

**PALESTINE:
ECONOMIC CHALLENGES AND
POLITICAL IMPLICATIONS**

TUESDAY, MARCH 27, 2012
WASHINGTON, D.C.

WELCOME/MODERATOR:

Marwan Muasher
Vice President for Studies
Carnegie Endowment for International Peace

SPEAKERS:

Robert M. Danin
Eni Enrico Mattei Senior Fellow for Middle East and Africa Studies
Council on Foreign Relations

Oussama Kanaan
Chief of Mission for the West Bank and Gaza
International Monetary Fund

Prince Firas Raad
Acting Head of Mission
Office of the Quartet Representative Tony Blair

Transcript by Federal News Service
Washington, D.C.

MARWAN MUASHER: OK. I think we're ready. Welcome, everybody, to the Carnegie Endowment. This is another function that we're doing jointly with the American Task Force on Palestine, in which we look at the Palestinian economy and how it is fairing so far.

As you all know, the economy has made significant advances in recent years under Prime Minister Fayyad. But in recent months, it has really gone under a lot of stress with the continuation of the occupation. And the Palestinian government has taken some very sort of severe austerity measures which have probably affected its popularity.

There's no really group of people to talk about this that is better than the three I have here. All of them have served in the occupied territory. Oussama Kanaan, to my immediate left, is the IMF's mission chief for the West Bank and Gaza. He has been the resident representative in Jerusalem for – how many years now?

[00:01:52]

OUSSAMA KANAAN: I started in 2007.

MR. MUASHER: So four years or five years – and worked on several other regions in the World Bank.

To my – to his left is Prince Firas Raad, who is the acting head of chief – head of mission of the Office of the Quartet Representative Tony Blair. And Prince Raad has also been there for few years now –

PRINCE FIRAS RAAD: Two and a half.

MR. MUASHER: -- two and a half years, again, working closely on the Palestinian economy.

And to his left is Robert – Rob Danin, who's a senior fellow at the Council on Foreign Relations. But before that, he also headed the Jerusalem mission of the Quartet representative Tony Blair for two years and served previously as deputy assistant secretary of state and also on the National Security Council when I knew him.

So gentlemen, thank you all for coming. Let us start with Oussama, and then we'll move to Prince Firas and then to Rob.

[00:03:09]

MR. KANAAN: Thank you, Marwan. One of the most frequent questions I've been asked just over the past week – I just came back from a donor's conference in Brussels; Firas was with me. And Bob has followed it – Bob has followed it very closely. One of the sort of most frequent questions is that – you know, it's the question we're in now, the difficulties that the present economy is facing today, did you actually foresee it when you first started in 2007?

In 2007 – for those who actually remember the engagement of the international community to help support the Palestinian economy – in 2007, the Palestinian Authority developed a medium-term agenda or a strategy that was endorsed by the executive directors of the IMF. And it was special – had a special feature which is, unlike other strategies, the commitments were expected to be delivered on – by three parties – the Palestinian authorities, the Israeli authorities and the donor community. And we had targets for growth, for unemployment, as well as for the improvement in the fiscal situation.

[00:04:40]

As you know, in the West Bank and Gaza, fiscal policy is really the main macro tool. There's no domestic currency. There's no exchange – there are no exchange rate issues. So really the way to – one of the main tools the Palestinian Authority can help support macro stability is by moving – helping the economy move toward fiscal sustainability.

So we have targets in 2007. And as you recall, the government of Prime Minister Fayyad had just started in mid-2007. There was a big conference in Paris, December of 2007, but it had profile. President Sarkozy was there. All the important players in the international community were there to support the Palestinian Authority's agenda. And it was a three-year plan, so it covered the period from 2008 to 2010. And so the question that resonates is, well, you know, is this – you know, what did we expect; and how you compare the current situation with what you expected?

I'm just going to focus on two dimensions. First is the economic growth – economic growth, and linked to that, the expected improvement in living standards, first. And second, the main – the move towards fiscal sustainability and reduced reliance on donor aid that the Palestinian Authority targeted. And we can leave other aspects for the discussion later on. But I think these are two important areas, because the current crisis that is being faced by the PA really is a result of what has happened in these two areas.

First, economic growth has slowed. Unemployment is still very high at 22 percent in the West Bank and Gaza. It's actually over one-third in Gaza and about 17 percent in the West Bank. So that's a serious issue. But I think more pressingly, the Palestinian Authority today is facing a big financing gap in its budget. And as you know, the financing gap has been mostly financed through donors. And donor aid is not forthcoming, and so the Palestinian Authority is faced with a situation where it has to cut essential expenditures, including possibly wages and salaries and essential social benefits.

[00:07:20]

So let us see how – you know, how we came to the current situation, what – you know, how did the performance of these three parties – Palestinian Authority, Israel, and donors – compared with what actually – the situation we have now.

I think in terms of economic growth, economic growth overall in the West Bank and Gaza has turned out to be much better than expected. And we had foreseen 4 percent real GDP growth. What actually turned out for the West Bank and Gaza over the 2008-2010 period is an average of 8 percent growth. Fiscal sustainability – there was a very impressive

by the PA. The PA had cut – the – has cut wasteful expenditures, increased efficiency of expenditures, improved transparency. Reliance on donor aid declined from \$1.8 billion in 2008 to about \$1 billion in 2010. So at the face of it, the record has been good over that period up to 2010.

Now what has – one of the – some of the areas of disappointments are related, first, to the fact that economic growth has not led to a decline in unemployment. And that is a direct result of the persistence of restrictions of movement – on movement and access – the Israeli restrictions that actually constrain movements of goods in the West Bank and of trade between Gaza and Israel. And that has resulted in a suppression of labor-intensive sectors, mainly manufacturing and agriculture. And it has resulted in kind of a regional disparity in growth, for example, between Area C that is – Area C is 60 percent of West Bank that's restricted to Palestinian investment – and the rest of the West Bank, but also between Gaza and the West Bank in terms of standards of living.

[00:09:35]

So it is growth overall that is – that looks impressive, but in fact it is highly distorted, it is not balanced, both sectorally and also regionally. So this is the first set of – this is the – I think an important constraint that you are now facing, that is growth is not sustainable because of the quality of the growth. And growth is now diminishing, especially because the restriction of movement and access are not being eased and actually the pace of easing has slowed considerably in 2011.

The – on the fiscal front, the PA has made enormous progress in trimming down, as I said, the inefficient subsidies and focused them to those who truly need the subsidies, especially the electricity subsidies. But also it has restrained the growth in the wage – (inaudible). And that has – the reduction and reliance on aid has been impressive. However, the aid that financed development expenditures has not been as expected. So we have expected something of the order of \$0.7 billion per year. What has actually come from donors is less than half of that.

