

**POST-PALESTINIAN ELECTION CHALLENGES
IN THE MIDDLE EAST**

HEARING

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

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POST-PALESTINIAN ELECTION CHALLENGES IN THE MIDDLE EAST

WEDNESDAY, MARCH 15, 2006

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 9:02 a.m. in Room SD-419, Dirksen Senate Office Building, Hon. Richard G. Lugar (chairman) presiding.

Present: Senators Lugar, Hagel, Chafee, Voinovich, Sununu, Martinez, Biden, Dodd, Feingold, Boxer, and Obama.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, U.S. SENATOR FROM INDIANA

Chairman LUGAR. This hearing of the Senate Foreign Relations Committee is called to order. I appreciate very much the work of the staff and especially our first witness in coming at this early hour. We are anticipating an unusual day of voting on the Budget Act on the Senate floor. So as to preserve ample time for our witnesses to be heard with very important testimony and for members to take part fully, we have accelerated our hearing to this hour, and I thank all for attending.

Let me just say to begin. The Committee on Foreign Relations has held several hearings during the past year to assess new dynamics in the Middle East. The election of Palestinian Authority President Mahmoud Abbas in January 2005 held promise for more productive negotiations with a new Palestinian partner. The courageous and largely peaceful Israeli disengagement from 25 Gaza and West Bank settlements last summer raised hopes that a precedent was being set for further cooperation to resolve the long-standing Israeli-Palestinian conflict.

Today, the committee meets to again evaluate prospects for Middle East peace amidst a rapidly changing landscape. Hamas, a designated terrorist organization, was victorious in the Palestinian Legislative Council elections at the end of January. The United States, Israel, and the international community have been forced to reassess the short-term goals and strategies of the peace process. Hamas's existing charter and ideology of violence contradict the principles of the free and fair democratic elections that brought it to power.

The United States, the Quartet, and others have indicated they will not deal with Hamas unless it recognizes Israel's right to exist, rejects violence and adheres to previous Palestinian agreements

with Israel, but new dilemmas for United States policy arise from this principled stand.

The Palestinian Authority is virtually bankrupt. Reportedly, without external aid, the Palestinian Authority cannot pay salaries for its more than 145,000 employees, almost 60,000 of whom are in the security forces. The United States and European efforts over the past year have made only modest progress in reforming and reorganizing Palestinian security forces, which are dominated by Fatah. Armed and unemployed, these forces could become a major source of internal instability, as well as a threat to Israel.

With Palestinian unemployment estimated between 30 and 60 percent, cutting off all aid could also precipitate a humanitarian crisis. Palestinians are dependent on outside sources, including Israel, for food, fuel and other basic needs. A diminishment of aid from the West could further radicalize the Palestinian people or expand the influence of Iran and Syria. Iran has already offered assistance to Hamas and has, in the past, armed and supported Hamas and other terrorist organizations such as Hezbollah and the Palestinian Islamic Jihad. With its oil revenues bolstered by \$60-a-barrel prices, Iran might be willing to expend substantial resources to solidify ties with Hamas and portray itself as a patron of the Palestinian people.

Among Arab states, Jordan, Egypt, the Gulf States and Saudi Arabia are concerned that Hamas will stir extremists within their borders. Recent reports that Saudi Arabia will continue to provide aid to the Palestinians reflect such concerns, and may ameliorate some fears that Palestinians will turn to Iran.

In Congress, several bills have been introduced to cut all or some portion of U.S. aid to the Palestinians. There is a consensus that no U.S. aid should benefit terrorists, and thus, no direct aid should be provided that supports a Hamas-led Palestinian Authority unless it definitively changes its positions. An issue that requires more examination is whether mechanisms can be developed that would provide targeted aid to the Palestinian people without benefiting the Hamas government.

Until the new Palestinian government is formed and its roles and policies are clarified, U.S. policy should maintain sufficient flexibility to take advantage of opportunities to exert influence on the Palestinian Authority or elements of it.

Today, we will ask our witnesses how we should deal with a Hamas-led Palestinian Authority. Should our policy be to isolate, engage, or contain Hamas? Should we find a way to continue humanitarian aid to the Palestinian people? Is there any possibility that Hamas can be co-opted after they have experienced the burdens of governing? How will the March 28th Israeli elections be affected by the Palestinian situation? Is there a way to put the peace process back on track so that Israelis and Palestinians can reach the necessary compromises to give their children a chance for a peaceful future?

To assess these challenges, we welcome three distinguished panels. First, we will hear from Mr. James Wolfensohn, the Quartet Special Envoy for Gaza Disengagement. He has worked tirelessly during the past year to advance the cause of peace in very difficult circumstances. Next, we will hear from Lieutenant General Keith

Dayton, U.S. Security Coordinator, who took on the missions of Palestinian security reform and reorganization from Lieutenant General William Ward this past November. On our final panel, we will hear from Ambassador Dennis Ross, Director and Ziegler Distinguished Fellow at the Washington Institute for Near East Policy, and Mr. Robert Malley, Middle East and North Africa Program Director of the International Crisis Group.

We very much look forward to this testimony and the recommendations of our witnesses. Let me now recognize the presence of Senator Sununu, who has taken great interest in this area. Do you have an opening thought or comment, Senator?

Senator SUNUNU. No, thank you very much, Mr. Chairman. I'll wait till Mr. Wolfensohn has had a chance to offer his testimony and then engage in a little bit of questioning. Thank you.

Chairman LUGAR. Thank you very much. When the distinguished Ranking Member comes to the meeting, we will ask him for his opening statement. But for the moment, we are delighted to greet you once again, Mr. Wolfensohn, and we appreciate your being here, and would you please proceed with your testimony.

STATEMENT OF JAMES D. WOLFENSOHN, QUARTET SPECIAL ENVOY FOR GAZA DISENGAGEMENT, WASHINGTON, DC

Mr. WOLFENSOHN. Thank you very much indeed, Mr. Chairman, Senator Sununu. It's a pleasure to be here again and to be here in the company of General Dayton, my new colleague, and I want to acknowledge very much the great contribution that General Ward and General Dayton have made and what a pleasure it's been to work with them. It's been over 6 months since I was here, Mr. Chairman, and it seems as though a lifetime has passed by in that period of time.

When I was here last, we were outlining a very hopeful position to the committee. And indeed, there was a sense of optimism between the parties built on the so-called "Six Plus Three Agenda". We were dealing with the issues of how one could normalize relationships between Israel and the Palestinian territories. And if you'll recall, Mr. Chairman, we were discussing, at that time, how one could bring about, in the near future, the issues of border crossings and trade cargoes, the connection between Gaza and the West Bank and movement in the West Bank. We were talking about the air and seaports, about the removal of rubble and the settlements; and finally, establishing greenhouses as an economic engine for the Palestinians. We were also addressing, at that stage, how we could then move to a medium term program that would be constructive, both for Palestinians and Israelis. There was a lot of optimism at that time, and the optimism was restated somewhat later in meetings of The Quartet and meetings between myself and members of each side, and we were working towards an implementation of the so-called Six Plus Three Agenda, which culminated in the signing of an agreement by the Secretary of State in November with the parties after a 24-hour lengthy and detailed and exhausting set of negotiations in which it was agreed that the implementation of this program would be taken on by the United States and Israel with somewhat less involvement of The Quartet and of myself.

Also prior to those November meetings, you will recall that there was a unilateral disengagement in Gaza which changed very much the dynamics of the situation. And shortly thereafter, the very sad event of the sickness of Prime Minister Sharon, which changed also the dynamics and the leadership, indeed, of the Israel electorate. And then two other events presented themselves, the first being the Palestinian election in which there was an unexpected victory of Hamas. And now, on the 28th of this month, an election in Israel, the results of which we will know on the 28th of this month. So, it has been a turbulent period and sadly, one in which a lot of the dreams of the so-called Six Plus Three agreements have not been fulfilled. There have been significant interruptions in trade at the crossings. One positive element has been the establishment at Rafah of an opening with Egypt, which has been managed by our European colleagues and which has been largely quite successful, but the Karni Crossing for goods both ways has been closed half the time since the beginning of the year. And the Erez crossing for people has been diminished to a level of something of the order of 2,000 people a day. So, the hopes that we had at that time, I'm afraid, have been diminished, and there is an atmosphere of tension, which prevailed even before yesterday. And then, with yesterday's events, there is now a heightened sense of urgency, I believe, to try and restore some mutual confidence and some hope for what we hoped for all the way through these negotiations, which was a two-state solution with honor to both sides and with hopes for both sides.

With the Hamas victory, all of us are faced with the issue of what is it that Hamas stands for. And I think, as you know, it is a genocidal charter that Hamas has, which has been well reviewed and well advertised and uniformly resisted by The Quartet and, of course, by the government of the United States as a member of that Quartet and on its own behalf. It's really inconceivable to have one potential state next to another which is committed to the destruction of that state and their throwing it out. I said to my colleagues last night it would be—drawing on my origins, it would be strange if New Zealand did it to Australia, and I'm not sure that we would have had great relations with New Zealanders as Australians if their charter was to get rid of us, not that we have great relations with New Zealanders anyway, Mr. Chairman, but that's a separate subject.

But that would have, I think, been the last straw. And so, in the case of the Israelis and the Palestinians an articulation of a program that saw its origins as perceived, I think, not correctly in Jihad and in the Islamic Resistance Movement based on the prophet or the interpretation of the prophet is something that clearly all of us need to resist and which is not acceptable. And that leads to the current situation where we have, possibly this week, the installation of a—or at least the recommendation to President Abbas of a—leadership group in the cabinet that will be significantly Hamas or is thought to be significantly Hamas and, I think, a uniform view taken by the international community that providing funds to Hamas-led activities is something that we should not do given the background of the Hamas beliefs.

So, we are now at a situation where we are caught in a dilemma with the victory of Hamas in the past elections. May I say, Mr. Chairman, in fact, on the popular vote, it was very close between Hamas and Fatah, and one of the reasons was that Fatah had several candidates for many seats which split their vote, and Hamas was able to come in—a fairly obvious political calculation, but one, nonetheless, that was made at the time. And so, Hamas, I think, rather surprisingly for themselves came in and certainly surprisingly for all of us. The fiscal situation, then, is one that persisted before Hamas came in, but is made more difficult by the arrival of Hamas. We can submit to you, Mr. Chairman, the details, but I look at it in the following way, that there is roughly a \$2 billion-dollar budget out of a four and a half billion-dollar GDP in the territories, \$4.4. That means that each month, \$165 million dollars is required by the Palestinians. Of that \$165 million, roughly \$35 million is generated from internally-collected funds of one form or another. That leaves you a net \$130 million. Of that \$130 million, the Israelis collect customs and other revenues of the order of \$60 million. So, that \$130 then becomes a gap of \$70 million. And what we talk about virtually every month is how is that \$70 million filled. That, in very simple terms, Mr. Chairman, is the calculation each month. Last year, that \$70 million—in fact, it was slightly less than that, but if you take it for the total of the year, 12 times 70 would be \$840 million gap. In fact, it was last year \$770 million, but it's running at the rate now that I just described. So, the issue for all of us is how do you fill that \$840 million. And in recent times, we have been gathering money, \$20 million last month from the Saudis, \$10 million from the Kataris, \$10 million from the Norwegians, so we have a list of all this that we can provide to you. But typically, and at the moment, there is a gap that runs \$30–\$40–\$50 million a month which is required to be filled in ways other than by these direct donations. That is the problem that monthly the Palestinians face, but there is another problem at the moment which is that the Israelis are not paying them the \$60 million that they get and collect for them. So, the challenge of the \$60–\$70 million, which I referred to, which is the normal gap, is doubled because the Israelis are not paying them. So, you have something in excess of \$100 million which has to be found each month.

That is the core of the financial problem, Mr. Chairman. It's \$100 million-plus gap accentuated and put there because the Israelis are not paying the \$60 million. So, the \$60 or \$70 becomes \$120 which has to be filled each month. And from a financial point of view, that is what we are running around trying to fill each month. If Hamas comes in, the ability to fill that becomes further diminished because people will not give money to an authority which is run by the Hamas representatives.

And therefore, all the debate now is how can you get money to the Palestinians without going through Hamas in order to avert a humanitarian crisis. And that is where we are in the debate, how do you get money to the Palestinians for health, education and essential services to ensure that they can survive parallel in terms of delivery with the Hamas delivery system, and we don't yet have the answer to that. Certainly, we don't want two sets of schools.

Certainly, there's no way to have two sets of hospitals, two sets of essential service delivery. And so, what everybody is looking at at the moment from the United Nations and UNRWA, which as you know, separately provides \$150 million dollars-plus of services, how is it that in this next period, if it's indeed possible, one can meet the needs of nearly a million schoolchildren out of a population of 4½ million, and how is it that you can bring payment to the employees that you have mentioned in your opening statement, the government employees, who support close to a million of the population—900,000 is the estimate, 6 to 1 of the 150,000 people that are employed and all this, Mr. Chairman, at a time when we are trying to put this together in a rather difficult political environment added to yesterday—by yesterday's events in terms of a heightened sense of danger and of concern and with the Israeli election coming up on the 28th of this month.

I wish you had asked me to come in a few weeks' time, Mr. Chairman, because I might have some answers for you, but what I am describing to you is the current situation. It is a situation of a monthly deficit accentuated by the Israel decision not to pass on \$60 million or so of revenues which they collect, uncertainty on the part of the international community of how they can pass money through given the Hamas accentuation of coming to power and the prospective appointment of a cabinet. And if the gap is there, and you're not paying to Hamas, the third issue—how is it that we can organize an alternative delivery mechanism. And, Mr. Chairman, we don't yet have an answer to that. You can do it through NGOs. You may be able to do some of it through the United Nations. We are looking at all the alternatives at this moment, but the thing which is certain is that we cannot have a peaceful environment if we cannot deal with the basic needs of the people, nor would it be equitable to bring problems to people who are non-Hamas people to the average person in the society, many of whom voted for Hamas not because of any political objective, but because they felt that the previous government was corrupt and not doing its job correctly.

So, this is not a divided community with people that want to go kill Israel or every Israeli, this is an election, which showed significant dissatisfaction with the prior government, I think, for reasons which they believe to be good in terms of corruption and mismanagement. And we, then, are now faced as the international community with dealing with this. And the final thing, Mr. Chairman, is that the reactions that the international community is making or are making are being watched very carefully. It seems to me at this moment, as a non-politician, that we need a little time to try and assess what are the possible ways in which we can contrive an answer which meets all our needs. And if we have a sequence of legislations around the world which limit our hands beyond the main principles of not dealing with Hamas, it will make it quite difficult for us to come testify and tell you what we want to do because the experts in the field don't yet know how to do it. So, I think we should try and get a bit of time here, not to find a way around our principles, but within our principles, to find ways in which we can deal with the essential issue, which is the issue

of livelihood to the Palestinians during this next period. I think that's the explanation, Mr. Chairman.

[The prepared statement of Mr. Wolfensohn follows:]

PREPARED STATEMENT OF JAMES D. WOLFENSOHN, QUARTET
SPECIAL ENVOY FOR GAZA DISENGAGEMENT

Mr. Chairman and members of the committee, thank you for inviting me today to share with you my assessment of the current economic situation in the Palestinian Territories, and my thoughts about how the international community might usefully proceed from here. The Palestinian Legislative Council elections on January 25 were free and fair, with a high turnout, good security and results that have been respected by all political factions. The Palestinian people sent a clear message that they want a clean government that meets their needs and is accountable.

At the same time, the election of a group that is designated a Foreign Terrorist Organization by the United States and the European Union, and that advocates the destruction of Israel in its charter presents serious challenges that we all must now address. The Quartet has made clear that Hamas must commit to nonviolence, recognize Israel, and accept previous agreements and obligations of the Palestinian Authority (PA), including the Roadmap. I agree with this position unequivocally. These are fundamental commitments, and set the basic parameters under which the PA can be a partner in the peace process. Israel cannot be expected to negotiate with a PA government that does not accept its existence and openly calls for its destruction.

In the event that a new PA government refuses to accept the three conditions set by the international community, then it is right for all those engaged in attempting to bring peace to the region to review their assistance efforts to the PA. While the future should be left to the citizens and leadership of the Palestinian community, international assistance remains a powerful tool that can be used to affect the policy debate in the right direction—we do this in developing countries around the world to ensure that aid money is used effectively and to promote strong economic growth. We have been targeting our assistance to the PA to elicit the kinds of reforms and policies consistent with Oslo. Hamas faces a clear choice to either fulfill the mandate given it by the Palestinian people to eliminate corruption and pursue their desire for peace, or maintain its support of terror and untenable stand against Israel at the cost of international censure.

The mechanisms we use to encourage Hamas to commit to the Quartet's three principles should be very carefully selected and targeted, with the goal of retaining open political space. It is essential, therefore, to ensure the continued humanitarian and economic welfare of the Palestinian people in a way that is predictable and clear to the population. We must appropriately target our message to Hamas at those responsible for terrorism and those responsible for making decisions about the future direction of the PA. To cast too wide a net and punish ordinary Palestinian citizens for Hamas' failures—those working for the health and well-being of the Palestinian people, those pursuing moderate political causes, or elected officials who are not associated with Hamas—sets the stage for our intentions to be misread. We risk blame being cast at the international community and increased radicalization of Palestinian society should Palestinian suffering increase.

In the nearly 8 months since my last appearance before the committee, I have continued to work on behalf of the Quartet to pursue its original mission to coordinate the international community's efforts in support of Israel's disengagement from the Gaza Strip and parts of the northern West Bank. This has meant working with both sides to establish the prerequisites for a successful Palestinian economy, and working with the PA to develop a program of reforms and steps to promote economic recovery, good governance, transparency, job creation and improved living standards. Above all, my goal was to facilitate economic hope for the Palestinians in an environment of security for both sides.

Planned changes in assistance will affect the efforts we, and the rest of the international community, have made thus far to build the economy, institutions and efficacy of the PA. I have noted to the Quartet that such changes require careful examination against the long-term development goals we have pursued. Key measures in this area have included: the establishment of a single treasury account at the Ministry of Finance; increased transparency of financial accounting including external auditing and submission of financial statements to parliament; stronger anti-corruption measures including passage of a law on illicit earnings and passage of a judicial authority law, and the successful formation and functioning of the Central Elections Commission. There remains a great distance yet to go in PA reform, and aban-

doning the project now across the board risks setting back our goals and interests in the region. I have been greatly impressed by many Palestinians working for these same goals, and we should not let them down.

Coordinated leadership during this time will avoid hasty decisions that could jeopardize many years of democratization and institution building processes. We could inadvertently foster a situation where there truly can be no partner for peace. The international community is working now to address many of these difficult questions. I recognize the complexity of the task and am hopeful there will soon be a convincing strategy addressing the PA's financial and short- and long-term development needs.

THE FISCAL CRISIS

The current fiscal situation in the Palestinian territories is dire and unsustainable and may have wide-ranging consequences for the Palestinian economy, and for security and stability for the Palestinians and the Israelis. And it comes at a time when Israel prepares for elections. The PA needs \$115 million to pay salaries and essential benefits for the month of February. The size of the wage bill has ballooned over the last 8 months, largely due to substantial wage increases granted to both civilian and security personnel mid-year, and more recently due to significant increases in the number of PA security services personnel (to return to a path of fiscal sustainability, the PA must shed at least 30,000 security sector employees). Additional costs, including payment to Palestinian and Israeli vendors, social transfers, and utility payments to Israel result in a monthly deficit of roughly \$70 million. Israel's decision to withhold tax and customs revenue transfers of roughly \$60 million per month expands this deficit to \$130 million per month and severely increases the PA's reliance on external financing.

With generous contributions of budget support from donors such as the EU, Saudi Arabia, Norway, and the United Kingdom, the financing gap for February has narrowed significantly. However, the PA continues to face shortfall of some \$30-40 million and therefore has not yet paid February salaries. Hamas has asked President Abbas for a two week extension to form a cabinet, meaning that we will have a caretaker government through most of March. There are no plans in place for how to finance the March deficit.

The majority of donor assistance directly to the PA budget is from Arab states. According to the PA Ministry of Finance, in 2005 \$210 million of the PA's over \$360 million in budget support was provided from the Middle East. Saudi Arabia, Algeria, Kuwait and Qatar were the lead Arab donors. It is possible but by no means certain that Arab donors would increase assistance to the PA if Western donors reduce funding through other channels. While I have no personal knowledge of the subject, we have already seen rumors that Iran is considering assistance, though Hamas itself has disputed some such stories. It is also not clear the degree to which Iran is capable of funding the PA. What is clear is that the PA has a consistent and chronic budget deficit the new government will be responsible for addressing.

Non-payment of salaries to some 150,000 PA civilian and security employees would have a major impact on the economy and increase levels of poverty, but again, I cannot endorse external budgetary assistance once a new government is formed absent the new government's accepting the three Quartet principles. PA employees make up 37 percent of those in employed in Gaza and 14 percent in the West Bank, with more than 940,000 Palestinians (about one quarter of the population) directly dependent on a PA wage earner in the family. This dependence is particularly high among the poorest segments of the population. The private sector, already experiencing a severe slump, has only a limited capacity to absorb new unemployed, leaving the population even more vulnerable.

Non-payment of salaries to some 73,000 security staff risks rising criminality, kidnapping and protection rackets. This has led already to U.N. international staff being reduced from 76 to 6 currently, and kept U.N. operations in Gaza at a heightened level of alert. As we saw yesterday from the terrible events in Jericho that spread rapidly throughout the West Bank and to Gaza, the already highly charged environment needs no additional fuel for a spark to ignite.

