

**Testimony of Daniel B. Shapiro**  
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**House Committee on Foreign Affairs, Subcommittee on the Middle East and North**  
**Africa**  
**“Israel, the Palestinians, and the Administration’s Peace Plan”**  
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Madam Chairman, Ranking Member Deutch, Members of the Committee, thank you for the opportunity to testify today on current developments in the Israeli-Palestinian arena, prospects for renewed negotiations, and the Trump Administration’s efforts and policies on this issue.

I should note at the outset that I remain an unabashed promoter and supporter of a two-state solution as the only solution to the Israeli-Palestinian conflict. That is the issue that motivated me to get involved in public life, and indeed, brought me to my first government job on the staff of this Committee under its then-Chairman, Lee Hamilton, just after the signing of the Oslo Accords nearly 25 years ago. I hoped then, and I continue to hope today, that I could make some small contribution to achieving this elusive but important goal.

It was my judgment then and throughout a career of increasingly intensive involvement in these negotiations that the two-state solution is the only outcome that can serve Israel’s interests in security, recognition, and maintaining its Jewish and democratic character; Palestinian legitimate aspirations for self-determination in an independent state of their own at peace with Israel; and American interests in ensuring those outcomes and contributing to regional stability. For all the difficulties, that remains my judgment today.

The current outlook is quite bleak. Two weeks ago, at the annual conference of the Institute for National Security Studies in Tel Aviv, where I am a visiting fellow, the Trump Administration’s special envoy expressed some frustration with the current stalemate. It was impossible for me not to feel sympathy. I’ve been there. A long line of American negotiators, with goodwill, good ideas, and good intentions, have run aground on the shoals of Israelis’ and Palestinians’ mistrust of one another, waves of Palestinian terror, paralyzing domestic politics, timidity on the part of Arab states, and Israeli settlement expansion. So the current sense of a diplomatic effort with no realistic prospect of a breakthrough is depressingly familiar.

Following our presidential election and during my final months serving as Ambassador, I heard many predictions that President-elect Trump would end US advocacy for a two-state solution, lend support to Israeli annexation of some or all of the West Bank, cut off

relations with the Palestinian Authority, and end U.S. opposition to Israeli settlement construction.

None of those have turned out to be the case. Throughout most of 2017, the Administration pursued an approach that was well within the mainstream of traditional U.S. policy. The President hosted Israeli Prime Minister Netanyahu and Palestinian Authority President Mahmoud Abbas in a warm, productive atmosphere. He made a successful visit to the region in May, convincing leaders on all sides of his desire to achieve a peace agreement. His envoys, Jason Greenblatt and Jared Kushner, traveled the region and built up considerable goodwill and a positive impression of their empathy, creativity, and realism about what a peace agreement required. Parties throughout the region and elsewhere waited expectantly for the President to publish his plan. Had he done so at a couple of key junctures in 2017, when his leverage was at its highest, he would have been very hard to say no to.

True, the President avoided a clear commitment to a two-state solution, talking of “the ultimate deal” and saying first that he would support whatever the parties could agree to, and then making clear that the options for the parties’ agreement included a two-state solution. But despite that lack of clarity — a mistake, in my view — he nevertheless described his aspiration to achieve a peace agreement, reached in direct negotiations between Israelis and Palestinians, that delivered security for Israelis, provided self-determination for Palestinians, and would enable the opening of Israel’s relations with much of the Arab world. With three decades of experience in the region behind me, I feel confident in saying that there is no outcome other than a two-state solution that would achieve all those objectives.

Other familiar elements of the policy included an oft-stated commitment to Palestinian economic development, and a clear effort to restrain Israeli settlement construction. The latter effort was more muted than in the past, and perhaps more flexible, but there is no question that the expectations of some settlement advocates in Israel that a Trump Administration would herald the end of American concern about that issue, were not met — to the point that these advocates have complained vocally to Prime Minister Netanyahu about the lack of construction approvals. As recently as this week, in an interview with the Israeli newspaper *Israel HaYom*, the President said that settlements “complicated making peace”, and that “Israel has to be very careful with the settlements”.

