The Ultimate Deal
Using American Leverage to Resolve the Israeli-Palestinian Conflict

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“That’s the ultimate deal. As a dealmaker, I’d like to do the deal that can’t be made. And do it for humanity’s sake.”

- President Donald J. Trump, November 11, 2016
The 2016 Princeton Policy Workshop is composed of 11 graduate students at Princeton University's Woodrow Wilson School of Public and International Affairs. Working under the direction of Ambassador Daniel Kurtzer, former U.S. Ambassador to Egypt and Israel, the workshop members spent several months studying the recent history of the Israeli-Palestinian conflict. They explored whether the two-state solution remains viable, analyzed the current status of negotiations among the parties, and developed a strategy to guide U.S. policy regarding the conflict under a new presidential administration. Over the course of their research, they consulted more than 50 current and former officials, diplomats, scholars, and civil society leaders in Israel, the occupied Palestinian territories, and the United States.

This paper represents the conclusion of the 2016 Policy Workshop. All authors participated in the discussions, debate, and preparation of this report. Although we are deeply indebted to the many remarkable people with whom we consulted, the report presented here does not reflect the views of Princeton University, Ambassador Kurtzer, any individual student, or any person interviewed by this workshop. At times, dissenting and alternate views are highlighted in the text. References and sources are available upon request.

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

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Table of Contents

Executive Summary 6
Preface 8
Think Big 10
Know Your Market 11
  I. U.S. Domestic Market
  II. Israeli Market
  III. Palestinian Market
  IV. International Market
Use Your Leverage 14
  I. Outline the Path to the Ultimate Deal 15
  II. Applying Leverage on the Israeli Government 18
  III. Applying Leverage on the Palestinian Government 20

Annexes

1. Middle East Context 22
2. Core Issues in Israeli-Palestinian Negotiations 23
3. The Case for a Two-State Solution 24
4. Threats to the Two-State Solution 25
5. Alternatives to the Two-State Solution 27
6. Lessons Learned in Previous Negotiation Efforts 28
7. Creating the Environment for the Ultimate Deal 31
8. Monitoring and Accountability 34
9. Incentive and Leverage Option Toolkits 36
10. Consultations and Interviews 42
11. Graduate Consultants 44
12. Endnotes 46
<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>API</td>
<td>Arab Peace Initiative</td>
</tr>
<tr>
<td>BDS</td>
<td>Boycott, Divestment, and Sanctions</td>
</tr>
<tr>
<td>CNAS</td>
<td>Center for a New American Security</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>ICC</td>
<td>International Criminal Court</td>
</tr>
<tr>
<td>ICJ</td>
<td>International Court of Justice</td>
</tr>
<tr>
<td>IDF</td>
<td>Israel Defense Force</td>
</tr>
<tr>
<td>INSS</td>
<td>Institute for National Security Studies (Israel)</td>
</tr>
<tr>
<td>ISIL</td>
<td>Islamic State of Iraq and the Levant</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>PA</td>
<td>Palestinian Authority</td>
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<tr>
<td>PLO</td>
<td>Palestinian Liberation Organization</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNGAR</td>
<td>United Nations General Assembly Resolution</td>
</tr>
<tr>
<td>UNRWA</td>
<td>United Nations Relief and Works Agency</td>
</tr>
<tr>
<td>UNSC</td>
<td>United Nations Security Council</td>
</tr>
</tbody>
</table>
President Donald J. Trump says he wants to make the “ultimate deal” to end the Israeli-Palestinian conflict. Taking inspiration from the Art of the Deal, this report outlines how it can be accomplished:

**Think Big.** Making the "deal that can't be made" will not only confirm Mr. Trump's reputation as a skilled negotiator, but it will also undercut terrorist messaging, reset critical relationships with Arab partners, and reaffirm the United States' unwavering commitment to Israel's security. The need for a deal is urgent. The situation on the ground continues to deteriorate and could soon reach a point where peace is no longer possible.

**Know Your Market.** A lasting peace is not possible without understanding four critical markets that shape peace prospects: U.S. domestic interests, Israeli politics, Palestinian politics, and international actors. From among these groups, there are voices that will argue against the pursuit of this deal. However, by understanding the market and recognizing his leverage, Mr. Trump can manage these obstacles.

**Use Your Leverage.** Mr. Trump should apply the United States' unique leverage over both parties clearly and effectively. The Trump Administration should take the following actions to restart negotiations and achieve the ultimate deal:

1. Outline the path to the ultimate deal by reaffirming the United States’ commitment to the two-state solution, articulating strong Terms of Reference (TORs), and formally launching negotiations.
   - **Reaffirm the United States’ commitment to a two-state solution publicly and privately.** As both Israelis and Palestinians lose faith that a two-state solution is possible, a strong U.S. affirmation of this end goal is needed to renew confidence in the peace process and draw the parties back to negotiations.
   - **Articulate strong TORs to structure negotiations, while allowing the parties to come to the table with reservations.** These TORs should outline U.S. thinking on each of the core issues, based on long-standing U.S. policy and consensus across previous Democratic and Republican governments.
   - **From the start of the administration, take steps to create a supportive environment for negotiations to begin and succeed.** These efforts should include: improving the humanitarian situation in Gaza, pressing for substantive discussion of the Arab Peace Initiative, and encouraging regional allies to further advance the prospects of a unified and moderate Palestinian leadership.
   - **Seek to formally launch negotiations once conditions are ripe for success.** Negotiations should be launched after the situation on the ground has improved and there is increased trust between the parties. Negotiations should be held between Israel and the Palestine Liberation Organization with the final agreement based on a two-stage implementation plan: immediate implementation of an agreement in the West Bank and East Jerusalem and implementation in Gaza once the requisite political conditions are met.

