THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY

TRANSITION 2021

POLICY NOTES FOR THE BIDEN ADMINISTRATION

Building Bridges for Peace

U.S. Policy Toward Arab States, Palestinians, and Israel

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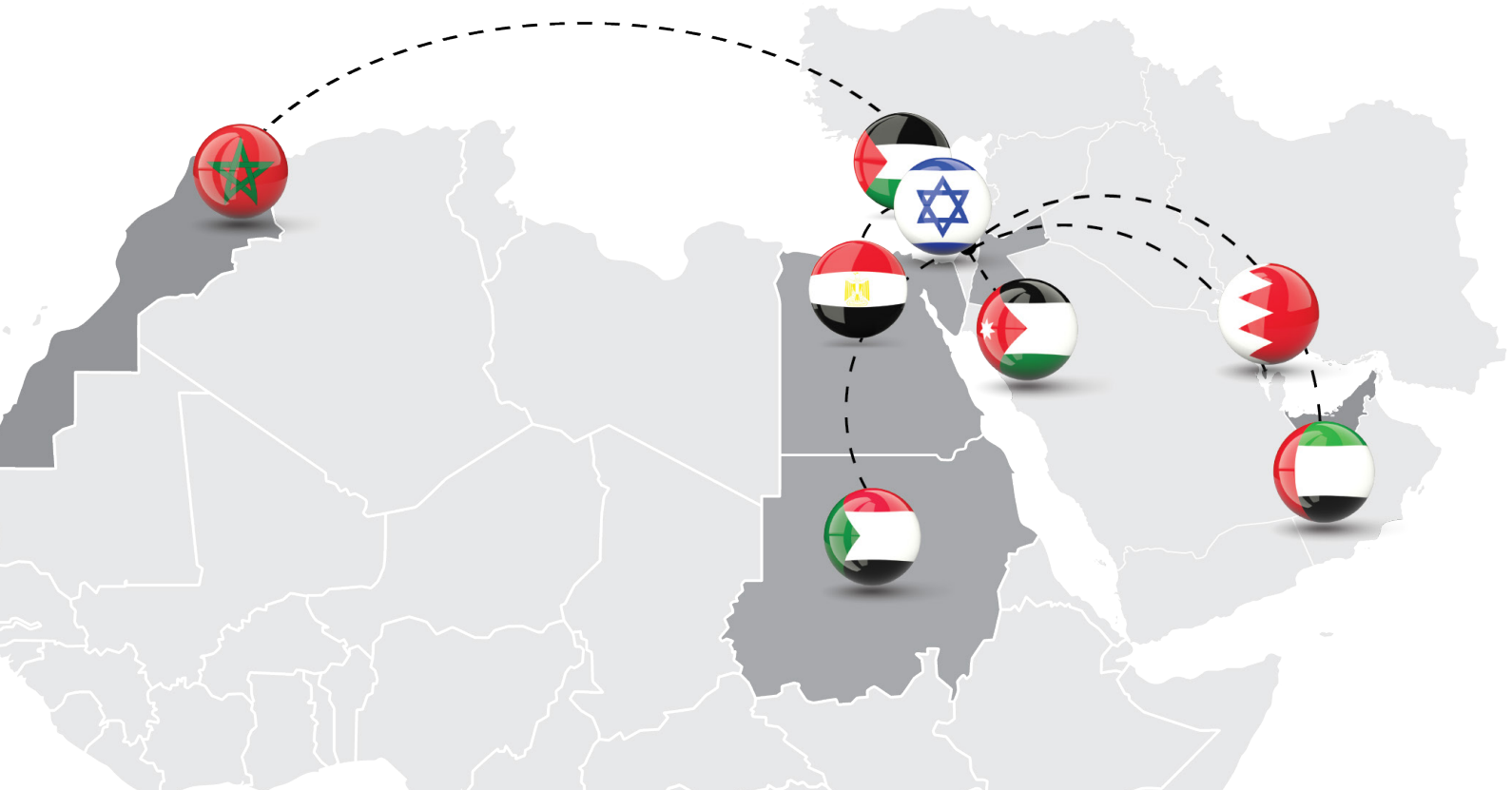
January 2021

Executive Summary

The Biden administration has the opportunity to use progress in Arab-Israel normalization to reenergize dormant ties between the United States and the Palestinian Authority and between Ramallah and Jerusalem. While circumstances are not ripe for a dash toward a conflict-ending final settlement, now is the time for U.S. leadership to rebuild constructive relations between the key parties and restore hope, energy, and enthusiasm in the potential for a two-state solution to the Israeli-Palestinian conflict. Following are principles for moving U.S. policy in a positive direction:



Invest in Arab-Israel normalization. Strategic convergence between moderate Arab states and Israel is a longstanding goal of U.S. policy and a plus for U.S. interests. The Biden administration should welcome its predecessor's legacy in terms of Arab state normalization with Israel, deepen these emerging partnerships, anchor them in a common strategy to counter threats to common interests, and use them to enhance the potential for constructive Israeli-Palestinian relations.

Build on normalization to shrink the Israeli-Palestinian conflict and keep open the door to a negotiated two-state solution. Washington should use economic, political, and diplomatic incentives to build a network of Arab capitals at peace with Israel, bringing together longtime peace partners (Egypt and Jordan), new partners (United Arab Emirates, Bahrain, Sudan, and Morocco), as well as the Palestinian Authority (PA) into this emerging partnership. Practical steps that improve economies and enhance the security of partner-states will chip away at the skepticism about the potential for a negotiated peace among both Israelis and Palestinians. (Without American diplomatic orchestration, such an outcome will not materialize on its own.) This is especially important given that the current gap between the two sides—and the chasm between the two leaderships—is too wide for Washington to embark on a major diplomatic initiative to achieve a final-status agreement with any reasonable hope of success.

Explore parallel interim arrangements between Israel and Saudi Arabia and other Arab states, as well as Israel and the Palestinians. Saudi-Israel progress can create incentives to end the Israeli-Palestinian impasse. Building on the model of UAE-Israel normalization, which included Israeli suspension of plans to annex West Bank territory, Washington should explore the potential for a win-win-win interim diplomatic arrangement between Israel and Saudi Arabia in which Riyadh secures Palestinian gains in terms of greater territorial access, improvements in the economic terms with Israel, and limitations on Israeli settlement activity.

Affirm U.S. support for Israeli security. If Israel limits settlement activity to within the security barrier, the United States should differentiate between settlements consistent with a two-state solution and those undermining the potential for it. Any U.S. discussion of Israeli territorial compromise for the sake of peace must begin with an unwavering affirmation of U.S. support for Israeli security, including strategic cooperation with Jerusalem to confront the Iranian nuclear challenge and measures Israel might take to combat Iran's efforts to arm its allies and proxies with advanced weaponry. Once this principle is affirmed, Washington will have firmer standing for serious discussion with Jerusalem on issues that could either enhance or erode the potential for a negotiated agreement with the Palestinians, including settlement activity. Here, the operating principle should be to engage Israel in quiet consultations to achieve an understanding based on Israel's agreement to limit new construction to territory within the security barrier. This agreement to limit settlement activity to areas west of the security barrier, combined with an Israeli commitment to the idea of land swaps, opens opportunities for the eventual resolution of the territorial aspect of the conflict with the Palestinians. By making separation between Israeli and Palestinians possible, it will avoid the slide to a one-state reality, which will erode Israel's Jewish and democratic identity.
If Israel agrees to differentiate its approach to settlements, the United States should also adopt a differentiated position on the issue, distinguishing between settlements that impede a two-state outcome and those that do not. This differentiated policy does not mean Washington endorses any particular settlement activity but that it should modulate its public posture on settlements based on whether that activity erodes the potential for a negotiated resolution to the conflict.