DEVELOPMENT AND HUMANITARIAN ASSISTANCE ISSUES

Donors have long been engaged in the broad process of building Palestinian institutions, infrastructure and capacity to govern. In 2005, donors spent over \$700 million in projects and programs to help the Palestinian people build water lines and housing, create jobs, develop small businesses and strengthen their elections system. The EU COPPS program helped build the Palestinian security sector, while donors

worked together through the World Bank Financial Reform Trust Fund to strengthen PA financial management.

Donors were planning further increases in assistance to the PA in the wake of disengagement and in the run-up to January PLC elections. The EC proposed doubling aid to € 500 million if meaningful progress in security and access policy were achieved; Japan was moving forward with provision of \$100 million in disengagement-related assistance; the U.S. provided \$200 million in supplemental assistance in 2005, in addition to \$75 million annual budget, and doubled 2006 budget to \$150 million; UAE pledged \$100 million to build 3,000 new housing units in Gaza, and Canada doubled their 2005–06 commitment to \$58 million. This assistance was to have largely been implemented during the first half of 2006.

The suspension of all such activity would have important consequences for Palestinians. Sewage running in the streets will continue to do so. Jobs that would have been created through road building and other infrastructure projects will not exist; the U.N. notes that 100,000 jobs need to be created in 2006 just to maintain the current rate of unemployment. Removing assistance for political reform programs is especially counterintuitive when we recall that 55 percent of the Palestinian population voted for parties other than Hamas. This again speaks to the need for a careful, thoughtful approach to the current situation that reinforces our long term goals while preserving our interests.

When Israel announced its planned disengagement from Gaza and parts of the northern West Bank, the international community, including me, spoke of a return to the Roadmap and of building hope for the Palestinians. We recognized then that the best way to bring calm and security was to improve the Palestinian economy. At the same time, we recognized that if we failed to seize this moment to increase prosperity, the likelihood of rising discontent and violence would increase. The same issues face us now, and we must very carefully consider how we design the next phase of donor activity.

Part of building PA institutions has been building their capacity to provide for the basic needs of the Palestinian population. More than 50,000 Palestinians work in the health and education sectors. To halt financing of the PA would mean that basic and essential services, such as education, health care, water supply, and sewage treatment would be significantly reduced or cease to be provided altogether. For example, the PA Ministry of Health currently operates about 60 percent of basic health care clinics and hospital beds in the West Bank and Gaza and administers 85 percent of vaccinations in the West Bank (and 25 percent in Gaza). NGOs account for 30 percent of the remaining facilities and UNRWA for 8.5 percent. Donors currently fund 87 percent of the non-salary operating budget of the PA Ministry of Health. A collapse of health services and the education system, which addresses the needs of one million children, would be a total failure for the new government, and would have tragic consequences for the Palestinian people. This should not be permitted under any circumstances.

In order to avoid a total failure of the healthcare system in the Palestinian Territories, we are looking at the prospects for provision of services through NGOs, UNRWA, and other agencies outside the PA. According to the U.N., while a number of organizations—including UNRWA—are active in the provision of basic health care and education, international humanitarian agencies may not have the capacity to take over the running all of the PA services. A World Bank survey shows that 47 percent of respondents utilized government health services for regular health care services; 25 percent used UNRWA; 16 percent utilized private sector providers and 11.5 percent used NGOs. It is unclear how much NGOs can fill the gap that would left by the PA.

In education, the IMF reports that about 75 percent of the schools are public, with the remaining 25 percent equally divided between UNRWA and private institutions. UNRWA schools are already overcrowded and operating on shifts. UNRWA has indicated it could expand its primary health and education services to a portion of the non-refugee population if its mandate were expanded. If, however, the PA Ministry of Education were to fail, and in the worst case scenario thousands of school children were sent home, there could be the potential for increasing instability and violence.

Seeking to engage international and non-governmental organizations in the provision of basic services to the Palestinian people may be useful in helping some donors address legal issues that impede providing assistance to or through a new Hamas-led PA government, while enabling their continued support of the Palestinian people. There are questions, however, about the time needed to establish acceptable new mechanisms for delivering assistance, the willingness of these groups to participate, and their capacity to do so. Any new such mechanisms should be designed with the clear intent to dissolve them once their function is no longer needed.

AGREEMENT ON MOVEMENT AND ACCESS

As Quartet Special Envoy, I worked to create the preconditions for a viable Palestinian economy. A major result of this effort was the Agreement on Movement and Access (AMA) that I helped Secretary Rice secure with both sides on November 15, 2005. If fully implemented, this agreement would have addressed major impediments to a successful Palestinian economy: the ability to efficiently move people and goods into and out of Gaza—to Egypt, Israel and the West Bank; reduced trade—restrictive barriers to movement within the West Bank; and facilitated work on a sea and airport for Gaza.

While some success was achieved at Rafah, and for a time at the Karni crossing, the overall implementation of the AMA has been poor. Each side is culpable for this situation, which has ultimately meant that the benefits we had hoped would accrue to the Palestinian economy have not materialized. There could have been no reasonable expectation of progress on these issues after the Palestinian elections, but it is regrettable that the parties did not work harder to reach a conclusion to the issues in the intervening period between signing of the AMA and the elections.

One of the most alarming issues in this context is the prolonged and repetitive closure of the Karni crossing point between Gaza and Israel; the only operating cargo terminal in and out of Gaza. The latest prolonged closure from February 22 to March 8 followed a previous closure from January 15 to February 4. Karni was closed again on March 14 until further notice. The periods of closure represent 51 percent of the total amount of time the crossing should have been open since the beginning of the year.

The closures at Karni have been devastating and severely harmed the Palestinian agricultural sector which was at the height of its season. The AMA set the benchmark of 150 export truck loads a day by December 31, which has not yet been attained. In the last normal operating period in February, daily exports averaged 62 truck loads. There has been a significant decrease in the agricultural crops productivity due to delayed harvesting resulting from the inability to export the produce out of Gaza.

Severe shortages in dairy products, wheat, fruit and chemical items had been reported from Gaza in the week of March 6. Accordingly, prices for many goods, if available at all, rose significantly (sugar by 150 percent, fruit by 40 percent). UNRWA reported yesterday that despite the opening of Karni for imports March 9–13, flour supplies remained insufficient. UNRWA furthermore estimates running out of fuel by March 17.

Progress on establishing convoys for people and goods between Gaza and the West Bank has also been stalled. The AMA stipulates the former were to have been started December 15, 2005 and the latter January 15, 2006. Movement within the West Bank also remains problematic. The number of obstacles identified by the U.N. Office for the Coordination of Humanitarian Affairs climbed from 376 in August 2005 to 487 as of March 3.

There is not yet a detailed assessment of how the above issues will affect the Palestinian economy. It is reasonable to assume, however, that GDP expansion will fall well short of the previously predicted 8.7 percent for 2005. The IMF estimates real growth will instead be 6 percent—not nearly what is needed after the devastating years of recession during the intifada. Unemployment, which the World Bank estimated at over 22 percent in 2005 (and disproportionately affects young Palestinians), will also increase dramatically, especially if the PA undertakes badly needed reforms to reduce public sector payrolls.

The pressure on the new Palestinian government is therefore intense. Even had Fatah won the majority of PLC seats, the international community would have had to engage intensively with the PA on a set of economic and political reforms. Hamas now faces a huge challenge simply in managing the existing issues in front of the PA, and has made big promises to deliver quickly. Fatah failed to do so and was voted out of power in free and fair elections. It will be incumbent on Hamas to provide a peaceful and prosperous future for Palestinians—this can begin with its acceptance of the Quartet's conditions.

There is a great deal of good will motivating the realignment of international assistance to the Palestinians, as all major international donors have stated their commitment to supporting the humanitarian needs of the Palestinian people. The burden, however, rests squarely with Hamas. The current scenario demands a thoughtful, prudent and measured response based on the steadfast goal of returning both sides as quickly as possible to the Roadmap, and finally bringing about a two-state solution. I believe the best way to achieve this is through a clear set of requirements for Hamas, matched with strong, multilateral support for the Palestinian people over a predictable timeframe. The period after the installation of the PA cabinet,

as the international community hopes for Hamas to determine whether or not it will make the required policy changes, will be dangerous and difficult. All of us—the Quartet, the Israelis, the Palestinians and the rest of the international community, but first and foremost the Palestinian leadership—need to consider carefully how this is handled.

Chairman LUGAR. Thank you very much. I appreciate that very lucid commentary on the dilemma. Of course, this is the reason we have asked you to come now. The situation is urgent. As you have pointed out, there are a number of legislative vehicles in front of the Congress. Your advice is to take some time to be thoughtful about that, and this we're attempting to do. Let me suggest that the committee will now have a brief question and answer. I note, however, the presence of Distinguished Ranking Member Senator Biden. Would you like to make an opening comment at this point?

**STATEMENT OF HON. JOSEPH R. BIDEN, JR.,
U.S. SENATOR FROM DELAWARE**

Senator BIDEN. Very briefly. First of all, I'd like to welcome all of our distinguished witnesses. I appreciate you holding this hearing, Mr. Chairman. We have, I think, one of the most thoughtful people I've ever dealt with before us today, and I'm anxious to hear what he has to say. I apologize, I say, to Mr. Wolfensohn for being late. There was a group with Secretary Baker, Lee Hamilton, and others who are putting together a study group on another matter, and I agreed to be there. My apologies. I would ask that my opening statement be placed in the record—

Chairman LUGAR. It will be placed in the record in full.

Senator BIDEN [continuing]. If I may, and I would—well, in the interest of time, I won't even attempt to summarize it. During the question and answer period, I'll get a chance to explore some of the things I have here. Thank you for being here too.

[The prepared statement of Senator Biden follows:]

PREPARED STATEMENT OF HON. JOSEPH R. BIDEN, JR.,
U.S. SENATOR FROM DELAWARE

Welcome to all our witnesses. I'd like to offer a special word of thanks to Jim Wolfensohn, who has volunteered his time and considerable talents for one of the world's toughest jobs.

In January, I was in the West Bank as an official observer during the Palestinian legislative elections. The election results were sobering for all of us. The prospect of Hamas assuming power seems surreal. How did Hamas win? In a nutshell, because Fatah and the Palestinian Authority didn't deliver. The outcome mostly reflects anger and frustration over corruption, mismanagement, and a breakdown of law and order.

But I think that we and the international community must accept some responsibility as well. After Yasir Arafat's death, I repeatedly urged that we act with a sense of urgency to help President Abbas clean up the mess he inherited. The Chairman and I wrote two letters to President Bush in May and July 2005 urging rapid assistance to the Palestinians. Here's what we said in one of those letters: ". . . if the Palestinians do not see immediate, tangible improvements in their daily lives, then Hamas could gain credibility and support at the expense of President Abbas."

Instead of moving urgently, we dithered. It wasn't until November that Secretary Rice got directly involved by brokering a breakthrough agreement on Gaza. That was welcome, but it was too little, too late.

I don't want to dwell on the past, but it's important that we try to learn from it. The question today is how do we respond to the Hamas victory? Obviously, Israel cannot be expected to negotiate with a party that seeks its destruction and engages in terrorism. It seems to me the so-called Quartet—the U.S., the E.U., Russia and the U.N.—has it just right:

The next Palestinian government must recognize Israel, renounce violence, and accept past agreements. That's why I joined Senator McConnell in introducing legislation prohibiting aid to a Hamas government until it meets those conditions. At the same time, we've made important exceptions for the basic needs of the Palestinian people and the office of President Abbas. I believe we should urge other countries to adhere to the Quartet position. In particular, we need to press the Arab Gulf States not to rush in and financially support Hamas. That would take the pressure off.

Does Hamas want to continue as a radical terrorist organization? Or will it respond to the Palestinian public which wants reform, but doesn't want isolation, poverty, and extremism. Simply put, Hamas must choose between bullets and ballots, between destructive terror and constructive governance. It cannot have it both ways. At the same time, we must not punish ordinary Palestinians for the sins of Hamas. I believe we should redouble our commitment to their welfare. We may need to look at new ways of delivering aid. That may require new coalitions from the private sector, NGOs, and international organizations.

I look forward to exploring these and other ideas with our witnesses today.

Chairman LUGAR. All right, I wanted to suggest, because we have several senators present and others will be arriving, a 5-minute question period today, and I'll start with the questions. Secretary Rice has said it's important that we take into consideration the humanitarian aspects that you have talked about, but let me just ask, is the infrastructure and capacity of the Palestinian authorities so weak at this point that even with humanitarian aid there may be chaos? In other words, if other aid is cut, is humanitarian aid enough to prevent a crisis?

Mr. WOLFENSOHN. Mr. Chairman, I wish I could say that if you just paid a check, it would be enough, but I don't believe that is the case. I think we are in the process with our Palestinian colleagues in helping them to build up the infrastructure of governance, but it is not yet complete. As you know, I'm sure the provision of services is already split between the Palestinian Authority and UNRWA and some other independent agencies. And while I think the movement was very constructive, both in education and in health, in terms of building up the governance structure, we're not yet there in terms of a final, complete package. So, I would say that the funding is essential, and it runs for those two at around approximately \$40 million dollars a month, close to \$500 million dollars a year for education and health alone. But I believe, sir, that we necessarily need to keep helping them in building the permanent structure that they are seeking themselves to build.

Chairman LUGAR. Let me ask, what is the status of the Greenhouse and other Gaza disengagement projects that you worked on last summer and told us about?

Mr. WOLFENSOHN. I would have to say that for me, the Greenhouse Project has been the most tragic personal involvement, although relative to everything else, it's quite small. But you will recall, Mr. Chairman, that we were able to raise some \$14 or \$15 million dollars here from Americans to try and save the greenhouses and to get a constructive program going to which the Palestinians themselves have put in an extra \$15 or \$20 million dollars. And I have photographs, and certainly can provide them, of just wonderful production of agricultural projects, inspiring production engaging 3- or 4,000 people. But very sadly, Mr. Chairman, the crossing and in particular, the Karni Crossing, has been closed for 50 percent of the time, and I can equally give you photographs of these wonderful products being destroyed. The net cost has been

between—direct cost to the Palestinians—6 million, and the overall cost, they estimated 8 thus far in terms of this activity. I personally think it's a tragedy. I met 2 days ago with the Palestinian head of the agency, and they are running out of money.

And my great worry, Mr. Chairman, is almost less the money than the symbolism of this project, which was supported by individuals from this country, and I think excited everybody is, for reasons of defense by Israel, cut short, and my report is a very negative one on where it stands at the moment.

Chairman LUGAR. What have the results been in the Rafah border crossing agreement that you and Secretary Rice—

Mr. WOLFENSOHN. The Rafah Crossing, Mr. Chairman, has worked actually quite well despite a lot of press. It is being run, as you know, by our European colleagues and is basically working pretty well. I don't think that Rafah is our problem. And in fact, I should tell you that in the last days, three or four truckloads of goods have gone outwards for an event that is to take place in Egypt, and we are all hoping that Rafah might be a way for the export of goods through Egypt. That is just the beginnings of it in this last 24 hours.

Chairman LUGAR. I thank you for those responses. Senator Biden.

Senator BIDEN. Thank you very much, Mr. Chairman. I realize some of the questions I'm about to ask you, there may be no answer at this point. As I read your statement in a previous report that you issued, you seemed to be suggesting, which I find to be not unreasonable at all, that things have to move a little more before things begin to gel. The Quartet has come forward and has set out its three criteria for dealing with a Hamas government—the end of violence, the recognition of Israel and the acceptance of prior accords. But as I listened to what you said and read your statement, how fluid are things at the moment in terms of what options may be available to The Quartet and others to deal with what is obviously a potential humanitarian serious problem—a million kids in school, a million people on the PA payroll. I mean, how do you see this unfolding, Mr. President, and how, if you're willing to discuss it with us, is this impacting on, or how will the Israeli elections impact on options?

Mr. WOLFENSOHN. The first thing, Senator Biden, is that I think we have to have a few fixed points that we operate within. And I think the first point, as you articulated yourself, is that the issue of not compromising on a removal of a claim for the destruction of the state of Israel and no end of violence is something that is, I believe, a given which is accepted by the international community. I think in terms of movement or fluidity about which you spoke, that should be something that is not fluid. That is something which is fixed and which is understandable.

As I think I said before you came, it's as though New Zealand would have those claims about Australia, and Australians would resent it as Israelis resent it. And so, this is something which I think is not moveable. Then the question is, how do you bring about humanitarian relief and not punish the Palestinian people if Hamas as it has been elected and takes office, and that is where the fluidity needs to come. How is it that you could have alter-

native delivery mechanisms if, indeed, they're possible? And how can you keep things going in a way that our very actions do not create violence? If you have a million kids on the street from schools with no schools to go to, if there are no health facilities and if the basic framework of the Palestinian territories breaks down, it's hard to imagine that you are going to have peace. And the second thing, Senator, is if you don't pay the civil servants, who themselves support 900,000 people, I'm afraid the frustration would reach a level where you couldn't contain it. So, what everybody is now rushing around trying to do is to try and see what are the possible sources of delivery mechanisms, be it through UNRWA, be it through existing frameworks which may be renamed or re-reported to or some framework that we would regard as acceptable. And the sort of instinct that I have, although probably it makes no political sense, but the problem, as I see it, is to try and do that in 2 days is very very difficult, if not impossible. My instinctive reaction, which probably has no political support, is that you'd need a period of a month or two to try and organize this. It may be impossible politically, but the notion of trying to reestablish a framework that deals with 4 million-plus people overnight when you are given these constraints is just something that I think may be beyond human capacity.

Senator BIDEN. How do you respond to the assertion we often hear that if, in fact, there is a hardship that results from Hamas's election, that Hamas will be held accountable for it by the Palestinian people and that that would, in the most rosy scenario, hasten the possibility of either a change in their attitude and/or eventually a change in the government?

Mr. WOLFENSOHN. I'm not a political theorist, but I've been there now for 12 months, and if you ask for my personal opinion, which is—

Senator BIDEN. That is what I meant.

Mr. WOLFENSOHN [continuing]. Distinct from my Quartet or other opinion, I don't think that it's going to work. I think, personally, that the pressure needs to be kept on, and we have to try and persuade Hamas to change, but I would very much doubt that the public will throw them out if they seemed to be unable to provide services because of foreign pressure. I think that they are more likely to have Palestinians come behind them than throw them out. I know that friends in Fatah think, and they may be more informed than I am, that if you keep the pressure on them, they'll throw Hamas out and return moderate Fatah representatives. The political logic of that escapes me, but it is a view which is current amongst Hamas leadership, although I would personally not bet on it.

Senator BIDEN. Thank you. Thank you, Mr. Chairman.

Chairman LUGAR. Thank you, Senator Biden. Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you. Mr. Wolfensohn, welcome. Thanks for what you continue to do and your many contributions. Let me follow along the line of the questions that Senator Biden has begun. In your testimony, you noted we need some time. I think that was your statement. In light of questions that Senator Biden has asked, the other questions that will be asked—where do we go from here, what can The Quartet do, what should the United

States' position be, you are, I'm sure, familiar with our colleague's amendment with Senator McConnell, which I'm going to ask you about and get your sense of that as well, my question is this, when you say we need some time, are you referring to need some time to see where Hamas goes, how it will govern, what positions it will take, if it will soften its position on any of its previously-held points, getting to what you say is a fixed point or two, what do you mean by we need some time?

Mr. WOLFENSOHN. I'm giving you a pragmatic, not a political reaction, Senator Hagel. I have said, and continue to believe, that there is no way that we can accept the current Hamas charter. So, I believe that if you have that, you can't deal through Hamas, but what we're looking at is an alternative delivery mechanism which needs to be set up not utilizing Hamas leadership and which meets the humanitarian needs of the Palestinians. We've had a lot of people working on this, and are still working on it as we speak, to try and see how we can put together some form of alternative delivery framework. As of this morning, that has not yet been invented.

There are a number of potentialities, but it has not yet been invented, nor has it been subjected to the scrutiny of our shareholder bodies in foreign governments as to whether those alternatives are adequate. I've not fully studied the legislation in this country, but reading it cursorily, some of the provisions in some of the recommendations would make it difficult for some of the alternatives that we are looking at because they would not meet rigidly the requirements of that legislation. We have a tough enough job trying to work it out within something that is practical or we think is practical. And at the same time, as we're trying to work something out there that can work, there is legislation throughout the world, not just in this country, about how we are constrained in trying to arrive at an alternative solution. My own judgment as an individual, not as a representative, as an individual is that if Hamas comes up with its slate in the course of the next 2 days, we will not be ready with an alternative delivery mechanism. We'll be able to do something, but if you were to say in this country that you wanted to replace the existing education and health services by Wednesday with an alternative which had nothing to do with the Senate or nothing to do with the Republicans or the Democrats, I think it would throw you into some confusion notwithstanding that there are ecclesiastical schools and a few other things that could work. I just ask you to imagine how this could work in this country. And although it's much smaller in Palestine, the resources are smaller. So, we have this problem; without departing from the principle, my sense had been maybe there is a way in which we could, and I don't know how to do it—we buy ourselves a few weeks at least in terms of time.

Senator HAGEL. Thank you. Have you had any contact with any of the Hamas government officials?

Mr. WOLFENSOHN. I can say with honesty no, and I'm happy in this body that that is the answer given the law.

Senator HAGEL. How about your analysis of where this could lead in regard to a relationship with Iran?

Mr. WOLFENSOHN. I have no inside knowledge other than in talking to people over there. It has been suggested that Iran might

come up and provide the gap of which I spoke before you came, Senator. There is roughly \$100 million dollars a month plus while Israel is not paying the \$60 million that it collects, and one of the possibilities is that Iran should provide it. I've seen no evidence yet that Iran is ready to provide it. It's ready to organize it, but not to provide it. But that is certainly—that would complicate the situation politically substantially.

Senator HAGEL. Thank you. Mr. Chairman, thank you.

