Testimony by Robert Malley, Middle East and North Africa Program Director,
International Crisis Group to the Senate Foreign Relations Committee
"Middle East Peace: Ground Truths, Challenges Ahead"

Mr. Chairman: First, let me express my appreciation to you for the invitation to testify before the Senate Foreign Relations Committee. In the seventeen years since it was first launched, the peace process has gone through times that were better and through times that were worse, but none that were more complex, confusing or contradictory as today. That is because of late so much that had been relatively stable -- in terms of the character of local actors, shape of the regional landscape and assessment of the U.S. role -- has undergone dramatic shifts. Only a handful of these recent transformations need mention: the death of Yasser Arafat, father of Palestinian nationalism, and incapacitation of Ariel Sharon, Israel's last heroic leader; Fatah's crisis; Hamas's electoral triumph and takeover in Gaza; the 2006 Lebanon and 2008 Gaza wars, which shook Israel's confidence and bolstered that of Islamist militants; the failure of the Abbas-Olmert talks; U.S. regional setbacks in Iraq and diplomatic disengagement elsewhere; Iran's increased influence; and the growing role of other regional players. This is not a mere change in scenery. It is a new world. As the ground beneath the peace process has shifted, U.S. efforts have yet to fully adjust.

This hearing is entitled "Ground Truths, Challenges Ahead", and there could not have been more fitting title. Only by taking a sober, honest look at where things stand today might we have an opportunity to overcome the challenges and begin to reshape the region in ways that serve our national interests.

1.

Mr. Chairman, at the outset it is important to acknowledge several stark, uncomfortable realities.

Among Palestinians, the national movement, once embodied by Fatah and led by Arafat, is in deep crisis, weakened, fragmented and without a compass. Fatah is divided, lacking a clear political program, prey to competing claims to privilege and power. Rival sources of authority have multiplied. Mahmoud Abbas is President, though his term has expired; he heads the PLO, though the Organization's authority has long waned. Salam Fayyad, the effective and resourceful Prime Minister, cannot govern in Gaza and, in the West Bank, must govern over much of Fatah's objection. Hamas has grown into a national and regional phenomenon, and it now has Gaza solidly in its hands. But the Islamist movement itself is at an impasse -- besieged in Gaza, suppressed in the West Bank, at odds with most Arab states, with little prospect for Palestinian reconciliation and with internal divisions coming to the fore. Meanwhile, diaspora Palestinians -- once the avant-garde of the national movement -- are seeking to regain their place, frustrated at feeling marginalized, angered by what they see as the West Bankers' single-minded focus on their own fate.

Both symptom and cause of Palestinian frailty, foreign countries -- Arab, Western and other -- are wielding greater influence and in greater numbers. All of which leaves room for doubt whether the Palestinian national movement, as it currently stands, can confidently and effectively conduct negotiations for a final peace agreement, sell a putative agreement to its people, and, if popularly endorsed, make it stick. There is insufficient consensus over fateful issues, but also over where decisions should be made, by whom and how.

To this must be added more recent travails: the Goldstone affair, which damaged President Abbas's personal credibility; the U.S. administration's course correction on a settlements freeze, which undercut Palestinian as well as Arab trust in America; and steps as well as pronouncements by the Israeli government, which depleted what faith remained in Prime Minister Netanyahu.

The backdrop, of course, is seventeen years of a peace process that has yielded scant results, not a few of them negative, and has eroded confidence in negotiations as a means of achieving national goals. The Palestinian people, as much as its political elite, sees no real alternative option, and so for now will persist on this path. The acceptance of indirect talks, after some hesitation and after rejecting their direct version, is the latest indication. But the acceptance is grudging rather than heartfelt, and resigned rather than hopeful. They are hoping for guarantees now, a sense that talks will not last forever even as facts on the ground change in their disfavor.

In far less pronounced fashion, Israel too has witnessed a fragmentation of its political landscape. Endemic government weakness and instability as well as deepening social splits have combined with the rise of increasingly powerful settler and religious constituencies. Together, these developments call into question the state's ability to achieve, let alone carry out, an agreement that would entail the uprooting of tens of thousands of West Bank settlers.

