AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

PROMOTING PEACE? REEXAMINING U.S. AID TO THE PALESTINIAN AUTHORITY, PART II

HEARING

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

SEPTEMBER 14, 2011

Serial No. 112–68

Printed for the use of the Committee on Foreign Affairs

Available via the World Wide Web: http://www.foreignaffairs.house.gov/

U.S. GOVERNMENT PRINTING OFFICE

68–296PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON FOREIGN AFFAIRS

ILEANA ROS-LEHTINEN, Florida, *Chairman*

CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana
ELTON GALLEGLY, California
DANA ROHRABACHER, California
DONALD A. MANZULLO, Illinois
EDWARD R. ROYCE, California
STEVE CHABOT, Ohio
RON PAUL, Texas
MIKE PENCE, Indiana
JOE WILSON, South Carolina
CONNIE MACK, Florida
JEFF FORTENBERRY, Nebraska
MICHAEL T. MCCAUL, Texas
TED POE, Texas
GUS M. BILIRAKIS, Florida
JEAN SCHMIDT, Ohio
BILL JOHNSON, Ohio
DAVID RIVERA, Florida
MIKE KELLY, Pennsylvania
TIM GRIFFIN, Arkansas
TOM MARINO, Pennsylvania
JEFF DUNCAN, South Carolina
ANN MARIE BUERKLE, New York
RENEE ELLMERS, North Carolina
VACANT

HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
ENI F.H. FALEOMAVAEGA, American Samoa
DONALD M. PAYNE, New Jersey
BRAD SHERMAN, California
ELIOT L. ENGEL, New York
GREGORY W. MEEKS, New York
RUSS CARNAHAN, Missouri
ALBIO SIRES, New Jersey
GERALD E. CONNOLLY, Virginia
THEODORE E. DEUTCH, Florida
DENNIS CARDOZA, California
BEN CHANDLER, Kentucky
BRIAN HIGGINS, New York
ALLYSON SCHWARTZ, Pennsylvania
CHRISTOPHER S. MURPHY, Connecticut
FREDERICA WILSON, Florida
KAREN BASS, California
WILLIAM KEATING, Massachusetts
DAVID CICILLINE, Rhode Island

YLEEM D.S. POBLETE, *Staff Director*
RICHARD J. KESSLER, *Democratic Staff Director*

CONTENTS

Page

WITNESSES

The Honorable Elliott Abrams, senior fellow for Middle Eastern sudies, Council on Foreign Relations 10
Jonathan Schanzer, Ph.D., vice president of research, Foundation for Defense of Democracies 15
Mr. James Phillips, senior research fellow for Middle Eastern affairs, The Heritage Foundation 25
Mr. David Makovsky, Ziegler distinguished fellow, director of Project on the Middle East Peace Process, The Washington Institute 32

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Elliott Abrams: Prepared statement 12
Jonathan Schanzer, Ph.D.: Prepared statement 17
Mr. James Phillips: Prepared statement 27
Mr. David Makovsky: Prepared statement 34

APPENDIX

Hearing notice 80
Hearing minutes 81
The Honorable Gary L. Ackerman, a Representative in Congress from the State of New York: Prepared statement 83
The Honorable Gerald E. Connolly, a Representative in Congress from the Commonwealth of Virginia: Prepared statement 85
The Honorable William Keating, a Representative in Congress from the Commonwealth of Massachusetts: Questions for the record 87

PROMOTING PEACE? REEXAMINING U.S. AID TO THE PALESTINIAN AUTHORITY, PART II

WEDNESDAY, SEPTEMBER 14, 2011

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Ileana Ros-Lehtinen (chairman of the committee) presiding.

Chairman ROS-LEHTINEN. The committee will come to order. I would like to remind audience members that disruption of committee proceedings is against the law and will not be tolerated. Although wearing themed shirts while seated in the hearing room is permissible, holding up signs during the proceedings is not. Any disruptions will result in a suspension of the proceedings until the Capitol Police can come and restore order.

After recognizing myself and the ranking member, Mr. Berman, for 7 minutes each for our opening statements, I will recognize the chairman and the ranking member of the Subcommittee on the Middle East and South Asia for 3 minutes each for their opening statements. I will then recognize members for a 1-minute opening statement from each.

We will then hear from our witnesses. Thank you, panelists. And I would ask that you summarize your prepared statements within 5 minutes each before we move to the question and answer period with members under the 5 minute rule.

Without objection, the witnesses' prepared statements will be made part of the record, and members may have 5 days to insert statements and questions for the record, subject to the length limitation of the rules. The Chair now recognizes herself for 7 minutes.

Today's hearing is a part of a broader oversight by the committee to examine U.S. assistance to the Palestinian Authority and U.S. policy options to address the troubling turn of events regarding the PA's activities.

First, I would like to thank my friend and colleague Mr. Chabot, the chairman of the Subcommittee on the Middle East and South Asia, for assisting us in elevating this hearing to the full committee. We stand at a critical juncture with respect to the Israeli-Palestinian conflict, which will inevitably have a major impact throughout the region. Events appear to be heading increasingly in a negative direction, and regrettably the administration has been slow to take action.

The most recent challenge to the peace process is the Palestinians' intention to seek membership in the United Nations as the

State of Palestine, but without having made any effort to seriously negotiate with Israel. After weeks of uncertainty and drift, the administration has finally pledged that if the Palestinians go to the U.N. Security Council and ask for U.N. membership for a State of Palestine, the U.S. will veto that resolution.

But the administration's waiting until the 11th hour to make this announcement wasted a critical opportunity to prevent the problem from building. This sits a stark contrast to the decisiveness that the Truman administration displayed with respect to Israel.

As Clark Clifford reportedly remarked to President Truman on the eve of Israel's independence, when much of the cabinet was arrayed against the decision to recognize the State of Israel, and I quote:

> "In an area as unstable as the Middle East, where there is not now and never has been any tradition of democratic government, it is important for the long-range security of our country, and indeed the world, that a nation committed to the democratic system be established there on which we can rely. The new Jewish state can be such a place. We should strengthen it in its infancy by prompt recognition."

The United States was indeed the first country to recognize the State of Israel, and Israel today is such a government and ally. Strong U.S. leadership in this tradition would have drawn a bright line that other responsible nations could have rallied behind.

Now, however, because the Palestinians have been allowed to mobilize support, they will probably go to the General Assembly, where the U.S. does not have a veto, and ask for explicit recognition of a Palestinian state, or implicit recognition through an upgrade in their status at the U.N. This tactic would enable the Palestinians to seek full membership in other U.N. agencies.

Given that we know that this is likely to happen, we have time to take action to minimize the damage. In 1989, Yasser Arafat's PLO tried to do the same thing that Abu Mazen's PLO is doing, seeking the de facto recognition of a Palestinian state from the U.N. through agencies like the World Health Organization.

The PLO seemed assured of victory, and Israel seemed bound for international isolation. But then George Herbert Walker Bush—which is highly regarded, his administration, to this day, for its success in multilateral diplomacy—made a bold pledge: The U.S. would withhold funding to any U.N. entity that granted membership, or any upgraded status, to the PLO.

The PLO's scheme was stopped dead in its tracks. The administration should use the same funding conditions that worked two decades ago to stop Abu Mazen's dangerous unilateral scheme today.

This controversy regarding unilateral statehood reflects a broader failure by the Palestinian to meet their obligations. They continue to engage in anti-Israel incitement and to glorify violent extremism. They refuse to negotiate directly with Israel, and refuse to recognize Israel's right to exist as a Jewish state. Most troubling of all, they have aligned themselves with Hamas, a designated for-

eign terrorist organization whose stated objective is the elimination of the State of Israel and all of its Jewish citizens.

Despite decades of assistance totaling billions of dollars, if a Palestinian state were declared today it would be neither democratic, nor peaceful, nor willing to negotiate with Israel.

By providing the Palestinians with $2.5 billion over the last 5 years, the U.S. has only rewarded and reinforced their bad behavior. It raises tough questions as to just what are the tangible benefits for the U.S., or for lasting peace and security between Israel and the Palestinians, or derived for decades from assistance provided by United States taxpayers.

Palestinian leaders are not going to make the tough decisions and change their ways unless compelled to. If progress is to be made, the administration must stop looking for ways to circumvent requirements that the PA must meet certain criteria before they can receive U.S. aid. These conditions call for the Palestinians to completely abandon their unilateral efforts to secure recognition as an independent state, tear up their agreements with Hamas, return to direct negotiations with Israel, stop anti-Israel incitement, and begin preparing the Palestinian people for peace with Israel and recognize Israel's right to exist as a democratic Jewish state.

We hope that those conditions are there. We hope that they will be met. I would appreciate our witnesses addressing the most effective course of action to achieve those desired objectives. I thank my good friend, the ranking member Mr. Berman, for the time, and now I am pleased to recognize him for 7 minutes for his opening statement.

Mr. BERMAN. Well, thank you very much, Madam Chairman. And I thank the witnesses. You have put together an excellent group of people for a very important subject.

Madam Chairman, the Palestinian Authority president, Mahmoud Abbas, has apparently chosen to scorn the negotiation table in favor of unilateral action at the U.N., action that he says will bring his people closer to statehood. This step, which runs counter both to repeated U.S. requests and to prior Palestinian commitments, is likely to have disastrous consequences, and almost certainly it will make the prospect of a Palestinian state ever more distant.

Exactly what the Palestinians intend to do, what their resolution will say, and what process they will pursue at the U.N. are unknown at this time. Perhaps there is still time for good sense and effective diplomacy to prevail. Should the Palestinians follow through with their U.N. initiative, however, they will be reneging on their past commitment, enshrined in the 1993 Oslo Agreement and elsewhere, to resolve their problems with Israel through direct, bilateral negotiations.

One thing is clear: There will be no recognition of Palestinian statehood by the Security Council, where I am certain the Obama administration would use its veto, just as it has in the past, to prevent the passage of an unbalanced, anti-Israel resolution.

That means that the Palestinians will likely take their case to the U.N. General Assembly. And what exactly would the General Assembly recognition of a Palestinian state do for the Palestinian people? Absolutely nothing. It would not help the Palestinians

achieve a state that lives in peace alongside Israel. It would not solve the Palestinians' need for recognized borders, nor would it solve sensitive issues like the status of Jerusalem, water rights, or Palestinian refugees. Nor would it improve the economy or the security of the West Bank or Gaza.

In fact, Abbas' strategy would leave the core issues of this conflict unresolved and festering. Yet, while a U.N. General Assembly resolution will have absolutely no impact on the ground, it could have a major impact in international courts of law, as so many experts assert.

If the General Assembly enhances the Palestinians' current status as a non-state observer to that of a state, the Palestinians would have standing to bring cases against Israel at the International Criminal Court and the International Court of Justice. And that is exactly what President Abbas has indicated he will do.

Of course, that would merely waste more time and further poison relations with Israel, making statehood and peace further away than ever. I would appeal to our European friends, and to all nations, not to support a resolution with such calamitous potential.

Many analysts have suggested that the U.N. initiative reflects the fact that Abbas is a prisoner of domestic politics, that he must burnish his nationalist credentials if he is to be a credible leader. According to a poll 3 months ago, Palestinians favored the initiative by 65 percent to 31 percent.

But those views may be evolving. According to another Palestinian poll released just last week, only 35 percent of the Palestinians now believe that the Palestinian Authority should go ahead with their U.N. strategy, while a clear majority, 59 percent, said that the PA should go back to the negotiation table with the Israelis for the sake of a permanent peace.

I don't want to put too much stock in Palestinian polling, but it just may be the case that Abbas is misjudging his own people. I would be interested in the views of our panelists on the quality of those polls.

Madam Chairman, Congress has been very generous in its support of the Palestinian Authority's worthy efforts to build institutions and the economy in the West Bank. There is at least one person at that table who played a major role in that. In fact, we are the most generous nation in the world in that regard.

Therefore, I believe it is appropriate to point out that, should the Palestinians pursue their unilateralist course, the hundreds of millions of dollars in annual assistance that we have given them in recent years will likely be terminated, and that could well result in the collapse of the Palestinian Authority.

And it pains me to say that. U.S. aid has contributed significantly to many positive developments in the West Bank: Economic growth, institution-building, progress in governance and improved security for the Palestinians and Israel. But all of that is just a Band-Aid. It will not last. It is not enduring if there is no political solution, and for that we need negotiations, not U.N. unilateralism.

We will be prudent in our actions, but one thing is clear: President Abbas' Palestinian Authority should not be rewarded with American taxpayer dollars for actions that defy Palestinian com-

mitments, threaten to destabilize the region, or run counter to U.S. interests. These dollars can better be spent elsewhere.

Just 2 months ago, this body passed H. Resolution 268, which said that the House "affirms that Palestinian efforts to circumvent direct negotiations and pursue recognition of statehood prior to agreement with Israel will harm U.S.-Palestinian relations and will have serious implications for U.S. assistance programs for the Palestinians and the Palestinian Authority."

The Palestinians have been forewarned. We should not shrink from this pledge of just 2 months ago. In closing, I want to reiterate my conviction: Negotiations are the only path to a lasting two-state solution to the Israeli-Palestinian conflict. President Abbas likes to tell people he wouldn't get anything in negotiations with Prime Minister Netanyahu, but the fact is, he hasn't even tested the proposition, even though Netanyahu has repeatedly made clear his desire to commence talks unconditionally.

It is not too late for President Abbas to abandon his flawed U.N. strategy and engage directly with the Israelis. For the sake of peace, and for the sake of his relations with the Palestinians' most important benefactor, the United States of America, I urge him to do so.

And I yield back, Madam Chairman.

Chairman ROS-LEHTINEN. Thank you very much. My good friend Mr. Berman, the ranking member. I am pleased to yield 3 minutes to Congressman Steve Chabot, the chairman of the Middle East and South Asia Subcommittee.

Mr. CHABOT. Thank you, Madam Chair. Since taking office, President Obama has reiterated numerous times his belief that the resolution of the Israeli-Palestinian conflict is one of America's core interests in the Middle East. Over the past 2 years, however, even as the Palestinian Leadership has repeatedly retreated from a meaningful peace process, American assistance has remained unchanged.

Plainly speaking, a fundamental disconnect has formed between our aid policy and our policy objectives. I recently traveled to Israel and the West Bank, where I was able to witness firsthand the tremendous gains that have been made on the ground. Indeed, the two most prominent features of the Ramallah landscape are construction cranes and unfinished business and buildings.

Unfortunately, the current Palestinian leadership appears all-too-willing to sacrifice the achievements of Prime Minister Fayyad's state-building effort in the name of political theatrics. Instead of capitalizing on these gains through honest negotiations with Israel, the Palestinian leadership seems to be dead set on pursuing a path of unilateralism before the U.N. Security Council and/or the General Assembly this September.

True Israeli-Palestinian peace can only be made between two peoples, Israelis and Palestinians, and not the 191 other members of the General Assembly. If decades of frustration have taught us nothing else, it is that the road to Palestinian statehood does not start in New York, and it is not the place of the United States, the United Nations, or any other country or institution to short circuit the requisite negotiations between the two parties. Indeed, a unilateralism is simply rejectionism by another name.

For years, we have invested heavily both money and effort to help the Palestinians build a state for themselves, and it is irrefutable that our work has yielded results. The security gains on the ground in the West Bank have enabled unprecedented economic growth. Israelis have felt comfortable making security concessions that would have been unthinkable even a few years ago.

But just because our current aid policy has yielded results, that does not mean that it is currently, or that it will in the future. Under the best economic conditions, U.S. aid should not be an ever-flowing stream of taxpayer money. Under the current economic conditions, it simply cannot be.

The fact of the matter is that we are rapidly approaching a watershed moment in U.S.-Palestinian relations. Both the potential reconciliation government that Hamas and the unilateral campaign at the U.N. could not be more contrary to U.S. interests in the region. Rejectionist elements within the Palestinian leadership still refuse to sit and negotiate in good faith, even as Israel reiterates its commitment to have the establishment of a Palestinian state.

Time and again, Israel has demonstrated its commitment to a Palestinian state living as its neighbor in peace and security. But there are no short-cuts on the path to that outcome, and there is no getting around the hard concessions that will have to be made.

Although short-term security may be achievable unilaterally, peace is not. Palestinian rejectionism, whether by Hamas or Fatah, must be abandoned. If the Palestinians continue on their current path, the question before this Congress will not be "What portion of our aid will be cut?" but rather "What, if any, portion will remain?"

I yield back, Madam Chair.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Chabot, the chairman of the appropriate subcommittee. My good friend from New Jersey, Mr. Sires, is recognized for 1 minute.

[No response.]

Chairman ROS-LEHTINEN. Thank you for passing that up. Mr. Cicilline, my mayor?

[No response.]

Chairman ROS-LEHTINEN. Thank you. Ms. Bass?

[No response.]

Chairman ROS-LEHTINEN. I tell you, this is wonderful. Mr. Carnahan? Is recognized for 1 minute.

Mr. CARNAHAN. Thank you, Madam Chair. I want to thank you and Ranking Member Berman for convening this hearing on this subject, especially now. This is a critical time. Like many of my colleagues, I have serious concerns about the Palestinian leaders and their plans to take to the U.N. this month a unilateral push for statehood, an end run around the necessary peace process.

I strongly oppose any and all of these efforts, and believe that it is in the best interests of the Palestinian people, the Israeli people, and the peace process that this resolution as conceived not be offered. It is incumbent upon Congress and the administration to send the strongest possible message to President Abbas that his efforts are in no one's interests, including his own people.

We should reexamine how and whether we continue to offer assistance to the PA in the course of this conversation. I want to

thank the panel for being here today, and really getting us focused on the path through this process, over the next few weeks in New York.

Thank you, and I yield back.

Chairman ROS-LEHTINEN. Thank you, Sir. Mr. Rohrabacher is recognized, the chairman of the Subcommittee on Oversight and Investigations, for 1 minute.

Mr. ROHRABACHER. Thank you very much, Madam Chairwoman. The testimony that most concerned me in the first of these hearings was the admission by Jacob Wallace, our Deputy Assistant Secretary of Near-Eastern Affairs, which—he was testifying right there. He said that we were not using our various programs and our aid as leverage to push the Palestinian Authority back to the peace table, and for talks with Israel.

What are we using—or what are we spending all this money for, if it is not to promote peace? I mean, this is not anti-Palestinian or pro-Israeli, this is pro-peace. I mean, if we are not using our money for that, what are we using it for?

I am very interested to hear the opinions of our witnesses today as to how much money we are giving, and whether we are actually achieving anything by the aid that we are giving to the Palestinians, if we are not going to push for peace.

Thank you very much.

Chairman ROS-LEHTINEN. Thank you, sir. My Florida colleague, Mr. Deutch, is recognized for 1 minute.

Mr. DEUTCH. Thank you, Madam Chair and Ranking Member Berman. Thank you to the witnesses for appearing today. We are just days away from possible unilateral action at the U.N. by the Palestinians. The decisions by Mr. Abbas to use the United Nations to bypass face-to-face negotiations with Israel is not only unwise, it is utterly unacceptable. The United States has made our position clear: The only way to lasting peace is through direct negotiations.

Madam Chair, this week marks the 18th anniversary of the Oslo Peace Accords. In just days, nearly two decades of peace could be undone by the Palestinians' actions at the United Nations. The Palestinians must know there will be consequences for their actions in New York. If these actions jeopardize stability in the region, Israeli security, and our own U.S. interests in the greater Middle East, there must be serious diplomatic and punitive consequences.

If Mr. Abbas is serious about creating lasting peace and establishing a state for the Palestinian people, he would abandon this foolish plan, he would abandon partnership with Hamas, and he would return to the negotiating table where Prime Minister Netanyahu has been waiting without conditions for the past year.

Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you very much. Ms. Schmidt is recognized, who will be running her 90th marathon this weekend. Good luck.

Ms. SCHMIDT. Thank you. Thank you, Madam Chair, and thank you to the witnesses for being here today. This is a very important subject, and I will be succinct.

Madam Chair, allow me to be clear about my position on the Israeli-Palestinian conflict: I support a free, secure, and inde-

pendent Palestine state, but never—and I mean never—at the expense of a free, secure, and independent Israel. Period, case closed.

Israel is the only democracy in the Middle East, and is a dear friend and a great ally. While I understand the argument in favor of providing foreign aid to the Palestinians, I have to ask this question: What are we getting in return for our money? Since the 1990s, the United States has provided over $4 billion in aid. But what is the benefit?

On May 4th of this year, President Abbas and his Fatah-led Palestinian Authority signed a power-sharing agreement with Hamas, an organization that has been designated as a foreign terrorist organization by the U.S. President Abbas signed this agreement with Hamas, even though Hamas refuses to accept Israel's right to exist.

Now, we are faced with the prospect of the Palestinian Authority unilaterally pursuing a resolution in the U.N., with the objective to garner international support for Palestinian statehood. That being said, I have to wonder, why are we still providing U.S. assistance to the Palestinian Authority?

Thank you, Madam Chair. I look forward to this panel, and I yield back my time.

Chairman ROS-LEHTINEN. Thank you, Ma'am. Mr. Keating is recognized.

Mr. KEATING. Madam Chair, I am going to—since I just came in—pass and yield my time.

Chairman ROS-LEHTINEN. Thank you so much. Mr. Kelly of Pennsylvania?

[No response.]

Chairman ROS-LEHTINEN. Mr. Connolly of Virginia? Thank you, I apologize. I had not seen you there.

Mr. CONNOLLY. No problem, Madam Chairman. I want to thank you for holding this hearing, and I look forward to the testimony.

Chairman ROS-LEHTINEN. Thank you very much, sir. Mr. Gallegly is recognized.

Mr. GALLEGLY. I thank the chairman, and I just want to be very brief. I think this hearing is very timely, and with all of the things that we see on the evening news about the rancorous side of Congress, and all of the hostility and lack of bipartisanship, I think this is a classic example of how we stand together, not as Republicans or Democrats, but as Americans who truly believe in peace, and how vitally important it is, not only to that region of the world, but the rest of the world, that we address this issue together, as Republicans and Democrats, in a very strong, bipartisan way.

And your leadership, along with my good friend Howard Berman from my home state of California, I want to thank both of you, and I yield back.

Chairman ROS-LEHTINEN. Thank you, sir. Mr. Murphy is recognized.

[No response.]

Chairman ROS-LEHTINEN. He was just here a second ago. They move fast. Mr. Manzullo, who is the chairman of the Subcommittee on Asia and the Pacific, is recognized.

Mr. MANZULLO. Thank you, Madam Chair, for having this hearing. Americans are—at least my constituents are upset over the $4 billion that the United States has put into bilateral assistance to

the Palestinians in the past 15 years or so. And we are very concerned that the Palestinians are playing a very dangerous game at the United Nations by trying to bypass the direct talks with Prime Minister Netanyahu.

The administration must stand with Congress to send a clear and unmistakable message that declaring statehood via the U.N. is not only counterproductive, but endangers Israel's security. I've had the opportunity to meet with five Prime Ministers from Israel, sat in the joint session of Congress to hear the great speech of Prime Minister Netanyahu. And we as a Congress, I believe, are united that the United Nations action cannot supplant the direct talks that must take place between the Palestinians and Israel itself.

Chairman ROS-LEHTINEN. Thank you very much. Thank you to all of the members for their excellent opening statements. And now the Chair is pleased to welcome our witnesses.

The Honorable Elliott Abrams is certainly no stranger to our committee. He is a senior fellow for Middle Eastern studies at the Council on Foreign Relations. He has served in a number of senior positions in the executive branch, as Deputy Assistant to the President and Deputy National Security Advisor for Global Democracy Strategy from 2005 to 2009. From December 2002 to February 2005, he served as Special Assistant to the President, and as a Senior Director for Near East and North African Affairs at the National Security Council.

From June 2001 to December 2002, he served as Special Assistant to the President, and a Senior Director for Democracy, Human Rights, and International Organizations at the National Security Council. Welcome, Mr. Abrams.

Next, we will hear from Dr. Jonathan Schanzer. He is the vice president of research at the Foundation for Defense of Democracies. Dr. Schanzer has worked as a terrorism finance analyst at the U.S. Department of Treasury, where he played an important role in the designation of numerous terrorist financiers.

Dr. Schanzer has also worked for several other U.S.-based think tanks: The Washington Institute for Near East Studies, the Jewish Policy Center, and the Middle East Forum. Thank you, Dr. Schanzer. It is a pleasure.

Mr. Phillips is the senior research fellow for Middle Eastern affairs at the Heritage Foundation. Mr. Phillips is a veteran international security specialist who has written extensively on Middle Eastern affairs and international terrorism since 1978. He is a former research fellow at the Congressional Research Service of the Library of Congress, and a former joint doctoral research fellow at the East-West Center. Welcome, Mr. Phillips.

And lastly, we will hear from David Makovsky, who is the Ziegler distinguished fellow and director of the Project on Middle East Peace. Mr. Makovsky is a member of the Council on Foreign Relations and the London-based International Institute for Strategic Studies.

Before joining the Washington Institute, he was an award-winning journalist who covered the peace process from 1989 to the year 2000. He is the former executive editor of the Jerusalem Post, was diplomatic correspondent for Israel's leading daily, and is a

former contributing editor to the U.S. News and World Report. He has served for 11 years as that magazine's special Jerusalem correspondent.

A wonderful array of panelists. We will begin with you, Mr. Abrams. And as I said at the onset, all of your prepared statements will be made a part of the record. Mr. Abrams is recognized for 5 minutes.