Since the day he was inaugurated, I have had many profound disagreements with the Trump Administration on a wide range of issues. But through most of 2017, the issue that concerned me the least was their efforts to advance Israeli-Palestinian peace.

Having said that, they have hit several significant bumps recently, including through self-inflicted mistakes, that have set back much of what they achieved in the early months.

Most notable was the poor management of the decision regarding Jerusalem. Now, I want to be clear: I strongly support recognition of Jerusalem as Israel's capital, and the immediate relocation of our embassy there. Such recognition acknowledges an obvious fact, and one which we accept functionally in our work with the Israeli government in its offices in Jerusalem. It also helpfully punctures a myth too-often trafficked by Palestinians that there is no historic Jewish connection to Jerusalem, an element of the broader campaign of delegitimization of Israel's very existence.

On October 24, several weeks before the decision, I published in the *Wall Street Journal* an op-ed describing what I considered the smart way to do the right thing — namely, to recognize Jerusalem as Israel's capital and move the embassy to West Jerusalem, and simultaneously to describe those moves in the broader context of the U.S. vision of a two-state solution, including acknowledgment that East Jerusalem has a different status, must be negotiated, and must, in the end, include the capital of a Palestinian state in at least some of its Arab neighborhoods as part of a unified city.

At a minimum, it made little sense to make this announcement before the Kushner/Greenblatt plan had been presented, and without placing the Jerusalem issue in a broader context. Sequenced properly, recognition of Jerusalem as Israel's capital would have both righted a historic wrong *and* helped advance our strategic objective. The strategic objective is not where our embassy sits. It is the end of the Israeli-Palestinian conflict in a two-state solution with peace, security, and mutual recognition for both sides.

President Trump did none of those things. Evidently motivated by the deadline requiring him to issue another waiver of the Jerusalem Embassy Act of 1995, by all accounts he surprised his own staff and overrode the concerns of his cabinet secretaries in insisting on immediate recognition. A poorly prepared and clumsily rolled-out decision, without prior consultation with a range of key regional parties, compounded the problem. Even important caveats, clarifying that the borders of sovereignty in Jerusalem would need to be negotiated, were ignored in the shuffle, and then undermined by the President's imprecise comments that he had "taken Jerusalem off the table", before he got around to reiterating them in his *Israel HaYom* interview this week. The decision would never have been welcomed by the Palestinians, but the President did everything possible to make it difficult for them to absorb.

None of that justifies the Palestinian overreaction. On January 14, 2018, President Abbas delivered a truly outrageous speech to the PLO Central Council in which he bizarrely described Israel as the product of a European colonialist plot, repeated the canard that Israel has no organic connection to Jewish history, and shamefully accused Israel of importing drugs to poison Palestinian children. He also unrealistically demanded that the United States be replaced as the mediator of Middle East peace talks.

In my judgment, in this speech, President Abbas signaled the end of his personal participation in efforts to achieve a two-state solution. If, in earlier stages of his career, he was conflicted — both participating in negotiations toward that end and authorizing impressive security coordination with Israel, and finding it difficult to tell hard truths to his people about Israel's permanence and legitimacy and the unacceptability of terror — he now appears to have cast his lot. As the succession struggle for the Palestinian leadership following Abbas unfolds, he seems determined to end his career as one who refused to relinquish key Palestinian dogmas about Israel.

This chain of events has left the Trump Administration paralyzed. With Abbas high up in a tree, the Administration has made no effort to find a ladder to help him climb down. The President's tweets complaining about the Palestinians' refusal to negotiate — oddly out of sequence, in that he has still not presented his plan that was intended to be the basis for negotiations — and his threat to cut off U.S. assistance programs to the Palestinians, only sent Abbas higher.

So in the current circumstance, the Administration has no way to get their plan out, at least until tempers cool somewhat, without it being dead on arrival. I hope the Administration will resist the advice they are getting from some quarters to rush out a one-sided plan in full knowledge that the Palestinians will reject it out of hand. That would deal yet another blow to the already battered prospects for two states.