Chairman LUGAR. Thank you very much, Senator Hagel. Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman. Mr. Wolfensohn, thank you for being here today. I'd like to follow up on Senator Hagel's questions relating to Iran. Can you outline for us how the Quartet intends to manage or counter the interest of Iran and other countries that intend to apparently support the Hamas-led Palestinian Authority? Iran's strategy appears to be in direct contradiction to the strategy of The Quartet, and I'd like to know your thoughts, not only on how you're going to counter this, but—and whether or not The Quartet actually has sufficient diplomatic muscle to successfully develop and hold together a diverse coalition around these principles.

Mr. WOLFENSOHN. First of all, Senator, I can tell you that we have not considered at all the possibility of intervention by Iran for the reasons I just said. I don't think there's any current evidence, although there is quite a lot of talk about the possibility of Iran coming in. Secondly, I'm not at all sure that The Quartet is the way to do this. My experience in The Quartet is The Quartet is a useful body, but it really is not—and certainly, The Quartet representative is not empowered to do things at this level. You will recall that in November, the United States and Israel took over really the implementation of the Six Plus Three agreement, and my guess is that that would be dealt with at a level beyond me and probably by the principles in The Quartet themselves were they to conclude that this was the challenge. So, my job, I think, is unlikely to have anything to do with this, and I can tell you as a fact that up to now, we have not considered the issue of Iran as being part of our responsibility.

Senator FEINGOLD. Can you say a little bit about what The Quartet's diplomatic strategy is just to hold The Quartet together on this issue?

Mr. WOLFENSOHN. We—you have to understand, Senator, what is the role of The Quartet at the moment, and I'm searching for that role. The Quartet worked very effectively—when I talk about The Quartet office, that's distinct from The Quartet itself. The Quartet is working effectively now in quadrilateral discussions by the principles in The Quartet, but they are not using The Quartet representative as an instrument for many of these policy issues. So, I think The Quartet could well be at the level of the Secretary of State, at the level of Secretary General Annan and others discussing these matters, but they are not discussing them with me in terms of a political outlook.

Senator FEINGOLD. There are a number of legislative proposals currently being developed and considered. I'd like to hear your thoughts on how the U.S. Congress can support the efforts of The

Quartet. Equally as important would be your thinking on what wouldn't be helpful. Could you say a little bit about that?

Mr. WOLFENSOHN. I can give you a personal view, Senator, which I am happy to do, and that is that I think we are in a situation of a problem with very many moving parts and things that we don't expect like yesterday's events. And it's going to be very difficult, which is why I am suggesting that you and others might think of the need for a little time to come up with a solution that replaces an existing mechanism with something that we don't yet have. And so, for me, legislation should state your principles that are critical for this country and for the free world in relation to Hamas, but try and leave flexibility for the participants to come out with a solution to this problem and not constrain them too tightly.

So, what I would be arguing for, although I am not in any of these elected bodies, would be clear statements of principle. But if it were me, try and give the workers a chance to come up with something which they can bring back to you which you can then say you like it or you don't like it. But if you over constrain your negotiators before they try and get something within the framework of the agreed principles, I think that would create a lot of problems.

And I think some of the legislation, which I said I only read cursorily, does seem to me to be rather particularly descriptive of what might or might not be done. And if you put too many constraints on, and then the French and the Germans and the Dutch and everybody else does the same, the poor people that are trying to work out something have an even more difficult task than I think they face already, which I think is already, as I said, a very difficult task.

Senator FEINGOLD. Thank you very much, Mr. Wolfensohn.

Chairman LUGAR. Thank you, Senator Feingold. For the moment, Senator Chafee will yield to Senator Sununu. Senator Sununu.

Senator SUNUNU. Thank you, Mr. Chairman, and thank you, Senator Chafee. You mentioned principles that—or the declaration of principles, and I think those principles exist to a great degree today. I mean, they are that Hamas is a terrorist organization, the Hamas government cannot receive funding from the United States. Certainly, members of the Congress and you are not allowed to deal with Hamas or their representatives as you so aptly pointed out in your testimony, but I am concerned about the kind of prescriptive legislation you described that would—I think the phrase you used is make it very difficult for the use of alternatives to emerge. And let me mention the specific proposal that has been made that would place additional hurdles and restrictions on Palestinian representatives who are unaffiliated with Hamas, restrictions on their ability to travel, to travel to the United States. And in particular, Palestinian legislative council members like Salam Fayad, who has worked in the finance ministry, did an outstanding job in improving transparency there like independent members Hanan Ashrawi, Mustafa Barghouti who have accepted the foundations of the peace agreements, recognized Israel's right to exist and met all of the requirements that we would expect of them as the Senate and as the United States Government. Do you see any secu-

rity benefit to placing additional hurdles on their ability to continue their work? And conversely, do you think that it could restrict the alternatives, certainly the political alternatives, that you emphasized if—and send a bad message to them if we were to restrict their ability to travel?

Mr. WOLFENSOHN. All the people you have mentioned are friends of mine and people that I have the highest regard for, and I think we run a serious risk in general of demonizing every Palestinian. I don't think every Palestinian is a demon. I don't think every Israeli is an angel. And I think what we need to do here is to keep some balance. And if you want to have a negotiated solution, you must be able to have negotiations. If you can't have negotiations because you can't talk to people, that seems to me not to be very constructive. I don't know the particular clause in the legislation to which you are referring, Senator Sununu, but if it stops the people that are working with us to reach a solution from talking to us, that seems to me on its face not to be constructive.

Senator SUNUNU. I appreciate your penchant for diplomacy, and it's appropriate in this setting, but the language is quite simply that these representatives should be denied a visa. The proponents of the legislation will say well, let's—we're just saying that they should be denied a visa, they don't have to be denied a visa. But when you're talking about—again, someone like Salam Fayad, who has, I think, won great accolades, not just in the United States or in The Quartet for his work on financial transparency, but among the Palestinians themselves for his commitment to fighting corruption, to integrity of government, I think it sends a very dangerous message indeed. A second area of concern would be on restrictions to humanitarian projects, and you've talked about this, I think, in fairly specific terms, although I want to be a little bit more specific because in the different legislative proposals, they try to define humanitarian assistance. And what I'm concerned about is if we define it too narrowly, we could potentially prohibit assistance for any kind of infrastructure, physical infrastructure, even to include water treatment, sanitation, hospitals. And I'd like you even to speak narrowly about those particular options. Is there a security benefit or a political benefit to restricting support for those very specific kinds of infrastructure?

Mr. WOLFENSOHN. Senator, first of all, the international community provides about a billion dollars a year in addition to UNRWA, of which \$360 million is what I was talking about before, which is budget support. So, you have got \$700 million dollars in the category to which you refer. And I asked my colleagues to pull out for me what that is, and it's humanitarian aid, infrastructure, employment generation, institution building, water sanitation, and I can go on a dozen other things, all of which are very important. Each one of these items is going to come under attention as to whether it is infected by Hamas or not. And the reason that I was pleading for a bit of time is that that analysis in itself is going to be controversial, difficult and time consuming. My sort of concept of how we should move is to establish the big principles—try and make some big decisions as we move forward. If a bit gets through in the first month, we'll try and cut it out in the next month, we'll cut it out in the next month, we'll cut it out in the next month, but

not start with a Draconian set of rules, which ensures that the kids won't be in schools. Then, you'll have chaos in the streets. It seems to me that there is—this is a time for wisdom in terms of holding to the principles, making a series of steps which are not negotiable in terms of direction, but allow you to keep the patient alive because the thing that I fear is chaos. We ran close to it yesterday. The tension is palpable. The antagonism to western sources is palpable. And if you want to support the moderates and the Palestinians, which I think is the thing that most of us need to do, then we have to give them something to work with. If we are perceived to be cutting things off instantly, then I think we are in some trouble.

But I repeat again, Senator, I am a thousand percent committed to the nonacceptance of the Hamas mandate as it has been given, and I am a thousand percent committed to ensuring that we do not cross that line, but I do not know a way of getting an instant solution in 2 days to one delivery mechanism, which it's taken us a decade to build up, and expect that in 2 days, we will come up with an alternative mechanism. I just don't know how to do it even if I had the rights and the power.

Senator SUNUNU. Thank you very much.

Chairman LUGAR. Thank you very much, Senator Sununu. Senator Boxer.

Senator BOXER. Thanks, Mr. Chairman. There are so many things, I don't know quite where to start. I read the charter of Hamas, and I think every single senator, every single member of Congress, should read it. And I think the American people ought to know what it says because it is a shocking document which quotes, you know, religion, and it's disturbing. And just some of the things in the charter are these—they call the struggle against the Jews wide ranging and grave, Israel will rise and will remain a wreck until Islam eliminates it as it has eliminated its predecessors. It doesn't stop at attacking Israel, although it goes on and on about it. The hypocrites will die in anxiety and sorrow. I think the American people ought to know this. It refers to Zionist organizations, which take on all sorts of names and shapes, and this is a continuing commentary in here—the Freemasons, Rotary Clubs, as gangs of spies and the like, and it goes on and then again mentions the Freemasons, the Rotary Club, and this time, it adds the Lions and B'nai B'rith. These people are out of touch with the world as it exists to say that the Freemasons, the Rotary Club, the Lions Club are part of the Zionist movement. And they attack them in this by name, you know, continually throughout this. Here it is again. This is the third mention—clandestine organizations that are part of Zionism, such as the Freemasons, the Rotary Club, the Lions, and this is, you know, just shocking. They talk about Egypt and the treacherous Camp David Accords—the treacherous Camp David Accords.

Senator BOXER. Thank you, because I think it's important. Mr. Wolfensohn, thank you for your work. This is very very difficult. How blind sided were you—I don't mean just you personally, you and the diplomats who have followed this, by this election result?

Mr. WOLFENSOHN. I think almost universally, Senator, although in retrospect, we shouldn't have been when we saw multiple can-

didates from Fatah—four seats confronting a single candidate from Hamas, which was clearly an important element in the result. It was just bad political advice because the votes probably had a shade victory on the popular vote for Fatah. But I think we were all blind sided, and I would say Hamas itself was surprised, from what I understand.

So, the answer is we were all surprised. If I could just refer, however, to your introduction, let me say that I, too, read the charter to make sure that I understood it, and that is the reason that I was saying that we should not tamper with our belief that the essential elements of that Hamas statement have to be rejected by us in all cases. I could give you other quotes—

Senator BOXER. I know.

Mr. WOLFENSOHN [continuing]. Which are equally—

Senator BOXER. I know.

Mr. WOLFENSOHN [continuing]. Disturbing. So, I just want you to know that no one in The Quartet that I know of is on the side of accepting the Hamas charter in the way in which you read it.

Senator BOXER. Mr. Wolfensohn, there is an article on March 12th in the New York Times, says that you will step down at the end of April because of The Quartet's lack of a mandate, and one of your staff members is quoted in the article saying every country has its own ideas, but there is little leadership, and nothing will work without an agreed decision that gives a clear political envelope within which to work. Is this a true—I hope it is not so. Is this true?

Mr. WOLFENSOHN. I have been in the job now, Senator, for 12 months, and in November, part of the mandate of The Quartet was removed in terms of implementation of the agreement that was signed or that was agreed by the Secretary of State. And this thing, I think, is in the current description of our job as The Quartet, or should I say more personally, in my personal job and The Quartet, I think The Quartet itself must continue, but the role of a disenfranchised leader of that Quartet doesn't seem to me to be a particularly attractive thing to spend your life doing.

I am considering, but not yet decided, not to leave, trying to contribute to this process, but whether the best place for me to do it is leading The Quartet or in other ways. And I am not responsible for the comments of the people in my office, who I think—I didn't comment at all, by the way, but I think if you were in a job where it was unclear what the purpose of that job was and what the backing that you had was and who had the responsibility and you were as old as I am, you would probably wonder whether, for the few remaining years you have got, that's the thing you want to do, and that's what I am suggesting.

Chairman LUGAR. Thank you very much, Senator Boxer. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman. And Senator Boxer, yes, I've read the charter also and unfortunate hateful rhetoric to have in one's charter, but those are the realities we face, and I think all of us share kind of a depression about our options. But looking back, having been there 12 months, I certainly have seen missed opportunities to empower the moderate Palestinians. Do

you share that also, the missed opportunities and wonder why that we missed those opportunities, Mr. Wolfensohn?

Mr. WOLFENSOHN. I think, Senator Chafee, that one day, I wake up and think it's a missed opportunity. The next day, I wake up and think that it was a stimulated response. This is a very uncertain part of the world. I think there have been missed opportunities. I wish that people were more clear headed, in my view, but I haven't lived there for 30 years. I haven't lost a brother or a cousin who has been blown up on either side. I have not been stopped for 5 hours at a crossing point. I have not done all the things that happens to each side. And when you are there, you become very conscious of this. This is not something that I could have learned in 12 months. This is something that is there from history, and it's something which, if I may say so, many of us in the west have also allowed to happen. It's been going on with a certain rhythm for a very long time. If it were up to me, I would be thinking about putting a definitive time frame on this thing, whether it would be 2 years or 3 years, to try and push it through as we had in the road map, which we didn't meet, where, if you'll remember in the road map, we had that definitive time frame, and we were miles off. But I think it's time to start to try again, not imposing it from us, but trying to sit down secretly or other ways with the parties and try and get a resolution. We have a roadblock at the moment, which is clearly the current statement of Hamas policy. I don't see any way of getting around that unless it's changed or withdrawn. But if it were changed and withdrawn, then I think what we need to be thinking about is a relatively fast time frame for a solution because my own judgment is that this is a 10 or 11 million people problem, a highly important symbolic problem, but in a region of 310 million people with issues of Iraq, with issues of oil, with issues of dramatic size, and I rather feel and say to my friends there that they're assuring the world will continue to be interested in their problem because it's Jerusalem and because it's been around a long while. It has political overtures. But in terms of global politics and in terms of the scale of the issues, this is a small issue in terms of size and in terms of—I'm not saying it's not important. I think it's important, but I would hope that we could return to what we did at the time of the road map and try and give a road map for a resolution. But this I am able to say with not being a senator and maybe not having a job for very much longer, Senator, but it is a personal view.

Senator CHAFEE. I agree with you, exactly what you said, that the root of this issue has reverberations through the region, and all these missed opportunities, likewise, have reverberations throughout the region. But as we look ahead, who might be a helpful interlocutor—I mean, the Russians have met with Hamas. Is there anyone that might be helpful to, as you said, to start some kind of accelerated revisiting of the peace process?

Mr. WOLFENSOHN. Being a dutiful American citizen, I would think probably the President's not a bad place to start. And I'd be reluctant, even though I know him well, to see President Putin take the lead for The Quartet, although I think, having spoken to him, he has some interesting and constructive ideas. But I think what you need here is—maybe all this crisis will bring us to a mo-

ment of reality and a moment of truth. Maybe there is some hope that could emerge from this. I do not believe that you can have a million starving Palestinians and have peace. I do not believe that we can just walk away from this thing. Maybe this will give us a chance to come back together with all points of view and try and—with leadership of somebody, try and carve out a way forward. Certainly, I believe that is necessary.

As I said earlier, you need an interim thing that'll allow stability without giving in on principle, and you need then, in my judgment, a plan that is proximate 2–3 years to bring about a resolution of this issue with The Quartet insisting on it. That is what I believe, but I may not be around to insist. And it may be a whimsical dream, but it's what I believe.

Senator CHAFEE. Thank you for your service and your testimony.

Mr. WOLFENSOHN. Thank you.

Chairman LUGAR. Thank you, Senator Chafee. Senator Martinez.

Senator MARTINEZ. Thank you, Mr. Chairman. I believe you have covered everything, but given the last opportunity, I'll just try to mop up. Certainly, one of the humanitarian concerns—well, obviously, sticking to principle is first and foremost what we have to do, but thinking about the humanitarian concern and about the issues that could arise with simply children in schools and healthcare, basic as that, how do you anticipate that we can, in the short term, do something other than support Hamas as we should not do, but yet also provide for the very immediate needs? And if this was covered in the earlier part before I came, I apologize.

Mr. WOLFENSOHN. I think, Senator, what we need to do is, first of all, I think as a realistic matter, it's impossible for us to rebuild alternative schools or alternative—

Senator MARTINEZ. Right.

Mr. WOLFENSOHN [continuing]. Health facilities. What we need to do is to find a methodology for financing the services without it being tainted by Hamas politics, and that's what we're looking to try and do. As I said to your colleagues earlier, we don't yet have that answer. We have ways in which one could interpose UNRWA for some of the world. We have ways in which one could use some NGOs, one of the ways you could use ecclesiastical bodies. I had with me recently a cardinal, an American cardinal, who is responsible for this, and he was asked, because they put \$10 million a year from Catholic relief services into schools, not to build schools for the Palestinians through the educational authority, but to build parochial schools, which he found rather strange as a recommendation. So, we've got to work our way through a number of these things to come up with solutions. I think they are possibly there, but I don't think they are there in 2 days. I think we have to move towards it in a sequential manner.

Senator MARTINEZ. In that interim, though, how do we handle the school situation?

Mr. WOLFENSOHN. I think we may have to accept that, for a period of weeks, that the system carries forward as it is with a sequence of steps that are then taken to bring it back to a structure that we want. But to try and do it from today to tomorrow is, in my judgment, superhuman. It's not possible anymore than you could do it in the United States. So, you have to deal with reality,

and you have to move towards it in a sequential way, in my opinion.

Senator MARTINEZ. Do you think in the long term that the Hamas leadership has the capacity to alter their view of their charter and behave in a more conventional form that would allow a more normal discourse with them?

Mr. WOLFENSOHN. They have come up with some recommendations which go some way towards it, but probably not far enough. So, certainly it's possible for them to do it, but I think if we ask them to do it in the glare of publicity as though they are giving over to international pressure and don't allow them a methodology of getting out that seems more rational, it may be more difficult. It would be more difficult in this country if you were to ask the Republicans to become Democrats or the Democrats to become Republicans. It can't be done in 2 days. And if you are moving towards each other in terms of policies, you have to find ways in which you can make advances with a little bit of time so as not to give up on your basic principles, and that's what we are talking about here. We cannot expect that a not yet formed government, that will be full of problems anyway, can address instantly these issues without a little bit of time. We've got to have some sort of way of dealing with them. And speaking as an individual, I don't know how you do that unless you have a little bit of time. And I am not giving up on principles, as I've said 20 times in the course of these hearings. I'm trying to be pragmatic.

Senator MARTINEZ. Thank you.

Chairman LUGAR. Thank you very very much, Senator Martinez. I understand Senator Voinovich is prepared to raise questions with our next witness as opposed to this one, and I appreciate that. We thank you very, very much for coming again to the committee, for your very thoughtful responses, for your reasoning with us. I join Senator Boxer in hoping that you will continue to serve, and I know you will in whatever capacity towards solution of these awesome problems. Thank you very much, sir.

Mr. WOLFENSOHN. Thank you. Thank you very much, senators.

Chairman LUGAR. I'd like to call now on Lieutenant General Keith W. Dayton, U.S. Security Coordinator, Department of State, Washington, DC. General Dayton, we welcome you into the committee. We appreciate your willingness to testify this morning. Your full statement will be made a part of the record, and that was true of the statement of Mr. Wolfensohn before you. And please proceed, if you will, to summarize your testimony, and then we will have questions by members of our panel.

**STATEMENT OF LIEUTENANT GENERAL KEITH W. DAYTON,
U.S. SECURITY COORDINATOR, DEPARTMENT OF STATE,
WASHINGTON, DC**

General DAYTON. Thank you, Mr. Chairman. I will be fairly brief because I suspect what you want to do is more listen to answers to questions than hear a prepared text. But I did want to point out a few things, and what I'd really like to start with is just a bit of background for the members who may not know what the USSC is and what it does. I lead a small international team. On my team, I have Americans, I have Canadians, I have Australian, and I have

a British officer. So, we're an international team, and that brings a certain quality of its own. The team is less than 30 people. What do I do? Our job is—according to the road map, we are responsible for monitoring, coordinating and assisting security cooperation between the Israelis and the Palestinian Authority. We do that, and we do that quite extensively. We've developed a fairly widespread network of contacts throughout both the Palestinian and Israeli side and among the international donor community to include the EU monitors who work down at the Rafah Crossing on the border between Gaza and Egypt. That leads me to a second major role that we do, which is we have a pretty significant responsibility on the Rafah Crossing, according to the agreement on movement and access, and we also deal with the other crossings that are being run in Gaza. I have a—what I would call semi-supervisory role over the European Union monitors at Rafah. I can chair a security working group, which includes the Egyptians, the Israelis, the Palestinians and the Europeans, and I am sort of the guy that's at the other end of the phone for both the Israeli defense forces and the Palestinian Authority and issues that do deal with the crossings, and that's a very important issue to all who are concerned.

More of a historical note, General Ward had the mission to advise assistant monitor when I came at the beginning of December into this job. We did have that role, however, with the Palestinian election crisis and more importantly, a feeling among the European Union governments and the British government and our government that, left to their own devices, the Palestinians might never reform themselves was given a bit of a modified mission to be much more directive in planning for how Palestinian security sector reform should go. But I would note that we also have been responsible for the disengagement monitoring out of Gaza. The USSC was given about \$2 million dollars of nonlethal aid for that disengagement, which was provided to the Palestinians and which, as recently as the end of January, my team went into Gaza and inventoried this equipment. And I would like to report to you that it's being well managed, it's under control, and we know where it is and what it is. I also do a long-term security structure reform project, which is a combined European Union, American and Quartet effort, which is basically a 3-year plan on how the Palestinians can get to where they need to be with appropriate security forces to an entity their size, not what they look like now, but that is on the shelf at the present time as we await further developments.