Maintain the U.S. embassy in Jerusalem; clarify policy on the future of the city. The Biden administration should follow through on then-candidate Biden's commitment to keep the U.S. embassy in Jerusalem. In so doing, Washington should reaffirm the policy outlined in the original

announcement of the embassy relocation, which states that "recognition of Jerusalem as the capital of Israel does not mean the United States has taken a position on final status negotiations" and that "such decisions should be worked [*sic*] between Israelis and Palestinians."[1] In addition, the administration should consider ways to restore diplomatic representation to the Palestinian people. This could mean reestablishing a consulate in Jerusalem with a potential representative office in Ramallah. The proposal to reestablish a consulate will require the consultation with and agreement of the host country. While discussions with Israel on this issue may be complicated, the United States is on firm ground both recognizing Jerusalem as Israel's capital and supporting negotiations between Israel and the Palestinians to determine the final disposition of the city's boundaries, including the potential location of a Palestinian capital therein.

Reengage the PA in direct diplomacy, with a focus on effective governance, anti-corruption, and instituting a needs-based social welfare system. The Biden administration should seek renewed diplomatic engagement with the Palestinians, through both reestablishing diplomatic representation and resuming funding of worthy development and humanitarian projects. Restoring aid to the PA will require clear and verifiable PA measures to meet the requirements of the 2017 Taylor Force Act.[2] As part of this renewed dialogue, Washington should seek to dissuade the Palestinian leadership from pursuing legal action against Israel at the International Criminal Court, a provocative political step that might deliver a symbolic victory but would severely undermine the potential for peace diplomacy, likely triggering a crisis in Israeli-Palestinian relations for no appreciable improvement in the lives of Palestinians.

Help parties sustain the Gaza truce by facilitating modest assistance. A quasi-ceasefire between Israel and Hamas in Gaza—lubricated by certain Israeli economic concessions and Israel-approved Qatari financial aid—has held since spring 2019. Given the PA's reluctance to reenter Gaza, the larger objective of reenergizing Israel-PA ties, and the socioeconomic toll of the Covid-19 pandemic on the Gaza regime's ability to sustain the ceasefire, U.S. policy should be guided by the modest goal of maintaining calm by working through the United Nations and other parties to provide emergency aid without strengthening Hamas.

Appoint a coordinator to orchestrate elements of policy, emphasizing the need for trust among parties more than political profile. The diplomacy envisioned here—the vital task of expanding Arab-Israel normalization, building a foundation for a hoped-for push toward resolution of the Israeli-Palestinian conflict, and connecting these two processes through mutually reinforcing measures—will require the focused, sustained engagement of a dedicated peace process coordinator, not the precious time and attention of a president and secretary of state whose urgent priorities lie elsewhere. That does not diminish the importance of the task or its sensitivity, especially since it will be connected—in Arab and Israeli perceptions alike—to diplomacy vis-à-vis Iran. More important than the coordinator's rank or prominence is to have the U.S. president and secretary's confidence as well as the trust of the Israeli, Arab, and Palestinian leaderships. With trust and confidence, real progress is possible; without it, the most creative ideas will fall on deaf ears.

The author would like to thank a number of Washington Institute colleagues for the helpful comments they provided as he prepared this paper: Katherine Bauer, Patrick Clawson, Michael Herzog, Barbara Leaf, Matthew Levitt, Ghaith al-Omari, David Pollock, Dennis Ross, Robert Satloff, Michael Singh, and Ehud Yaari. He would also like to thank editor Jason Warshof, research assistant Sheridan Cole, and interns Alex Harris and David Patkin. Of course, the author is solely responsible for the paper's contents.

The Biden administration has enormous tasks to address—at home and around the world, including in the Middle East. Indeed, it would be a mistake to devote presidential energy to the Israeli-Palestinian issue at the current moment. At the same time, a hopeful shift in regional dynamics—highlighted by recent agreements to establish diplomatic relations between Israel and four Arab states (the United Arab Emirates, Bahrain, Sudan, and Morocco)—presents opportunities for Washington both to widen the arc of Arab-Israel peace and to use that progress to reinvigorate Israeli-Palestinian peacemaking. There will be an understandable effort to resume U.S.-Palestinian talks in the early months of the Biden administration. Related achievements would advance U.S. interests in security and peace and shrink the role of the Israeli-Palestinian conflict as a source of tension and excuse for inaction on other urgent regional issues.

The current Israel-Arab moment is indeed remarkable, with the zero-sum attitude prevalent for decades giving way to open cooperation with some states and enhanced, if still quiet, cooperation with others. With Egypt, Israel has worked since March 2019 to maintain the de facto ceasefire in Gaza, while cooperating over several years to confront al-Qaeda in the Sinai Peninsula. With Jordan, Israel has exceedingly close security ties, even if the political relationship has suffered strains. In the Gulf, many capitals believe Israeli innovation can assist them in diversifying their economies to cushion the shift to the post-oil age, while strategic partnerships serve the more immediate goal of countering Iranian expansionism. Even the Palestinian security services have close ties with their Israeli counterparts, despite occasional interruptions.

These alignments not only constitute achievements in themselves; if channeled creatively, they provide opportunities to narrow the political chasm between Israelis and Palestinians. This is especially true now that Arab-Israel normalization has, for the foreseeable future, removed the cloud of Israeli annexation of West Bank territory from the political agenda. The expected renewal of Israeli-Palestinian economic, civil, and security cooperation during the Biden administration, plus the new team's likely embrace of a more balanced, inclusive, credible approach to key diplomatic issues, has already stirred hopes for possible progress. For its part, the Palestinian Authority (PA) appears to appreciate the changed landscape, recognizing that it no longer holds an implicit veto on Arab moves with Israel. This sense of realism, if it fully takes root, could boost the prospect of incremental agreements with Israel that will lay the groundwork for more substantial future advances.

On the prospect of a final-status deal, both lessons from the past and analysis of the current situation would augur for setting low expectations. No fewer than four such attempts have failed over the past two decades, owing to broad gaps on core issues and deep mistrust among the principals. Today, neither side can boast ideological consensus within its own polity, with each experiencing some level of political instability. Whereas Israel is facing its fourth election in just two years, structural instability is especially deep within the PA, whose governing institutions are weak and whose leader is aged and ailing.[3] The succession struggle could be characterized by bids to display ideological purity, rather than a willingness for compromise, which would further argue against pursuing a high-profile U.S.-led diplomatic initiative until a more favorable moment.

The Biden administration should therefore pursue a strategy that reinforces positive trends in Arab-Israel state-to-state cooperation and uses this approach to minimize the Israeli-Palestinian conflict, including by improving security and economic conditions in Palestinian areas and promoting more effective Palestinian self-governance, all the while preserving the two-state framework endorsed by the last four U.S. administrations—Clinton, Bush, Obama, and Trump. Such an approach will serve U.S. interests.

The Forces Driving Israel-Arab Progress

At least since the Arab Peace Initiative, put forth by the Saudis in 2002, Arab states operated under the principle that peace with Israel would await resolution of the Israeli-Palestinian conflict. Arab states saw no strong convergence of interests with Israel and viewed this approach as increasing Palestinian leverage.

The regional scene has changed significantly since 2002. First, Israeli-Palestinian differences on some core issues—including the idea that each side must recognize the other side's self-described identity—have actually widened, owing in no small measure to the violence of the second Palestinian intifada (2000–2004). Among both Israelis and Palestinians, the public mood has grown pessimistic about the potential for peace, with many leaders apparently having concluded that compromise on core issues would be too costly politically. Over time, as acknowledged privately (and, of late, not so privately) by many Arab diplomats, deepening deadlock has also generated fatigue regarding the Palestinian cause in Arab capitals, though perhaps not within broader Arab public opinion.

