

## **The Fatah-Hamas Reconciliation: Threatening Peace Prospects**

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Thank you, Madam Chairwoman, Ranking Member Deutch, and distinguished members of the subcommittee for this wonderful opportunity to testify at your very first session of the new Congress.

The issue of unity between Fatah and Hamas is something that the two parties have discussed at different levels since 2007 -- and certainly since the two groups announced an agreement in principle in May 2011. Indeed, a meeting between the groups is scheduled in Cairo in the coming days. One should not rule out that such unity will occur; but the past failures of the groups to unite begs various questions and suggests why unity may not occur in the future.

While the idea of unity is popular among divided publics everywhere, there have been genuine obstacles to implementing any unity agreement between Fatah and Hamas. First, it seems that neither Fatah -- the mainstream party of the Palestinian Authority (PA) -- nor Hamas wants to risk what it already possesses, namely Hamas's control of Gaza and the PA's control of its part of the West Bank. Each has its own zone and wants to maintain corresponding control. Second, Palestinian president Mahmoud Abbas has not been willing to commit to a Hamas demand for the end of PA security cooperation with Israel in the West Bank, which has resulted in the arrests of Hamas operatives by the PA.

Indeed, while not articulated as such, a de facto alliance has emerged between Israel and the PA to prevent Hamas terrorists from operating in the West Bank. U.S. assistance has been key -- aided by the creation of the U.S. Security Coordinator's Office, which has facilitated the training of Palestinian security officials and cooperation between the PA and Israel. Such cooperation has been central in combating terrorism against Israel from Hamas and others.

This is an important achievement with profound consequences. In 2002, more than four hundred Israelis were killed as a result of terrorist infiltration from the West Bank. By contrast, in the last five years, the figure is close to zero. Of course, the work of the Israel Defense Forces (IDF) and Israel Security Agency (Shin Bet) is important, as is the security barrier in the West Bank. But Israeli-PA security cooperation has been critical -- as emphasized to me personally by Israeli defense minister Ehud Barak. Therefore, if one is invested in security for Israel and its people, not to mention the

obvious desire of the Palestinian people for their own dignity, maintaining support for the PA is essential.

Furthermore, Hamas's perfidy has hindered Palestinian unity. PA president Abbas has criticized Hamas leader Khaled Mashal for giving a major speech this past December in Gaza in which he said Palestinians should not yield "an inch of the land" to Israel. Yet, in the Middle East, one can never say "never." The region is facing unprecedented turmoil. Therefore, one must not rule out the possibility of a Fatah-Hamas reconciliation. Indeed, a variety of factors argue in this direction.

First, the Muslim Brotherhood-led government in Egypt, which remains supportive of Hamas in Gaza, cannot be dismissed. This is a change since before the 2011 revolution, when Egypt was the leading Arab supporter of the PA and Egyptian president Hosni Mubarak was Abbas's leading patron. Jordan's King Abdullah still remains morally supportive, but the Gulf Arabs have done very little to provide financial support to Abbas. It regularly takes months of prodding by American diplomats for the Saudis to give a minimal \$100 million in assistance. While trumpeting the Palestinian cause, the Saudis should be embarrassed by their lack of actual support for their Arab brethren.

Second, this past fall, Qatar's emir was the first Arab head of state to visit the Hamas leadership; he offered \$400 million in assistance, providing financial cover for unity. The U.S. reluctance to exert adequate influence to halt Qatar's traditional support for Hamas, now at a new level given the emir's visit, has been linked to American use, with few restrictions, of Qatar's al-Udeid Air Base. A hearing by this subcommittee on Qatari support for Hamas could be the first step in correcting this perception and letting Doha know that Washington is watching.

A third factor that works in the direction of unity is the reduced domestic leverage of Palestinian prime minister Salam Fayad. When I testified before the full House Foreign Affairs Committee in September 2011, I made clear that Fayad has had an exemplary record in focusing on reform and governance in the West Bank since assuming this post in 2007. The owner of a doctorate in economics from the University of Texas, along with an MBA and years of experience at the International Monetary Fund, Fayad has helped spur West Bank growth at 10 percent per annum over several years. Following the establishment of Prime Minister Fayad's government in 2007, the West Bank witnessed rapid GDP growth each year through 2010, including spikes of 12 percent in 2008, 10 percent in 2009, and 8 percent in 2010.