[00:11:01]

And so even though the PA did its best given the tools that it had, the important components, the expenditures that is really important for growth – long-term growth, which are development expenditures, has actually been – the amount has been very disappointing. And so that also relates to the current constraint we have. Growth is slowing down and there is – the indications are that it will continue to slow down unless – until the donors give more money for development projects and the restrictions on movement and access are eased by Israel.

And so the – another constraint that actually has been emphasized by Prime Minister Fayyad lately, which is the revenue performance, were expected that given that 70 percent of the revenue came from what's called clearance revenue, revenue collected by Israel on behalf of the PA, that that would actually go up much more than it actually had. And so, as a share of GDP, clearance revenue went down from 18 percent of GDP to 15 percent of GDP. This is another important constraint. Most of the revenue – 70 percent of revenue comes

from this source, and so in the absence of donor aid, something will have to – some progress has to be done on this front. So we have an aid constraint, we have a clearance revenue constraint.

[00:12:40]

And this is another area which actually needs urgent attention – in addition, of course, to the disbursement of donor aid – that is, there has to be increased collaboration between – cooperation between the Palestinian Authority and the Israelis to raise revenue for the PA to overcome the current crisis. And at the technical level, there were important – there was important progress. The two sides, the Israelis and Palestinians, have made progress, including on this issue of clearance revenue. So what needs to be done is very clear.

Also on the restrictions on movement and access, at the technical level, it's very well-known what restrictions need to be lifted in order for there to be increased economic activity. I think the constraint now is at the policy level; that is, the policymakers have to give the go-ahead on the restrictions of movement and access – and my colleagues will say more about what these are – and on – to give the go-ahead on measures to improve clearance revenue collection and actually give more money to the – give more resources to the PA.

So you know, we have in some following, I think, priorities that we are trying now to stress in our own messages. First, of course, given that the PA has reduced reliance on donor aid but still has not fully become self-reliant, donor aid is crucial to prevent the current crisis – increase donor aid, including for development projects. And that's very important. Development projects may not be immediately – may not feel an immediate result, but I think they're crucial for longer-term growth, to sustain economic growth.

Second, the agenda for that the Israeli authorities have to carry out is continued relaxation of restrictions and giving the go-ahead at the policy level for the clearance revenue measures to be implemented, to actually give more revenue to the PA, which is really the main source of the – actually kind of the main source of revenue.

And for the Palestinian Authority, I think the main now challenge is faced with these constraints, faced with these constraints, faced with the constraint of slow progress from donors and from the Israelis, what measures could they take to relieve the pressures on their finances?

[00:15:23]

And I think the PA has developed some contingency – some contingency measures. These are not going to be easy to implement. They could involve even lower expenditures. And that's quite, I think, difficult in an environment where economic activity is already slowing down. But nevertheless they are focused now on developing contingency measures. And what we can do after this – I mean, in this – in the – in the discussion, is to try to see what the international community more broadly can do for – to actually press these three parties to find a solution to reduce the financing gap.

MR. MUASHER: Thank you very much, Oussama. Prince Firas probably will tell us about exactly that: what the international community is doing and efforts of the Quartet, and whether they're limited to the economic challenges that Oussama talked about or whether they also extend to political issues and freedom-of-movement issues. (Laughter.)

[00:16:38]

PRINCE RAAD: Quartet is over here. Thank you, Marwan, for your kind words in the beginning, and thank you to the Carnegie Endowment and to the American Task Force for Palestine under the able leadership of Ziad, Naila, Ghaith and Hussein. I should say maybe Naila, Ziad – (laughter) – and then Hussein and Ghaith. But thank you for organizing this today. I'm here in my capacity as someone involved with the Office of the Quartet Representative in Jerusalem. And I'll share with you our perspective on the economic challenges facing the Palestinian Authority. And I think Rob will then get into some of the implications of these challenges going forward.

I got a – when I was discussing with my family yesterday this event, I told them I'm coming here, my oldest daughter said to me, well, are you going to be talking about the Quartet? And I said, yeah, to some extent I'll be speaking about the Quartet. And she said to me something very clever. She said, make sure the instruments are tuned well. (Chuckles, laughter.) And I told her, I surely – I surely hope so. Sometimes they are; sometimes they aren't. But I'll maybe just describe five challenges that I see going forward, and then in the Q and A we can – we can engage in a more detailed discussion.

The first challenge I would point to – and this speaks to the larger challenges in the – in the region as well – is the issue of joblessness, the very high unemployment rate. And Oussama was talking about the general rate in the West Bank and in Gaza. But in fact, when you look at the youth unemployment rate, it's really one of the highest in the world. In the West Bank it's about 25 percent, in the Gaza Strip about 46 percent. Overall it's a third in both the West Bank and the Gaza Strip, about 33 percent. And that is tremendous. For any government, for any society to create jobs it's a tremendous task. And under the current constraints governing the business environment, the investment climate, it is difficult to do.

[00:19:02]

Gaza has its own considerations, the restrictions that are still imposed on the Strip. I think they go a long way to explaining the unemployment rate that we see. Within the West Bank there is an issue I think of labor mobility, which Oussama talked about. But it's not so much within the West Bank; it's between the West Bank and overseas and the West Bank and Israel. One thing that we've tried to do in the office of the Quartet is to work on increasing the number of worker permits for unskilled Palestinian workers to work in Israel.

There is such a – I think an excess now of labor supply within the West Bank, that this type of policy initiative makes sense. And I would say, you know, there is a bit of a policy debate to what extent do we want to encourage this, because if you do encourage this type of labor flow into Israel – where the salaries, the wages are almost three, four, five times the – that they are in the West Bank – it creates a distortion within the Palestinian economy.

And then this incentivizes Palestinian youth in terms of skills, knowledge, higher education and so forth.

[00:20:24]

The average Palestinian worker in Israel in the construction sector probably earns about 5,000 shekels per month. And that's more than twice the median wage of a – of a unskilled worker in the West Bank. So the – it's a tradeoff, to what extent do you – do you promote this? But I think in our view there is enough slack in the system to promote this kind of initiative.

I'll just touch a little bit – I think the second challenge that I see is one related to the overall investment climate. And the political instability associated with the conflict, I think, is one big explanatory factor. People and businessmen, investors in the region and around the world, want to make sure that their investments are safe. And we can't rely I think anymore going forward on the charitable view of investments. Social investments will only take you so far.