The truth is that a realistic assessment tells us that the current situation offers no chance for an immediate breakthrough toward a peace agreement, or even the resumption of negotiations. The weight of the failure of the negotiations of 2010 and 2013-14 remains heavy, deepening the near total mistrust that existed between Netanyahu and Abbas even before they started those talks. Several waves of Palestinian stabbing and car-ramming terrorist attacks, and Hamas' continued construction of rockets and tunnels to attack Israel have done much to engender doubts among Israelis that there is a viable partner for peace. So has the continued incitement and glorification of violence by Palestinian leaders, including the unconscionable salaries paid to Palestinian terrorists with blood on their hands in Israeli prisons. Israeli settlement expansion, including in areas well beyond the settlement blocs near the 1967 lines which could be accommodated in territorial swaps, continues to make a viable map of a two-state solution more difficult over time. And Arab states, even those who perceive a strategic alignment with Israel vis-a-vis the common threats of Iran and Sunni extremists, have been far too timid about signaling to Israelis and Palestinians about what a post-peace regional alignment could look like, including by beginning steps of normalization with Israel.

I have already spoken about the turn that Abbas has taken away from being a viable partner for two states. His own domestic weakness, including his perpetual competition for influence with Hamas, makes it unlikely that will change.

Prime Minister Netanyahu faces his own challenges, including a spate of corruption investigations which he has responded to politically by pulling in close with his right-wing base. Reports that the Prime Minister told his party members he has been discussing annexation of West Bank settlements with the Administration are the most recent evidence of this trend. Needless to say, unilateral Israeli annexation, even of areas Israel could reasonably be expected to keep in the land swaps envisioned in a two-state solution, especially if disconnected from other final status issues, would deepen the crisis we find ourselves in, and make even more distant the needed resumption of negotiations. So I was encouraged that the White House denied that any such conversations had taken place.

It also should be recognized, as the President suggested in his interview this week in *Israel HaYom*, that the current Israeli government is dominated by voices who openly oppose the two-state solution. Netanyahu, who endorsed that outcome in 2009, has more recently remained ambiguous about the end-state he seeks. But most members of his government are clear in their opposition.

**I do not recommend that the Administration make any effort to try to bring the parties back to the negotiating table in the near future.** These parties are so far apart, and their history with and attitudes about one another are so toxic, that, even if the Administration managed, somehow, to drag them back to the table, the talks would almost certainly collapse, perhaps spectacularly. And such a collapse could easily be punctuated by another round of violence.

**Rather, the Administration should approach this challenge with a view toward preserving the two-state solution as a viable and achievable goal for the future, but postponing any actual negotiations until the atmosphere has improved and there are appropriate changes in the leadership dynamic** — almost certainly new Palestinian leadership and at least a different Israeli coalition.

**A strategy aimed at keeping the two-state solution alive would start with clarity from the United States that that outcome remains our strategic objective, the end state that would best serve U.S. interests. Then, it would work with all relevant parties to take practical steps that put down anchors to help arrest the slide toward a binational reality.**

**For Israel,** those steps include expanding the areas in which the Palestinian Authority can operate, by creating contiguity between disconnected areas of PA control (Areas A and B), and permitting greater Palestinian economic development in portions of Area C that would likely become part of a Palestinian state in a final status agreement. Israel should also define a policy on West Bank settlements that freezes construction in areas east of the security barrier and limits it to those areas within settlement blocs that can be accommodated in equivalent land swaps in a final status agreement. The important thing

is to demonstrate, in word and deed, and by clear expressions of intent about where Israel intends to remain present and not to remain, that a two-state solution, including a viable Palestinian state, remains a realistic goal, even if it cannot be achieved anytime soon, and even if it will require new Palestinian leaders to accept and teach their public about Israel's legitimacy and permanence in ways they have not done heretofore.

**For Palestinians,** preserving the possibility of a two-state solution means continuing, and upgrading, the effective security coordination the PA Security Forces have been engaged in with their Israeli counterparts, including expanding their presence to agreed parts of Area B. It also requires a consistent campaign against incitement to violence and glorification of those who commit acts of terror. These outrageous practices, which teach young Palestinians that violence against civilians is acceptable, must stop. The Taylor Force Act, which is advancing through Congress, will hopefully hasten the end of the unacceptable payments to terrorists with blood on their hands. One additional gesture Palestinians should take is to swear off efforts to gang up on Israel and isolate it in international forums.