However, when I appeared before the full committee, I stated my belief that if the United States withholds economic support from the PA, it will undermine the very moderate forces that have been gaining ground there. Indeed, Fayad's popularity began to drop when the United States began withholding money. According to the World Bank report of this past September, growth levels have dropped by a full three percentage points.

A deepening financial crisis has prevented Fayad from paying full salaries on time to some 160,000 employees for the last few months. The same World Bank report mentioned before warned that the "PA is facing a very serious fiscal situation[,] with its budget deficit higher than expected while the external budget support has been falling." After years of falling unemployment levels in the West Bank, the figure has lately bumped up by two points to 17 percent. Public workers have also struck periodically. In theory, the demonstrations should have been outside Abbas's office since he was responsible for seeking legitimacy through the United Nations, over U.S. and Israeli objections. Even though Fayad was known to oppose the UN move, he has been the target of any demonstrations related to the economy. A Palestinian song, "Get a Grip, Fayad," has emerged calling for the prime minister's ouster. There is considerable speculation that members of Fatah have been associated with the anti-Fayad demonstrations. These suspicions are tied to common fears that someone who was not

a Fatah member could not reasonably succeed Abbas.

One cannot assume that the status quo is sustainable and the PA is there to stay in the West Bank. Indeed, without regular assistance, the PA could collapse. In addition, cases have emerged of masked young demonstrators marching through refugee camps. Polling data shows an upsurge of support for Palestinian use of violence against Israelis, despite the explicitly and publicly voiced opposition to such violence by Abbas and Fayad. Nobody can point to a date when everything could explode. But current tensions should be noted. It may be worth recalling that the first intifada, or uprising, which lasted years, began with a car accident in a brittle Gaza.

The policy prescription should remain as follows: those who favor coexistence with Israel are rewarded, and those who favor the path of terror are not. Despite all the challenges, Fayad has continued the process of reform, including by organizing municipal elections last October. Also in this past year, he has widened the tax base and tax collection, a critical (albeit unpopular) move as the PA grapples with its deficits. Budgets are transparently posted on the internet with an external audit. And police and other security forces are recruited on a nonpolitical basis. This is a contrast from just a decade ago, when Yasser Arafat paid employees out of a paper bag and the security services were completely politicized.

Moreover, Hamas is not exactly ten feet tall. If Hamas had been told in 2006 that, in seven years it still would have failed to peel away European countries from the United States, its leaders would be shocked. This was the task they had set for themselves, and they were convinced they would succeed. Yet they did not. Furthermore, Hamas saw Fatah attract many tens of thousands at a mass rally in Gaza this January. Finally, Hamas may have believed that its patron, the Muslim Brotherhood in Cairo, would lift it upward. But riots in Cairo in recent days and weeks suggest Hamas might not be atop Egypt's priority list, since the very future of the Muhammad Morsi government is hanging in the balance. Moreover, it seems Hamas was astonished that Israel launched its Operation Pillar of Defense in November, given Hamas's presumed new backer in Cairo. Yet Israel itself was not deterred and Egypt was helpful in brokering the ceasefire.

Therefore, a policy question for the Obama administration is whether it is doing all it can to persuade Sunni countries such as Egypt, Turkey, and Qatar to use their considerable influence to get Hamas to accept the conditions set by the Quartet (United States, European Union, Russia, and the secretary-general of the UN) in 2006. These conditions hold that Hamas can only be a legitimate interlocutor for peace once it disavows terror as a tool, accepts previous agreements, and recognizes Israel's right to exist.

All of the above raises the question of what can be done to end the utter paralysis on the Israeli-Palestinian negotiating front? Except for three weeks in 2010, Abbas and Israeli prime minister Binyamin Netanyahu have not held any peace talks during the last four years. The situation has gone round and round. Israel says Abbas will not sit with it for negotiations. Abbas, who in the past did not link apartment construction anywhere in the West Bank or east Jerusalem to the possibility of holding talks, began to do so in 2009. Now Israel sees this as a Palestinian precondition. And Abbas's effort at the United Nations was seen by the United States and Israel as a way to circumvent direct bilateral negotiations.

We are certainly at a key juncture. The Obama administration is at the start of its second term, and there is a new secretary of state. Israel has just gone to the polls, and now Israeli prime minister Netanyahu is weighing his options as he seeks to establish a new government. I would like to say that February is a critical month with implications for U.S. policy in the coming years.

