

Halting Palestinian Funds

by [Robert Satloff \(/experts/robert-satloff\)](#)

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ABOUT THE AUTHORS



[Robert Satloff \(/experts/robert-satloff\)](#)

Robert Satloff is executive director of The Washington Institute, a post he assumed in January 1993.

On February 28, 2006, Institute executive director Robert Satloff appeared on PBS's NewsHour with Jim Lehrer program to discuss international funding of the Palestinian Authority following Hamas's victory in Palestinian parliamentary elections. The following is a transcript of Dr. Satloff's appearance on the program.

[Access \(http://www.pbs.org/newshour/bb/middle_east/jan-june06/hamas_2-28.html\)](http://www.pbs.org/newshour/bb/middle_east/jan-june06/hamas_2-28.html) streaming video and audio of the original broadcast.

Margaret Warner: Ever since the radical group Hamas won last month's Palestinian parliamentary elections, the U.S. and Europe have been wrestling as to whether to continue underwriting the Palestinian government. The financially strapped Palestinian Authority is still headed by an independently elected president, Mahmoud Abbas but as required by law, Abbas has asked Hamas to form a cabinet. That means that Hamas, labeled a terrorist organization by Israel and the West, is expected to dominate the government within weeks.

Late last month, senior representatives from the U.S., the U.N., the European Union and Russia, the so-called "quartet," met in London and laid down conditions for continuing aid. Western aid faces an inevitable review, they said, unless the next Palestinian government recognizes Israel and commits itself to non-violence and a two-state solution.

Hamas as a party has done none of that. But yesterday, the European Union announced it was giving the Palestinian Authority \$144 million in emergency aid to tide the PA over until Hamas takes power.

The EU was responding to a letter last Saturday from James Wolfensohn, the quartet's special envoy, warning of a ballooning PA deficit. "Unless a solution is found," Wolfensohn wrote, "we may be facing the financial collapse of the Palestinian Authority within two weeks." He further warned that violence and chaos could break out unless a longer term funding plan is developed.

Israel has been pressing the U.S. and others to cut off all aid to the Palestinian government, including to Abbas. The Israeli cabinet froze the monthly transfer of about \$50 million in tax and customs receipts that it collects on the Palestinian's behalf. And in a radio interview Saturday, Israeli Foreign Minister Tsipi Livni dismissed President Abbas as irrelevant, saying he cannot serve as a fig leaf to a terrorist authority.

Israel, the U.S. and Europe agree they will continue humanitarian aid to the Palestinian people. But the Bush administration has demanded that Abbas return \$50 million the U.S. provided the PA last year for infrastructure improvements. On Sunday, Abbas protested the rising pressure.

Mahmoud Abbas (Translated): People should not be punished for the democratic choice, regardless of the government. You can punish the government but how can you punish the whole people for the position of this government? We will have to face all these issues and we'll have to try and solve the crisis.

Warner: Hamas leaders have vowed they'll turn to Iran and other Muslim nations for support if they're cut off by the West.

Utilizing International Funds

Warner: For more on the dilemmas facing international funders of the Palestinian government we turn to Amjad Atallah, a former advisor to the PLO; he's now president of Strategic Assessments, a law firm that deals in conflict resolution. It also has received U.S. aid to fund projects in the West Bank and Gaza. And Robert Satloff, executive director of the Washington Institute for Near East Policy, a Washington think tank; he's written widely on Israeli/Palestinian issues. Welcome to you both.

Let's start with the news, Rob Satloff, the EU deciding to give \$144 million to the PA before Hamas really comes into government. Good idea?

Robert Satloff: In my view it's not a good idea; this is because it sends precisely the wrong signal, which is that incrementally Hamas and what Hamas will become, the PA government, is getting legitimacy, and the international consensus demanding that Hamas change is weakening.

Warner: Good idea, bad idea? I assume you support it?

Amjad Atallah: It's a necessary idea. And whether it's good or bad depends on what you're trying to accomplish. But in terms of looking to maintain a security environment, it's absolutely necessary.

Warner: So how far does it go in solving the PA's financial problems? I mean, is it any more than a Band-Aid really?

Atallah: It's a Band-Aid. Only \$20 million is actually going to pay for salaries of that money. Most of it is actually, or a lot of it is going to Israel to pay for debts that the Palestinians owe the Israelis, fuel and things of that nature. So the money actually benefits both parties but it's not going to take us past the month.

Warner: Explain. Rob Satloff, what are the Palestinians' big funding problems? Why are they so dire?

Satloff: One needs to look at the entire Palestinian revenue stream. From the outside, from external sources, Palestinians receive about \$1.3 billion a year, including United Nations funding. If you look at that \$1.3 billion, it is about 40 percent is development aid, about 30 percent is humanitarian aid and about 30 percent is direct government support.