Second, two successive U.S. administrations—one Democratic, one Republican—have emphasized a desire to lighten the American footprint in the region, in part to normalize the U.S. military presence after the unusual experience of lengthy wars in Iraq and Afghanistan and in part because the United States no longer relies on Middle East resources for its energy needs. This trend has triggered fears of a vacuum that status quo powers—Israel and many Arab states—worry could be filled by an expansionist Iran, a neo-Ottomanist Turkey, or radical Islamist forces; in response, they have grown closer to each other and coordinate and cooperate in combating these regional threats.

For Arab oil exporters in the Gulf, relations with a technologically advanced, innovation-driven Israel has an additional attraction—partnership in helping make the difficult but necessary transition to a post-oil economy. The value of Emirati sovereign wealth funds alone is estimated at more than $1.2 trillion,[4] whereas Israel boasts some six thousand startups, justifying its moniker "startup nation."[5] The resulting increase in bilateral trade and investment will be concentrated in cyber, medical equipment, financial technology, and communications, which Gulf states hope will expand their economies and could seed an Israeli flowering in these and other fields.[6] Additionally, more than four million Israelis—almost half its population—traveled abroad in 2019, and many view Dubai specifically as a natural tourist destination. (Since normalization, some 70,000 Israelis have reportedly traveled to the UAE, despite the pandemic.[7])

Although Israel's strongest relationship in the Gulf is likely with the UAE, which broke the mold with its public embrace of peace in summer 2020, Saudi Arabia has helped propel the normalization process behind the scenes. Thus, the originator of the Arab Peace Initiative appears to have parted with its basic premises, even as Riyadh's own security and economic relationship with Jerusalem remains informal.

The Biden Administration and Investment in Israel-Arab Normalization

As a candidate, Joe Biden backed the breakthrough Abraham Accords—the umbrella name for agreements reached between Israel and the UAE, Bahrain, and Sudan—as well as the separate but parallel Morocco-Israel deal. This endorsement marked a rare convergence with President Trump's policies, and the new administration's continued investment in Arab-Israel normalization—enhancing cooperation among U.S. regional allies—would be a force multiplier for U.S. interests.

At the same time, the Biden administration is

unlikely to adopt its predecessor's view of Israel-Arab normalization as a tool to isolate a recalcitrant PA and press it into accepting the deeply flawed Trump peace plan—nor should it.[8] To the contrary, an enlightened approach would view Israel-Arab normalization as a bridge to a more constructive, more cooperative Israeli-Palestinian relationship. Indeed, further investment in regional peacemaking could provide the Biden administration an opening to broker an interim arrangement between Israelis and Palestinians or at least a set of tacit understandings amenable to both sides that propel Israeli-Palestinian relations in a more positive direction and reenergize hope in the two-state solution.

The only clear link between regional peacemaking and the Israeli-Palestinian arena was the Emirati insistence on a multiyear Israeli suspension of any plans for annexation of West Bank territory as part of their deal.[9] (The Trump administration affirmed this by saying it would not recognize any Israeli annexation at least during the four-year period it gave Palestinians to negotiate under its own peace plan; this effectively removed the issue from Israeli politics since even Israeli leaders admitted that annexation only made sense if it secured U.S. recognition.) None of the other peace deals—with Bahrain, Sudan, or Morocco—included conditions connected to the Palestinians, other than affirming commitments to a negotiated peace based on the goal of a two-state solution; indeed, two of these agreements—with Morocco and Sudan—were conditioned on bilateral understandings with Washington without any connection to Israel.

The possibility exists that future normalization agreements will have an organic connection with the Palestinian issue. This might very well be the case with Saudi Arabia, with which Israel is eager to reach an agreement. The Saudis have long cited the absence of Israeli-Palestinian progress as the principal reason such relations cannot go forward; and even in the context of partial progress, Riyadh may insist on a significant Israeli step toward Palestinians as a condition for any significant Saudi step toward Israel. Besides Saudi Arabia, an opportunity for normalization exists with Oman—and something below normalization with Qatar, such as through resumed operation of its Israel-based liaison and trade offices, which were opened in the 1990s and closed in 2000.

Enlisting a Network of Normalizing Arab States to Help Promote Israeli-Palestinian Steps

In terms of U.S. policy, the growing alignment of Israel and Arab states at peace with it—Egypt, Jordan, the UAE, Bahrain, Sudan, and Morocco—constitutes a powerful network committed to regional stability and peaceful resolution of conflict. The Biden administration should also take advantage of the opportunity this network provides to incentivize Israeli-Palestinian progress. The idea is not to condition further Arab connections with Israel on Israeli concessions to Palestinians, which would only reflect the old-style zero-sum mindset. However, as will be discussed at length below, Saudi-Israel (and other Arab-Israel) progress can be used for multiple purposes, from incentivizing Israel to curb settlement activity to enhancing economic and other ties with Israel to improve the Palestinian economy and strengthen the PA's governing institutions. The Abraham Fund—a $3 billion resource created under the U.S. International Development Finance Corporation to provide loans for private-sector cooperative initiatives on economic and West Bank infrastructure projects—is open to participation from across the region, potentially making it a vehicle to promote Israeli-Palestinian progress. Working with Israel, the United States might also be in a position to arrange a consortium of Arab states to provide economic aid to Gaza specifically, so long as it goes to development projects supervised by responsible elements and not Hamas. Indeed, a wide range of existing economic stabilization ideas could create political space for ultimately addressing tough policy issues. (While this initiative would require addressing long-soured relations between Abu Dhabi and Ramallah,[10] senior Emirati officials now admit an openness to providing assistance under U.S. leadership, as long as financial transparency is ensured.[11])

For its part, the Palestinian Authority has since Biden's victory softened its originally negative reaction to the Israel-UAE deal.[12] PA president Mahmoud Abbas knows he will not win U.S. support with rancor and that normalization will not be reversed, as was made clear by the PA's failure to find a single Arab League vote to condemn the Israel-UAE breakthrough. Indeed, after recalling its ambassador to Abu Dhabi, the PA eventually returned him to his post, and when Morocco announced its agreement with Israel, Ramallah did not even issue a condemnation. Those familiar with Abbas's thinking suggest he is seeking to ensure the Palestinians are included in forthcoming inter-Arab discussions and talks with the Biden administration. If Abbas can recognize that wider Arab relations with Israel can work to the Palestinians' benefit, prospects for diplomatic improvement will brighten. But observers should be under no illusions. Abbas is still pushing a different kind of initiative, based on an ill-defined international conference that would immediately impose final-status parameters on Israel—an approach virtually guaranteed to prolong the stalemate.

Affirming the Goal of a Two-State Solution

Channeling Israel-Arab ties to improve the environment for Israeli-Palestinian peacemaking may reflect a recognition that the parties are not ready for a conflict-ending deal. But such a move also only makes sense in the context of a renewed U.S. commitment to a vision of peace based on a two-state solution, the outcome to which all Israel's Arab peace partners are publicly committed. Some politicians and commentators have indeed called for a one-state alternative, but no matter their political positioning, these advocates have failed to resolve basic questions about the idea. These range from how Israel would govern a population that rejects its long-term control to how Israel would maintain its special relationship with the United States if Israel sacrificed its identity as a democracy by denying Palestinians both independent statehood and the right to vote as Israeli citizens. Within Israel, there remains vast support for maintaining the country's character as a Jewish and democratic state. Moreover, a one-state solution would be doomed from the start given a Middle East lacking strong democratic traditions, the persistence of regional sectarianism, the prevalence of lengthy, sprawling wars (e.g., in Syria, Iraq), and the absence of respect for and protection of minority rights throughout the region. Nor does recent Middle East history offer happy precedents for the imposition of a centralized regime on different ethno-sectarian groups (see: Iraq, Syria, Lebanon, Libya).