As the United States formulates its policy on Israel-Palestine, it needs a clear sense of what is and is

not possible. What seems unfeasible at this time is a peace treaty between Israel and the Palestinians that would resolve all the endgame issues -- involving borders, security, Jerusalem, and refugees -- plus end the conflict. There are too many moving pieces for one overarching agreement to be pursued. Issues like the status of Jerusalem and refugees cut to the self-definition of the two parties, and neither is prepared to compromise on these epic questions. Even more critically, the region is still amid an erupting volcano, and it is very unlikely leaders will make a deal when they sense that political Islam is ascendant -- especially given their own domestic difficulties. This does not mean a deal is less important, but anyone striving to achieve one must be realistic as to the prospects.

We just witnessed the Super Bowl, so I hope you'll forgive me if I use football parlance. A Hail Mary pass will not solve everything. But nor should we just sit on the ball. Instead, we should try for a screen pass that would result in significant yardage downfield as we keep our eyes on a touchdown. We should be guided by a sense that we want to prepare the ground for a two-state solution. Interim goals involve shrinking practical Israeli control over parts of the West Bank where a Palestinian state will emerge while acknowledging that Israel will retain about 5 percent of the West Bank near urban areas -- with ultimate land exchanges or swaps based on proposals put forward by President Obama in May 2011. Are there ways to advance both of these ideas at the same time as key tradeoffs? Can these goals be achieved by the United States bringing Israel and the Palestinians together, or are they obtainable by the U.S. dealing separately with the parties to discuss those zones of agreement? Secretary Kerry needs to ascertain these answers by talking to the parties themselves. Each of the parties has a list of grievances against the other, and Netanyahu will invariably ask Kerry about the value of meeting Abbas after he tried to circumvent Israel by going to the United Nations.

A zones-of-agreement approach involves the U.S. getting Israel to widen Palestinian control of West Bank cities and their environs, while changing the legal classification of other parts of the West Bank. (Oslo follow-on agreements divided the lands into three categories -- A, B, and C zones -- based on varying levels of Palestinian and Israeli control.) In return, the U.S. would not challenge activity within -- within, and not beyond -- those Israeli settlement blocs that are usually uncontested and largely adjacent to Israeli cities and even figure in Palestinian published maps as being ultimately part of Israel. (I would think differently about the very much contested Ariel bloc, and would not extend this principle to that area.) Indeed, 5 percent of the West Bank is approximately where 80 percent of the West Bank settlers live. They are not evenly distributed throughout the West Bank. These areas are largely adjacent to the pre-1967 boundary, are known as the settlement blocs, and roughly coincide with Israel's security barrier. This overall approach would also delay security-related issues in the Jordan Valley and along the Jordan River until the overall volatility in the Mideast region clarifies itself.

Why is creating zones of agreement important? We need to signal a direction to both sides even if we cannot push for an overall agreement. As it stands today, the alternative to a grand peace is paralysis. Each side thinks the absolute worst of the other's intentions. However, if each side says that it cannot achieve everything but still agrees to take certain steps, this could lower anxiety levels and affect internal conversations on both sides. In this conflict, radicals on each side will always be insisting internally that the moderates are being hoodwinked by the other side; therefore, some clear signaling is required that a direction toward a two-state solution benefits both Palestinians and Israelis. This focus should lower the temperature on both sides and bolster moderates, while laying the building blocks for an overall agreement.

Another advantage of a zones-of-agreement approach is that it would end the destructive ambiguity that has worked to increase Israel's isolation in the world in the last few years. To be sure, many Arab and other governments have always been hostile to Israel. Yet the situation has worsened lately. Partly, this is due to differing perceptions over West Bank settlements. European leaders like

Germany's Angela Merkel and France's former president, Nicolas Sarkozy, came to office predisposed to back Israel, and yet those relationships with Israel were hurt in recent years over differences surrounding the settlement issue.

Some note that settlement activity under more center-left Israeli governments led by Ehud Olmert and Ehud Barak actually exceeded Netanyahu's settlement-building activity, but those "two Ehuds" received the benefit of the doubt because there was an unmistakable sense that indeed Israel was going to yield the large majority of the West Bank, and that Israel would agree to offsetting land exchanges or land swaps. However, with Netanyahu, there is a concern internationally that his settlement activity is designed to be part of a wider effort for permanent control of the entire West Bank, not just 5 percent, despite the fact that Netanyahu is on record as supporting a two-state solution. In a Knesset appearance before visiting the U.S. in May 2011, Netanyahu said he would be guided by a border with the Palestinians based on blocs, but he has not repeated it since. A zones-of-agreement approach could have a major impact on how Netanyahu is viewed in Europe and elsewhere.

