



Woodrow Wilson School Graduate Policy Workshop

Exploring Alternatives to the Two-State Solution In the Palestinian-Israeli Conflict

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Ambassador Daniel Kurtzer, Faculty Advisor

Woodrow Wilson School of Public and International Affairs, Princeton University

December 2012

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In the Palestinian-Israeli Conflict

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WOODROW WILSON SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS

PRINCETON UNIVERSITY

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ABOUT THE 2012 POLICY WORKSHOP

The 2012 Policy Workshop is composed of a diverse group of graduate students at Princeton University's Woodrow Wilson School of Public and International Affairs. Working under the direction of Ambassador Daniel Kurtzer, former U.S. ambassador to Egypt and Israel, we spent several months between September and December 2012 studying the history of the Palestinian-Israeli conflict, analyzing whether the two-state solution remains viable, exploring whether there are any better alternatives, and developing a strategy to guide U.S. policy on the conflict under the second Obama administration. Over the course of this process, we consulted nearly 100 current and former officials, diplomats, academics, expert analysts, and civil society leaders in Israel, the West Bank, Egypt, Jordan, and the United States, as well as representatives from the United Nations, the European Union, and other international stakeholders.

This paper represents the conclusion of the 2012 Policy Workshop. The entire workshop participated in the discussions, debate and preparation of this

report. While we are deeply indebted to the many distinguished people with whom we consulted, the views presented here do not necessarily reflect the views of Princeton University, Ambassador Kurtzer, or any individual student. Sometimes dissenting and alternate views are highlighted in the text.

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For more information, please contact the Woodrow Wilson School's Office of External Affairs at (609) 258-2943.

MEETING PARTICIPANTS

The following is a list of people that the group met with during the workshop, in Israel, the West Bank, Egypt, Jordan, and Washington, D.C. We are grateful for their willingness to take the time to participate in this project. The views expressed in the report do not necessarily represent the views of any individual with whom we met.

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TABLE OF CONTENTS

Executive Summary	6
I. The Two-State Imperative	6
II. Key Insights from Conversations on the Ground.....	8
Israel.....	8
The West Bank.....	9
Egypt and Jordan	9
III. U.S. Policy Recommendations.....	10
Palestinian Actors	10
Israel.....	12
International and Other Actors	13
 I. The Two-State Imperative	14
Table: Summary of Alternatives to Two-State Solution	17
 II. Key Insights from Conversations on the Ground	19
Key Insights from Israel	19
Key Insights from the West Bank.....	21
Key Insights from Egypt and Jordan.....	23
 III. U.S. Policy Recommendations	25
Palestinian Actors	25
Israeli Actors	32
International and Other Actors	38

EXECUTIVE SUMMARY

I. THE TWO-STATE IMPERATIVE

DESPITE FORMIDABLE OBSTACLES, THE TWO-STATE SOLUTION REMAINS VIABLE.

On both sides of the conflict, many policy makers insist that: 1) the expansion of Israeli settlements has already rendered untenable the land swaps required for a two-state solution; 2) there is not sufficient political will on one or both sides to secure a two-state solution; and 3) one or both sides lack a real partner for peace. Our research suggests that that the pessimists are wrong and that the goal of two states for two peoples remains salvageable, for several reasons. First, land swaps remain viable, since a significant proportion of the Israeli settler population in the West Bank could potentially be induced to return to Israel using economic incentives. Second, public opinion polling shows that seemingly intractable issues become more manageable when they are presented as parts of a comprehensive package. Third, leaders on both sides who are seen as intransigent would likely be willing to come to an agreement if presented with the right domestic political environment and appropriate incentives.

MOREOVER, THERE IS NO ALTERNATIVE TO THE TWO-STATE SOLUTION AT THE MOMENT.

Despite the apparent enthusiasm some have for ideas of various one-state outcomes, no one we spoke to could articulate exactly how they would be

acceptable to both parties. Models involving confederations, binational states, or regional options did not meet the conditions of being both more plausible than the two-state solution and satisfying the legitimate demands of both the Israeli and Palestinian people.

WHILE THE TWO-STATE SOLUTION REMAINS THE MOST VIABLE SOLUTION, IT MAY HAVE AN EXPIRATION DATE.

Almost every sign points to the need for urgency: from the physical “facts on the ground,” which include the expansion of Israeli settlements; to the open question of the future of the Israeli government, which has shown a long-term trend of moving in a more right-wing, pro-settlement direction; to the political and financial troubles facing the Palestinian Authority (PA); to trends in public opinion, such as increasing Palestinian disillusionment with the two-state solution.

THEREFORE, IT IS VITAL THAT THE UNITED STATES IMMEDIATELY BEGIN WORKING TOWARD A FINAL AGREEMENT.

Because the evidence suggests that we may be close to the expiration date of the two-state solution, now is not the moment for “managing the conflict” or waiting for the parties themselves to develop momentum.

A TWO-STATE SOLUTION WOULD GREATLY BENEFIT U.S. STRATEGIC OBJECTIVES IN THE CHANGING MIDDLE EAST.

The Israel-Palestine conflict foments Islamic militancy and threatens the stability of the region, while a resolution would: 1) better allow the United States to shape Egypt's future political role; 2) bolster the embattled Jordanian government; 3) diminish the influence of Islamic extremists in Syria; and 4) remove a powerful political lever for the otherwise isolated Iranian government.

A "2.5-STATE SOLUTION" MAY OFFER A WAY TO MAKE PROGRESS IN THE SHORT TERM.

In the likely event that reconciliation between Fatah and Hamas remains stalled, the United States should support negotiations between the PLO and

Israel without including the Gaza leadership, in expectation that popular pressure will eventually force Hamas to sign on to a peace agreement. This strategy may translate into an interim, 2.5-state period, during which an agreement is reached that covers both the West Bank and Gaza; however, since Gaza exists as an autonomous half state with no official diplomatic recognition, it would not immediately become part of the state of Palestine as the agreement is implemented initially. This situation would persist only until Hamas realizes it can gain from joining a unified Palestine living in peace alongside Israel. This 2.5-state interim solution may help extend the two-state solution's longevity.



Sabbath prayers at the Wailing Wall in Jerusalem's Old City.

II. KEY INSIGHTS FROM CONVERSATIONS ON THE GROUND

ISRAEL

- THE PEACE PROCESS IS NOT ON THE ISRAELI RADAR. For the first time in Israeli history, electoral campaigns were waged primarily over socioeconomic rather than security-related issues.
- SETTLERS ARE CLAIMING VICTORY. With growing numbers of registered settlers and the lack of progress in the peace process, settler representatives believe they have succeeded in their efforts to prevent any territorial concessions.
- PERCEPTIONS OF SETTLEMENTS ARE NOT MONOLITHIC. While the settlement movement has made political gains recently, there is widespread disdain among the Israeli public for settlers who commit or incite violence, defy court orders, and build in urban areas of the West Bank.
- MANY SETTLERS ARE MOTIVATED BY ECONOMIC CONCERNS AND COULD BE INCENTIVIZED TO LEAVE. Rising real estate prices are a key factor driving many to West Bank settlements.
- U.S. INVOLVEMENT IN THE CONFLICT IS SEEN AS CRITICAL. Both on the Israeli left and right, there is clear acknowledgment that the United States is the only third party that can positively influence the situation.

THE WEST BANK

- THE PA NEEDS ECONOMIC DELIVERABLES TO MAINTAIN ITS DOMESTIC SUPPORT. Frequent economic protests have made PA officials extremely apprehensive, as the demonstrations have the potential to bring down the PA and create a destabilizing political vacuum in the West Bank.
- MANY PALESTINIANS BELIEVE THE UNITED STATES IS ABANDONING THEM IN FAVOR OF ISLAMISTS. We encountered a widespread view in the West Bank that the United States has shifted its support to Islamists in the region—particularly the Muslim Brotherhood in Egypt and Hamas in Gaza.
- PALESTINIANS FEAR THE TWO-STATE SOLUTION IS SLIPPING AWAY. The frustrations of recent years have led many to support unrealistic alternatives to the two-state solution.
- RIGHT-OF-RETURN DOES NOT HAVE TO BE A STUMBLING BLOCK. While right-of-return is an important symbolic issue, most Palestinians would be willing to give it up if presented with an otherwise acceptable peace package.

EGYPT AND JORDAN

- THE ARAB SPRING RAISES THE COST OF FAILING TO RESOLVE THE ISRAELI-PALESTINIAN CONFLICT. Lack of progress on the Israeli-Palestinian conflict, an emotional issue for Arab publics, could exacerbate regional tensions.
- MANY EGYPTIANS SEE FATAH-HAMAS RECONCILIATION AS CRITICAL. There is a widespread belief that the Fatah-Hamas split allows Israeli officials to defer action, a stalemate that only the United States can resolve.
- STRONG U.S. LEADERSHIP IS NEEDED. Egyptians and Jordanians said they would support a renewed U.S. initiative because only the United States has the power to make progress.
- MANY JORDANIANS BELIEVED JORDAN COULD PLAY A MORE CENTRAL ROLE. Because of the delicate demographic balance in Jordan, the Jordanian government has a vital interest in seeing the conflict resolved and would be willing to play a greater role if asked.
- THOUGH IMPERFECT, THERE IS NO ALTERNATIVE TO THE TWO-STATE SOLUTION. There was almost unanimous agreement that the two-state solution remains the only way forward.



