issues. But, not being able to talk about them as a "United States position" is a sign of weakness and it's a handicap to our negotiators, because the United States should stand for something. We carry weight. We are a major power, and yet our diplomacy sometimes doesn't conduct itself as a major power.

Senator KAUFMAN. Just one final piece, then. I mean you have—and Dr. Malley—both have been critical of what the administration has done with the settlement policy. That seems to me to be

Exhibit 1 of the problems of America stating where it is we're going to go. I mean, stating a settlements policy that doesn't declare—doesn't cause a problem—I mean, and I think you'd say, public debate in Israel doesn't need fueling. I mean, public debate in Israel right now is vigorous and ongoing. I think what this would do would cut down the debate, because it wouldn't be debating the issues; they'd be debating the fact that the United States is now getting involved in this process. And we would become the polarizing agent in the entire discussion. Instead of discussing what's right and what's wrong, the discussion would be, "The United States says this. They should stay out of here. They shouldn't be doing this. This is not the way to go."

But, we can kind of agree to disagree.

Dr. Malley.

Dr. MALLEY. I always hesitate to take issue with what Ambassador Kurtzer says, but I do think I want to, sort of, go in—something in the direction you're saying.

The peace process is littered, literally littered, with the—with cases of projects and plans and—you know, from the Rogers plan to the Reagan plan to the roadmap, and on and on and on—that didn't have a positive effect; in fact, just stayed there. And the real—you know, it doesn't make any sense to put something on the table if nothing will happen the day after. The only thing that will happen at that point will—all those who disagree will come out, because they'll have a target, whereas those who agree won't have anything positive to show about it.

And one example, although it's not—it's not exactly on point—the Geneva Accords, which I think really—done by civil society, Israel and Palestinian—I think everyone in this room would say this is more or less where it's going to end up—was put on the table, but it served as a magnet for all the opponents.

Now, as I said earlier, I think this is not a matter of the content, it's a matter of the context. And I think there is a time where the United States can and should do—and there I agree entirely with Ambassador Kurtzer—but it has to be at a time when our credibility is restored in the region, where we've done all the groundwork we need to do with Arab and international partners so that when we put it on the table, the odds of the parties saying yes increase, and the cost for them of saying no decrease.

On the settlements issue, you're right. There was no cost for Prime Minister Netanyahu, or very little, for him to say no. He got away with it. Our credibility was hurt.

Senator KAUFMAN. Yes, Mr. Asali—Dr. Asali.

Dr. ASALI. The chances of arriving at an agreement—a final agreement—without the United States being in the mix, to the point of having its own views—are nil.

Senator KAUFMAN. Right. I agree.

Dr. ASALI. The question is the timing. I agree with everybody else. Several things need to be done on timing. One, I think the two variables, one for the Palestinians on violence and for the Israelis on settlement, are all true.

A third variable, which has just been introduced and should really deserve more attention, is what is happening on the ground, relevant to the subject here, Truth on the Ground. There is a state-

building project that is happening on the ground, where the Palestinians and the Israelis have a chance to cooperate, and have to be held accountable to the United States in the meantime. This is one way of not testing the final understanding on the comprehensive agreement, but on changing enough facts on the ground, where parties can either help or thwart this effort. And I think this would be a measure to guide us to the timing as to where the parties could be more ready. And perhaps they would have more trust in each other by the end of that successful venture.

Mr. MAKOVSKY. I'll just say, Senator, I one hundred percent agree with you. As I tried to say before, I think there are real-world consequences. We saw, in 2009, what happens when we raise expectations of putting forward an American policy without thinking through the implications. And we lost on both sides in 2009, and I hope that's a cautionary tale for the future.

Senator KAUFMAN. Thank you.

Thank you, Mr. Chairman.

Senator CASEY [presiding]. Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman.

It's been almost a year since our last hearing on this issue, and while there have been positive developments in that time, there has also been, obviously, frustration about the pace of progress.

I do know that Special Envoy Mitchell has been working tirelessly over the past months, meeting with leaders in the region, and I want to commend him and the administration for these efforts. I believe we need to reflect on the lessons learned over the past year, and redouble our efforts to bring the parties back to the table. And, obviously, challenges and obstacles remain, difficult compromises will have to be made, but achieving a lasting peace in the Middle East is essential, not only to the security of Israelis and Palestinians, but for others in the region, and, of course, for the national security of the United States.

That's why it's imperative that we persevere in our efforts to work with the parties toward a resolution of this conflict.

Ambassador Kurtzer, in your testimony you noted the importance that people-to-people exchanges can have in breaking down differences and building understandings between peoples, even when the governments of their countries may not get along. And so, while we continue to push for peace negotiations, what more should be done to build better relationships between the Israeli and Palestinian peoples? And how can the United States and other nations help support that?