But to encourage real investment coming in, you really need an environment which will allow, as Oussama was saying, the free flow of individuals coming in. An investor who puts down a hundred million would want to visit that investment in multiple ways. (Chuckles). So one big factor that we have been dealing with are the rules – the Israeli immigration rules that govern the entry of outside investors to the Palestinian Authority.

And for the investors coming from the West who don't need prior visa arrangements it's easier. But for those nationals from countries without diplomatic relations, it's much more difficult. And at the OQR, we've been working with the Israeli government to make sure that this kind of system is much more transparent, effective, reliable. And it's done through the Palestinian Authority, but the Israelis are in charge of the authorizing environment.

There's also an issue of access to finance, which affects also investments, the investment climate overall. We've been trying to work with different institutions overseas to ensure that different investments are guaranteed. There's the issue of political risk, and there are different institutions – including my own, the World Bank – that provides political risk insurance. And we're happy to see that this has been going forward and covering certain investments that have been flowing into Palestine, particularly from Europe and the Dutch government in particular lately.

[00:23:07]

Another area that we focused on is the whole area of housing, in the West Bank but also in East Jerusalem. With mortgage finance it's always difficult if land cannot be used as collateral. And because land registration was not completed in many areas of Palestine, and particularly in East Jerusalem, the land is not there as collateral. And then that creates problems with access to finance, because most banks who lend for housing purposes want that kind of security. So we've been working with donor organizations to try to make sure

that there are guarantee – deposits to guarantee commercial and political risks that the banks may be taking.

Quickly, another challenge more generally is the restrictions – and Oussama touched on this as well – on the Palestinian economy to grow. And here Area C was mentioned. This is something that we are focused on within the OQR and other partners. It's a tremendous proportion or percentage of the West Bank; contains the Jordan Valley; and the Palestinians would have to be allowed to access that land to expand politically. There are restrictions at the moment. We're trying to develop systems where procedures would be fast-tracked; the system would be made more reliable.

[00:24:41]

But I think access to land is – and with the land also comes access to returns to scale. Most economies, industries need large, you know, plots of land to access returns to scale, in terms of scaling up their productive processes. One thing that you always hear about the aid that flows to Palestine is that 80 (percent), 90 percent of that aid that goes into Palestine then goes to Israel through the trade deficit. Most of the imports coming into the West Bank are from Israel. And one way around that is encouraging more local productivity and then more local consumption. But because of the restrictions on Palestinian manufacturing, and land – access to land and natural resources has something to do with that – it's a bit of a problem.

Access to industrial inputs is something else we've been focusing on, and especially inputs that are perceived as dual use. And dual use – we have become very familiar – I think both Rob, I and Oussama – with the multiple uses of sulfuric acid and nitroglycerine and – (laughter) – you know, all the chemicals that can be – can be used in different ways. But generally I think we believe that this regime of dual use can be reviewed and made much more – much more efficient.

One other, I think, challenge is not only land but natural resources. The Palestinians now have an endowment from nature which they have not yet been able to access. That, I think, should be coming in the near future; we don't know when. It is a big gas reserve in the Mediterranean. If they're able to access this with the necessary safeguards, it could be a great boon to the Palestinian economy and the fiscal position of the Palestinian Authority.

[00:26:46]

Challenge number four – and this is related to the others – is external trade, opening up Palestine to the world. It's a small economy, and I think adopting an export-oriented position, given the entrepreneurial nature of the Palestinian society, would be a very good way to go. The challenges that confront this kind of policy are many. One is trade facilitation, the capacity of some of the crossings to facilitate greater trade.

One thing we're working on in the OQR with the Palestinian Authority, the Israeli government, the Jordanian government is trying to containerize the Allenby Bridge, to facilitate the trade with containers instead of on open pallets, which is the system now, which exposes a lot of the merchandise. And 90 percent of all trade in the world is done

through containers. And trying to link Palestine to the markets of the world through strategic trade corridors is sort of the objective.

[00:27:54]

There's also the inability of the Palestinian Authority to fully take advantage of the free trade agreements it has with the Arab countries, because usually FTAs rely on reciprocity. If the Palestinians accept or expect certain treatment by Arab countries in terms of quota-free and custom-free, the Arab countries then would expect the same treatment. And it's difficult, given the kind of economic relationship the Palestinian Authority is with the State of Israel at the moment.

And lastly on trade specific to Gaza, we were able to work with the Israeli government to allow for Gazan exports to third markets overseas. I think this is a big – it's a big accomplishment. However, reaping the fruits will take a long time because of the lack of market contacts between Gazan manufacturers and European, for example, markets or American. The more traditional markets are Israel and the West Bank, and we're trying to push for a decision to allow the sale of Gazan products in the West Bank, which would really I think deepen and sustain the economic recovery in Gaza.

Lastly, and I'll – then I'll stop here, the remaining challenge I see is trying to unleash growth in strategic sectors in the Palestinian economy. One we have been working on and started under Rob's leadership was the tourism sector. It has had a – there is tremendous potential. I don't need to tell you the whole concept of Holy Land tourism can grow exponentially if there's stability and if there's more coordination between both sides. And we have been trying to facilitate more coordination between Israel, Palestinian Authority and even Jordan, because all three countries can benefit from this type of – from the promotion of this type of concept.

Agriculture is another big area. The Jordan Valley again, and I think the whole concept of developing the Jordan Valley – and this also began under Jordan with – in terms of master planning or developing an integrated plan. The whole idea was that you grow stuff and you send it to Europe in the same day. And you can penetrate European markets during the European winter. And Palestinian producers now are doing just that. But scaling that up is difficult given the restrictions on land and water and so forth. Pharmaceuticals is another growth sector which I think has tremendous potential. And there are restrictions there in terms of access to markets and to industrial inputs.

I'll stop there, and happy to entertain questions.

Marwan.

[00:30:53]

MR. MUASHER: Thank you – thank you very much, Firas. Rob, we've heard two accounts, rather bleak, of the economic conditions with the high unemployment figures, with the loss of donor aid and other challenges. Perhaps in your remarks you can give us a flavor of the political context. I mean, how sustainable is this situation in the context of the

Arab uprisings? A lot of people wonder why we have not seen any sort of eruption – of any sort, whether against the PA or against Israel for that matter – in a situation that does not look to be sustainable. So I hope you can address some of these points.

ROBERT DANIN: Great. Well, thank you. Thank you, Marwan; it's really a pleasure to be here back at the Carnegie Endowment doing another joint event with Carnegie and the American Task Force for Palestine. So thank you for inviting me back. And it's great to be amongst three former colleagues, all of whom I've worked very closely. And so – and thank you for your attendance. It's nice to see so many friendly faces in the audience.