I guess what I wanted to do, gentlemen, is just simply—and senators, lady, is to just let me kind of finish up what I'm trying to say here at the beginning with my main message today. Let's remember why the United States, through the agent of the U.S. Security Coordinator, is so visibly involved in this area. It's not altruism, and it's not because we don't have anything better to do. We're here because it remains profoundly in U.S. national security interests for us to be involved in the search for peace and progress towards a two-state vision. The Hamas victory has not changed that. What happens in Israel, the West Bank and Gaza has a direct impact on the immediate neighbors of Jordan and Egypt, and it has an impact on our strategic interest there. Likewise, what happens in the Israeli-Palestinian situation has profound implications for

the rest of this difficult neighborhood. The Israelis, Palestinians and our Quartet partners all look to the United States for leadership in this area. The election of Hamas makes my task exceedingly difficult, but there is a stabilizing element of maintaining our presence in the region while the situation remains fluid, and there may be opportunities once the situation becomes more clear. We have to have a capable, committed partner for peace. Hamas's failure to date to accept any principles established by The Quartet halts any ability to make progress, and the decisions taken by a Hamas-run Palestinian Authority government may derail our efforts. But while we must now clearly wait to see how the situation unfolds, I encourage us all to be very cautious before we conclude that the effort is not worth it. The U.S. Security Coordinator and team, by its presence and engagement, demonstrates a U.S. commitment to a two-state solution that is real and tangible.

In conclusion, Mr. Chairman, Palestinian security sector reform remains fundamental to achieving a Palestinian state at peace with its neighbors and responsive to the needs of its people at home, and that, I believe very firmly, is in America's interest. Thank you, Mr. Chairman. I'm ready for any questions.

[The prepared statement of General Dayton follows:]

PREPARED STATEMENT OF LIEUTENANT GENERAL KEITH W. DAYTON,
U.S. SECURITY COORDINATOR, DEPARTMENT OF STATE

Thank you, Mr. Chairman. I appreciate this opportunity to address the committee today.

It is quite clear that the "Post-election Challenges in the Middle East" include quite a few related to security. January's PLC elections will have significant consequences for the security sector, although at this point we have only a limited sense of how they will play out.

It is common knowledge that the Palestinian Authority security forces, as currently constituted, are Fatah dominated. Before elections, the level of activity and performance of the Palestinian leadership and security forces in confronting terrorists, collecting weapons, dismantling terrorist organizations, and consolidating and right-sizing the security sector was disappointing. There had been sporadic, localized, internal PA security cooperation. However, such cooperation was not the norm and tended to evaporate quickly due to the PA's internal political crisis.

There were some bright spots. Israel's courageous Gaza disengagement initiative went forward in a secure environment and with a great deal of on-the-ground coordination between the Israeli Defense Forces and the Palestinian Authority security forces (PASF). The international crossing at Rafah opened in late November under carefully negotiated security arrangements and with the essential support of the EU's Border Assistance Mission. And, despite an uptick in lawlessness and numerous warnings of violence prior to election day, the Palestinian legislative elections went forward in a safe and secure environment.

In addition, fears of post-election Palestinian violence have not, so far, been borne out. Under the caretaker government, the security services remain more or less in place while the victors and the opposition sort out the political arrangements. On the ground, we see continuing examples of local cooperation between the Israeli Defense Forces and Palestinian Security Forces as they deal with the necessities of daily life. In other words, caution and deliberation seem to be prevailing, at least for the moment. My team and I continue to work with the parties and key regional actors to support that stability so that the political and diplomatic levels have time and opportunity to do their work.

At this point in time, with Palestinian politics in a very fluid state, I can offer no certainty about the future course of events regarding Palestinian security forces. An internal debate is raging within Fatah as to their future, and the jury is still out. Likewise, the role Hamas may play in the future Palestinian security sector is far from settled. In short, the Palestinian leadership—Fatah, Hamas, and others—are themselves, on a daily basis, seeking to sort out their relationships to one another and their short-term and long-term goals, as well as the options that they

have to advance those objectives. They are doing all this with an eye to the regional and international context and how it impacts their relationships with outside actors—especially Israel. And, as I mentioned above, caution has prevailed so far.

With this in mind, we are of course following suit with the other arms of the U.S. Government in carefully reviewing our program and approach. Before the elections, USSC support for the PASF focused on advice and guidance to support their own efforts at reform, while playing a coordinating role with the other prospective security donors. We also had an active role in following up on the November 2005 Agreement on Movement and Access, including the EU's work to resolve concerns and complaints about the operations at Rafah. Since the elections our focus has been on frequent and direct coordination between the IDF and Palestinian security forces, including on such issues as the Gaza border crossings, and continuous liaison with the Palestinian and Israeli security leadership.

The future is obviously an open question. But a few things are not. First and foremost is the USSC's strict adherence to the U.S. policy of no contact with and no support of any kind for Hamas. Second is the recognition that Palestinian security sector reform and performance is an important element for progress in accordance with the Roadmap, and is essential for a viable two-state solution. And third, it remains in America's national interests to stay engaged in the Palestinian-Israeli situation, a fact that has been made even more critical by the Hamas victory. The question, I think, is how.

For reasons of both law and policy, we cannot and will not work with a Hamas—whether in or out of government—that refuses to accept the Quartet conditions of disavowing violence and terror, recognizing Israel, and accepting previous obligations and agreements between the parties. And, while the Palestinian Authority Presidency might continue to maintain its authority over some, or perhaps even all, of the PASF, it is a very complicated legal and policy question of whether we could continue to work with those elements. My team is studying the options and working in close consultation with our diplomatic missions in Jerusalem and Tel Aviv, with Israel and key regional and international actors, and of course with the policy level in Washington as to where we go next.

Even should we be unable to work with official Palestinian institutions, we do have some ideas as to how potentially to work with non-governmental actors to shape the environment for a better future. The majority of Palestinians, Israelis, and the international community continue to aspire to the two-state solution, and that a future state of Palestine would need effective security forces. Working with Palestinian civil society—on ideas related to national security strategy, demobilization of militias, and the inculcation of democratic, civilian governance of security forces—could be one direction. Similarly, it is worth considering, if not with the PA itself than in conjunction with Palestinian civil society, what the security architecture of a future Palestinian state should look like. That state will need a new plan for the Palestinian security sector, one that sweeps away the Arafat-era structure and replaces it with an architecture of forces appropriate for a political entity its size; an entity that would be committed to non-confrontation with Israel and towards a proper role of protecting Palestinian civilians and preventing terror. And we need to be ready to implement these plans if circumstances create an opportunity.

Regardless of what we can do now or in the near future on the subject of PA security sector reform, importantly, the USSC team will continue to monitor and advise on Israeli-Palestinian security coordination, an important component of the Roadmap and crucial to maintaining any hope of avoiding a major humanitarian disaster. The issue of operations at the Karni crossing between Israel and Gaza, for example, or the ongoing efforts to improve the operations at Rafah, will continue to require the engagement of a trusted interlocutor with security expertise.

We are clearly at a crossroads, but the path forward is unclear. More than 6 weeks after the Palestinian parliamentary elections, we are in a period of unprecedented uncertainty both in the Palestinian Authority and in Israel, and this directly impacts on the future of security reform. I have noted the internal debate in Fatah over the future of the existing security forces, and there is of course the closely watched process of Palestinian government formation. We should also keep in mind that Israel is approaching its own parliamentary elections, and, while there is unity on the approach to Hamas itself, it may not be until May that Israeli policy is solidified on how it deals with the non-Hamas parts of Palestinian society. And we will continue to consult closely with our Quartet and regional partners, and the Israeli Government, as we proceed together.

In closing, I want to emphasize one final point. Let's remember why the United States, through the agent of the USSC, is so visibly involved in the region. It is not altruism, and it is not because we have nothing else to do. We are here because

it remains profoundly in the U.S. national security interest for us to be involved in the search for peace and progress towards the two-state vision. The Hamas victory has not changed that. What happens in Israel, the West Bank and Gaza has a direct impact on the immediate neighbors of Jordan and Egypt and U.S. strategic interests there. Likewise, what happens in the Israel-Palestinian situation has profound implications for the rest of this difficult neighborhood.

The Israelis, Palestinians, and our Quartet partners all look to the United States for leadership in the area of Palestinian security. The election of Hamas to the PLC makes the task enormously difficult. But there is a stabilizing element of maintaining our presence in the region while the situation remains fluid, and there may be other opportunities once the situation becomes more clear. But we must have a capable partner, committed to peace. Hamas' failure to date to accept the principles established by the Quartet halts our ability to make any progress, and the decisions taken by a Hamas-run PA government may derail our efforts. But while we must now clearly wait to see how the situation unfolds, I encourage us all to be cautious before we rush to the conclusion that the effort is not worth it. Security sector reform remains fundamental to achieving a Palestinian state at peace with its neighbors and responsive to the needs of its people at home, and that is in America's interests. I encourage us all to be cautious before we conclude that the effort is not worth it.

Thank you, and I will be happy to take your questions.

Chairman LUGAR. Thank you very much, General Dayton. Once again, we'll have a 5-minute round of questioning, and I'll commence the questioning. You've mentioned that we are clearly in an interim period, but could you describe, at least prior to this election, the degree to which the Palestinian police forces and military forces worked together. Either individually or collectively, were they able to maintain civil order in Gaza and the West Bank?

General DAYTON. Thank you for your question, Mr. Chairman. There's no doubt that the Palestinian security sector has been a disappointment over the last several years. They were able to rise to the occasion from time to time. They did well in disengagement in Gaza and in direct coordination with the Israeli defense forces. They did well in the elections despite all of the predictions that there were going to be great crises. They did well yesterday in response to an event that put tremendous stress on them. But overall, I would have to say that it's been a disappointment, and that's why I'm involved.

Chairman LUGAR. To what extent, as a practical measure, is it going to be possible to disarm Hamas, or will Hamas choose not to be disarmed? And if so, how does that affect the security forces?

General DAYTON. Sir, I don't—I can't answer that right now. A lot of that depends on the new government's policies. Hamas has a relatively small, armed branch, but it's very lethal, and it's very dangerous. But I would have to reserve judgment on how that can happen until I see what the Palestinians work out for themselves. It is an incredibly fluid situation.

Chairman LUGAR. Are there certain parallels, and I don't want to stretch this analogy to the predicaments that we hear described before our committee, in the training of police or security persons in Iraq and the presence still of militia of various sects that are left over and, therefore, the ambiguities that seem to arise from time to time as to who is responsible for various events?

General DAYTON. I think that is a problem, Mr. Chairman, and it's a problem that we will take into account as we develop our game plan on how we're going to reform these people. The Egyptians, curiously enough, have been very effective in Gaza over the last 6 months—9 months in emphasizing to the militias down there,

that are part of the security forces, that they should be loyal to a Palestinian Authority and not loyal to a militia. And I think that is, indeed, a very good sign, and it's worked, actually, in Gaza, at least while the Egyptians were there.

Chairman LUGAR. To what extent, during this period prior to the election, was there cooperation between Israeli police authorities or officers and the Palestinian group you were working with?

General DAYTON. There are several mechanisms in place in the West Bank and in Gaza—well, Gaza no longer, but at least in the West Bank, where the Israeli defense forces meet with Palestinian security forces on a daily basis and work out security issues between them. I think there is pretty good cooperation, frankly, and I'm very well connected to the Israeli defense forces. And although they all know that the Palestinian security forces are very weak, sometimes pretty disorganized, they value this cooperation as do the Palestinians.

Chairman LUGAR. How do you anticipate attacks from the Palestinian Islamic Jihad would be met? Would this be met by the Hamas force, by the police force or some collection of the two?

General DAYTON. Sir, I really can't speculate. Again, I'll go back to the comment we don't know quite how this is going to play out politically within the Palestinian Authority, but you've highlighted an area that is very important, and that is there are certain small terrorist elements under nobody's control, and it's incumbent upon the Palestinian security sector to get this under control.

Chairman LUGAR. I thank you for your responses. Senator Boxer.

Senator BOXER. Thank you, sir, for your work. You say the Israelis, Palestinians and our Quartet partners all look to the United States for leadership in the area of Palestinian security. Does Hamas feel that way? Do they look to the U.S. for leadership in the area of Palestinian security?

General DAYTON. Senator, I guess what I was attempting to say was that all of them feel that we are more of an impartial player than others. I have no idea what Hamas thinks. I would suspect, simply speculating, that they probably don't think we have much of a role. But as you know, I have nothing to do with Hamas. I don't talk to them.

Senator BOXER. Right.

General DAYTON. I don't deal with them at all.

Senator BOXER. OK. So, you're there, and you don't deal with them, and then they run the government, and we still don't talk to them. If they don't believe that we should be involved, what steps would they take?

General DAYTON. I'm not dodging your question, but I guess my theme today is that even the Palestinians themselves don't know, and even Hamas doesn't know yet what they're going to do. And a lot of this depends on how they work out their own internal political arrangement and what part of the security sector Hamas lays claim to, what part it doesn't, what part the Palestinian President lays claim to and what part he doesn't. And that's truly on the table. There's a raging debate going on in Palestine—in the Palestinian areas about this right now.

Senator BOXER. So, you're basically just proceeding the way you proceeded pre-election in your mind set until otherwise you have

a reason to change because you're very optimistic. I appreciate it. I mean, I admire it, but you're just going to proceed with this thought that the Israelis, the Palestinians and The Quartet all look to the United States for leadership in the area of Palestinian security unless something happens that you think has changed that.

General DAYTON. Again, I'm where I am in time. I was at The Quartet meeting in London on the 30th of January where The Quartet gave me pretty clear advice, and that was continue to support the caretaker government, President Abbas, until a Hamas government is seated. And at that point, we will reassess—

Senator BOXER. OK, thank you.

General DAYTON [continuing]. And that's where we are.

Senator BOXER. Thank you.

Chairman LUGAR. Thank you, Senator Boxer. Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you. General, welcome. What would you define as your role today? You have noted that at one point, the role of Security Coordinator was to advise, assist, monitor. You have noted the situation's fluid. You have noted that we are putting certain things on the shelf, waiting for future developments. What is your role now? What do you do?

General DAYTON. You know, the road map made it pretty what I ought to be doing, and that was to be a liaison and attempt to coordinate and assist cooperation between the Israelis and the Palestinian security forces. I spent a lot of time doing that. My team is out every day in the West Bank meeting with Israeli and Palestinian security leaders. In the last few days, before I came here, I met with the commander of Israeli Central Command. When I go back, I'll meet with the commander of Southern Command. Trying to sort through some of these very very thorny issues for all sides is they look towards a Hamas government.

Senator HAGEL. Whose security forces are you dealing with?

General DAYTON. I am dealing with the security forces of, obviously, Israel, but in the Palestinian area, we're still dealing with the security forces that are on the ground, which belong to the President Abbas and his caretaker government.

Senator HAGEL. Can you tell this committee how that structure works? You have two security forces, one controlled by Hamas, the other by President Abbas?

General DAYTON. Senator Hagel, I wish it was that simple. There is President Abbas currently, through his Minister of the Interior, a man named General Nasser Yusuf, currently controls five different areas of Palestinian security. He controls the civil police. He controls what's called the Civil Defense, which we would call basically our first responders. They control something called the Preventive Security Organization, which is kind of an internal intelligence gathering bunch. He controls also the Mokhaberat, or the general intelligence directorate, which deals more externally to Palestine. And the final thing he controls is the Presidential guard forces, which are really responsible for the protection of the President. There are other armed entities out there in Palestine. That's part of our problem. You already heard the question from Senator Boxer or from Senator Lugar about the Palestinian Islamic Jihad. You have the al-Aqsa Martyrs' Brigades. These are all really nasty actors who are out there, essentially uncontrolled by anybody.

Senator HAGEL. But my question is security forces. Would you consider them part of Palestinian security—

General DAYTON. No.

Senator HAGEL [continuing]. Forces?

General DAYTON. No, sir. No, Senator, I would not.

Senator HAGEL. That's my question.

General DAYTON. No—

Senator HAGEL. And do you—

General DAYTON [continuing]. And I do not consider the Hamas armed militia part of the Palestinian security forces either.

Senator HAGEL. So, the Palestinian security forces, your definition of Palestinian security forces, are under the command of the Palestinian President?

General DAYTON. Sir, they're under the command of what is still the legally-constituted government of the Palestinian Authority.

Senator HAGEL. And what role does Hamas play in that then?

General DAYTON. Sir, currently, it plays no role in that.

Senator HAGEL. OK. So, they have no role in the security forces?

General DAYTON. As of today, they do not.

Senator HAGEL. OK. What do you think is the possibility of hostilities breaking out between Hamas-related forces, and you have just noted some, and the more defined, or as you have defined it, the actual Palestinian security forces or Fatah? What possibility is there of that occurring?

General DAYTON. Senator, there's a possibility. It would be speculative on my part at this point because one of the surprises to all of us who watch this everyday is that they haven't come in conflict to date. We've gone 6 weeks now since the election. There were all of these dire predictions right after the election that Hamas and Fatah would clash and there would be great bloodletting. Hasn't happened. So, I wish I could give you a better answer, but I can't. All I can tell you is we're monitoring this situation very carefully. But as of now, they're not mixing it up.

Senator HAGEL. What do you believe, not only is your mission as we have just discussed, as I have asked the question what's your role now, but what are you trying to achieve?

General DAYTON. Sir, I'm trying to achieve a Palestinian security sector that has people of the right type and the right size for a political entity its size. I'm trying to get rid of the Arafat legacy that they currently have, which is a bloated security sector, which is fairly ineffective, and I'm looking for something that can give the Israelis confidence that they have a partner on the other side that can control its internal affairs. That's really what I'm trying to do.

Senator HAGEL. What role does Iran play in this or would it play or could it play?

General DAYTON. Sir, I would only be speculating. Right now, I don't see any role that Iran is playing. There's a lot of talk about it, but it's not something that I've seen.

Senator HAGEL. You see no evidence of Iran's hand being involved—

General DAYTON. Sir, the Israeli—

Senator HAGEL [continuing]. Palestinian effort?

General DAYTON. Yeah, the Israeli defense forces are very sensitive to this. They're much more sensitive to it in the north, but

now they're starting to become sensitive to it in the Palestinian areas, and it's something that we're watching very carefully. But so far, we, the United States and The Quartet effort, have not found anything that I could bring to you as evidence that says Iran is directly involved.

Senator HAGEL. Thank you very much. Mr. Chairman.

Chairman LUGAR. Thanks, Senator Hagel. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman, and welcome, General Dayton. You're the second witness to say what happens in these Israeli-Palestinian situation has profound implications for the rest of the difficult neighborhood. So, you're the second witness to say what occurs here has ramifications throughout the region, which I agree with. And you also say and encourage us all to be cautious before we conclude that the effort is not worth it, and I agree with that also. The effort is very very much worth it as we search to where we go from here. My question is, what kind of weapons do you run across that the Palestinians have access to? Is it small arms? Is it these so-called Kassam rockets? What do they have?

General DAYTON. The security forces, Senator, that belong to the government of the Palestinian Authority are basically small arms. They're rifles, pistols, things like that. The Kassam rockets, which are such a problem, are illegally produced, mainly within Gaza, and they are fired by security forces that are not part of the government of—I mean, when I say security forces, that's a misnomer. They're fired by terrorist groups that are outside the government of the Palestinian Authority.

Senator CHAFEE. Forgive my ignorance. Can you describe a Kassam rocket? What exactly is it?

General DAYTON. It's a home-made—bas—it's tough to do, Senator, because it's a long pipe with essentially a hand grenade put on the—something that looks like a hand grenade or a rocket-propelled grenade, at the tip as its warhead. It has fins that are put on for guidance and direction that are literally applied with a welding torch. And when it's fired, you basically point it in a direction. You don't know where it's going to land, but you know that it might go north, or it might go east. Any more accuracy than that is just purely dumb luck. And it's a very inaccurate weapon, but it is a terror weapon because it's so inaccurate.

Senator CHAFEE. Thank you very much, and thank you for your testimony. I don't have any other questions.

Chairman LUGAR. Thank you, Senator Chafee. Senator Biden.

Senator BIDEN. I'm not sure where we are right now.

Chairman LUGAR. Do you want to pass for the moment?

Senator BIDEN. I think I'll pass. I want to explain. General, we're marking up the immigration bill in my other committee downstairs, so that's why I'm bouncing back and forth. I apologize.

General DAYTON. Thank you, sir.

Chairman LUGAR. Senator Voinovich.

Senator VOINOVICH. Thank you, General, for your service. I'm interested in knowing—this question about the influence of Iran. How much influence has Iran had on the Palestinian Authority and on the various terrorist organizations that are involved in Pal-

estine? And last, but not least, are the Palestinians Sunni or Shi-ite?

General DAYTON. Sir, most of the Palestinians are Sunni. They're not Shiites. I hope I'm right on that, but I'm pretty sure I am. On this issue of the influence of Iran, I'm not really the most capable witness that you could get that would be able to answer that for you. I do not see it in the current Palestinian Authority where the Iranians may have influences with the terror groups that are outside the Palestinian Authority that are on the fringes. Again, my Israeli interlocutors are very concerned about Iranian influence in south Lebanon and with Hezbollah, and they are becoming concerned with what they expect will be growing Iranian influence in Gaza. But as I said earlier—

Senator VOINOVICH. Regarding the issue of the sectarianism that exists today in Iraq between the Shiites and the Sunnis, if the Sunnis were going to be getting a lot of support from Iran—who are Shiite—and they accepted that support, would the Iraqi Sunnis and Iranian Shiites reconcile that difference in terms of just getting money and military help?

General DAYTON. Military help, Senator, will be pretty hard to achieve. The Israelis control that very well. As far as other sources of support—again, I'm not really the most competent witness to answer that for you, but yes, you certainly have highlighted the fact that there is a sectarian difference here that may play into the situation.

Senator VOINOVICH. How much influence is being exercised today there by the Jordanians, the Egyptians and other Arab countries? Do they recognize the threat if that whole situation should blow up?