Despite the lack of good alternatives, numerous public opinion polls show that support for a two-state solution has decreased among both Israelis and Palestinians, even below half for each population.[13] Reasons for this hardening opinion include a lack of leadership, Hamas militant violence, Israeli settlement activity in areas within a potential Palestinian state, societal disbelief in the prospect of resolving the conflict, and political division. PA-Hamas dysfunction is also a factor; the two factions have been unable to reconcile their positions since Hamas's violent capture of the Gaza Strip in 2007, and the PA leadership often takes a harder line against Hamas than even Israel does. Yet even as the West Bank–Gaza split reflects an ideological struggle between the PA and Hamas, one should not rule out some level of reconciliation in the post-Abbas era. Such reconciliation would clearly be preferable if it were based on nonviolent coexistence with Israel, but this outcome so far seems unlikely.

Despite all this, disbelief in the two-state solution is preeminently a reflection of current political circumstances and would no doubt change as the situation evolves. Even now, there are important reasons for optimism, including the resilience of Israeli-Palestinian security cooperation—which helps tamp down radical activity in the West Bank. But this cooperation occurs out of the spotlight, only attracting attention when Palestinians periodically suspend such ties. By comparison, the gaps on the higher-profile core issues of the peace process remain wide, and successive failures at achieving a

comprehensive peace have only weakened popular belief in the possibility of peace.

This context suggests the need to return to gradualism—that is, building partial successes on top of one another and, along the way, developing momentum for an eventual final push to an agreement. The original Oslo Accords themselves were built on a gradualist model that has since been rejected by successive U.S. administrations (2000, 2008, 2014, 2020), reflecting the Palestinian critique of Oslo and an alternative desire to solve the whole conflict at once.[14] The last of these iterations, the Trump peace plan, was a comprehensive proposal that tilted heavily to the Israeli side. For the Biden team, now is not the moment to debate what, if anything, should be salvaged from the Trump plan for future diplomacy; rather, the new administration should focus on reaffirming support for the strategic objective of a two-state solution and focus on practical, incremental improvements that make an eventual diplomatic effort toward that goal more likely to succeed.

Elements of Gradualism

If gradualism makes sense given how far the parties are from a final resolution, it will still not be universally popular, since some will question whether it is tethered to a strategic goal. For the Biden administration, therefore, it makes sense to frame the approach as a pathway to the long-term objective of "two states for two peoples." Such an announcement would also articulate opposition to certain unilateral moves by either side that would subvert this goal, whether Israeli annexation of West Bank territory or a Palestinian appeal to the United Nations as a way to circumvent talks with Israel.

An effective gradualist approach will focus on the following elements: stopping the slide to a "one-state reality"; reaffirming that the final status of Jerusalem should be determined by the parties and clarifying issues regarding U.S.-Palestinian representation; outlining steps for the Palestinians on diplomatic engagement, governance, and reform; focusing effort on West Bank economic development; defining critical elements of an interim arrangement/tacit understanding; and addressing the future of Gaza. This approach should steer clear of the core issues, where differences between the parties under their current leaderships are pronounced and intractable.

Stop the Slide to a "One-State Reality"

In opening space for a two-state solution, the Biden administration must devise a strategy to enable progress. This will allow Israelis and Palestinians to take actual steps demonstrating a commitment to the idea of "two states for two peoples," rather than merely affirming this intent rhetorically. Of course, the rhetorical component is important too, given that Israeli prime minister Binyamin Netanyahu has himself moved from expressing support for the creation of a Palestinian state as the outcome of negotiations in 2009 to speaking merely of a "state minus" for the Palestinians in 2017.[15] In suggesting this downgrade, Netanyahu said a Palestinian state must be not only demilitarized—a condition accepted by the Palestinian leadership, though allowing for differences in definition—but circumscribed by other significant limitations as well. For his part, PA president Abbas has pointedly refused to say "two states for two peoples," fueling fears about his actual stance on a two-state outcome. Keenly aware of Israel's position, Abbas will slyly say he supports "two states for two peoples" so long as those "peoples" are Palestinian and Israeli—not the "Palestinian people" and the "Jewish people," the actual competing nationalisms since the start of the twentieth century.[16]

Challenges for the Palestinians

Palestinian recognition of Israel's legitimate place in the Middle East will be critical to a more constructive relationship. In the past, the absence of such recognition has been used to justify

Palestinian violence against Israeli Jews, who are cast only as occupiers. A new, accepting tone from the PA could borrow from the language of the Abraham Accords:

> Recognizing that the Arab and Jewish peoples are descendants of a common ancestor, Abraham, and inspired, in that spirit, to foster in the Middle East a reality in which Muslims, Jews, Christians and peoples of all faiths, denominations, beliefs and nationalities live in, and are committed to, a spirit of coexistence, mutual understanding and mutual respect.

Acceptance of Israel and delegitimization of violence could create a new baseline, helping foster greater understanding and openness on both sides. On trust-building exercises, each side needs to dent the profound societal disbelief regarding the other's intentions. Palestinians will judge Israel's intentions through the prism of land and settlements. Israelis will judge Palestinian intentions through the prism of violence and Israel's legitimacy in the Middle East. This symbolism matters; to give it practical expression, the PA needs to implement reforms that remove even the appearance of financial incentive for engaging in terrorism against Israelis, as outlined below.

Differentiating Between Two Classes of Israeli Settlements

For many Palestinians, the conflict with Israel is a contest for control over a diminishing slice of territory. Nothing encapsulates this challenge more than the settlements issue. In the absence of negotiations over the final resolution of this conflict, the immediate U.S. policy goal should be to ensure that additional Israeli construction be done in a way that does not foreclose the option of a two-state solution. This means the United States should seek an understanding whereby Israel restricts new building to territory within the security barrier. This agreement to limit settlement activity to areas west of the security barrier, combined with an Israeli commitment to the idea of land swaps, opens opportunities for the eventual resolution of the territorial aspect of the conflict with Palestinians. (In the same context, to give meaning to the U.S. policy that recognition does not prejudice negotiations to determine the ultimate border and final disposition of Jerusalem, the United States should urge Israel to limit new construction in the city to Jewish neighborhoods.)

The current situation is roughly as follows: on the hopeful side, approximately 77% of the 476,000 or so Israelis who live in the West Bank live on about 7% of the territory, largely in blocs adjacent to Israeli urban areas. (When also accounting for the approximately 220,000 Israeli Jews who live in East Jerusalem, 85% of Israelis living across pre-1967 lines live inside the security barrier.)[17] At the same time, approximately 90% of Palestinians live outside the security barrier. These demographic facts make it possible to separate the communities and ultimately negotiate the creation of a Palestinian state side by side with Israel. Assuming the two sides can agree on the concept of land swaps, it will also be eminently possible to accommodate Jewish settlers within Israel's future borders. They therefore occupy territory that can be consistent with two states, assuming land swaps occur.

The non-bloc settlers, however, have a chokehold on Israeli politics. They oppose the creation of a Palestinian state of any size in any part of the West Bank. While many West Bank settler mayors endorsed the Trump peace plan, it was the non-bloc settlers who forced Netanyahu to avoid endorsing the very initiative he designed.[18] Even the idea of a Palestinian state in just 70% of the West Bank, all outside the security barrier, with sharply curtailed powers, was unacceptable to them. They also objected to the future status of 111,000 settlers outside the barrier as living in "enclaves." In a reflection of the continuing political influence of non-bloc settlers, an Israeli government committee in October 2020 approved 2,260 new West Bank housing units, two-thirds of them outside the security barrier.[19]

As part of an understanding whereby Israel limits new construction to territory within the security barrier and accepts the principle of land swaps, the United States should reassess its longtime vocal opposition to all Israeli settlement activity. This does not mean that Washington embraces settlement activity anywhere, but that it would more carefully calibrate its public posture. A change is necessary because the traditional U.S. posture views all settlement activity as the same, failing to differentiate between settlements that pose no obstacle to a two-state outcome and those whose very raison d'etre is to prevent such an outcome. Indeed, this lack of a differentiated policy actually emboldens the Israeli right, leading successive Israeli governments as well as the mass of Israelis themselves to tune out Washington's criticism. Israelis know that the nearly 545,000 Israelis within the security barrier will not simply pack up and move within the 1967 lines in the event of a deal; they also understand that most West Bank Palestinians live outside the security barrier.