The Princeton group met with numerous leaders on both sides of the conflict, including Rabbi Menachem Froman and members of his family.

III. U.S. POLICY RECOMMENDATIONS

PALESTINIAN ACTORS

OBJECTIVE ONE:

STRENGTHEN THE PALESTINIAN AUTHORITY.

Despite the recent decision by President Abbas to seek recognition from the United Nations, strengthening the PA politically and economically should be a core component of U.S. policy, as it would enable President Abbas to make the difficult concessions that will be required to achieve a negotiated peace.

Moreover, failing to support the PA as its political and economic support erodes could create a

security vacuum to be filled by Hamas—bolstered by the rise of political allies like the Muslim Brotherhood in Egypt and financial contributions from supporters including the emir of Qatar.

Bolstering the PA can only be achieved in the short term by reversing the trend of funding cuts that hinder the improvement of infrastructure and service delivery in the West Bank and in the long term by stimulating sustainable economic growth.

RECOMMENDATIONS:

1. Coordinate U.S. policy towards Gaza with President Abbas to ensure it does not undermine the PA.
2. Build or rehabilitate housing and schools in refugee camps via an international fund established for this purpose.
3. Expand U.S. training of Palestinian security and technical officials, including at law enforcement and academic institutions.
4. Ensure that the PA is also credited in ongoing public awareness campaigns for facilitating U.S. development assistance to the West Bank.

OBJECTIVE TWO:

DISINCENTIVIZE HAMAS SPOILER ACTIVITY AND STRENGTHEN HAMAS MODERATES.

Rather than continuing the ineffective strategy of isolating Hamas, the United States should coordinate with the PA to determine the most effective ways to disincentivize Hamas violence and spoiler activity. Given that Hamas derives a great deal of its legitimacy from being more a resistance movement than a governing institution, anything that can be done to push it toward the latter will reduce its ability and incentive to act as a spoiler. The United States should encourage Israel, consistent with PA policy, to reward moderation on Hamas's part, as a way to strengthen less radical elements within the party, and ensure that Hamas has more to lose from any future use of violence.

RECOMMENDATIONS:

1. Encourage Israel to allow additional exports and imports into and out of Gaza, with West Bank goods receiving preference and the PA receiving most, if not all, of the customs duties.
2. Push Egypt to propose opening the Rafah crossing in exchange for permanently closing the tunnels running between Egypt and Gaza.
3. While maintaining the current official U.S. stance toward Hamas, quietly lay out benchmarks, consistent the Quartet principles, that would represent moderating steps, and incentivize Hamas to meet these goals through promises of increased engagement or aid.
4. Drop public opposition to Fatah-Hamas reconciliation and allow Abbas to determine if reconciliation serves his needs. If reconciliation occurs, the U.S. should continue to work with the PA, provided PA policy remains consistent with its international obligations.

The Old City of Jerusalem: a primary area of contention in Israeli-Palestinian peace negotiations.

ISRAEL

OBJECTIVE ONE:

FOSTER IMPROVED RELATIONS WITH ISRAEL AND REINFORCE THE UNITED STATES' COMMITMENT TO INITIATING AND CARRYING OUT PEACE NEGOTIATIONS. SHOULD THESE EFFORTS FAIL, CONSIDER SELECTIVELY USING VARIOUS DIPLOMATIC AND ECONOMIC LEVERS TO PRESSURE ISRAEL.

Despite strong security assistance and diplomatic support, the relationship between Obama and Netanyahu appeared to markedly deteriorate during the President's first term, complicating attempts to bring the Israelis and Palestinians back to the table.

RECOMMENDATIONS:

1. Build a direct relationship with the Israeli public with a presidential trip to Israel and restore credibility by clearly outlining U.S. priorities both publicly and privately.
2. Prepare a series of economic and diplomatic measures that the administration would be prepared to deploy if Israel reacts negatively to U.S. overtures.
3. Clearly link U.S. policies toward Israel to mutual security interests and Israel's record on settlement building.
4. Rather than a full settlement freeze, explore creative options for a partial freeze, possibly by focusing on areas unlikely to be parts of future land swaps.

INTERNATIONAL AND OTHER ACTORS

OBJECTIVE ONE:

ENCOURAGE REGIONAL STATES TO PLAY A CONSTRUCTIVE ROLE IN LAUNCHING AND IMPLEMENTING A NEW PEACE EFFORT.

Regional players like Turkey, Egypt, Qatar, and Saudi Arabia have a strong interest in a just settlement and can be induced to play positive roles in the process, particularly in terms of bolstering the PA and moderating Hamas.

RECOMMENDATIONS:

1. Push key Arab states and Turkey to increase their symbolic, material and political

support for the PA and for negotiations, including reaffirming the Arab Peace Initiative.

2. Leverage Jordan's positive relations with the key parties by exploring possible economic and security arrangements with the West Bank.

OBJECTIVE TWO:

PREEMPT SPOILERS AND CIRCUMVENT FORESEEABLE OBSTACLES.

Time and again, relatively small, hard-line minorities have been able to seize control over the broader peace agenda. Parties excluded from the process have few incentives to support agreements that they feel undermine their interests. The United States should consider how to integrate actors that are not traditionally at the center of the process in order to foster a productive dialogue.

RECOMMENDATIONS:

1. Leverage existing religious dialogue between the parties to expand and support the constituency for peace.
2. Search for Track II discussion opportunities that create a mechanism to keep the parties engaged, narrow gaps on key issues, and make progress while other avenues are blocked.

I. THE TWO-STATE IMPERATIVE

DESPITE FORMIDABLE OBSTACLES, A TWO-STATE SOLUTION REMAINS VIABLE.

On both sides of the conflict, many have begun insisting that an acceptable two-state resolution to the conflict is no longer a possibility. This view tends to rest on three premises: 1) as a result of Israeli settlement policy in the West Bank and East Jerusalem, a critical threshold has already been passed with regard to the ability of Israel to offer future land swaps; 2) there is not sufficient political will to deal with the inevitable domestic pressure that would result from necessary concessions, whether territorial, security, or justice; and 3) neither the Israeli or Palestinian political establishment is committed to reaching a lasting agreement.

While these constitute serious obstacles to attaining a two-state outcome, our research and interviews suggest that the pessimists are wrong and that the goal of two states for two peoples remains salvageable. First, while Israeli settlement growth constitute a major impediment to peace negotiations, land swaps remain viable, and polling suggests that a significant proportion of Israeli settlers could potentially be induced to return to Israel using economic incentives. Second, a closer examination of public opinion polling on both the Israeli and Palestinian sides shows that issues that seem like permanent obstructions to the peace process when they are analyzed in a vacuum become more manageable when they are presented as parts of comprehensive package deals. The October 2012 Zogby poll, for example, shows that the number of Israeli Jews who believe a peace agreement is possible in the next five years doubles from a quarter

to a slim majority if Palestinians were to unify and suppress violence. Third, there are reasons to believe that leaders on both sides would be willing to come to an agreement if presented with the right domestic political environment and appropriate incentives.

A consistent theme running through our discussions was frustration that the conflict has become a “smoke shield” (in the words of one former Israeli official) that allows the parties to do nothing or take small incremental steps under the cover of engaging in the “peace process”. Palestinian Member of Parliament Mustafa Barghouti lamented, “The peace process itself has become a substitute to peace or a way to maintain the status quo.” One former American official said that the United States will have three options in the second Obama administration: (1) Use the peace process as a political gimmick to look good but avoid real action; (2) actually engage on the issue; or (3) engage in conflict management. We urge the administration to be aware of this and to avoid deploying the “smoke shield.”

MOREOVER, NO ALTERNATIVE TO THE TWO-STATE SOLUTION IS CURRENTLY MORE VIABLE.

Despite the apparent enthusiasm some have for the idea of a one-state outcome, no one we spoke to could articulate exactly how it would be acceptable to both parties. As Peace Now leader Galia Golan put it, “There is no other solution but the two-state solution. There are other approaches but not solutions.” Every one-state model conflicts with fundamental political or physical realities in some intractable way. Left-wing conceptions fail to

account for the fact that Israel would never allow itself to be a majority Muslim state, while right-wing conceptions fail to realistically address the West Bank's Palestinian population, often by relying on the unlikely notion of Jordan "becoming" Palestine. As for various proposed schemes involving confederations, binational states, or regional options, we simply did not find one that met the conditions of being both more plausible than the two-state solution and satisfying the legitimate demands of both the Israeli and Palestinian people simultaneously.

WHILE THE TWO-STATE SOLUTION REMAINS THE MOST VIABLE SOLUTION, IT MAY HAVE AN EXPIRATION DATE.

Many of the current trend lines in the Israel-Palestine conflict suggest that the two-state solution may soon no longer be an option. Almost every sign points to the need for urgency: from the physical "facts on the ground," which include the expansion of Israeli settlements; to the open question of the future of the Israeli government, which has shown a long-term trend of moving in a more conservative, pro-settlement direction; to the political and financial troubles facing the Palestinian Authority (PA); to trends in public opinion, such as increasing Palestinian disillusionment with the two-state solution. The case of the E1 area is a prime example, as Israel's development of the area would put the two-state solution on life support. According to Shalom Turgeman, former adviser to Prime Minister Ariel Sharon, "Some Israelis have a perception that time is on our side. But time is not on our side. Passing time without reaching a resolution is working against our interests."