Nor has disillusionment with the peace process been an exclusively Palestinian affair. Israelis too are losing hope; fairly or not, they read Abbas's rejection of former Prime Minister Olmert's offer as a sign that peace will remain elusive. Instead, they focus on the violent aftermaths of their withdrawal from South Lebanon and from Gaza; on the rise of militant forces in Palestine and throughout the region that reject their nation's very existence; on those groups' acquisition of ever more deadly and far-reaching weapons. Although still confident in their military superiority, Israelis have begun to doubt. The Lebanon and, to a lesser degree, Gaza wars were warning signs to a nation for whom the security establishment has from the start been a pillar of strength even amid political turmoil. The threat to Israel, real or perceived, from Iran, Hamas and Hizbollah, supplants much else. Israelis are looking for security guarantees that take into account these broader regional shifts in any eventual agreement; they also are looking for signs of genuine acceptance of, rather than temporary acquiescence in their existence.

Political fragmentation has hit the regional scene as well and the balance of power has been one victim. So-called moderate Arab regimes on which the U.S. long relied no

longer can dictate or expect compliance from their counterparts. They too have suffered from the peace process dead-end, the Lebanon war and the conflict over Gaza which exposed them to their people as impotent or, worse, on the wrong side of history. Increasingly, they appear worn out and bereft of a cause other than preventing their own decline and proving their own relevance. Gradually, they are being upstaged or rivaled by other, more dynamic players, states (such as Iran, Syria or, to a lesser degree, Qatar) or movements (most notably Hamas and Hizbollah). They still can carry the day -- witness the Arabs' decision to back proximity talks. But they do so with greater difficulty and so with greater reservations, feeling the pressure of dissenters both domestic and regional.

The final change, and one that arguably must concern us most, is the United States' loss of credibility and influence. There are many reasons for this -- setbacks in Iraq; Iran's rise; the failure of diplomacy in the 1990s and the disengagement from diplomacy in the decade that followed; and the unavoidable disappointment of unreasonably high Arab expectations coupled with the avoidable U.S. missteps that followed President Obama's election among others. The bottom line is that large numbers in the region wonder what the U.S. stands for and seeks to achieve and that -- an evolution far more worrisome -- growing numbers have begun not to care.

2.

U.S. peace efforts toward a two-state solution have a chance to succeed only if they take into account these profound alterations and adapt to them. They cannot assume that our credibility, the outlook or nature of the Israeli and Palestinian polities, or regional dynamics in 2010 are even remotely similar to what they were in 2000. In this sense, the fate of some of the administration's early efforts should serve as a warning sign.

1. *Any approach must take account of reduced U.S. credibility and influence while seeking ways to restore them.* The first lesson, self-evident but too often honored in the breach, is to define a clear and achievable goal, assess what actions are required -- domestically, regionally and internationally -- to realize it and make sure there is a strategy to cope with the fallout in the event one or both parties resist. It means avoiding high stakes risks at a time when neither the U.S. nor the region can afford another high level failure. It means avoiding raising expectations and allowing actions to speak for themselves. And it means working closely with others to increase our leverage.

One particular idea that receives regular attention is for the U.S. to unveil a set of parameters that can serve as its terms of reference for negotiations -- e.g., a Palestinian state on the 1967 borders with one-to-one swaps; Jerusalem as the capital of two states based on demographic realities; a third party security presence in the West Bank. I believe the time for such an initiative almost certainly will come. It would not be a concession to either of the parties but rather the prudential step of a mediator seeking to narrow negotiation positions within realistic bounds; if such terms cannot be agreed upon, it is hard to see what purpose negotiations might serve or how they could possibly succeed. Nor would it be dictating a specific outcome so much as defining a zone of

possible compromise, making clear to leaders on both sides what the U.S. believes to be a reasonable outcome, giving their publics something to debate and rally around, and suggesting the costs of forfeiting this chance. But this should be done only at the right moment, in the proper context. It should only be done with strong regional (especially Arab) and international backing. And it should be done only if the U.S. is prepared to deal with the prospect of either or both sides saying no.

2. *Our strategy must be mindful of, without being captive to, both sides' politics and the mutual, collapsing faith in the old plans and formulas*. Mahmoud Abbas's refusal to engage in direct talks under the auspices of a more sympathetic and engaged administration was, seen from the U.S., frustrating and puzzling almost to the point of incomprehension. Much of it was explained on account of his personal trauma -- what the Goldstone humiliation meant to him and his close ones -- and anxiety. Yet the impasse must be understood as going far beyond personal pique (though there is some of that) or the apprehensions of a single man (though he has a considerable amount of that too).