Ambassador KURTZER. Thank you, Senator. There are at least two, if not more, very specific activities which the United States can foster to help stimulate and encourage people-to-people activities. One is to revitalize the multilateral negotiations that began after the Madrid Conference in 1991, to bring people together on issues related to water, environment, economic development, security, and so forth, and then, after a few years, simply faded away.

They didn't accomplish a great deal, but they left a lasting legacy of introducing Israelis and Arabs that goes on today. I travel around the region and still meet with people who remember having participated in such-and-such a meeting in such-and-such a loca-

tion, back in 1994. So, first of all, we can simulate the renewal of even more action-oriented multilateral negotiations.

I think, second, we and other external actors can provide seed money. And we're not talking about large amounts of money, but seed money for track-two people-to-people activities. There are health initiatives that are wanting for money, in which Palestinians, Israelis, and Arabs are trying to find ways to get together and share ideas about health.

Water and the environment are always issues in which you can find professional audiences on both sides that want to get together.

We had in the late 1990s, or early 2000 period, about \$10 million of American money to use for Israeli-Palestinian cooperative activities in the NGO sector. And that money was sucked up immediately by very good projects that brought Israelis and Palestinians together outside of government auspices.

So, there's just a number of things, that are not high-cost items, that help translate peace into something meaningful on the ground, even while the diplomats argue about things at a different level.

Senator FEINGOLD. You may not know the answer to this, but with regard to those two examples you gave, do you know if—even if the processes may not have continued—if the interpersonal contacts continued from those kind of talks?

Ambassador KURTZER. In some cases they did. In respect to the late-1990s funding, one of our conditions for giving out the funding, in fact, was sustainability. So, we were looking for projects that would live beyond the \$10 million. And in some cases, they did.

In the case of the multilaterals, there are some unintended positive consequences. There was not a multilateral negotiation, for example, on health, but a lot of people who watched the multilaterals thought it was a good enough idea that they came together and created, for example, a Middle East Cancer Consortium. There's also a Peace Through Health Initiative that's run out of Boston.

So, this was something that, in fact, was not directly stimulated by us, but was an unintended and positive consequence.

Senator FEINGOLD. Offshoot of the other things that were done.

Ambassador KURTZER. I'm sorry?

Senator FEINGOLD. It was an offshoot of the other—

Ambassador KURTZER. Exactly.

Senator FEINGOLD [continuing]. Things that were done.

Ambassador, you've suggested that President Obama should make the case directly to the Israeli public for United States efforts to restart the peace talks, akin to how he reached out to the Muslim publics in his Cairo address. So, I'd like to ask you to say a bit more on what steps should be taken to bolster our public diplomacy in the region, starting with Vice President Biden's trip to Israel next week. What do you think his key audience there should be? What are the most important points he needs to make? And will the Israeli public be receptive to it?

Ambassador KURTZER. Well, Senator, as I've said in the context of the earlier discussion about the substantive U.S. policy, one of the goals that we have to have in our diplomacy is also to affect public opinion. And I think the United States has not done an adequate enough job with Israeli public opinion. They have felt ignored, in very concrete terms. And not just because the President

went to Cairo and went to Turkey, and didn't go to Israel, but also because there has been a relative lack of interviews, of appearances on Israeli television, a lack of opportunities for Israelis to kind of touch and feel our leaders.

We know, from before the last election, that there were some doubts in Israel about President Obama's views on Israel. I'm being very blunt, but we know that to be the case. And I think one of the assets that we need to build for our diplomacy is to show the Israeli people that our leaders, both Democrat and Republican, form a consensus with respect to support for Israel, support for its security and well-being, and that this can only be done by, as I say, touching and feeling.

In this respect, Vice President Biden's trip, and the likelihood of his both appearing on television but also delivering a major speech, will be such an opportunity to lay out, very clearly, for the Israeli people—including from a friend of Israel for 37 more years in his time in the Senate—what it is that this administration stands for, and why the people of Israel can trust this administration, even if we articulate views, sometimes, with which they disagree.

Senator FEINGOLD. Ambassador, you said that the Syrian-Israeli issues should play a prominent role in our peace process strategy. So, in that context, how do you view President Obama's decision to nominate a U.S. Ambassador to Damascus? And is there a role for the United States to play in the Syrian-Israeli negotiation?

Ambassador KURTZER. Well, I have believed, for a long time, Senator, that sending an ambassador to a country is not a favor we do for the country, but it's a national asset for ourselves. It gives us the eyes and ears that we need on the ground. When I served for a short while in our intelligence community, we did a study, whose results have been publicized, that indicate that a great deal of our intelligence analysis is based on embassy reporting and the embassy contacts that are then reported through diplomatic channels. In other words, our embassies, our ambassadors, serve our purposes. They allow us to argue our case before both the Syrian Government, in this instance, and the Syrian public.

So, I think it's overdue that we're sending an ambassador back, but quite good that we're doing it now. And the designated choice, Robert Ford, is a very good man, and I think he'll do a good job.