Practically speaking, every U.S. negotiating proposal since 2000 has been based on incorporating settlement blocs into Israel in exchange for territorial swaps to the Palestinians. It makes sense, therefore, for the Biden administration to adjust U.S. policy to apply that principle to settlement activity, explicitly acknowledging its view that blocs will be absorbed into Israel in exchange for public Israeli acknowledgment of the principle of territorial swaps. Details, of course, would eventually need to be negotiated between the parties.

Having a differentiated policy that focuses debate on settlements *outside* the blocs, or east of the security barrier, would position Washington to tap into the substantial proportion of Israelis who fear that abandoning a two-state solution to accommodate the most extreme wing of the settlement movement will ultimately undermine Israel's democratic character. This policy shift would also correct a false impression that U.S. policy unrealistically calls for the uprooting of all Jews in all West Bank settlements. (And it would correct the imbalance injected by the Trump administration, which postulated an equally unrealistic approach to this issue—that, in a final agreement with the Palestinians, every Jew, in even the most remote outpost, could remain in their home.) To implement this policy, the Biden administration should begin by setting up a quiet bilateral U.S.-Israel mechanism to reach understandings with Israel on settlement construction such that it remains consistent with a potential two-state outcome. One could imagine a U.S.-Palestinian mechanism as well, but the current PA leadership is unlikely to budge from its blanket public opposition to all settlement construction.

Preparing for Domestic Blowback in Israel

Any attempt to freeze settlement growth beyond the security barrier will draw fierce opposition from the non-bloc settler community, which will view such a move as nothing short of a declaration of war. Their outrage will be all the fiercer following the Trump peace plan, which envisioned Israel maintaining all 130 West Bank settlements, inside and outside the blocs, without the relocation of any settlers. In their effort, non-bloc settlers could also galvanize ideological sympathizers within the Green Line, as they did when compelling Netanyahu to avoid publicly endorsing the Trump plan in summer 2020.

As part of a differentiated U.S. policy toward settlement activity, a shift the Israeli government should welcome, it will be important for Washington and Jerusalem to devise a common messaging strategy. Most Israelis would welcome even partial ties with Saudi Arabia, and therefore curbing settlement activity to within the barrier is a quid pro quo that many Israelis would favor. The more ideological settlers would find themselves in the minority, just as when it came to ties with Abu Dhabi versus annexation. Therefore, in this regard it would be beneficial to pair Israeli steps on the West Bank with steps toward normalization with an additional Arab state, the preferred partner being Saudi Arabia. In the view of one senior Arab diplomat, these steps "could involve the Saudis opening up a trade office in Israel, encouraging Israeli technology

to assist the Saudi agricultural sector, closer ties when it comes to technology, and even flights to promote tourism."[20]

Polling suggests that large majorities of Israelis value broadening Israel's ties with the Arab world over deepening Israel's hold on the West Bank. In one survey, Israeli respondents said they preferred normalization to West Bank annexation by a four-to-one margin.[21] Even Netanyahu seems to have reached this conclusion. Last year, he was willing to face withering criticism from world leaders for his pursuit of annexation, but in the end it was the prospect of a tangible achievement with Abu Dhabi that prompted him to change course. (Until that point, the Trump administration and Netanyahu were at an impasse over whether annexation should be permitted without affirmation of Trump's version of a Palestinian state.) Netanyahu resisted any quid pro quo. A normalization proposal from Saudi Arabia, even just partial steps, that complements the imposition of restrictions on settlement building east of the security barrier could be a political winner. At the same time, it is important to note that U.S. efforts on behalf of Saudi-Israel normalization should not be held up to accommodate Palestinian demands of Israel or to secure Israeli concessions to Palestinians.

While the PA objects to settlement activity in general, an Israeli decision to halt settlement activity outside the security barrier would demonstrate seriousness about a two-state approach. A politically difficult Israeli step like this would also show a readiness to resume dialogue with the PA, while indicating that by deferring final-status territorial issues, the Palestinians would not be conceding on them.

Economic Improvement

The Trump administration entered office advocating a strategy to promote Palestinian economic development as a pathway to political progress, but it eventually cut off all aid to the Palestinians, a punitive measure that, alongside hindering economic development, endangered lives.[22] Now, the Biden administration has an opportunity to undo the damage and set a new course. This could begin with the resumption of USAID assistance to urgent development projects in the West Bank, including water and sanitation projects, and the return to funding Palestinian hospitals in Jerusalem, a particularly acute need during the Covid-19 pandemic. Neither of these renewed efforts would go through the PA and therefore they need not await implementation of institutional reforms to ensure PA financial compliance with U.S. law (as discussed below).

In promoting Palestinian economic development, the United States and its partners would do best to work through the Palestinian private sector and avoid PA governmental patronage networks. An innovative, cooperative approach could easily benefit both Palestinians and Israelis. For example, rather than outsourcing to India or Ukraine when Israeli high-tech firms need engineers or computer programmers, Israel, at Washington's urging, could draw from the three thousand annual West Bank graduates who cannot find jobs in these fields.[23] (One could imagine courses being created that give Palestinian engineers and programmers the tools to succeed in Israel's high-tech market.) Economic development opportunities abound for the West Bank, as laid out during the U.S.-led conference in Bahrain in June 2019. Yet whereas the Trump administration linked all economic opportunities for the Palestinians to their agreement to an unfavorable final-status deal, the Biden administration should delink such matters, recognizing that economic growth is itself a positive development that will eventually redound to the benefit of peace diplomacy.

Despite Trump-era cutoffs, the West Bank still receives aid via the Quartet (UN secretary-general, EU, United States, and Russia) and the Ad Hoc Liaison Committee of international donors. But expanded trade would be far more beneficial than continued aid. Here, the Biden administration could take the lead in mobilizing a "Network of Normalizing Arab States" to work with the PA and

Israel to put aside bureaucratic impediments in order to facilitate investment and economic development. In terms of bilateral Israeli-Palestinian relations, Washington has a role to play in convincing Israel to adopt policies more conducive to Palestinian economic development. Atop this list is expanding access for the Palestinian private sector to Area C, which constitutes some 60% of West Bank territory and is under full Israeli control based on the Oslo Accords.

Palestinian Governance

Improving governance—the fair, effective, transparent provision of services to the people—needs to be a key focus of any effort to strengthen the PA and restore confidence in it among Palestinians, Israelis, and the international community. This is a difficult but not impossible task, with an encouraging precedent available in the six years under PA prime minister Salam Fayyad when governance improved markedly, in areas ranging from institutional reform to financial transparency.[24] That process, however, faltered with Fayyad's departure in 2013. As much as any other factor, that failure not only set back the PA's development as a functioning government but also undermined confidence in it as a viable partner for eventual final-status diplomacy.

Correcting this trend should be a high priority for the Biden administration. In the past, an overemphasis by international actors on final-status issues has often distracted from the critical matter of governance, allowing entrenched PA interests to continue corrupt practices and sideline reformers. But there can be no shortcuts. The Biden administration should therefore work with the European Union and other donors to once again make governance a central feature of international engagement with the PA, including conditioning aid on reform and financial transparency. This approach will not just benefit Palestinian citizens but also help prop up teetering PA institutions, prevent the PA from becoming a failed state, and empower it to emerge as a viable partner on a broad range of political and economic issues.

Specifically, in its consultations with the PA leadership, U.S. officials should focus on these areas of governance reform:

CORRUPTION. An overwhelming majority of Palestinians—up to 86% in a recent poll—say that corruption is prevalent in the PA.[25] The authority has an "anti-corruption commission," but this body has been politicized and is often used to target President Abbas's rivals. Depoliticizing the commission would be a first step toward improving its operations and public reputation.