Abbas's reaction is, above and beyond all, a reflection of an enormous popular disappointment in the process that began in 1993. He is, in a sense, the last true believer, holding out hope in the promise of a negotiations strategy of which, among his colleagues, he was the first and most ardent supporter. But even he could no longer ignore that he sits at the centre of three concentric circles of failure: 16 years since the Oslo accords, five since he was elected president and one since Barack Obama took office. And so it has become that much harder for him to justify or defend a process that is deprecated in Ramallah, whether to a skeptical population, to his Fatah movement or even to himself. His demands for a settlements freeze (prompted, he believes, by the U.S.), then for robust terms of reference are not a sign that he has given up on negotiations. They are a sign that he wants to enter them under conditions that, in his mind, offer a chance of success. It would be a mistake for us, or for Israel, to see Abbas as a temporary obstacle rather than as the more moderate expression of a deeply entrenched collective disillusionment.

The same is true on the Israeli side. Benjamin Netanyahu can be maddening in his grudging acceptance of a two state solution, numerous caveats, political maneuvering and foot-dragging. His coalition partners -- a mix of right wing, xenophobic and religious parties -- certainly complicate the path toward a peace agreement. But Netanyahu's insistence on Palestinian recognition of a Jewish state as much as his demands for far more stringent security -- and thus, territorial -- arrangements -- are not mere pretexts to avoid a deal and are far more than the expressions of a passing political mood. They reflect deep-seated popular sentiment regarding the yearning for true Arab recognition and acceptance and fear of novel, unconventional security threats. New coalition partners or new elections might change the atmosphere. They are not about to change the underlying frame of mind. In short, we should no more underestimate how deep runs Palestinian skepticism than we should downplay how broadly Netanyahu's positions resonate.

3. *A successful strategy must reflect the changing nature -- and increased fragmentation -- of both Palestinian and Israeli politics*. New actors and forces have emerged on both scenes. As a result, we need to find a way to reach out to skeptical constituencies that often are the most energized, the most dynamic and the most indifferent to talk of a two-state solution. These include settlers and religious groups on the Israeli side; the diaspora, refugees and Islamists on the Palestinian. This will entail finding ways to communicate with them, but also to reflect some of their concerns in an eventual peace deal.

Mr. Chairman, any talk of inclusiveness inevitably raises the difficult, controversial question of Hamas and how the U.S. ought to deal with it. I have long believed that the issue of direct U.S. engagement with the organization is a distraction, a diversion that prevents us from thinking clearly and rationally about a more basic issue -- namely, whether we believe a politically and geographically divided Palestinian national movement is in a position to reach, implement and sustain a historic deal.

My view is that it cannot. By challenging President Abbas, Hamas can make it more difficult for him to resume direct negotiations. By resuming rocket attacks from Gaza, it can once again disrupt talks should they begin. By mounting a campaign in the territories and refugee camps, it can torpedo the chance of passage in a referendum, should a deal be reached. And, throughout -- by its activities, rhetoric and presence in Gaza -- it lowers the Israeli public's belief in peace. Hamas almost certainly has lost popular support and its freedom of maneuver in the West Bank has been sharply curtailed. But it remains a powerful political and military presence, with strong domestic backing and the capacity to act. Conventional wisdom has it that Hamas should be dealt with only once the peace process has shown significant progress; the theory neglects the Islamist movement's ability to ensure that it does not.

It ought not to have escaped notice that, amid the flurry of discussions between Abbas and Olmert and then the drama surrounding the initiation of direct or indirect talks between Abbas and Netanyahu, some of the more practical, implicit arrangements and serious negotiations have been struck between Israel and Hamas -- over Gaza for example, or the prisoners exchange. That does not mean that Hamas -- any more than Fatah -- can claim to represent the Palestinian people or speak on their behalf. It does not mean that the U.S. must deal directly with Hamas. And it does not mean that the U.S. should openly promote Palestinian unity, a Palestinian decision that they need to take themselves. But at a minimum, the U.S. should stop standing in the way of a possible reconciliation agreement and signal it would accept an accord to which President Abbas lent his name.

4. *A successful strategy must adapt to changing regional dynamics*. The Middle East is far more polarized and decentralized than a decade ago and our traditional partners no longer have the power they once had to carry the region with them. With too many actors able and willing to intervene, an Israeli-Palestinian track cannot proceed on its own, let alone succeed on its own. This has major implications on how we deal with.

Syria is not a central or perhaps even decisive actor in the Israeli-Palestinian conflict. But it undoubtedly is a crucial one, and its importance has risen as the regional landscape has changed. In particular, its allies -- Hamas and Hizbollah -- have gained considerable power. Damascus can take on a spoiling role or a stabilizing one. It can facilitate Middle East peace or retard it. How U.S.-Syrian relations evolve will go a long way toward determining what part the Syrian regime ultimately chooses to play.

