

**Statement of Daniel B. Shapiro Before the Senate Foreign Relations Committee**  
**“Consideration of the Taylor Force Act”**  
**July 12, 2017**

Mr. Chairman, Ranking Member Cardin, Members of the Committee:

Thank you for the opportunity to appear before you to discuss the Taylor Force Act.

I want to begin by expressing my strong support for the goals of this legislation, and relate to the American hero for whom it is named.

On March 8, 2016, I was participating in a meeting between Vice President Biden and former Israeli President Shimon Peres at the Peres Center for Peace in Jaffa. During the course of the meeting, we heard the sounds of sirens and were informed about a terrorist attack nearby. It was at that very moment that Taylor Force was murdered by a Palestinian terrorist less than a mile from where we were meeting on the Jaffa boardwalk.

As the U.S. Ambassador to Israel, I always made the safety of American citizens my highest priority, and I know Vice President Biden did the same. There had been other American victims of terrorism during my tenure, and we always did everything we could to ease the burden on the grieving families. As we learned more about Taylor, and reached out to offer comfort and assistance to his family, every detail was only more heartbreaking and infuriating. Taylor was a West Point graduate and U.S. Army veteran who had survived combat in Iraq. He was in Israel as part of a Vanderbilt University Business School delegation seeking to build connections with the vibrant Israeli technology sector. He had come to Israel only to learn and build and grow, and he was cut down in the prime of life.

The terrorist who murdered Taylor was shot dead at the scene by police. Vice President Biden forcefully condemned the attack, and added that the United States “condemns the failure to condemn these acts”. That remark foreshadowed a very difficult conversation he had later in the visit with President Abbas of the Palestinian Authority. And a condemnation was not forthcoming, as it clearly should have been.

Throughout the Obama Administration, we had on many occasions raised the issue of incitement in its various forms with President Abbas and had spoken out publicly about it. The unacceptable messages of tolerance for, glorification of, or even encouragement to violence by Palestinians against Israelis that are part of Palestinian political discourse help fuel the waves of terrorist attacks Israelis have suffered from. So does the indefensible Palestinian Authority practice of providing payments to Palestinians in prison for terrorist attacks, including those who killed Israelis, and to the families of those who died carrying out such attacks. Indeed, the Palestinian system actually provides more money to those who serve longer sentences, meaning the worse the crime, the greater the financial compensation.

This is an abominable practice, and it must stop. Palestinians who seek to win the confidence of Israelis that they will need if they ever hope to achieve their own political aspirations through negotiations must understand both how immoral this practice is and the grave damage it does to their own goals.

Palestinian leaders say it is not as politically easy as we would like to put an end to this practice. In Palestinian culture, prisoners who have committed violent acts against Israelis are revered as freedom fighters, and acting against them comes with high political cost. But this is not an acceptable excuse. While one can understand the need to provide welfare payments to families that are struggling economically and have lost a breadwinner, similar to other families in that position, there should be no extra bonuses for someone who attacks Israelis. It incentivizes the killing of innocents, and it is just wrong.

So I commend Senator Graham for taking the lead to introduce legislation designed to bring an end to this abhorrent practice. It is a worthy goal, and it is a fitting tribute to the life and service of Taylor Force.

To truly get at the problem we are trying to solve, our goal must be, as my colleague on this panel, Elliott Abrams, has written, to bring about a change in Palestinian political culture. We must promote a change that ends any glorification of or encouragement to violence. And so, the questions before us are, what is the most effective means to pursue that goal; how can we pursue it without causing harmful unintended consequences to other U.S. and Israeli interests, or to the well-being of innocent Palestinians; and what is the role of U.S. assistance in that calculus?

To briefly review what this Committee knows well, the U.S. assistance program under Economic Support Funds (ESF) to the Palestinians includes several elements: 1) project assistance carried out by USAID, through vetted NGO partners, to build schools, roads, health clinics, and similar infrastructure projects in the West Bank; 2) debt payments paid directly to Israeli fuel and electricity providers on behalf of the PA, and to the Israeli-run East Jerusalem Hospital Network to pay bills incurred by the PA; and 3) humanitarian assistance through vetted NGO partners to Palestinian civilians in Gaza. Barring a one hundred percent reversal by the PA on the prisoner payments, all of these streams of assistance would be cut off under the legislation as it is currently drafted. Assistance for training provided to the Palestinian Authority Security Forces not under the ESF account would not be affected.