[00:32:04]

Oussama rightly pointed – took as his point of departure, I think, 2007, because I think 2007 was a very important year. Oussama linked it to the initiative made by Prime Minister Fayyad in his economic program. But I'd like to sort of put it into a larger framework both in the Palestinian context and in the international context, because the economic dimension that the two – my two colleagues have spoken about is one leg of what I would call a three-legged triangle, all of which is meant to be self-reinforcing.

If you recall, in 2007, as Oussama pointed out, you had the launching of this very bold economic initiative by Salam Fayyad, which was paradoxical in the sense that on the one hand it was meant to be a movement toward self-empowerment; the Palestinians would do what they could to improve the Palestinian economy, under occupation but despite the occupation, in the words of Salam Fayyad. No longer would they try to blame everything on all the factors that inhibit their ability, but rather try to do what they could in the context of an occupation. That's – there being the paradox: the paradox being that on the one hand, you do what you can as if there's no occupation; on the other hand, you have to address the fact that there is an occupation and work with the fact that there are occupation authorities.

[00:33:43]

Now this economic approach was quite dramatic in that it did produce the sort of results that both Oussama and Firas have spoken about. But it was predicated on a – on a larger concept, which encompassed not only economics but security and ultimately diplomacy. Recall, in 2007 you had the launching of the Annapolis process. The Annapolis peace conference that was held in the autumn of 2007 was designed to relaunch Israeli-Palestinian negotiations.

In today's context, that's almost passé. But recall, this came at the – after you'd had the brutal, bloody, deadly Second Intifada that had resulted in so many dead Palestinians, so many dead Israelis and the death of all hope in a negotiated settlement. And with the launching of the Annapolis process, the – what was thought unthinkable was realized, which was the bringing together of the Israelis and Palestinians back to the negotiating table, seriously engaging on the final status issues.

At the same time, you had a third dimension, which was the beginning of a training process by the United States in Jordan of Palestinian security forces. This was critical

because what it did was it took the Palestinian security forces – which ranged anywhere from a dozen to 18, depending on your math – disparate forces that had all been not only disunified or ununified, but actually working against one another, working quite nontransparently – their accounting system was nontransparent, they were not accountable to a civilian rule.

Under the – under the aegis of the roadmap, which Marwan played an instrumental role in helping to bring about, the roadmap had called for the creation of a unified security force accountable to a civilian oversight. And in 2007 you had the real beginnings of that serious effort, such that you had the beginning of an effort by the Palestinian security forces, trained in Jordan, to return to Palestine and start to actually provide security for Palestinians.

[0:36:12]

And you had a situation, beginning in the northern West Bank and then slowly expanding throughout different parts of the West Bank, where the Palestinian security forces were able to retake control of areas that had been taken by the Israeli security forces in the Second Intifada. And so what you had really was the rolling back of the second – of the reaction to the Second Intifada.

And this was critical. Because – so you had the economic cooperation beginning, which was predicated on the notion that if you start to lift the access and movement restrictions, then Mother Nature or the laws – or Adam Smith's hidden hand would take, would do its work. And we saw the results.

But this was predicated on the ability for the Palestinian security forces to provide security to Palestinians, in the first instance, so that places like Jenin, which had been the – one of the hotbeds of terrorist activity in the Second Intifada, became an area where Palestinian men and women could walk at night, no longer harassed by militia forces.

[0:37:21]

So what you had was the creation of what I would call a virtuous cycle, where economics, politics and security were all working in parallel, in the right direction, to reinforce one another. So we used a shorthand, which was to say, you know, we're trying to build the Palestinian state from the bottom up, through all the sorts of measures that Oussama and Firas talked about, while at the same time trying to create the political conditions for that Palestinian state through negotiations.

This was a radical departure from the previous peace process approach, which was meant to – which had been essentially all worked through the negotiating table. I mean, basically, if you recall in the 1990s, the whole effort had been to produce a state through negotiations only. The problem with that approach had been that whatever progress was being made in the negotiating room was totally divorced from whatever was – what was happening on the ground.

And so that – increasingly, even though there may have been, and I think there was, serious progress being made in the 1990s through – for – towards a convergence of views

towards a final status agreement, Palestinians and Israelis on the ground didn't see it. In fact, they saw the worsening of conditions.

Israelis saw an upswing in violence and terrorism. Palestinians saw greater settlement activity and greater access and movement restrictions imposed upon them, such that when the final moment came in 2000 for a final decision to be taken, the groundwork was not prepared because popular opinion no longer believed in the peace process.

So this whole triangular approach that I described in 2007 was meant to address that, to bring a popular dimension – to have a self-reinforcing element where improved conditions on the ground would create better conditions, more hope for the future, that would then support the negotiators in the negotiating room who could then make the concessions that they would need to make to make peace.

[0:39:25]

It all sounds great. And in fact, in many ways it was great, especially in retrospect. (Chuckles.) What we've seen is really two-thirds of that triangle recede, if not disappear. We have the economic downswing that Oussama and Firas have spoken about. And we have the political stagnation and the absence of negotiations today that existed.

We still have the third remaining leg of triangle, which is the security work that is being done by the Palestinian security forces, but the absence of the other two legs of the triangle puts a greater burden on the weight and the sustainability of that third leg and makes it much more vulnerable and makes the situation much more tenuous and risky.

Because while Salaam Fayyad and Abu Mazen have been able to redefine the whole concept of security – away from one that had been historically one of, well, Palestinians won't provide – create a security situation in the West Bank because this will be effectively helping to create security for Israelis – this was redefined under President Abbas and Prime Minister Fayyad's authority to saying, no, we're going to provide security for ourselves, and by extension, to Israelis. And this creates the conditions for everything else to move forward.

So let me look at – from the position of today and sort of telescope ahead to what I think needs to be done. Let me identify four important steps that I think need to be addressed to move forward and get back to what I consider, or what I called this virtuous cycle – away from what we're now locked into, which is in many ways a vicious cycle.

[0:41:24]

The first point, I think, is we must return conceptually and intellectually to understanding that this has to be an integrated whole – that you can't treat economics, politics and security as three discrete pieces, unrelated to one another. They are integrated. They are interrelated. They are self-reinforcing. And so to have one without the other doesn't work.

And the longer we go without the negotiations, without economic progress, the more dangerous is the recidivism on the third track, which is the security track, which makes everything else possible. So we must get out of the mindset that all we need is a return to negotiations. Negotiations alone are important but insufficient. We need more than that. We need an integrated whole.

[0:42:17]

Now, the second, and related to that, is that we have to have a sense – and I think here, let me just say by aside, I'm speaking here entirely informally, for myself, as a member of the Council on Foreign Relations. I do continue to provide an advisory role to the Quartet, but all my comments today are my own, and whatever criticisms and –

MR. RAAD: Will not be held against you.