With respect to the peace process between Israel and Syria, one needs to distinguish between the four substantive issues on the agenda—security, the nature of peace, water, and territory—all of which are resolvable—and what I would call the contextual issues—Syria's relationship with Iran, which should be of great concern to us; its relationship with Hezbollah, which should be of great concern to us. And so, it's a far more complicated set of issues than simply resolving the proximate causes of the Israeli-Syrian conflict.

But, nonetheless, these two sides have also talked to each other on and off, for about 20 years, and we certainly should make an effort to see whether we can narrow the substantive differences, and perhaps use progress on that to see whether Syria can be weaned—not totally away from its relationship with Iran, which I think is unrealistic, but certainly toward a more balanced position with respect to who it chooses as its friends.

Senator FEINGOLD. Thank you, Ambassador.

Dr. Asali, we've heard a lot of positive comments from you and your fellow witnesses about the work of Prime Minister Fayyad and building up Palestinian institutions, infrastructure, and the economy. What can the United States do to best support these kinds of efforts? And do you have any concerns that the building of a de facto Palestinian state could be used by either side as a reason to delay direct negotiations?

Dr. ASALI. First off, this is—as Prime Minister Fayyad himself said, this has to be a unilateral effort, because the Palestinians are the only ones who can build their state.

The other thing, the state of Palestine cannot be born without an agreement with Israel. So, that has to be clear.

In the meantime, we're talking about the process of building institutions and state—many different levels of state-building exercises. For this—and this is the point where I think it is relevant—Israel is the occupying power. Israel has within its power all kinds of tools to make this exercise either go along and happen, and mature, or frustrate it and thwart it. This is one situation where the United States can be very effective in having a meaningful conversation with Israel as we encourage another conversation between the Palestinians and Israel to make this exercise work.

There has been an unbelievable amount of cooperation on security. Most of it has gone unnoticed, but it has been real, and to the point where, I think, the Israeli security establishment acknowledges this openly.

Now, this has been at a political price for the people who are involved on the Palestinian side. I think the economic progress that has been achieved, and the projects that have been done, and the initial improvements in the legal and government controls, are all things that need to be nurtured and helped by the United States, and at least not obstructed by Israel. I think this is where the Congress can continue its generous support for the Palestinian authority.

And I want to mention, here, the issue of corruption that keeps coming up. The Palestinian Authority has, in fact, gotten, you know, high grades by PriceWaterhouse for its accountability. All the money that's under the Palestinian Authority is accountable for.

So, we need to continue the political support, we need to continue the financial support, and we need to continue the policy coordination between the Israelis and the Palestinians on this one.

Senator FEINGOLD. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN [presiding]. Thank you very much, Senator.

I'm going to recognize Senator Casey, but can you clarify that there were four—you had water, security—

Ambassador KURTZER. We had—there were five multilateral working—

The CHAIRMAN. No, no, no. No. What you said with respect—

Ambassador KURTZER. Oh, with Syria, I'm sorry.

The CHAIRMAN. I thought you were talking about peace with Syria.

Ambassador KURTZER. Yes. Yes, with Syria there are four core issues. One is territory—

The CHAIRMAN. Right.

Ambassador KURTZER [continuing]. The withdrawal—

The CHAIRMAN. Obviously the territory. And then the water and security—

Ambassador KURTZER. The second is security—

The CHAIRMAN. I missed the fourth. I didn't hear what—

Ambassador KURTZER. Political relations.

The CHAIRMAN. Political relations.

Ambassador KURTZER. Normalization.

The CHAIRMAN. All right. Thank you.

Senator Casey.

Senator CASEY. Thank you, Mr. Chairman.

First of all, I wanted to, in the time that I have, raise maybe three or four issues. One that I'll start with is the question of talks. What kind of talks can occur in the next couple of months? But, I think, just by way of a statement of—I guess, statement of an opinion that I have is—I think the Israelis have shown, certainly in the last year, that they've been willing to make real concessions. I can't say the same, in my judgment, about the Palestinians. I think there's been a real reluctance, or even refusal, to really engage in real negotiations. I'll invite people to comment on that.

But, the two-part question I have is—in light of the fact that there has been face-to-face engagement recently—in the last year or so, if not prior to that—evaluate, if you can—and I'll leave it for the whole panel—the question that some would raise is that—some may assert, I should say—that any kind of proximity talks would be a step backward. So, that's one basic question for the panel to evaluate. Maybe I'll go left to right.

And then, the second related question is, What can the Obama administration or—and/or, I should say—the Congress do to move that forward or to—in particular, to put some—what I would argue would be appropriate pressure on the Palestinians to come to the negotiation table?

Maybe start with Mr. Makovsky.

Mr. MAKOVSKY. Thank you, Senator Casey.