General DAYTON. Senator, I think that's a great question, and I've had a lot of dealings with the Egyptians on this matter. They are, as you would expect, they're concerned, but the Egyptians share The Quartet principles absolutely. They may have a slightly different way on how to get there, but they certainly share the principles, and they have been very adamant that Hamas, if it comes into power on this, change. But what I'd really like to highlight is the fact that the Egyptians have—over the past several months, they have deployed a lot of advisers to the Palestinian security forces in Gaza. They still have a couple of general officers who remain in Gaza as advisers at the most senior level. They've pulled most of their advisers out while they reassess their own situation. But nevertheless, I think in very dangerous situations, the Egyptians have really stepped up to the plate here in trying to assist in what I'm trying to do and what the United States and The Quartet would like to do in Gaza specifically. The Jordanians have been very helpful. They've been involved in some assistance with the Presidential security apparatus, and they have made it very clear that they are open to other suggestions that we may have. And as a matter of fact, I have a visit scheduled to Jordan within the week.

Senator VOINOVICH. Would a good sign to the Israelis be that once Hamas takes over, the security forces that are now in place would continue to be in place as the force that Israelis would be using to secure Palestine?

General DAYTON. Sir, I think the Israelis are relatively comfortable with the security forces that are in place right now. As far as whether they remain in place is truly a Palestinian issue.

Senator VOINOVICH. OK, you're not making any changes in that force, we're going to put in a whole new group to do it?

General DAYTON. I think that, Senator, that would be a very serious problem for the Israelis.

Senator VOINOVICH. It would really set things off. The last thing is that there's a lot of ideas here in this country about what we should be doing as a member of Congress in terms of this situation. What do you think would be helpful, and what do you think would be hurtful?

General DAYTON. Senator, I'll be very careful in what I say here, but I think the less restrictive that the legislature can be on our activities, the more flexibility it will give me as a military man to deal with situations that are inevitably very chaotic and unexpected. There are a few very solid points on which I base my operations, one of which that Hamas is absolutely unacceptable in any dealings. Beyond that, I think it's the less that the legislature can restrict me or can tie my hands, the more potential creative options we may have to, as Jim Wolfensohn said earlier, to deal with the portion of Palestinian society which is not Hamas and which is opposed to Hamas. But I firmly believe Hamas has got to be defeated.

Senator VOINOVICH. Thank you.

Chairman LUGAR. Thank you very much, Senator Voinovich. Senator Biden.

Senator BIDEN. Thank you very much. General, if you have responded to any question I have asked you, please tell me, and I'll read the record. I know there was, from my staff, there was some discussion by you in your opening statement about the fact that there are 70,000-plus members of the Palestinian security forces. My observation, when you were kind enough to talk to us my last trip there, which was just a couple months ago, is that they remain fractured, and they're fairly dysfunctional, and loyalties, from my observation, seem to be based on geography and faction and tribe rather than on any institution or rule of law. One of the things that has been floated—and when I say floated, I don't mean put forward by any particular entity as a proposal, but discussed—is that at the end of the day, Abbas may find himself in a position where if things do begin to break apart in terms of Hamas and Fatah and some of these groups going at each other—and I'm not saying that will happen, but if it does, that there may be a need for some sort of a Presidential guard as, for a lack of a better phrase, as an active anti-terrorist force. And is such an option, after a crisis emerges and Hamas is seen as not being able to deal with it, is that something that would make any sense? Or how—I'm looking down the road, as I know you are, as to what happens if there is significant terrorist activity on the West Bank or in Gaza. The Israelis are going to be put in a real bind. Abbas has to deal with Hamas. Talk to me about that.

General DAYTON. Sir, the idea you put forth is one that President Abbas himself has put forth, and I wouldn't be surprised if he puts it forth again when he meets with, if he does meet, with some Quartet envoys later this week. The 79,000, or whatever the num-

ber is, of Palestinian security forces that currently exist, as I indicated, is largely a Arafat legacy of competing loyalties, and that's why he wanted them that way. You have a lot of bloat, a lot of inefficiency, and the forces should be much much smaller. I don't want to sound cute, but a significant loss in a relatively fair and free election does concentrate the mind, and the Palestinian security leaders that I deal with are very interested in, first of all, reducing the size of their forces dramatically; secondly, putting them on some kind of more professional footing. When President Abbas says that, you know, maybe one of the things we ought to be looking at is some kind of enhancement or improvement of my Presidential guard force, it's something I'll take seriously, and it's something that I have my planners looking at. However, that has yet to be a policy decision on the part of the United States or The Quartet.

Senator BIDEN. I understand that.

General DAYTON. Yes, and so, therefore, we're not moving out on that. We're looking at it, though, very carefully. I think it's an interesting idea.

Senator BIDEN. Let me ask you another question. A year ago, when—I'm trying to think now. I guess it was a year ago January when Abbas was elected. On the day Abbas was elected a year ago, I happened to be there with our friend, Senator Sununu, and we spent some time with Abbas. And as you know better than I do, General, the notion of reducing the size of this—I don't want to say ragtag, but these 70–79,000-man militia forces, people with guns, loyal to different factions is a critical one. He was making the point that it had to be consolidated, but he came back with a pretty stark point, and that is that you've got to figure out how to give these guys pensions. You know, when you tell them, figuratively speaking, hand in their badge, that means they're handing in their ability to get a paycheck, and there's not a whole lot of alternative there. Has The Quartet, through you, been discussing the practical side, the nonmilitary side, of dealing with what everyone acknowledges is a serious dilemma? Is that part of your discussion?

General DAYTON. Senator, it is. However, as you can imagine, since the Palestinian elections, the issue of pensions and the practical aspects of this has taken a second place to the issues of principle and policy and, you know—

Senator BIDEN. Right.

General DAYTON [continuing]. What do these things look like. So, it is an issue. We've done some work on it in the area of the civilian police, as a matter of fact, that the European Union has led. But the practical issues are essentially, not an abeyance, but they're sort of on the back burner as we await policy outcomes here because the Hamas thing is a very serious problem for us.

Senator BIDEN. That's reasonable, and I appreciate your service, General. You're in a really difficult spot. I know my time is up, but the fact is that you—your mission is going to get more complicated or become irrelevant, not because of you, but because of the circumstances. And I—again, I thank you for your service.

Chairman LUGAR. Thank you very much, Senator Biden. Thank you, Senator, and thank you very much, General, for your testimony and for your leadership. And we look forward to staying closely in touch with you as developments occur because the issues

we've discussed today are, as you've pointed out, fluid and ongoing. Thank you for coming. The Chair now recognizes the next panel. We ask Ambassador Ross and Mr. Malley, please, to come forward. As we mentioned previously at the outset of the hearing, Ambassador Dennis Ross is Counselor and Ziegler Distinguished Fellow at The Washington Institute for Near East Policy here in Washington, DC. Mr. Robert Malley is the Middle East and North Africa Program Director for the International Crisis Group in Washington. Gentlemen, we appreciate very much having you before the committee again. I'll ask you to proceed in the order I introduced you, and your statements will be made a part of the record in full. And please proceed, if you can, to summarize. And then, we will have questions again by our committee members. Ambassador Ross.

STATEMENT OF THE HON. DENNIS ROSS, COUNSELOR AND ZIEGLER DISTINGUISHED FELLOW, THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY, WASHINGTON, DC

Ambassador ROSS. Thank you, Mr. Chairman. It's good to be here again. I'll make a number of observations that I think are designed, I think, to try to frame what is the basic issues, as well as I think they are the basic choices as well that we face. What I'm struck by is that there are a series of ironies right now. We have a Hamas victory, but let's look at what some of the ironies are as a result of the Hamas election victory.

First, at the time that Hamas wins, we have a new dynamic within Israel. Within Israel, we have a centrist coalition, we have a very strong consensus that is emerging that will probably be reflected in the election in 2 weeks, and that basic consensus vis-a-vis the Palestinians is a consensus that the Israelis want to be done with the Palestinians. They want to be out of Palestinian lives. They want to separate from the Palestinians. They are prepared to withdraw, probably, from most of the West Bank. Whereas they want to be done with the Palestinians, they want a divorce from the Palestinians, Hamas wants Israel to be done. We heard Senator Boxer describe the charter, and most of us, I'm sure, have read the charter. They want to see Israel disappear. So, at the very moment that you have an Israeli consensus to, in a sense, divorce from the Palestinians, get out of Palestinian lives, we have Hamas elected. And even though they ran under the banner of change, the reality is that people knew who Hamas were when they were elected. So, irony number one is two profound changes taking place among Israelis and Palestinians, but with very different kinds of implications.

Irony number two is that in the case of the Hamas, Hamas doesn't want to recognize Israel. They don't want to cooperate with Israel but there's a reality that the Palestinians are very dependent on Israel. Who is it that provides most of the electricity and water to the Palestinians? That's Israel. Who is it that controls most of the access into and out of the Palestinian territories with the exception of Rafah now? That would be Israel. Roughly 80 percent of the Palestinian economy, in one way or the other, is dependent upon either work in Israel or trade with Israel or trade through Israel. So, even if Hamas doesn't want to deal with Israel,

even if it doesn't want to recognize Israel, even if it doesn't want to cooperate with Israel, the reality of dependence on Israel is a reality that Hamas is going to have to face up to.

Another irony, again related to the situation of Hamas, is Hamas made a series of promises on the way to being elected, and they repeated those promises after having been elected. They are going to produce law and order. They are going to end chaos. They are going to produce a new economic policy, a new industrial policy, a new agricultural policy, a new health policy. None of this is achievable if Hamas is at war with Israel. That's simply a fact.

So, Hamas needs calm, but they want calm on their own terms. They want a calm where they can continue to extend the calm, but Islamic Jihad might be free to still attack the Israelis, or the al-Aqsa Martyrs' Brigades might be free to attack the Israelis, or the popular resistance committees might be still free to attack the Israelis. And in a sense, it's a calm where they're not obligated to do anything to preserve it necessarily, other than the fact that they won't carry out attack against the Israelis. The irony here is, of course, that the Israelis won't simply accept a calm of that sort. So, if they want calm, they're going to have to go from simply doing nothing on their own to being prepared to do something against these other groups if they're going to sustain it.

So, here are a series of ironies. Here are a series of choices. And here, I would say, for Hamas are a series of dilemmas. I think for us, the most important principle is not to allow them to escape their dilemmas. They also want to have recognition from the outside world, and they want assistance from the outside world, but they don't want to change. And we can't put them in a position where basically they can escape the dilemmas that they now face, they can escape any of the choices. If they want recognition and assistance, and you've heard Jim Wolfensohn say, I think, very clearly and quite effectively that we have to stick to the principles. We have to stick to the principles. We have to stick to the principles, and fundamentally, if they want recognition, if they want assistance, then they have to change. I would suggest to you that we have a strategic objective vis-a-vis Hamas. The strategic objective vis-a-vis Hamas is that Hamas has to transform itself, or it has to fail. We face an irony. We want them to either change themselves, or we want them to fail. The problem is, we want to ensure that if they fail, they are the ones who are seen as being responsible for their failure, not us or anyone else.

So, how do we strike the balance? How do we ensure that in the end, if they don't change themselves, which would be the first objective, that they fail? Here again, I think I will try to echo what I was hearing Jim Wolfensohn say. We have to strike a balance ourselves between creating a reality where we maintain a relationship with the Palestinian people, we maintain ties to Palestinian society, we try to ensure that there is a certain humanitarian reality that is preserved for Palestinians, and we show that we care about them even while we will not deal with Hamas. I would say that there has to be a fundamental principle that guides us here. The principle that guides us is we will deal with any Palestinians who are prepared to accept a peaceful coexistence with the Israelis and who reject the use of violence as a means to pursue their aspi-

rations. Any Palestinians who fit that category, we should be, in fact, capable of dealing with and also of supporting.

And what does this mean in practical terms? In practical terms, it means you're not going to deal with a Hamas-led government. But in practical terms, it means you're going to do a number of the following things: First, you have to be able to provide humanitarian assistance. And again, I would define it fairly broadly. Jim Wolfensohn talked about \$700 million dollars a year that is provided for issues like health and education, even some infrastructure development. I would say that when we're providing humanitarian assistance, and he was saying we have to find the means right now to do it, especially if we're not going to deal with a Hamas-led government. When we do this, I think we want to begin to also define the character of this to include employment to some extent. I'm not saying I have an answer to what you do with providing for paying the security forces, but I would say, certainly when it comes to health services and to education, you're going to have to find a way to provide support for the budget that permits that kind of employment to take place. It's not just providing food and water and health in a supporting environment because an environment, in particular, knows no boundaries. It's also trying to ensure that you don't have a collapse of employment, because if you're going to see a million people affected, if you're not being able to at least provide some means to ensure that employment is maintained by the Palestinian Authority, then you're going to face a humanitarian disaster.

So, principle number one, and the practical consequence of it, is find ways to continue to provide not only connections to Palestinian society, but find ways to support what I would describe as humanitarian assistance, which also has some employment implications.

I would say a second practical way to do this would be to maintain not just ties with, but support for the President's office of the Palestinian Authority. I wouldn't just do it without conditions.

First, the President's office has to be held by someone who accepts the principles I described, meaning they have to accept peaceful coexistence with the Israelis, and they have to reject violence as a means of dealing with the Israelis, number one. But I would also say, especially given the performance of Abu Mazen, and I think one of the things we would want to do is ensure that there is transparency in terms of any moneys that would go to that office. We would want to ensure there is an implementation mechanism to act on the moneys and, in fact, apply them to particular projects. I would—when I was talking about the humanitarian assistance, even though Jim's description of \$700 million dollars implies some developmental assistance, I would say some developmental assistance to the President's office, assuming the President's office is going to provide transparent mechanisms, assuming it's going to provide an implementation mechanism, and I would say assuming also that perhaps we put in a group from the outside into the President's office to ensure that decisions are not only made, but carried out.

And here, I would talk about a group that might include people from The World Bank, from the EU, maybe from the Palestinian Diaspora to help develop and act on decisions that are made to

help ensure there's a work plan with certain kinds of milestones built in. This, too, might be an effective way. If you're going to provide some material assistance to the President's office for particular projects, including the developmental area, this is a way to ensure that, in fact, it is, in fact, expended for the right kinds of purposes. Lastly, I would say I think we need to create an umbrella of NGOs. We may need to create some new NGOs, but we need to create some kind of umbrella of NGOs with a steering committee that would have a responsibility for ensuring—again, given the objective of maintaining ties to Palestinian society and to the Palestinian public, but not dealing with Hamas and not dealing with a Hamas-led government, here, I think NGOs would be responsible for a variety of different kinds of support. One would be for civil society.

Another would be for democracy promotion. Some would be for people-to-people projects because we want to maintain the possibility, not only of peaceful coexistence as a principle, but peaceful coexistence in practice. Some might also be for help specifically to the private sector in terms of job creation and investment. And some, I would say, would also be useful for education. I know that Jim talked about not wanting to have two educational systems, but I think here we also want to be somewhat creative.

One of the leading members of Fatah mentioned to me last week that in Gaza alone, Hamas has 30 private schools that it runs. I would like to see NGOs create certain standards for such secular schools, but then also provide material assistance for those schools. One of the things that we have seen, in fact, is an educational system that has not exactly been designed to socialize peaceful values, peaceful attitudes and peaceful coexistence to the extent to which, in fact, NGOs could be geared towards dealing with this side of the development of education, especially at a time when you are thinking about competing with Hamas. I think this would be an important objective to have in mind.

Two last observations. Clearly, doing this only on our own is not likely to be effective. It's going to require, I think, an intensive diplomatic approach by the Administration to ensure that the European Union would also sign on and maintain these kinds of standards—the standards and principles for not dealing with a Hamas-led government unless they meet the conditions that The Quartet has already established for relations or assistance to them. I'm not naive. I know that when it comes, especially to dealing with the Arab world, it will not be so easy to get them to meet the same standards that we might want. But at a minimum, we should work pretty hard on the Arabs to maintain certain standards for themselves so that there wouldn't be normalization by them with Hamas unless Hamas meets certain standards of theirs. If they are not prepared to meet our standards, why can't they at least meet a standard that the Arab League has already adopted? The Arab League we adopted in 2002, a resolution that made it clear that they would make peace and establish formal diplomatic relations with Israel if Israel withdrew the June 467 lines and there was a just solution to the refugee problem.

That is their approach and not necessarily ours, but it's an approach that they ought to be able to sustain. It ought to be an ap-

proach that they wouldn't allow to be eroded. And they should insist that Hamas would meet that, and we should press them to at least ensure that Hamas meets that. And if Hamas doesn't, there isn't going to be normalization with Hamas. Again, the objective here has to be keeping a strategic perspective in mind that either Hamas changes and transforms itself, or it fails, and it fails in a way that makes it very clear that they are responsible for their failure.

In the end, what we are trying to do here is to ensure that they either change, or we create a credible alternative to them because, in fact, the two-state solution is still the right approach and, in fact, the only approach that can work if we're dealing with trying to transform the region and hope for peace over time. We will have a new Israeli government. It will be driven by a dynamic to create their own borders that are very different from today, and that could give you something to work with over time as long as Hamas's agenda doesn't become legitimized over time. For those who say that we should pay attention only to what Hamas does and not to what they say, I would suggest that one of the consequences of what they say is that over time, that becomes legitimate, that becomes part of the discourse, and a two-state solution will begin to be diminished in terms of its meaning.

And in addition, I would just note when you look at what some of the Hamas leaders internal, not just the external leaders, but someone like Mahmoud Zahar has said since the election about wanting to Islamicize a society, take over the educational system, make sure that children in kindergarten are taught to be martyrs and that their mothers are taught to be heroes, it matters what they say. It will have a consequence what they say. We don't want, in any way, to see principles eroded in terms of dealing with them because we want their agenda not to be legitimate. We want a credible alternative to exist, and we want to create the ties to the Palestinian society that make that possible. Thank you.

[The prepared statement of Ambassador Ross follows:]

PREPARED STATEMENT OF HON. DENNIS ROSS, COUNSELOR AND ZIEGLER
DISTINGUISHED FELLOW, THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY

Hamas's stunning success in the Palestinian elections promises to redefine the Israeli-Palestinian relationship even as it confronts the United States with hard questions about its policy toward the broader Middle East.

On the most strategic level, the Hamas victory should compel Washington to reconsider its current approach to promoting democracy in the Middle East. At present, the administration clearly needs to take more account of the potential for antidemocratic groups to use democratic forms and mechanisms to seize power, especially in environments where existing regimes are corrupt and despised and where Islamists are the only organized alternative. This is not an argument against continuing to promote democracy as a leading U.S. objective for the Middle East. But it is an argument for putting more focus on building the conditions for secular, liberal, or moderate alternatives to emerge—and trying to enhance their capabilities—than on continuing to focus such a heavy share of our effort on holding elections as a priority. Such an approach applies throughout the broader Middle East and goes well beyond what the administration must now consider as it deals with the Israelis and Palestinians.

On the Israeli-Palestinian front, the administration's policy has, since 2003, been defined by the "Roadmap to Middle East Peace." The Hamas victory makes this base problematic for shaping policy now. After all, the roadmap was designed to move from the existing reality to President Bush's vision of two states, Israel and Palestine, coexisting side by side in peace and security. Hamas not only rejects a two-

state solution and Israel's right to exist, but it is also highly unlikely to dismantle its own terrorist infrastructure as mandated by the roadmap. Although the rhetorical guideposts embodied in the roadmap remain valuable, it is probably time to admit what has long been the case: the roadmap is, at most, a declaratory posture offering general guidelines for behavior; it is not an operational plan.

Should the Bush administration develop an operational plan? Perhaps, but the starting point for such an action-oriented policy needs to be an understanding of the realities we now face with both the Israelis and Palestinians.

COMPETING POLITICAL EARTHQUAKES

Both Israelis and Palestinians are going through political transformations. In Israel, a new political center (the Kadima party) has emerged that threatens to displace the parties that have traditionally dominated Israel's politics. The Hamas electoral victory is creating a parallel reality for the Palestinians by sweeping aside Fatah, the predominantly secular national movement that defined politics. These twin political earthquakes, though equally momentous, appear to be leading the two sides in very different directions.

For probably the first time since David Ben Gurion served as prime minister, Israel has a broad centrist consensus, particularly on how to deal with the Palestinians. The public appears ready to disengage from the Palestinians, withdraw extensively from the West Bank, and get out of Palestinian lives. Ariel Sharon both shaped and reflected this consensus and was determined to act on it. And, even though Sharon is now incapacitated, his political heirs—led by Ehud Olmert—appear determined to follow in his footsteps.

By contrast, the Palestinians have now voted to remake the Palestinian Authority (PA) by electing Hamas, a group that rejects the very concept of peace with Israel. Indeed, Hamas may even reject a "negotiated divorce" of Israel from the territories, which is how many Israelis view the essence of disengagement. Does the Hamas election mean a consensus exists among Palestinians on how to deal with Israel—or, more likely, not deal with Israel? No one can answer that question with certainty. Many observers will argue with some justification that the Palestinian elections were about corruption, lawlessness, chaos, joblessness, and the overall fecklessness of Fatah—a movement that was not responsive to the Palestinian public's needs and paid the price for its disdain of the electorate. But although Hamas campaigned under the banner of reform and change, it never hid its basic principle of resistance to and rejection of Israel.

In effect, we now face the paradox of having an Israeli consensus for taking far-reaching steps to remove themselves from controlling Palestinians, which is certainly what most Palestinians want, while at the same time, on the Palestinian side, a dominant political force is emerging that seeks not Israel's removal from Palestinian life, but Israel's eventual eradication.