MR. DANIN: No, will be held – should be held exclusively against me. (Laughter.) But secondly, what needs to happen is there has to be a sense that what began in 2007, the effort to lift the occupation – there has to be momentum returned to a sense that we are moving towards an end of the occupation, in whatever – in whatever form that may be decided upon in final status negotiations.

But without a sense that the occupation will end, then you have all sorts of spinoff problems. You have the lack of economic investment that Firas spoke about. You have the lack of political support from the Palestinian people for the types of negotiations, the types of compromises that will ultimately need to be made. Indeed, you have no real support for negotiations themselves, which is why we're having such a hard time getting the two parties back to the table. So you have to have a sense that the negotiations – that, rather, the occupation will end – and there, I think, you know, Israel has a very important role to play.

But to be fair and to be critical all around, I'd say, third, the Palestinians, I would argue, need to come up with a coherent strategy. Here, I would say, the strategy that was – that began in 2007 and identified by Salaam Fayyad – that of moving towards ending the occupation, preparing the groundwork for Palestinian statehood, so that in effect, the reasons for the occupation would be removed – needs to be returned to.

[0:44:24]

Other approaches that have subsequently emerged – and part of this – and this speaks only in part, and I can come directly to the question you raised, Marwan, about the Arab Spring – but right now you have a number of different approaches being adopted by the Palestinians and the Palestinian Authority that I would argue are working against one another.

And so you have an approach within the Palestinian politics to forge unity. You have a Palestinian effort to create statehood through unilateral efforts within the U.N. You have another effort to forge elections. And at the same time, you have the continued push to move to improve the situation economically on the ground. These, I would argue, are in tension with one another and in many ways work against one another.

They're all tactics, but the – but they don't add up together into an integrated whole or an integrated strategy. And so here, I think, the Palestinians need to more clearly define their strategy and work towards it, because otherwise, for example – the reality is there is an occupation. And the strategy of working with Israel to lift the occupation runs at variance with an approach that goes to international fora to challenge Israel against the occupation.

Now, these are both – you know, the merits of these different approach need – can be debated and discussed. But how they work together into a coherent strategy, I think, needs to be considered.

Fourth and finally, the last point I would make is there's no such thing as benign neglect when it comes to Israel and the Palestinians. The status quo as it exists today is not self-sustaining. And so here I'm very concerned that the ongoing security cooperation that we have that brings security and helps – is a sine qua non for the economic developments that Firas and Oussama spoke about – could unravel.

[0:46:40]

There are extremists all around who want to – who could easily bring this effort to a halt, either by design or inadvertently, and so the margin of error that we're playing with here is very, very slim. And we've all seen the sorts of acts of violence, terrorism, what have you, that have brought this process to a halt in the past. Thankfully, we've not had anything like that, or that the system has been robust enough to keep them, keep it in check.

But the situation on the ground is volatile and will continue to be, I fear, unless we return to a more aggressive approach. And that means that there needs to be real international leadership because one of the things I left Jerusalem with, more convinced than ever, is that left to their own devices the Israelis and Palestinians will not come to the kinds of answers and the kinds of solutions that they need to, left to their own devices.

[0:47:42]

MR. MUASHER: Thank you very much. Well, I have so many questions, but I don't want to – (chuckles) – monopolize the discussion, so I'll maybe weave them in during the question and answer session. Let's take three or four questions at a time. Please identify yourself and limit it to a question if you can.

Please, sir.

Q: I'm Howard Sumka, the head of OneVoice and formerly the USAID director in the West Bank and Gaza. This is the most depressing presentation I've heard in a long time. This is where I came in six years ago. I have a bunch of questions, but I'm going to try to just keep them just maybe to two quick ones.

One, for Rob, you talked about the Palestinian strategy, and an element that you didn't mention explicitly was the increasing – the increasing move toward and pressure for

what's called popular resistance. And I see this now, in the NGO world, as creating a whole different environment on the ground for the kinds of things that NGOs can do.

[0:48:56]

And Oussama, you – or maybe it was Firas – you talked about the strategic sectors. And I would point out the sort of anomaly that the \$88 million that was just released by the U.S. Congress explicitly prohibited the use of that money for Gaza, which I understand given the Congress. It also prohibited its use for road construction, which I don't understand for the life of me. And it also precluded the use of the money for trade and tourism promotion, which strikes me as a signal that the Congress doesn't want the money used for serious Palestinian economic growth.

And I wonder if you would be willing to delve into the political angle on that. Thanks.

MR. MUASHER: Ghaith?

Q: Thank you. Ghaith al-Omari from the American Task Force on Palestine, and I also have two questions. The first is to Firas and it's a technical question.

I mean, Rob mentioned the need to integrate the three pillars of this operation. In practical terms, when you see that security is being dealt with by the American security, U.S. security coordinator and some of the Europeans – you are dealing with some of the economic development – can you tell us a bit about how the various players coordinate on the ground? And do we have this integrated strategy – reflected in that integrated machine, if you wish?

And a question to Rob: You mentioned the need to start hauling back the occupation, creating a sense that the occupation is going to end. Can you expand on that – especially at a time when we see that neither the Palestinians nor the Israelis, at this time, seem to be too eager to go to the kind of macro level negotiations, and we see a Washington that is engaged in benign or otherwise kind of neglect? Thank you.

[0:50:50]

MR. MUASHER: Said?

Q: Thank you. My name is Said Arikat and my question is simple: Seeing how all three of you agree on the premise that there is no economic future without ending the occupation – I think you all agreed on that – how can you see, possibly, economic growth, or how can you define an economic reality that is really independent of the occupation? And does that make the talk about economy and growth moot, a moot issue, or a futile exercise? Thank you.

MR. MUASHER: The gentleman behind Said, and then we'll – yes?

Q: Yes, thank you. I just – my name is Tom Sullivan (sp) and – yes, hi, my name is Tom Sullivan and I just have a quick question about the – this was briefly mentioned – about containerizing the Allenby Bridge. I've done a little bit of research on projects of – it was actually a waste management project in between Bethlehem and Hebron.

But does containerizing the Allenby Bridge require any additional construction, or is it something that would be done just by changing policies? And if it does require additional construction, would there be issues – you know, restrictions that Israel has put in place that might delay such a project even if they agree to it in principle?

[0:52:13]

MR. MUASHER: OK, let's – why don't we start with you, Rob?