Look, I think you're correct in pointing out—in 2009, you've seen some key moves on the Israeli side. You've seen Prime Minister Netanyahu, who, for much of his professional life has been opposed to a Palestinian state, give a speech at Bar-Ilan University, where he traversed, I think, a real ideological distance in supporting a Palestinian state. I think that was an important key move for him. He has also lifted many checkpoints in the West Bank—I think the number went from 42 down to 14.

You've seen, on the settlement moratorium, while it was qualified, more than any of his predecessors have been willing to do. I think Jimmy Carter got 3 months from Begin. There have been some steps.

I don't want to minimize what my friend and colleague Dr. Asali says, which is that, on security issues, the Palestinians have been forthcoming. And that's part of the good news that's out there is the close coordination between Israeli and Palestinian security forces, which is not covered in the headlines. I even asked Israeli

Defense Minister Barak, who appeared at my institute, the Washington Institute for Near East Policy, on Friday. I said, "Do you think the tranquility could have happened without close security cooperation?" He said no. It was crucial.

So, I think that there is—that's where there've been hopeful moves. And the change of a paradigm, which is not just a favor to Israel, but a favor to the Palestinians themselves, is one of accountability and not one of entitlement.

Are proximity talks a step backward? I mean, technically, yes, they are. They bring us back, as Senator Kerry said, to the pre-Madrid period. But, if it's a transition to direct talks, or a political cover for a back channel, it's a good thing. If it's an alternative to direct talks, it's going to fail. The parties have to sit directly and deal with their differences.

And did you have—was there a final point with—

Senator CASEY. About pressure that can be applied by the administration or by Congress.

Mr. MAKOVSKY. Well, look, I endorse what my colleague Dr. Asali said about support for Salam Fayyad's government. You know, it's a real change. There was a time where the United States Congress could not give any aid to the Palestinian authority because of corruption. I am concerned, as I've tried to point out in my testimony, by a little rockiness—that we're entering a certain period between Fayyad and Israel that is new. And I think Members of the Senate need to be aware of that rockiness, because, on one hand, Fayyad is calling for nonviolent resistance, which is a real change, and, I think, a positive change, without question. But, there have been times where that spilled over into violence, even though that was not intended.

So, I think anything that Congress could do to encourage Prime Minister Fayyad to work with Israel—not unilaterally, but together—I think that's crucial. But, I think we have to—it's a tribute to the Congress and to its support for Prime Minister Fayyad and to General Dayton that there's been a real change in Congress's approach, and there's a greater sense of confidence, which has translated into a better situation on the ground. So, I would applaud the Congress, but just keep your eye on the situation.

Senator CASEY. Doctor.

Dr. ASALI. On the issue of the proximity talks, it's a good start. It's a good start. And I think that there will be a dynamic that will unfold in due time.

On the issue of what is happening on the Palestinian side, I think it's important to know there are basically two things: the political management of the issue and then what you might call the state-building effort.

What is of great concern to us is that the state-building effort has been a major success. It's been a cooperative effort between the Israelis and the Palestinians, it's been adopted by the United States, and the Congress has been very generous to support it. And it is very important for this effort not to be penalized, by the slowness, by the lack of development, the lack of any meaningful progress that has been taking place on the political front, and that might last for some time.

Now, on the issue of the security that my friend David has raised, on the security questions about what Salam Fayyad is doing; he is laboring under an exceptionally difficult set of circumstances, where he gets a state security system that he has put together, on one doctrine, basically, "We are building a state." So, if this security system, the security forces, are challenged by Israel, by incursions, by events that take place, that puts him in the most incredible position, vis-a-vis his own security forces, as to, you know, "Are we collaborating with Israel against ourselves?"

So, that puts him, personally, in situations, where I have personally known about, where he had to go to these places—Nablus, Hebron, et cetera—after incidents where Palestinians were killed, and then perhaps contain the anger of the people and guide it into a peaceful kind of resistance building.

I think, frankly, he needs to have some slack cut for him. And this is a conversation that we had with the Israelis too, about this. This is the only real program that's taking place on the ground now. Let us not jeopardize it by just going to our old think. There is a perestroika that's taking place now in Palestine. And, we hope, in Israel, too.

Senator CASEY. I just have about 2 minutes left. I want to make sure that I have an opportunity for the—our other two witnesses to either comment on this question—I also want to move to—and you can certainly jump to this question—about the elections in July—July 17—the—in terms if—in light of what Hamas will be doing, will you have a—or, it appears that we're going to have a—you know, voters in the—in Gaza disenfranchised. What does that all mean? Can you comment on the elections? And, if you have a moment, to respond to the first question.

Dr. MALLEY. Thank you, Senator.

I think it's important—what you said about Prime Minister Netanyahu's moves is important, and we need to take it into account. But, I think, to be effective diplomats, we have to see how it's viewed from the other side.