The total of the ESF program has declined in recent years from approximately \$400 million to approximately \$260 million in the last fiscal year. One reason for the decline is that the Obama Administration negotiated reductions in the program with Congress to overcome previous Congressional holds by metering out the program in smaller amounts. Furthermore, starting in Fiscal Year 2015, Congress directed a reduction in the economic assistance program to the West Bank and Gaza “by an amount the Secretary determines is equivalent to the amount expended by the Palestinian Authority as payments for acts of terrorism by individuals who are imprisoned

after being fairly tried and convicted of acts of terrorism, and by individuals who died committing acts of terrorism during the previous calendar year.” It should be noted that the actual reduction amount and methodology used to calculate that figure are submitted to Congress in a classified report each year. Similarly, beginning in Fiscal Year 2014, budget support that used to be provided directly to the PA Ministry of Finance is now paid directly to Israeli creditors, so the money literally never reaches the PA’s hands to ensure it cannot be misused.

So one question this history raises is, how effective is this tool as leverage on the Palestinian Authority to get them to change their policies about payments that reward terrorists? We have already made reductions on this basis, and it seems not to have persuaded President Abbas to change the policy. It is possible that a total cutoff would be more persuasive. But it has not been our experience that assistance cutoffs — indeed, those Congressional holds I cited, which at times have lasted many months — have had the desired effect of changing Palestinian Authority policies. The political posturing likely by Palestinian leaders in response to a cutoff might, in fact, lead them to dig in their heels and declare that they will make do without the assistance. Indeed, there may be more leverage in the threat of a cutoff, than in the implementation of it. But that is an important question that Members of the Committee should consider.

A second question is, what is the purpose, and what is the value of our assistance programs? What interests are advanced by providing them in the first place? As I mentioned, much of assistance takes the form of projects to benefit Palestinian civilians in the West Bank that are not carried out by the Palestinian Authority. These investments in the West Bank economy, which improve the quality of life for Palestinians and help generate private sector activity, help keep the West Bank stable.

It is, of course, in the Palestinians’ interest to receive this assistance. But it may be even more in Israel’s interest. I say that because of the strong support these projects receive from the Israeli government and the IDF leadership. During my time as Ambassador, with USAID operating under my chief of mission authority out of Embassy Tel Aviv, we ensured that not a single dollar was spent on West Bank projects that did not have the express approval of the IDF leadership. Every project was coordinated through COGAT, the Coordinator of Government Activities in the Territories, which is the IDF body that supervises civil activities in the West Bank, and all implementation was carried out under their rigorous oversight. I believe that is still the case today. The leaders of that organization, and other members of the IDF General Staff, were enthusiastic supporters of USAID’s work, as I believe they have briefed Members of Congress on a number of occasions. From time to time, when an issue required me to raise a matter related to our assistance projects to the political level, I found equally strong backing from Ministers for the continuation of our efforts.

The reason for this, I believe, is well-understood. Stability in the West Bank, both economic and political, serves Israel’s security interests by dampening the atmosphere in which more Palestinians might be drawn to extremism. At least that is how the Israeli officials I worked with explained it. They even extended that logic to the solvency of the PA itself. So despite years of

complaints about Palestinian incitement, the Israeli government has not cut off any of the steps it takes to ensure that the Palestinian economy remains viable and that the Palestinian Authority remains functional. For example, the Palestinian Authority does not have the capacity to collect their own customs revenues. So under the Paris Protocol, which has governed Israeli-PA relations since the 1990s, Israel collects revenue on the PA's behalf and then transfers the money every month to the Palestinian Authority. On occasion, when Israel has gotten frustrated with Palestinian actions, it has temporarily halted these transfers. But Israel has always resumed them after a short hiatus, often under the urging of IDF leaders and Israeli Ministry of Finance professionals, because it considers the risks to Palestinians' stability, and therefore to Israel's security, to be too high.