JUDICIARY. Many West Bank Palestinians—two-thirds in a recent poll—say they cannot get a fair trial in PA courts.[26] Reforming the judiciary—depoliticizing its personnel, providing it with adequate funding, and allocating those resources more rationally—is necessary to boost public trust in a system essential to good governance. Senior U.S. military officials knowledgeable about the issue say judicial reform is also key for advancing security reform and improving the West Bank economic environment.[27]

EMPOWERING THE GOVERNMENT. Since Fayyad's departure, the PA presidency has steadily encroached on the authorities of the government and its ministers, injecting politics into public service and eroding public trust. Empowering the government, in accordance with the Palestinian Basic Law, can improve efficiency and public trust. In general, many of the governance goals identified by Fayyad in his reform plans (2008, 2009, and 2011) remain relevant, among them building civilian government institutions and ensuring transparency in government decisionmaking, contracting, and public service delivery. Though a decade old, these Fayyad-era plans can still serve as a blueprint for future reforms. It is important for U.S. policy to prioritize this government empowerment in its engagement with the PA. A separate but related issue involves the Office of

the U.S. Security Coordinator—headed by a two-star military officer tasked with improving Israeli-Palestinian security coordination—which is already working to support efforts that would bring the PA security forces under greater civilian control.

PEOPLE-TO-PEOPLE. Empowerment should also be extended to Israeli-Palestinian people-to-people efforts. Outreach between Palestinian civil society and Israeli NGO counterparts could benefit greatly from the $250 million in funds and associated energy generated by the Middle East Partnership for Peace Act, which Congress passed in December 2020.[28] Normalized relations with Arab states have created an opportunity to strengthen cultural, educational, and civic ties between Israelis and Arabs. These efforts could ultimately serve to bolster peace and reconciliation initiatives between Israelis and Palestinians.

Elements of an Interim Arrangement/ Tacit Understanding

Taken together, the elements outlined above could form the building blocks of a U.S.-orchestrated interim arrangement between Israel and the PA that propels their relationship on a more constructive path. Even if such an agreement is not possible, these same elements could form the basis of a set of tacit understandings that could, with tending, evolve into something more concrete. To sum up, these elements include:

- A decision by Israel not to launch new settlement construction outside the security barrier
- U.S. efforts to work with Israel to expand normalization to additional states, with an early focus on Saudi Arabia
- Agreement by the PA not to pursue further "internationalization" of its disputes with Israel, including appeals to the United Nations and the International Criminal Court (ICC)
- A commitment by Israel to provide the PA with greater access to Area C and to cooperate with it in joint economic development projects

The PA has long opposed interim deals, fearing that—as with the Oslo Accords themselves—the "interim" often becomes "permanent." But the absence of any direct negotiations for more than five years, and dealmaking by many Arab states with Israel based on a sense of shared interests, may compel the PA to reconsider its resistance to interim arrangements. Yet Ramallah may also stick with its longtime demand to focus on the core issues of a permanent-status negotiation—a strategy that guarantees stalemate—and it will take determined U.S. engagement to mobilize enough support to convince Palestinians to accept a gradualist approach. Only gradualism—represented by an interim arrangement or set of tacit understandings—has a reasonable chance to end the impasse and put the Israeli-Palestinian relationship on a better trajectory.

Gaza

A de facto Israel-Hamas ceasefire has been in place in Gaza since spring 2019, following wars in 2008–9, 2012, and 2014—although clashes have occasionally erupted between Israel and Islamic Jihad factions. According to the terms of the unofficial ceasefire, Hamas abstains from violence in exchange for Israeli economic concessions, including offshore fishing rights and permission for Qatar to provide monthly assistance amounting to some $30 million. (To signal its displeasure when Qatari support arrives late, Hamas has fired rockets into Israel or lofted incendiary balloons that have burned Israeli fields.) The Egyptian security services and the now retired Nickolay Mladenov, UN Special Coordinator for the Middle East Peace Process, deserve much credit for maintaining this ceasefire despite myriad challenges.

The coronavirus pandemic has exacerbated Gaza's already difficult economic situation. The narrow swath of land, packed with about two million inhabitants, managed to hold off the virus in the early months, but cases rose sharply by late 2020. Meanwhile, electricity availability has improved,

but not to the point of being on twenty-four hours a day. Virtually no Gaza water is safe for drinking. Gaza unemployment is higher than 50% and GDP per capita, as of 2018, was estimated at around $1,700; by contrast, the West Bank's GDP is twice that figure and Israel's is twenty-five times as much.[29]

All these developments call for urgent economic assistance—if for no other reason than to prevent the brinkmanship that could lead to another round of fighting—but international confidence in Hamas is low given its involvement in terrorism. Still, Hamas will likely remain the powerbroker in Gaza, leaving world actors with little choice but to expand emergency aid through the UN, including a significant pandemic-remediation package, while exercising financial controls to prevent diversion of funds to Hamas. The complications here are many, in part because Hamas sees all the Gulf states, save for Qatar, as trying to weaken its position in the Strip, and it will take considerable sensitivity and creativity to maintain the tenuous Israel-Gaza calm necessary for a West Bank–focused strategy of interim arrangements to take root.

Early Challenges for the Biden Administration

Success in carrying out a coordinated strategy encompassing Israel-Arab normalization and improved ties between Jerusalem and Ramallah will require early steps by the Biden administration. First among these will be to establish a close working partnership between Washington and Jerusalem, without which no peace process diplomacy can succeed, and to restore U.S.-Palestinian ties, which the PA severed in December 2017 in response to the Trump administration's recognition of Jerusalem as Israel's capital.[30] Part of this process concerns deciding which elements of the Trump legacy should be upheld, which should be modified, and which should be reversed.

U.S. Embassy in Jerusalem

Although some Democrats questioned the way in which Trump recognized Jerusalem and set in motion the U.S. embassy move, noting that he neither offered a compensatory gesture to the Palestinians nor secured one for them from Israel, no groundswell has emerged in Congress to reverse the move, and Biden himself has committed publicly to keeping the Jerusalem embassy in place.[31] The lack of vocal opposition likely reflects longstanding congressional support for the embassy move and an acknowledgment that Israel's capital will remain in Jerusalem no matter how a final peace deal delineates the city's borders.[32]

None of this precludes the possibility of a Palestinian capital in Jerusalem as well. Indeed, even the Trump peace plan envisioned a Palestinian capital in a corner of former Arab East Jerusalem that straddles the city's northeastern municipal boundaries, too remote for the PA to accept but a nod toward the one-city, two-capitals idea. A statement by President Biden affirming three ideas—U.S. recognition of Jerusalem as Israel's capital, the American view that the city should remain geographically united, and the U.S.-supported principle that the permanent status of the city and its borders should be resolved in negotiations between the parties—would be the best approach. In fact, it echoes what President Trump originally said in December 2017 before the Trump peace plan proposed its own border demarcation in place of one produced by direct negotiations.

U.S. Consulate in Jerusalem

Candidate Biden committed himself to reopening the U.S. consulate in Jerusalem, which was closed by the Trump administration in March 2019, and as president, he should follow through on this promise.[33] One of the longest continuously operating U.S. missions abroad, the consulate in recent decades has largely served as a separate mission to the Palestinians. Its reopening will signal

a desire for U.S. reengagement with the Palestinians, after Trump subsumed the functions of this formerly independent diplomatic mission—with its own reporting channel to Washington—inside a "Palestinian affairs office" of the U.S. embassy to Israel. Moreover, having a consulate separate from the embassy will enhance U.S. communication with Palestinian government entities and civil society elements.