STATEMENT OF THE HONORABLE ELLIOTT ABRAMS, SENIOR FELLOW FOR MIDDLE EASTERN SUDIES, COUNCIL ON FOREIGN RELATIONS

Mr. ABRAMS. Thank you, Madam Chairman, for inviting me here. Thank you to all the members of the committee. It is an honor and privilege to return to the committee again. Thank you for holding this hearing, which sends, I think, a very tough message to the Palestinian Leadership.

The maneuver in New York by the PLO leadership suggests, as many members have said, that they are turning away, both from direct negotiations with Israel and from state-building at home, and toward a confrontational melodrama in New York. This faces you with a difficult problem: What is to be done about our aid program?

If the Palestinian leadership—the PLO leadership, which is also the Fatah leadership—insists on going forward against all American advice, what should change if the PLO insists on this?

Personally, I say something has to change. You have warned against this step in New York, and you have said there would be consequences, and you should be as good as your word. Second, I would say, as Mr. Berman said, we don't know quite what is going to happen yet. I think this is not a September event; I think it is an October event.

Some of the programs that are up for cutting are actually in our interest, and the interest of Israel, such as the security programs that Mr. Chabot mentioned. Generally cutting off the PA is a very difficult thing to do. For one thing, we should distinguish between the PA and the PLO. The PA, the Palestinian Authority, is an administrative body, essentially under Prime Minister Fayyad and a bunch of other ministers.

They are not going to New York. They are not recognized in the U.N. They are not in the U.N. That is the PLO. The entire Palestinian Authority is not to blame for what the PLO Fatah crew is planning in New York. I think the collapse of the PA would not be in our interest, or for that matter Israel's or Jordan's. It might actually benefit Hamas and other terrorist groups.

So the first thing I would say is, give this a few weeks and wait and see what President Abbas, in his capacity as Chairman of the PLO, does. Does he go to the Security Council to force an American veto? That is very harmful for the United States. What language does he put forth in his resolution? How bad is it, exactly? Does he try to get the General Assembly to pronounce on Jerusalem? On refugees? On borders? Does he go forward the next day to say "I am for negotiations," or is he to go forward the next day in the International Criminal Court? So you should keep some powder dry, I think.

Second, I think you ought to move to close the PLO office in Washington. It is the PLO that is doing this. It is the PLO whose Ambassador yesterday, in a speech that I would describe as disgusting, said that in the new State of Palestine, there should not be one Jew. He didn't say "Israeli." He said "Jew." So Palestine has to be Judenrein, in his view.

That is the kind of thing that ought to get somebody PNGed from the United States. That office is open because you provided a Presidential wavier in 1987, and every President has exercised it every 6 months. Eliminate the waiver, close the PLO office in Washington.

Third, start looking again at our aid to UNRWA, which is hundreds of millions of dollars. We are the most generous donor. And what UNRWA does is perpetuate this refugee problem. It started at $750,000. Now it is $5 million. Every other post-World War II refugee problem is gone. This one keeps getting larger, thanks to UNRWA.

Finally, I would say, take a far harder line on PLO and PA corruption. This is not a criticism of Prime Minister Fayyad, for whom I have the highest regard, but he is surrounded by the old Fatah/PLO corrupt crew. For example, since 2006, the Palestine Investment Fund, which is worth about $1 billion, has been taken away from him, from his authority.

And there are plenty of allegations about things like self-dealing by the members of that board. So I think, given the amounts of money that have been mentioned here, $5 billion the United States has given, you have every right to demand investigations into and the elimination of corruption.

This is a difficult set of issues, but the PLO leadership should know that if they turned from the work of building a decent, democratic state from the ground up, and from genuine negotiations with Israel, you are determined that they will pay the price. And in that determination, you are right.

Thank you for this opportunity to appear before the committee.

[The prepared statement of Mr. Abrams follows:]

COUNCIL *on* FOREIGN RELATIONS

September 14, 2011

Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority Part II

Prepared statement by
Elliott Abrams
Senior Fellow for Middle Eastern Studies
The Council on Foreign Relations

Before the
Committee on Foreign Affairs
United States House of Representatives
1st Session, *112*th Congress

Hearing on Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority Part II

Madam Chairman and Members of the Committee:

It is an honor and a privilege to return here again to testify before the Committee.

Your topic today could not be more timely, for given the changes in the Middle East our aid to the Palestinian Authority should indeed be reexamined.

Aid to the PA has been extended in the hope that we are, as the title of the hearing suggests, promoting peace. Certainly in the years since the death of Yasser Arafat our aid has done so. We have helped promote Israeli-Palestinian cooperation, and helped Palestinians who would rather build up their own state than curse their neighbor. I could spend a good deal of time listing the many achievements of our aid programs and the good they have done, both directly and by supporting the PA's positive efforts once real reform began.

There are reasons, however, to take another look at the program, and obviously one of them is the coming UN vote on Palestinian statehood. That maneuver in New York by the PLO leadership suggests that they are turning away from both direct negotiations with Israel and from state-building at home and toward confrontational melodramas in Turtle Bay. The United States has been trying to get the Palestinians to the negotiating table for over two years now without success. But President Abbas instead seems determined to do something entirely different: he seems most concerned about his legacy. Today he is the man who lost Gaza. So he wants a UN declaration about Palestinian statehood, and he wants his unity deal with Hamas, and then presumably he thinks he can leave the scene saying there is national unity and progress toward statehood. This is a disastrous course for the Palestinian people. Like Haj Amin al-Husseini, who led the Palestinians in the first half of the twentieth century into support for Hitler, and Yasser Arafat, who in the second half led them into terrorism, he will be going down a dark alley.

The Council on Foreign Relations takes no institutional positions on policy issues and has no affiliation with the U.S. government. All statements of fact and expressions of opinion contained herein are the sole responsibility of the author.

You therefore face a real problem: what is to be done about our aid program if the PLO leadership, which is also the Fatah Party leadership, insists on going forward against all American advice? What should change if the PLO insists on getting itself declared a non-member observer state by the General Assembly?

First I would respond that something must. Members of Congress have warned against this step in New York and said there would be consequences, and you should be as good as your word.

Second I would say the best response is not to zero out all aid to the PA. Some programs are very much in our own interest and Israel's, such as the security programs. Defunding them right now would make life harder for Israelis and Palestinians alike. Nor do I favor generally cutting off the PA, for several reasons. The entire PA (as opposed to the Fatah and PLO leadership) is not to blame for what the PLO/Fatah crew is planning in New York. A collapse of the PA would not be in our interest nor in Israel's or for that matter Jordan's. In fact it might benefit only Hamas and other extremist and terrorist groups.

So what actions might you take, then, that are in my view better responses?

I have four suggestions.

First, wait and see what Abbas and the PLO top brass do in and after the vote. Do they go to the Security Council to force an American veto? If so they will be deliberately seeking a confrontation with the United States and deliberately making things difficult for us in the region. Then there is the language of the resolution they put forward: is it as limited as possible, or do they seek to have the General Assembly pronounce on issues like borders and refugees and Jerusalem? If they do the latter they largely foreclose the chances for negotiations, for how will any Palestinian leader be able to accept less when he sits down with Israel than he has already gotten at the UN?

And what happens after the vote? If they then say, well now we have our symbolic victory and now we want to go to negotiations, without preconditions, obviously that positive move should be met with approval. It is more likely to happen if they know you are waiting and watching. On the other hand if they move immediately to create large and dangerous demonstrations, and immediately rush off to the International Criminal Court to demand prosecutions of Israeli officials, it will be obvious that they want confrontation not peace. And they should know what that means for aid levels. But keeping some of your powder dry is probably a good idea.

Then there is Hamas. You have said aid would be ended if they really consummate a unity deal with Hamas. If all aid has already been ended, that pressure point will be removed. It's another reason to allow some aid flows to continue until we see what game the PLO leaders are really playing.

Second, I urge you to move after the vote to close the PLO office in Washington. Right now it operates under a presidential waiver of the 1987 law that ordered it closed, a waiver that has been granted every six months for decades. A waiver is necessary because of the PLO's long involvement in terrorism under Arafat. Close that office. The logic is that if the PLO has rejected American advice and insisted on the UN declaring it a state, then there is no need to allow the PLO to continue here. The PLO leadership will be saying it wishes to disappear, so let's cooperate and allow them to do so here in our capital.

Third, start ending our aid to UNRWA. As you know, the world was awash in refugees after the Second World War and all of those refugees have been settled and absorbed—except the Palestinians. While Israel happily took in Jewish refugees from all over the world, and not least the Arab world, Arab countries continue to keep Palestinians in refugee status without citizenship or rights. UNRWA helps perpetuate this calamity. Every other group of refugees is handled by the UNHCR, the UN High Commissioner for Refugees. UNHCR says its objective for refugees is as follows: "our ultimate goal is to help find durable solutions that will allow them to rebuild their lives in dignity and peace. There are three solutions open to refugees where UNHCR can help: voluntary repatriation; local integration; or resettlement to a third country in situations where it is impossible for a person to go back home or remain in the host country."

Compare what UNRWA says: "UNRWA (the United Nations Relief and Works Agency for Palestine Refugees in the Near East) provides assistance, protection and advocacy for some 5 million registered Palestine refugees in Jordan, Lebanon, Syria and the occupied Palestinian territory, pending a solution to their plight." Pending a solution—in other words, it does nothing to advance the solution and instead perpetuates refugee status forever. For UNRWA adds this

note: "The descendants of the original Palestine refugees are also eligible for registration. When the Agency started working in 1950, it was responding to the needs of about 750,000 Palestine refugees. Today, 5 million Palestine refugees are eligible for UNRWA services." So every other refugee problem has diminished over time; only in the case of UNRWA and the Palestinians does it grow, automatically, year after year. And we are complicit in that undertaking.

I realize that this hearing is predominantly about aid to the PA, but that aid comes in a context—and the context is a UN agency perpetuating the refugee problem forever. So UNRWA is my third point.

Fourth, take a far tougher line on PA and PLO corruption. I have the highest regard for Prime Minister Fayyad and I believe he is a completely honest official, so this is not a criticism of him. But he is surrounded by a Fatah/PLO crew that was thoroughly corrupt when Arafat was alive and I do not believe they have eliminated corruption since. In fact, since 2006 the very large Palestine Investment Fund or PIF has been out of Fayyad's control, and there are plenty of allegations about corruption in its activities and about self-dealing by its board. You don't have to spend much time in Ramallah to hear more allegations about growing corruption at the highest levels.

Given the amounts you have over time authorized for the Palestinians, you have the absolute right to demand better accounting, an investigation of the PIF, and far more U.S. government pressure to stop the corruption U.S. officials will privately acknowledge exists. It is a good way of telling the PLO officials that their caper in New York was a serious mistake and that they will pay a price for it.

Madam Chairman, you face a difficult set of issues here. All of us want an Israeli-Palestinian peace and want the Palestinians to be able to build up the institutions they will someday need to establish a decent and democratic state. Our aid programs help in that work. Ending them can set back those efforts. But the PLO leadership should know that if they turn from that work and from genuine negotiations with Israel, you are determined that they will pay the price. And in that determination, you are right.

Thank you again for this opportunity to appear before the Committee.

3

Chairman ROS-LEHTINEN. Thank you very much.

Dr. Schanzer?

STATEMENT OF JONATHAN SCHANZER, PH.D., VICE PRESIDENT OF RESEARCH, FOUNDATION FOR DEFENSE OF DEMOCRACIES

Mr. SCHANZER. Chairman Ros-Lehtinen, Ranking Member Berman, and distinguished members of the committee, on behalf of the Foundation for the Defense of Democracies, I thank you for the opportunity to discuss today some of the challenges associated with our country's annual $600 million aid package to the Palestinians.

I testify today having conducted interviews last week with Palestinian Authority figures, Fatah party representatives, and Israeli officials in both Ramallah and Jerusalem. These interviews confirm that our aid package needs an overhaul. While my written testimony is more expansive, in the interest of time I will focus today only on the problems of Palestinian Authority corruption and support for terrorism.

In recent years, the PA has been lauded for its transparency and accountability, thanks to PA Prime Minister Salam Fayyad. Recently, however, Fayyad has been sidelined by President Mahmoud Abbas. Abbas has consolidated power, and he is now abusing it. One egregious example is the Palestine Investment Fund.

The PIF was created in 2002 to function as a transparent sovereign wealth fund, to benefit the Palestinian people. In recent years, however, Abbas has changed the charter, installed his own choices for board members, placed the PIF under his full control, and neglected to have it properly audited. As the largest donor to the PA, the U.S. has a right to oversee the fund.

The PIF contributes dividends to the PA every year. The PA also borrows from this fund, currently worth at least $1 billion, when it cannot pay salaries. In return for the money borrowed, Abbas has been repaying the PIF with land slated for businesses that enrich his own inner circle.

Oversight of the PIF is long overdue. One former official charges that $1.3 billion has gone missing from the fund. Another claims that exposing the PIF would reveal corruption at the highest levels of the PA. And the fact that Hamas recently took full control over the PIF's assets in Gaza now adds to the concern.

Another example of corruption is the way in which Abbas' sons, Yasser and Tarek, have reportedly accumulated wealth since their father took office in 2005. Yasser, the oldest son, owns Falcon Tobacco, which has a lucrative monopoly over the marketing of U.S.-made cigarettes, such as Kent and Lucky, in the West Bank and Gaza. Yasser also owns a company that reportedly received $1.89 million from USAID in 2005 to build a sewage system in the West Bank town of Hebron. Another company owned by Yasser Abbas received some $300,000 in USAID funds.

The younger, Tarek, is the general manager of Sky Advertising, which receives hundreds of thousands of dollars from USAID to bolster opinion of the U.S. in Palestinian territories. His ad agency also won a lucrative contract from the controversial Wataniya cell phone company, where his brother Yasser sits on the board.

Wataniya was created with international donor funds, including U.S. assistance.

Finally, there is the PA's troubling financial relationship with Hamas. Despite its ongoing feud with Hamas, the PA has secretly allowed the Jihadist group to raise funds through an electricity scam. Electricity in Gaza is produced by a power plant that is guaranteed by the Palestinian Authority, but the bills are collected by Hamas. As one former Palestinian Authority official confided to me, the Hamas authorities collect the bills from customers in Gaza, but never sends the money back to the West Bank, and the PA continues to foot the bill.

It should also be noted that Hamas government institutions and prominent Hamas members simply don't pay their bills, and the PA covers them as well. Thus, the PA allows Hamas to raise funds by billing Gazans for electricity that they don't generate. And because the PA is funded by U.S. taxpayer money, we are all enabling Hamas to raise those funds. This is a violation of U.S. law, and must be addressed immediately.

In my written testimony, I describe some of my misgivings about cutting off aid entirely. Among other things, we could effectively relinquish all of our leverage with the Palestinians, leaving the door open for Iran or other bad actors to influence the PA in ways that could further threaten regional stability.

But this does not mean that Congress should maintain the status quo. Congress should challenge the corrupt system created by Mahmoud Abbas. This includes: One, stricter oversight of the Presidential waiver process that releases Palestinian funds each year. Two, oversight of the Palestine Investment Fund, including a full audit. Three, conduct an inquiry into the wealth of Mahmoud Abbas and his sons Yasser and Tarek, to determine whether U.S. funds have contributed to their holdings. Four, demand an immediate resolution to the matter of the electric power plant in Gaza. U.S. taxpayers should not be indirectly financing Hamas. Number five, scrutinize the Presidential budget of PA President Mahmoud Abbas. And finally, find ways to increase the role of Prime Minister Salam Fayyad, who has been marginalized by Abbas in recent years.

On behalf of the Foundation for the Defense of Democracies, I thank you again for inviting me to testify here today, and I look forward to your questions.

[The prepared statement of Mr. Schanzer follows:]

Congressional Testimony

Promoting Peace?

Reexamining U.S. Aid to the Palestinian Authority, Part II

Jonathan Schanzer, PhD
Vice President, Research
Foundation for Defense of Democracies

Hearing before the House Committee on Foreign Affairs

Washington, DC
September 14, 2011

FDD
FOUNDATION FOR DEFENSE OF DEMOCRACIES
1726 M Street NW • Suite 250 • Washington, DC 20036

Chairman Ros-Lehtinen, Ranking Member Berman, and distinguished members of the House Committee on Foreign Affairs, on behalf of the Foundation for Defense of Democracies, I thank you for the opportunity to discuss with you today some of the challenges associated with our country's aid package to the Palestinians.

I testify today having conducted interviews last week with Palestinian Authority figures, Fatah party officials, and Israeli authorities in both Ramallah and Jerusalem. I will base much of my testimony on these interviews, but also draw from other open-source documents and some broader historical observations.

After briefly reviewing Washington's largesse to the Palestinians, this testimony will address four additional areas. The first cites specific examples of corruption and malfeasance that require better oversight by the US Congress. The second assesses US-Palestinian relations. The third examines the potential impact, should Washington cut its aid. Finally, I provide a number of recommendations.

US Aid to the Palestinians

Palestinian aid in its current form began in 1993, with the creation of the Palestinian Authority (PA). For the United States, Israel, and the rest of the international community, the PA was a more attractive option than the Palestine Liberation Organization, which had been responsible for scores of terrorist attacks since the 1960s. The prevailing wisdom was that although the PA was still controlled by PLO leader Yasser Arafat, its very existence would signal a shift from the PLO's decades-long campaign of terrorism to the practice of governance. As such, the PA was charged with combating and preventing terrorism against Israel from Hamas and other radical groups. It was further expected to foster stability and prosperity in the West Bank and the Gaza Strip to prepare the way for peace and self-governance.[1]

Since 1993 the United States has provided over $4 billion to the Palestinians. Since FY2008, that aid has averaged approximately $600 million annually. The current allocation is: $200 million for direct budgetary assistance to the PA, $100 million for security assistance, and another $300 million to NGOs.[2]

Areas of Concern

It is important to state up front that some of this aid has gone to good projects run by good people. However, Palestinian nationalism is a relatively new phenomenon, and its leaders have little experience in governance. This has led to many failed programs, prompting the majority of Palestinians to lose faith in the PA as a legitimate governing administration.[3] Moreover, even good programs are too often marred by the dangerous and populist messages of Palestinian nationalism that condone terrorism and encourage

[1] Jim Zanotti, "U.S. Foreign Aid to the Palestinians," *Congressional Research Service*, May 31, 2011, www.fas.org/sgp/crs/mideast/RS22967.pdf
[2] Ibid.
[3] Interview with former Palestinian Authority advisor, London, July 21, 2011.

hatred against Israel. Other programs are plagued by corruption, or were simply poor ideas from the start.

One case in point is the UN Relief and Works Agency. The United States is the largest single-state donor to UNRWA. Since 1950, the United States has contributed approximately $4 billion to it. Since 2007, the United States has given an annual average of $200 million.[4] While all other refugee issues have been directed to, and solved by, the UN High Commissioner for Refugees, UNRWA has had sole responsibility for the Palestinian refugees of the 1948 and 1967 wars. But rather than dealing with the original refugees, UNRWA now services the children, grandchildren, and great grandchildren of those who were originally displaced. While the original number was estimated at 750,000, the number of Palestinians now claiming refugee status exceeds 5 million.[5] Those claiming refugee status insist that they have a right to live inside Israel proper, and that the conflict cannot be solved until their claims are addressed. This is a major stumbling block for negotiations. If Israel, a country of 5 million Jews, were to accept this demand, it would be demographically destroyed. Unfortunately, UNRWA services these refugees as clients, and perpetuates their claims, rather than finding a way to end them.[6] In other words, UNRWA has become a problem instead of a solution.

Another problem, dating back to 1993, is the issue of the PA's incitement to violence. This was a problem under Yasser Arafat, and it remains a problem now. The PA names streets after celebrated perpetrators of terrorism. It celebrates the anniversaries of terrorist attacks. Official television programs, print media, and textbooks continue to refuse to recognize Israel or actively delegitimize it.[7] This incitement and de-legitimization, well documented by watchdog groups MEMRI and Palestinian Media Watch, is all carried out through the official budget of the Palestinian Authority, to which American taxpayers annually contribute.

It is also worth noting that the PA does more than honor those convicted of terrorism against Israel. Research sponsored by the Foundation for Defense of Democracies yielded an official PA document, dated June 28, 2010, describing the pay structure to prisoners and their families. PA stipends are to be distributed based on how much time prisoners have spent in Israeli jails. Those who serve shorter sentences receive less (1400 Israeli shekels per month, or $380) than those with longer terms (12,000 Israeli shekels per month, or $3,250). It is worth noting that the longer the prison term, the more violent the crime.[8]

---

[4] Jim Zanotti, "U.S. Foreign Aid to the Palestinians," *Congressional Research Service*, May 31, 2011, www.fas.org/sgp/crs/mideast/RS22967.pdf

[5] "Palestinian Refugees," UNRWA website, www.unrwa.org/etemplate.php?id=86

[6] See: Asaf Romirowsky & Alexander Joffe, "De-Fund the UNRWA," *Wall Street Journal*, April 1, 2011, http://online.wsj.com/article/SB10001424052748704396904576226452357028480.html

[7] 'Examples of Palestinian Authority Incitement," Prime Minister's Office (Israel), March 13, 2011, www.pmo.gov.il/PMOEng/Communication/Spokesman/2011/03/spokeincitement130311.htm

[8] "Draft Regulations on the Disbursement of Monthly Salary of Prisoners and Families," Council of Ministers, Palestinian Authority, June 28, 2010, http://freedom.ps/attachments/25-5-2011/02.pdf (Arabic)

There is also the matter of corruption. After the death of PA chairman Yasser Arafat, the world learned that he had siphoned off an estimated $1 billion to enrich his inner circle.[9] With the arrival of Salaam Fayyad, then finance minister and now prime minster, the PA began to experience a degree of accountability and transparency. Indeed, it appeared the PA was cleaning up its act. However, in recent years, Fayyad has been sidelined by PA President Mahmoud Abbas. Abbas has consolidated power, and he is now abusing it.

One egregious example is the Palestine Investment Fund. The PIF was created in 2002 to manage and distribute the money and commercial interests owned by the PA.[10] The bylaws were established so that its operations would be transparent, since the PIF effectively functions as a sovereign wealth fund. The PIF succeeded in bringing hundreds of millions of dollars of commercial assets in the Palestinian budget into the light of day. The PIF's operating procedures call for the Fund to operate as an independent vehicle for economic stimulus for the benefit of the Palestinian people. In recent years, however, Abbas changed the charter, installed his own choices for board members, placed the PIF under his full control, and neglected to have the PIF audited by outsiders. Today, Prime Minister Fayyad has zero oversight of the PIF, despite his celebrated mandate for transparency.[11]

As the largest donor to the PA, the US has a right to oversee the PIF. The PIF contributes dividends to the PA every year. The PA also borrows from this fund, currently worth at least $1 billion, when it cannot pay salaries. In return for money borrowed, Abbas has been repaying the PIF with land that will be used for additional businesses that enrich his inner circle.[12]

Oversight of the PIF is long overdue. Mohammed Dahlan, a former PA official, charges that $1.3 billion has gone missing from the fund.[13] Another former official claims that if Congress were to demand an accounting of the PIF, it would cause an "explosion," revealing corruption at the highest levels of the Palestinian Authority.[14] The fact that Hamas recently took full control of the PIF's assets and offices in Gaza adds to the concern.[15]

Another worthwhile inquiry would explore the way in which Abbas' sons, Yasser and Tarek, have accumulated wealth since their father took office in 2005.

---

[9] Tricia McDermott, "Arafat's Billions," CBS News, November 7, 2003, www.cbsnews.com/stories/2003/11/07/60minutes/main582487.shtml
[10] English language website at www.pif.ps/index.php?lang=en
[11] Interview with Palestinian Authority official, Ramallah, September 8, 2011.
[12] Interview with former Palestinian Authority official, Ramallah, September 8, 2011.
[13] Khaled Abu Toameh, "Abbas 'Feels He's Above the Law,' Charges Dahlan," *Jerusalem Post,* July 31, 2011. www.jpost.com/MiddleEast/Article.aspx?id=231686
[14] Interview with former Palestinian Authority official, Jerusalem, September 8, 2011.
[15] Interview with former Palestinian Authority advisor, London, July 21, 2011.

Yasser, the oldest son, owns Falcon Tobacco, which has a monopoly over the marketing of US-made cigarettes such as Kent and Lucky in the West Bank and Gaza Strip. In a place where smoking is a national pastime, Yasser Abbas has raked in untold millions.[16]

Yasser also owns Falcon Electro Mechanical Contracting Company, which received $1.89 million from USAID in 2005 to build a sewage system in the West Bank town of Hebron. His other company, First Option Project Construction Management Company, also received some $300,000 in USAID funds.[17]

The younger Tarek is general manager of Sky Advertising, which received hundreds of thousands of dollars from USAID to bolster opinion of the US in the Palestinian territories.[18] His ad agency also won a lucrative contract from the controversial Wataniya cell phone company, where his brother Yasser sat on the board. Wataniya was created with international donor funds, including US assistance.[19]

According to Fatah officials, the Abbas brothers have now withdrawn much of their holdings from the West Bank, and their names appear on only a few boards.[20] The Abbas family reportedly owns lavish properties in Jordan, Tunisia, and possibly the Gulf. One former PA official estimates that the total property owned by Abbas and his sons is $10 million.[21]

Finally, there is the PA's ambiguous relationship with Hamas. Despite its ongoing feud with Hamas, the PA has secretly allowed the jihadist group to raise funds through an electricity scam. Electricity in Gaza is produced by a power plant that is guaranteed by the Palestinian Authority, but the bills are collected by Hamas. As one former advisor to the PA confides, "the Hamas authorities collect their bills from customers in Gaza, but never send the funds back to the West Bank. And the PA continues to foot the bill." It should also be noted that Hamas government institutions and prominent Hamas members simply don't pay their bills. The PA covers them, as well. [22]

In other words, Abbas allows Hamas to raise funds by billing Gazans for electricity that they don't generate. And because the PA is funded by US taxpayer money, we are all enabling Hamas to raise those funds. This is a violation of US law, and it must be addressed immediately.