Will the Hamas election alter the Israeli consensus? That is unlikely; if anything, the emergence of a Hamas-led government is bound to reinforce the perception in Israel that there is no Palestinian partner for peace and thus deepen the Israeli belief in unilateral separation. The problem, of course, is that separation or disengagement is not a simple proposition, especially when it comes to the West Bank. Unlike the situation with Gaza, where the distances from major Israeli cities were significant, in the West Bank, proximity will breed Israeli security concerns. For example, can Israel count on short-range Qassam rockets not being fired from the West Bank at Israeli cities and communities after Israel disengages? Even if Israel takes the painful step of evacuating settlements from a significant part of the West Bank, will it feel the need to preserve a military presence to prevent the firing of rockets? Will it also feel compelled to control access into the West Bank to prevent smuggling of more dangerous weapons into the territory? If so, the disengagement in the future may be only from Israeli settlements and not necessarily involve the withdrawal of the Israeli military.

Regardless of how separation proceeds, the important point is that it is likely to proceed over time. A large majority of Israelis want to define their borders and the country's future without letting either be held hostage to Palestinian dysfunction or outright rejection.

HAMAS'S DILEMMA

Although, given its rejection of Israel and desire to avoid any cooperation with it, Hamas will find that governing presents dilemmas. As much as Hamas may not want to deal with Israel, the reality of the situation is that Israel supplies much of the Palestinian electricity and water and outside of the Rafah passage to Egypt, Israel controls access into and out of Palestinian areas. In fact, 80 percent of the

Palestinian economy is dependent on work in and trade with and through Israel. Quite apart from Israel's withholding of tax and customs receipts, which the Palestinian Authority needs to meet some of its budgetary requirements, it is clear that Palestinians depend heavily on Israel to be able to function.

Hamas must face one other reality when in power: It ran on a platform of reform and change. To the extent that Palestinians voted for those twin concepts, their presumption is that their quality of life would improve under a Hamas government. But life is unlikely to improve unless Hamas has the quiet it needs to reconstruct society. From dealing with chronic corruption and lawlessness to providing social services, to developing an economy that offers jobs and promise for the future, Hamas needs calm, not confrontation with Israel. When Hamas leaders, including Mahmoud al-Zahar and Ismael Haniya declare that Hamas will create a new social policy, a new health policy, and a new economic and industrial policy, they raise expectations. Can they deliver on those expectations if they are at war with Israel?

The irony is that Hamas needs quiet for the near term in order to cement its political victory at the polls with popular success in government. On the one hand, Hamas's external leaders, like Khaled Mishal and Mousa Abu Marzouk in Damascus, will continue to see value in maintaining at least some level of violence, especially with their backers in Iran urging this action and perhaps tying increased funding to it. On the other hand, internal leaders like Haniya, who will be the new prime minister and has to deal with the daily realities of life, may have different priorities. Haniya and other internal leaders will not differ from the external leaders in their rejection of Israel, but they may seek at least an indirect dialogue with the Israelis on preserving calm. As Zahar has already said, "If Israel has anything to bring the Palestinian people, we will consider this. But we are not going to give anything for free."

The Israeli position and that of the United States and the international community should be a mirror of that posture: Hamas gets nothing for free. Hamas should be forced to prove it has changed fundamental aspects of its policy at a time when its leaders will go to great lengths to avoid any such change. Hamas may want quiet for its own needs, but it will try to trade calm for recognition and assistance from the outside and a de facto relationship with the Israelis.

Israel, too, after its election may have an interest in having such a de facto relationship. For Israel, such an implicit or indirect relationship might preserve relative calm—meaning bombs not going off in Israel—and enable it to complete the separation barrier. Hamas, for its part, might tolerate such a situation to gain the freedom to focus on internal reform and reconstruction. While in the abstract such a relationship might appear logical, it will only be possible and sustainable if Hamas is, at the same time, prepared to change its behavior and actively prevent terror attacks by the Palestinian Islamic Jihad or the al-Aqsa Martyrs Brigades; stop the smuggling of qualitatively new weapons into Gaza and the West Bank; and not build or amass its own Qassam rockets and bombs.

Israel will not go along with a calm with Hamas that gives the latter all the benefits and yet requires nothing of it. Calm punctuated by acts of terror (or a buildup of capabilities for even greater acts of terror later on) will mean no calm to the Israelis, and they will act to preempt both the attacks and the buildup of the terror infrastructure. And Hamas, now no longer sitting outside the government, will not be able to be passive in response. Whether one is talking about a de facto relationship that has functional value for both sides or broader policy changes that Hamas is asked to adopt, one can assume that Hamas will not only seek to do the minimum and gain the maximum, but also that it will offer clever formulations of moderation that suggest peaceful intent without actually committing the group to a change in its fundamental rejection of Israel's right to exist.

One of the greatest mistakes would be to set up a diplomacy that provides Hamas with a way to escape making choices. At some point, Israel may let some non-Hamas Palestinians act as a go-between to determine whether a de facto relationship is possible, but Israel's terms will be clear, particularly on security.

U.S. AND INTERNATIONAL RESPONSES

Given Hamas's near-term priorities, the United States must be no less clear on what Hamas must do if a Hamas-run PA is to have a relationship with the international community. Hamas will seek to have it both ways, wanting relations while avoiding any change in its fundamental strategy of rejection of Israel and support for violence. On this score, Washington needs to be vigilant: No half-measures or vague formulations should be acceptable. Hamas must unconditionally recognize Israel's right to exist, renounce violence, and accept the agreements that the PLO has made with Israel. If the international community permits Hamas to escape ac-

countability, its political doctrine acquires legitimacy, and the building blocks for co-existence will disappear.

Already, the United States has worked with the other members of the Quartet (the European Union, the Russia, and the U.N.) to insist that Hamas meet these conditions. Unfortunately, the Russians have already defected from these terms. By holding a high-level meeting with Hamas leaders in Moscow, they have already signaled that regardless of Hamas' stated positions they will deal with it. If nothing else, the U.S. at this point should hold no more meetings of the Quartet with Russian participation if the Russians are going to continue to meet with Hamas without any modification of the Hamas declaratory positions. The tougher question is not whether to meet with Hamas officials in the new Palestinian government. That is or should be a given: no meetings if they do not alter their positions on rejection of Israel and support for violence. They must know that the world is not going to adjust to them, but they must adjust to the world.

The tougher question is what to do about a Palestinian Authority that is essentially bankrupt and can only make ends meet with substantial financial support from the international community. For the interim period before the formation of a Hamas-led government, the position of the administration and the European Union has been to help with stop-gap financing. Soon enough, however, the new Palestinian prime minister, Ismael Haniya will put together a government—probably at the time of the Israeli election—and the more basic questions of whether to let the Palestinian Authority collapse will have to be addressed.

I would suggest the following principles to guide our actions toward the Palestinian people and the Palestinian Authority. First, we have no interest in seeing the PA collapse and the Palestinian people suffer a humanitarian catastrophe. Second, we should deal with any Palestinians who accept the principle of co-existence with Israel and reject violence as the means of pursuing Palestinian aspirations, and we should not deal with any who do not. Third, we should help to ensure that basic humanitarian needs of Palestinians continue to be met on food, health, water and environment. Fourth, we should be ready to provide additional assistance on developmental and educational needs through an umbrella body of NGOs to private sector or civil society groups in the Gaza and the West Bank that accept the principles of coexistence and rejection of violence.

What are the practical implications of such principles? There are several:

- No dealings with any officials in the Palestinian Authority that are members of Hamas or who accept the Hamas doctrines of rejection and promotion of violence. (Thus, there should be no contact with the new Palestinian prime minister or those cabinet members who clearly identify with Hamas.)
- Budgetary support for the PA should be limited to humanitarian, not developmental, categories. To be sure, wholesale unemployment could lead to a disaster so the humanitarian categories might be expanded to include workers in health and education areas.
- Assistance might also be provided directly to and through the office of the Presidency of the PA so long as the President remains clearly committed to the principles of peaceful coexistence with Israel and rejects the promotion of violence. Such assistance could be for supporting developmental projects or even some extraordinary budgetary needs, but only if there are transparent means for accounting where the monies go and clear implementing mechanisms within the President's office.
- Material support should be provided through a new body of NGOs, with an oversight board to see how and to whom monies are going. Here support could go for projects that provide jobs, build greater civil society participation, and create private, secular schools. (Today, for example, Hamas funds 30 private schools in Gaza; why not fund private alternatives to these?)

American policy should be shaped according to these principles and their implications. We should seek to get the European Union and other donors in the international community to embrace this approach. Collectively we would not be cutting off the Palestinians, but we would be establishing certain basic standards and Hamas and the Palestinian public would know that they had to be met or they would not be able to produce for Palestinians.

Is it likely that Arab countries would embrace such an approach? Probably not; they are unlikely to isolate or cut off relations with a Hamas-led authority given the political and psychological realities of the Palestinian cause in the Arab world. While the Arab world provides far less financially to the Palestinians than their proclaimed concern for Palestinians would otherwise indicate, their political position vis-a-vis the Palestinians remains important. From this standpoint, getting Arab

states to create a politically-meaningful standard they will actually stick to in shaping their relations with a Hamas-led Palestinian Authority should also be a centerpiece of U.S. policy. And, here, there is no reason why the Arab states led by the Egyptians, Saudis and Jordanians cannot require Hamas, at a minimum, to accept the Arab League resolution that was adopted in 2002 in which peace and diplomatic relations with Israel are promised in return for withdrawal to the June 4, 1967 lines and a just resolution of the refugee issue. This is an agreed Arab standard and if Hamas is not prepared to embrace it, Arab countries should make clear they will not have normal relations with Hamas.

Taken together, our standards with leading international donors and at least a minimal standard among the Arabs for what Hamas must do could affect Hamas's behavior. If nothing else, it will create internal pressures on Hamas, making a transformation possible or at least building the credibility within Palestinian society of alternatives to it.

Our strategic objective must be to foster an environment in which Hamas transforms itself or faces the reality of failure. We need to do this in a way that doesn't make it easy for Hamas to blame its failures on the outside world, even while we force Hamas to face up to the dilemmas and contradictions of its policies. That is why we need to maintain broad ties to Palestinian society and continue to provide humanitarian assistance to the PA, but furnish developmental support only to those who are unmistakably committed to peaceful coexistence. In this way, we will demonstrate that the problem is Hamas' rejection of internationally-accepted standards, not out rejection of the needs of the Palestinian people.

Ultimately, our policies now must be shaped by a recognition that peace-making is not possible at present. If calm can be preserved, if those who believe in peaceful coexistence can be supported, if people-to-people projects through NGOs can be fostered, and if Hamas and the Palestinian public can see that rejection and violence will lead to increasing isolation and retrenchment, we can build conditions that make it possible to get back to peace-making over time.

But we should have few illusions. Hamas leaders actually believe in their doctrine and won't easily transform themselves. The Administration must work actively and intensively with outside donors and the Egyptians, Jordanians, Saudis and others in the Arab world to stick to certain standards and prevent any erosion in living up to them. If there is to be hope over time, Palestinians must see that the international community is not going to walk away from its commitment to a two-state solution.

Chairman LUGAR. Thank you very much, Ambassador Ross. Mr. Malley, we welcome your testimony.

STATEMENT OF ROBERT MALLEY, MIDDLE EAST AND NORTH AFRICA PROGRAM DIRECTOR, INTERNATIONAL CRISIS GROUP, WASHINGTON, DC

Mr. MALLEY. Thank you, Mr. Chairman. Thank you, members of the committee, for having me here, and it's always a pleasure to be here with my good friend Dennis. There's nothing like a good Democratic election to shake our faith in democracy. The outcome of the elections was not what I think anyone here anticipated, certainly not what anyone here wanted. But now we have to deal with it, and I think we have to deal with it by bearing in mind what U.S. vital national objectives should be—(1) Maintaining a strong common front against terrorism; (2) Promoting a two-state solution; (3) Ensuring that there is no resumption of violence between Israelis and Palestinians; (4) Promoting democracy among Palestinians, but also more broadly in the region; and (5) Promoting a program of government reform—again, both in Palestine and in the rest of the region. And the question is how do we best meet all those objectives or at least as many of them as possible. There is a temptation, and I understand it, and it is a legitimate one, understandable one, that right now, in order to meet some of those objectives, the goal should be to ensure Hamas's quick and painful failure. The logic being that if Hamas fails quickly, the Palestinian

people will learn the lesson that if they vote for organizations such as Hamas, they pay the price. They will therefore quickly turn to new elections, and in those elections, they'll vote for the moderates, Fatah or whatever other moderates emerge.

As I said, I think it's a very appealing logic. I also think it may be shortsighted and ultimately self defeating. If the U.S., Israel and others are perceived as trying to engineer Hamas's downfall and quick disruption of the government, the Palestinian people are not going to take from that the lesson that Hamas failed them, but that others failed them. And in that sense, Hamas's failure may not necessarily be America's success. It depends very much on how it fails. If we see more despair, more poverty on the Palestinian side, who in this room thinks that that's going to help the moderates on the Palestinian side? History doesn't suggest that. History in the region doesn't suggest that. History among Palestinians doesn't suggest that. If the Palestinians are starved of funding, and they turn to Iran, is that going to serve our interests? Do we think that if the Palestinians take from this experiment the lesson that democracy only works if it goes in one direction, that we're going to create the foundations of a solid democracy and of a transition in the future to other forms of government, a more moderate government? And there's a broader regional picture. However we may dislike it, the debate today in the Muslim world is not between secularists and Islamists. It's what we may aspire to see, but right now, the real debate, the most active debate, is between those I would call the political Islamists, who, however radical their views may be, are evolving towards greater acceptance of democracy, of elections, of the nation state as a framework within which to wage their struggle and the Jihadi Islamists, al-Qaeda being the best example, but Zarqawi and others certainly belonging to it as well. We need to be very mindful in the way in which we approach what's happening in Palestine, that we don't send the lesson to those who are tempted by the path of elections that elections are a one-way street, and it doesn't include them, and that we therefore embolden and reinforce the Jihadi Islamists, who, as we know, have condemned Hamas's participation in these elections just as they condemn any Islamist participation in elections.

What does this mean? This doesn't mean that we have to give Hamas a pass or, as Dennis said, and as he warned against, that they should be able to succeed without having to change, but it does mean that we have to be judicious, and we have to be cautious in our approach, and that we have to make sure that if Hamas fails, it fails in a way that is compatible with and, in fact advances our interests. In other words, if it fails, that it be viewed as their failure, not ours, that it strengthens moderates, not radicalizes the Palestinians, that it strengthens the prospect for a two-state settlement, not that it diminishes it, and that it strengthens the appeal of democracy throughout the region, not that it defeats it. I suggest that there's a way to do that, to advance those interests without in any way compromising the principles that Jim Wolfensohn, Dennis Ross and General Dayton put on the table.

In other words, we don't have to, and we shouldn't, change our position, which is not to deal with Hamas, not to engage with Hamas and not to fund anything related with Hamas until Hamas

itself changes its position in the ways that we insisted the PLO change its position in the eighties and nineties. And that's a position I think we could hold onto, and we need to hold onto, because we have no reason to reward Hamas's intransigent outlook. That's principle number one. Principle number two, again, echoing what I think so many have already said this morning, we need to find ways to provide humanitarian assistance, democracy-building assistance—perhaps, if we broadly define humanitarian assistance, find ways to incorporate developmental assistance so that, in fact, we're not viewed as punishing the Palestinians and so that, in fact, Hamas can't turn around and say we're the cause for the Palestinian's hardships, not Hamas's way of government.

That brings me to number three. If, in fact, we fear that a rapid attempt to disrupt Hamas's government is going to boomerang and backfire, and if, in fact, we at least want to hold onto the hope that Hamas may change, because that would be the greatest success of all and if, in fact, it carries with it that 25–30 percent of the Palestinian population that holds onto the kinds of views that Senator Boxer recited earlier, then we need to at least create a testing period—again, echoing what Jim Wolfensohn said. This doesn't apply to our policy directly. As I said, we don't give any money to the PA controlled by Hamas. We can't by law, and we shouldn't change that. But other countries, perhaps, could at least be able to develop a more nuanced approach, more sophisticated approach, and we shouldn't be trying to block them. And I want to give some examples. If tomorrow, we see that a Hamas-led government maintains a cease fire, which meets a very critical objective, for us, and the Palestinians and the Israelis, if the PA government says, for example, that it is prepared to accept, as Dennis suggested, the Arab League Declaration, which implicitly recognizes Israel, because it says that if you find an acceptable two-state solution, then the Palestinians—indeed, all of the Arab world will recognize Israel. If, for example, the government decided—the PA, the PLC, the legislature and the government said we mandate President Abbas as chairman of the PLO to negotiate with Israel a final status settlement and, he reaches one and submits it to referendum, and the Palestinian people endorse it, we will follow suit. All of those are not direct conversions of Hamas as we all would like to see, and so none of them meets the bar that we have set for dealing with Hamas and for funding a Hamas-led government. But I think they do meet another bar, which is seeing Hamas move in the right direction. In fact, they are paying the price—under my scenario, maintaining the cease fire, implicitly acknowledging Israel's right to exist, dealing with Israel.

In other words, the goal is to see them reverse positions through their practice that they may not be prepared to do in words in the limelight and glare of publicity and say tomorrow, we recognize Israel's right to exist as a Jewish state, and we renounce forever violence. That may not be possible in the short term, but let's get them to modify both their practice on the ground in terms of maintaining the cease fire and indirectly achieving what we want them to do, which is to recognize the reality of Israel. And if they do that, and other countries—Jordan, Saudi Arabia, European countries—say we, therefore, are prepared to deal with this government

in some way, I don't think we should put the bar so high that we reject that, because again, the key for me is the following: We want to put conditions on Hamas that are difficult for it to accept but equally difficult for them to reject, because if they reject them, the Palestinian people will feel that that rejection is unreasonable and harmful. Am I optimistic that this can work? I can't sit here and say I am. I've read the charter as well. We've seen Hamas's statements. We've seen its behavior. But I think there is at least some reason to hope that it could work, because again, as Dennis said, they are constrained and inhibited because of their victory, and if I could borrow a phrase from President Bush, it's what I would call their catastrophic success, which he used in a different context.

Their success means that they cannot resort to violence if they want to achieve their objectives. In fact, even if the al-Aqsa Martyrs' Brigades or Islamic Jihad resorts to violence, it's a direct impediment to their program. They can't alienate the international community or even Israel too much, because if Israel or the international community turn their backs on the PA, they know their program is going to crumble. They can't even pursue aggressively their domestic agenda because if they do so, they're going to alienate Fatah, which still controls the security forces, which still controls the presidency, which still controls the PLO. And therefore, because they did so well, they can only go so far. Again, I'm not saying that this scenario is going to work, but I think it's worth testing it, engaging it, because of all the scenarios we face, of all the options, the not very agreeable options we face, the one that I would say would be most in our interest would be to see Hamas change, but change in a way that's realistic. We can't expect it tomorrow, however much we'd like it, to become an entity that has values consonant with ours. The second best option is for it to fail, as I said, in a way that is congruent with our interests, so that they are perceived as responsible and where we don't have instability in Palestine bleeding into Israel. The worst option, in my view, would be the kind of failure that is attributed to us and that radicalizes the Palestinian population. President Bush's endeavor to democratize the Middle East can be criticized in some ways, but I think it does rely on a basic intuition, which is a valid one, which is that politics is a way to moderate extremes because you're faced with the necessities, the exigencies of everyday government. We're already seeing that happen with Hamas. We want to see it more. No guarantee that this gamble will succeed, but I think the least we can do in order to defend our own interests is not to condemn it to failure before its even begun. Thank you very much.

[The prepared statement of Mr. Malley follows:]

PREPARED STATEMENT OF ROBERT MALLEY, MIDDLE EAST AND NORTH AFRICA
PROGRAM DIRECTOR, INTERNATIONAL CRISIS GROUP

Thank you, Mr. Chairman, for the opportunity to address the committee today and to testify on the implications for U.S. policy of Hamas's stunning electoral triumph.

The first task, as in all cases, must be to clearly identify our objectives. As I see them, U.S. goals in both the Israeli-Palestinian arena and the broader region are to remain firm in our opposition to terrorism; ensure that violence between Israelis and Palestinians does not resume; support a two-state solution; advance democracy and promote government reform in the Middle East.

It is widely assumed that ensuring Hamas fails by isolating and undermining the forthcoming government is the best way to achieve these objectives. The reaction reflects legitimate opposition to bankrolling an organization that has neither recognized Israel nor renounced violence, and that has been guilty of horrendous acts over the years. It is premised on the belief that Hamas, starved of resources, will confront an angry population and, somehow, be forced out of power. And it hinges on the hope that disappointed Palestinians will then turn from Hamas's radicalism to moderation. All of which, given Hamas's track record, is understandable. But it also may be short-sighted and, ultimately, self-defeating.

Depending on how it is achieved and how it is perceived, Hamas's failure may in fact not be America's success. Should it come about as a result of heavy-handed U.S. and Israeli pressure, it will be blamed by Palestinians not on the Islamists but on the outside world. Hamas, convinced it is being set up for failure, may well abandon its political gambit and revert to the familiarity of armed confrontation, with the ensuing risk of full-scale violence. Chaos in the West Bank and Gaza inevitably will have security implications for Israel. If those Palestinians who supported Hamas feel cheated of their victory, how solid will the foundations of Palestinian democracy be? As for the prospects for future moderation, what grounds do we have for thinking that greater poverty and desperation will shore up Palestinian pragmatists? Every precedent from Palestine and beyond suggests the exact opposite. Indeed, Hamas's fortunes are themselves the byproduct of Palestinian despair, and radicalism is more likely than not to benefit from economic and political disillusionment. In short, before engineering the downfall of the Hamas-led government, the United States needs to be fully aware of the implications, and prepared to deal with them.