A TWO-STATE SOLUTION WOULD GREATLY BENEFIT U.S. STRATEGIC OBJECTIVES IN THE CHANGING MIDDLE EAST.

The longer the conflict festers, the greater the damage done to the United States on a range of issues. Bringing the conflict to an acceptable resolution would assist the United States in pursuing its strategic objectives in a region increasingly influenced by political Islam.

- In Egypt, President Mohamed Morsi, who bolstered his case that he can be a serious player in the region with his role in negotiating the November 2012 Gaza-Israel ceasefire, faces competing pressures regarding his stance toward Hamas, and making progress on the conflict would empower moderate elements in Egypt by removing from the scene a potent radicalizing force.
- The Jordanian government, a reliable partner of both the United States and Israel, needs progress on the conflict to satisfy its Palestinian majority in the midst of protests that have been manageable thus far but continue to fester. Policy makers in Jordan understand that the nation's security is inextricably connected to a stable Israel.
- Syria, caught in the grip of a brutal civil war that will likely result in the ouster of secular dictator Bashar al-Asad, faces an uncertain future that could well be influenced by the influx of Islamic extremists who see that battle as part of a larger war centering primarily around Israel and the United States.

- Iran, otherwise a distrusted pariah in the region, continues to extract great political capital from its perceived role as staunch beachhead resisting Israel through support for movements like Hezbollah and potentially through its nuclear program.

The Israel-Palestine conflict foments Islamic militancy and threatens the stability of the region, and each of these volatile situations would be ameliorated by its resolution. In addition, reaching a two-state agreement would require an investment of limited resources in the short term, but save the administration and the U.S. foreign policy apparatus substantial time and energy over the long term (by lowering or reducing the risk of future outbreaks of violence, for example, each of which imposes large costs on the United States government), allowing it to focus on other strategic priorities, including the ongoing pivot to Asia.

A “2.5-state solution” may offer a way to make progress in the short term. Should the latest attempts at Palestinian reconciliation fail, the United States should support negotiations between the PLO and Israel that exclude the Gaza leadership, if they refuse to join, even though this may result in a temporary 2.5-state interim situation. Reconciliation between Hamas and Fatah where Fatah dictates the terms of the relationship and the conditions for negotiations with Israel would streamline the conclusion of, and grant greater legitimacy to, a comprehensive Palestinian-Israeli peace deal. The relatively low popularity of Fatah – particularly in the wake of the November 2012 Israel-Gaza conflict – makes such terms unlikely in the near future, however. (While Fatah and Hamas agreed to pursue a reconciliation plan in early 2013, due to the tentative and gradual nature of the agreement and the failure of previous initiatives, this

paper will treat reconciliation as a goal that has yet to be attained or consolidated.) Waiting for favorable terms to materialize or supporting a unity deal that falls short of these conditions could allow settler activity, for example, to render the two-state solution implausible. By their own admission, President Abbas and Prime Minister Olmert were close to a peace deal in 2008, suggesting negotiations could be successful in the absence of reconciliation. Israel would not achieve a security resolution to Gaza rocket fire, but a PLO-Israel agreement even without Hamas would increase the probability that the West Bank is locked into the current status-quo peace by boosting Fatah’s popularity and enabling greater economic growth.

The 2.5-state interim situation, during which Gaza would exist as an autonomous half state with no official diplomatic recognition, much like at present, would hopefully result in the Gazan public either pushing Hamas to join in a unified Palestinian state or out of power. Hamas’s popularity before the Gaza conflict was at only 31 percent in Gaza, according to Palestinian pollster Khalil Shikaki, and the imminent prospect of peace—desired by large percentages of Palestinians but believed unattainable—would probably intensify popular pressure on Hamas. Hamas officials have also said they would support a two-state solution if accepted by a popular referendum of the global Palestinian community. During negotiations, the PLO should advocate on behalf of specific Gaza concerns to further facilitate eventual unification, requiring Israel to demarcate the land that will be used for the road between Gaza and the West Bank, for example. While there is a chance this strategy would allow Hamas to formalize its authority over Gaza, leading to an unattractive “three-state solution,” this risk is justified given the exigent need to resume negotiations.

TABLE: SUMMARY OF ALTERNATIVES TO TWO-STATE SOLUTION

ALTERNATIVE	FACTORS LIMITING VIABILITY	CONSTRUCTIVE IDEAS FROM ALTERNATIVE
<p>Status Quo: Many Israelis, and some Americans, believe that managing the status quo (meaning the continued absence of a formal settlement) is the most viable and feasible alternative to the two-state solution.</p>	<p>Lack of justice for Palestinians; does not resolve regional issues for Israel. Status quo is not actually static, but dynamic and trending in negative directions (e.g. continued settlement activity, growing radicalization on both sides, arming of militant groups in Gaza etc). Periods of calm are often broken by outbreaks of violence.</p>	<p>Unilateral steps do not require any broad agreement, follow-through, or an arbitrator, making them more feasible. Each side may push for counter-productive unilateral steps, but unilateral that are potentially positive for both sides steps should be harnessed and encouraged.</p>
<p>One-state solutions:</p> <p>1) Many left-wing Palestinian academics and activists, and some far-left-wing Israelis, view a one-state solution with equal rights for all inhabitants as the only just solution to the conflict.</p> <p>2) Growing numbers of right-wing Israelis, and Palestinian scholar Sari Nusseibeh, have promoted a one-state model in which Palestinians have limited or different political rights. Numerous variations of both ideas exist based on unitary, federal, binational and confederal models.</p>	<p>Given the prevailing demographics, one-state alternatives are considered a political non-starter for Israel. The vast majority of Israelis view one-state solutions as an existential threat to their desire for a Jewish and democratic state.</p> <p>The international community would likely reject a one-state solution with limited or no political rights for Palestinians.</p>	<p>There could be merit in Israel and Palestine delegating authority over specific functions to a single supranational body with jurisdiction over both entities. This could be an optimal solution for functions such as managing airspace and the electromagnetic spectrum (e.g. through a single aviation authority). It may also be beneficial for more wide-ranging areas (e.g. through a single monetary authority).</p>
<p>Three-state solution (Israel, West Bank and Gaza): There is a growing belief among some that prolonged West Bank-Gaza divide could become permanent, producing a de facto three-state solution.</p>	<p>Strongly opposed by the vast majority of Palestinians, who value Palestinian unity, as well as by Egypt, which fears being saddled with responsibility for Gaza, and the international community.</p>	<p>There could be merit in pursuing a “West Bank first” negotiating strategy and then incentivising Gaza to join later, i.e. the “2.5-state solution.”</p>

Jordan Options:

1) “Jordan is Palestine” idea promoted by far-right Israelis;
2) Jordan-Palestine confederation promoted by some Jordanians.

Jordan views the “Jordan as Palestine” alternative as an existential threat and would strongly oppose it, with the full backing of the international community. Jordan may be more open to formalizing a bilateral relationship with a Palestinian state.

Jordan could play a greater role in stabilizing the West Bank and ensuring its future viability, including by: promoting trade between the two entities and helping to address security in the West Bank.

Egypt-Gaza Option: Some far-right Israelis would like Egypt to annex or assume greater responsibility for Gaza.

Egypt views this alternative as a major national security threat and would oppose it, with the support of the international community.

Egypt could play a greater role in stabilizing Gaza, including by: securing the Egypt-Gaza Border, preventing weapons smuggling, allowing legitimate trade and movement of people, using its influence to moderate Hamas.

Trusteeship: Interim international administration over the future Palestinian state.

The objective of a trusteeship or international administration is to prepare the territory for an eventual transition to self-governance and should, therefore, would most productively be employed to complement a two-state solution, a tool to be used during the process of implementing an agreement. Establishing an international administration before the parties have reached agreement on core issues would not bring the parties any closer to a viable permanent status.

A transitional international administration could serve as a mechanism to facilitate implementation of a final status agreement rather than a prelude or substitute for such an agreement. This would allow the PA to devote its resources to its governance capacity while relying on international security assistance. It would also alleviate Israeli security concerns associated with withdrawing IDF troops from the West Bank.

II. KEY INSIGHTS FROM CONVERSATIONS ON THE GROUND

The interviews we conducted in the Middle East offered an opportunity to assess the current motivations and agendas of key regional policy makers, an invaluable complement to the research we had completed prior to the trip. Below, we report

surprising or notable findings from our time in Israel, the West Bank, Jordan, and Egypt, many of which inform our recommendations in the following section.

KEY INSIGHTS FROM ISRAEL

THE PEACE PROCESS IS NOT ON THE ISRAELI RADAR:

For the first time in Israeli history, electoral campaigns were waged primarily over socioeconomic rather than security-related issues.