Administratively, the consulate issue, like that concerning the embassy location, is largely within the purview of the executive branch, though funding for construction and operations will require congressional approval. One possible complication is that locating consulates overseas also requires host country consent. In theory, Israel could dig in its heels and reject the notion of any U.S. diplomatic representation in its capital independent of the U.S. embassy. But since Israel accepted the presence of the consulate when there was no U.S. embassy in Jerusalem, it would be hard-pressed to oppose it if the Biden administration was willing to reaffirm U.S. recognition of the city as Israel's capital. Still, the consulate issue, like so many others, will require quiet consultations to avert tensions.

The PLO Office in Washington

Just as the United States has no diplomatic representation to the Palestinians at the moment, the Palestinians have no diplomatic representation to the United States. To fix this problem requires key changes in Palestinian policy as well as congressional approval. It is not something the Biden administration can do on its own.

In December 2017, the Trump administration closed the Palestine Liberation Organization's Washington office in accordance with that year's Anti-Terrorism Clarification Act (ATCA), which mandated the closure in response to the PLO effort to seek Israel's prosecution at the ICC. Later, the 2019 ATCA stipulated that PLO officials would be subject to personal jurisdiction in federal courts if the PLO opened or maintained any U.S. office beyond its mission to the United Nations. The PLO, as a result, will not want to risk exposure by reopening its office, however beneficial the move might be for maintaining diplomatic contact with Washington and an official media presence for communication purposes. ATCA, however, does allow the secretary of state to engage with the Palestinian UN mission if such contact is deemed to be in U.S. interests. Should the liability issues be ironed out, the office might more usefully be opened under the auspices of the PA, which actually governs the West Bank, as opposed to the PLO, which claims to represent all Palestinians around the world.

Moreover, since 1987, U.S. law has defined the PLO as a terrorist organization, and even before ATCA its office needed a presidential waiver to stay open. Among its other merits, the elimination of "pay to slay"—as the PA policy of financially supporting perpetrators of anti-Israeli terrorism and their families is known—could provide a rationale to amend the 1987 law and allow the office to operate.

U.S. Aid to the Palestinians

Historically, U.S. aid to the Palestinians has been fraught over the issue of corruption. The situation began to change in the mid-2000s with the emergence of a corruption-free prime minister, Salam Fayyad. U.S. aid to the Palestinians peaked at $980 million in 2009,[34] largely a testament to the efforts of Fayyad, whose good-government campaign earned high marks from members of congress disgusted by years of corruption under Yasser Arafat. But when Fayyad left office in 2013, old habits returned, and as transparency and accountability diminished, U.S. willingness to support the PA financially diminished too. Indeed, since 2014 U.S. economic aid to the West Bank has come in the form of direct payments to Israeli creditors and support for local NGOs in place of direct transfers to PA accounts. In 2016, at the end of the Obama administration, the United States dispensed $290 million—with approximately $131

million going to projects largely independent of the PA, including educational initiatives, private-sector development, and humanitarian relief, and the remaining $159 million or so going to programs only tangentially related to the PA, including roads, water desalination, education, and good governance.[35] Any discussion of resuming aid by the Biden administration will require the Palestinians to first address the concerns raised by the 2018 Taylor Force Act, which halts funding that "directly benefits" the PA until it stops "pay to slay."

This PA policy provides a perverse financial incentive for Palestinians to kill Israelis by granting increasing payments based on the length of their Israeli prison terms and, implicitly, the severity of their violence. Compensation for families of Palestinians convicted of violent acts against Jews can reportedly reach $3,000 monthly, paid for life, a striking sum given an annual gross *national* income per capita of $3,920.[36] Reports from Israeli law enforcement reveal that Palestinians interrogated for carrying out violence cite the payment program as an incentive.

Widespread opposition to "pay to slay," even among European countries typically sympathetic to the Palestinian cause, is apparently persuading the PA to adjust its compensation regime. According to media reports and other sources, the authority is implementing a new plan whereby families will receive "needs-based" compensation, rather than payments based on a family member's sentence. But reports also suggest other "reforms" that are just as objectionable as the original system, such as promising anyone who has perpetrated violence against Israelis a lifetime job in the PA, or establishing a Palestinian bank not linked to the international banking system as an instrument for delivering payments to prisoners' families. Congress is unlikely to weaken its opposition to any financial aid except for the most urgent humanitarian causes until the PA clearly stops incentivizing violence, once and for all.

In this environment, the Biden administration should permit the transfer of the $75 million already approved, which the Taylor Force Act permits so long as it supports civil society, the business sector, and the East Jerusalem Hospitals Network, while not directly benefiting the PA. (U.S. aid to the Palestinians has long been a source of tension between Congress and the executive branch. In 2019—when the Trump administration cut off all funding to the Palestinians, including to support the East Jerusalem Hospitals Network—Congress passed a bipartisan bill allocating $75 million in economic support to the Palestinians for fiscal year 2019/20,[37] but the administration did not release the funds. During the campaign, Joe Biden promised to resume the funding, which, beyond the humanitarian dimension, can provide useful leverage for American negotiators.) On the medical front, some of these funds could help promote Israeli-Palestinian cooperation to counter the pandemic, including vaccine distribution. Incubators for high-tech start-ups could be another recipient.[38]

The view of a large, bipartisan majority in Congress is that the PA will not be eligible for direct funding until it dismantles "pay to slay." The Biden administration should make sure the PA leadership understands the magnitude of the issue and what is necessary to resolve it. It should also coordinate with Israel to ensure proposed PA "solutions" are adequate, both to reassure U.S. legislators and to satisfy Israeli concerns.

UNRWA Funding

In 2018, the Trump administration announced that it would no longer contribute its annual payment, usually around $359 million, to the UN Relief and Works Agency for Palestine Refugees, which provides health, education, and other benefits to Palestinians who meet the agency's eligibility criteria.[39] Historically, UNRWA has been a lightning rod. Palestinians have supported it because of its decades of humanitarian support, its backing of Palestinian statehood, and, most important, its championing of Palestinian refugee claims. Israelis

counter by pointing to the generations of deceased Palestinians who are still counted as refugees, the perpetuation of refugee status for Palestinians long resident in third countries, and Israelis' belief that agency staff and programs have an anti-Israel bias.

If these were normal times, the Biden administration would likely launch a policy review to determine whether it makes sense to resume funding. But today's reality of deep economic distress triggered by the pandemic suggests the wisdom of finding ways to provide funding to ensure critical needs are met, tabling a detailed policy review until the post-crisis period. While some Israeli politicians have cheered the termination of UNRWA aid, most Israeli security officials today tend to appreciate the contributions the agency makes to stability in both the West Bank and Gaza—for example, by keeping children in school in the UNRWA educational system.

In general, the United States has an interest both in ensuring the maintenance of UNRWA's essential services and in encouraging systemic agency reform. Once the Covid emergency passes, this could be achieved by retooling and redesigning UNRWA as a humanitarian-support institution, rather than a refugee-advocacy entity. A committed U.S. funding stream might therefore be conditioned on fundamental reforms, worked out in consultations with the agency's other European and Arab funders. A baseline deal could address financial mismanagement, corruption, and anti-Israel incitement, while other reforms could focus on eligibility criteria for UNRWA benefits and, most significantly, clearly divorcing the agency's humanitarian work from the status of those who receive its assistance as "refugees."

Over time, it will make sense for the relevant PA ministries to take over UNRWA educational and health operations (and budgets) in areas under PA control. This would not only rationalize the delivery of essential services but strengthen the PA's role in the territories. To be sure, implementing this change will not be easy, given that the agency's mandate comes from the often-politicized UN General Assembly. UNRWA also plays a key role in health and education in Jordan, so consultations with Amman will be important.

If UNRWA fails to make the necessary reforms—or if politics impedes the reform process—the Biden administration should consider alternative funding channels, such as the World Food Programme or the UN Development Programme. The needy recipients of UNRWA services should not be held hostage to the organization's refusal to reform or the blackmail of political actors using them as pawns in a contest of wills. This approach would allow a resumption of pre-2018 humanitarian funding levels, helping Palestinians harmed by the Trump administration's punitive cutoff, while upholding a firm stance on the need for UNRWA reform.