MR. DANIN: OK. And I apologize if my introductory remarks were too long. I'll try to be brief, therefore, in my answers. Howard, I mean, you asked about popular resistance as one sort of popular issue in the Palestinian debate today. You know, I think I was trying to take it one step higher, to a higher level of analysis, to say that there are so many crosscutting tactics that are under debate today – popular resistance, one-state solution, two-state solution, resistance.

And what I'm suggesting is that they are working against one another because in essence you have a divided polity. You have a divided polity geographically, between Gaza and the West Bank. You have a divided polity within Gaza, within the West Bank – a polity that doesn't know where it really wants to go, and more importantly, how it's going to get there, and has lost any sense of a real momentum and lost sense of a pathway.

[0:53:32]

And – which gets to, in essence, the two other questions, because historically we'd always said we need to end the occupation and that's how we sort of achieve Palestinian statehood. What was always lacking, and what we started to put into place, was a way to get there.

And so in many ways – and this gets to the point of the question of Mr. Arikat – which is yes, ending the occupation is the goal. But there has to be a sense of not that the occupation is going to end tomorrow, but that we're on the path towards ending the occupation, and that therefore, the actions that are being taken are leading towards a constructive goal that all sides can rally around. And this then can marshal constructive efforts in that direction.

The occupation isn't going to – I mean, what Salaam Fayyad was trying to do was basically create the conditions so that those naysayers who said, well, how do you end the occupation – there's no security, there's no economics, there's no infrastructure – to remove those arguments one by one. How do you get from A to Z?

You get there by working with, first and foremost, your own community, but secondly with the Israelis, and thirdly with the international community, all in harmony.

Today that sense of working towards that goal has been lost. There's no articulation of that goal, I'd say coming out of – out of anyone right now. And it gets to the question that Gates was asked, you know, how do you sort roll back the occupation? I mean, first you have to convince people that that's what you're trying to do. And right now there's such a lack of credibility on the ground on all sides that that's what anyone is trying to do.

And so I'd say, first of all, you have to start – create a new rhetoric or return to an old rhetoric, which his that's what you're trying to do, you know, that you're committed to a two-state solution and that in order to get to the two-state solution, creating the conditions and rolling back the occupation with the end state being a Palestinian state, two states living side-by-side in peace and security will be the realization of that effort.

[00:55:55]

MR. MUASHER: Firas?

PRINCE RAAD: Just jumping in quickly, maybe in working my way backwards starting with the question by Tom on the containerization. What we've tried to do is ensure that certain things are done to remove the pretext of security. And what containerization, you know, needs are modern scanning facilities, a certain upgrade in terms of the physical terminals at the crossings. And we're happy that that's going forward and there's money behind that kind of work. And I think the one thing you always hear from the Israeli side is security, security, security. You take that away, you can facilitate, I think, another – an additional important layer of trade.

On the question of the political horizon, rolling back the occupation, I can't agree more with Rob. You need sort of the psychology of a positive trajectory. That storyline is very important for investors and even donors, amongst the regional donors in the Gulf countries. I think they want to get a sense that there is – there is an end destination and that they're not putting money into a process that perpetuates the occupation endlessly. And so that is very important.

[00:57:12]

To – (name inaudible) – question about economic work and security work, within our unit we have a rule of law team that consists of a security adviser and a legal adviser, one of whom is sitting in this – in this room today. And they work very closely with the Palestinian judiciary and the security services on different agendas. And so we try to make sure that our economic agendas and our rule of law agendas are integrated. And I'm sure Neil (sp) will – can brief you a little bit more about the kind of work that we're doing.

One thing we are pushing for and we discussed yesterday is expanding the room of operation or the area of operation for Palestinian security forces in Area B. And that is very important for many different – for many different reasons. And plus, we also see that you can't do – you can't do security reform without legal reform. You do security from you catch a criminal, you put him in the – you know, in the legal system. If the legal system is not up to standard, he'll be out on the street the next day.

Lastly, on transport work, construction, Howard was talking about U.S. donor assistance. Not – I don't want to get into the politics of donor assistance, but if you ask me whether these sectors, transport and tourism, are very important, I would tell you yes.

[00:58:40]

MR. KANAAN: I just want to follow up on this important question of whether you could have – or you know, does it make sense to talk about growth under occupation, at what extent the lack of a solution to the occupation problem constrains a growth and that we need to focus much more on the politics and then growth will come up – will come about once we have a solution to the occupation.

I think there is a lot of space that is not really exploited. And there's very often the excuse of the – of political constraint that is used not to make progress on the political – on the economic front, and this is by the three parties we know of. With regard to the Israeli authorities, I think there's a lot that can be done, for example on Area C, giving access – giving access to the Palestinian ambassadors to Area C and to the public sector, allowing the – more thorough exploitation of the Jordan Valley, for example.

Similarly, with regard to exports from the West Bank, Gaza to Israel, there's a great deal that can be done for this very small economy to raise growth in a very substantial way simply by lifting the restrictions on exports. This is not – this could be actually viewed from a political angle. But in effect, there's a lot that can be done even with the existing political constraints.

There was a very important question asked about Gaza – you know, to what extent public investment in Gaza is actually important to raise the standards of living of the Gazan population. I think that there has been progress made with regard to lifting the blockade very gradually by the Israeli authorities, first, by removing restrictions on inputs to public investments that are monitored internationally. And I think in that context it's surprising that, you know, some parties still would question a public investment in Gaza, since actually the authorities themselves are facilitating that as long as it's supervised internationally. Similarly, with regard to the inputs of consumer goods to Gaza, there has been progress made. Now there is still a constraint on private sector development in Gaza and the private sector needs to be allowed to import its own inputs.

[01:01:18]

Turning again to the question of political constraints on – for donor aid. I think very often some donors, especially regional donors, use the excuse of the occupation not to give any aid. Still, I think it is important to recognize that if you want to facilitate a political solution, you need to actually relieve or try to prevent a crisis – a financial crisis that will actually make a political solution much harder to obtain.

The Palestinian Authority itself has made tremendous progress in strengthening the Palestine Monetary Authority capacity, for example, to encourage and create the grounds for banks to lend to small and medium-sized enterprises, to have a credit registry to ensure that the worthiness of borrowers and investors is properly assessed. Within the political

constraints, there's a lot that the Palestinian Authority has done, in addition to the elements I'm – the progress I mentioned on the public finance front – increased transparency, stronger institutions to ensure high quality expenditures.

[01:02:29]

So I think – you know, it's true that ultimately we need to – in order for there to be sustainable growth in the longer run, the occupation has to be lifted. In the meantime, I think the three sides have a lot to do even within that constraint.

MR. MUASHER: Let's take questions from the back. I didn't see anybody – no questions from the back. OK. From the front? (Chuckles.)