There are broader regional implications. Many throughout the Moslem world are watching the Palestinian experience to test the benefits of democracy and the sincerity of the West's endeavor. In fact, one of the more critical battles taking shape is not between Islamists and secularists, but within the Islamist camp itself: between political Islamists who are flirting with democratic activism and Jihadi Islamists who cling to the purity of armed confrontation. Jihadists condemned Hamas's electoral participation, just as they condemn Islamist participation in any election. As a result, we need to be mindful of the impact that a concerted effort to prevent Hamas from governing will have on that debate and on the ensuing regional balance of power between Jihadists and political Islamists.

None of this is to say, as some fear, that Hamas should be allowed to avoid making changes or that it should be spared difficult choices. The issue, rather, is whether this is done with the aim of ensuring that this unprecedented experiment fail, and fail quickly, or—as the International Crisis Group suggests—with the aim of carefully testing if it can succeed and, if it nonetheless fails, making sure it does so in a manner consonant with U.S. national interests: i.e., that Hamas is held responsible, not us; that the cease-fire is maintained, not violated; that democracy emerges strengthened, not battered, and that Palestinians see the merit of moderation, not of further radicalisation.

Insisting that Hamas immediately recognize Israel's right to exist as Jewish state (something neither the PLO, nor Egypt, nor Jordan has done to date) and renounce violence as pre-conditions for any international assistance has the merit of moral clarity. But it will not work and it may well backfire. It runs the risk of ensuring the PA's collapse under conditions which most Palestinians will consider illegitimate and which will trigger a closing of the ranks around the most hard-line of Hamas's leaders, rather than a rift between its more pragmatic and more ideological camps. As the elections themselves demonstrated, there are real limits to what outside threats and pressure can do. Hamas won in part due to dissatisfaction with the PA, disgust at corruption, and frustration at Fatah's performance. But more than that, the vote expressed anger at years of humiliation, loss of self-respect, from settlement expansion, Arafat's imprisonment, Israeli incursions, perceived Western lecturing and, most recently and tellingly, the threat of an aid cutoff in the event of an Islamist success. Hamas, which benefited mightily from this deep-seated aspiration for dignity, is not about to betray it by appearing to bow to international pressure.

In other words, conditionality is the right approach, but it needs to be done judiciously and realistically. The goal should be to set out principles and benchmarks that are difficult for Hamas to meet, but equally difficult for it to reject.

There are several policy implications to this approach:

1. The U.S. should not modify its current policy, which bars any assistance to Hamas or a Hamas-led government as well as any engagement with a terrorist organization. There is no reason for us to reward its outlook. Any U.S. dialogue with

Hamas should be conditioned on the organization taking the steps that were imposed on the PLO in the past.

2. The U.S. should maintain a robust program of humanitarian assistance to the Palestinians, broadly defined and inclusive of programs that can help bolster democracy, elections, and the independence of the judiciary.

3. The U.S. should take a sophisticated, nuanced posture when it comes to third party interaction with a Hamas-dominated PA. The bar for the EU or others providing some assistance should not be set too low, lest the message be that there is no need to change at all. But nor should it be set unrealistically high. Rather, it should aim at encouraging movement in the right direction, forcing Hamas either to change or to refuse to change in a context that most Palestinians will find difficult to understand.

A graduated approach in this spirit could focus on the following immediate demands: maintenance by Hamas of the cease-fire; respect by the PA of past international agreements; acceptance of the Arab League proposal (which entails recognition of Israel in the context of a two-state solution); or a statement by the PA that it encourages Mahmoud Abbas to negotiate with Israel and that it will abide by any agreement that is reached and endorsed in a popular referendum. These formulations achieve only indirectly what many insist Hamas do directly and leave for later clear-cut ideological shifts; for that reason, they raise doubts. But is an outcome in which Hamas bows to reality by being forced to maintain the cease-fire, implicitly accept the two-state solution and, therefore, Israel's existence, not preferable to one in which a sizeable portion of the Palestinian population continues to cling to unrealistic, hard-line positions?

4. The U.S. should avoid overt interference in Palestinian politics, seeking in particular to engineer Fatah's swift return. If we have learned anything from the past, it is that efforts of this type have virtually never succeeded, and virtually always backfired.

5. The U.S. should work with Israel to ensure that steps are not taken during this period that foreclose the possibility of a viable two-state settlement, in particular with regard to construction in the area around Jerusalem, and work with countries like Egypt that have contacts with Hamas to try to minimize the risk of provocative acts by either side.

There is of course no guarantee that such an approach will succeed. Hamas's evolution is a work in progress at best, neither a sure thing nor the safest of bets; it will depend on the internal balance of power within the organization, as well as on how others—Fatah, Israel, the U.S., the EU—act. But there are at least some reasons for hope. Hamas's victory undoubtedly presents us with a headache, but it is an equal opportunity headache, with migraines for all, most prominently for the victors themselves. Paradoxically, Hamas's electoral triumph may optimize conditions for its political transition, for victory is likely to inhibit it far more than would have defeat. The Islamists ran on a campaign of effective government and promised to improve Palestinian lives; they cannot do that if the international community or Israel turns its back. They seek recognition and legitimacy; by winning, they now have to do far more to achieve this. They need to reassure anxious Palestinian security forces and the defeated Fatah movement; they cannot do that if they pursue an aggressive domestic agenda. Most of all, they must prove their way works; they cannot do that if conflict escalates. Renewed attacks against Israelis would lead to a swift and far-reaching response and ravage any hope the Islamists have for their turn at the helm.

Beyond that, Hamas—which captured 44.5 percent for the national list and 36.5 percent for district lists—understands it did not win the popular vote, that its electoral result surpassed by far its political support, and that most Palestinians continue to believe in a negotiated two-state solution. Paradoxically, many Palestinians appear to have voted for Hamas in order to see it implement Fatah's program, there seemingly being more faith in Hamas's ability to achieve a two-state settlement than there is support for Hamas's aspiration to create an Islamic state. Hamas, which has always shown itself sensitive to public opinion, will need to take all this into account.

While a permanent status agreement appears out of sight, these constraints also suggest the possibility of a diplomatic accommodation. For Hamas's approach is more in tune with current Israeli thinking than Abbas's loftier goal of a negotiated permanent peace. In its penchant for unilateralism and partiality toward a long-term interim deal, Israel may have found its match in Hamas's reluctance to talk to the enemy, opposition at this stage to a permanent agreement, and preference for an extended truce. Moreover, in the unlikely event that the possibility of a com-

prehensive deal were to resurrect in the near future, it is hard to imagine it succeeding over Hamas's opposition. Ultimately, a sustainable peace may not be possible with the Islamists. But it plainly will be impossible without them.

Undoubtedly, Hamas's victory was not in the United States' interests. But the alternative was not that enticing either: coming in a close second, Hamas would not have been disarmed and would have been less constrained; Fatah would have remained divided; the reform program would have been stalled; the truce would have been more fragile; and the prospects for a genuine peace process would have been as elusive as ever.

If dealt with wisely, Hamas's victory could present an opportunity for the U.S. to boost its fundamental goals without betraying any of its core principles. The key, again, is to be clear about our objectives and how to achieve them. In this respect, bringing the more militant segment of Palestinian society into the political fray, getting it to deal with Israel and acquiesce in a two-state solution, boosting our democracy agenda and promoting reform would not be the worst hand the U.S. could have been dealt. President Bush's effort to promote democracy in the Middle East is premised, in part, on the reasonable assumption that electoral politics is a recipe for pragmatism and moderation. The gamble may or may not work. But the least we can do is not condemn it to failure before it has even begun.

Chairman LUGAR. Thank you very much, Mr. Malley. Once again, we'll have a 5-minute question round. I'll begin the questioning by asking you, Mr. Malley, how would you respond to an American citizen who took a look at this in a commonsense way, who doesn't claim to be sophisticated or to have been involved in the Middle East, but who simply notes that Israel, as I think Ambassador Ross suggested, is prepared to say, "We will finish the wall, we'll finish the separation, we'll withdraw certain settlements, but we're prepared to retain our sovereignty and our entity. It's not going to be an existential event for us. We're going to continue on. Whatever happens on the other side of the wall is the business of whoever's over there."

United States citizens may say, "Well, we just can't leave it at that, these folks really don't know how to get along. We've been trying to help them, and we want to ameliorate the difficulties and the big problems and so forth". But skeptics might say, "why not just leave it that way for a while?" In other words, if, in fact, the Palestinian government, however it evolves with Hamas, Fatah, whoever, comes to the United States and says, "we would like to have your help," we would like to have a program.

Why, then we might respond to this as opposed to our going to them and saying, "now, by and large, we don't like really what's happened here, but we want to do a little humanitarian aid just because we don't want to see suffering people. We'd like to get a little food in there, maybe even a little democracy movement sort of behind the scenes, sort of help you folks out in your revolution."

And then at that point, Hamas or others say, "There go the Americans again, meddling in our situation". If we fail, it's them—even while we're trying to do good, making it more backward. How do you respond to that rather common sense-type of questioning, which some of us get from our constituents who don't attend these hearings, who don't hear experts, who wonder why in the world are we expending this amount of effort with regard to a group that we don't think is a very good group as it stands and that we asked to reform. We understand, as you've said, that this takes time, maybe a lot of time, not in only an intermediate, but maybe a long term. Maybe this requires only a nuanced acceptance of Arab League principles or some other way that we explain that's what they real-

ly mean, but they can't say it. They don't want to do it. How do you respond to this common-sense inquiry?

Mr. MALLEY. First of all, your imaginary American has a lot of common sense, as they usually do. I think there is something to that. I think—if I understand your question correctly, for one, I would not—even though I'm not a unilateralist at heart, I don't think at this point that we could expect much more in the best-case scenario than Israel withdrawing from great portions of the West Banks as it has suggested it might do if Kadima wins the next elections, that the Palestinians could govern themselves, and that Israel doesn't face the burden of occupation. And a Hamas-led government dealing with internal law and order and trying to stabilize the situation and perhaps even achieving some kind of paradoxical accommodation. Neither Israel nor Hamas want to talk to one another. Neither one of them really believes right now in negotiations with the other, and neither believes in a permanent status agreement.

So, to that extent, I think there's a strong grain of truth in the intuition in the common-sense answer. But I would say this: we do have a vital national interest in not letting the situation between Israelis and Palestinians deteriorate. It's not a matter of charity, it's not a matter of morality—although I think that should enter the equation as well. If we've learned anything over the last few years, it is that anti-American sentiment in the region is boiling to the point that it is affecting our vital interests, our security. We know it. We see it. And if we are not perceived as trying to address the Israeli-Palestinian situation, that will only get worse. It will impede what we're trying to do in Iraq. It will impede what we're trying to do in Iran and Syria in promoting democracy, all of the issues that we're trying to move forward.

I recall very well two years ago when I appeared here, before both Senator Biden and yourself, we had a discussion about why the United States would not put forward a proposal with Arab League backing, about how you would resolve the Israeli-Palestinian conflict in a way that might generate support from the Israeli and Palestinian people, public support, even if you wouldn't get the solution right away. I still think that that would have been the right to do, because I think we have a vital interest in being perceived as being on the side of trying to reach the kind of settlement that President Bush is on record as saying he wants to achieve.

Chairman LUGAR. So, you believe that the foundation will see better ratings for America and Middle Eastern countries if we're perceived as doing something, even if whatever we're doing is resented by persons that we're trying to help?

Mr. MALLEY. I don't know that—I don't think we'd be resented if we're trying to help by pushing forward a political solution, and I don't think that humanitarian aid is going to be perceived as negative by Palestinians. I think if we start playing internal Palestinian politics, and again, if there's one thing I learned in my time in government, working with Dennis, was that every time we tried to interfere with internal Palestinian politics, we got it wrong, and we got hurt. We don't understand it well enough. We are not able to manipulate it well enough. And because of the residue, stronger

than residue, of anti-American feeling, when we try to endorse somebody, that person almost automatically plummets in the polls. I don't think that's what we want to do, but humanitarian assistance, developmental assistance, political support for a two-state solution, those, I think, are things that would resonate widely with all Palestinians.

Chairman LUGAR. Thank you. Senator Biden.

Senator BIDEN. Mr. Chairman, your question reminds me of a meeting years and years ago with Hubert Humphrey and Denis Healey at the Ditchley Foundation, and Healey told a story, allegedly—I don't know whether it was true, about Churchill just having been made Prime Minister and a backbencher—I'll call him Soames—that stands up and just excoriated Churchill, and Churchill looked over at me and said I don't know why Soames says that of me, I never did a favor for him. I think there's much to what you say about the resentment, and I don't think it bears any distinction when it's humanitarian or otherwise. But, you know, the second part of that common-sense approach is wouldn't the Palestinians be—wouldn't Hamas be happy to say fine, we don't want your help, but just don't get in the way of our help from Iran and from the Gulf states, let us get the help we need, we need \$100 million dollars, we can do that and move on. That, sir—for me—the question your constituents and mine ask us is appealing, but it seems to me that if we're not in the game, then we either have to be blocking other people from doing it, and then we have all the downside, or they can find it other places. I mean, it's not such a big number that they need us for a solution, which leads me to a couple questions.

Gentlemen—and if you could do it briefly, I'd appreciate it, is there any way for Hamas to fail without it being violent? My problem with Hamas failing is I don't see it failing in a way that is the way we think in Democratic terms. You know, you fail, you lose an election, they throw you out of office, and you say good, we're Democrats with a small D, let's just go away. I mean, can you picture them failing without there being physical consequences, military consequences as a consequence of failure on the part of Hamas?

Ambassador ROSS. I think there is a high likelihood if they see themselves failing, in fact, violence does go up, but I would also say their success is likely to produce violence as well.

Senator BIDEN. Yeah. No, I agree. I mean, I think you two guys are among the two brightest, most informed and logical analysts that I've ever dealt with in this area, and I mean that sincerely. And Dennis, the way you laid it out in terms of the questions, the dilemma we face, I've just posed that as another dilemma because I think people think failure means OK, well, peacefully, we failed, you know, new election, we're going to have a democracy. The second question I have is with regard to education. I don't know why it doesn't make sense—and I have great respect for Jim Wolfensohn, but I don't know why it doesn't make sense for us to be funding, through NGOs and/or through private entities, private business, Palestinian businessman, literally going in and building—providing the money to build schools. I don't have any problem with this separate system. I mean, there is a separate system

now, and there seems to be no competition. What would be wrong with—let's assume that even—let's say the Diaspora, I'm making it up, came along with \$100 million dollars and said we're going to build X number of schools on the West Bank that are not Hamas schools teaching Jihadist notions?

Ambassador ROSS. I'm in favor of that. I think it's one of the things we have to deal with is that Hamas's agenda is to Islamicize the society, take over the educational system, build on their own educational system they already have.

Senator BIDEN. It seems like we tie our hands behind our back. I mean, when we met with Abbas, I said why don't you ask us specifically for something now, and it's going to sound silly, I said why don't you just ask us, tell us how much money, to the best you can determine, Hamas is spending to fund the college education of Palestinian children and young adults, give us the number. And I said something presumptuous, I believe I can get you the money, you announce tomorrow—this was a year and a half ago, you announce tomorrow from this day forward, every single Palestinian in college will have it paid for by the Authority, paid for by Abbas. I mean, it seems to me we don't give these guys, now the opposition, enough material to create a constituency to fight for. Here's my last question and I ask both to respond. We saw how Putin responded to NGOs. We say we—well, we got a way in, we're going to not deal with Hamas. We know we can't funnel everything through Abbas directly, so we're going to go through NGOs. Does anybody think that Hamas is going to sit there, or are they going to take a Putin route and say, whoa, whoa, whoa, whoa, whoa, these NGOs are subversive. And maybe the route is through Palestinian businessmen. Maybe the route is through the business Diaspora that we are able to go in and—I don't know how to do this, but, you know, so you have a legitimate entity they can't undermine that is not an NGO per se, but that has legitimacy with the Palestinian people and actually begin to build through the Diaspora, who are not, you know, Hamas. They're my concluding questions.

Mr. MALLEY. Actually, if I could answer both the first and the last question, because I think they're related. Hamas is an organization, it's a terrorist organization. It's also a social militant organization which is very sensitive to public opinion, which is why I think the way we deal with this period now will determine whether its failure will be violent or not. If they cannot sustain an argument with their public saying we failed because there was a plot by the U.S. to make us fail—4 years from now, they will not be in a position, I think, to be able to undo the great advances of Palestinian democracy. Again, not compared to ours, but compared to the region, they are far ahead of anything else I've seen, and that holds true for the NGOs as well. I don't think Hamas will be in a position to do a Putin. If, in fact, they don't have the grounds, the arguments, which is why I would say—and I think your comment is absolutely right, there should be a Palestinian face to these NGOs. It should not be viewed as U.S. driven. Unfortunately, we don't have the kind of image we would need to make that successful. When we were in Palestine observing the elections, I was there with President Carter, there was a story in the press two days before the elections about money that the U.S. apparently had given

to the PA. I think there was a lot of misinformation, but that was gold for Hamas, because they could say—their slogan was the U.S. and Israel don't want Hamas, how about you? We have to be careful. I think there are ways to work exactly in the way you said, but we have to be mindful that the lessons the Palestinian people draw is that their Palestinian businessmen, NGOs are trying to build schools—Hamas will have a hard time stopping that—and that their elections and democracy should proceed, and Hamas will have a hard time trying to foil that as well.

Ambassador ROSS. I would just add it's very hard for Hamas to look like they're going to block what most Palestinians will see as being in their interest, number one. Number two, there are Palestinian NGOs, there are Palestinian business people, especially on the outside, who want to play this role.

Senator BIDEN. I agree.

Ambassador ROSS. We want them to be the ones who are out there. When I talk about an umbrella of NGOs and maybe new faces and maybe a steering committee, you do it with them to ensure that it has inherent authenticity and credibility among Palestinians.

Senator BIDEN. With 30 more seconds, Mr. Chairman, with the indulgence of my colleagues, I'm going to say something very presumptuous. I think that's a role the two of you could play better than we could play and actually, because of the respect you have of actually generating an idea, not just an idea, but pillars within that to hold that umbrella up. Maybe I'll get a chance to talk to you both later about that. I mean, I don't pretend to have the answer. I'm not suggesting—I don't want it to sound like I know with any certainty where to go on that, but I think you're generically right. You've got to provide another umbrella here. Thank you.

Chairman LUGAR. Thank you, Senator Biden. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman. I agree with Senator Biden and your excellent testimony and experiences you have in the region. And following up on Senator Lugar's question about—it seems to me as though—if you can predict what's going to happen, it seems as though Kadima's going to win, and unilateral boundaries are going to be set with the, from what I understand, the complicity of the United States, that they've met with the United States and our government, and we're going to agree that, as Ambassador Ross said, there's going to be a divorce, but what does that mean? What are those boundaries going to look like, and does that preclude, if that occurs, a viable, contiguous Palestinian state as the reality that once these boundaries are set, there will be no Palestinian state? Ambassador Ross?

Ambassador ROSS. You know, I think nothing is going to happen immediately. We'll have to see—the Israeli elections have to take place. As I said, I think there is a consensus in Israel we're likely to see reflected in the election. There certainly is the platform of the leading party that emphasizes that they want to fix the borders. They've also said that, in fact, if there is no Palestinian partner to talk about, then they're going to have to go down this route. So, the reality, I think, is nothing's going to happen immediately. There—I don't believe there is any understanding presently with the U.S. Administration on what those boundaries would be. What

is important is that you're talking about what could be a significant withdrawal, and it ought to be governed by some criteria. It ought to be governed by a criteria that says as long as there is a Palestinian—as long as the Palestinian government is led by those who reject the very existence of Israel, whatever is worked out would be a political border, not necessarily an international border—meaning if the Palestinians were prepared to have a government that was capable of living up to its responsibilities and prepared to live in peace with the Israelis, then you would be in a position where you could have a negotiation later on. What is done now shouldn't preclude, or what is agreed to, shouldn't preclude an agreement eventually, but you can't ask the Israelis to say well, we're going to hold our own future hostage to those who reject our very existence. So, they're going to go ahead, and they're going to try to shape a reality that ensures that Israel will exist as a Jewish-Democratic state, both in a demographic sense and a security sense. You would like to see that happen in a way that also makes it possible for there to be a viable two-state solution, but if the Israelis don't have someone on the other side who is prepared to deal with them, you can't ask them not to, in a sense, try to shape their own future.

Senator CHAFEE. I—

Mr. MALLEY. If I could add—

Senator CHAFEE. Yes, I find it difficult, and I don't know if you answered the question, to reconcile a—the demographics of a Jewish-Democratic state and these unilateral boundaries. I—can they both—can that occur?

Mr. MALLEY. It depends, Senator—

Senator CHAFEE. At the same time, a viable, contiguous Palestinian state? It seems to me these anticipated boundaries cut deep into the West Bank and divide the West Bank. Am I accurate?

Mr. MALLEY. I think it depends very much on what the boundaries are, and the greatest concern that Palestinians, but also many Israelis, and I think it should be ours, is what's happening around Jerusalem—in particular, E1, the link with the settlement of Maale Adumim. I understand that the Israelis, right now, are in a position where they feel they don't have a partner on the other side. But if they ever want to be in a position where there will be a partner on the other side, and that they can achieve a viable two-state solution, I think they have to be mindful, I think we all have to be mindful, of steps that are taken that preclude that. And as I said, the greatest tinderbox, the greatest danger, right now is around Jerusalem, which is always the most sensitive for both sides. And I think it would behoove us to speak to our Israeli friends, which we do frequently, and to tell them candidly when we think that steps they are taking, even in this difficult context, should not in any way preclude the possibility of a viable two-state solution, because we would not be doing the moderates or the pragmatists in Palestine, who we want to see someday come back to power, any favor.