Status of Settlements

One of the earliest decisions the Biden administration will face concerns its view of the legality of Israeli settlement activity. In November 2019, the Trump administration publicly reversed a Carter-era State Department legal opinion that declared Israeli settlements inconsistent with international law. Some have suggested that the new administration should revert to the previous U.S. position. Although such a move may not deter Israeli settlement expansion any more than it did over the past forty years, it would put the United States on record as supporting the application of a provision of the Fourth Geneva Convention widely understood as prohibiting the relocation of Israelis to West Bank territory.

An alternative view is that Biden could simply ignore the Trump administration's decision on settlements, rather than reverse it. After all, the 1978 State Department legal opinion did not bind the actions or statements of successive presidents, including Democrats Bill Clinton and Barack Obama, who avoided invoking the Fourth Geneva Convention when criticizing Israeli settlement activity. Likewise, Trump's decision need not bind Biden.

The key point to underscore is that the Israeli-Palestinian conflict is a political dispute ultimately to be resolved via negotiations, not a legal matter to be determined in a court of law. This is why, since 1981, successive administrations have usually cited an alternative legal opinion that settlements are not illegal per se but rather constitute a political impediment to peace.

A wise approach by the Biden administration would be to view its position on Israeli settlements as part of the political effort to advance a negotiated solution to the conflict. A simple reversal of Trump's position and reinstatement of the 1978 legal opinion would trigger immediate friction with the Israeli government—*any* Israeli government—without generating an obvious immediate benefit or change in Israeli behavior. Indeed, it is no simple matter for one administration to declare illegal and illegitimate what its predecessor had specifically declared legal and legitimate.

Instead, the new administration should adopt in declarative policy the differentiated view of settlements that should guide its overall approach to peace diplomacy—opposing settlement activity where it impedes the potential for a negotiated two-state solution but making no vocal public objection when it occurs elsewhere. Defining precisely where such lines exist has proven a vexing task in the past, even during periods of close cooperation between Washington and Jerusalem, but this effort has never before been undertaken during a moment of hopeful regional peacemaking between Israel and Arab states. This new reality gives reason for optimism that the quiet, intensive consultation needed to achieve common ground on this issue will succeed this time.

Future of the Trump Peace Plan

In January 2020, the Trump administration issued the most detailed U.S. proposal for Israeli-Palestinian peace in history, including the first-ever U.S. attempt to sketch a map to resolve the territorial aspect of the conflict. The PA rejected the plan out of hand, seeing it as highly biased toward Israel. Prime Minister Netanyahu embraced it vigorously, but resistance from right-wing settlers—who rejected both the idea of the rump Palestinian state outlined in the plan and the territory allotted to it—prevented him from fully endorsing a proposal that he himself had largely designed. The result was a stillborn proposal.

The strategy outlined here is very different. It is based on the idea that the time is not ripe for the United States to pursue any final-status agreement to end the Israeli-Palestinian conflict. Instead, now is the moment for gradual, incremental steps that restore hope in the potential for a negotiated two-state solution. When the time for final-status diplomacy eventually arrives, it will behoove whatever U.S. administration is in power to review all previous U.S. peace proposals, including the Trump plan, to determine useful elements to be salvaged. (There is no need for the Biden administration to opine on the Trump peace plan because the core issues are not on the table.)

Managing Critical Bilateral Relationships

The gradualist approach to Israeli-Palestinian peacemaking is not one of grand declarations, high-profile White House announcements, or flag-waving signing ceremonies. To the contrary, if it succeeds, it will emerge from hours of intensive consultation with Israeli and Palestinian interlocutors, as well as the coordinated input and support of key Arab, European, and international partners.

The diplomacy will be complicated by the shift in political tone in the U.S.-Israel relationship from the unusually intimate collaboration between the Trump administration and the Netanyahu government to a more normal—though still exceptionally close—partnership between Washington and Jerusalem. In this regard, it will be useful for the Biden team to underscore the package of

incremental measures outlined here, by which U.S. efforts to expand Israel-Arab normalization proceed in parallel with progress between Jerusalem and Ramallah. This is not a strategy of linkage, by which Washington somehow conditions its support for the growth of Israel's Arab ties on Israeli concessions to Palestinians. To the contrary, this is a win-win-win approach that aims to maximize the potential for economic, political, and security gains for all America's regional partners. This strategy is also the approach most likely to ensure proactive efforts by the Biden administration to expand Israel-Arab normalization, the legacy achievement from the Trump years.

One additional benefit of this strategy is that renewed U.S. engagement with the Palestinians can and should include efforts to dissuade the Palestinian leadership from pursuing legal action against Israel at the International Criminal Court. This would be good for Israel, which opposes the internationalization of the conflict and views ICC involvement as fundamentally illegitimate and guaranteed to further polarize the parties.[40] This would also be good for Palestinians, who might enjoy a short-lived symbolic victory at the ICC but would suffer from the fact that an investigation would unite Israelis across the political spectrum into opposing any possible concessions to them and would likely also invite the wrath of the U.S. Congress. The negative potential for an ICC investigation has received little U.S. notice, but it could provoke a lasting crisis, ending any foreseeable prospect of improved Israeli-Palestinian relations. The Biden administration will need to convey a strong message on this issue to the Palestinians, their allies, and the ICC so that the moment of opportunity created by recent developments is not squandered.

Need for a Trusted, Empowered U.S. Peace Process Coordinator

The involvement of the U.S. president or secretary of state is usually reserved for a high-level Israeli-Palestinian peace initiative. As this study has argued, now is not the time for such an initiative, but the United States must still develop an operational approach to the array of issues outlined here. Given the many moving parts to this initiative—bilateral consultations, regional diplomacy, coordination with the UN and other international actors—it makes sense to appoint an Arab-Israel peace process coordinator within the State Department to lead this endeavor.

The key to success will not be whether the coordinator has a high political profile but whether this figure is viewed across the U.S. government as the authoritative voice on these issues, enjoying the trust, confidence, and support of the president, secretary of state, and national security advisor. Those higher-level officials may periodically have to weigh in with principals in Jerusalem, Ramallah, and elsewhere, but it will be the coordinator who navigates the political dynamics of this complex process on a daily basis.

It will also be the coordinator's task to connect peace diplomacy with other regional issues, including the Iran file and the potential resumption of Iran nuclear talks. While Israeli-Palestinian peacemaking is not linked to the Iran challenge, there are undeniable connections between shared Arab-Israel security concerns vis-à-vis Iran, the trajectory of Arab-Israel normalization, and the United States on all these issues. A sensitive, insightful coordinator will help senior U.S. leaders—as well as regional partners—navigate these complexities.

A main innovation outlined here is to urge the Biden administration to invest in deepening and expanding Arab-Israel state-to-state (and people-to-people) normalization and to use the opportunity of those achievements to energize Israeli-Palestinian ties and jump-start eventual negotiations between the parties. In this regard, there is no obscuring the fact that U.S. policy toward Iran will have an impact on this effort. As much as the original Abraham Accords signatories—the UAE and Bahrain—stand

to gain from partnership with Israel in economic, technological, and other fields, it cannot be denied that they decided to take their relations with Israel out of the shadows at a time when their common security patron, the United States, was viewed as imposing maximum pressure on their common adversary, Iran. It is unclear whether normalization will proceed at the same pace, with the same enthusiasm, if there is a shift in U.S. policy that regional parties view as more accommodationist. Perhaps this will drive them closer together; alternatively, it could compel Gulf states to redefine their own relationships with Iran, an option Israel does not have. How this develops will, in turn, impact the ability to exploit normalization for the benefit of Israeli-Palestinian peacemaking. ❖

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