This indifference should not be taken for amnesia, especially given recent events. Neither the efforts of Tzipi Livni, the November 2012 clashes in Gaza, rocket fire into Tel Aviv, nor the Palestinian statehood bid at the UN, restored the conflict to center stage. High-level Israeli officials also ranked the Palestinian issue very low on the national agenda; Iran, Syria, and Egypt, as well as domestic challenges, were all seen as more strategically urgent. Many saw a final status agreement or an Arab-Israeli resolution as unattainable, preferring to focus on more realistic goals. Yair Lapid and his Yesh Atid party outperformed expectations in the January elections by focusing on social justice and economic issues rather than the peace process. Professor Galia Golan of Peace Now noted this trend in our meeting with her in October 2012, saying, “The Labor party and the parties that are vying for the center are all hoping they can tap into the social justice movement from last summer because that’s an enormous crowd of people. From their point of view,

the public has its mind on the economy and the price of gasoline, the price of cottage cheese, so what they’re trying very hard to do is break the patterns that take place here where people vote according to the peace issue.”

SETTLERS ARE CLAIMING VICTORY:

With increasing settler representation within the Likud party, growing numbers of registered settlers, and overall frustration from the prolonged standstill in the peace process, settler representatives such as Dani Dayan, Arie Eldad, and others believe they have succeeded in their efforts to prevent any territorial concessions. Dayan told the group, “I think we won,” referring to his perception that the settler presence in the West Bank was “irreversible” because withdrawal would “break the backbone of Israeli society.” Conversely, leftists in both Palestine and Israel expressed a sense of loss and hopelessness. For example, Menachem Klein, professor at Bar-Ilan University and a former negotiator with the Geneva Initiative, said that the peace process was a lost cause and that it was time to look for alternatives.

SETTLEMENT PERCEPTIONS ARE NOT MONOLITHIC:

In Israel, settlement support does not stop at the Green Line, as analyses of voting patterns show significant support for pro-settlement politicians outside the West Bank. However, despite the general sense of solidarity the Israeli public feels for settlers, based largely on their perceived sacrifices, there is widespread disdain for settlers who commit or incite violence, defy court orders, and build unapproved “outposts” in urban areas of the West Bank like Hebron. An October 2012 poll conducted by Zogby illustrates this ambiguity: “There are deep divisions on the matter of settlements, with Israeli Jews themselves divided between insisting that it is Israel’s right to build wherever it pleases in the land it currently holds (47 percent) and the position that settlements create a problem for any peace agreement and there will need to be a negotiated agreement on which settlements Israel will annex and which it will evacuate (45 percent).” This nuanced view of settlements is not always reflected in U.S. policies and public statements towards Israel, leading to missed opportunities to capitalize on internal divisions within the settlement movement. Condemning “price tag” attacks will have the support of the majority of the Knesset, while condemning construction in the Ariel settlement or expansion of the Gilo settlement may prompt Israelis to “rally around the flag” against what many see as unfair punishment of the country as a whole for the actions of a few.

MANY SETTLERS ARE MOTIVATED BY ECONOMICS:

The 2010 social protests, the largest in Israeli history, were catalyzed by unhappiness with rising real estate prices, the same factor driving many to the West Bank settlements just outside Jerusalem or less than an hour’s drive from downtown Tel Aviv. One

Palestinian official cited a 2007 report by Peace Now entitled “Quality of Life Settlers” showing that over 77 percent of settlers are driven by quality of life considerations, rather than ideology (20 percent) or security (three percent). Recognizing this motivation reveals a range of policy options to mitigate the difficulty of relocating settlers, including minimizing the economic or transportation benefits of residing in the West Bank or subsidizing new construction within the Green Line.

U.S. INVOLVEMENT IS SEEN AS CRITICAL:

Israelis across the board were anxious to see what the Obama administration would do after the inauguration and Israeli elections. Both on the Israeli left and right, there was clear acknowledgment that the United States is the only third party that can positively influence the situation. Former Israeli negotiator and Knesset member Uri Savir said, “The bottom line is that a viable peace process is impossible without U.S. involvement.”

Some on the right went out of their way to argue that not even the United States could achieve territorial concessions, echoing what Dayan told *The Atlantic* in August 2012: “People say the bad old Barack Obama will reappear the day after the election if he is reelected, but I think that the second-term Obama will be much more similar to the second half of [the first-term of] the Obama administration than the first half.” The importance of the U.S. role was a nearly universal consensus, however. As former advisor to Shimon Peres Nimrod Novik put it, “The United States is the only option, but I don’t see that happening.” Former Israeli negotiator Gilead Sher echoed this sentiment, saying, “Without you, it won’t work. We cannot bilaterally work towards anything that looks like even a normal dialogue between us.”



A road leading to the Tomb of Simon the Righteous, in Sheikh Jarrah, a historically Arab neighborhood in East Jerusalem with a burgeoning Israeli settler population.

KEY INSIGHTS FROM THE WEST BANK

THE PA NEEDS ECONOMIC DELIVERABLES TO MAINTAIN ITS DOMESTIC SUPPORT:

Fatah officials complained that the United States and Israel do not recognize that their West Bank constituency is increasingly frustrated, nor does it help the PA accommodate those demands. In their view, these pressures limit Fatah's flexibility and potentially jeopardize the political survival of the PA.

The economic situation in the West Bank is poor: there is a widespread sense that beneath the veneer of stability inspired by the newly-built Western luxury stores in the lively downtown area of Ramallah, the economic problems plaguing the

territory could erupt at any moment. Frequent protests have clearly made PA officials nervous, as they have the potential to bring down the PA and create a destabilizing political vacuum in the West Bank.

While some commentators noted that Israel needs the PA as a bulwark against Hamas – Professor George Giacaman told us, “The PA's chief source of strength is its own existence.” – one former Israeli official doubted that the Israeli government would act to save the PA, saying, “Netanyahu realizes that the PA will collapse but he is more concerned with preserving his coalition.”

Surveys conducted by the pollster Khalil Shikaki bear out the precariousness of the situation. The September 2012 poll was the first in which fewer West Bank Palestinians viewed their situation positively than did Gazan Palestinians. As Shikaki put it in the poll's executive summary, "Two thirds of the public say that the current difficult economic situation forces them to demonstrate and protest while more than three quarters of the public expect the current wave of protests to continue and escalate."

MANY IN THE PA BELIEVE THE UNITED STATES IS ABANDONING THEM IN FAVOR OF ISLAMISTS:

We encountered a widespread view within Fatah that the United States has shifted its support to Islamists in the region—particularly the Muslim Brotherhood in Egypt and Hamas in Gaza. The general shape of this theory is that the United States is supporting the Muslim Brotherhood in Egypt to see if it is capable of governing. If the results are positive, the United States will then "cede" the West Bank to Hamas, to impose more effective rule and punish the PA, the theory goes. Several contacts cited the October 2012 visit by the Qatari emir to Gaza and his pledge of \$400 million to Hamas, asserting that the United States must have approved the trip.

PALESTINIANS FEAR THE TWO-STATE SOLUTION IS SLIPPING AWAY:

The frustrations of recent years have led an increasing number of Palestinians to support

unrealistic alternatives to the two-state solution. The noted Palestinian scholar Sari Nusseibeh is considering a unilateral Israeli-imposed binational confederation, an idea that is unlikely to gain any traction in Israel. Ali Abunimah, an influential Palestinian journalist and blogger, was skeptical of a two-state solution but had difficulty providing specifics about an alternative. Professor Giacaman told us, "The present situation is ideal for Israel but not sustainable: Palestinians govern themselves and Israel doesn't have to foot the bill."

This troubling intellectual shift is reflected in recent polling from Shikaki showing that Palestinians only support the two-state solution by a narrow majority. If the stalemate continues or the situation in the West Bank worsens, the two-state solution might lose any remaining momentum, the parties will focus on other options, and Palestinian leaders could be constrained in their ability to push for a two-state solution.

THE RIGHT OF RETURN DOES NOT HAVE TO BE A STUMBLING BLOCK:

The inability of Palestinians to let go of the right of return is often cited as a reason the two-state solution is impossible. But in our conversation with the pollster Khalil Shikaki, he emphasized that while it is an extremely important symbolic issue, many Palestinians, if presented with an otherwise acceptable peace proposal, may be willing to compromise.

KEY INSIGHTS FROM EGYPT AND JORDAN

THE ARAB SPRING RAISES THE COST OF FAILING TO RESOLVE THE ISRAELI-PALESTINIAN CONFLICT.

While leaders would prefer to avoid confrontation with Israel, many emphasized that failure to address the emotional Palestinian cause could exacerbate regional tensions. They expressed concerns about the possibility of a renewed outbreak of violence in Gaza and about the growing public pressure in Egypt for a tougher stance against Israel. The Arab Spring also requires Arab administrations to be more responsive to their restive populations. Many interlocutors were concerned about the risk of new, inexperienced Arab administrations being pressured into taking drastic, antagonistic steps toward Israel, such as annulling their bilateral peace treaties.

MANY EGYPTIANS SEE FATAH-HAMAS RECONCILIATION AS CRITICAL:

Egyptians we met with viewed the Fatah-Hamas split as a major obstacle to peace, primarily because it makes it easier for Israel to argue that President Abbas is irrelevant and is not a credible peace partner. While the revolution has naturally led to superficially warmer relations with Hamas because of its ideological affinity with the Muslim Brotherhood, interviewees stressed that Egyptian foreign policy has not changed greatly since the fall of President Hosni Mubarak.