Ambassador ROSS. I would say, inevitably—I mean, bear in mind that no Israeli government, even if it's going to be driven by this dynamic, is going to want to reach this conclusion on their own without getting understandings from the outside. Even if they feel

they don't have a Palestinian partner to talk to, they're going to—I think they're going to negotiate it, in a sense, with us. And in our conversation with them, there should be criteria that guide what it is we're prepared to sign up to, and the criteria should make it possible that there could still be an eventual two-state solution. Any step that's taken unilaterally, by definition, creates an outcome, it doesn't create a solution. You still want a solution down the road.

Senator CHAFEE. Thank you very much, Mr. Chairman.

Chairman LUGAR. Thank you, Senator Chafee. Senator Dodd.

Senator DODD. Thank you, Mr. Chairman, and thanks for having these hearings. I apologize for arriving a little late with the conflicts of other committee meetings and so forth that I'm—so I'm sorry I missed hearing Jim Wolfensohn, but once again, welcome, both of you, and we've listened to you for many years here on this committee on these issues. And clearly, the elections of Hamas has thrown a major monkey wrench into all of this effort. Let me ask you quickly first, because I'm—and you may have addressed this. If you've already addressed it in earlier questions, then I apologize and—but I'm under the impression that it isn't quite as clear that the election of Hamas was overwhelmingly caused by a rejection of the peace process, that there are those who believe that maybe the major reason why Hamas did as well as it did was—Tip O'Neill's old admonition, politics is local, and the fact that they were pretty good at delivering services, seen as non-corrupt, cared about education, did a lot of things that just average voters can relate to in places and saw this as the alternative. First of all, do you agree with that? Is that—would you just address quickly that point? Am I exaggerating the influence of that element in the outcome of the elections, or is it—yeah, either one of you want to—

Ambassador ROSS. I'll start. Robert can follow on. I think there is no question that was the overriding reason that Palestinians voted the way they did. I think it was a case of all politics being local, but I think it was also a case of Hamas being extremely well organized. They use, in a sense, the structure they had developed, actually, for carrying out terror, small cells extremely well organized in local areas to be quite effective politically.

I also think, though, there was a perception on the part of Palestinians that they didn't lose a lot by voting for Hamas. Yes, they were angry at Fatah. Yes, they thought that this was a leadership and, in a sense, a party that was completely divorced from them and their needs. They were corrupt. They cared only about dividing the spoils among themselves, not at all about the Palestinian public. They didn't provide services. They weren't responsive. And in a sense, they needed to be taught a lesson. And Hamas knew how to play upon that sentiment, but I think they knew who Hamas was. It wasn't as if—Palestinians are not uninformed. Palestinians were not unaware of who Hamas was. They knew who Hamas was in terms of their attitudes towards Israel, and they made a judgment that, in the end, that they didn't lose a lot by doing this. So, I think both factors are important even though I think what you described was the overriding factor.

Senator DODD. And in fact, may have gained because if you go—if the question is I'm going to get a less corrupt government that's

going to be able to deliver services better to me, then, in fact, that's a win.

Ambassador ROSS. Right, but also Hamas claimed they were responsible for the Israeli withdrawal from Gaza. So, they, you know, they said our violence has produced—I mean, it's—it is—yes, they thought they were going to gain. Yes, they were angry. Yes, they were voting their anger probably more than anything else. But I think we shouldn't be patronizing in our attitudes towards Palestinians to feel that somehow they didn't—they were completely unaware of who Hamas was.

Senator DODD. No, no, I didn't mean to suggest that at all. I don't want to spend a lot of time on this. Do you disagree with Ambassador Ross?

Mr. MALLEY. One word, because you asked whether it was a rejection of the peace process. If anything, it was a rejection of the absence of the peace process, a rejection of the failure of the peace process. There had been no peace process for the last 5 years. So, I think there was both the local politics, the fact that there was no peace process to talk about and the fact that the Palestinians had felt, in a way, humiliated over the years, and a vote for Hamas was their way of avenging all their humiliations over the past years.

Senator DODD. This gets to the point I want to try and make. I listen to you go through and talk about a changed Hamas—and I'm certainly not opposed to maintaining the lines of humanitarian aid—but we're talking here about a terrorist organization responsible for the deaths of literally dozens and dozens, thousands of people possibly. You know, the idea that somehow Hamas is going to go through some major change, I think is terribly naive on this front. Maybe changes will occur within the structure in the time to come, but I think it's sort of naive. And the idea that we're going to fund money into Fatah or to a government that's already pretty corrupt, and somehow that's going to win over some people I think is also somewhat naive. Again, I'm not opposed to having some structure in place, but I'd be reluctant to see us sort of subsidizing an operation that, frankly, contributed to Hamas's victory in part, as you both testified. And I'm wondering if, in fact, the one subject matter that didn't—maybe did not play as big a role here is one that we ought to be paying more attention to, and that is that, in fact, the election of Hamas has, in fact, jeopardized the peace process. I don't disagree with the point made by Mr. Malley that, in fact, that the absence of a peace process may have contributed to it. But instead of sort of hoping and praying that Hamas is going to have a conversion on the road to Damascus, to use a religious terminology here, why aren't we better suited here to really sort of go after the point that as long as Hamas is there, the likelihood of bringing peace and stability to the Palestinian people and the hope for a future is less likely to occur, and so to appeal the Palestinians on the very issue that Hamas seemed, at least in part, to want to suppress as a rationale for them being chosen to lead the government at this point?

Mr. MALLEY. You know, I think that point would have resonance if the Palestinians somehow believed that had they voted for Fatah, there would have been a peace process. So, I'm not sure the lesson—even though I understand the logic, I don't think that Pal-

estinians are going to understand it and say, my God, there's no peace process anymore because they had none.

Senator DODD. You got to work at this. I'm not suggesting it happens miraculously.

Mr. MALLEY. No, no, no, no, I understand, but that was my second point, which is if we go down this road, we need to be prepared to make it clear what kind of peace process we would be pursuing if, in fact, the Palestinians changed their leadership, and then we need to act on it. Unfortunately, the experience over the last few years doesn't inspire much confidence among Palestinians, but if we're prepared to say—if we're prepared to go down this road, which I think has other risks, but if we're going to say, you know, if you want a peace process, then you need to change.

Senator DODD. Yeah.

Mr. MALLEY. Then we need to make it clear what the peace process will be that will be more effective than the one they've seen so far.

Senator DODD. I don't disagree with that—

Mr. MALLEY. OK.

Senator DODD [continuing]. But it seems to me there's a greater likelihood, in my mind, to success following that road than hoping somehow Hamas is going to fundamentally change.

Mr. MALLEY. I think I share your pessimism but I don't—I wouldn't exclude totally the possibility of Hamas changing. We've seen stranger things, not much stranger, but stranger things of organizations that, faced with the constraints of government and with the need to attend to their constituents, have had to change, but I think it's worth testing with all the pessimism and skepticism you express.

Senator DODD. You are tremendously knowledgeable, both of you, and it's very very worthwhile to hear you. I appreciate it very much. Thanks, Mr. Chairman.

Chairman LUGAR. Thank you, Senator Dodd.

Ambassador ROSS. Could I just—could I just add on the last point? I have very low expectations that Hamas is going to change. I agree it would be worthwhile to see if they would. I do think there is some potential they could split, and that too could be of some benefit. But I think it's highly unlikely. The core of Hamas believes fundamentally with enormous fervor in their doctrine. And to think that that's going to—that they're going to change, I think it's highly unlikely.

Senator DODD. That's—and again, just the point, I just don't—you know, I happen to believe, and I think the point was made by someone earlier, and I don't disagree that I think the notion somehow the democracy could never take root in this part of the world is patronizing at best, and I also believe we haven't more aggressively addressed the issue of peace and security and opportunity, and that there are those elements who are working in just the opposite direction. And we're not banging that issue home hard enough within the Arab world, and I think we ought to take that issue head on, because I happen to believe in the final analysis, those very people who are voted for Hamas this time around, when they begin to think about the argument they'll decide well—more likely to change on that point than the issue that they're going to

fail because they failed to provide the benefits that people have seen them provide up to them. Thanks.

Chairman LUGAR. Thank you, Senator Dodd. Senator Sununu.

Senator SUNUNU. Thank you, Mr. Chairman. I recognize that Senator Biden had to depart given the time, but I did want to address some comments he made, knowing full well he, given our relationship, he'll take every opportunity to respond, but I think it's important to address for the record. He raised the notion of providing direct assistance to private sector entities operating in Gaza or the West Bank. I don't know if that's a good idea or not. I think it's worth discussing, and I certainly think that we ought to provide the kind of flexibility for the State Department that would enable them to look at these options, but I—it is somewhat contradictory and, I think, worth making clear for the record that Senator Biden has introduced legislation that would specifically prohibit that kind of activity. And more generally, it would restrict the State Department from working with the kind of flexibility required to address some of the ideas presented by Mr. Wolfensohn, certainly to address some of the ideas presented by Mr. Ross as well. And so, I want to begin by having you expand a little bit on one of those ideas, which would require some creative thought. You mention in your testimony the idea of addressing humanitarian categories, defining humanitarian categories, perhaps to include workers in the fields of health or education. Could you talk generally about what that might involve, ways, approaches, that might be considered for that kind of a flexible system?

Ambassador ROSS. Yeah, what I was getting at, I mean, there's—I think we have to take a look. When you break down the Palestinian budget, and you see how much is going just for salaries, and you see the consequence of what might be vast unemployment, I was looking for ways to try to be creative in terms of taking the humanitarian category and expanding it so it includes categories of some employment. The question is, you know, what's the mechanism for getting the money there, and I was looking at what might be one of two possibilities. One possibility is whether you do it through the office of the Presidency, assuming the Presidency is transparent enough and has the kind of implementing mechanisms which it doesn't have today to be able to do that.

I wouldn't do it without those conditions being met, number one. The other is whether you can do it through private means. The other, the third, might be whether you are doing it with some kind of waiver that allows you to deal with the government, but the government in a way that it would be consistent with legislation here so that the Administration is given sufficient flexibility to explore mechanisms that might not even exist today. Here, I think I'm probably echoing what Jim Wolfensohn was saying. I wouldn't want to be in a position where you come up with something that's creative that doesn't deal with Hamas, doesn't deal with Hamas officials. And I realize this is going to be complicated because what happens if the head of the education ministry is a member of Hamas? You're not going to want to deal with that person. If you're doing it through an NGO, the NGO's going to probably have to deal with that ministry. If we're trying to get money to people who are employed by them, we will have to have some way to do that, and

I wouldn't want to be in a position where the legislation makes that impossible. I don't have a problem with legislation that spells out the kinds of principles that are even in the legislation as long as you build in a waiver that gives the Administration the flexibility to be able to come up with something that is creative.

Senator SUNUNU. One of the other restrictions that's in the legislation is a restriction, additional restrictions, new restrictions, on visas that would apply to all the members of the PLC. Do you think that that sends a good message to independent party members like Salam Fayad? And more practically, do you think that's helpful to the work that you or Mr. Wolfensohn or Mr. Malley are trying to do to strengthen civil society in democratic institutions outside of the Hamas government?

Ambassador ROSS. I certainly wouldn't want to be in a position where the very people that we would want to be working with who have credibility in Palestinian circumstances and who fit the general principle I was establishing—I would have a principle—as I said, anyone who is committed to peaceful coexistence with Israel and rejects violence as a means to pursue Palestinian aspirations ought to be someone acceptable for us to work with. Certainly, Salam Fayad would fit that category. I know very few people who wouldn't feel that he would fit that category, and I wouldn't want someone like that to be precluded from being able to come here.

Senator SUNUNU. Mr. Malley, yet another set of restrictions are on the PLO mission, the PLO mission in Washington, the PLO mission in New York. I think, as you fully understand, Hamas is not a member of the PLO. Do you see either a security value or a diplomatic value to placing additional restrictions on those missions just at a time when we're trying to maximize the value of discussions of people, again, outside of the government or outside of Hamas and the new government?

Mr. MALLEY. No, I think you're right. There seems to have been some confusion about the PLO and the PA. I mean, the PLO has not changed any of its—I mean, it's still led by Fatah, by Mahmoud Abbas. I don't think that we should be thinking of restrictions at this point applying to them. More generally, on the issue of legislation, I think you are raising the point about constraining the hand of the Executive too much, I think Jim Wolfensohn made a very articulate and very strong case about why, particularly at a time of flux, we want to be careful not to hinder the ability of the Executive Branch, to do things in any event, at this point the Executive's actions seem to be very consistent with the sentiment I'm hearing from members of this committee and from the Congress as a whole, which is not to fund or deal with Hamas. I don't think that we should have much to fear on that score from the Administration. So, I understand the impetus to write legislation and sometimes, to counter more harmful legislation, but I think we need to bear that in mind.

My understanding of Senator Biden's legislation was not that it would bar these kinds of activities. I thought, in fact, he was quite favorable to democracy promotion and other types, but you probably would know better. But I think that we do need to, in any event, regardless of the legislation that comes out, be careful to allow flexibility for the Executive, for the State Department and

the White House, to try to remain present and active on the humanitarian scene among Palestinians.

Senator SUNUNU. I appreciate your response. And to be clear, yes, the legislation does allow funding to flow to democracy-building organizations, but it would (1) prohibit the kind of private-sector solution he suggested or implied that he might endorse. It does specifically prohibit that, and it states that a visa shall be denied to members of the Palestinian Legislative Council regardless of their independent affiliation, regardless of what work they've done in the past, as in the case of Mr. Fayad, and it also creates additional restrictions, new restrictions, on the PLO mission in Washington and the U.N. even though Hamas is neither a member nor exerts any control over the PLO mission, as you described.

So, I think there are a lot of issues we need to look at and to work on. It's going to take a lot of creativity and the kind of flexibility and foresight described by you, by Mr. Ross and by Mr. Wolfensohn, but I think it's important that we underscore the need for that flexibility and not try to craft into legislation restrictions that would prevent us from then implementing a solution that we saw as worthwhile, controllable and divorced from the influence of Hamas, which has been designated a terrorist organization and which, therefore and rightly so, is prevented from receiving any kind of direct assistance or aid as it well should be. Thank you, Mr. Chairman.

Chairman LUGAR. Thank you, Senator Sununu. May I ask you, Senator, to chair the meeting to the conclusion of the hearing, if you can, for a few minutes. I'm obligated because the majority leader's unable to greet the distinguished President of Liberia. And so, I will move to that responsibility, but with thanks to both of you for extraordinary testimony. We appreciate so much your coming to our committee, and we thank you again and hope that you will be back. And Senator Dodd has an additional question for you.

Senator DODD. I'll be brief, and I won't hold you up here. And of course, if you want to let me take over the committee—

[Laughter.]

Senator DODD [continuing]. No telling what might happen here with a Democrat running the show here. I'll try and be brief, and let me thank Mr. Malley as well. I think the legislation that Senator Biden has introduced, and certainly Senator Sununu has strong views in the matter, but I think the legislation is a lot more nuanced and does allow for a lot more flexibility, and it was suggested, but that's not the point I wanted to make. I want to raise the issue with Russia. I gather this hasn't come up, but it sort of stunned everyone when Putin invites Hamas to come to Moscow. And while he didn't meet with Hamas himself, his foreign minister did. We had the benefit of listening to the foreign minister here a week or so ago at a coffee, and the issue came up, and he sort of dismissed it as not being terribly important, but it seemed a lot more important to me that this member of The Quartet, here working on issues, that would all of a sudden invite an organization that has been declared by the European Union, the United States and everyone else as being a terrorist organization flat out, with plenty of evidence to support that conclusion, would all of a sudden invite this organization to come to Moscow in a very official status

after its election. I wonder if you might just give us how you analyze this, and is it—through the lens, is this Russia trying to reassert its position in Middle Eastern politics, curry favor within the Arab world? What's going on here? This wasn't a, in my view, just sort of a coincidence. It was obviously well thought out, I presume. What's going on here, and should we be concerned about it? Is it taking us in a direction we ought to be paying more attention to?

Ambassador ROSS. Yes, I think I was very troubled by it. First, when Hamas won the election, President Putin was quick to come out and declare that this was a failure for American policy in the Middle East. So, not exactly the kind of statement that a good friend normally rushes out to make, and the Russians are a part of The Quartet. They agreed to the conditions for recognition, and they're the first ones to defect by inviting them to there. As soon as they send the message, and even if they say well, we were tough in the meeting, the meeting was the message, because Hamas's position is the world is going to adjust to us, not that we have to adjust to the world. So, when Russia does this, and the net effect of Russia doing it, and Russia—had the foreign minister come out at the end of the meeting and said we conveyed a tough message, we told them they have to meet these conditions, and we're not going to have any more meetings until they do, you could say OK, well, this was a way of reinforcing The Quartet's message. They didn't say that. They had them there for 3 days. And at the end of the 3 days, the message from them was this is a process, implying they're going to continue to meet with them. So, I think (a) it should be a source of your concern; (b) an answer to your question of what's going on. I think the Russians, in a lot of different ways, are trying to demonstrate not only a kind of independence, but also a continuing role on the world stage. And I think if they want to play a role in the world stage, which is understandable, and Russia obviously is a very significant country, if they want to do that, that's fine. But if they want to be a member of The Quartet, then they can't do it as a member of The Quartet. If they want to remain as a member of The Quartet, then they really have to stick to what are the terms of The Quartet. I would like to have seen, and I understand there may be other considerations and other equities, but at a time when Russia wants to strike out on its own, if it's going to do that in a way that raises a profound cost to what we're collectively trying to do, there should be some consequence when they do it.

Mr. MALLEY. Yes, I think I will give two answers to your question. First, I think Russia is developing its own strategy in the Middle East. It sees opportunities in Iran, it sees opportunities in Palestine, and I think we should be aware of it and understand it and see what to do about it. I do have to add, though, on the question of other countries talking to Hamas—and as I said, I don't think we should. I don't think we should engage with them until they meet the conditions. But if you at least suspend disbelief for a minute and to contemplate the possibility that they may evolve, and I, as I said, however skeptical, I think it's worth giving it a chance, then somebody needs to talk to them. We learned it with the PLO. We learned it with the IRA. All of these cases took time. I'm not saying this is an identical case. But if nobody with weight

is talking to them and telling them what they need to do in order to get whatever benefits they're looking for, I think we're going to be stuck in this position. I'm not sure how we're going to come out of it ahead because of what I said in the opening, which is that I don't think the Palestinian people will take from this the lesson that they need to vote for those who got them here in the first place—in the situation they're in in the first place, which is Fatah. So, I—you know, why Russia's doing it is one issue, but the principle that other countries—like Egypt, like Jordan, like Saudi Arabia, like Turkey—may want to engage, that I don't think we should be taking the stance that everyone should be boycotting them because otherwise, we are condemning ourselves to the failure that we're predicting, which is that Hamas won't change, but I think—

Senator DODD. Do you disagree with Dennis's observation, though, that—is it—the world is going to come to us and accept us, or that we're going to have to change our stripes here? What is the—what is—I mean, it seems to me that's—if your goal that you stated earlier was that Hamas was going to change, it seems to me the message has to be pretty clear and universal that major countries are going to sort of create a status for them that leaves the appearance that they don't really have to change that much. Doesn't that exactly run directly contrary to your earlier statements about what you'd have heard?

Mr. MALLEY. What I said in my statement is I think we need to—we have our own principles. I think that other countries should have the same general principle, but I would be in favor of a more nuanced approach by others if, in fact, we're seeing a process of change of Hamas. Hamas is not going to, in the next months, perhaps a year, even in the best scenario, is not going to decide that it recognizes Israel's right to exist as a Jewish state and renounce violence. But I am hoping for other signs of change, as I explained earlier, and Dennis echoed some of them, and I think those are the kind of changes that countries like Egypt and Jordan and Russia and others—may be able to extract from Hamas. I don't think it's inconsistent. What Hamas really needs now is not a meeting with Putin, which they didn't even get, they need money, and the big prize for them is international legitimacy, which only we can give them.

Senator DODD. Hasn't Iran basically promised the money already anyway?

Mr. MALLEY. Number one, they promised—I don't think, and as Jim Wolfensohn and others have said, I don't think there's any evidence either that they are doing it or that they even have the financial capacity to really make up for the shortfall. I'd also say on this, from Hamas's perspective, being seen as in bed with Iran, a Shiite country at a time of rising tensions between Sunnis and Shiites within the region is not very appealing. They do not want to be seen by their own constituents, by the Muslim brotherhood of which they are a part, by Egypt or Jordan on whom they depend in some ways politically, to be in league with Iran. So, I think that that's not—that may become a self-fulfilling prophecy, but I don't think that's where they are going to naturally go, and I think we

want to do everything we can so that they don't go in that direction.

Ambassador ROSS. Although I'd just add that, here again, is some of the areas where you see there is some split between the internal Hamas and the external Hamas. The external Hamas, especially based in Damascus, is, in fact, quite close to Iran. Khaled Mashal went to Iran before the election to request moneys to match what Iran was giving to Hamas and giving to Hisbolah, and then he went again after the election. So, they don't have that same kind of hesitancy, although I think this is one of the areas where there's a potential fissure within Hamas, number one. And just on this more general point, I think it's—I reiterate the point I was making on the Russians, and I would say generally, at a time when Hamas wants to demonstrate, and they're trying to tell their own people things will be OK and—because there is a degree of nervousness that you feel among Palestinians right now about the estrangement of Hamas from the international community. The last thing you want to do is give a level of reassurance. They haven't changed anything yet, and there's already some reaching out to them.

Senator DODD. Yeah. Thanks very much. John, thank you very much for coming out.

Senator SUNUNU [presiding]. Thank you, Senator Dodd. Thank you, gentlemen. The hearing is adjourned.

[Whereupon at 12:00 p.m., the hearing was adjourned]

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