The fact that Prime Minister Netanyahu has now endorsed a two-state solution, as Palestinians see it, is not an Israeli concession, it's the Prime Minister's conversion. Israelis have accepted a two-state solution beforehand. This is nothing new. And, in fact, Palestinians have accepted the two-state solution. So, they don't see what there is to cheer about. And the fact that Israelis are prepared to reduce the pace of settlement growth, they would view it as Israelis doing less of what they shouldn't be doing in the first place, under international law. So, it's—I don't think that a Palestinian would view the gestures that Prime Minister Netanyahu has taken as significant.

I also think—and I said this in my testimony—that President Abbas is the most moderate expression of deep Palestinian disillusionment. In other words, most Palestinians would not want—you know, they think that this whole negotiation enterprise is a charade. He has been, from the first, among the Palestinian leadership to believe in negotiations. I believe he'll be the last to continue believing in them, if everyone else loses faith. But, he can't be—just as we have to be mindful of Israeli politics—and I emphasized that in my statement—we have to be mindful of Palestinian poli-

tics. There's deep disillusionment. If we don't want to lose Abu Mazen—President Abbas—and people always say, "Let's not lose him"—we can't force him to do things that would cost him the credibility that he has with his people.

I'm in favor of direct talks, but I think, right now, to have proximity talks is not the worst we can do.

On elections, I don't think there will be elections, because, in order to have elections, you need some form of—some form of agreement between Fatah and Hamas, which seems quite a ways off. And that's, maybe, unfortunate, but I think we're not—we're not going to see elections this July, and probably not this year.

Senator CASEY. Mr. Ambassador.

Ambassador KURTZER. Senator, on the second question, I would point out that, for more than 20 years, we've asked Palestinians to do three things: build institutions for statehood; build up an economy that assures that it's not a failed state, if it ever comes into being; and take responsibility for security. And, for the first time, this past year, they are doing it rather intensively. The Fayyad plan is indicative of an intention to build up credible institutions. The economy in the West Bank is moving along. I'm sure Senator Kerry saw it on his trip. I saw it a couple of months ago when I was there. And, with the assistance of General Dayton, there is now a growing Palestinian security force that is not beholden to a particular political party. Its mission is out to carry out the law-and-order functions of the Palestinian Authority.

So, I would probably advise not using the word "pressure," with respect to Palestinians, but encouragement to keep moving in the direction that they are. I think support that we can provide to Prime Minister Fayyad and to General Dayton to continue building up this capability for statehood is going to be critical, even as we do the negotiations that try to create the state.

I agree with Rob Malley, I doubt that elections will take place. They certainly will not take place, in my view, before there is reconciliation between Fatah and Hamas, and that seems to be experiencing the usual rocky road.

And on the question of proximity talks—I've kind of beaten this horse pretty hard today—it all depends, in my view, if there's substance that's going on in the proximity talks. If there is strong substance, then this may be a way to get them back to the table. If not, then it really is a setback of great magnitude.

Senator CASEY. Thank you very much.

The CHAIRMAN. Thank you, Senator Casey.

I might just comment that the Fayyad plan is a really detailed, well-articulated, thoughtful document. And to a greater degree we can get that process accelerated—and there are some issues. Area C transformations into Area A's, and so forth, which really ought to be accelerated, in a good faith effort to build those Palestinian institutions.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

And thank you all for your patience this morning. You're almost through.

We've talked a lot about the details of what's happening in the Middle East right now, and I'd like you to back up and take sort of a broader view.

Earlier this year, General Jones—Jim Jones—said something like, "If there's any one problem that I tell the President he should solve, peace between the Israelis and the Palestinians would be it."

So, you all are experts, not only on the Israeli-Palestinian conflict, but also on the Greater Middle East. So, can you talk a little bit about what General Jones was trying to say with that comment, and what the impact of progress on the Israeli-Palestinian conflict might have on the anti-Americanism that we see in some parts of the Middle East, and also the anti-Israeli sentiment around the world? And—yes.

Mr. MAKOVSKY. Thank you, Senator.

I just wrote a book, with my colleague Dennis Ross, who's now in the Obama White House. And we did a few long chapters on that one question. Sometimes it's called "linkage." And I think we feel you have to be very careful in how you look at that issue.

We have no doubt—the book is called "Myths, Solutions, and Peace." I'd be happy to send you one.

Senator SHAHEEN. OK.

Mr. MAKOVSKY. Just to get in a plug.

Senator SHAHEEN. This was not a planted question, just for the—

Mr. MAKOVSKY. OK. But, thanks for asking. [Laughter.]

Look, we know that this issue is evocative in the region. And we know that it's exploited by extremists in the region, too. And we see value of taking a card out of the hands of the extremists. But, I think we're more humble in believing that somehow if you solve this conflict—and we all want to end this tragedy—

Senator SHAHEEN. Right.