As an example, Egypt has continued to recognize Abbas as the legitimate representative of the Palestinian people and has largely maintained the

Mubarak-era policy on the movement of people and goods through the Rafah crossing. From the point of view of the Egyptians, Hamas is too important to ignore and five years of trying to isolate Hamas has only made the group stronger and more popular. Moreover, the Egyptians viewed Gaza's current status as posing a security threat to the Sinai, so normalizing the situation there was a top Egyptian priority.

In terms of how Egyptians want the United States to deal with Fatah and Hamas, the Egyptians we interviewed expressed a strong desire for the United States to be more pragmatic about their efforts at promoting Fatah-Hamas reconciliation and expressed disappointment that the United States continued to threaten the PA with funding cuts if reconciliation led to a unity government that included Hamas officials. There was also a consensus that the United States needed to recognize that Hamas was becoming more pragmatic, and that the act of governing had necessitated a shift in some of the group's positions, such as its general adherence to the truce with Israel and statements from its leadership that it will accept prior agreement with Israel. Some Egyptians claimed that while Hamas officials could not afford to support of the two-state solution publicly, they supported it privately. Given this context, one official said that the official U.S. policy of not talking to Hamas was simply one of meaningless process and pettiness, and that a better strategy would be for the United States to engage with Hamas but neither formally recognize it nor soften its stance.

STRONG U.S. LEADERSHIP ON THE ISRAEL-PALESTINE CONFLICT IS NEEDED:

There was consensus among officials and analysts in Cairo and Amman that internal problems preclude either Egypt or Jordan from taking on a leadership role in resolving the conflict at present. However, both would support a renewed U.S. initiative and think that only the United States has the power to move things forward. In the future, if things stabilize, interviewees believed it would be natural for Egypt to play a more assertive role in the conflict, given its desire to regain its traditional stature as a leader in the Arab world. They were pessimistic, however, about the prospects of a transformative pro-peace Arab leader materializing. Egyptian opposition politician Anwar E. El Sadat told us, “We need another Sadat,” referring to his uncle, but added that he did not believe one was likely to emerge. Much frustration stemmed from the consensus that Israel is not interested in peace, Arab states lack the leverage to pressure Israel, and the United States has disengaged due to domestic political constraints. Many thought the most likely scenario was an open-ended and directionless process that allowed Israel more time to complete its full takeover of the West Bank.

JORDAN SHOULD PLAY A MORE CENTRAL ROLE:

Everyone we spoke to in Amman agreed that Jordan had a vital existential interest in seeing the Palestinian issue resolved because the lack of resolution threatens the foundations of the Jordanian state. A number of Jordanians, including political analysts Daoud Kuttab and Rouman Haddad, noted that there was renewed and growing talk of the so-called “Jordan options” in Jordan. Some went so far as to suggest that Jordan might

have an interest in governing the West Bank, either temporarily or permanently. Others flatly rejected this assertion, arguing that involvement in the West Bank would run counter to Jordanian security interests, draw more Palestinians into Jordan, and distract from the two-state solution. Nonetheless, many agreed that Jordan would be willing, if asked, to play a greater role in helping address issues of security, refugees, Jerusalem, the Jordan Valley, and other related issues if it helped resolve the conflict.

THOUGH IMPERFECT, THERE IS NO ALTERNATIVE TO THE TWO-STATE SOLUTION:

Officials and analysts we spoke to in Egypt and Jordan were very pessimistic about the prospects for a two-state solution in the near term and very concerned about where the status quo was heading. In particular, they were deeply concerned about Israel’s perceived desire to retain all the land it had occupied in the 1967 War. There was also a strong perception that, given that the lack of any credible Arab military threat and absent external pressure, Israel had no incentive to make peace. Despite this, there was almost unanimous agreement that the two-state solution remained the only way forward and, aside from some Jordan-option advocates, most did not see any other alternative as being viable. Egyptians and Jordanians saw the Arab Peace Initiative as the optimal mechanism, but noted Israel’s hasty criticism and subsequent neglect of the proposal. Most notably, several Egyptian officials viewed the idea of a three-state solution involving Israel, West Bank, and Gaza as a “nightmare” that Egypt would actively work to oppose. There was recognition, however, that the longer there was no two-state solution, the more people would start entertaining the idea of alternatives.

III. U.S. POLICY RECOMMENDATIONS

A NOTE ON METHODOLOGY

The Israelis, Palestinians, and regional actors with whom we conversed agreed on very little other than the imperative that the United States take a leadership role if there is to be any progress toward a two-state solution. Many called for President Obama to make a speech emphasizing U.S. commitment to finding a resolution, as well as to provide the “terms of reference” from which the parties can begin their negotiations. But with these calls for U.S. leadership came arguments that the United States had lost credibility with the parties and that its ability to bring about a resolution was in grave doubt.

Our recommendations focus on concrete steps the United States can take today to both demonstrate

its commitment to facilitating peace and improve the likelihood that each actor will be capable of making the difficult concessions necessary to eventually sign a final status agreement. These steps represent an integrated strategy to give the parties the political cover and confidence needed to bring about a Palestinian state living in peace beside a secure Israel. We do not articulate the exact terms of that agreement in regards to the four core issues of borders, security, Jerusalem, and Palestinian refugees. Rather, we suggest recommendations only where we think we have something new to offer.

We have split the recommendations into three sections: one for each of the three actors or groups that are most central to the conflict.

PALESTINIAN ACTORS

The Palestinian Authority has taken steps that have made achieving a negotiated two-state solution difficult. Historic insistence on unattainable preconditions and the recent vote on statehood at the U.N. General Assembly are two such examples. Nevertheless, strengthening the PA—rather than punishing it—must be absolutely central to U.S. strategy in the region.

Reconciliation between Fatah and Hamas would bring Hamas into the process, preventing outside spoiler activity. However, given the elevation of more radical, militant elements of Hamas in recent internal elections, it is unlikely that reconciliation could be accomplished under terms that allow the PLO to move forward with negotiations. This

radicalism makes Israelis wary of reconciliation; one former Israeli government official told us that Fatah-Hamas unification would be “like taking a snake inside to try to control it... Israel wouldn’t be able to sleep.” Despite recent progress, reconciliation has repeatedly proven elusive. Thus, we strongly caution against deferring negotiations until reconciliation is achieved. Waiting for sustained reconciliation could push facts on the ground beyond their breaking point. Moreover, Arab states and the population of Gaza could pressure Hamas to sign on to a PLO-led final deal even if Hamas were not at the negotiating table, especially if the deal takes into consideration popular Gazan concerns and ensures that Israel sets aside the land that would be used to connect Gaza and the West Bank.

OBJECTIVE ONE:

STRENGTHEN THE PALESTINIAN AUTHORITY.

Because the soundness of the PA is critical both to future Israeli security and to the establishment of two peaceful states, the United States should help bolster its economic viability and political legitimacy. This can only be achieved in the short term by reversing the trend of funding cuts that hinder the improvement of infrastructure and service delivery in the West Bank and in the long term by stimulating sustainable economic growth. We view strengthening the PA as essential for two primary reasons:

1. MAHMOUD ABBAS AND SALAM FAYYAD MAY REPRESENT “ONCE-IN-A-GENERATION” LEADERSHIP FOR PEACE BUT CURRENTLY LACK THE NECESSARY POLITICAL LEGITIMACY TO REACH AN AGREEMENT.

Abbas’s PLO and the secular, Fatah-dominated PA have proven their commitment to non-violent engagement with Israel on behalf of securing a two-state solution and have overseen an increasingly stable and peaceful West Bank with significant institutional development. This stands in stark contrast to the Hamas regime in Gaza. Even if Hamas dissolves or remains isolated in Gaza, future West Bank leaders may find negotiating for two states to be of little value given the increasing support for a one-state outcome among secular Palestinian youth. To serve its long-term interest in negotiated peace, the United States needs to bolster Abbas now to help him counteract the political fallout from a weakening economy.

2. FAILING TO SUPPORT THE PA PROVIDES AN OPENING FOR HAMAS TO OVERTAKE THE PLO AS THE LEGITIMATE VOICE OF THE PALESTINIAN PEOPLE.

Specifically, the potential collapse of Fayyad’s state-building project due to insufficient funding for the PA would greatly set back improvements in West Bank security and the ability of the PA and Fatah to secure their political base, possibly leading to renewed violence and a return of Hamas to the West Bank. Thus, every dollar of aid cut from the PA needs to be understood as a boon to Hamas.

RECOMMENDATION ONE: COORDINATE POLICY TOWARDS GAZA WITH ABBAS TO ENSURE THAT IT DOES NOT UNDERMINE THE PA.

- Formulating U.S. policy toward Gaza separately from U.S. policy towards the West Bank both grants Hamas agency and undercuts the PA’s authority.
- Treat the PA as the legitimate government of both the West Bank and Gaza by formulating U.S. policy toward Gaza taking into account the PA’s expressed needs and preferences.
- This would also insulate the United States from having to make a decision that could create tension between the potentially contradictory U.S. policies of supporting Israel-Palestine negotiations and not talking to Hamas.



A pass leading into the Jordan Valley. Much of the Jordan Valley is classified as Area C, the region of the West Bank over which Israel possesses full administrative and security control.