---

[16] Khaled Abu Toameh, "PA Officials Scandalized at Disclosure by Abbas's Son of Vast Personal Fortune," *Jerusalem Post*, April 16, 2009, www.jpost.com/MiddleEast//Article.aspx?id=139339

[17] Adam Entous, "Firms Run By President Abbas's Sons Get US Contracts." Reuters, April 22, 2009, www.reuters.com/article/2009/04/22/us-palestinians-aid-abbas-idUSTRE53L2Q220090422

[18] "USAID Contracts with Firms Headed by Abbas's Sons," Reuters, April 22, 2009. http://uk.reuters.com/article/2009/04/22/uk-palestinians-contracts-sb-idUKTRE53L2R120090422

[19] David Rose, " Special Investigation: How Blair Rescued Palestine Deal Worth $200m to his £2-a-year Paymasters," *Daily Mail* (UK), September 12, 2010, www.dailymail.co.uk/news/article-1311237/Special-investigation-How-Blair-rescued-Palestine-deal-worth-200m-2m-year-paymasters.html

[20] Interview with Fatah officials. Jerusalem, September 8, 2011.

[21] Interview with former Palestinian Authority official, London, July 21, 2011.

[22] Interview with former Palestinian Authority advisor, London, July 21, 2011.

Of equal importance is the reconciliation agreement, struck in May, between Hamas, the terrorist organization ruling Gaza, and Fatah, the dominant faction of the PA. What does it say about the PA if it joins hands with a terrorist group that has taken the lives of Americans, as well as Israelis? Given Hamas' designation as a terrorist organization by both the US Treasury and the US Department of State, the law is clear. Should the PA form a government that includes Hamas, US aid cannot legally continue to support it. Mahmoud Abbas knows this, yet the process of reconciliation persists.

US-Palestinian Relations

The frustration of squandered American aid to the Palestinians does not tell the full story.

Americans recall the images of Palestinians celebrating in the streets in the wake of the September 11 attacks of 2001.[23] Americans also recall the way in which the Palestinians, under the leadership of Yasser Arafat, squandered years of US-led diplomacy with Israel when they elected to shun a peace deal and launch the al-Aqsa Intifada—a low level war—against Israel in autumn 2000.[24] There are several court cases pending against the PA for acts of terrorism that claimed the lives of Americans.[25] And the anti-Americanism in the Palestinian media is second only to the anti-Israel invective.[26]

On the other hand, one could argue that the new PA leadership has worked closely with the United States to rebuild after the devastating effects of the intifada. With the death of Arafat in 2004 and the advent of a more transparent government less prone to sponsor violence, advocates of the Palestinian cause will argue that the PA has earned its aid. Proponents further argue that the US-Palestinian security and intelligence cooperation in recent years has been extremely positive, in light of the fact that it is in both the interest of the PA and the US to minimize the power of Hamas.[27] Finally, the prevailing wisdom in Washington is that aid is our best leverage with the Palestinians, and is a relatively inexpensive way to maintain good will in the Arab world.

But the expected Palestinian unilateral declaration of independence this month raises new and troubling questions.

For one, the UDI is an outright rejection of the Oslo Accords, the legal framework for US-Palestinian relations. In many ways, it is also a rejection of the US role as the broker for continued diplomacy.

---

[23] See: "Palestinians Celebrating 9/11 Attack," MSNBC, www.youtube.com/watch?v=oMOZvbYJMvU. See also, "Reuters Statement on False Claim it Used Old Video," CNN.com, September 20, 2001. http://archives.cnn.com/2001/US/09/20/reuters.statement/index.html

[24] Bill Clinton, *My Life*. (NY: Alfred A Knopf, 2004), p.938.

[25] Erik Tucker, "Palestinian Authority Settles RI Lawsuit," Associated Press, February 14, 2011. http://news.yahoo.com/apnewsbreak-palestinian-authority-settles-ri-suit-201102l4-120010-958.html

[26] Hillel Frisch, "The Palestinian Media and Anti-Americanism: A Case Study," MERIA, December 7, 2003, www.gloria-center.org/meria/2003/12/frisch.html

[27] Jim Zanotti, "U.S. Security Assistance to the Palestinian Authority," Congressional Research Service, January 8, 2010, www.fas.org/sgp/crs/mideast/R40664.pdf

In fact, the Palestinian plan to declare a state this month is designed, in part, to isolate the United States from the Arab world. President Barack Obama has stated that the United States would veto the UDI at the UN Security Council, based on his belief that bilateral negotiations are the only true path to peace. If Abbas goes to the Security Council first, he may force the US to publicly deny the Palestinians statehood on the world stage. As Fatah officials recently explained, even after the US went to great pains to support the protest movements in Egypt, Libya, Syria, and elsewhere, America's decision to veto Palestinian independence would damage its credibility in the Arab world.[28]

The Impact of Cutting Aid

What would be the economic impact if America cuts its aid to the Palestinians? In short, it would be devastating. The impact could be compounded if the Israelis, who collect some $100 million in Value Added Taxes (VAT) on behalf of the Palestinians each month, elect to withhold these funds. One Israeli official recently indicated that two scenarios—a Hamas-Fatah unity government or a Palestinian decision to go through with the UDI—could trigger such a move.[29] These are the same events that could trigger a cut in US funding. Collectively, US aid and Israeli VAT amounts to more than $1.5 billion per year. This accounts for roughly three-quarters of the Palestinian Authority's annual budget.

According to senior Fatah officials, it could take as little as two months for the PA to run out of cash. Thanks to unprecedented economic growth in recent years, Palestinians have increasingly taken out loans to buy cars, homes, and other items. Unable to pay their bills, the frustration would likely boil over onto the streets.[30] If this happens, there are two scenarios that officials have described to me.

The first scenario is violence against Israel. As they have done repeatedly in the past, the Palestinians could again challenge Israel. Indeed, Israelis have already expressed concern that the political theater surrounding this month's UDI, in which Palestinian leaders have called for mass protests, could lead to the outbreak of a third intifada.[31] Additional unrest could undoubtedly result from a cut-off in aid. Conflict with Israel could draw other regional actors, such as Hamas and Hizbullah, into war.

Another scenario is an "intra-fada"—an uprising against Mahmoud Abbas and the Palestinian leadership. In keeping with the Arab Spring, the Palestinians of the West Bank may yet determine that their own government is the source of their frustration.[32] While such a protest is long overdue, in light of the aforementioned corruption and unethical economic practices, unrest could destroy the delicate balance that currently exists in the West Bank. Indeed, in 2007 Hamas brought down the PA in the Gaza Strip

[28] Interview with Fatah officials, Jerusalem, September 8, 2011.
[29] Interview with senior Israeli official, Jerusalem, September 8, 2011.
[30] Interview with Fatah officials, Jerusalem, September 8, 2011.
[31] "Officials Set Date for 'Palestine 194' March," Al-Jazeera, August 1, 2011, http://english.aljazeera.net/news/middleeast/2011/08/201181185654921787.html
[32] See: Jonathan Schanzer, "Mahmoud Abbas and the Arab Spring," *Jerusalem Post*, September 7, 2011. www.jpost.com/Opinion/Op-EdContributors/Article.aspx?id=236927

through a lightning-fast and brutal military coup. Fatah officials are openly concerned about Hamas' attempts to undermine the West Bank regime in the event the Arab Spring comes to the West Bank.[33]

There is also the question of US influence. Should Washington cut aid, we could effectively relinquish all of our leverage with the Palestinians, leaving the door open for Iran or other actors to influence the PA in ways that could further threaten regional stability.

Recommendations

While there are dangers in cutting off aid to the Palestinians, Congress should not maintain the status quo. Congress has an opportunity to challenge the corrupt system that has been fostered by Mahmoud Abbas. The following are seven recommendations:

1. Conduct a long-overdue assessment of UNRWA, with an eye toward solving the problem, not perpetuating it. One consideration might be to transfer the Palestinian portfolio to the UN's High Commissioner for Refugees, which handles every other refugee problem in the world.
2. Legislate stricter oversight of the presidential waiver process that releases Palestinian aid each year. Aid should be predicated upon certification that the Palestinians have eradicated incitement from their media and schools.
3. Establish oversight of the practices of the Palestine Investment Fund, including a full audit.
4. Conduct an inquiry into the personal wealth of Mahmoud Abbas and his sons, Yasser and Tarek, to determine whether US funds have contributed to their personal holdings.
5. Demand an immediate resolution to the matter of the electric power plant in Gaza. US taxpayers should not be indirectly financing Hamas under any circumstance.
6. Scrutinize the presidential budget of PA President Mahmoud Abbas. It should now be clear that Abbas' policies—from the UDI to unethical economic practices—challenge American interests.
7. Find ways to increase the role of Prime Minister Salaam Fayyad, who has been marginalized by Abbas in recent years. While he does not always adopt policies that further US interests, he appears to be the best hope for transparency and nonviolence among the Palestinian leadership today.

On behalf of the Foundation for Defense of Democracies, I thank you again for inviting me to testify before this distinguished committee.

[33] Interview with Fatah officials, Jerusalem, September 8, 2011.

Chairman ROS-LEHTINEN. Thank you, Doctor.

Mr. Phillips?

STATEMENT OF MR. JAMES PHILLIPS, SENIOR RESEARCH FELLOW FOR MIDDLE EASTERN AFFAIRS, THE HERITAGE FOUNDATION

Mr. PHILLIPS. Well, Madam Chairman, thank you for this opportunity to testify before the committee. I am the Senior Fellow for Middle Eastern Affairs at the Heritage Foundation, and the views I express in this testimony are my own and should not be construed as representing any official position at the Heritage Foundation.

And with that, I would like to summarize my prepared statement. U.S. aid to the Palestinians is aimed at supporting Israeli-Palestinian peace negotiations, strengthening and reforming the Palestinian Authority, which was created through those negotiations, and improving the living standards of Palestinians to demonstrate the benefits of peaceful coexistence with Israel.

These are laudable goals. But unfortunately, peace negotiations have bogged down. Even worse, the Palestinian Authority has reached a rapprochement with Hamas, the Islamic extremist organization with a long record of terrorism, which is not only opposed to peace negotiations with Israel, but is implacably committed to Israel's destruction.

The Palestinian Authority's relationship with Hamas and its ongoing efforts to include Hamas in a ruling coalition under a May 2011 power-sharing agreement raise disturbing questions about the long-term intentions of the Palestinian Authority, and cast doubt on its commitment to negotiate a genuine peace with Israel.

By consorting with Hamas terrorists, the Palestinians are violating the Oslo Accords and destroying the rationale for continued American aid. Palestinian leader Mahmoud Abbas also has chosen to pursue a dubious dead-end path to Palestinian statehood through the United Nations, rather than through the negotiations with Israel. This U.N. diplomatic gambit could derail any hope of resuming Israeli-Palestinian peace negotiations in the near future, and could destabilize the region by exacerbating the already tense atmosphere between Israelis and Palestinians, provoking widespread anti-Israeli demonstrations that could easily spin out of control.

The unilateral Palestinian push for statehood not only violates previous Palestinian agreements with Israel, but also those with the United States, which was a co-signatory of the Oslo Accords. Yet the Obama administration has bent over backwards to avoid criticizing the Palestinians. This low key, reticent approach has failed to halt the Palestinian U.N. drive for unilateral statehood.

It is long past time for the Obama administration to become actively engaged on this issue at the highest levels. Secretary of State Clinton and the President himself should explicitly and forcefully state American opposition to Palestinian plans for unilateral statehood. They should explicitly state that the U.S. will veto any Security Council resolution recognizing statehood or calling for full membership in the U.N. before an Israeli-Palestinian peace agreement is concluded.

The United States should also declare that it will withhold voluntary or assessed funds to any U.N. organization that admits Palestine as a state or grants it non-member state observer status. As the chairman mentioned, in 1989 when the PLO issued its first declaration of statehood, the first Bush administration blocked this effort by threatening to withhold U.S. funding for the United Nations.

While the Obama administration's deference to the U.N. makes such a strong stand unlikely, Congress can step into the breach and pass legislation prohibiting funding to any U.N. organization that endorses unilateral statehood, admits Palestine as a member state, or grants it non-member state observer status.

Congress should also cut U.S. economic aid to the Palestinian Authority if it continues to shun negotiations with Israel and ignore its commitments under previous agreements. U.S. aid is not an entitlement, and should be closely tied to the Palestinian performance in demonstrating its commitment to peace.

If the Palestinians persist in their efforts to sidestep direct negotiations in favor of some form of illusory statehood, then they should expect to look elsewhere for funds to build that pseudo-state. The bottom line is that the United States must block any effort to create a Palestinian state that sponsors terrorism or seeks to make an end run around bilateral negotiations with Israel by exploiting the anti-Israeli bias of the U.N General Assembly.

U.S. aid to the Palestinian Authority must be closely tied to its compliance with previous agreements to fight terrorism, halt incitement against Israel, and negotiate a final peace settlement. The U.S. should leverage its aid to convince Palestinians that the only realistic path to statehood lies through negotiations with Israel. Thank you.

[The prepared statement of Mr. Phillips follows:]

Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority, Part II

Testimony before the House Committee on Foreign Affairs
September 14, 2011

James Phillips
Senior Research Fellow for Middle Eastern Affairs
Douglas and Sarah Allison Center for Foreign Policy Studies
The Heritage Foundation

My name is James Phillips and I am the Senior Research Fellow for Middle Eastern Affairs at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Since the signing of the 1993 Oslo peace accords, the U.S. has showered over $4 billion in bilateral aid on the Palestinians, who are one of the world's largest per capita recipients of international foreign aid. From FY 2008 until this year, annual U.S. bilateral aid to the West Bank and Gaza has averaged over $600 million, according to the Congressional Research Service. In FY 2011, this bilateral aid is set at $550 million, including $400 million in Economic Support Funds and $150 million for training and equipping Palestinian Authority security forces.

U.S. aid to the Palestinians is aimed at supporting Israeli-Palestinian peace negotiations, strengthening and reforming the Palestinian Authority, which was created through those negotiations, and improving the living standards of Palestinians to demonstrate the benefits of peaceful coexistence with Israel.

These are laudable goals, but unfortunately peace negotiations have bogged down. Even worse, the Palestinian Authority has reached a rapprochement with Hamas, the Islamist extremist organization with a long record of terrorism, which not only is opposed to peace negotiations with Israel, but remains implacably committed to Israel's destruction.

The Palestinian Authority's relationship with Hamas and its ongoing efforts to include Hamas in a ruling coalition under a May 2011 power-sharing agreement raise disturbing questions about the long term intentions of the Palestinian Authority and casts doubt on its commitment to negotiate a genuine peace with Israel. By consorting with Hamas terrorists, the Palestinian Authority is violating the Oslo accords and destroying the rationale for continued American aid.

Palestinian leader Mahmoud Abbas also has chosen to pursue a dubious dead-end path to Palestinian statehood through the United Nations, rather than through negotiations with Israel. This U.N. diplomatic gambit could derail any hope of resuming Israeli-Palestinian peace negotiations in the future and could destabilize the region by exacerbating the already tense

atmosphere of Israeli-Palestinian relations and provoking widespread anti-Israel demonstrations that easily could spin out of control.

Palestinian leaders have called for popular demonstrations in support of their U.N. statehood campaign on September 20 and President Abbas is slated to address the U.N. General Assembly on September 21. Although the precise text of what the Palestinians will demand at the U.N. has not been divulged, it is expected to request U.N. endorsement for unilateral Palestinian statehood and the elevation of the Palestinian delegation to the status of a U.N. member state.

The Palestine Liberation Organization (PLO), the dominant organization within the Palestine Authority, has enjoyed observer status in the General Assembly since 1974. This entitles it to a seat in the General Assembly and allows it to speak at meetings, but it cannot vote. In 1988 the PLO delegation was formally designated "Palestine" under the terms of General Assembly Resolution 43/177, which acknowledged the Palestinian declaration of statehood in November 2008 and granted the delegation the privilege of having its communications issued and circulated as official U.N. documents.

If the Palestinian statehood gambit is blocked at the Security Council as expected, the Palestinians will push for formal General Assembly recognition of Palestine as a state and added rhetorical support for that claim through the elevation of the status of the Palestinian delegation from a non-voting observer "entity" to that of a non-member state observer. A large majority of the General Assembly's 193 member states are likely to support the Palestinians' unilateral statehood agenda, consistent with that body's longstanding anti-Israel bias. As Ambassador Dore Gold, Israel's former U.N. ambassador has noted: "If there was a resolution whose first clause was anti-Israel and whose second clause was that the earth was flat, it would pass."

But the General Assembly has no authority to unilaterally grant full U.N. membership. It cannot override the U.N. Charter, which specifically requires a Security Council recommendation before admitting a new member state. Moreover, the U.N. role in state recognition is nonexistent beyond being a reflection of the sovereign decisions of the member states and General Assembly resolutions are not legally binding on U.N. members.

Thus, a General Assembly vote on the issue, absent a Security Council recommendation, is merely symbolic. But it is a dangerous symbolism in so far as it convinces Palestinians that they need not negotiate with Israel and can instead achieve their goals unilaterally.

The Palestinian delegation would undoubtedly exploit their enhanced status in the General Assembly as a "non-member state" observer to argue that Palestine is a sovereign state. Such enhanced status would better enable the Palestinian Authority to gain greater latitude in harnessing the U.N. machinery to launch spurious diplomatic, political and quasi-legal challenges to Israel. For example, the Palestinian delegation would use this argument to bolster its efforts to gain membership in other U.N. bodies and organizations or use its new status as evidence of its right as a "sovereign state" to invite the International Criminal Court to investigate alleged crimes committed by Israel in the West Bank or Gaza.

In addition, a pro-statehood vote in the U.N. General Assembly could destabilize the region by giving cover to anti-Israel forces bent on the destruction of the Jewish state, undermining peace efforts, and triggering a downward spiral in Israeli-Palestinian relations by inflaming Palestinian demonstrations that could easily degenerate into violent clashes.

The PLO already claims that it established a "state" in 1988, so it would appear that it has little to gain in its current statehood campaign except for greater leverage to undermine Israel's perceived legitimacy at the U.N. Israel has been a U.N. member state since 1949 and in fact was established after the U.N. endorsed the partition of the British Mandate for Palestine, which Israel accepted but the Arab states rejected, opting instead to attempt to invade and destroy Israel. To ignore the U.N.'s initial support for Israel's creation and to permit the body to be co-opted in a politicized effort to delegitimize Israel at the behest of an organization that is partnered with a terrorist group would turn the U.N.'s founding principles upside down.

The Palestinian push for unilateral statehood also will deal a major setback to Israeli–Palestinian peace prospects. Such a unilateral move by the Palestinian Authority would violate previous Israeli–Palestinian peace accords, amplify Israeli concerns about Palestinian abandonment of diplomatic commitments, and discourage Palestinians from making the hard compromises necessary to negotiate a genuine and lasting peace.

The Palestinians' unilateral statehood gambit is a breach of the Oslo accords which bar both parties from unilaterally changing the status of the West Bank and Gaza. A unilateral declaration of statehood would also undermine all internationally accepted frameworks for peace, including past U.N. peace efforts. It would violate U.N. Security Council Resolution 242 and the U.N.-sponsored Road Map for Peace, as well as other U.N. statements that call for the creation of a Palestinian state and delineation of borders through a negotiated mutual agreement, not through unilateral declarations.

An endorsement of Palestinian statehood by the General Assembly would compound the negative impact on peace prospects by reinforcing the Palestinians' maximal demands for territory and short-circuiting possible future negotiations on this issue. The text of the resolution is expected to endorse Palestinian demands for a return to Israel's pre-1967 "borders" (in reality the 1949 armistice lines). This will make it much harder for Palestinian leaders to compromise on this issue in the future, an outcome that is likely to derail peace negotiations because no Israeli government would accept a return to what former Israeli Foreign Minister Abba Eban derided as "Auschwitz lines."

The unilateral Palestinian push for statehood not only violates previous Palestinian agreements with Israel but also those with the United States, which was a co-signatory of the Oslo accords. Yet the Obama Administration has bent over backwards to avoid criticizing the Palestinian Authority. President Obama made it clear that the U.N. was not an appropriate venue for addressing the statehood issue in his May 19 speech on Middle East policy, but he stopped short of threatening a veto. It was not until the September 7th confirmation hearing of Wendy Sherman, the administration's nominee for the post of Undersecretary of State, that an administration official publicly and unequivocally stated that the administration would use the veto, and this came only in response to a question.

This low key, reticent approach has failed to halt the Palestinian U.N. drive for unilateral statehood. It is long past time for the Obama Administration to become proactively engaged on this issue at the highest levels. Secretary of State Clinton, and the President himself, should explicitly and forcefully state American opposition to Palestinian plans to seek statehood through unilateral action rather than through bilateral negotiations with Israel. They should explicitly state that the U.S. will veto any Security Council resolution recognizing Palestinian statehood or calling for full membership in the U.N. before an Israeli-Palestinian peace agreement is concluded.

The only legitimate route to Palestinian statehood is through bilateral Israeli-Palestinian negotiations. Yet Palestinian Authority President Mahmoud Abbas has permitted only two weeks of negotiations during September 2010 since the beginning of the Obama Administration. Washington should press Abbas to drop his refusal to negotiate unless Jerusalem first meets his demand for a settlement freeze. This demand, unfortunately encouraged by the Obama Administration's own shortsighted focus on settlements during its early months, is not supported by the terms of the Oslo accords.

The United States should also declare that it will withhold voluntary or assessed funds to any U.N. organization that admits Palestine as a state or grants it nonmember state observer status. In 1988, after the PLO issued its first "declaration of statehood" and sought to gain membership in U.N. organizations, such as the World Health Organization, to bolster their claims of statehood, the first Bush Administration blocked this effort by threatening to withhold U.S. funding for the United Nations. Secretary of State James Baker publicly warned that the U.S. would cut funding to any international organization which made changes in the PLO's status as an observer organization.

While the Obama Administration's deference to the United Nations and its "lead from behind" proclivities make such a strong stand unlikely, Congress can step into the breach and pass legislation prohibiting funding to any U.N. organization that endorses unilateral Palestinian statehood, admits Palestine as a member state or grants it non-member state observer status.

Congress should also cut U.S. economic aid to the Palestinian Authority if it continues to shun negotiations with Israel and ignore its commitments under previous agreements. U.S. aid is not an entitlement and should be closely tied to the Palestinian Authority's performance in demonstrating its commitment to peace.

If Palestinians persist in their efforts to sidestep direct negotiations with Israel in favor of some form of illusory "statehood," then they should expect to look elsewhere for funds to build that pseudo-state. The Palestinian Authority recently announced that it will pay only half wages to its employees in September, the second time in three months that it has been forced to cut pay, because of a huge shortfall in funding pledges from Arab states. This could lead Palestinian leaders to think twice before putting their financial future in the hands of unreliable Arab governments who are more interested in using the Palestinian issue as a means of attacking Israel than they are interested in building a Palestinian state.

I would recommend that U.S. aid for Palestinian security forces be continued only if the Israeli government certifies that those security forces continue to play a positive role in fighting terrorism in compliance with the Palestinians' Oslo commitments. Bilateral security cooperation between Israeli and the Palestinian Authority security forces reportedly has been improved in recent years despite continued strains between the political leaderships. The Palestinian Authority security forces could still play a valuable role in maintaining public order during the impending Palestinian demonstrations and combating Hamas terrorists in the West Bank. But if the Palestinian Authority implements its power-sharing agreement with Hamas and forms a joint government, then this security aid also must be ended, by law, to prevent U.S. funds from being diverted to terrorists.

The bottom line is that the United States must block any effort to create a Palestinian state that sponsors terrorism or seeks to make an end run around negotiations with Israel by exploiting the anti-Israeli bias of the U.N. General Assembly. U.S. aid to the Palestinian Authority should be closely tied to its compliance with previous agreements to fight terrorism, halt incitement against Israel and negotiate a final peace settlement. The United States should leverage its aid to convince Palestinians that the only realistic path to a Palestinian state is through direct negotiations leading to a peace treaty with Israel.

****

The Heritage Foundation is a public policy, research, and educational organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code. It is privately supported and receives no funds from any government at any level, nor does it perform any government or other contract work.

The Heritage Foundation is the most broadly supported think tank in the United States. During 2010, it had 710,000 individual, foundation, and corporate supporters representing every state in the U.S. Its 2010 income came from the following sources:

Individuals	78%
Foundations	17%
Corporations	5%

The top five corporate givers provided The Heritage Foundation with 2% of its 2010 income. The Heritage Foundation's books are audited annually by the national accounting firm of McGladrey & Pullen. A list of major donors is available from The Heritage Foundation upon request.

Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own and do not reflect an institutional position for The Heritage Foundation or its board of trustees.

Chairman ROS-LEHTINEN. Thank you, sir.
Mr. Makovsky

STATEMENT OF MR. DAVID MAKOVSKY, ZIEGLER DISTINGUISHED FELLOW, DIRECTOR OF PROJECT ON THE MIDDLE EAST PEACE PROCESS, THE WASHINGTON INSTITUTE

Mr. MAKOVSKY. Thank you, Madam Chairman, Ranking Member Berman, and distinguished members of the committee. Thank you for this opportunity.

From the start, I would like to emphatically state that I do not support the Palestinian appeal to the United Nations. This measure would only be appropriate if Israel was unwilling to directly negotiate an end to this ongoing tragic conflict. Israel, however, has repeatedly called for such direct talks. Therefore, I strongly believe that the Palestinian leadership's U.N. approach is wrongheaded and contrary to long-standing Palestinian commitments.