Mr. MAKOVSKY [continuing]. That's gone on for too long—but, I think we also have to be humble in believing that somehow—that this is the "open sesame" move—that somehow if we solve this conflict, as some Arab leaders who have come to Washington say, then you solve the Middle East.

I think all Americans have had a—like, a graduate seminar on the Middle East since 9/11, and the Iraq war, and how complicated it is, and all the ethnic differences of Sunni and Shia, and the difference between the Arabs and Persians, and—so many different dimensions. And I think, once you know all that, you say, "Well, good. Solve this conflict." It could be helpful for the American position in the region. And, in a sense, there's an American national security hope that if you do this, it will have some marginal impact.

But, I think we have to be very humble, and not believe it's going to be transformative. Iran will still want a nuclear weapon. Shia and Sunni in Iraq will still have their differences. They're not going to look at television and say, "Oh, look, the Arabs and Israelis have made peace. We can solve all our differences." There are so many conflicts in the Middle East that have emerged that have nothing to do with the Arab-Israeli conflict.

Will it have a marginal—yes, it could have a marginal focus. But, I don't think it'll be transformative. And I realize I'm saying some-

thing that's controversial, that will be disputed by a lot of my colleagues. But, I don't believe that, if we solve this conflict, it'll change the Arab dynamic toward Iran.

I was sitting with the head of an Arab intelligence agency the day of Annapolis, the day of great hope. And this person ticked off for me all the reasons why the Arabs will not be decisive on the Iranian issue. It has nothing to do with the Arab-Israeli conflict.

So, should we pursue it? Of course we should pursue it. Will it have marginal impact in taking a card away? Maybe. But, it won't end terrorism; it won't unlock all these other conflicts. But, even if it has a marginal role, we know it is evocative, and we should pursue it. And, of course, we should pursue it because—for the peoples themselves that have suffered so long.

Senator SHAHEEN. Thank you.

Dr. ASALI. Thank you, David. I haven't written a book—

Senator SHAHEEN. Would you like to disagree, Doctor?

Dr. ASALI. I haven't written a book about it, that's all I can say.

[Laughter.]

But, take what I say seriously. I think the problem between Palestine and Israel is essentially the ultimate symbol in world conflicts. Its impact goes way beyond—like Senator Kerry mentioned before, whenever he goes to Pakistan or to Morocco, you know, people tell him about this issue—it's precisely because of the many layers of symbolism involved. The North-South, the haves and have-nots, the Christians and Jews, the Muslims. It is so many things, I don't want to take your time counting.

The reason it is crucial to solve this is not it—that it will take all the problems away. It won't, of course. None of the other problems will go away. But, it will make them subject to a rational conversation. Right now, you cannot really discuss all of these issues, you know, reasonably, because of the passion that's surrounded because of this issue. And it is used. And of course it's used. It's used by the worst kinds, and it's used by the best kinds, in order to move it to resolution.

I have a certain antenna that goes up whenever anyone says, "It's not a big deal." Well, "it's not a big deal" means continuation of the status quo. The status quo happens to be a descending curve. It is not a plateau. And that means across the Middle East, not just between the Palestinians and the Israelis.

So, we need to change the status quo, and the status quo also means people living under occupation, whose pictures and lifestyles are shown on Al Jazeera and so many TV stations, daily, to keep all issues agitated. If anybody does not understand the value of symbolism in politics, then you take away the essence of politics.

The other thing is that this is not nuclear physics, honestly. I mean, like, you—what is it? It's how, how to do it. It can be done, and it can be done in many ways. And I think we do have, now, the beginnings of a situation where the Palestinians are taken seriously, by Israel and by the United States, as having some people who really can—you can deal with. If we fail to take advantage of that, then we would have ourselves to blame.

Senator SHAHEEN. Thank you.

Dr. Malley or Ambassador Kurtzer, do either of you want to comment?

Dr. MALLEY. I don't have much to add to what Dr. Asali said. I—you know, I recommend that people read David Makovsky's and Dennis Ross's book.

But, that said, I think the argument, that solving the Israeli-Palestinian conflict would resolve all the issues in the Middle East, is a little bit of a strawman, or strawperson. Even if you resolved all the problems in the Middle East, you wouldn't have resolved all the problems in the Middle East. The question is whether it would be helpful, in a critical way, to U.S. interests, given, in particular, the way in which so many people have used our policy and our efforts, and our failed efforts and sometimes our nonefforts. Diplomatically, of course we're going to have to do many other things. The issues have become far more interrelated over the last decade or so, whether it's Syria, whether it's Iran, whether it's Lebanon, whether it's Iraq. And we're going to have to play on several fronts at once.

But, I don't think that takes away from the fact that this is an issue that resonates probably more widely, not just in the Arab, but in the Muslim world, than any other one. And for that reason alone, it's reason to work on it.

Senator SHAHEEN. Thank you.