INSIGHTS

The importance of economic considerations

Israeli journalist and commentator Ehud Ya'ari summed up the feeling among many within the West Bank by recounting an under-reported recent event:

"During the end of the Ramadan, Bibi quietly ordered that people can go—they can cross into Israel from the West Bank. I estimate 400,000 West Bankers—it was holidays for them. The beaches all over Israel were full of Palestinians—the beaches, the roads, full of Palestinians. That was a measure taken because he felt secure, in terms that there will be no terrorist operation. And he can take the risk. This is exactly what the Palestinians loved. And it made enormous impact on the Palestinians. It was not even in the Israeli press. Because you had a generation of kids going for the first time to the beach. First time they saw the sea! Going to the Luna Park. Seeing a real zoo. Not like the zoo they have in Qalqilya. That was an experience for 400,000 Palestinians."

Ya'ari's main point—that Palestinians crave the same freedoms and economic opportunities as Israelis—came through in our Ramallah meetings. There were numerous discussions of specific, on-the-ground Israeli policies that hurt Palestinian citizens. The United States should not underestimate how much goodwill and cooperation can be generated by moves like allowing Palestinians to cross into Israel. While abstract concepts like Palestinian pride and nationalism do exert influence in the Palestinian political system, it should not be forgotten that Palestinians are also motivated by tangible opportunities and everyday adversity.



RECOMMENDATION TWO: BUILD UP HOUSES AND SCHOOLS IN WEST BANK REFUGEE CAMPS VIA AN INTERNATIONAL FUND ESTABLISHED FOR THIS PURPOSE.

It is essential that donors work closely with the PA to conduct the improvements so that the PA is able to receive credit for this enhancement of Palestinians' daily lives.

- Our conversations with Fatah-affiliated leaders of a Palestinian refugee camp in the West Bank indicate that a perceived stumbling block to addressing infrastructure and service problems in refugee camps—the resistance of refugees based on the fear that such efforts represent a tacit relinquishment of refugee status and the right of return—have largely subsided. These leaders were clear that they would welcome such improvements, so long as the refugees could retain their refugee status. The extent to which such a view is shared in other refugee camps warrants further investigation.
- Improving refugee conditions may reap additional rewards during negotiations by lessening the demands of presently impoverished refugees who would be motivated to exercise right of return for economic reasons.

RECOMMENDATION THREE: EXPAND U.S. TRAINING OF SECURITY AND TECHNICAL OFFICIALS, INCLUDING AT LAW ENFORCEMENT AND ACADEMIC INSTITUTIONS.

These initiatives would have the twofold benefit of providing Abbas with a political win and promoting Palestinian institution building.

- Specific institutions could include the FBI academy and the International Law Enforcement Academy (ILEA), to provide Abbas with a new development in relations with the United States that he can tout.
- The United States should also consider sponsoring and publicly promoting training programs for Palestinian civil servants at academic institutions as a way to recognize and reward the PA for its gains in institution building.

INSIGHTS

Settlers In A Palestinian State

While understandably cautious, both settlers and PA officials expressed openness to allowing some settlers to keep their homes and property and receive Palestinian citizenship, subject to certain conditions, following the implementation of a two-state agreement. For instance, **Rabbi Menachem Froman**, a prominent settler leader, raised the possibility of remaining on his land in a Palestinian state.

Determining the conditions under which some settlers would be allowed to remain would be contentious, but there are signs that both Palestinians and settlers have an interest in finding a mutually agreeable solution.



RECOMMENDATION FOUR: ENSURE THAT THE PA IS ALSO CREDITED IN ONGOING PUBLIC AWARENESS CAMPAIGNS FOR FACILITATING U.S. DEVELOPMENT ASSISTANCE TO THE WEST BANK.

- The United States should conduct an assessment at the conclusion of the campaign to determine its effectiveness and, if successful, consider allocating funds for the direct promotion of the PA in the West Bank,

focusing on its economic development projects, enhancements in Palestinian stature internationally, and strides in tackling corruption.

- The United States should ensure that the campaign promotes the PA and good governance rather than Fatah so the United States is not accused of favoring a single political party.

INSIGHTS

The possible merits of unilateralism

Many Palestinians expressed the fear that interim steps will become permanent, while at the same time acknowledging that facts on the ground are constantly moving against their interests. Partial unilateral steps should not necessarily be opposed, but rather quietly accepted, on a case by case basis, as long as they are mutually-reinforcing, well-understood, and would bring the parties closer to a two-state solution. Forcing the parties to formally agree on a step is a high bar, as there might be steps that they would both welcome but are politically unable to agree to publicly.

Examples of steps the United States should remain open to include:

- Israeli territorial withdrawals from A and B territories to agreed swap areas
- Palestinian requests for admittance to some international organizations, such as those that deal with pressing issues like water, health, or the environment
- Palestinian revisions to the Paris Protocol
- Opening up of trade between West Bank to Jordan
- Improvements to Palestinian refugee living conditions

The 2005 Gaza disengagement is an example of a fortunate opportunity, rather than an agreed-upon bilateral policy, a case in which logistical and political circumstances aligned to allow for a complicated but important step towards two states. In the 2003 elections, Sharon's slogan was that the Netzarim settlement in Gaza was as legitimate as Tel Aviv, but he reversed his position just a year later. In addition, the 1974 and 1975 Israel-Egypt disengagement agreements helped pave the way for the eventual peace treaty. Similar partial and unilateral steps can also be framed as a face-saving compromise building momentum toward two sustainable states.



In November 2012, during the Gaza escalation, a rocket fired from militants in the Gaza Strip hit Israel's largest city, Tel Aviv, setting off air raid sirens for the first time since 1991's Gulf War.

OBJECTIVE TWO:

DISINCENTIVIZE HAMAS SPOILER ACTIVITY AND STRENGTHEN THE HAND OF HAMAS MODERATES.

U.S. strategy to date has focused on isolating Hamas but has failed to seriously jeopardize its rule in Gaza. In fact, many analysts and policy makers told us that Hamas likely assessed that the winds of change in the Arab world were blowing in its favor. The threat that Hamas will act as a spoiler is a significant obstacle to accomplishing a deal on the two-state solution. Instead, U.S. policy should focus on disincentivizing Hamas violence and spoiler activity

in coordination with the PA. Consistent with the terms of the November 2012 ceasefire between Hamas and Israel, which calls for opening the crossings and facilitating the movement of people and goods, the United States should begin by pressuring Israel to accept a further lifting of the blockade in a manner that benefits the PA to the greatest extent possible.

RECOMMENDATION ONE: ENCOURAGE ISRAEL TO ALLOW ADDITIONAL EXPORTS AND IMPORTS INTO AND OUT OF GAZA, WITH WEST BANK GOODS RECEIVING PREFERENCE AND THE PA RECEIVING MOST, IF NOT ALL, OF THE CUSTOMS DUTIES.

- Easing the blockade could improve chances of reopening negotiations to the extent that it prevents violence emanating from Gaza in the near term, since Gaza's periodic use of violence strengthens Hamas at the expense of Fatah and makes Israeli officials and the Israeli public question the utility of negotiations with the PLO, which cannot deliver Gaza security.

RECOMMENDATION TWO: PUSH EGYPT TO OPEN THE RAFAH CROSSING AND PERMANENTLY CLOSE THE TUNNELS BETWEEN EGYPT AND GAZA.

- Hamas has called for the opening of the crossing. If the proposal for doing so were made public, it would be difficult for Hamas to oppose it even though tunnel closure would likely decrease Hamas's revenue stream.
- Opening the tunnel and providing external monitors to watch for weapons would also make further rocket attacks more difficult, benefitting both Israel and Egypt.

RECOMMENDATION THREE: QUIETLY LAY OUT BENCHMARKS CONSISTENT WITH THE QUARTET PRINCIPLES THAT WOULD REPRESENT MODERATING STEPS, AND INCENTIVIZE HAMAS TO MEET THESE GOALS THROUGH PROMISES OF INCREASED ENGAGEMENT OR ADDITIONAL ECONOMIC AID.

- For example, rather than insisting that Hamas acknowledge up front Israel's right

to exist, begin by asking Hamas to acknowledge Israel's de facto status.

- This strategy does not necessarily require changing stated U.S. policy but could provide moderates in Hamas with a justification for looking to the United States and Europe.

RECOMMENDATION FOUR: DROP PUBLIC OPPOSITION TO FATAH-HAMAS RECONCILIATION AND ALLOW ABBAS TO DETERMINE WHETHER IT SERVES HIS INTERESTS.

- Removal of U.S. resistance to reconciliation talks could increase the chance that unity is achieved under terms that allow the presently configured PLO to dictate the relationship, thus making a comprehensive Palestinian-Israeli peace deal more likely and helping to stabilize Gaza.
- Israel and the United States should remain agnostic on the exact composition of a unified Palestinian government, so long as it remains formally committed to nonviolent approaches and to recognizing Israel's right to exist. That said, the United States would have to carefully consider trends within Hamas before blessing such a unity agreement given that reconciliation could delay constructive Israel-PLO peace talks.

ISRAELI ACTORS

OBJECTIVE ONE:

FOSTER IMPROVED RELATIONS WITH ISRAEL AND REINFORCE THE U.S. COMMITMENT TO INITIATING AND CARRYING OUT PEACE NEGOTIATIONS. SHOULD THESE EFFORTS FAIL, CONSIDER SELECTIVELY USING VARIOUS DIPLOMATIC AND ECONOMIC LEVERS.