At the same time, I am not convinced that a decision to cut off assistance to the PA is the best response, since I fear it would lead to the collapse of the Palestinian Authority. Congressional aid since Fiscal Year '08 has produced unprecedented levels of West Bank stability, prosperity, improved governance, and previously unimaginable levels of Israeli-Palestinian security cooperation that have benefitted Palestinians and Israelis alike.

Any changes to U.S. aid should therefore be carefully calibrated so as not to undermine the benefits that accrue beyond the Palestinian arena. We should also see how the drama at the U.N. plays out. As Elliott Abrams just stated, if the Palestinians opt for their current maximalist course, then we should consider imposing nonfinancial measures, measures such as against the PLO offices in Washington and the suspension of senior-level meetings between U.S. and Palestinian officials.

Of course, in any event, I agree with Dr. Schanzer that abuses of the Palestinian Investment Fund should be investigated regardless.

A total suspension of assistance would certainly be warranted if the PA took a premeditated turn toward a third intifada, a third uprising. But President Abbas' record strongly suggests that this is not his intent. Policymakers must always ask themselves the question: Who benefits from these actions? I think the group that stands to gain the most from a cut-off of U.S. aid to the PA would be Hamas, which does not recognize Israel's existence at all. In stark contrast, the PA's cooperation and security relationship with Israel over the last 4 years has produced real and favorable change.

Even Israeli security officials insist—many of them have said this to me—that security cooperation is vital and must continue. For example, in 2002, 410 Israelis were killed by suicide bombings and other attacks emanating from the West Bank. From 2007 to 2010, a period of 3½ years, Israel suffered only one fatality from a suicide attack. Imams calling for suicide attacks against Israel have been removed from around 1,300 mosques in the West Bank. New teachers in the West Bank are now vetted to ensure that none purvey the ideals of Hamas. Gone is the revolving door of the

Arafat era, when terrorists would be jailed only to be released when others were not looking.

There has also been a real professionalization of the security services, and I thank here the congressionally-supported U.S. Security Coordinators program that has played a large role in strengthening the Palestinian-Israeli security cooperation. If congressional aid is suspended and Palestinian security officials engaged in this cooperation go unpaid, the risk of terror attacks Israel will grow exponentially.

So who pays the price for this cut-off? Let us not kid ourselves. Thanks to American financial support, Palestinian security cooperation with Israel has gone hand in hand with Prime Minister Fayyad's success in institution-building, improved law and order in the West Bank, and Israel's lifting of almost all its major manned checkpoints, have been key contributions to the 9.3 percent growth enjoyed by the West Bank in 2010.

However, without U.S. aid, the odds are greater that Fayyad, who has been the greatest obstacle to Fatah-Hamas reconciliation, will resign, imperiling both security cooperation and institution-building efforts. He is the goose who lays the golden eggs. Without eggs, I think he will resign. In other words, withholding U.S. aid will undermine the people we want to help, and help the people we want to undermine.

Although the PA may pay a price in its relations to the U.S. for its misguided venture at the U.N., regardless it is worth waiting to see if their bid for full membership is scaled back to a less maximalist resolution that is more aspirational in nature. I think what is clear, that the three poison pills of this resolution for Israel is that they would demarcate borders that make peacemaking impossible, that it will encourage, by giving the Palestinians status that they could go after Israeli officials and prosecute them at the International Criminal Court, this is a very serious issue. And it means, also, the possibility of assertion of Palestinian sovereignty, and an attempt to trigger sanctions by accusing that Israel is occupying another state's sovereign territory.

In the meantime, we shouldn't just look about what goes on at the U.N. We should look out the day after, and we should take very specific steps to avoid violence on the ground. And this means making sure that any demonstrations are confined to urban areas, and away from Israeli settlements and the like.

To summarize in a sentence, we should focus on the U.N., but we should also look at what happens the day afterwards. I look forward to the discussion. Thank you very much.

[The prepared statement of Mr. Makovsky follows:]

Testimony of David Makovsky
Ziegler Distinguished Fellow and Director, Project on the Middle East Peace Process, Washington Institute for Near East Policy
September 14, 2011, "Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority, Part II."
U.S. House Committee on Foreign Affairs

Madame Chairman, Ranking Member Berman, 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.

Because the issue of U.S. aid to the Palestinian Authority has become intertwined with the upcoming Palestinian bid for United Nations membership, I feel it is necessary to address these two issues together.

I would like to say, from the outset, that I do not support the Palestinian appeal to the UN. This measure would only be appropriate if Israel was unwilling to directly negotiate an end to this ongoing, tragic conflict. Israel, however, has repeatedly called for such direct talks. I will return shortly to the question of whether it is possible to avoid a political confrontation at the United Nations. If not, the question then becomes whether its possible on-the-ground implications are containable, or whether it will lead to violence.

The Palestinian leadership's UN approach is wrong-headed and contrary to longstanding Palestinian commitments. Should the Palestinians follow through with it, there should be a price to pay in their relations with Washington. That said, I am not convinced that a reflexive decision to cut off assistance to the Palestinians is the best possible response. Rather, in considering future aid levels for the Palestinians, we should consider the totality of the effect of that aid. In this case, the significant levels of assistance that Congress has provided since FY08 have produced unprecedented levels of West Bank stability, prosperity, and improved governance, as well as previously unimaginable levels of Israeli-Palestinian security cooperation. This has benefited not only the Palestinians, but the Israelis as well. That is not to say that assistance levels should remain automatically intact in the face of Palestinian unilateralism at the UN. Any changes should be carefully calibrated, however, so as not to undermine the benefits that accrue beyond the Palestinian arena. Moreover, the U.S. could consider imposing other, non-financial measures as well. For example, measures could be taken against the PLO office in Washington, and senior-level U.S. officials could suspend meetings with Palestinian leaders. A total suspension of assistance would certainly be warranted if the Palestinian Authority took a premeditated turn towards a third intifada, as it did in 1987-1990 and 2000-2004. But I do not believe that that is President Abbas' intent; indeed, his words and his record suggest otherwise.

Policymakers must always ask themselves a crucial question: who benefits from their actions? I fear that the group that stands to gain the most from a cutoff of U.S. aid to the Palestinian Authority would be Hamas, a terrorist organization that does not accept

Israel's existence. In stark contrast, the Palestinian Authority's cooperation and security relationship with Israel over the last four years has never been better. Even Israeli security officials insist that this security cooperation is vital and must continue. There is no question that this cooperation has produced real favorable change. In 2002, 410 Israelis were killed by suicide bombings and other attacks emanating from the West Bank. From 2007-2010, Israel suffered one fatality from a suicide attack.[1] Imams calling for suicide attacks against Israel have been removed from around 1,300 mosques in the West Bank. New teachers in the West Bank are now vetted to ensure that there are none purveying the ideals of Hamas. Gone is the revolving door of the Arafat era, when terrorists would be put in jail only to be released when others were not looking. The Congressionally supported U.S. Security Coordinator Program has played a large role in the strengthening of this Palestinian – Israeli security cooperation.

If Congressional aid to the Palestinian Authority is suspended and Palestinian security officials engaged in this security cooperation go unpaid, the risk of terror attacks against Israel will grow. So who pays the price for such a cut-off? Let us not kid ourselves. We know what the consequences will be.

Thanks to American and European financial support, Palestinian security cooperation with Israel has gone hand-in-hand with Prime Minister Salam Fayad's success in institution building. There is no doubt that improved law and order in the West Bank, along with Israel's lifting of most of its major manned checkpoints, has been a key contribution to what the World Bank has cited as the 9.3 percent growth enjoyed by the West Bank in 2010, at a time of worldwide recession. However, without U.S. aid, which could also play a role in ensuring that Israel continues its monthly transfer of 380 million shekels (around $107 million dollars) in customs clearances to the PA,[2] the odds are greater that PM Fayad will resign, imperiling both security cooperation and the institution building effort. As many of us know, PM Fayad has been the greatest obstacle to Fatah-Hamas reconciliation efforts. If an unintended consequence of a U.S. cutoff of aid is Fayad's resignation, we remove that obstacle. In other words, withholding of U.S. aid will undermine the people we want to help, and help the people that we want to undermine.

Although the Palestinian Authority may pay a price in its relations with the U.S. for its misguided venture at the UN regardless, it is worth waiting to see if their bid for full membership is scaled back to a less maximalist resolution that nods more broadly to their national aspirations. Either way, a resolution that has profound negative consequences for both Israelis and Palestinians will negatively affect U.S.-Palestinian relations. President Obama, whose last bilateral meeting with Abbas was in 2010, faces many domestic and foreign policy challenges at the moment, and may not soon find time for

---

[1] Israeli Securiy Agency, "Analysis of Attacks in the Last Decade," 2010, http://www.shabak.gov.il/SiteCollectionImages/english/TerrorInfo/decade/SuicideAttacks.pdf

[2] Barak Ravid, "Finance Minister reneges on deal to give early payment to Palestinian Authority," *Haaretz*, August 31, 2011, http://www.haaretz.com/misc/article-print-page/finance-minister-reneges-on-deal-to-give-early-payment-to-palestinian-authority-1.381624?trailingPath=2.169,2.225,2.226,

another bilateral meeting. It is advisable to wait and see the scope of the Palestinian resolution before pledging further punitive measures at this time.

I would now like to return to the Palestinian bid for UN membership in greater detail.

Currently, the statehood bid appears headed for one of two routes. The PA's first preference is for the Security Council to vote on its membership application. Per the UN Charter, any country seeking membership must first apply to the secretary general, confirming that its request is in keeping with the Charter. The secretary-general then refers the application to the Security Council, which meets to consider the proposed membership. If nine of the fifteen members vote in favor and none of the five permanent members (the United States, France, Britain, China, Russia) casts a veto, the vote is then sent to the General Assembly, where it must be confirmed by a two-thirds majority of the 193 member states.

Yet this route seems very unlikely in the Palestinian case. On May 19, President Obama delivered a seminal Middle East speech at the State Department in which he made clear that the UN is not the appropriate venue for addressing the issue of Palestinian statehood.[3] This signaled that the United States would veto any Security Council resolution granting membership to a Palestinian state. On September 7, Wendy Sherman—the administration's nominee for the State Department post of undersecretary for policy—confirmed this stance, telling the Senate Foreign Relations Committee, "The administration has been very clear as well...if any such resolution were put in front of the Security Council, that we would veto it."[4] When asked how the Palestinians would react to such a move, chief negotiator Saeb Erekat replied that the PA would instead seek enhanced status at the UN General Assembly as a "nonmember state," similar to the status granted to the Vatican.[5] In short, although it is unclear whether the Palestinians will go through the motions of seeking a Security Council vote in order to force a U.S. veto, the issue will likely reach the General Assembly through one route or another. PA president Mahmoud Abbas is already scheduled to address the UN on September 21, though the content of his speech is uncertain. Whatever the case, the United States does not wield veto power in the General Assembly, and the Palestinians believe they would draw the backing of an automatic majority due to the historic support they have enjoyed from the unaligned bloc.

For example, on December 15, 1988, 104 UN member states—a two-thirds majority at the time—voted in favor of General Assembly Resolution 43/177, which "acknowledged" the Palestinian declaration of statehood made the previous month (the United States and Israel voted against it, and thirty-six members abstained). The

---

[3] President Barak Obama, "Remarks by the President on the Middle East and North Africa," May 19, 2011, White House, Office of the Press Secretary, http://www.whitehouse.gov/the-pressoffice/2011/05/19/remarks-president-middle-east-and-north-africa

[4] See Josh Rogin, "Wendy Sherman Promises US Veto of Palestinian Statehood at UN," *Foreign Policy*, September 7, 2011

[5] Khaled Abu Toameh, Herb Keinon, "Abbas: We'll Go to the UN General Assembly If U.S. Uses Veto," *Jerusalem Post*, July 19, 2011, http://www.jpost.com/DiplomacyAndPolitics/Article.aspx?id=229998.

resolution stipulated that the Palestine Liberation Organization observer would henceforth be referred to as "Palestine," but without prejudice to its observer status.[6] The PA was thus established, and numerous countries thereafter recognized Palestinian statehood. This history virtually guarantees that the Palestinians would be able to secure a majority in any new General Assembly vote.

The implications of the Palestinian statehood bid will be discussed below. First, however, it is important to understand the motivations of each side in the brewing conflict.

The origins of the Palestinians' UN initiative are unclear. Statements made by PA prime minister Salam Fayad as early as two years ago sought to frame the West Bank institution-building effort—which has won international praise—as a state-building effort. In August 2009, he drafted a detailed, two-year plan for the PA to establish the fundamental infrastructures of a Palestinian state, titled "Palestine—Ending the Occupation, Establishing the State." Yet it is Abbas, not Fayad, who has consistently pressed for a statehood bid at the UN. In fact, in a June 2011 interview, Fayad voiced skepticism that a UN move could be anything but symbolic. When asked whether UN recognition would change any realities on the ground, he replied: "My answer to you is no. Unless Israel is part of that consensus, it won't, because to me, it is about ending Israeli occupation."[7]

According to Abbas, however, the UN initiative is rooted in his conviction that negotiations with Israeli prime minister Binyamin Netanyahu's government are futile. PA leaders believe that they are justified in their refusal to resume negotiations so long as Israeli settlement construction continues, and endless whispers of European diplomats questioning Netanyahu's commitment to a deal have only reinforced this instinct.

Abbas has also made clear his disappointment that President Obama has not done more to extract Israeli concessions. Even as Abbas was relying on the United States to press Israel on the territorial issue, Washington was apparently urging him to hold direct talks with Israel. Indeed, Abbas spent most of the 2009 settlement moratorium period insisting that a de facto construction slowdown in east Jerusalem was insufficient. In response, the United States claimed that this was valuable time lost and called on him to resume negotiations.

Abbas therefore believes that the PA must seek independence from the UN, where the Palestinians have won more resolutions of support than any other liberation movement. In the same vein, Israel is often excoriated at the UN, usually due to persistent differences regarding the Palestinian issue.

Beyond the UN's historically welcoming embrace, Abbas's motivations for pursuing the initiative cannot be divorced from this year's Arab upheavals. Having lost an ally in the

---

[6] The full text of Resolution 43/177 is available at http://unispal.un.org/UNISPAL.NSF/0/146E6838D505833F852560D600471E25.

[7] Karin Laub, "Palestinian PM Skeptical of Statehood Bid," *Associated Press*, June 28, 2011, http://abcnews.go.com/International/wireStory?id=13947859.

fall of Egyptian leader Hosni Mubarak, who was long a patron of the Palestinian cause, Abbas has apparently been casting about for a bold diplomatic move that would captivate the hearts and minds of not just the Palestinian people, but the Arab public writ large. Put another way, the turmoil in the Arab world seems to have pushed him toward the UN as a means of avoiding a popular rebellion. Moreover, Palestinians recognize that they cannot afford to rely exclusively on Arab support and initiatives at the moment because neighboring regimes are preoccupied with their own survival.

Abbas is also driven by fear that if he backs down from this initiative, the Palestinian public may interpret it as a capitulation and a sign of weakness. Reinforcing this belief is his bitter memory of 2009, when Hamas ridicule in the Arab media forced him to reverse course on his initial decision to delay a controversial UN Human Rights Council vote regarding an investigation of the 2008–2009 Gaza war (i.e., the Goldstone report). Abbas is not eager to repeat that experience.

Finally, some Palestinian officials argue that a victory at the UN would position Abbas to negotiate unconditionally with Israel afterward. Yet Israelis are skeptical of this view given the many other potential implications of a UN resolution.

Israel views the UN track as inherently contradictory to the negotiations track. It also views the UN bid as a breach of the Oslo Accords, which stipulated that neither side would endeavor to change the status of the West Bank. (Palestinians claim that Israeli settlement construction already violates the accords. Yet although one might argue that such activity goes against the spirit of Oslo, it does not violate the letter of the accords, as Israel strenuously resisted making such a commitment during the Oslo talks.) Furthermore, referring to the most basic definition of statehood, Israel believes that because the PA does not control the entire West Bank, let alone Gaza, it does not meet the requirements for a state.

Israel also rejects Abbas's explanation for the lack of negotiations, viewing his comments on the futility of talks as disingenuous. As Prime Minister Netanyahu often points out, the two leaders have held only two weeks of talks (in September 2010) since he came to power. Accordingly, Israel views the Palestinian move as an attempt to short-circuit peacemaking and gain the prize of an independent state without making the difficult concessions that a peace agreement would require. In fact, the Israeli government suspects that Abbas is incapable of making such concessions and is therefore attempting to shift the onus onto Israel by demanding preconditions for negotiations (i.e., a settlement freeze and acceptance of the pre-1967 borders as a baseline for territorial negotiations).

Regarding the statehood bid itself, Israel sees several possible ramifications emerging if the Palestinians are successful at the UN. First, Israel believes that the Palestinian strategy is designed to either sidestep peacemaking altogether or, at minimum, avoid compromises regarding the shape of a future state's borders by having them determined at the UN rather than through direct negotiations. In either case, this could close the door on negotiations in the eyes of Israel.

Second, Israelis fear that enhanced Palestinian status at the UN would encourage the PA to exploit the UN machinery to its fullest advantage at Israel's political expense. For example, this could mean seeking prosecution of Israeli officials by the International Criminal Court for alleged war crimes related to either the Palestinian intifada of 2000–2004 or the Gaza war of 2008–2009. Israel takes this scenario very seriously—such a move might accelerate what Israel regards as its ongoing delegitimization, produce a major downward spiral in Israeli-Palestinian relations, and effectively prevent a return to peacemaking for the foreseeable future.

Indeed, in a New York Times op-ed earlier this year, Abbas wrote, "Palestine's admission to the United Nations would pave the way for the internationalization of the conflict as a legal matter, not only a political one. It would also pave the way for us to pursue claims against Israel at the United Nations, human rights treaty bodies and the International Court of Justice."[8] Similarly, on January 22, 2009, PA justice minister Ali Khashan visited International Criminal Court prosecutor Luis Moreno-Ocampo at The Hague and filed a declaration that the "Government of Palestine" accepts the court's jurisdiction.[9] The ICC responded by stating that the Prosecutor's Office "will carefully examine all relevant issues related to the jurisdiction of the Court, including whether the declaration by the Palestinian National Authority accepting the exercise of the jurisdiction by the ICC meets statutory requirements, whether the alleged crimes fall within the category of crimes defined in the Statute, and whether there are national proceedings in relation to those crimes."[10] Moreno-Ocampo has not yet ruled on the matter, but if the UN recognizes a Palestinian state, he would be more inclined to acknowledge ICC jurisdiction over Palestinian issues, leaving the door open for Palestinians to file criminal cases.

Third, Israel fears that the Palestinians will take advantage of UN recognition to assert sovereignty. This could mean suspension of the bilateral security cooperation seen over the past four years, laying the ground for confrontation in the West Bank. In fact, a

---

[8] Mahmoud Abbas, "The Long Overdue Palestinian State," *New York Times*, May 16, 2011, http://www.nytimes.com/2011/05/17/opinion/17abbas.html.

[9] Ali Khashan, "Declaration Recognizing the Jurisdiction of the International Criminal Court," Palestinian National Authority, Ministry of Justice, January 21, 2009, http://www.icc-cpi.int/NR/rdonlyres/74EEE201-0FED-4481-95D4-C8071087102C/279777/20090122PalestinianDeclaration2.pdf. The declaration states: "In conformity with Article 12, Paragraph 3 of the Statute of the International Criminal Court, the Government of Palestine hereby recognizes the jurisdiction of the Court for the purpose of identifying, prosecuting and judging the authors and accomplices of acts committed on the territory of Palestine since 1 July, 2002. As a consequence, the Government of Palestine will cooperate with the Court without delay or exception, in conformity with Chapter IX of the Statute. This declaration, made for an indeterminate duration, will enter into force upon its signature. Material supplementary to and supporting this declaration will be provided shortly in a separate communication. Signed in The Hague, the Netherlands, 21 January 2009, For the Government of Palestine, Minister of Justice Ali Khashan."

[10] "Visit of the Minister of Justice of the Palestinian National Authority, Mr. Ali Khashan, to the ICC," press release, International Criminal Court, Office of the Prosecutor, January 22, 2009, http://www.icc-cpi.int/NR/rdonlyres/979C2995-9D3A-4E0D-8192-105395DC6F9A/280603/ICCOTP20090122Palestinerev1.pdf.

political showdown at the UN could trigger confrontation in the West Bank regardless of whether or not the Palestinians assert sovereignty, as discussed later in this paper.

A successful UN bid could also spur the PA to accuse Israel of occupying another state's sovereign territory, as Iraq occupied Kuwait. In a recent interview with the Israeli daily Maariv, Erekat explained that once the Palestinians are granted statehood,

"the whole language of negotiations will be held as a state, member of the UN, occupying another state, which is also a member of the UN. Nothing will be the same. From a technical perspective, [Abbas] will still need authorization from the occupying power if he wants to travel to Jordan, but this step will present Israel as it is: a state occupying another state. Once this happens, there is a long line of economic, political and legal steps that can be taken."[11]

Yet it seems unlikely that such a move would trigger international sanctions against Israel in the near future.

Given the high stakes involved, Israeli officials have warned that the PA's UN initiative could lead to a variety of retaliatory steps. In private conversation, some senior officials speculated that these could include a major settlement construction push, largely in geographic blocs adjacent to Israel, or even unilateral annexations. Other officials, including Foreign Minister Avigdor Liberman, have gone so far as to call for severing relations with the PA.[12] Finance Minister Yuval Steinitz has also threatened to suspend the transfer of funds from the various taxes Israel collects on behalf of the PA, which are key to the Palestinian budget.[13]

In a recent interview, Israeli ambassador to the United States Michael Oren expressed his country's formal position: "We have a lot of agreements with the Palestinian Authority; we have no agreements with a 'Government of Palestine." He added, "It's just a fact, we have no agreements with a 'Government of Palestine.' It puts us in a different realm." In his view, existing bilateral agreements—covering everything from imports-exports to water sharing to security cooperation—would be invalidated by a unilateral Palestinian declaration of statehood at the UN. "It's not just our agreements with the Palestinian Authority, it's America's agreements with the Palestinian Authority" [that are at risk], Oren said: "America is a cosignatory to the Oslo Accord, and this would seriously undermine it...Unilateral steps would have legal, economic, and political ramifications for us and for America as a cosignatory."[14]

---

[11] Saeb Erekat, interviewed by Amit Cohen, "We Want to Achieve Full Membership at the UN" [in Hebrew], *Maariv*, August 28, 2011, http://www.nrg.co.il/online/1/ART2/276/240.html?hp=1&cat=404.
[12] Barak Ravid, "Lieberman: Israel Should Cut all Ties with the Palestinian Authority," *Haaretz*, August 7, 2011, http://www.haaretz.com/news/diplomacy-defense/lieberman-israel-should-cut-all-ties-with-palestinian-authority-1.377421.
[13] "September Hyteria," (editorial) *Haaretz*, Aug. 12, 2011, http://www.haaretz.co.il/hasite/spages/1237966.html.
[14] Josh Rogin, "Israeli Amb: Palestinian Vote Would End All Agreements with Israel and America," *The Cable*, August 30, 2011, http://thecable.foreignpolicy.com/posts/2011/08/30/israeli_amb_palestinian_statehood_vote_would_end_all_pa_agreements_with_israel_and_.

Of course, ominous rhetoric has long been a part of Israeli-Palestinian diplomatic warfare, and neither of the parties will necessarily act upon any of the above threats—certainly not without a thorough cost-benefit analysis. Palestinians have much to lose by sparking such confrontations given their dependency on Israel. Similarly, Israelis do not want a faceoff that results in the PA's collapse, since that would bury prospects for peace, strengthen Hamas, and force Israel to reassume its pre-Oslo responsibility for overseeing Palestinian daily life.

"The UN statehood bid could have profound implications even apart from possible Israeli reactions. In November 2010, Secretary of State Hillary Clinton indicated that the United States had given the PA approximately $600 million during that calendar year, with $225 million going to direct budgetary assistance and the remainder to Palestinian projects.[15] Yet the statehood initiative will likely damage U.S.-Palestinian relations and threaten this funding if carried through. In July, 407 of the 435 members of the House of Representatives voted for a resolution affirming that the Palestinian UN initiative "will have serious implications for the United States assistance programs for the Palestinians and the Palestinians Authority."[16]

Around the same time, 87 of 100 members of the Senate passed a similar resolution. And both houses of Congress called on Obama to veto any statehood resolution at the UN Security Council.

Because the United States is the PA's largest individual donor, a suspension of congressional aid would drastically impair its functioning. Pushing forward on the UN bid would therefore be "a very, very bad thing to do," explained Rep. Kay Granger (R-TX), chairwoman of the House Appropriations Subcommittee on State-Foreign Operations, which oversees foreign aid. "It would be a very serious step. It also could affect our funding at the UN."[17] Similarly, House Minority Whip Steny Hoyer (D-MD) stated that he discussed the potential aid suspension with Abbas and Fayad during his August visit to the West Bank. When asked by a reporter whether the Palestinian leadership realized that they risked losing U.S. aid, Hoyer replied, "There's no doubt that they know that will be a risk."[18]

An aid suspension would most negatively impact Israeli-Palestinian security cooperation, especially salaries to PA security officials. Because Hamas might stand to benefit from such a development, some observers have wondered whether Congress might spare the

---

[15] "Clinton Announces Aid to Palestinian Authority, Meets with Egyptian Counterpart," *Voice of America,* November 10, 2010, http://www.voanews.com/english/news/middle-east/US-Announces- Additional-Palestinian-Aid--107047048.html.