MR. : It's all clear.

MR. MUASHER: Well, perhaps, you know, if there are no questions –

Q: (Off mic.)

MR. MUASHER: Yes, please. Please. Ambassador Hassan Abdel Rahman was the

–

Q: (Off mic.)

MR. MUASHER: (Chuckles.)

Q: I heard a very –

MR. MUASHER: Can you – can you use the microphone please, Hassan?

Q: First of all, I would like to thank the three of the panelists.

MR. : (Off mic.)

Q: OK.

MR MUASHER: Yeah.

[01:03:25]

Q: I heard a very great, descriptive presentation about the situation, but very little prescriptive. In other words, Rob said that the international community needs to play a leadership role. What do you mean by that? And to what extent the international community without the United States can play that role? Second, I heard the – Prince Firas talking about the five challenges. Are those challenges? Because I could not understand how receptive the Israelis are to those five, because all the cards are there in the hands of the Israelis at this point.

The economic growth is very much linked to those five challenges. And you cannot really move forward without – I spoke a month ago with former Prime Minister Blair. I asked him – I met him in Abu Dhabi, and I asked him the same question. And he said: We proposed to the Israelis. But we – I never heard what is the response of the Israelis to those five challenges.

[01:04:57]

But one final remark I would like to make, we are at a – at a deadlock today. So if you have to advise the parties, the Palestinians and the Israelis, each to do certain steps in order to get out of this deadlock, what would you propose to each party to do, the three panelists?

MR. MUASHER: Thank you, Hassan. Zayed (ph).

Q: Actually my – Zayed Al Saleh (ph) – my question is close to the – Hassan. We are at a political vacuum of this point of political deadlock. It's clear that the United States has no present intention to move politically. And it is equally clear that neither the Palestinian political nor the Israeli political system are able to move even if they could, at least for the balance of the year. What is to be done in the meantime? I understand if politics and security and economics have all to move in the same direction for us to achieve things. But in the absence of political movement, what is to be done in the interim, from now till the – shall we say till post-elections?

MR. MUASHER: Please.

Q: Hi. Kaitlin Oujo, International Republican Institute. How extensively do you believe economics and security are being affected by the continued lack of elections in the West Bank and Gaza? Thanks.

MR. MUASHER: I want to add my own comments, if I can. And they have to do with the role of the international community as well, Rob. I mean, we have on the podium the IMF, the World Bank, the Quartet, Tony Blair's office. We don't have the U.S., but we have already on the podium much of the international community. And I would also like to add my voice to those who are asking what can the international community do? And if it's not doing it, you know, what hope do you have that this situation, which is getting bleaker by the day – how sustainable it is politically and economic?

[01:07:22]

MR. KANAAN: (Off mic.)

MR. DANIN: (Chuckles.) This reminds me of – I have a sense of déjà vu here. (Laughter.) When I worked in the National Security Council and Marwan was the foreign minister of Jordan, he would often come and ask the most probing, challenging questions with the greatest sense of urgency, managing to put us very much on the defensive in trying to explain why we were doing what we were doing and why we weren't doing what Marwan felt we should be doing. (Chuckles.) And so – which made him a very, very effective

diplomat, I must say. Similarly, Hassan, as ambassador of the Palestinian – the PLO, also was a very effective interlocutor and has not lost any of his acumen today.

[01:08:18]

Look, if there was a magic wand I could wave or if there was a magic solution, we wouldn't be sitting here. I mean, this is – this is easy and my answer will be in – by definition, very unsatisfying to you. There isn't a single answer here of what needs to be done or what can be done. But let me try to break it down a little bit. You know, what does the international community need to do? Well, I mean, that's a – you know, that's a euphemism for a number of things or that's an umbrella for a lot of things.

On the political side, you have a situation in which President Obama made a speech on May 19th of last year, in which he outlined a vision for moving forward on borders and security – and oddly, to me as an observer, gave the speech and then effectively walked away. And – well, we've not seen the sort of the high-level, sustained diplomacy to advance the vision put forward by the president then. We're in a maintenance mode. We now – you know, as Zayed (ph) probably rightly identified – you know, need to make it through the end of the year without new – you know, we're not going to see a bold new foreign policy initiative towards the Israeli-Palestinian conflict.

But we've also had some intervening variables as well, which gets back to something you asked at the very beginning. I mean, we've had the Arab uprisings. And this has had a tremendous effect, I would say, on American decision-making, on American policy making. And so to give credit and to be fair to my former colleagues, who I do still talk to, to a certain degree the Israeli-Palestinian conflict has been subordinated to some very urgent situations.

I mean, this is the nature of policymaking, is that the important often gets pushed aside by the urgent. We've had a NATO intervention in Libya. We've had Hosni Mubarak toppled in Egypt. I need not go through the whole litany. We now have horrific bloodshed in Syria. All this, all at a time while the United States is trying to reposition itself away from the Middle East and towards Asia and at a time when we are – when the president is trying to get re-elected on a domestic economic platform.

[01:10:58]

All these are factors that make it very difficult to make a convincing case to go into the Oval Office and say: Mr. President, you know, I know you have all these other things on your plate, but what you really need to do is put your eggs into trying to resolve this Israel-Palestinian conflict right now. So I mean, that's just a real world sort of – sort of – some real-world reality that affects, you know, the lack – you know, that helps explain how we've gotten into this situation.

But you know, at the same time, it's created another problem. The international community is not coming forward with the pledges – in fulfilling the pledges that it has made toward the Palestinian Authority. There was the meeting last week in Brussels of the ad hoc liaison committee in which the international community came together to pledge its

support for the state building efforts, the bottom-up efforts of Prime Minister Fayyad to give the kind of support.

[01:12:04]

But why do we have the fiscal crisis that we have in Palestine today? These gentlemen are officials so they can't say it in the way that – quite the way I would say it, which is people aren't paying up and it's a real problem. And it's a real crisis for the Palestinian Authority. Now, you go to the – to many of the Arab donors and say – who are not fulfilling their pledges, and you say well – you know, in closed doors – well, why aren't you doing it? This is chump change for you.

And they have what I think is a defensible argument, although I don't agree with it. The defensible argument is to say, look, we're not going to fund – become the bankrollers of the occupation. And without a sense that this is leading to something, why should we make life easy for the Israelis by just defending – you know, by bankrolling the occupation?

Now, the reason I don't agree with it is because the people who are actually hurt by this attitude and approach are the Palestinian people. They're the ones who are suffering. And this actually reinforces the – it undermines the moderates and those who actually want the kind of outcome that I think most of us want in Palestine and the sort of peace between Israel and the Palestinians that we want, and strengthens the hands of extremists.