Ambassador KURTZER. Senator, since we're shilling our books, I also wrote one—

[Laughter.]

Ambassador KURTZER [continuing]. Which we talked about—

Senator SHAHEEN. Are you going to send me one too?

Ambassador KURTZER. Yes, of course.

Senator SHAHEEN. OK. [Laughter.]

Ambassador KURTZER. But I actually want to quote an Israeli Prime Minister and a Saudi king on this issue.

Prime Minister Rabin came to Washington in the summer of 1992, and told President George H.W. Bush that he felt it was imperative to resolve the Arab-Israeli conflict, not because he was a member of Peace Now, but because he saw the impending threat of Iran. And he understood that the peace process was a heavy weight around the neck of Israel in dealing with this imminent over-the-horizon threat.

About 10 years later, the Saudi Peace Initiative—or the Arab Peace Initiative was put forward, and the same reasoning obtained in the thinking of King Abdullah, not that there's a linkage between the resolution of one and the resolution of the Iranian issue, but that the lack of resolution of the Arab-Israeli conflict represented a dead weight on Arab policy and Arab politics, which was inhibiting their ability to join forces with the United States and others in dealing with a real threat to their security.

Now, I agree fully with what my colleagues have said. "Linkage" is a bad word, and it's been used very loosely in the past, in both directions. We had an argument a few years ago that said, "Don't resolve the Arab-Israeli conflict at all. You fix the problem in Baghdad, that's where the road to Jerusalem runs through." And you had the other argument made, that, "The road to Baghdad, or wherever, runs through Jerusalem." It's silly, because the linkage argument is the wrong way to phrase this. The Arab-Israeli conflict needs to be resolved because it's a critical issue for the United

States and for the region, and the absence of a resolution hurts our ability to deal with other pressing issues.

Senator SHAHEEN. Thank you.

In the minute that I have left, since you're ending on the Arab perspective, we've talked about—you've talked about Syria, but—and I think the chairman mentioned the Arab Peace Initiative—are there other players in the region who are prepared to be constructive, who we could—who could be further engaged in what's going on in a way that would be helpful?

Dr. Asali.

Dr. ASALI. Yes. I think the newcomer, the last decade at least, on the scene, an actively engaged new player, is the Turks—Turkey. And it has, in fact, made serious attempts to mediate, certainly between the Syrians and the Israelis, and it has been actively coordinating with the region.

Senator SHAHEEN. Can—excuse me for interrupting, but I just want to pursue that a little bit, because I think there's really been a deterioration of that relationship, and I wonder if you could comment on that, in—

Dr. ASALI. Yes.

Senator SHAHEEN [continuing]. Just the few seconds that I have left.

Dr. ASALI. Turkey has been actively engaged, is what I said. And I think that is exactly how it is. As far as whether people consider this a positive and—contribution that we would welcome, or whether it has been an erosion of Turkey's standing with its relation with the West, is an open question, in my mind. OK? I really do think I have, personally, some trepidations about an engagement of Turkey and—on the Middle East—that could take away the possibilities of further coordination. And I just want to mention that it has been more protective of Hamas's interest than I would like to see. I think we have enough problems without having Hamas being endorsed by Turkey.

Senator SHAHEEN. Thank you.

Can we take a final comment?

Go ahead.

Mr. MAKOVSKY. I would just like to say, Senator, that I think there are actually interesting players in Western Europe. You have Gordon Brown in England, you've got Sarkozy in France, you've got Merkel in Germany. And I think, taken together, the three of them have shown more balance in the European position than we've seen in the past toward the Arab-Israeli conflict. And, as such, I think they've dealt themselves in, and there might be creative ways to really bring about a greater role for them, in the Quartet or elsewhere.

Senator SHAHEEN. Thank you very much.

Yes, Dr. Malley.

Dr. MALLEY. Just one word to—maybe, to stand up a little bit more for Turkey's role. I think we would be making a mistake to write them off. They have—I think they're going to have to repair their relations with Israel. That's a critical step they have to take, and Israel—and we could help in that.

But, they are a country that is Muslim, that is in Europe, that has reached out to virtually all parties in the region—the Israelis,

the Syrians, the Iranians—and that’s the kind of player I think that we should be working with more closely at a time when the region is as polarized as it is and at a time when our relations with some of those entities are either very poor or nonexistent.

Senator SHAHEEN. Thank you. Thank you all very much.

Thank you, Mr. Chairman.

Senator LUGAR [presiding]. I’d like to just discuss one area that has not been explored. At some point, one of you—and forgive me for forgetting which one—indicated that one impelling reason for Israel to consider the two-state solution is that, over the course of time, Israel might be a state which is no longer a Jewish state because of current trends lending themselves toward substantial demographic changes in the country. Would any one of you describe the timetable in which these changes may take place? Additionally, what sort of trends are occurring with regard to current immigration into Israel? Are these changes being reflected now in elections, voting, or registration, and if they are, how so?