[16] Natasha Mozgovaya, "U.S. House Passes Resolution Threatening to Suspend Aid to Palestinians," *Haaretz*, July 8, 2011, http://www.haaretz.com/news/diplomacy-defense/u-s-house-passes-resolution-threatening-to-suspend-aid-to-palestinians-1.372112.

[17] Hilary Krieger, "Palestinian State Declaration Would Hurt US Aid to the PA," *Jerusalem Post*, April 16, 2011, http://www.jpost.com/DiplomacyAndPolitics/Article.aspx?id=216892.

[18] Marin Cogan and Jake Sherman, "Hill Fight Simmers over Palestine Statehood Vote," *Politico*, August 18, 2011, http://www.politico.com/news/stories/0811/61638.html.

portion of aid designated for security cooperation. Yet it would be politically difficult for the PA to accept only those funds, since many Palestinians could view them as serving American and Israeli interests alone.

The troublesome implications of the statehood bid extend beyond the budgetary realm. The Arab rebellions of 2011 have demonstrated the potential efficacy of mass nonviolent demonstrations, though this idea remains fairly new to the Israeli-Palestinian area. Palestinian leaders have called for massive peaceful demonstrations on September 20 to draw international sympathy before Abbas delivers his UN speech the following day. Yet large demonstrations could arise afterward as well, and any post-vote protests would be more likely to spin out of control, especially if the United States vetoes the request in the Security Council. In such a politically charged atmosphere, would Israeli and Palestinian security forces be able to contain major demonstrations given their dearth of experience with crowd control on that scale? And if UN recognition of a Palestinian state is not met by changes on the ground, will disappointed Palestinian demonstrators turn against the PA, perhaps with encouragement from Hamas? Although one Palestinian figure close to Abbas privately opined that Hamas leaders would be cautious about any such move because they have little support in the West Bank, such views may not prove true. The group could also fire rockets from Gaza or allow other factions there to do so.

Given these potential consequences, Israel views the Palestinian UN bid as a threat to its core interests. Indeed, the initiative creates profound risks for Israeli-Palestinian political confrontation and could put the PA's future in danger. Accordingly, Washington should look into how it might avert a confrontation at the UN.

Two strategies for doing so have emerged so far. One would involve relaunching peace negotiations and thereby sidestepping a UN vote altogether, while the other advocates an alternative UN resolution that would remove some of the most objectionable elements of the Palestinian proposal.

If the Palestinians want the support of a large majority that includes the European vote, they may have to adopt one of these alternative courses of action. Privately, Palestinian officials have indicated that they would view the UN move as a failure without the support of the twenty-seven European Union states, even if they gain recognition from a two-thirds majority in the General Assembly. They recognize that the EU states would be critical in generating political momentum in the wake of a vote. Indeed, if an alternative resolution does become the preferred course of action, its final content is likely to be shaped by European-Palestinian consultations.

Given the EU's pivotal role, Washington embarked on a campaign this summer to forge a joint strategy based on a new statement by the Middle East Quartet (i.e., the United States, EU, UN, and Russia). This was a departure from the Obama administration's previous view of the Quartet as a venue for validating U.S. Middle East diplomacy rather than crafting joint texts. Washington's new strategy seeks a Quartet statement that calls

for the resumption of direct Israeli-Palestinian talks, premised largely on President Obama's May 19 and May 22 speeches on the Middle East.[19]

Although European states had long pressed the administration to declare that U.S. policy on the Israeli-Palestinian conflict would be guided by a return to the pre-1967 boundaries plus a land exchange (known in diplomatic shorthand as "swaps"), the May speeches were the first occasion on which Obama did so. Senior administration officials cited the May 26–27 G-8 summit as one of the primary reasons behind the timing of the speeches. The hope was that the summit participants would use the speeches to draw Israel and the Palestinians back to the negotiating table, thereby avoiding the need for a controversial European vote at the UN in September. As stated in the speeches, the administration viewed a potential UN statehood vote as both a source of confrontation and a threat to the viable option of negotiations. Yet Obama's remarks failed to jumpstart new talks.

In Washington's view, a Quartet statement would both circumvent the UN route and put pressure on Abbas by lining up Quartet members against the statehood bid. In theory, such a statement would give Abbas a credible explanation for abandoning the UN plan. Yet Abbas is skeptical that any impending Quartet statement could provide acceptable and sufficient "quasi terms of reference" for negotiations, as one U.S. official privately called them. It should be pointed out that European, Russian, and UN officials in Washington also balked at a July 11 draft of said text. Since then, Quartet Middle East envoy Tony Blair has struggled to bridge the gaps. And his mere involvement reflects two important realities: first, that he hopes his longstanding relationship with EU foreign policy coordinator Lady Catherine Ashton will be beneficial; second, and more critical, that the Obama administration is preoccupied with domestic economic issues and wants to avoid further confrontation with Israel while entering a reelection cycle.

The prospect of a Quartet Statement has also exposed hidden tensions between the United States and EU. From Washington's perspective, the good news is that the Europeans do not relish a September trip to the UN. At the same time, there are many doubts about the EU's willingness to move toward the U.S. position.

Specifically, the United States believes that European leaders do not want a contentious General Assembly vote for fear that it would divide their ranks at a time when they deem it essential to maintain unity. A UN statehood vote would be one of the first tests of how the union deals with division among its members on a key foreign policy question. Given public and private statements by various officials, many assume that Spain, Portugal, the Scandinavian countries, and probably France might vote in favor of a resolution, while Germany, Italy, Netherlands, the Czech Republic, and Hungary are opposed.[20] Yet one

---

[19] The May 22 speech was delivered at the American Israel Public Affairs Committee. The full text is available at http://www.whitehouse.gov/the-press-office/2011/05/22/remarks-president-aipac-policy-conference-2011.

[20] See for example German foreign minister Guido Westerwelle's remarks in "Palestinian Statehood Bid 'Papers Ready,'" *Aljazeera English*, September 4, 2011, http://english.aljazeera.net/news/americas/2011/09/201194145150327397.html, and Dutch foreign minister Uri Rosenthal's remarks in "EU States Divided on Palestinian Statehood Bid," *Reuters*, September 2, 2011,

must be careful in predicting a precise head count because the text of the resolution will be the key determinant of European support, and some countries could abstain. In August, the State Department dispatched a formal diplomatic message to more than seventy countries urging them to oppose any unilateral Palestinian move at the UN. Delivered by American ambassadors, the message argued that a statehood vote would destabilize the region and undermine peace efforts.[21]

In general, while some European states are more sympathetic to the Palestinian position than others, even those that are amenable to the UN initiative realize that a statehood resolution might not be an unalloyed victory for the PA, since it would not change realities on the ground. In particular, it would not establish Palestinian sovereignty, nor would it likely improve the mood of the people, since it would build expectations of statehood on which the PA could not tangibly deliver.

Nevertheless, a key question is whether the remaining members of the Quartet are willing to pay the political price of saying anything new via a joint statement, as President Obama did with his May speeches. Even Netanyahu did not like Obama's ideas about pre-1967 borders plus swaps, and the EU did not reciprocate those views with a corollary "tough love" speech to the Palestinians. That is, despite embracing the idea that Israel must cross such a threshold in accepting such terms, the EU has balked at calling on the PA to cross its own historic threshold by, for example, recognizing Israel as a Jewish state. (It should be pointed out that leaders from several countries—including Britain, France, Germany, and Russia—have made their own statements to this effect in past years, though usually while visiting Israel.) It is legitimate to question why the administration did not anticipate this and withhold the president's May declarations until receiving guaranteed European reciprocity on the issues that have delayed a Quartet statement: namely, the language regarding swaps and Israel's Jewish identity.

In short, although the United States may not mind issuing a Quartet statement that is not entirely to Israel's liking, the other members have not yet warmed to this approach. Until recently, they have not wished to defy Palestinian demands, in part because Abbas does not want them to agree to anything at the Quartet that might diminish Palestinian support at the UN. Yet U.S. officials have been quietly persuading their EU counterparts that Europe needs to stake out a position that is more independent of Abbas. According to this argument, allowing Abbas to be the arbiter of the European position is not only wrong, but also detrimental to Abbas, since any compromises will make him appear complicit. A better strategy is to work with him to manage the Palestinian response.

Unfortunately, there is little time left. If a Quartet statement does not emerge in the last week or so before the UN General Assembly convenes, it will likely become a politically irrelevant option.

---

http://af.reuters.com/article/worldNews/idAFTRE7816AT20110902?pageNumber=2&virtualBrandChannel=0.

[21] Steven Lee Myers and Mark Landler, "U.S. Is Appealing to Palestinians to Stall UN Vote," *New York Times*, September 3, 2011, http://www.nytimes.com/2011/09/04/world/middleeast/04mideast.html?pagewanted=all.

Accordingly, the best route to producing a viable Quartet formula may involve guaranteeing that it would be translated into a UN Security Council resolution laying out distinct terms of reference for direct talks. The council would be able to accept such a formula without any significant wording changes, as it did when it adopted Resolution 1515 in November 2003—an endorsement of the Roadmap previously drafted by the Quartet. As key Israeli officials familiar with Netanyahu's thinking have privately expressed, the prime minister might find a resolution that included recognition of Israel as a Jewish state very appealing, since it would represent the official stance of the international community. Indeed, Netanyahu has emphatically declared that such recognition would change history.[22] And addressing the issue of mutual recognition up front could jumpstart bilateral negotiations and provide a precedent for Arab states to follow.

Unfortunately, the Palestinians do not seem to view the prospect of a Quartet statement as beneficial unless it contains binding terms of reference for bilateral talks. Short of that, the chances of the Quartet route convincing them to abandon the UN route seem low, especially since they probably fear that upcoming U.S. elections will lead Washington to press for a less pro-Palestinian text. In an exchange with reporters on September 8, Abbas did not refer to his position on a Quartet text per se but stated that U.S. efforts to halt the UN bid were "too late."[23]

Another potential means of avoiding political confrontation over a maximalist Palestinian resolution at the UN is for the Europeans to field their own resolution. In fact, such efforts may already be underway.

Because Obama has already stated that he does not view the UN as the proper venue for settling such issues, the United States is likely to oppose this approach unless persuaded otherwise. And this opposition will likely increase over time given the administration's desire to avoid political friction with Israel in the pre-election season. To convince Washington otherwise, the EU would have to win Israel's tacit support for an alternative resolution despite the latter's pro forma opposition to the Palestinians' unilateral bid. Such a resolution would stand a greater chance of garnering Israeli and U.S. support if it included calls for bilateral negotiations, security cooperation, and the resolution of any issues precluding an end to all claims and conflict.

An alternative resolution would also require Palestinian acceptance, since the Europeans would not want dueling drafts. They would have to convince the Palestinians that only a European-led resolution would draw the support of the twenty seven EU countries, as well as the two dozen other countries that often vote alongside the EU. Alternatively,

---

[22] Hussein Ibish, "Should the Palestinians Recognize Israel as a Jewish State?" *Foreign Policy*, May 25, 2011, http://www.foreignpolicy.com/articles/2011/05/25/should_the_palestinians_recognize_israel_as_a_jewish_state.
[23] Isabel Kershner, "Palestinian Leader Says US Is too Late on UN Bid," *New York Times*, September 8, 2011, http://www.nytimes.com/2011/09/09/world/middleeast/09palestinians.html?ref=world.

individual EU states could engage the PA regarding its resolution and attempt to strike a deal of support in return for textual changes.

The Palestinians may therefore need to choose between a weaker resolution that enjoys European support and a more maximalist resolution with less support. So far, they have not even crafted their own resolution, according to Ashton's comments during a September 2 European foreign ministers meeting.[24]

In short, any European resolution would need to avoid the most contentious components of the Palestinian resolution while still elevating the PA's UN status to something between observer and member-state. Potential stipulations for such a resolution include the following:

The Palestinians will gain the powers of statehood only as a result of a mutually satisfactory outcome of bilateral negotiations with Israel. Any upgraded status at the UN should not be confused with the powers of statehood. This means no Palestinian assertion of sovereignty over the West Bank and east Jerusalem after the UN vote, and no opening of full-fledged foreign embassies. This would also prevent a "Government of Palestine" from challenging territorial control and effectively severing security coordination with Israel.

To avoid confusion, references to Israel's occupation of the West Bank should not describe it as "illegal," making clear that the conflict is a political one that must be resolved at the negotiating table. Additional language should be explored to ensure that any enhanced status would not be construed as justification for filing criminal cases with the ICC.

The resolution should not include demarcation of borders. There is a crucial difference between supporting the establishment of a Palestinian state along pre-1967 lines and supporting its establishment along pre-1967 borders with swaps, which enables creativity and calls for negotiations. Nevertheless, the United States and many European countries would definitely oppose a formulation that demarcates the state of Palestine as anything beyond the pre-1967 lines, based on the broad understanding that the situation on the ground is highly complex and requires maximum creativity.

U.S. officials have also made clear that they do not want other parties to cherry-pick President Obama's May speeches, arguing that any calls for territorial solutions should be matched by mutual recognition: Palestine as a state for the Palestinians, and Israel as a state for the Jewish people.

If the Palestinian UN initiative is not averted, the PA runs the risk of collapse, whether the resolution fails or resoundingly succeeds. Palestinian polling thus far indicates a rather sober view of what can be achieved at the UN. In late June, a leading local survey

---

[24] See "Remarks by High Representative Catherine Ashton upon Arrival to Gymnich, Informal Meeting of the EU Foreign Ministers," press release, European Union, September 2, 2011, http://www.consilium.europa.eu/uedocs/ cms_data/docs/pressdata/EN/foraff/124496.pdf.

agency led by respected pollster Khalil Shikaki concluded that 76 percent of Palestinians believe the United States will veto any statehood bid at the UN. Furthermore, 66 percent believe Israel would make the occupation worse and increase settlement activity if the UN agreed to statehood, while only 13 percent believe conditions would improve.[25] Yet if the resolution is put forward but does not pass, Palestinians might still perceive it as apolitical failure and call for Abbas to resign, which would in turn empower Hamas.

Alternatively, a decisive PA victory at the UN—meaning wide international support for a General Assembly resolution based on a maximalist Palestinian text—would most likely spur retaliatory steps from Israel, including the withholding of an estimated $300 million in customs clearances. Such moves would not be automatic, of course. Precisely because the stakes are so very high, one cannot rule out the possibility that Israel would defer an immediate reaction, or that Netanyahu would play down the vote as just one more in a series of pro Palestinian resolutions at the UN. How Israel publicly frames the issue will be key, though domestic politics or events on the ground could render these considerations moot.

As noted previously, a maximalist PA resolution could also mean the suspension of U.S. aid, which would harm both the PA and Israeli-Palestinian security coordination. Taken altogether, these developments could trigger the PA's total collapse. Although that outcome is less likely than others, it cannot be discounted if the United States and Israel—the PA's largest donors—withhold their funds. And even if Washington decided not to suspend aid, the PA's security, trade, and economic relationships with Israel could suffer greatly. Moreover, it is unclear whether the PA can control the dynamic that it would be unleashing among its public if the resolution passes (see the "Avoiding Confrontation on the Ground" section below for more on this point).

A decisive Palestinian victory could also force Washington's hand in other, unexpected ways. For example, if the PA emerged with a resolution declaring a Palestinian state on all pre-1967 territories, the Obama administration would have to do more than simply distance itself from the vote. In addition to reiterating the necessity of territorial swaps in general terms, the president might also feel compelled to be more explicit than before on the subject—namely, he could decide to reassure Israel by specifying that the swaps should include areas in which a large majority of settlers live (i.e., around 5 percent of the land in dispute).

A decisive Palestinian victory might also spur Israel to mount a major settlement construction initiative, which the United States could in turn try to forestall, perceiving it as a further escalation of the crisis. To secure this concession from Israel, Washington could press the Quartet to issue an explicit statement regarding Israel's status as a Jewish state. Yet it is unclear whether such a move would be sufficient to stave off Israeli concerns.

---

[25] Palestinian Center for Policy and Survey Research, "Palestinians Are Determined to Go to the UN in September and Not to Return to Negotiations with Netanyahu, in Line with Israelis' Expectations," press release, June 28, 2001, http://www.pcpsr.org/survey/polls/2011/p40cjoint.html.

In light of the above risks, Washington should make clear to the PA that any General Assembly resolution must include certain key elements if it is to avoid harming U.S.-Palestinian relations. These elements match the previously listed stipulations for an alternative European-led resolution:

- The Palestinians will gain the powers of statehood only after mutually satisfactory bilateral negotiations with Israel.
- Although the United States cannot permit or prevent ICC action within the UN machinery, it should seek ironclad guarantees that no resolution will include an option allowing the Palestinians to go to the ICC as a vehicle for redressing their political grievances. This will help ensure that the Israeli-Palestinian conflict does not turn into an endless legal battle that prevents the parties from forging bonds of trust in the future.
- The demarcation of borders should occur at the negotiating table and as part of a broader peace package, not within a unilateral statehood resolution.

At the same time, the administration should make clear that it would do everything in its power to ensure Congressional funds to the PA are not suspended if these elements are included.

Washington should also make clear that any deliberate PA-led violence in the West Bank would hurt relations with the United States and trigger an aid cutoff. Given Abbas's past criticism of violence, it seems unlikely that the PA would incite it during any demonstration related to the statehood resolution. Yet as mentioned previously and discussed below, the PA has already called for nonviolent mass demonstrations, and such events could easily spin out of control and descend into violence. In short, the potential for manageable diplomatic conflict in New York triggering unmanageable Israeli-Palestinian violence in the West Bank is disturbingly real.

PLO secretary-general Yasser Abed Rabbo has urged Palestinians to engage in massive nonviolent protests on September 20, the eve of Abbas's speech at the UN General Assembly, in order to engender worldwide empathy for the statehood bid.[26] As mentioned previously, however, neither Israeli nor Palestinian security forces have extensive experience in crowd control on a massive level (i.e., involving many tens of thousands of demonstrators). And even if the PA made every attempt to prevent eruptions at pre- or post-vote gatherings, individuals or radical groups like Hamas could view such events as an opportunity to foment violence against Israel or even the PA. Of course, if the PA itself decided to foment potentially dangerous confrontations in the wake of a U.S. veto at the UN, security measures would have little hope of quietly containing the resulting conflict. Yet as described above, any such move would exact a heavy toll on the PA's relationships with the United States and Israel.

---

[26] "Palestinians Plan Mass Demonstrations against Israel on Eve of UN Vote," *Haaretz*, August 1, 2011, http:// www.haaretz.com/news/diplomacy-defense/palestinians-plan-mass-demonstrations-against-israel-on-eve-of-un-vote-1.376457.

In the worst-case scenario, the PA could be unleashing forces beyond its control at a time when withheld aid and lack of security cooperation render it impotent. The prospect of a Palestinian demonstration that turns against its leadership—possibly in violent fashion—might seem fanciful, even alarmist, especially to those who downplay the UN's significance. Yet given the upheaval that has unfolded across the Middle East this year, there remains a distinct possibility that events could spin out of control and become a disaster for all sides.

To prepare for possible confrontations in the West Bank, the Israel Defense Forces (IDF) have reportedly made significant efforts to delineate a geographic red line around each settlement, indicating the point at which soldiers are permitted to shoot at the legs of Palestinian demonstrators who get too close. The military is also planning to provide settlers with tear gas and stun grenades to aid in their defense.[27] Indeed, Israel alone must calibrate the best way to provide security for its people. Yet it must also consider ways to avoid widespread violence, particularly given the presence of actors who might deliberately seek to provoke a harsh Israeli response. The following steps are particularly important:

- Israeli-PA security cooperation must remain strong, and any international, U.S., or Israeli measures that could facilitate the PA's collapse— including the withholding of funds—should be averted if possible. The parties should also come to a common definition of what is and is not acceptable during demonstrations. (A joint Israeli-Palestinian definition of violence and nonviolence would help, but that may not be feasible.)
- PA-endorsed demonstrations should be held in Area A only (i.e., Palestinian-controlled urban areas in the West Bank), ensuring that they do not take place near Israeli checkpoints or settlements. This will help avoid friction with the IDF. Such coordination was successful even during the 2008–2009 war in Gaza, so there is reason to believe it could succeed again.
- Both sides should train their security forces in crowd-control techniques to avoid hair-trigger reactions.

The U.S. security coordinator should deploy to the area during all of September–October, serving as a backchannel for communication between Israeli and Palestinian forces and averting heightened security tensions on the ground. This means open communication before, during, and after the UN saga. Regarding speculation that Washington has downgraded the coordinator's role to a narrower "train and equip" mission for Palestinian forces, senior U.S. officials privately deny that the position's broad mandate has been changed.

Although Israel must protect its interests, there are ways of doing so without dealing a decisive blow to Abbas. Israelis readily acknowledge that the past four years have marked the pinnacle of their security relationship with the Palestinians. They have also

[27] Chaim Levinson, "IDF Training Israeli Settlers Ahead of 'Mass Disorder' Expected in September," *Haaretz*, August 30, 2011, http://www.haaretz.com/news/diplomacy-defense/idf-training-israeli-settlers-ahead-of-mass-disorder-expected-in-september-1.381421.

witnessed very solid Palestinian economic growth in the West Bank. Although these benefits are unlikely to accrue indefinitely in the absence of peace negotiations, for now the strong practical cooperation serves as a welcome contrast to poor diplomatic cooperation. Israel does not want Abbas to resign, nor does it want Fayad's institution-building campaign to fall apart.

Accordingly, Israel hopes to navigate between two unwelcome scenarios: on the one hand, the collapse of Abbas's government, and on the other hand, a maximalist Palestinian victory at the UN that could undermine Israeli interests. From this perspective, aid to the PA is good for Israel, and suspending it could have dire consequences. Israel must therefore give serious thought to how aid suspensions might affect the excellent security cooperation and other sectors.

If the parties can find an acceptable way out of the potential statehood minefield at the UN, the question then becomes whether they can find a way back to the negotiating table. There are doubts about their willingness to make big decisions regarding the final disposition of the West Bank if Washington is preoccupied with other foreign, economic, and political priorities. What, then, would bilateral talks focus on if they do in fact resume?

One possibility is that the parties could tackle second-order issues, demonstrating their ability to engage in substantive talks without posturing even if certain larger issues are postponed. In addition, it is important for the Netanyahu government to broaden its engagement with the PA and show the Palestinian people that Israel intends to decrease the impact of the West Bank occupation. This could be accomplished in a variety of ways, some of which could take place even in the absence of negotiations:

- Israel could grant the Palestinians greater economic access to Area C, which comprises 60 percent of the West Bank. Such a move would not necessarily have to include territorial control. Currently, U.S. officials estimate that Palestinians have economic access to a mere 6 percent of the area. Of course, Israel would seek quid pro quos for any such concessions.
- Israel could make clear to the PA that, barring exceptional circumstances, it will discontinue incursions into Area A if the Palestinian security forces prove successful at policing that territory. Although such incursions have decreased dramatically, they have not ceased altogether. A more complete halt would incentivize improvements in Palestinian security performance while also casting security cooperation with Israel as part of the broader state-building effort. As above, however, a quid pro quo may be required for such a concession—Israel believes that it has already eliminated all of its military bases in the northern West Bank to no political avail.
- Regardless of when direct talks resume, informal consultations may be preferable to formal negotiations that could lead to another deadlock. The Obama administration has introduced a new "preparatory phase" that would require each side to demonstrate that it understands and will address the other's concerns. Such a meeting of the minds might be the best way to proceed next

> year given Washington's preoccupation with other priorities. And if Abbas wants to explore the possibility of reaching an agreement with Israel without high-profile formal talks that risk public accusations of failure, this informal approach would be in his interest. Otherwise, the absence of consultations regarding Israeli and Palestinian demands will likely impede all other forms of conflict management, from security cooperation to institution-building. If there is no hope of a political horizon, then one cannot realistically expect either party to continue investing in such joint ventures.

Whether or not the two sides make progress, they must establish high-level channels of communication on issues other than security. Washington is troubled by the fact that the informal channels of the past no longer exist. Given that the U.S. role in the peace process is likely to diminish as the next election year unfolds, such channels are more crucial than ever. The United States is no substitute for bilateral communication and will be even less inclined to play that role in the near term.

The Palestinian bid for statehood via the UN is a potential Pandora's box. A variety of factors may have led the Obama administration to conclude that the issue is manageable, and that playing it and making Tony Blair the diplomatic point man leading up to the UN vote made sense. For instance, Washington may believe that the political costs required to positively affect the local Israeli-Palestinian dynamic are too great for the United States to bear at the moment given its many other foreign and economic challenges. Yet senior U.S. officials say the exact opposite in private—that is, the administration seems to believe time is on its side, since the parties' dependence on the United States will only grow as a UN vote approaches. According to these officials, the parties wish to avoid a confrontation with the United States (though without providing specifics on how to prevent that very outcome), while Israel may soon come to realize that its only ally in this battle is Washington.

As of this writing, the provisions of the potential UN resolution are not yet known, so it is too soon to determine whether this is a "diplomatic tsunami"— as Israeli defense minister Ehud Barak put it in a speech to Israel's Institute for National Security Studies earlier this year[28]—or just a passing storm. Yet the stakes are certainly high given the possible consequences for Palestinians and Israelis alike. The issue is not just what happens at the UN, but also its aftermath. If the UN bid proves unavoidable, the question then becomes whether the situation is containable on the ground. If not handled carefully, the aftermath could destabilize the West Bank and upend the relative quiet of the past four years.

