

**Senate Committee on Foreign Relations**  
**Chairman Richard G. Lugar**  
**Opening Statement for Hearing on**  
**Post-Palestinian Election Challenges in the Middle East**  
**March 15, 2006**

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

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

The United States, the Quartet, and others have indicated that they will not deal with Hamas unless it recognizes Israel's right to exist, rejects violence, and adheres to previous Palestinian agreements with Israel. But new dilemmas for U.S. policy arise from this principled stand.

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

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

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

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

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

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

To assess these challenges, we welcome three distinguished panels. First, we will hear from Mr. James Wolfensohn, the Quartet Special Envoy for Gaza Disengagement. He has worked tirelessly during the past year to advance the cause of peace in very difficult circumstances. Next we will hear from Lieutenant General Keith Dayton, U.S. Security Coordinator, who took on the missions of Palestinian security reform and reorganization from Lieutenant General William Ward this past November. On our final panel, we will hear from Ambassador Dennis Ross, Director and Ziegler Distinguished Fellow at the Washington Institute for Near East Policy, and Mr. Robert Malley, Middle East and North Africa Program Director of the International Crisis Group.

We look forward to the testimony and recommendations of each of our witnesses.

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