And despite intense feelings and justified anger in Israel about the prisoner payments, the Israeli government has never stopped transferring the customs revenues it collects on behalf of the Palestinians to the PA over this issue either. Now there is a debate underway in Israel about whether supporting a complete cutoff in US economic assistance will achieve the desired objective of compelling the PA to stop the prisoner payments. Retired Israeli generals and security commanders can be heard on both sides of the issue. Some Members of Knesset have advanced legislation to withhold tax revenue transfers commensurate with prisoner payments, although it is far from clear that it will reach final passage. Certainly, the Israeli government can speak for itself on its views, and I trust it will do so with the Administration and Congress. I would simply add that until I left government service six months ago, the Israeli officers charged with maintaining security and stability in the West Bank, who had repeatedly affirmed to us that they would not welcome any sustained reduction of assistance to the Palestinian Authority, had indicated no change in their attitude.

Our assistance programs are also consistent with the goals laid out by the Trump Administration as it has undertaken its initial forays into Middle East peacemaking. While some aspects of the Administration's approach to negotiations are still evolving, it has been a consistent theme of statements by President Trump, Secretary of State Tillerson, and Special Envoy Jason Greenblatt that improved economic conditions for Palestinians in the West Bank are a high priority in any scenario. They, of course, have also been clear that they seek an end to Palestinian incitement, glorification of violence, and payments to prisoners. But I think it is clear that they want to see both those goals advance, and it would seem that they associate our assistance programs with that effort.

U.S. humanitarian assistance programs in Gaza are also strongly supported by the Israeli authorities, as they relieve suffering among Palestinians who have lived through three wars and endure hardships under Hamas' terrorist regime, thereby helping prevent a humanitarian catastrophe on Israel's border. While some of these programs are ongoing, they have been particularly important in the wake of conflicts, when damage is greatest and suffering is most acute. After each such round of conflict, Israel has strongly supported a surge of U.S. humanitarian assistance to provide basic food, medicine, blankets, and shelter for thousands of

homeless Palestinians in Gaza, including many children, and the United States has always responded with bipartisan support.

Finally, it is worth mentioning the potential impact of any cutoff in our economic assistance on the security assistance programs. In recent years, the United States has provided between \$40 million and \$75 million in assistance to support training of the Palestinian Authority Security Forces, which all agree perform effectively in combatting terrorism. President Trump has spoken about the excellent security cooperation between Israel and Palestinian forces, to which the IDF commanders also attest. This is perhaps the most positive story of the past ten years with regard to the Israeli-Palestinian conflict. But the Palestinian public often views these security forces as puppets of the Israelis, even as the Palestinian Authority and these forces remain deeply committed to the mission because they fear the threat posed to them by Hamas. But if security assistance is the only U.S. support that remains, then it becomes politically much more difficult for the Palestinian leadership to accept these funds and continue the program. Any weakening of that program could contribute to a deterioration in security cooperation between the two sides, which would benefit no one except Hamas.

So we face the two imperatives that I mentioned earlier: effectively advance the goal of ending Palestinian payments to terrorist prisoners, while avoiding unintended harm to other U.S. and Israeli interests and supporting the efforts of the Trump Administration. With those goals in mind, I recommend consideration of the following measures:

1. **Provide Flexibility:** The Trump Administration can certainly offer its own views of the legislation, but my experience working in the Executive Branch leads me to believe that providing the Administration with greater flexibility ensures that they can apply the tools in the legislation with greater precision. One option is a national security interest waiver that would allow the President or the Secretary of State to waive, in whole or in part, the requirement to cut off aid to the Palestinians if they judged that it was in the national security interest of the United States to continue the aid. The Trump Administration has already prioritized the prisoner payments issue and is pressing the Palestinians, but the waiver would also give it some flexibility and not completely tie its hands, enabling it to respond to either a breakthrough or a crisis.
2. **Be More Targeted:** Another possibility would be more precise in designating the ESF funds that would be subject to a cutoff. For example, cutting off only the budget assistance that goes to the Israeli companies providing electricity and fuel in the West Bank would have the most meaningful effect on the Palestinian leadership's calculus and impact the Palestinian Authority's budget without cutting off aid that goes directly to the Palestinian people, provides humanitarian relief, or bolsters stability and security.
3. **Set Funds Aside:** Rather than simply cutting off whatever funds are impacted by the legislation, consider explicitly setting them aside, perhaps even in an interest bearing account, and highlight that they remain available to be drawn upon at such time that the