Whatever unfolds, the situation is a reminder that the lack of a peace agreement makes the Israeli-Palestinian relationship particularly fragile. Israel has a right to protect its interests and is therefore unlikely to let Abbas declare a decisive victory. Yet Israel also has an interest in avoiding a PA collapse. The alternative strategies discussed in this paper—a Quartet statement or a European-led resolution with more viable wording—are designed with that purpose in mind. Indeed, all means of preserving the path of credible

---

[28] Barak Ravid, "Barak: Israel Must Advance Peace or Face a Diplomatic Tsunami," *Haaretz*, March 13, 2011, http://www.haaretz.com/news/diplomacy-defense/barak-israel-must-advance-peace-or-face-a-diplomatic-tsunami-1.348973.

Israel-Palestinian negotiations should be under consideration at the moment. As the parties weigh their options at the UN this month and in the months to come, they must remain mindful of the ramifications they might set in motion and the potentially profound impact they might have on their relationships.

Chairman ROS-LEHTINEN. Thank you very much, to you, sir, and to all of our panelists. We will begin now the question and answer period, and the Chair recognizes herself for 5 minutes.

Dr. Schanzer, you elaborate on the PA's ambiguous relationship with Hamas, and I quote:

> "Despite its ongoing feud with Hamas, the PA has secretly allowed the jihadist group to raise funds through an electricity scam. Electricity in Gaza is produced by a power plant that is guaranteed by the Palestinian Authority, but the bills are collected by Hamas. As one former advisor to the PA confides, 'The Hamas authorities collect their bills from customers in Gaza, but never send the funds back to the West Bank, and the PA continues to foot the bill.' It should also be noted that the Hamas government institutions and prominent Hamas members simply don't pay their bills: The PA covers them as well. In other words, Abbas allows Hamas to raise funds by billing Gazans for electricity that they don't generate. And because the PA is funded by U.S. taxpayer money, we are all enabling Hamas to raise those funds. This is a violation of U.S. law, and it must be addressed immediately."

So I would like to ask the panelists about the conditioning of U.S. assistance to the PA. Successive administrations have failed to adequately condition this U.S. taxpayer aid, which has led to a sense of entitlement by the PA, and a dependence by the PA on U.S. and international assistance. This has enabled the PA, then, to avoid taking responsibility for its actions or its own people. If you could elaborate on the recommendations for long-term strategy to wean the PA off of U.S. assistance, and how do we leverage our assistance to achieve our national objectives? Mr. Abrams?

Mr. ABRAMS. I think it is Prime Minister Fayyad's goal to eliminate the reliance on all foreign assistance, and he has talked about how much they needed 2 years ago, last year, this year. It is actually down from about $1.5 billion to $900 million, and it is his goal to eliminate it, as it should be our goal, so they can finance themselves.

I think you are right about the lack of conditionality. Even on a question like incitement in textbooks, we have talked about it, but we haven't conditioned anything on it. I think it probably goes back to the beginnings of this, after the death of Arafat. We were so pleased to see a Presidential election there, and to see some new faces replacing Arafat, and to see a reduction of the unbelievable corruption that had surrounded him, that it didn't seem like it was as critical as it does now.

But I think the idea of doing these investigations of things like the electricity company in Gaza, PIF, the personal finances of President Abbas and his family, should be part of any aid program.

Chairman ROS-LEHTINEN. Thank you so much.

Mr. PHILLIPS. Well, I think, like many other programs that were created in Washington, once things are established they tend to just float onward. And I think this impending crisis at the U.N. is an opportunity to take a harder look, to step back and attach more conditions, not only to bilateral aid but also to aid through the U.N.

The UNRWA, I think, is a very costly, dysfunctional anachronism that has been around since 1949. I think that we should look very hard at disbanding that in the future, and turning the responsibility for aiding the Palestinians over to the U.N. High Commissioner for Refugees, which is much more efficient at helping refugees.

Chairman ROS-LEHTINEN. Thank you, sir. I am just going to cut you off, and if I could hold off on you two gentlemen. I know you have a lot to say, but Mr. Abrams, if you could elaborate on how closing the PLO office—which is what you were talking about in your testimony—here in DC could alter the PA's strategic calculus?

Mr. ABRAMS. The thought would be that, first of all, candidly, it is meeting the pledge that Members of Congress have made, that there would be a reaction to their going forward in the U.N. What they are basically saying, if they go forward in the U.N., is, "The status we have, which is we work through the PLO internationally—and the PLO has offices all around. The PLO is a U.N. observer—that is not good enough. We want a different status."

So my argument is that you would be responding, "Okay. If the PLO doesn't work anymore for you, why do we need to have a PLO office in Washington? If you guys don't want to work it that way, fine. We will close it off." And the ability to conduct propaganda activities, some of which, as I mentioned, are pretty disgusting, would be diminished greatly.

Chairman ROS-LEHTINEN. Thank you very much. I thank the panelists. I am sorry I didn't get a chance to get to all of you. My friend from California, Mr. Berman, is recognized for 5 minutes.

Mr. BERMAN. Well, thank you very much, Madam Chair. Part of what we are talking about is not—Dr. Schanzer makes some very interesting suggestions regarding restructuring, examining, investigating, oversight on the aspects of parts of our aid. A lot of the Palestinian Investment Fund has nothing to do with our aid, but you are pointing out, in some ways it has facilitated some bad stuff and we ought to be looking at it.

But that wasn't really about the U.N. resolution, that was sort of on its own, and it had its own merits as suggestions. On the issue of the reaction to pursuing the U.N., Mr. Makovsky has—what is the resolution they go forward with? And the Obama administration is in a full court press to try and stop them from going forward. And all other things aside, that ought to be recognized.

But if they decide to go ahead, what do they go ahead with? And you mentioned several different aspects of—is this just another one of the troublesome, bothersome U.N. resolutions that are going before bodies all the time, or is this something more serious? And you have raised what makes it more serious, more dangerous, and bad.

But if that, in the end, is what the resolution is, I have a hard time thinking that closing the PLO office, in and of itself, is the significant consequence to doing something which is such a fundamental breach of Oslo, and so contrary to what is needed to get there, that that's enough.

And I guess I would like to hear you speak a little more to the whole question of meaningful consequences for a really dangerous action, initiated by the—it may be the PLO, but he is President of the PA. And that is one aspect of it I would like you to address.

The second one is, to the extent that you folks have talked about the U.N.—and the chairman mentioned some effective strategy that Bush 41 took with respect to not funding organizations that recognize the Authority as a state. If this is a General Assembly resolution—that is what I am talking about. I am not talking about the Security Council issue right now. I am talking about the General Assembly resolution.

What is it? If one wants not to fund agencies of the U.N. that accept the Palestinian state, when the General Assembly takes that action, is that—are you guys calling for an end to all funding of the United Nations?

Mr. MAKOVSKY. I think that there are a couple things in your question. On the first issue, in terms of meaningful consequences, Elliott was explaining how the PLO is not the lead actor anymore. And they always say, "Well, the PLO is the body that is to negotiate with Israel," but the PLO is going in the opposite way, here. So I think I share the skepticism of the role of the PLO. If the Palestinians are sidelining itself, they say "We will be a Government of Palestine. We won't even be PLO observer status." So I think that has merit.

Another suggestion I mentioned is, frankly, a suspension of high-level meetings with the United States. I mean, this administration from day two named a Middle East envoy, George Mitchell. It has devoted a lot of efforts in focusing on this issue, and if the Palestinians, in that 2½ years, have only come to the table for 2½ weeks, then I think the United States—we are well within our rights to say, "Well, the President has a lot of foreign policy issues to attend to, and if you don't value this effort there might not be a need for meetings. We have got a lot of other meetings to hold."

So I think that is something that would send a clear message, while averting what we really care about, which is, we don't want a collapse. We don't want a collapse of the security cooperation on the ground that——

Mr. BERMAN. Is there a U.N. resolution that could be taken up——

Mr. MAKOVSKY. Yes, look——

Mr. BERMAN. That should not—doesn't—should reduce our concern?

Mr. MAKOVSKY. Yes. In my full testimony—I just didn't—I couldn't get to it in the verbal testimony, given the time constraints. But the European Union is working behind the scenes to put forward, to take these—what I would call these three poison pills that I mentioned in my remarks—out.

And if they are successful—and I am not saying they will—they have a lot of leverage. They are 27 countries. The Palestinians are desperate to get European support, because they were not the ones that supported the 1988 upgrade at the General Assembly. So they have a lot of leverage. There are also a lot of countries that vote with Europe at the United Nations, that could get them up to 50 votes.

They could say, "You want our support? Fine. But this is what it will take. You have got to remove the three poison pills and make the declaration more aspirational for two states, which is

predicated on a bilateral negotiation and reaching the end of conflict."

Mr. BERMAN. All right. My time has expired. I am sorry I didn't get to hear Mr. Abrams' answer, but that is because I talked too much in the beginning.

Chairman ROS-LEHTINEN. Thank you, Mr. Berman. And now Mr. Rohrabacher is recognized, the chair of the Subcommittee on Oversight.

Mr. ROHRABACHER. Yes, Mr. Berman, there are some of us who would like to cut funds to the United Nations when those funds are not used to promote peace. Just for the record.

Five billion dollars. We have spent $5 billion, and what have we gotten for it? I think it is a fair question that the American people can ask, at a time when we are in a financial crisis. We haven't gotten peace. There are still rockets being shot from Gaza into Israel. And we haven't gotten goodwill. So if we are giving people billions of dollars, and we are not getting peace, and we are not getting goodwill, what the Hell are we getting?

We are getting a feel-good position for people in the United States who really do believe in peace, but feeling good doesn't mean that you are going to have any progress. Let us just note that there has been some progress made, but I don't think you can draw that to the $5 billion that we have given to the Palestinians.

I remember when Israel was not accepting the two-state solution. In fact, I advocated the two-state solution, and a lot of my Israeli friends were upset with me for doing that. Well, now we realize that in order to have peace, there has to be two parties that you are respecting and trying to get them together.

Unfortunately, Israel has accepted the two-state solution, has given up territory, but I don't recognize anything that the Palestinians have given up. I know what we have done: We have given them $5 billion. But what have they given up? They haven't even given up, even the principle that they cannot return to Israel, pre-'67 Israel, and envelop it. Meaning, to destroy Israel. They haven't even given up that concept.

Why are we giving money to people who have not even given up the concept that they are going to destroy Israel as it exists? I mean, this is absurd. Have we bought any goodwill with this $5 billion? That is the first question. Is there someone you can point to now, who is our buddy now because we have been giving this money? Anyone want to defend that? Go right ahead.

Mr. SCHANZER. Congressman Rohrabacher, I very much appreciate the sentiment. And I think, if I were to characterize the way that we have given aid, it has really been about a transaction, and not transformation. And I think that cuts to the heart of what you have just said.

Mr. ROHRABACHER. Yes.

Mr. SCHANZER. We have just been furnishing aid. In the same way we furnished aid to Egypt, we haven't changed the sentiment on the ground, so the Palestinian people still largely hate Israel and are anti-peace. And we have allowed this to continue.

And so what I have suggested here today, and what I think my colleagues here have suggested as well, is that we really need to start to squeeze the system that has been created. I think part of

the problem is that we began to do that under President George W. Bush in the aftermath of the intifada. But after the Hamas electoral victory in 2006, and then the takeover of Gaza in 2007, we began to look at the Fatah/PLO/PA apparatus as the moderates, and we gave them a free pass. And we stopped squeezing them in the way that we should have, to reform. And this is, I think, how we have gotten to where we are today.

Mr. ROHRABACHER. Well, I think this is the best example of the phrase "Being taken for granted." Here we are, providing the—I mean, $5 billion is a lot of money. I mean, this is a lot of money for the American people.

You know what else we could have done in this country with $5 billion? But now, that is—I mean, we are totally taken for granted, because we have not predicated that on specific actions by these—by the people who are receiving the money.

Let me just note this: I believe the real peace will come, if it ever does—and if it does, it will be predicated on Israel giving up all of the settlements in the West Bank, and it will be predicated on the Palestinians giving up all their notions of ever going back to pre-'67 Israel, and the settlement, perhaps, of some property claims that, perhaps, can be paid for by those Arab countries that took all the Jewish property when the Jews left and went back to Israel, and their land was confiscated.

So hopefully, we have got to get serious about this. And we are not serious. We simply keep doling out money to people without any preconditions. Thank you very much, Madam Chair.

Chairman ROS-LEHTINEN. Thank you, Mr. Rohrabacher. Mr. Sires of New Jersey is recognized for 5 minutes.

Mr. SIRES. Thank you, Madam Chair. Thank you for holding this hearing today. I sit here. Different people come before us. And I keep hearing the same thing all the time about this part of the world: That we give money, and most of the people we deal with are corrupt. Somehow, the money disappears, especially in this region.

Are there any honest actors in the region that we could deal with, that would put forward the money? I mean, I am sure we could stand here and go back and forth. But the real question that I have is this: Let's say the Palestinians are successful in getting this through the U.N., and nothing changes. Whatever the resolution is, nothing changes for the Palestinian people.

What does that say about the Palestinian Authority's leadership? Are they going to hang in there? I mean, nothing is going to change. Because the corruption is the same, the sentiment is the same. Nothing moves forward. There is no treaty. There is no future. So what happens? We go through another something else.

Mr. ABRAMS. If I could, Mr. Sires, I think you have put your finger on something critical here, which is the failure of leadership. This is a curse the Palestinians have had for 100 years. I mean, their leadership all along, even before Arafat, during Arafat, has been marked by corruption and not by any real desire to build, from the bottom up, a Palestinian state.

And that is what we are seeing now. President Abbas seems to be concerned—he is the guy who lost Gaza, and he seems to be concerned now with trying to get some kind of unity with Hamas, to

reunite everybody, get this resolution in the U.N., and then maybe call it quits and retire, and retire with—we will investigate this, I guess, but a fair amount of money that the family has gotten.

So I think this is a huge problem for us, and of course it is a greater problem for the Palestinians, that they have never had—with I think the sole exception of Prime Minister Fayyad—a leader who is really trying to build from the bottom up.

Mr. SIRES. Mr. Phillips?

Mr. PHILLIPS. If I could just add, I think one of the tragedies of this situation is that there was an opportunity for a possible peace settlement, but under the leadership of Yasser Arafat, I think the PLO squandered that opportunity, and I think he played fast and loose with his agreements, and never fully delivered on his promise to halt terrorism, and other things.

And now, in his stead, we have President Abbas, who as a protégé of Arafat, has only limited ability to break with Arafat's legacy. And although I think he gives some commitments to a two-state solution, it looks more like a two-stage disemboweling of Israel. If there is going to be a Palestinian state, then refugees should be returning to that state, not to Israel. And there is a fundamental inconsistency there.

Mr. SCHANZER. In answer to your question, sir, I think one of the problems is just the ideology of Palestinian nationalism, over the last 100 years, has unfortunately been more about the destruction of something rather than the creation of something—i.e. the destruction of the State of Israel, and not the creation of a viable Palestinian state. And there have been fits and starts in this regard, but they have never really undertaken a serious effort to build a state that is viable.

In terms of what we are looking at right now, I would liken what Abbas has done at the U.N. to having thought through the first 10 or 15 games of a chess match, but without having any idea how to end it in a victory. And so what I heard from people in Ramallah last week was that there is a great fear that, after this political theater has passed in New York this month, Palestinians will wake up and look outside their homes and see that nothing has changed, as you mentioned.

And that could actually lead to, not an intifada against Israel, but what we might call an "intra-fada," where we would see something like the Arab Spring come to visit the West Bank. And this could obviously have a very serious impact on U.S. interests there, because a weakened Palestinian Authority/PLO apparatus would certainly give rise to Hamas. So this is something that we are watching now. We could be watching the self-destruction of Abbas' PLO.

Mr. MAKOVSKY. I would just like to say, I would like to respectfully disagree with what you have suggested, that if Congressman Rohrabacher—I think this is not a long-term view of what has been going on there. Under the Yasser Arafat era, corruption was rampant. All the Palestinian polling said that even the Palestinians knew this.

What Fayyad has done is fundamentally different. He has got it all audited. The U.S. Government looks at this. You have a situation that the Israeli military, everyone says that the effort against

corruption is 100 times better today than it was during the Arafat era.

This doesn't mean we shouldn't be vigilant. We should investigate if there is the PIF, which is not a U.S. aid issue—we should be vigilant about that and try to improve it, but let us not pretend that things are the same as they have always been.

We have seen a marked change for the better, and we should make it even better. And we should also talk about the lack of Arab support for the Palestinian Authority. That deserves a hearing in and of itself.

Chairman ROS-LEHTINEN. Thank you, sir. Thank you, Mr. Sires——

Mr. SIRES. Thank you, Madam Chairman.

Chairman ROS-LEHTINEN [continuing]. For your questions. Ms. Schmidt is recognized for 5 minutes.

Ms. SCHMIDT. Thank you. Mr. Abrams, public reports indicate that Tony Blair, the former British Prime Minister, who represents the Quartet, a diplomatic group focused on the Middle East that is made up of the U.S., European Union, United Nations, and Russia, is looking for a new basis for Israeli-Palestinian negotiations. He hopes that the Quartet's statement will cushion or shift the Palestinians membership bid toward talks. What do you believe are the essential components of any Quartet statement? Could you elaborate?

Mr. ABRAMS. Yes, I think your description of what Blair is trying to do is quite accurate. And I think, basically, what he is trying to do and what the Quartet is trying to do is get Prime Minister Netanyahu to agree to some version of "We will start negotiating from '67 lines," and get the Palestinians to agree to some version of the term "Jewish state."

And he figures if he can get that balance, he can get them back to the negotiating table. And then, with that agreement in hand, in the next week or two, Abbas does not go to the U.N. It is a valiant effort. I just think it is probably not going to work.

Ms. SCHMIDT. Thank you. And what do you believe are the red lines for Palestinian activities, as it pertains to their efforts in the United Nations? Could you elaborate?

Mr. ABRAMS. Well, as has been said here, I think they should not be doing this at all. If they are going to do it, then the question becomes, what is the content of the resolution?

The worst thing could be if it has in it anything about borders, refugees, or Jerusalem. I say that because if you have a U.N. resolution that says, for example, "There is a Palestinian state exactly on the '67 borders," that kills negotiations. Because in the future, no Palestinian negotiator is going to be able to take less than the U.N. has already given him. So I think those are the three things that have to be out of any resolution.

Ms. SCHMIDT. Thank you. Mr. Phillips, what are the so-called—the Arab Spring was just mentioned. What do you see would happen in the region if the Arab Spring occurs in Palestine?

Mr. PHILLIPS. Well, I think one of the drivers in terms of Palestinian domestic politics behind this rapprochement between Hamas and the PLO is a fear that both could be threatened by a Palestinian Spring. I think there is a lot of pent-up dissatisfaction in

Gaza, with Hamas, much more than is generally reported in the West, and that Hamas is seeking protection from such popular repudiation by going along with this political theater at the U.N. General Assembly, and trying to get out ahead of it and refocus popular discontent against Israel. I think it is part of the same old scapegoat strategy.

Ms. SCHMIDT. And I have a couple more things. As we see it played out in the polls of the administration regarding the potential showdown are not working at present. What could we have done to have avoided this situation, and what should the administration do to correct it? And I will open that up to all four of you in the 1½ minutes I have left.

Mr. SCHANZER. If I may, I think that the administration, respectfully, has handled this rather poorly. We have known about this UDI, Unilateral Declaration of Independence, for more than 2 years. Salam Fayyad laid this out in 2009, with a deadline of September 2011.

There have been moments along the way where, admittedly, the President has come out very squarely and said that this runs counter to peace. But at the same time, this administration has taken steps to encourage this action. The vilification of Israel for building in the West Bank, and this campaign against Israel over the last year or 2, I think, has certainly encouraged the Palestinians to believe that this was all being done in the name of their national project.

When the President announced his peace process last year around this time, he indicated that he hoped to see an independent Palestinian state by September 2011, certainly giving a nod to, again, Fayyad's plans. And then, earlier this year, the President upgraded the PLO offices to the equivalent of an Embassy, allowing the Palestinian flag to fly over Washington. These were all indications that the President supported this maneuver in some way or another, and now is asking for this to end.

Ms. SCHMIDT. Thank you. I yield back.

Chairman ROS-LEHTINEN. Thank you so much, Ms. Schmidt. Mr. Deutch of Florida is recognized.

Mr. DEUTCH. Thank you, Madam Chairman. Mr. Makovsky, can you respond to Dr. Schanzer's suggestion that the administration has waged a campaign against Israel over the past year?

Mr. MAKOVSKY. I have been critical over the over focus on settlements for the first 2 years of the administration. I feel time was wasted. We ended up boxing in Abbas no less than we boxed in Israel. And we focused too much on the symptoms, when we should be going for the cure. I wish the administration would have been giving its speech in May, they would have done it 2 years earlier.

But I wish, before the administration would have given that speech, it would have gone to Brussels, and London, and Paris, and said, "Look. We are about to take a big speech. What are you going to do? We are willing to administer tough love. Are you willing to administer tough love to the Palestinians? You never have."

And when Elliott correctly mentioned the valiant effort by Tony Blair, I think we would have been in a much better leverage position if we would have gone before the speech to the Europeans, saying, "We are about to do something big here in Washington, but we

are not going to do it unless we know the Europeans are going to do something comparable, that they are going to give a corollary speech, given either by Lady Ashton, or Sarkozy, or Merkel, or whoever."

That would have strengthened our bargaining position. I fear that the Europeans have basically taken our concession, so to speak, and put it in their pockets. And therefore Tony Blair doesn't have many bullets this summer, and that is sad. So I think those, to my mind, are the two major—the major mistakes. The over focus on settlements for the first 2 years, instead of trying to actually solve the problem, and not using the moves we did make to leverage European concessions, which really would have changed the landscape as we would have approached the whole U.N. business.

Mr. DEUTCH. Could you speak to the administration's actions, the past—starting, perhaps, at the United Nations, with the veto of the Security Council resolution, and forward? I understand you are looking back to the start of the administration. Could you talk about the efforts at the United Nations, starting then and proceeding through the current efforts with the Quartet?

Mr. MAKOVSKY. Are you talking about the February veto on settlements, or the speech of Obama last year?

Mr. DEUTCH. The veto of settlements.

Mr. MAKOVSKY. You know, the administration did veto it, but a lot of the buzz around the veto, the way it was done, frankly, basically dissipated it. It was a time when the Arabs were focused on the Arab Spring, and the administration feared this would be a huge distraction and lead to demonstrations against the United States, which it didn't lead to it, because the Arabs were more focused—they were more preoccupied with their own problems.

So I think the administration—I understand their concerns, and they were thinking worst case scenario. It didn't materialize. Again, this summer the administration wanted to do the Quartet. That was the main strategy. And the administration actually has not aligned behind—when Congressman Berman asked me about an alternative resolution idea, the administration has not come out in support of that.

Basically, the administration wants to be aligned with Israel, and is not offering its support. And that is why the Europeans are actually the key actors. The U.S. main bid was the Quartet. That was the main focal point to get us off this issue at the U.N. in September. But it is a little too little too late, because the Europeans have not found the incentive to cooperate sufficiently with the United States.

They always have their reasons, of course, but I think that that was—we didn't maximize our leverage, and so ostensibly that wasn't a U.N. move per se, but that was our main bid, was earlier this summer. And I think when we didn't get that thing nailed down on July 11th in the Secretary of State's office with the Quartet members, frankly the closer we get to the U.N., it dwindles. U.S. leverage dwindles. Everyone is staking out their own positions, and isn't stopping Abbas. So I think things could have been done differently.

Mr. DEUTCH. At this point, though, as you point out, Mr. Makovsky, the criticism—your criticism seems to be that the ad-

ministration's position is, in supporting Israel at this point, rather than looking for some other alternative and leaving that to the Europeans. Are you questioning that?

Mr. MAKOVSKY. No, I am not questioning at all. I think President Obama said, "This is a principal position for this administration, that this issue of the Palestinians is not settled at the U.N., it is settled at the table." And I think the President is 100 percent right.

Mr. DEUTCH. All right. Does anyone—do any of the other witnesses doubt that that has been the administration's commitment?

Chairman ROS-LEHTINEN. We will have to wait for that response.

Mr. DEUTCH. Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you, Mr. Deutch. Mr. Chabot, the chairman of the Subcommittee on the Middle East and South Asia, is recognized.

Mr. CHABOT. Thank you, Madam Chair. And I will direct this to any of the panel members that might be interested. As I had mentioned in my opening statement, I had recently returned from a trip to Israel and the West Bank.

I was actually in Ramallah, discussing with Prime Minister Fayyad his tremendously important state-building effort, when the reconciliation agreement between Hamas and Fatah was being signed, without his blessing and probably without even his knowledge. At the meeting that we had with him—we happened to hear about the reconciliation later on that evening, and he certainly didn't seem to know anything about it. I can't vouch for that, but that was the impression that I had.

Since then, several potential cabinet formulations have been discussed which would result in his replacement as prime minister. That is Prime Minister Fayyad. As we all know, Fayyad's integrity and competence has been essential in building the credibility of Palestinian institutions, which for a very long time were bottomless pits of corruption.

One question that comes to mind is how we can ensure Fayyad does not get forced out of office. As I ask that, though, it occurs to me that if the gains achieved under his leadership are dependent on his leadership, perhaps we have already lost. How should U.S. aid policy be adjusted if Fayyad is no longer the Palestinian Prime Minister, and are any gains in the West Bank sustainable after he is gone, taking into consideration what we have seen Palestinian leadership in the past, and other than Fayyad in the present, be?

And whoever would like to take it—maybe we will start with Mr. Abrams.