Improved relations between the U.S. and Syria as well as a resumption of Israeli-Syrian peace talks are, in this respect, of critical importance. It used to be feared that movement on the Syrian track would impede progress on the Palestinian one. No more. There are several reasons. On its own, an agreement between Israel and the Palestinians, but without agreement with Syria or Lebanon, would not produce peaceful relations between Jerusalem and the rest of the Arab world. Without Syria, in other words, the most powerful incentive for Israelis to make the compromises required for a peace deal -- recognition and normalcy -- would be lacking. Nor would Syria see any reason to discourage its allies in Palestine from undermining the deal or Hizbollah from maintaining military pressure in the north. In other words, the benefits for Israel of a Palestinian deal are partial and political costs are high. A comprehensive accord, by contrast, would magnify the payoff: Arab states would establish normal relations with Israel; Hizbollah and Hamas would have to readjust their stance; even the Iranian leadership would be compelled to adapt. At a time when growing numbers of Israelis are questioning both the feasibility and usefulness of a peace agreement, this factor looms large.

Progress on the Syrian track also would bolster the Palestinians' ability to move in their talks. Palestinians need Arab backing and cooperation to legitimize compromises, most notably on issues that are not strictly Palestinian -- the status of Jerusalem or the fate of the refugees -- and for which Damascus's acquiescence would make a difference. This is all the more true given the state of Palestinian politics, weak, divided and susceptible to outside interference. Should Syria feel excluded, it could undermine the accord and mobilize its allies to do the same.

Finally, U.S engagement with Syria could be put to use to seek to establish new redlines between Israel and Hizbollah. The border between Israel and Lebanon might seldom have been calmer, but the threshold for renewed -- and large-scale confrontation -- rarely has been lower. Should conflict re-erupt and its ripple effects spread, this once again deal a devastating blow to diplomatic prospects.

To date, the Obama administration's experience with the Syrian regime has left many doubtful. Despite signs of engagement, including high level visits and the decision to dispatch an ambassador, Washington sees little evidence of reciprocity. To the contrary, it sees are signs of deepening ties to Hizbollah and Iran and, most recently, opposition to indirect Israeli-Palestinian talks.

It was always to be expected that engagement with Syria would be an arduous, painstaking affair; prospects remain uncertain. But to judge results at this stage or on the

basis of its ties to traditional allies is to misunderstand the regime and how it makes its decision. Syria itself sees little of value emerging from the first 14 months of the administration -- continued sanctions; repeated calls for it to sever ties to reliable allies; paralysis on the peace process; and lack of cooperation on regional issues.

There is a broader point. In Western capitals as well as in Israel, considerable time and energy is spent on the question whether Syria is genuinely interested in a peace deal; whether it would be prepared to fundamentally shift is strategic orientation – shorthand for cutting ties to current allies; and, if so, what it might take (returning the Golan, neutralizing the international tribunal on the murder of former Lebanese Prime Minister Hariri, lifting U.S. sanctions, or providing vast economic support) to entice Damascus to make that move.

At its core, the question is ill-directed and the conceptual framework underpinning it is flawed. However much Syria aspires to these political or material returns, and notwithstanding the importance it places on the bilateral U.S. relationship, the key for the regime relates to its assessment of regional trends, domestic dynamics as well as the interaction between the two. The end-result is a debilitating perceptions gap: whereas outsiders ponder how far Syria might be willing to go in helping reshape the region, Damascus considers where the region is headed before deciding on its next moves. What Washington can do for Damascus matters; what it can do in and for the region may matter more.

The temptation in Washington so far has been to test Syrian goodwill -- will it do more to harm the Iraqi insurgency, help President Abbas in Palestine, loosen ties to traditional allies or stabilize Lebanon? On its own, that almost certainly will not succeed. The U.S. is not the only one looking for evidence. So too is Syria -- for proof that the risks it takes will be offset by the gains it makes. The region's volatility drives them to caution and to hedge their bets pending greater clarity on where the region is heading and, in particular, what Washington will do.