Yes, Mr. Makovsky.

Mr. MAKOVSKY. Yes. I was the one, Senator Lugar, who mentioned demographics as a driver toward resolution. My point was that, if you have a situation that Palestinians—the West Bank, and Gaza added on to Israeli Arabs—and here you’ll get into a demographic debate over what is the point that group becomes a majority. And it has something to do with projecting birthrates, and something to do with looking at the statistics of the Palestine Central Bureau of Statistics. I don’t want to get into the weeds on all this. But, whether it’s 10 years or more, then you may have more Arabs on the ground than you will have Israelis.

Now, right now, Palestinians in the West Bank and Gaza don’t vote, because the whole idea is to set up a two-state solution. Israeli Arabs do vote, they have full rights, they have representation in the Knesset. They often rail against the Israeli Government, more than they can probably do in any Parliament in the entire Middle East.

But, the point is that the demographics is a driver. It isn’t yet having an impact on coalition politics, because, for the most part, like I said, the Palestinians in West Bank and Gaza are not citizens. That’s why we want to solve this conflict. That’s why, I think, there’s an urgency on the border/security issue, of at least nailing that down, and creating—setting up that two-state solution. Because I think demographics are looming on the horizon. And for the same point, Abbas, if he isn’t successful, has got Hamas waiting in the wings, willing to pounce, and saying, “You haven’t produced results.”

So, I think for both of these players, Israelis and Palestinians, there are internal drivers that mean it’s critical that these peace talks happen, that they make progress, and that we have success.

Senator LUGAR. But, just to be a contrarian about this, let’s say Hamas said, “By and large, it is really not in our interests or those with whom we are allied, whether it be Iranians or elsewhere, for a solution to emerge.” To express this in a different way, it’s difficult enough getting Hamas together with other Palestinian actors. And we all hope that they will come together, because that’s part of the eventual solution for the creation of a Palestinian state. But,

let's say they're contrarians and their objective is really not unification, rather it is to maintain the antagonism that's involved. I'm still struck with the difficulties, given the players, as to how you finally get two parties that see some reason to move, particularly on the Palestinian side.

Mr. MAKOVSKY. I would just—if the question's for me, and I'm sure my colleagues have their own views—I just think that you could say, Hamas could spoil from the outside; but I think they could spoil from the inside in any, “unity government”—that they won't allow Abbas to make peace. And so, I think where Abbas is strongest is if he could demonstrate that diplomacy is vindicated, that there is something that he can tell his people. Because if you look at those Shikaki polls that we were talking about before, of where's the public, 70 percent, perhaps, in each camp, say they want peace, but they're not convinced the other side wants it.

So, the Palestinians are saying, “We're for a two-state solution, but the Israelis don't want it.” And the Israelis are saying, “We're for a two-state solution, but the Palestinians don't want it.” If there was actually something in his hand that he could say, “I got it, diplomacy works. I'm a success,” Hamas might try to spoil, but at least, I think with that middle opinion that could swing both ways, he'll be able to solidify that group and break through that paradigm, which is, “Oh, we want peace, but you're going to fail because the other side doesn't want it.”

So, I think there's nothing that succeeds like success. It doesn't mean that Hamas won't try to spoil, but Abbas will be in a much stronger position if he has something to point to in his hand.

Senator LUGAR. Yes, Dr. Asali.

Dr. ASALI. I agree with David, actually. I think the success of the moderates, in general, will determine the future of Hamas and the rejectionist, fundamentalist approach, across the Middle East. So, we have here more than one variable. It's what the Palestinian leadership wants to do, and what it can do. Here, again, we call on people to think strategically, in the region. Specifically on Israel, which, as far as we can watch, as closely as we can, it does not take long-term strategic considerations in decisions that it makes today and tomorrow.

It is unfortunate that Hamas is the beneficiary of many policies in the region—including outcome of Israeli decisions, and, in fact, Palestinian decisions and American decisions—all built on the basis of the failure of the moderates to deliver. We need to have the moderates to deliver. And for this, there is a test, now, actually, that I want to come back, for the fourth time, perhaps during this hearing, which is, let us make the Fayyad plan in the West Bank a success, a cooperative success between the three main parties—the Israelis, the Palestinians, and the United States—and all the allies. And that would determine the future of Hamas, I think, more than anything else.

Senator LUGAR. Thank you.

Well, let me just say, on behalf of the chairman and all of the members of the committee, how much we appreciate your coming today, in addition to how forthcoming you have been, as well as obviously well-informed by the years. And we thank both of you who are authors—

[Laughter.]

Senator LUGAR [continuing]. So that we can read more of your views. And those of you who have not published books recently, you've published articles frequently, so we'll also be beneficiary of your wisdom beyond the hearing.

The hearing is adjourned.

[Whereupon, at 12:18 p.m., the hearing was adjourned.]