Despite increasing U.S. security assistance and diplomatic support, the relationship between President Obama and Prime Minister Netanyahu deteriorated during President Obama's first term, complicating attempts to return to peace negotiations. In particular, Prime Minister Netanyahu rebuffed the two most significant requests made of him by President Obama: imposing a settlement freeze and delaying construction planning in the E1 area near Jerusalem. To ramp up dialogue between the parties, the Obama administration should move past Netanyahu's previous decisions and treat him as a potential partner for peace, for three principal reasons:

- Netanyahu regards the emergence of political Islam in the wake of the Arab Spring as a key threat to Israel. There are few better ways for Israel to blunt this threat than to broker a peace agreement with the Palestinians. Israeli commentator Ehud Ya'ari reinforced this point, saying, "Assuming [Netanyahu] wins, he knows we need to insulate ourselves better from the winter that is the Arab Spring, and the emergence of the Muslim Brotherhood. One of the best ways is to get a deal with the Palestinians. For the first time in years,

Israeli planners have to think about a multi-front war."

- Netanyahu's rejection of the settlement freeze was in part a product of the political realities at the time and does not necessarily preclude a partial settlement freeze in the future. If the settlement freeze obstacle could be removed or finessed, Israel would be under significant pressure to participate in new talks. One Palestinian official told us that it was illogical to think that Netanyahu is not a partner for peace, because he is responsive and accountable to the Israeli electorate.
- While Netanyahu is constrained politically by his coalition and constituency among the right flank of Likud, including the settler movement, his conservative track record and credentials are potentially a major asset. Netanyahu has the credibility within conservative ranks in Israel to sell negotiations and an agreement to the Israeli right wing, should a workable proposal emerge from negotiations.

Together, these circumstances provide the grounds not only for a new round of peace negotiations, but also for Israel to engage constructively in the process and implement an ensuing agreement.

INSIGHTS

The possibilities of religious peace

Several experts expressed considerable concern that the Israel-Palestine conflict was metastasizing from a political conflict into a religious or sectarian one. However, our interviews showed that even seemingly hardline religious leaders can be open to—and assist in bringing about—peace initiatives. For example, though **Rabbi Froman** is a settler, he has longstanding ties to officials in both Fatah and Hamas, and in early 2008 worked to draft a relatively pragmatic ceasefire agreement between Israel and the de facto Hamas government of Gaza. In Alexandria, Egypt, in 2002, various Jewish, Muslim, and Christian clergy drafted a statement condemning violence in the Holy Land and encouraged a return to negotiations. Advocates of religious peace note a final agreement will be just one part of a longer process to reconcile publics who are increasingly hostile to each other. As **Rabbi Michael Melchior** said, “Political peace is between politicians and diplomats; religious peace is between peoples.”



RECOMMENDATION ONE: THE PRESIDENT SHOULD BUILD A DIRECT RELATIONSHIP WITH THE ISRAELI PUBLIC WITH AN EARLY TRIP TO ISRAEL AND RESTORE CREDIBILITY BY CLEARLY OUTLINING U.S. PRIORITIES PUBLICLY AND PRIVATELY.

- President Obama’s decision to visit Israel and Palestine this spring is wise. The trip itself will help reassure Israelis that the President is engaged in the conflict and blunt accusations from some in the United States that he has not been friendly enough to Israel. Obama should use the opportunity to make a persuasive case for restarting peace negotiations as in the best interest of both the United States and Israel.

- Such a speech would serve as a wake-up call, placing the peace process squarely on the political agenda, promoting a debate on what Israeli society will look like in coming decades absent an agreement, empowering Israeli advocates for peace, and changing the domestic political calculus for Netanyahu.
- The Ramallah visit will greatly energize and empower the PA and Fatah.

RECOMMENDATION TWO: PREPARE A SERIES OF ECONOMIC AND DIPLOMATIC MEASURES THAT THE OBAMA ADMINISTRATION WOULD BE PREPARED TO DEPLOY IF ISRAEL REACTS NEGATIVELY TO U.S. PROPOSALS.

Rather than scrambling to respond in a politically polarized environment, the Obama administration should develop in advance a list of possible levers to respond to possible Israeli intransigence and secure inter-agency buy-in. To avoid undue tension or domestic political fallout, measures should avoid any impact on security assistance, should send a clear signal without overtly inflaming tensions, and should reinforce the firm U.S. commitment to a peace agreement. Persuading Israel will be politically difficult, but there is nothing inherently damaging in voicing concerns about the impact of Israeli actions on American interests. These levers must be used subtly, and be couched within the context of consistent U.S. amity toward Israel and an ironclad commitment to Israel’s security. These policy levers can be split between two categories:

- **DIPLOMATIC LEVERS:** There are several options available, including abstaining on measures Israel opposes in certain international forums, quietly accepting European and Turkish diplomatic or trade

measures, denying or delaying visas and travel permits to politically sensitive or powerful groups such as settlers. The United States could revisit or halt some of the numerous bilateral programs within executive agencies or others not focused directly on security.

- **ECONOMIC LEVERS:** With the Israeli economy in a better position than at times in the past, economic measures would send a clear signal and carry a strong precedent of linkage to the settlements issue through loan guarantees, without risking the accusation of undermining national security.

Options include demanding point of origin labeling to deny free trade agreement preferences and other tax breaks to products produced in settlements. The United States could also exercise the existing option of deducting the amount Israel spends on settlement construction from loan guarantees. It should be noted that the United States has used this deduction only twice since 2003, holding back only \$1.1 billion of \$9 billion in total loan guarantees. Israel has not taken out any applicable loans since 2005, so this step would be more symbolic than tangible.

INSIGHTS

The rise of wishful thinking

Many settlers and mainstream policy makers in Israel believe the so-called “**Jordan option**,” in which the Hashemite monarchy falls and Jordan “becomes” Palestine, is a possible or even likely resolution of the conflict. (Some Jordanians we spoke with advocated for a different Jordan option, in which Jordan plays a role in governing the West Bank.) The relative popularity of this belief diminishes their perception of the urgency of the two-state solution, allowing Israel to avoid difficult and necessary choices by deluding itself into thinking that there is a third way. One Israeli government official, who spoke off the record, included Jordan in his vision of transforming the conflict, espousing the view that the future of Jordan was unknown but offered promising avenues out of the conflict, including a possible confederation. Settler leaders were explicit in their view that Jordan is the only solution to the conflict. As **Dani Dayan** put it, “There is one parameter that must inevitably change, and that is the regime in Jordan. Monarchies will disappear in the twenty-first century. The moment that happens, that will open a whole horizon of solutions that today are not possible.” Knesset member and Jordan option proponent **Arieh Eldad** freely admitted he is seen as on the political fringe on this issue, but told us that behind closed doors, Israeli political leaders share his view and are self-censoring out of diplomatic concerns. In Jordan, a number of analysts and former officials with whom we spoke argued that the Jordan option could help break the current impasse over settlements, address Israel’s security concerns, and serve as an economic boon to Jordan.





Classroom artwork in a West Bank refugee camp. Some refugee leaders indicated to the Princeton group an increased willingness to accept aid for infrastructure development in refugee camps.

RECOMMENDATION THREE: CLEARLY LINK U.S. POLICIES TOWARD ISRAEL TO MUTUAL SECURITY INTERESTS AND ISRAEL'S RECORD ON SETTLEMENT BUILDING.

Having been rebuffed by Netanyahu with few obvious consequences, the United States must ensure that both the rewards and repercussions of the potential peace process are clear from the outset. This could involve both nuanced signaling of potential consequences during the initial announcement as well as more explicit discussion of deliverables and redlines during private conversations with the Israeli government.

- Efforts to encourage Israel to participate in peace talks, if necessary, should be accompanied by security assurances to

Israel and justified by the Obama administration based on U.S. security interests. As one Israeli official told us, "Israel must feel safe to move. The U.S. needs to embrace Israel to make it feel safe but push at the same time to make American interests clear."

- In order to build wide U.S. domestic support for an invigorated peace effort, the administration could cite historical precedent and past practice of U.S. administrations applying appropriate levels of reassurance and persuasion to help the parties reach agreement.

Focusing clearly on settlements will help avoid a nationalistic backlash in Israel by appealing to moderates who also question settlement activities.

Settlement building is also harder to defend in the U.S. and in multilateral forums, given international legal condemnation. In addition, targeting rhetoric and policies on settler activities will sharpen and clarify the U.S. position while focusing the debate on the most immediate obstacle to negotiations.

RECOMMENDATION FOUR: CONSIDER ESTABLISHING TERMS OF REFERENCE OR PARAMETERS AT SOME POINT IN THE PROCESS TO SUPPORT A REINVIGORATED PEACE EFFORT.

While the articulation of parameters is fraught with potential controversy, policy makers and analysts from both Israel and Palestine were generally supportive of U.S. parameters, considering them a key element of a credible negotiating cycle.