Ultimately, we do not know how far the Syrian leadership can or will go. It likely will make up its mind only when it deems it absolutely necessary -- when it is faced with a concrete and attractive alternative strategic role in the region an peace offer. Today, Syria's incentives -- strategic, economic and social -- to adjust its posture and policies are high but uncertain; the risks are profound and tangible. In particular, as long as the current situation of neither peace nor war that defines Syria's relations with Israel endures, Damascus most likely will seek to maintain – and play on – the multiplicity of its relations and will continue to use its ties to Hizbollah, Iran and Hamas to provide it with what it considers a form of leverage and deterrence. For Washington, the challenge was and remains to adopt regional and bilateral policies that help Syria's calculations in the right direction.

One thing is clear: Syria will be careful not to move prematurely and risk alienating current allies without at a minimum having secured complementary ones (regional or international). In this sense, Syria's ability to adjust its strategic stance also will be, in

part, a function of its allies' situation and perceptions at the time. The more Iran, Hizbollah or Hamas feel pressured, the more they interpret Syrian moves as betraying them at a critical juncture, the harder it will be for Damascus to display signs of greater autonomy or distance from them. As a result, the more Syria's historic partners are embattled and the U.S. clamors for a break between Syria and them, the more Damascus will redouble signs of loyalty toward them. The recent summit meeting between presidents Assad and Ahmadinejad, and the highly dismissive tone adopted toward the U.S. are exhibit A.

Because sanctions will not be lifted until Syria changes its relations with its allies and because Syria will not modify these relations in the absence of far more substantial regional changes, a wiser approach would be for the U.S. and Syria to explore together whether some common ground could be found on specific issues and work on a blueprint for their relationship. If successful, this could provide a more realistic test of both sides' intentions, promote their interests and start shaping the Middle East in ways that can reassure Syria about what the future holds. On Iraq, Damascus may not truly exercise positive influence until genuine progress is made toward internal reconciliation. The U.S. could push in that direction, test Syria's reciprocal moves and, together with the Iraq government, offer Damascus the prospect of stronger economic relations with its neighbor. In Palestine, Syria claims it can press Hamas to moderate its views but again only if there is real appetite in the U.S. for an end to the internal divide. Likewise, both countries could agree to try to immunize Lebanon from regional conflicts and push the state to focus on long-overdue issues of governance. Given the current outlook and suspicion in Damascus and Washington, these are all long shots. But, with little else in the Middle East looking up, it is a gamble well worth taking.

3.

One cannot conclude an overview of the situation in the Middle East without warning about real and potential flashpoints, either one of which risks steering the region in unpredictable -- but predictably perilous -- directions. There are many -- the explosive situation in Jerusalem is one, the tense situation on Israel's northern border another -- but I will focus briefly on one.

Mr. Chairman, you have visited Gaza recently and so there is no need to describe the appalling humanitarian conditions of a population, forty to sixty percent of whom are unemployed, in excess of that living beneath the poverty level. Israel has legitimate security concerns; it also has an interest in obtaining the release of Corporal Shalit, held in captivity in Gaza for over 1,300 days.

But to inflict collective punishment on the people of Gaza is both morally unconscionable and politically self-defeating. Hamas has lost backing as a consequence of the siege, it is true, but at what price and to what end? It is nowhere nearer losing control over Gaza and elections are nowhere in sight. The end of all legal commerce and flourishing of a tunnel-based economy is destroying the business class and granting more power to those who currently hold it. A generation of Gazans is bring brought up knowing nothing but

want and despair. Hamas -- although hardly eager for renewed confrontation after Operation Cast Lead -- might soon conclude its best bet is to provoke a new escalation in order to break out of its current impasse. Arab public opinion, which harbored such high expectations for President Obama, increasingly is viewing U.S. policy through the lens of Gaza's ordeal and Washington's seeming obliviousness to this plight.

It is hard to see how any of this is good for Israel's security or U.S. national interests. There are options for opening Gaza up to normal trade -- through Israel, through Egypt or by sea -- in ways that meet Israel's legitimate security concerns. We should press for them and help put them into place.

6.

Mr. Chairman, at the dawn of this new presidency, my colleague Hussein Agha and I wrote:

> so much of what the peace process relied upon has been transfigured. It was premised on the existence of two reasonably cohesive entities, Israeli and Palestinian, capable of reaching and implementing historic decisions, a situation that, today, is in serious doubt; continued popular faith and interest in a two-state solution, which is waning; significant U.S. credibility, which is hemorrhaging; and a relatively stable regional landscape, which is undergoing seismic shifts.

The challenge for the administration is to devise a strategy that strives for our traditional goals but in a radically transformed environment. It will take persistence and flexibility, determination and creativity, a retooled approach toward local parties and the region. It likely will take time. There are no shortcuts. There is no choice.