Secretary of State can certify that the Palestinian Authority has ended the objectionable payments or put in place a more credible social welfare system that does not reward terrorism. This approach, rather than being strictly punitive, would provide a strong incentive for the Palestinians to implement the reforms we seek. A variation of this approach would be to set a date certain when the restriction on assistance would take effect, giving the Palestinian Authority a limited window of time and a clear incentive to end these payments.

4. **Consider Alternative Forms of Assistance:** There are potential uses of assistance dollars outside the scope of our traditional West Bank and Gaza ESF program that could strongly counter the negative influence of incitement and prisoner payments, regardless of the actions of the Palestinian Authority. For nearly a decade, Congress has appropriated \$10 million a year to provide Conflict Management and Mitigation (CMM) grants, which support NGOs that build people-to-people ties between Israelis and Palestinians, and between different groups within each society. In my years as U.S. Ambassador, I was deeply impressed by the impact of these programs in changing attitudes and building bridges. Any reduction in our West Bank and Gaza ESF program could be used to increase funding for CMM grants. Another option would be to direct some of our ESF funds to a program designed to boost the Palestinian hi-tech sector. I refer the Committee to the article, “Start-Up Palestine: How to Spark a West Bank Tech Boom” by Yadin Kaufmann in the July/August 2017 issue of *Foreign Affairs*, which proposes establishing a Palestinian equivalent of the highly successful U.S.-Israel Binational Industrial Research and Development (BIRD) Foundation. Under such a program, Palestinian start-ups would be paired with established U.S. partner companies and receive grants to support R&D costs. The result would be to promote some of the most pragmatic, least ideological, and highly productive elements of Palestinian society, creating jobs and economic opportunities for Palestinians, and even potential linkages between Palestinian and Israeli hi-tech entrepreneurs.
5. **Use Diplomatic Leverage:** Arguably, the Palestinian leadership is far more sensitive to its international reputation than to suspensions of aid. It may be more effective to undertake a concerted diplomatic campaign on this issue. U.N. Ambassador Nikki Haley, who has staked out strong positions supporting Israel and opposing terror, would be well-positioned to try to get others at the United Nations, and perhaps the Security Council itself, to call for the Palestinians to end these payments. She might start with a briefing to the Security Council on the subject. The issue should also be raised at the ministerial level in our bilateral discussions with European and Arab governments, including those who participated in the Riyadh Summit, urging them to echo our concerns in Ramallah so that the Palestinians are hearing a chorus of calls for change, not just American voices. The Quartet remains a valuable vehicle through which to communicate such messages. The July 2016 Quartet Report, which sharply criticized the Palestinian Authority on incitement to and glorification of violence (among other causes of the political stalemate) produced a very sensitive reaction on the part of Palestinian leaders, who chafed at the criticism from such a broad group of international actors. And the upcoming meeting of the Ad Hoc Liaison Committee in September, the gathering of donors who support Israeli-Palestinian peace efforts, presents an

excellent opportunity to get other influential players and donors to establish their expectations for an end to Palestinian payments to terrorists in prison. Sustained multilateral messaging to the Palestinians may be more effective than U.S.-only initiatives.

Making clear that it is unacceptable to incentivize or reward terrorism in any way is completely appropriate, and it is a worthy goal of the Taylor Force Act. Doing so in a way that preserves stability and security in the West Bank would be consistent with the goals of the Trump Administration, which has already devoted considerable energy to the cause of Israeli-Palestinian peace. And finally, as this Committee so often has, finding a way to convey bipartisan support for all of these priorities invariably results in stronger, more effective, legislation.

Thank you.

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