- The timing of offering U.S. parameters is a largely tactical question based upon a reading of the distance between the parties. U.S. envoys could work privately to bring the sides as close as possible prior to putting parameters on the table.
- Polling data from U.S., Israeli, and Palestinian research firms largely confirm that majorities in both publics are broadly supportive of a comprehensive deal that includes elements that each would find unacceptable as standalone measures, and that such terms are broadly congruent with the reported negotiating positions articulated by Olmert and Abbas in 2008.

RECOMMENDATION FIVE: EXPLORE POSSIBILITIES FOR A PARTIAL RATHER THAN FULL SETTLEMENT FREEZE, POSSIBLY BY FOCUSING ON AREAS LIKELY TO BE PARTS OF FUTURE LAND SWAPS.

While a full settlement freeze was too high of a bar for Netanyahu, there are other options for mutually acceptable solutions that would both address the Palestinian concern about losing territorial viability and refocus the debate on the most extreme settlement policies, particularly those involving E1 and the Jordan Valley.

One promising avenue might involve focusing on freezing settlements outside of areas that would likely be part of land swaps, either within defined areas or greater than a certain distance from the Green Line or security barrier. The U.S. should not define the settlement areas and the exact boundaries need not necessarily be made public, but the parties might be able to agree to a standard that would be an improvement on the current unlimited settlements. Even a partial, temporary freeze might be enough to allow Abbas to justify re-entering negotiations.

Demanding a full settlement freeze has numerous complications, including the political difficulty of overriding settlements approved in Jerusalem by Mayor Nir Barakat. One Palestinian official acknowledged to the group that such a process would be contentious. Focusing on other settlement areas outside of Jerusalem would make it easier for Netanyahu to agree.



A depiction of Palestinian leader Marwan Barghouti on the barrier near to Ramallah. Barghouti was sentenced by an Israeli court to five life sentences for murder in June 2004.

INSIGHTS

Beyond preconditions

Several of our interlocutors who had been participants in previous negotiation cycles commented that the United States, with its cultural premium on pragmatism and frank talk, sometimes failed to understand the oblique negotiating style of its partners, and sometimes took at face value rhetorical devices of the various parties. This seems particularly true with regard to Palestinian or Israeli preconditions for engaging in talks. These individuals urged the United States, rather than getting mired in the language of the specific precondition, to try instead to look at the political dynamic behind a particular demand and seek creative diplomatic formulas that satisfy the specific need in question rather than just accepting or rejecting the demand itself out of hand. Our interlocutors intimated that understanding what the parties require is more important than understanding what they demanding.

This principle could be applied to a wide variety of issues. For example, a senior advisor to Prime Minister Netanyahu said Netanyahu's position on security in the Jordan Valley is more nuanced than understood. He claimed Netanyahu believes that Israel requires an Israeli security presence along the Jordan River, not in the Jordan Valley as widely interpreted. Our interlocutors, who themselves admitted to having failed to understand the meaning of the other party's demands, implied that preconditions should be treated as signaling a political need rather than as a simple binary yes-or-no ultimatum. In short, there may well be greater flexibility than immediately apparent during some negotiations.



INTERNATIONAL AND OTHER ACTORS

OBJECTIVE ONE:

ENCOURAGE NEIGHBORING ARAB STATES TO PLAY A CONSTRUCTIVE ROLE IN LAUNCHING AND IMPLEMENTING A NEW PEACE EFFORT.

Despite the need for greater responsiveness to the public in the wake of the Arab Spring, states such as Egypt, Jordan, Qatar, Saudi Arabia, and Turkey have a strong interest in a just settlement and can be induced to play positive roles in the process, particularly by bolstering the PA and moderating Hamas. As former Israeli official Avi Gil noted in our meeting, the entire Muslim world would be willing to chip in to support the peace process in exchange for concessions in Jerusalem. He also noted that an agreement with regional buy-in is much more stable and appealing for Israel.

RECOMMENDATION ONE: PUSH KEY ARAB STATES AND TURKEY TO INCREASE THEIR SYMBOLIC, MATERIAL, AND POLITICAL SUPPORT FOR THE PA AND FOR NEGOTIATIONS, INCLUDING REAFFIRMING THE ARAB PEACE INITIATIVE.

While it is inevitable that the moderate Arab states and Turkey will seek more constructive ties with Hamas, these countries will need encouragement to provide matching or even preferential support for the PLO. The United States should also push these states to get behind negotiations, including reaffirming the Arab Peace Initiative, by credibly convincing these regional partners that it is serious about brokering an agreement in a well-defined time period. Uri Savir highlighted the importance of the initiative, saying, “The one thing that will convince Israelis to go for peace is if the rest of the Arab world will recognize our presence in the region.”

Galia Golan called the Arab Peace Initiative, “the most important thing [for Israel] that’s happened since the creation of the state of Israel.”

- In terms of symbolic support, the United States can quietly urge Arab allies to visit Ramallah to congratulate the PLO on its recent statehood vote and to match financial assistance or visits to Gaza with at least equivalent support to the PA. The historic visit by King Abdullah II of Jordan in December 2012 is an example of productive engagement by Arab leaders.
- Material support, especially by Saudi Arabia and Qatar, could include increased direct funding to the PA for development projects in the West Bank or to multilateral agencies such the World Bank and UNRWA working in the West Bank.
- Political support from regional governments could include both private and public statements urging Abbas to return to the negotiating table without preconditions. This could provide the cover that Abbas needs to back down from his insistence on a settlement freeze and offer concessions on other core issues in the future.

RECOMMENDATION TWO: LEVERAGE JORDAN'S POSITIVE RELATIONS WITH THE KEY PARTIES BY EXPLORING ECONOMIC AND SECURITY ARRANGEMENTS WITH THE WEST BANK.

The United States should encourage Jordan to help prepare the PA and West Bank for independence, taking advantage of its constructive relations with nearly all parties to the conflict.

- Explore a liberalized trade regime between Palestine and Jordan to help alleviate concerns about the economic viability of a future Palestinian state and lay the groundwork for a free trade zone or single market between Jordan and the future Palestinian state (and eventually Israel).
- The United States should also explore whether the Jordanian security forces, which are highly respected by Israel, could play a role in helping guarantee West Bank security in a potential withdrawal scenario. Specifically, Jordanian forces could continue to patrol and secure the Jordan-West Bank border as well as station troops in the Jordan Valley in order to prevent weapons smuggling into the West Bank.
- A renewed peace process would be a boon for the Jordanian government currently facing immense political and economic challenges. The United States should be unswerving in its support for Jordan's reform efforts to avoid a setback in the peace process and help quash talk of a Jordan option.

OBJECTIVE TWO:

PREEMPT SPOILERS

Time and again, parties have allowed relatively small, hard-line minorities to seize control over the wider peace agenda. The assassination of Prime Minister Yitzhak Rabin and the subsequent Hamas bombing campaign, for example, squandered the considerable momentum that had been achieved in the post-Oslo negotiations. Parties excluded from the process have few incentives to support agreements that they feel undermine their interests. The United States government should consider how to integrate even actors that are not traditionally at the center of the process into a productive dialogue.

RECOMMENDATION ONE: LEVERAGE EXISTING RELIGIOUS DIALOGUE BETWEEN THE PARTIES TO EXPAND AND SUPPORT THE CONSTITUENCY FOR PEACE.

There is a surprising willingness among many imams and rabbis to engage each other on political and theological grounds, even while conventional diplomatic paths remain closed. While this option should not be seen as a substitute for ongoing political efforts, religious dialogue could help bridge the widening psychological segregation between the parties and build a religiously-oriented constituency

for peace. Religious leaders have the power to sway public opinion to temper negative reactions during inevitable setbacks during and after negotiations.

- Wherever possible, the United States should leverage existing religious dialogue mechanisms to strengthen dialogue between Jewish and Muslim religious leaders, with a focus on isolating the most extreme elements of each side and forming a more reasonable mainline religious consensus.
- The United States should consider supporting a religious council to meet regularly, possibly through an international religious summit in Jerusalem, to create a channel of communication allowing for a rapid response from the religious condemning violent extremists.
- The United States should strongly consider engaging American religious leaders to play a constructive role in facilitating such dialogue and supporting a trip to the United States to engage in peace building efforts.

RECOMMENDATION TWO: SEARCH FOR TRACK II DISCUSSION OPPORTUNITIES THAT CREATE A MECHANISM TO KEEP THE PARTIES ENGAGED, NARROW GAPS ON KEY ISSUES, AND MAKE PROGRESS WHILE OTHER AVENUES ARE BLOCKED.

Unofficial meetings, negotiations, and discussions should be encouraged and selectively supported, as

long as they offer opportunities for substantive progress. Oslo demonstrates that these efforts are not mere exercises in naiveté, but instead have the potential to morph into substantive negotiations when the opportunity arises. The regional players have repeatedly demonstrated their willingness to utilize Track II mechanisms to discuss politically toxic issues with neighboring adversaries, particularly during prolonged period of impasse in the official negotiating channels.

- Track II discussions have in the past been both open and closed processes and ranged from academic conference to meetings that were essentially deniable Track I talks. Generally speaking, the more discrete and higher level Track II talks seem to yield more lasting results.
- The most significant Track II successes have been between the parties themselves with only minimal U.S. government involvement. The United States should be supportive but selective in the Track II talks it seeks to fortify, as more official involvement can scuttle the process through greater exposure to public comment and criticism.