Mr. ABRAMS. I would be very pessimistic about how much of the gains will stick. On security and on financial probity, he is not a one-man band, but he is a leader. And without that leadership at the top, I think it will start to crumble. How should we respond to it? I think we should talk to the other aid donors who are significant, which is primarily the Europeans, the EU and the individual countries, and a couple of others, like the Saudis.

And so that we are all sending the same message to the Palestinians, including to President Abbas, saying, "Don't do it, because we don't trust where the money is going to go after he is gone." I think

that is actually one of the reasons he is still there. The Saudis, among others, told Abbas, "Don't do it."

Mr. CHABOT. Thank you. Anybody else like to take a stab? Yes, Mr. Makovsky?

Mr. MAKOVSKY. No. I mean, I am very happy with your question, because, I mean, my point is, there has been this huge improvement because of his leadership. And it is not about supporting one man and tying yourself to a man. It is tying yourself to a set of principles that he has represented. If he goes, and his successor is more like the Arafat era, then I would be more of the view of Mr. Rohrabacher and the gentleman we heard from before, that the U.S. should reexamine it.

But I think, when he is making all these gains for transparency, and trying to create an ethos of accountability, which is not easy, because Yasser Arafat—let us be honest—left a very toxic legacy. But he is building schools. He is paving roads. He is opening health clinics. He is reforming the security services, making it professional. He is getting the preachers out of the mosques who are calling for Jihad. He is doing everything that any person, not just the United States, would want a Palestinian Authority to be like. If his ethos of accountability is somehow returned to the past, then I would be for a reexamination myself.

Mr. CHABOT. Okay. Yes, sir?

Mr. SCHANZER. I will add just one thought to that, and that is that, as much as I agree with David about how much Prime Minister Fayyad has accomplished, I would say that in recent years, that progress has been undercut significantly by Abbas and his cronies. In other words, Mahmoud Abbas has been taking away some of the power that Fayyad had, and so the impact that Fayyad has been making—and admittedly, it was good progress—you get the sense now that some of that transparency is being wiped away.

Mr. CHABOT. Thank you.

Mr. SCHANZER. And so we need to do everything that we can to ensure that we empower Fayyad, and to take power back out of the hands of Abbas and put it into the hands of Fayyad. If we don't do that, I do fear that ultimately we are headed toward disaster.

Mr. CHABOT. Thank you. Let me just follow up, and I have only got a short period of time here, but Prime Minister Fayyad has made it clear that he does not support this campaign at the U.N., and yet they are apparently going to go forward with it without him. What does this tell us about his political—not his economic—influence or lack thereof? And I guess the panel would agree that that tells us that he doesn't have a heck of a lot of political influence. Is that correct? I think everyone is nodding. Madam Chair, I have exhausted my time. I yield back.

Chairman ROS-LEHTINEN. Thank you for noting the nod. Mr. Connolly is recognized.

Mr. CONNOLLY. Thank you, Madam Chairwoman. Mr. Abrams, good to see you again. I listened with great interest to your understandable disgust with certain statements attributed to—or that most certainly came out of the mouth of the PLO representative. But your prescription was, "So let us close the PLO office in Washington," which every President has used the waiver authority for,

Democratic and Republican, since we granted it, and make him PNG.

What would be the consequences of doing that, though, in terms of U.S. leverage, our ability to try to continue to urge the two parties to the table, and so forth?

Mr. ABRAMS. In my view, it is a symbolic step that would show the people running the PLO how angry you are in Congress, and the United States is. It doesn't foreclose the possibility, if they ever really want to negotiate peace, to do it.

I can tell you that when we started looking at the after-Arafat period, in 2002 and 2003, in the Bush administration, we had people fly in from Ramallah, and we talked to them. People who were close to the then-Prime Minister Abbas. You could continue to have those conversations. But they would lose their perch here in Washington, and it would, in a sense, be the price they paid for defying the President and the Congress and going ahead in New York.

Mr. CONNOLLY. What about Mr. Makovsky's suggestion, if I heard his testimony correctly, that unwittingly, certainly, that could play into the hands of Hamas, which is the last thing in the world we want to do?

Mr. ABRAMS. Well, the collapse of the PA institutions, and particularly security institutions, could, I think, play into the hands of Hamas. Closing the PLO office, though, I think would not.

Mr. CONNOLLY. You would agree, would you not, though, that as we look at our options, we do need to take cognizance, however frustrated and upset we may be—we do need to take cognizance of unintended consequences that strengthen the hands of forces we would prefer be weakened, not strengthened?

Mr. ABRAMS. Absolutely. And unintended consequences that end up hurting Israel or Jordan.

Mr. CONNOLLY. Mr. Schanzer, I saw you shaking your head. Did you want to comment?

Mr. SCHANZER. Absolutely. I agree with Elliott that I think closing down the PLO offices, given the fact that this is an Abbas initiative, is something that should be considered by Members of Congress. I think it is also worth noting here that there may be some unintended consequences for the Palestinians as a result of this UDI.

According to some of the legal opinions that I have heard, first of all, the PLO could be relegated to some sort of a secondary authority, if and when a Palestinian state is declared, so that the road may be paved for us to really downgrade relations with the PLO nevertheless.

And then also, we heard earlier about UNRWA, this U.N. agency. If, in fact, a state is declared, to a certain extent the Palestinians living inside the West Bank who claim refugee status would have to relinquish those claims. So there are unintended consequences that we could play to, in terms of how it might impact the Palestinians, as well.

Mr. CONNOLLY. Thank you. Mr. Makovsky, okay. Despite our best efforts, despite a veto at the U.N. Security Council, the UNGA, sort of eerily reminiscent of the whole China vote many years ago—I am old enough to remember—votes Palestinian statehood. It

is the day after. What are our real options, besides expressing frustration?

Mr. MAKOVSKY. Like I said in my testimony, I am very concerned about what happens on the ground. And to be blunt, neither the Israel Defense Forces nor the Palestinian Authority's Security Services have vast experience in crowd control. And if there is going to be a lot of demonstrations going on, my—even though I don't think Abbas, given what he says and his record, is at all interested in spearheading violence—nobody accuses him of—his biggest critics, anywhere, would not say that he plays a double game with violence.

So I don't think that is really something to be concerned about. But you know, when you gather all these people, you don't know if you are unleashing dynamics you cannot control. That is why I think there needs to be strong security cooperation on the ground. I think the U.S. Security Coordinator who is there now, General Moeller, needs to play a role before the U.N. vote, during, after. This may go on for weeks. This is an asset of the United States.

Mr. CONNOLLY. But if I could interrupt you for just 1 second, because we are running out of time. But is it the posture of the United States, the day after, to take a hard line position that we are not going to recognize this act, and therefore in no way, shape, or form, even inferentially, will we in any way recognize the statehood outside of the multilateral——

Chairman ROS-LEHTINEN. Another very good question whose time will await the answer.

Mr. CONNOLLY. Oh, cheap. Just say yes or no.

Chairman ROS-LEHTINEN. Go ahead, Mr. Makovsky.

Mr. MAKOVSKY. Look, we will only recognize—the United States will only recognize a state that is a result of bilateral negotiations between Israel and the Palestinian Authority. Any administration, Democrat or Republican, I am confident will be of that view.

Mr. CONNOLLY. Thank you, Madam Chairwoman.

Chairman ROS-LEHTINEN. Thank you. Thank you, Mr. Connolly. Mr. Poe of Texas is recognized. He is the vice chair of the Subcommittee on Oversight and Investigations.

Mr. POE. Thank you, Madam Chair. Thank you for being here, gentlemen. I see this playing out maybe not so good for Israel and the United States. One dynamic that I believe is taking place is the unfortunate commitment of the United States toward the Nation of Israel. It seems to me in the last few years mixed signals have been going to the Israelis. Mr. Netanyahu said as much when he spoke before a joint session of Congress.

And personally, I think that little family rift, if we can use that, is being noticed by people all over the world. And maybe this is coming to the U.N. with that in the background. That is unfortunate. I think the United States—Congress obviously has shown a strong support, bipartisan support for the Nation of Israel, and I think we should continue to send that message.

To get to the U.N., I agree with Ambassador Dore Gold, Israel's former U.N. Ambassador, when he said, "If there was a resolution whose first clause was anti-Israel and whose second clause was that the earth was flat, it would pass the United Nations." I think it is true. There is such a bigotry against Israel in the United Na-

tions as a whole. This is what we are faced with under this Palestinian issue.

Mr. Phillips, why do you think withholding funds to any U.N. organization that admits Palestinians as a state, or grants it a nonmember state observer status, is a good move?

Mr. PHILLIPS. I think it is a good move because it would help minimize the damage to possible future peace negotiations. And I think one of the great dangers of this kind of a U.N. unilateral strategy is that it could lead the Palestinians to conclude that they don't have to negotiate with Israel, that they can sit back and wait for further Israeli concessions.

And I think one of the mistakes of the Obama administration was not only to, I think, set a very unrealistic deadline for coming to some kind of framework agreement by September 2011, which tremendously raised expectations, but also their very public friction with Israel, which led the Palestinians and other Arabs to believe that the U.S. was going to deliver concessions, and they didn't need to negotiate, which is one reason why President Abbas has only agreed to about 2 weeks of negotiations since Prime Minister Netanyahu came to power.

And I think that, unfortunately, the impact was raising expectations so high that when the U.S. wasn't able to deliver and Abbas felt that we had lured him out on a limb and then cut off the limb by stepping back and failing to deliver on the settlement issue, that part of the bitter fruit of that policy is coming to fruition now.

Mr. POE. So you think that the U.S. should just withhold funds to states that support the statehood of Palestinians?

Mr. PHILLIPS. I think that we should be cutting back our funds for U.N. organizations that contribute to this very——

Mr. POE. Specifically, what U.N. organizations? That is my question.

Mr. PHILLIPS. I would say all organizations that take those actions.

Mr. POE. I believe this resolution has to be resolved between the Palestinians and the Israelis. They have to solve this issue, not the U.N. They have to solve it. Of course, the Palestinians aren't motivated to talk to Israel when they have got the U.N. on their side, going to do the deed for them. You know, you made a comment about Israel's concessions. You know, that's always been, "Well, let us give land for peace." Well, Israel has continued to give up land, and they still have no peace. Pretty soon, they are going to be out of land.

All right. One more question, Mr. Abrams. You suggest Congress should wait and see how the U.N. votes. Well, we know how they are going to vote. Is there something we can do to be proactive, rather than be reactive about this situation? The United States of America, what should we do now?

Mr. ABRAMS. I think this hearing is important, because they are listening. They are listening to this, and they are hearing all of you say if they go ahead with the resolution, and particularly with a resolution that has terrible content, that you are going to cut them off.

Mr. POE. Maybe they will have that "Earth is flat" part in the resolution. Maybe they will put "The earth is flat" in that resolution.

Mr. ABRAMS. It will still pass. They do have an automatic majority, that is true. As the Israelis say, anything the Palestinians put forward, they get the automatic vote of every Muslim State, and Israel gets the automatic support of every Jewish state.

Mr. POE. Thank you, Madam Chair.

Chairman ROS-LEHTINEN. That is a small group, there. Thank you so much, Mr. Poe. Mr. Ackerman is recognized for 5 minutes. He is the ranking member on the Subcommittee on the Middle East and South Asia.

Mr. ACKERMAN. Two questions just raised, of what we can do now. I wish someone would have thought before of what we should have done then, before we got this far down the road with this idiotic pursuit of the Palestinians, to raise the bar so high of the expectations of its people that it is going to be a total disaster for them when they do not get, from the U.N., what they think they are going to get, and aren't prepared to handle the consequences.

I wish somebody, before this thing went so far down the road, understood that in life, we don't get to pick our choices and then choose among them, but we have the choice only of picking between the realistic choices that are presented to us. I wish somebody was a chess player, among all the people playing the piddling game of checkers, and could play chess on a three dimensional basis, and offered up a solution or a choice that was much better than we are looking at presented to the U.N. right now, and in that choice said, "Why don't we embark on a process of negotiation between the two sides, starting almost anywhere?" Any line, as long as it included a proposal that there would be exchanges or swaps between the parties, that they would have to mutually agree to before they decided. But it had to be negotiated between the parties.

I wish somebody would have thought of that, because I think that is a much better choice that we would have had at that moment, rather than the choice that is facing the U.N. right now. At least there would have been an alternative that offered a degree of hope of the parties getting back to the negotiating table. But alas, I guess that was not to be.

I guess there was nobody around on the whole planet who thought of offering the choice as an alternative, preemptively, to the parties sitting down, using a line to start with that was really inconsequential, because you were going to arrive at a different situation once you did the swaps.

But here we are. My question, first, is, should not there be a clause, if we could affect the resolution that the Palestinians are going to bring forth, a clause that said, "Once this resolution is voted on, immediately the parties, in order for this to be effective, must sit down and negotiate face to face?" What is wrong with that? Dr. Schanzer?

Mr. SCHANZER. You raise an excellent point. And one of the things that the Foundation for Defense of Democracies has been doing over the last several months is advocating for just that. Unfortunately, what we have seen over the last several months is that

this is seen as a binary choice for members of the U.N.: Either you support a Palestinian state or you don't.

And what we think is the right move, and I think what you have just expressed here really dovetails with that, is that there should be some language in this resolution that says that the U.N. member states view with favor the creation of a Palestinian state, but that that state needs to be negotiated with Israel, and the borders need to be ultimately decided by the two parties, and that there needs to be recognition of Israel as a Jewish state.

In this way, the Palestinians can have their moment at the U.N., which is I think what they seek here, but ultimately some of the impact of this, the legal impact that David mentioned earlier, could be diluted. And why that was not forwarded by official channels up until very recently is something that is very troubling. And it is even more troubling to think that, ultimately, what is going to happen—and this is, by the way, part of the Palestinian plan right now—is that when this UDI goes through and the United States vetoes this, the impact will be that the Arab world, where we have gone to great pains to support their revolutions, whether in Egypt or Tunisia or Syria or elsewhere, will look at the United States as if it is an anti-Arab initiative.

Mr. ACKERMAN. I don't have a lot of time left. Let me just add, because I do want this on the record, I just want it to be known that there are those of us who have been in the vanguard of supporting a two-state solution and promoting the just solution that the Palestinians are entitled to, with safeguards for the security of Israel, and trying to get our European friends on board.

That there are some of us who strongly believe that people have to live with the consequences of their actions, and that there are those of us who are thinking that maybe a total cutoff of all aid to a group that is pursuing this course of action, which is very ill-advised, is willing to consider cutting off everything.

And if they are willing to consider putting their future in the hands of the United Nations, perhaps they should look to try to find the kind of aid that would come with whatever U.N. resolution there might be, from their friends in the United Nations. Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Ackerman. Mr. Fortenberry is recognized. He is the vice chair of the Subcommittee on Africa, Global Health, and Human Rights.

Mr. FORTENBERRY. Thank you, Madam Chair, and thank you, gentlemen, for coming today to this important hearing. I had a question that Mr. Connolly asked, but I think it is an important question and it deserves a little bit more consideration, because he was only able to ask it late and you, Mr. Makovsky answered it in terms of what the day after looks like.

Sadly, here we are in a reactionary position, as Mr. Ackerman alluded to, without many options. The reality is, after a General Assembly passage of some sort of recognition here, what is our next hearing going to look like? But instead of just focusing on the morning after, with the possibility of things looking the same, or people in the streets, project out in terms of the geopolitics, into the future, as to how this shifts things significantly, or not. Please start.

Mr. MAKOVSKY. Look, the issue of what are the geopolitical implications of this—if it goes through as the Security Council—they go to the Security Council, which they know they are going to hit a U.S. veto, and the only way to do that is to poke the U.S. in the eye, because they know the result, and because they want a negative result for the U.S. in the Arab World.

That could be serious. If they avoid going to the U.N. Security Council and try something else at the General Assembly, where they don't face that hand going up on Aljazeera and al-Arabiya around the world, then it could look differently.

The Arabs are preoccupied with their own problems right now. But this issue is evocative. So I think it depends a lot on how the Palestinians play it. Are they out to embarrass the United States by going deliberately to the Security Council, while we have all been focused on the General Assembly?

That could aggravate the response in the region. And getting to Congressman Ackerman's point of where was the forward thinking in all of this, I think in a certain way, the U.S. has been—the administration has been betwixt and between, because what happened is, is that the United States did not want to be seen—the administration—as favoring an alternative resolution that would take out the three poison pills that I keep referring to from my testimony, because it would be viewed, in the Congress and other parts, as stepping away from Israel, that by trying to reshape the resolution, that would be deemed as, "Well, you say you are against the U.N., but you are really trying to reshape something at the U.N."

So the administration put all its eggs, so to speak, on the Quartet's statement this summer, in trying to keep the Europeans and have some trans-Atlantic unity, even if we thought it couldn't stop Abbas.

So I think in the administration, and how they have been trying to think about this, is they have been focused about trans-Atlantic unity, and they have been concerned that the perception that they are working behind the scenes to reshape the resolution would be interpreted, I think, as weakness by the Republicans. And so that actually has led them from stepping back and maybe not having the influence that they could in reshaping the resolution, and putting all their effort on the Quartet.

Mr. FORTENBERRY. So it is my fault?

Mr. MAKOVSKY. I did not say that it is your fault, at all. I did not say that it is your fault at all. But maybe there are some efforts that have been kept Top Secret, and we will find out afterwards that the U.S. was doing things behind the scenes, but it was so worried about the way it would be perceived outwardly that it didn't maximize its efforts.

So I think those were always the two strategies to avoid the full thrust of what we are dealing with now: Either a Quartet statement or an alternative resolution that would take out the poison pills.

Mr. FORTENBERRY. Thank you.

Mr. MAKOVSKY. But how the Arabs deal with it—I think if the Palestinians want to poke America in the eye, the U.S. will have

to see that accordingly. Because that will be done just to stir up Arab reaction.

Mr. FORTENBERRY. Thank you. Mr. Abrams?

Mr. ABRAMS. Very briefly, sir. I think this does stem, in part, from a gigantic mistake the administration made at the very beginning. It believed that by distancing us from Israel, it would increase our influence on the Palestinians and the Israelis. In fact, it has diminished our influence with the Palestinians and the Israelis, and we now see a situation where we are more distanced from Israel, and your position, the position of the President on this resolution is crystal clear, and they are just not listening. They are not paying attention.

Mr. PHILLIPS. If I could just add, I think that the administration's efforts to distance itself, even, has greatly disappointed the Palestinians in the long run. Because they interpreted that as the administration coming around to their position. And today, the Palestinian Authority is running radio ads that are replaying the words of President Obama about having a Palestinian member state in the U.N. And they are trumpeting that as the Obama promise.

And I think part of the problem here is a tremendous disconnect——

Mr. FORTENBERRY. I once—I am sorry to cut you off. I once saw an editorial cartoon in which someone from the region, with an arm in his hand, was standing on a pile of skulls and said, "I won." We have got to move beyond what appears to be irrationality.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Fortenberry. Mr. Rivera, my Florida colleague, is recognized.

Mr. RIVERA. Thank you, Madam Chair. My question is for Mr. Abrams to start off. The Palestinian Authority, instead of returning to talks with Israel, is engaging in diplomatic warfare against Israel. They have launched a campaign outside of direct negotiations in order to win admission as a full member to the United Nations, and are setting preconditions on final status which are supposed to be resolved through direct negotiations.

What has this administration done to prevent the Palestinian Authority from following through with their diplomatic warfare against Israel and their campaign? And is there more the U.S. could or should be doing to dissuade the Palestinians from proceeding at the U.N.?

Mr. ABRAMS. Well, sir, I think the administration has tried jawboning. That is, it has talked, publicly and privately, to the Palestinians and asked them not to do this, and probably used you in Congress as an argument that there would be a penalty to pay.

But it has been too little, too late, I think. And I do think the Palestinians received a wrong message early on, that they didn't have to negotiate with the Israelis because the administration would distance itself from the Israelis and then deliver the Israelis.

So they have not been interested in negotiations, really almost from the very beginning. It is very late at this point, and I think the only thing you can do is to make it clear to them, as you are doing today, that there will be a serious price to pay.

Mr. RIVERA. Well, speaking of that, and a serious price to pay, specifically on foreign aid, what should the implications for U.S. as-

sistance be if the Palestinians continue with their efforts? And do any of you think that the Palestinians realize that their efforts could jeopardize U.S. assistance? I will start with Mr. Abrams, but anybody on the panel that wants to chime in.

Mr. ABRAMS. I think they do realize it, but maybe they figure you won't go through with it. And maybe they figure they can get it made up by the Qataris, or some other donor who will step in. But the utility of this hearing, I think, is driving home "This is a serious business."

Mr. RIVERA. Mr. Makovsky, I saw you nodding.

Mr. MAKOVSKY. I think I would just like to put forward the suggestion that I feel that it is not getting enough focus. And you are powerful people. Imagine if you had part three of this hearing, and would start inviting some Arab Ambassadors to here. And you would start asking, "How is it Mr. Turki al-Faisal writes to the New York Times that they are giving $2.5 billion, when Salam Fayyad says they have only received $347 million?"

It is a little over a tenth of what Turki al-Faisal says that they have given to the Palestinians. The United States has been far more generous than any Arab state, and the U.S. Congress should put some focus on that. Why does Qatar get away with murder in this country by funding Hamas? Is it because of a U.S. Air Force Base in Qatar, and the U.S. Congress isn't focusing on the fact that Qatar is supporting Hamas?

Why isn't there more attention to this? This, I think, would be a very strong signal. "We want to help the Palestinians, but we are astonished that you Arabs don't do more to help the very people that you claim are your brothers, and yet when it comes to the money, the United States is the single biggest donor to the Palestinian cause."

I think that repositioning for the U.S. Congress would be fantastic. It would draw attention in the Arab media, around the world, to the lack of Arab support. It would embarrass them, and they should be embarrassed.

Mr. RIVERA. Mr. Schanzer?

Mr. SCHANZER. Well, I agree with everything that David has just said, and I think it would draw attention to an issue that has not been covered enough. But I also have to mention this, that if you invite the Qataris, and you invite the Saudis, or perhaps the Iranians, to backfill some of the aid that is not given to the Palestinians, what you are doing is inviting bad actors to influence the Palestinians in ways that could further upset the balance of power in the region.

We already know that Qatar has been financing Hamas. We know that Iran covers a great deal of the budget of Hamas. In other words, these countries have been fomenting violence in the region, and I have deep concerns about inviting them to begin to backfill some of the aid that might go unfulfilled by the United States.

Mr. RIVERA. And Mr. Phillips?

Mr. PHILLIPS. I think, unfortunately, one of the long-term problems in this conflict is that many Arab states use the Palestinian issue only as a club to attack and undermine Israel. They are not

so much interested in building a Palestinian state as they are in destroying an Israeli state.

And this really becomes clear when you look at the disconnect between Arab promises and delivery of aid. I think according to the New York Times, of $971 million pledged for this year, the Palestinian Authority has received only about $330 million as of mid-year, with many Arab states in large default.

And this has led the Palestinian Authority to cut its wages this month to half wages for the Palestinian bureaucrats, and I think one of the good impacts of this kind of a hearing, I think, is to possibly lead the Palestinian Authority leaders to reconsider what is going to happen when their——

Chairman ROS-LEHTINEN. Thank you. Oh, finish that sentence.

Mr. PHILLIPS. Just that they are not going to be able to count on the financial assistance of their friends to the degree that, perhaps, they expect.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Phillips. Thank you, Mr. Rivera. Another dear Florida Colleague, Mr. Gus Bilirakis, a.k.a. Just Ray. Inside joke.

Mr. BILIRAKIS. Thank you, Madam Chair. I appreciate it very much. I would like to ask a question for the entire panel. It is offensive to me that the U.N. Relief and Work Agency, or UNRWA's, stated goal since its inception in 1950 is essentially to keep the Palestinian people in a refugee status.

Mr. Abrams, as you noted in your testimony, it seems that UNRWA has done nothing but perpetuate refugee status for the Palestinians forever. Would the panel agree with me that we should finally end the nearly $4 billion of aid that we have already wasted on UNRWA? I would like to hear from the entire panel, please.

Mr. SCHANZER. I can start. I will say this, that UNRWA needs to end now. It is an absolute waste of money. Rather than solving the problem, it perpetuates it. UNRWA sees the Palestinian refugees as clients, rather than refugees that need to be settled. Every other refugee problem has been addressed appropriately in history since World War II. The Palestinians remain a dagger in the back of Israel, and it is a political issue, it is no longer a humanitarian one.

One thing that has been suggested, that I think is a very good idea to consider, is the U.N. High Commissioner for Refugees. That is the body that handles every other refugee problem. I think that this portfolio should be given back to the UNHCR, and to leave UNRWA to its own devices. It is interesting that UNRWA understands right now that it is under pressure. They recently opened an office here to try to lobby for more funds and influence here in Washington. This is a corrupt organization that must be shut down.

Mr. BILIRAKIS. Thank you.

Mr. MAKOVSKY. The UNRWA issue is—I share a lot of the sentiments, but here is the problem: Ask the Israelis if they want UNRWA shut down. I think their answer will be no, because they will end up feeling they have to pay for all these Palestinian citizens, for their schooling and the like, and this has been their view for a while now. And we can't ignore it.

There are a lot of problems with UNRWA, although I would still rather have people go to their summer camps than to the Hamas summer camps in Gaza. But let me just say, we did a study at The Washington Institute by someone who actually once worked at UNRWA called Fix UNRWA, and I would urge people to go to our Web site, to look at James Lindsay's study.

And he made a couple of very practical moves. Remove from the UNRWA rolls citizens who have this oxymoronic status of citizen-refugees. That doesn't exist in any other relief agency. Second, make the focus more on needs-based assistance, and not on an entitlement for refugees who don't need the assistance. And also, depoliticize the institution in terms of its political statements.