**Arab states** can make a significant contribution toward preserving the viability of two-states by beginning to act now, not waiting for later, on the recognition of the alignment of their interests and Israel's. Israel is already a strategic partner, openly acknowledged, to Saudi Arabia, the United Arab Emirates, and other moderate Sunni states — in addition to its peace partners, Egypt and Jordan. Those states should begin now to engage Israel in steps toward normalization — official diplomatic visits and meetings; academic and cultural exchanges; opening economic and trade links; permitting the overflight of Israeli commercial aircraft; and so on. Those gestures now will send signals to the Arab and Israeli publics about the benefits that can fully blossom in the context of a two-state solution. They should also be accompanied by signals to the Palestinians setting realistic expectations about final status issues like refugees returning to a Palestinian state but not to Israel itself, and the need to recognize Israel as a Jewish state.

**Finally, it is important in the same period to continue to seek to improve the economic and humanitarian circumstances of Palestinians in the West Bank and Gaza.** Doing so serves both the need to relieve suffering and upgrade living standards, which contributes to stability, and helps to build the foundations of the economy of an independent Palestinian state. U.S. assistance contributes greatly to these efforts, with very little actually reaching the accounts of the Palestinian Authority. That is why the President's tweets made little sense. The consequences of cutting off U.S. assistance would be to harm vulnerable Palestinians, including many children, and to impose a greater economic and security burden on Israel, which would have to fill the gaps in funding and services and deal with the security fallout.

Thankfully, it appears Special Envoy Greenblatt understands those dynamics. His continued visits to aid projects, partnership with Israeli military leaders in charge of civil

and economic affairs, and, most recently, his presentation at the Ad-Hoc Liaison Committee (AHLIC) donors meeting in Brussels last month indicate that the U.S. approach is not, in fact to cut off assistance, but rather to continue it and seek other partners to increase their contributions. The Israeli minister representing the Government of Israel at the meeting, Tzachi Hanegbi, was no less enthusiastic about the importance of pressing forward with economic and infrastructure projects in the West Bank and Gaza to improve the quality of life for Palestinians. And the attendance of Palestinian Authority Prime Minister Rami Hamadallah indicates that the diplomatic stalemate need not prevent cooperation on economic advancement.

Most worrisome is the situation in Gaza, where years of Hamas' mismanagement and squandering of resources on rockets, tunnels, and fruitless wars with Israel, and Palestinian Authority ambivalence about taking on the responsibilities of governance where it would need to challenge Hamas militarily — has left the population in significant distress, with crumbling electricity, water, and wastewater treatment infrastructure and massive unemployment. The imperative of addressing the urgent situation in Gaza is about relieving significant human misery, heading off health and sanitation crises that no know borders, and easing tensions that could become the spark for the next war between Israel and Hamas.

**My recommendation to the Committee is ensure the continuation of those elements of our Palestinian assistance program that support security cooperation between Israel and the PA, and contribute to improving humanitarian conditions to the Palestinian people.** Those programs can be accommodated within the bounds of the emerging version of the Taylor Force Act. It is simply a fact that a cut-off of U.S. economic assistance would make it much harder, politically, for Palestinian security partners to continue accept our security assistance. The breakdown of those programs, and a humanitarian crisis in Gaza, are the most likely near-term causes of another wave of violence or round of conflict in Gaza, which both pose significant security risks for Israel. That is why the IDF leadership is so clear on the importance of continuing those programs.

**One more contribution Congress can make is to increase funding for creative approaches to sustaining prospects for two-states outside of traditional assistance programs.** We have seen the impact of **people-to-people programs**, like the Congressionally-mandated Conflict Management and Mitigation (CMM) grants, which support NGOs that build people-to-people ties between Israelis and Palestinians, and between different groups within each society. These programs build grassroots support for reconciliation and conflict resolution, and increase support for and belief in a two-state solution among those who take part.

Another opportunity would be to invest in **the emerging Palestinian hi-tech sector**, which would create high quality jobs and expand existing channels of Israeli-Palestinian

hi-tech private sector collaboration. I refer the Committee to the article, “Start-Up Palestine: How to Spark a West Bank Tech Boom” by Yadin Kaufmann in the July/August 2017 issue of *Foreign Affairs*, for details on a proposal to pair Palestinian start-ups with established U.S. partner companies and receive grants to support R&D costs, modeled on the successful U.S.-Israel Binational Industrial Research and Development Foundation.