So that donor strategy or that lack of fulfillment of pledges, I think, is ultimately – hurts the very people that it purportedly means to help. So that's another element where the international community needs to come up in the absence of a serious political process. Nonetheless, I'd say the economic investment and support that is badly needed for Palestine and for the Palestinians still needs to come forward from the Arab world, where it's largely – where much of the money has not come – been forthcoming. And the amounts are really quite paltry when you look at the price of oil today, et cetera.

[01:14:03]

MR. MUASHER: Firas?

MR. RAAD: Just to add my two cents. Yes – (inaudible) – I think – I agree with – fully with Robert to answer maybe to answer Ziad's question and the sense – you know, what should we be doing now. And I would make two points. I think – you know, I don't want to delve into the politics too much – but I think both politically and economically from now to the end of the year there has to be something there, because it's quite clear that, you know, maybe in the general sense people can wait, countries can wait till the end of the year, but for the Palestinian leadership and the Palestinian people it's very difficult to just say we will postpone everything for 12 months.

So I think there has to be something happening, giving a political horizon, some momentum. The Amman talks were there, they began in January. That – the purpose, I think, was to see and explore whether there would be a basis for starting something. But

creating some kind of construct that would be a bridge from now to the end of the year I think is important, both politically and economically.

[01:15:12]

And to answer His Excellency Hassan's question about the economics and how forthcoming the Israelis are, in many different areas at – up to a certain point, there is a lot of coordination, a lot of interaction between our office and the Israelis across a gamut of issues. The problem that we face sometimes is that it's not significant enough or large enough as we would hope.

And you know, we are trying to convince them that we – you know, short of a breakthrough, there aren't much more meaningful steps that can be taken that would signal a certain intent that there is seriousness going forward. So we're looking for more kind of – we're looking for game-changing type activities on the economic side. And that, by the nature of things, is very difficult because in many ways they're interlinked with the politics and the permanent status talks. So that makes it all the more harder.

MR. KANAAN: I fully agree with Rob and Firas and many of the speakers and with Ziad and Hassan as well, and the – and the importance of refocusing attention on trying to prevent a crisis. I think what has happened over the past – I think over the past year, is the attention has shifted away from the West Bank and Gaza and Palestinian serious problems to the Arab Spring and other issues, as well as – and that has been made even worse by the global recession and the problems that the EU is facing and the U.S.

And – but what's important is to realize that we have a crisis that is looming if the actors don't actually try to address it in a very proactive way. The donors have to actually get their act – donors have to get their act together, have a predictable framework, disperse, especially from the regional donors. The Israel authorities have a lot to do even with the current political constraints, as I said, on the clearance revenue side, on the restrictions.

[01:17:23]

And I think the Palestinian Authority should really keep the momentum of the institution building. I think it's important to have the vision that Rob and Firas have outlined, but also to try to have tactical steps to avert a crisis that could be – that could come within weeks.

MR. DANIN: May I take a second bite at the apple here, because we failed to answer your question on elections. But I think that – and I think it's an important question, but it ties into a larger context of another unanswered question, which was the impact of the Arab Spring on Palestinian politics. The Arab Spring has been felt, I would argue, in Palestinian politics, but in a somewhat distorted way given the distorted reality of the situation and the continued occupation.

You had, last March 15th, a massive outpouring of demonstrations, both in Gaza and in the West Bank. People forget this, but it was quite dramatic. Hundreds of thousands of people came out in the streets in Gaza and in the West Bank. And people thought, uh-huh,

this is it. It's finally – the Arab Spring has hit Palestine. But what did they ask for? What did they call for? And this is what is interesting.

[01:18:43]

What they – they didn't ask for regime change. They didn't ask for the sorts of things that others in the Arab world were calling for, because in many ways they have a lot of the things that they – that the others have. I mean, Palestine has been – had a very advanced – a large middle class, many of the institutions of civil society, of free speech or at least elements of it in certain places, many of the things that other parts of the Arab world have yearned for and resented the Palestinians for, frankly. Let's face it.

But what they asked for was for unity, and unity between the West Bank and Gaza and unity between the peoples. Basically, they said we're tired of this division between Fatah and Hamas, you know. And what it did was it set off an effort to unite the two parties. And you have had two successive agreements now to try to bridge this. But in my crude analysis, you have a basic problem. The people want unity, but neither side in the – at the leadership level want to pay the price to bring about the unity that the people want.

Hamas is essentially content to keep control of Gaza. Fatah and the PA want to keep control of the West Bank. And both want unity on their own terms and neither are willing to make the concessions that the other one wants. And the only thing, it seems, that's really driving the continued push towards an appearance of unity efforts is the sort of outpouring that you saw last March 15th. And a certain point I think, when this unity is not achieved, you will see a return to the streets.

Will they call for unity again? Will they call for new elections? I don't know. But the other thing that's interesting is that, you know, when you had President Abbas stand up within the PLO central committee and essentially say, you know, I'm not going to run again for new elections, what he did was inadvertently set off a succession struggle within Fatah and within the PLO.

And what you've seen over the last few years is slow-motion succession politics taking place. And this is argued – I would argue this has worked against the kind of moderate positions that would need to be taken for successful politics to move forward because, let's face it, that moderate position – especially in the absence of anything really happening on the ground – is not an electoral winner.

[01:21:07]

So if you're running – you know, if you see yourself as the next president of Palestine, you're probably better off taking a hardline approach that denounces the Israelis rather than one that articulates a vision along the lines that Salam Fayyad does that says, you know, no, I'm going to nonetheless pursue, you know, working with the Israelis, despite all the indignities we suffer, you know, on a daily basis.

MR. MUASHER: I want to tell the story of a Latin American who talks to an Arab – Hassan will appreciate that. (Laughter.) And asks him – he says, you know, I keep hearing

you say “insha’Allah, insha’Allah.” What does this word mean? (Laughter.) And the Arab says, well, you know, the best thing to describe it is to liken it to what you guys say.

In – you know, in Spanish you say “manana,” and it’s the same word as “manana.” The Latin American says, yes, I understand. But somehow it does not convey the same sense of urgency. (Laughter.) I’m afraid, that’s what’s lacking in – there is no sense of urgency on both sides, that we are heading to disaster and that if something is not done rather soon, I think both sides will be surprised, not necessarily in a positive manner.

I’m afraid, that’s all – (inaudible) – “insha’Allah.” (Laughter.) That’s all the time we have. Please join me in thanking Oussama, Firas and Rob for an excellent presentation. (Applause.)

[01:22:45]

(END)