There are a lot of things that could be done to fix UNRWA if you can't end it now. We all would look forward to the day where you phase out UNRWA and it is no longer needed, but at least it has to be trimmed down and focused on its original mission. And the mission has really changed in a very, I think, disastrous way coming forward. But we should just be careful that the remedy is the right remedy for today.

Mr. BILIRAKIS. Thank you. Mr. Abrams?

Mr. ABRAMS. Well, in a sense, I think they are both right. That is, I think you should demand the reforms of UNRWA starting immediately, and should start the process of shutting it down and turning all of these responsibilities over to the U.N. High Commissioner for Refugees.

Mr. BILIRAKIS. Thank you. Mr. Phillips?

Mr. PHILLIPS. I would agree with Mr. Schanzer. I think it should be folded into UNHCR. And I wish it could be fixed, but I don't think it can. And if there is a silver lining in the cloud, if this Palestinian pseudo-state comes into being, then it should bear the responsibility of acting like a government and supporting these refugees, since it claims that it is capable of fulfilling all the responsibilities of a state.

Mr. BILIRAKIS. Thank you very much. Appreciate it. I yield back, Madam Chair.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Bilirakis. I am pleased to yield to Mr. Sherman of California, the ranking member on the Subcommittee on Terrorism, Nonproliferation, and Trade. Five minutes.

Mr. SHERMAN. Thank you, Madam Chairman. Instead of talking with Israel, the Palestinian Authority has launched a campaign outside the negotiating process to win recognition this September at the United Nations General Assembly. Palestinian statehood efforts at the United Nations undermine efforts at peace, and reject the principle of solving the conflict in terms of direct negotiations between the parties. The Obama administration, I hope and I am confident, will make it clear to the Palestinians that we will veto any resolution creating a Palestinian state in the U.N. Security Council.

I think that is a given. And at the same time, the administration needs to press the PA to return to the negotiating table. Does the PLO fear the collapse of its governing body if U.S. funding were to end? Mr. Abrams, or any other witness that indicates an interest?

Mr. ABRAMS. I think they probably worry about it, but not very much. I think they probably feel, in the end, you won't do it. And if you cut them back, they will make it up from some other donor, maybe Europeans or the Arabs.

Mr. SHERMAN. Does anyone else have a comment?

Mr. PHILLIPS. I would just say, I don't think they are worried enough. But they should be worried, because the U.S. is one of the—in fact, it is the leading bilateral aid provider to the Palestinian Authority. And these Arab states aren't going to be willing to, in the long term, on a reliable basis, make up the funding, I don't think.

Mr. MAKOVSKY. I would just add that I think this issue has been controversial within the Palestinian circles. Salam Fayyad gave an interview, I believe to the Financial Times in June, making clear that this was not the way to go. He is not the only one among the Palestinians who has criticized the move. This has been viewed often as a legacy issue for Abbas.

Someone asked, "Does that mean he has no influence?" Well, they have always had a demarcation of responsibilities. He deals with more domestic governance and improving institutions and economic life, and Abbas deals with foreign policy. So I don't think it speaks to Fayyad's weakness, as it really does to the way there's a division of labor between them.

But I think many among Abbas' even inner circle question the wisdom of this move, but he has basically, I think, staked himself on this because he—there was an issue called the Goldstone report, which I think you are familiar with.

Mr. SHERMAN. You mean the one that Mr. Goldstone withdrew, in effect?

Mr. MAKOVSKY. Right.

Mr. SHERMAN. Yes.

Mr. MAKOVSKY. The one he withdrew and retracted. But there was a time that Abbas felt that this was not good for him, because he was seen as a cheerleader, actually, behind the scenes, urging Israel to attack Hamas. And he just wanted to shelve this whole idea of an investigation in Geneva. The Arab Ambassadors said, "We are with you, we are with you," and then he said he would withdraw it, and then he was attacked for being a traitor by Khaled Mashaal, and Aljazeera played it every hour, and his grandson said, "I hear in school, they say you are a traitor, grandpa."

So I think his response is, "I am never going to be out-Goldstoned again, and no one is ever going to be able to do this to me, that I am not seen as pressing the interests of the Palestinians to the max." But I think in those circles, there is a lot of questioning whether this is wise, for the reasons we have been saying here.

Mr. SHERMAN. And I think that the Palestinian Authority is probably more familiar with our foreign policy experts and our State Department than our Congress and our people. And if they really understood this democracy, they would recognize that the possibility of a cutoff is far greater than anyone would know from a foundation conference on this issue.

What would be Israel's likely reaction to an action taken at the General Assembly that recognizes so-called Palestinian statehood? Doctor?

Mr. SCHANZER. Yes, Congressman Sherman. Having chatted with a few people in Israel last week, the sort of nuclear option that the Israelis would consider, should this UDI go through, is something that the Israelis have done before, and that is to withhold the value added tax, that is the VAT. And that is about $100 million a month that contributes to roughly half of the Palestinian budget each year.

And so the Israelis have indicated that, if the UDI language is disagreeable enough to them, that they would consider doing that while the U.S. Government considers its own cutoff. There, you are looking at somewhere in the vicinity of $1.5 billion, or close to three quarters of the total budget of the PA. So you are looking at, perhaps, an imminent collapse.

Mr. SHERMAN. Well, if Aljazeera covered our town halls, the Palestinians would understand just how popular aid to the Palestinians is in this democracy. And I yield back.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Sherman. Mr. Duncan of South Carolina is recognized for 5 minutes.

Mr. DUNCAN. We are just about finished, guys. Thank you for your patience, and thank you for being here today. And I am going to direct my question—is it Dr. Schanzer, is that how you pronounce it? Okay.

First off, let me just say how saddened I was this weekend to recall the scenes of the Palestinians celebrating after the 9/11 attacks. This is a group, the Palestinians, that we give a tremendous amount of U.S. aid to annually. Along that line, I am deeply concerned about the Palestinian Authority's relations with the terrorist organization Hamas. And that is going to, I guess, permeate everything that I think about with regard to Palestinian statehood and U.S. taxpayer dollars going to assist with the Palestinian Authority's mission going forward.

We were over in Israel back in August, and had an opportunity during that time to travel over into the West Bank. And I remember some good things that I saw going on in the West Bank. In the city of Bethlehem as an example, we saw a USAID sign over a construction project that was going on right there, and so I do know that some good things are going on.

So don't think that I think all USAID projects and money we give to the Palestinian Authority is being wrongly spent. But I did see some past projects in the city of Jericho that Yasser Arafat built, that I think my constituents would raise their eyebrows on, and say, "Was that a good use of U.S. taxpayer dollars being spent, the aid that we give to the Palestinians?"

And so while we were there, we met with the Prime Minister, Fayyad, and I applauded him at that time for the transparency efforts, bringing in a world-renowned CPA firm to audit the money going to the Palestinian Authority. So I applauded him, and I thanked him. But I am concerned that his lessening or diminished role going forward is going to allow that transparency to continue.

And then I read in your comments about the Palestine Investment Fund, and some moneys that may be missing from that. Con-

tinued oversight of USAID, or U.S. aid, period, to the PA and the PIF, the possibility of an accounting audit of that fund, I think we have got to be good stewards of taxpayer dollars, and we have got to have an accounting, whether it is U.N. money or whether it is money given directly to the Palestinian Authority or projects through USAID.

What do you think the prospects are, going forward, that we are going to have transparency, auditability, so that I as a congressman can tell my constituents that the aid that we do give to countries all over the world, particularly the PA, is going to be accounted for?

Mr. SCHANZER. Thank you for that question. And I think the answer is, right now, given this hearing and the urgency, I think, expressed by the American people, that is something that we must demand if aid is to continue. And I think that is not a foregone conclusion, but if aid is to continue, then we need to have strictures on those funds, and we need to have a better accounting of exactly how they are spent.

Some of the other things that I didn't include in my testimony today is, there could be a bleed of PA and PLO funds. So we could be seeing, for example, this unilateral declaration of independence, and all the diplomacy that went behind it, President Abbas may have been flying around and spending a great deal of U.S. taxpayer funds in order to pursue this.

And so what we need to have is a greater accounting of Abbas' office specifically, because I believe that he is the problem. And if you can do that while continuing to work with Fayyad, I think you have got a fair shot at getting better oversight over the PA.

Mr. DUNCAN. Do you think that the lessening role of the Prime Minister going forward is going to hamper those efforts? And what do you see? Are they trying to keep him down, to keep the transparency out?

Mr. SCHANZER. Well, absolutely. I mean, his role has been diminished. And I think you can sense some frustration with some of the public statements that Fayyad has made. And again, we need to do our best.

We saw a good bit of this during the George W. Bush administration, where there was an attempt to really elevate his stature. That has stopped, and we have relied almost entirely on Abbas' efforts. And now we have seen that Abbas is actively undermining U.S. interests. And so what we really need to do is squeeze Abbas more than we have in the past.

Mr. DUNCAN. Thank you. Madam Chairman, I will yield back.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Duncan. And we have a wonderful wrap-up questioner, my good friend, Mr. Eliot Engel from New York, ranking member on the Subcommittee on the Western Hemisphere.

Mr. ENGEL. Well, thank you. Thank you very much, Madam Chair. And thank you for those kind words. I listened to your testimony, gentlemen, with interest, even before I came to the room. And you all seem to—what struck me is that there is a lot of agreement in what you are saying. And I agree with what you are saying.

Let me first say that when the President of the United States talks about settlements or '67 lines, it is not helpful at all. I know he said '67 lines with swaps, but it is just, to me, giving the Palestinians one more excuse, one more precondition to refuse to talk to Israel. And I think that that is the bottom line, here.

I think that the Palestinians going to the U.N., the way I see it, sets back the cause of peace or a two-state solution for years and years, maybe even decades. Because what Palestinian leadership down the road can ever accept, in a negotiated treaty with Israel, less than what the United Nations has given them? And what Israeli Prime Minister—I don't care left, right, center, or whatever—can ever accept anything near what the U.N. is apparently going to say?

So to me, this dooms peace. Yesterday was the 18th anniversary of the signing of the Declaration of Principles on the White House lawn. I was there when Rabin and Arafat were there. My wife was 8 months pregnant with our youngest child. I remember, it was very, very hot. And we all had some great hope.

How the times have changed. It seems to me, and I would like your comment on it, that by going to the U.N., the Palestinians are in the process of tossing aside the Oslo process, and the process underlying Oslo. Because Oslo was two states working together and negotiating. Going to the U.N. unilaterally, to me, tosses out Oslo.

And I would take it one step further, and I would like your comments on that as well. I think it tosses out Resolution 242. I said this to Bibi Netanyahu. I was in Israel last week, came back. You know, land for peace. Land for negotiated peace. That was 242. Well, this is not land for peace.

This is totally—it is land for nothing. Where is Israel's peace in all of this? So I just think that it is part and parcel, again, of the hypocrisy of the Palestinian Authority, the hypocrisy of the United Nations, and the nonsense—and quite frankly, I think that Congress and I, at least speaking for myself, are fed up. I don't think I am prepared to send one red cent more to the Palestinian Authority unless they prove to me that they are serious about peace with Israel.

So I would like Mr. Abrams.

Mr. ABRAMS. I would just say, Congressman, that President Abbas could address this if he wanted to. If he goes ahead with this vote, the day after the vote he could say, "Okay, I have got my symbolic vote. Now, without preconditions, I want to sit down and negotiate." I suspect, unfortunately, he won't do that. And by refusing to do it, by insisting on the kind of preconditions he has had for 2 years, he will, I am afraid, be proving your worst fears are perhaps right.

Mr. PHILLIPS. Yes, I share your concerns. I think one of the problems we are facing now is the Israeli withdrawal from Gaza opened up space for a terrorist organization to infest, and that has become an even greater threat. I think Oslo essentially boiled down to land for the promise of peace, and that promise was never kept.

Mr. ENGEL. And you know what is interesting? The terrorist organization that is there, down the line, even if there is a rapprochement between the Palestinian Authority and Hamas, it is

very interesting about how Israel is then supposed to negotiate with an entity who denies its very right to exist.

I mean, people can criticize Israeli policy, but one thing you can't criticize the Israelis for: They are not stupid. And I think it is an absolute insult to ask any country to negotiate with a terrorist entity that denies their very right to exist, their whole reason for being is to destroy you, and somehow or other Israel is supposed to negotiate peace with them. It just makes me scratch my head. Yes?

Mr. SCHANZER. Just one quick thought on the legal status of Oslo. I mean, I know we spoke earlier about the question of refugees and where that leaves them, the question of the PLO. Certainly, Oslo has always been the framework for our aid here in this country, and it was always based on bilateral negotiations to end the conflict.

This is certainly circumventing that, and it is certainly a very valid legal predicate for cutting aid, should Congress wish to do so.

Mr. ENGEL. And by the way, we also—I also met with Fayyad, who said to me that he thinks the Palestinians going to the U.N. is the stupidest thing that they could possibly do.

Mr. MAKOVSKY. We all agree that we all think it is negative that they are going to the U.N. I keep referring—I don't know if you were here for my testimony. I talked about the three poison pills, components, why Israel will not react so benignly to such a declaration.

But I also feel that an aid cutoff that will lead, in my view, to Fayyad's resignation, is going to help Hamas. And so I just think we have to be mindful that we don't help the people we want to hurt, and we don't hurt the people we want to help.

Mr. ENGEL. I think they are exing Fayyad out anyway. I don't think he is long for this world, and I think he thinks he is not long for this government.

Mr. MAKOVSKY. Well, I think—I disagree with the idea that he is ineffective, or his role has been phased out. He has built much more in the last 4 years than any of us could have dreamed, and it is the success of the U.S. Congress, actually, that has been supportive of him. And I just think we have to be careful, not pulling the plug on him. But clearly, without him we are in a different position.

Mr. ENGEL. He is the best they have, and that is why they are exing him out, in my estimation. Thank you.

Chairman ROS-LEHTINEN. Thank you very much to all of our colleagues. And thank you for excellent presentations by our panelists. The committee is now adjourned. Thank you.

[Whereupon, the committee was adjourned at 12:19 p.m.]

APPENDIX

Material Submitted for the Hearing Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Ileana Ros-Lehtinen (R-FL), Chairman

September 7, 2011

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2172 of the Rayburn House Office Building **(and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov)**:

DATE: September 14, 2011

TIME: 10:00 a.m.

SUBJECT: Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority, Part II

WITNESSES: The Honorable Elliott Abrams
Senior Fellow for Middle Eastern Studies
Council on Foreign Relations

Mr. James Phillips
Senior Research Fellow for Middle Eastern Affairs
The Heritage Foundation

Jonathan Schanzer, Ph.D.
Vice President of Research
Foundation for Defense of Democracies

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Wednesday* **Date** *09/14/11* **Room** *2172 RHOB*

Starting Time *10:03 a.m* **Ending Time** *12:18 p.m.*

Recesses [ ] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Rep. Ileana Ros-Lehtinen

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority, Part II

COMMITTEE MEMBERS PRESENT:

Attendance attached.

NON-COMMITTEE MEMBERS PRESENT:

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

SFR- Rep. Connolly & Rep. Ackerman
QFR - Rep. Keating

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:18 p.m.*

Jean Carroll, Director of Committee Operations

Hearing/Briefing Title: Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority, Part II

Date: 9/14/11

Present	Member
X	Ileana Ros-Lehtinen, FL
X	Christopher Smith, NJ
	Dan Burton, IN
X	Elton Gallegly, CA
X	Dana Rohrabacher, CA
X	Donald Manzullo, IL
	Edward R. Royce, CA
X	Steve Chabot, OH
	Ron Paul, TX
	Mike Pence, IN
	Joe Wilson, SC
	Connie Mack, FL
X	Jeff Fortenberry, NE
	Michael McCaul, TX
X	Ted Poe, TX
X	Gus M. Bilirakis, FL
X	Jean Schmidt, OH
	Bill Johnson, OH
X	David Rivera, FL
X	Mike Kelly, PA
	Tim Griffin, AK
X	Tom Marino, PA
X	Jeff Duncan, SC
X	Ann Marie Buerkle, NY
X	Renee Ellmers, NC
	Robert Turner, NY

Present	Member
X	Howard L. Berman, CA
X	Gary L. Ackerman, NY
	Eni F.H. Faleomavaega, AS
X	Donald M. Payne, NJ
X	Brad Sherman, CA
X	Eliot Engel, NY
	Gregory Meeks, NY
X	Russ Carnahan, MO
X	Albio Sires, NJ
X	Gerry Connolly, VA
X	Ted Deutch, FL
	Dennis Cardoza, CA
	Ben Chandler, KY
	Brian Higgins, NY
	Allyson Schwartz, PA
X	Chris Murphy, CT
	Frederica Wilson, FL
X	Karen Bass, CA
X	William Keating, MA
X	David Cicilline, RI

Statement for the Record of the Honorable Gary L. Ackerman
Committee on Foreign Affairs, U.S. House of Representatives
Hearing: "Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority, Part II"
September 14, 2011

Opening Statement.

When I was boy, my mother when she needed to motivate me would say, "If you don't get moving in three seconds, I'm telling your father when he gets home!" My father was the "nuclear option."

Then she'd start to count: "One! Two! Two and half! Two and three-quarters! Two and seven-eighths!"

In the beginning, I'd get going before she reached two. But as I got older, I came to suspect that my mother also did not want the "nuclear option," and would probably never get to three. Somehow, she'd discover sixteenths and, if necessary, even hundredths. What I learned was this: someone who doesn't really want to get to three, won't.

Right now with regard to the Palestinians, we're just about at two and three-quarters. The Palestinians are not children, and we, certainly, are not their parents. But the question remains whether we're going to resort to larger and larger denominators or actually decide to live with the many implications of "getting to three."

In this context, "getting to three," is nothing to take lightly. The consequences, in terms of our relations with the Palestinians and the Arab states, the implications for the Middle East peace process, for the outcome of the Arab Spring and, potentially, for the lives and safety of many innocent Palestinians and Israelis, all could be severe.

But vacillation carries high costs as well. Arguably, the current crisis was precipitated in the first months of the Obama Administration when the President drew a line in the sand on settlements and then discovered—just as he had been warned—that he was charging headlong into a brick wall. As of December of last year, he wisely chose to quit the skull-based demolitions business.

But doing so also prompted the Palestinians to conclude that, contrary to their hopes, the United States was not about to roll Israel's democratic government, or force Jerusalem to take decisions for which there was no support from the Israeli public. The Palestinians seem also to have determined that if direct negotiations were not going to be rigged in their favor by the United States in advance, then they're not worth pursuing.

So, strangely, we, and our Israeli allies find ourselves at a moment when the world is debating how big a reward should be granted the Palestinian leadership for their

indefensible policy of non-negotiation and venue-shopping. As things stand now, all the maximalist Palestinian negotiating positions are likely to be enshrined by the UN General Assembly into a sterile political straitjacket, from which a two-state solution may never emerge.

For our friends in Europe, for whom fractions in the tens and hundreds of thousandths are long familiar, the search for an alternative is ongoing.

But we have actual choices to make. Since 2008, we have provided an average of $600 million dollars per year to the Palestinians, and thanks largely to our efforts, the area controlled by Palestinian Authority not only enjoys solidifying institutions and unprecedented law and order, but also significant economic growth.

So I have a few suggestions for the Palestinian leadership. First, assume that we have already exhausted all the fractions in our vocabulary. Second, estimate how many hundreds of millions of dollars will accompany all the votes you'll surely get at the UN. Finally, compare that number to the number three. Whatever it is they pledge, I promise you, three is bigger.

The Honorable Gerald E. Connolly (VA-11)

HCFA Full Committee Hearing:
Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority, Part II
Wednesday September 14, 10am

Reports indicate that the Palestinian Authority (PA) is lobbying for a vote at the United Nations this month on a resolution regarding Palestinian statehood. PA President Mahmoud Abbas said he still favors a U.S.-led negotiating process. Given President Abbas's willingness to come to the negotiating table, it is perplexing that he would bypass any multilateral negotiation by pursuing a completely different agenda at the UN. U.S. policy on the issue of statehood has remained the same since 2002—the U.S. supports a two state solution. If the PA continues its quest at the UN, we may be farther from peace negotiations than we previously thought.

This July, by a vote of 407-16, the House passed H. Res. 268, which urged Palestinian leaders to "cease all efforts at circumventing the negotiation process, including through a unilateral declaration of statehood or by seeking recognition of a Palestinian state from other nations or the United Nations." The vote total displays the "firm belief that any Palestinian unity government must publicly and formally forswear terrorism, accept Israel's right to exist, and reaffirm previous agreements made with Israel."[1] The Resolution also "reaffirm[ed] the United States' statutory requirement precluding assistance to a Palestinian Authority that includes Hamas" unless the PA and all its ministers abide by the three previously mentioned conditions, which have long been a part of the United States' Middle East policy.

This hearing examines the Middle East peace issue through the lens of economic aid, which is a cornerstone of U.S. policy in the Middle East. For FY12, the U.S. State Department proposed $200.4 million through USAID to the Palestinian people for four specific sectors: governance, rule of law, civil society; health, education, social services; economic development; and humanitarian assistance. State also proposed $200 million in direct budgetary assistance to the Palestinian Authority in the West Bank. It is important to note that USAID has strict vetting requirements for its programs,[2] which subjects West Bank and Gaza programs to a specialized process for non-U.S. organizations and to annual audits to ensure that no terrorist groups intercept the funds. Moreover, annual appropriations bills routinely prohibit aid for Hamas or Hamas-controlled entities; for FY11, these were contained in the Consolidated Appropriations Act of 2010. The United States also funds training of and non-lethal equipment for PA security forces in the West Bank, along with funding for the rule-of-law infrastructure (such as building police stations) and the justice sector.[3]

Though USAID funds programs in Gaza, the situation there necessitates a different model. The United Nations Relief and Works Agency (UNWRA) provides basic services for about 4.8 million

---

[1] House Resolution 268, 112th Congress.
[2] As outlined in Public Law 111-117.
[3] For FY12, State proposed $77 million for Training, non-lethal equipment, and garrisoning assistance, supporting efforts by the U.S. Security Coordinator; funding for justice sector and rule-of-law infrastructure was proposed at $36 million.

The Honorable Gerald E. Connolly (VA-11)

Palestinians. The humanitarian situation in Gaza is dire, and cutting off aid would be devastating to the millions of Palestinians who rely on the multilateral aid organization.

The United States has strategic reasons for ensuring that Palestinians have access to basic services. It has been longstanding policy to endorse a two state solution, which, by its very nature, requires governments that can provide basic services for their people. In the case of the Palestinians, this is a work in progress. The United States and its allies are laying the groundwork by providing aid for specific purposes, in the hopes that a future, long-lasting peace is viable. Such a long-lasting peace will not suddenly materialize—it will require a thorough and fair negotiating process with a commitment from all parties. I look forward to having the U.S. be the honest broker in such a negotiating process, and to having an unwavering commitment to such a process by all parties involved.

Questions for the Record of the Honorable William R. Keating
Committee on Foreign Affairs, U.S. House of Representatives
Hearing: "Promoting Peace? Reexamining US Aid to the Palestinian Authority, Part II"
September 14, 2011

Please specify which witness(es) your question is directed to.

Madam Chairwoman, Ranking Member Berman, I thank you for holding this hearing so that the full committee has the opportunity to engage on this important issue.

As I expressed at our April 7th hearing with Ambassador Susan Rice, the attempt of the Palestinians to pursue UN General Assembly recognition of statehood is counterproductive to a workable solution in the region.

Israel has continually encouraged the Palestinian leadership to return to the negotiating table. Earlier this year, Netanyahu and Quartet Representative Tony Blair announced a series of steps aimed at further boosting the Palestinian economy—which is growing at a 9 percent rate. Furthermore, the Israeli army announced that it plans to move 40,000 tons of construction materials into Gaza for U.N. schools and humanitarian projects.

Israeli leadership has taken significant steps to pave the way for substantive talks with the Palestinians—calling for a Palestinian state, reducing barriers to movement in the West Bank and implementing an unprecedented 10-month West Bank housing construction moratorium.

Madam Chairwoman, I ask what has the Palestinian leadership done in return?

We are here today because the Fatah/Hamas coalition has turned their back on any kind of negotiated settlement.

We must be clear: a change in Palestinian statehood status will not change the reality on the ground, but instead will contribute to destabilization in the region and derail current peace efforts. Instead, direct negotiations between the Palestinians and Israelis are imperative for true peacekeeping progress to be made.

It is the role of the United States as a global leader, an active member state of the United Nations and as a friend of Israel, to promote and encourage regional stability in the Middle East. I applaud the Administration for its commitment to this message and I am thankful for the work of Ambassador Rice and Secretary Clinton.

Mr. Makovsky and Mr. Abrams:

- The May power-sharing agreements demonstrate that President Mahmoud Abbas is accountable to a highly fractioned constituency. How can we hold Abbas accountable in future negotiations with Israel?

- What immediate consequences can be foreseen if US assistance to the Palestinian Authority is terminated? What does this mean in terms of Israeli security? What does this mean in terms of Middle East stability?

- [Should the Palestinians pursue UN General Assembly recognition of statehood], how can the United States move forward in ensuring that the Palestinians return to the drawing table of negotiations with Israel? And, how can the United States work with Israel to prevent rifts in security assistance to the region?

- As we know, several United Nations members have expressed their hesitation in committing to a stance on this issue until they have reviewed the final wording of the resolution. I ask you, what should the Palestinian leadership actually be pursuing at the UN to further the economic and physical well-being of their people? Can they do more in the UN to pursue these initiatives over the unilateral recognition which they have decided to pursue?

[NOTE: Responses to these questions were not received prior to printing.]

○