Any reduction in Palestinian assistance programs could be directed toward these efforts, without putting any money in the hands of the Palestinian Authority, and helping sustain the viability of the two state solution.

But no matter how much Congress contributes, and no matter much the Administration urges all parties to take the steps that will keep the two-state solution viable for the future, we shouldn’t deceive ourselves. The situation on the ground, the periodic waves of violence, the political incentives for the main actors, the continued expansion of settlements, and the hardening of attitudes all point in the other direction. The danger we face is an unarrested drift in the direction of what the Prime Minister has called — and says he does not want — a binational state: a situation in which similar-sized Jewish and Arab populations live between the Jordan River and the Mediterranean Sea in the framework of one state. Even if you exclude Gaza from that calculation, the numbers point in that direction.

Today, many younger Palestinians say they are no longer focused on the goal of a two-state solution; rather, they advocate holding out for fully equal rights, with one-person one-vote, in a single state. We need to hear their voices.

I also listen closely to the views of many of the ministers in the current Israel government — people I have worked with and consider friends, even when we disagree — who oppose a two-state solution. They are very open about it, and are very sincere. Whether motivated by the Jewish people’s historic and religious ties to the West Bank, the security challenges of withdrawal from those areas, the lack of confidence in the Palestinian leadership that will follow, or the chaos of the region that surrounds Israel on every side, they do not believe two states is desirable or workable, and they are working to prevent it.

Because of the prominence of these views in the Israeli government and influential constituencies, I have undertaken to study some of the alternatives to a two-state solution that those who hold these views propose. They include proposals to: annex all of the West Bank or the 60 percent that comprises Area C; apply civilian Israeli law to West Bank settlements that currently answer to the Israeli military; provide local autonomy to most Palestinians under overall Israeli sovereignty and security control; provide all, some, or no Palestinians in the West Bank with Israeli citizenship and voting rights in national elections; or make West Bank Palestinians citizens of Jordan.



I believe these options deserve greater study because we might end up in one of them. Or, there might be a determination to just try to muddle through with the status quo, which, of course, is not static. But all of these options are worse than a two-state solution. All of them would pose challenges to Israel's status as a Jewish and democratic state, and its ability to sustain its security. Many of them could lead to renewed and sustained conflict in a virtual civil war scenario. None of them deliver on Palestinians' legitimate aspirations for independence in a state that is at peace with Israel. They would very likely squander the real opportunity that exists today for normalization between Israel and Arab states, busting the irrational exuberance of some who believe the Arab states will normalize with Israel without regard to a stalemate on the Palestinian issue. And all of them would be worse from the point of view of U.S. interests.

I am particularly worried about the implications of these outcomes for the bilateral U.S.-Israel relationship. I have spent virtually my entire life trying to build, support, and strengthen that relationship, which encompasses extensive security coordination, the common values of two democracies, and a burgeoning economic partnership. I am proud of the extraordinary commitment of the United States to Israel's security — both a strategic asset and a moral obligation — which I was privileged to help advance in the negotiations that produced the \$38 billion Memorandum of Understanding for the next decade of U.S. military assistance. I am in the school of former Vice President Joe Biden, who has said that if Israel did not exist, we would have to invent it, because of the benefit this partnership provides for U.S. interests.

But if we find ourselves drifting toward some version of the binational state, we should study carefully what would be the impacts on our relationship. Advocates for the alternatives should be asked to explain their perspective, being clear and honest about the impact of what they propose. My own worry is that if, over time, many in the world, quite a few Americans, and not a small number of Israelis raise questions about whether Israel continues to be the Jewish and democratic state it has always been and which is the fulfillment of the Zionist vision, when at least one of those aspects of its identity is under stress, it will put pressures on our bilateral relationship, which will begin to change in ways that are hard to predict. If we go down this road, I favor doing it with our eyes open, trying, as allies, to steer toward the least bad outcome.

Madam Chairman, Ranking Member Deutch, thank you again for the opportunity to address the Committee. I look forward to answering any questions.