Of course, this approach requires Secretary Kerry to receive the support of the parties. I have talked about the Palestinian domestic situation already, so it is worth talking about the impact of the January 22 Israeli elections as well.

The question Netanyahu is facing in February is how he configures his government. Does he shape his government so that a pro-settler party led by Naftali Bennett holds the balance of power, or does he configure his government widely involving other parties as well? In principle, it remains equally in the interests of peace and of any prime minister to have a wide government so that no single party holds the decisive balance of power. In other words, to talk numbers, will a pro-settler party with its 12 seats be decisive in a 62- or 64-member government (with 61 being the magic number for a majority in the 120-member Knesset)? Alternatively, if Netanyahu configures his government widely, he could have as many as 88 seats, giving him wider latitude in moving Israel forward.

However, the issue should not be measured in purely quantitative terms. Some wonder if key figures will receive key portfolios. There is speculation about whether the centrist Yair Lapid, who led a new party that did extremely well in the election, will become Israel's new foreign minister and face to the world. Does Netanyahu find a way to retain his partner Ehud Barak as defense minister, even though Barak did not contest this election? Both questions attract interest in Washington, to be sure.

However, the bigger question is not about individuals, but whether Netanyahu configures a coalition to fit the mission rather than a mission to fit the coalition. The mission is finding ways to maintain Israel's security while seeking progress with its Palestinian neighbors -- and whether this issue will be prioritized as Israel grapples with other vital issues such as Iran's nuclear program, its own economy, and finding ways to integrate the ultraorthodox into modern life. Of course, the shape of Israel's coalition will be decided by Israelis, but its composition has an impact on the U.S. as well. Apart from the Palestinian issue, Israel counts on the U.S. to assist Israel in navigating an increasingly difficult Middle East, but the U.S. ability to assist Israel is linked to a perception that Israel is doing all it can. Self-imposed constraints on the coalition could make it harder for the U.S. to help its staunch ally Israel.

Another question worth pursuing is whether Secretary of State Kerry will talk with Netanyahu about his willingness to engage in synchronized political messaging with President Abbas in order to win back the publics, which have been so outright skeptical and even cynical about the future. As President Obama recently reminded us, albeit in a different context, without public opinion, little can be achieved. With public opinion, little cannot be achieved.

There is a profound sense of nonbelief among the Israeli and Palestinian publics that peace is possible as we reach the twentieth anniversary of the Oslo peace accords, which were sealed with a handshake on the White House lawn. Majorities still back a two-state solution, albeit by shrinking numbers. And while polls show a majority of Israelis and Palestinians support holding peace negotiations, when the same groups are asked whether those negotiations would actually lead to peace in the coming years, the answer is a resounding no. Therefore, any American strategy needs to integrate a public strategy for each side. Since the start of the peace process, public support on each side has been important. Without publics prodding their leaders, risk-averse leaders tend to avoid making any major decisions. This is especially true amid a very tumultuous regional environment.

To this end, the U.S. should think about synchronized political messaging. This will require Netanyahu and Abbas to focus on themes that will appeal to the publics on both sides. For example, Netanyahu and Abbas need to regularly say to their publics that both sides, not just one, have a historic and ongoing connection to the land. At the United Nations, Abbas routinely speaks of Jerusalem as being holy to Islam and Christianity. The refusal to believe that Jerusalem is holy to all three monotheistic faiths, including Judaism, has undermined support for peace. There are many other examples that would set the tone from the top in educating the publics for coexistence. Tone makes a difference.

Finally, I would hope the secretary would urge Abbas to become more involved in ensuring that some of his advisors and Fatah itself do not seek to undermine the very person who has made great strides in Palestinian bottom-up state building, Prime Minister Fayad. Bolstering Fayad in his efforts toward reform and state building requires widespread support from Abbas and a direct line of communication with Prime Minister Netanyahu as well.

In summary, we can all throw up our hands and say Israeli-Palestinian relations are too complicated, but the net impact, as we know from recent history, is that a sustained impasse can be broken by radicalization, terror, and bloodshed. The result will be fresh graves and old problems. Therefore, it is important to identify forces for constructive action and to then work with those people who could improve, if not resolve, this tragic conflict. If we do what we can, we will be making major progress and laying the foundations required to end this conflict.