No one is really talking about the humanitarian aid. That's food and water and basic services. At issue is the development aid, which is projects, and direct government support. Without any of this, the PA cannot provide salaries to the more than 140,000 people on its payroll. And the economic life of the territories would collapse.

Warner: So, in other words, it's fair to say that the Palestinian Authority and the Palestinian people are really entirely dependent on -- almost entirely dependent on international help.

Atallah: Yes, and on trade with the Israel. The West Bank and the Gaza Strip are a captive audience to the Israeli market, and as long as they have trade with Israel, there will be some surviving. If that trade is ended, along with international assistance, then you have nothing.

Reactions of the International Community

Warner: So what do you think the international community should do once Hamas comes into government?

Atallah: I think that we need to define our goals as to what we hope to accomplish. And I think that goal has to be first

and foremost to make sure that violence doesn't restart. Anything that would cause chaos in the West Bank and the Gaza Strip would be likely to spill over into Israel right away. And so we have to make sure that any policies that we utilize don't destabilize the people that we're trying to help.

Warner: So should that be the key here, Rob Satloff, stability?

Satloff: No, I see a different strategic objective. We have to decide early on, do we want to show that Palestinians who made a free choice for Hamas have repercussions and implications of their choice; that is this is a choice the international community need not subsidize, that there's no entitlement, that they have a claim on the rest of the world to pay for a Hamas-led regime? That's the fundamental issue first.

Warner: But what about what Wolfensohn warned about, that really chaos and violence could erupt in the Palestinian territories if the Palestinian government cannot pay its bills, particularly the salaries?

Satloff: There's chaos against many regimes that aren't able to provide adequately for their citizens. I think the issue here is whether Palestinians recognize that their choice produced a unanimous international vote of no confidence in the people they chose as their leaders.

Warner: What do you think of what Rob Satloff is suggesting, which if we combine it with one of his earlier answers, essentially continue feeding the people maybe for the humanitarian aid but starve the government?

Atallah: You won't be able to do it. We haven't done it anywhere else adequately and there's no place where we've managed to create a humanitarian catastrophe that served a positive political end. We're not going to weaken Hamas by starving Palestinians and there's no way to starve the Palestinian government as opposed to starving Hamas. Money is fungible.

A Moment for Clarity

Warner: So you don't think there's any way to finesse this? Jim Wolfensohn's letter talks about how the international communities all discussing ways, and are there ways to finesse it -- you know a lot about the way aid is delivered. You don't think there's any way to support say Abbas as he continues as president and maybe humanitarian projects but not also support Hamas?

Atallah: No, actually there are many ways to finesse it. There are many avenues. For example, Wolfensohn has recommended that the Israelis use the money, the Palestinian money that they're collecting for VAT taxes to pay off Israeli debts to the Palestinians for electricity and fuel and things of that nature. It's possible, for example that the World Bank might be able to pay directly certain bills, certain revenue streams.

There are a number of ways that one can necessarily continue the money flow into the territories without necessarily providing it to any particular ministry.

Warner: Or looking like symbolically that they are endorsing the Hamas-led government?

Atallah: But the alternative will be that you'll have less influence on the Hamas government. You can do this and, in effect, you'll begin to begin creating a trusteeship.

Warner: Do you think that the parties here should be looking for a way to finesse this?

Satloff: No, I think this is a moment for clarity. A large plurality of the Palestinian people elected a terrorist organization as its leadership. This is a moment where the world needs to respond to that very clear statement. I respect their vote. They should respect the world's response to this vote.

Warner: But are you saying that the world should really hope to bring about the collapse of the Hamas-led government?

Satloff: I believe that that should be the strategic objective, that this model of creating incrementally the Islamic Republic of Palestine is something which is an affront to everyone who's committed to peace, and that we should try to bring this down or compel a change as quickly as possible in as nonviolent a way as possible.

I don't agree with the characterization of this as starving anyone. It's merely pointing out that there's no entitlement on the world that we have to subsidize a Hamas-led regime.

Warner: Do you think that would bring about political change? If the PA were to collapse or if the Hamas -- Hamas were unable to deliver, what do you think the reaction of the Palestinian people would be?

Atallah: It would be to strengthen Hamas. The Palestinians would turn to Hamas and recognize that the reason they're suffering is not because of anything Hamas has done wrong but because the United States and Israel have rejected the democratic choice that they've made.

Now there's no -- the United States does not need to support -- the United States' assistance to the Palestinians is not irrelevant but it doesn't go to the PA at all, and so it wouldn't affect Hamas either way if the United States cut the aid.

The question is if the Europeans cut the aid, which does go to the Palestinian Authority and what result would that have? I think we need a nuance. We can't have sledgehammer politics here. We're going to need a nuanced, long-term strategy that keeps the peace in the occupied territory as well as in Israel.

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