2. **Apply U.S. leverage to guide Israel toward a security plan that is compatible with peace, and demand Israel address settlement construction.**
   - **Encourage Israel to adopt security proposals included in General John Allen’s 2013 security plan and the 2016 Center for a New American Security (CNAS) proposal.** Mr. Trump should state
that regional instability is an insufficient justification to delay negotiations. He should also provide assurances that Israel’s legitimate security concerns will be addressed in any final deal.

- **Demand Israel address its settlement construction.** Continued settlement growth undermines the potential for negotiations and imperils the two-state solution. The report authors agree that the Trump Administration must demand Israel address its settlement construction, but they are divided on the best approach. This report thus presents two policy recommendations: a full settlement freeze and a partial settlement freeze.

3. Apply U.S. leverage to demand Palestinian condemnation of incitement of violence while deterring Palestinians from taking unilateral actions in international fora.

- **Demand that the Palestinian Authority (PA) condemn all terrorist attacks against Israel.** Mr. Trump should clearly state any tacit or explicit incitement of violence against Israel is unacceptable and that the PA must condemn such acts. The PA should also condemn attacks on Israeli Defense Force soldiers and take steps to end financial support for terrorists’ families. This includes incitement and praise in Palestinian media condoning such violence and terrorism.

- **Discourage the PA from taking unilateral actions in international fora.** Mr. Trump should call on the PA to halt to all efforts to gain further recognition of Palestinian statehood and incorporation within international bodies. Palestinian statehood must be achieved through direct negotiations between Israelis and Palestinians and not through the United Nations or other international organizations.
Preface

“People tell me that it’s impossible – you can’t do it. I disagree; I think you can make peace... I have reason to believe I can do it.”
- President Trump, November 11, 2016

A lasting peace between Israelis and Palestinians is both possible and necessary, but it requires determined American leadership. A peaceful resolution of the Israeli-Palestinian conflict aligns with core U.S. interests of promoting regional stability, advancing democratic values, and supporting our strongest ally in the region: Israel. Consequently, solving the conflict has appeared on the agenda of every American president since President Harry Truman. Although some presidents made real progress – Jimmy Carter at Camp David and George H.W. Bush at Madrid, for example – every president ultimately failed to broker a lasting peace.

The components of the “ultimate deal” are well-known to all parties and have been articulated through U.S. policy. As former President George W. Bush outlined in the 2003 Road Map, the goal of the final agreement is to resolve the Israeli-Palestinian conflict and end the Israeli occupation that began in 1967. The agreement negotiated between the two parties should result in the emergence of an independent, democratic, and viable Palestinian state that lives in peace and security with Israel and its other neighbors. A long-standing U.S. and international consensus has emerged that a lasting peace deal can only be achieved via a solution that recognizes both Israeli and Palestinian rights to sovereignty, security, and dignity. To that end, the two-state solution must continue to be the cornerstone of peace efforts, as it has been over the past several decades.

There is great urgency to secure a peace agreement. This year marks the 50th anniversary of the 1967 war and the Israeli occupation of the Palestinian territories. This anniversary underscores the lack of faith both Israelis and Palestinians feel that a peace agreement can be reached and serves as a rallying call for Palestinian activists to draw international attention to the Israeli occupation. Despite efforts by the Obama Administration, the two-state solution looks increasingly out of reach. The current Israeli government continues to favor settlement expansion and now includes voices that openly reject the two-state solution. The Palestinian government has grown increasingly detached from its public and faces an uncertain transition after President Mahmoud Abbas leaves the scene. For years, U.S. presidents have warned of the “end of the two-state solution.” Mr. Trump should recognize the real possibility that a two-state solution could be lost during his administration and act urgently if he seeks to deliver the ultimate deal.

While all parties are familiar with the structure of a final agreement, the political will to achieve it is severely lacking. While U.S. power alone is not enough to alter the political landscape preventing a deal, Mr. Trump can raise the costs of inaction and promote the benefits of a negotiated agreement, including the diplomatic, political, and financial advantages of a peaceful outcome.

The recommendations presented below were written as of January 20, 2017. The report does not attempt to predict the details of a final status agreement between Israelis and Palestinians, but rather provides Mr. Trump and his new administration with a strategy to create the political climate conducive to negotiations and set the parties on the path to lasting peace.
Think Big

“I like thinking big. I always have. To me it’s very simple: If you’re going to be thinking anyway, you might as well think big.”

- President Trump, The Art of the Deal

Ending the Israeli-Palestinian conflict requires thinking big: achieving the ultimate deal would yield significant political capital for the new President and further key U.S. national interests.

**Make the deal that cannot be made.**

If President Donald Trump brokers an agreement between Israelis and Palestinians, he would be considered one of the greatest dealmakers in history. This unprecedented foreign policy victory would yield considerable domestic political dividends. In his business career, Mr. Trump developed a reputation as a tough and smart negotiator. If Mr. Trump applies these skills to the Israeli-Palestinian conflict, he could achieve the deal that others believe cannot be made. On the global stage, accomplishing this feat would reassert American leadership.

**Undercut terrorist narratives and reset relationships with Arab partners.**

Resolving the conflict would severely undercut the messaging of U.S. adversaries and strengthen U.S. relationships with Arab partners.

- The conflict emboldens the United States’ adversaries, divides its Arab partners, and limits democratization and stability in the Middle East. Terrorist organizations, including the Islamic State of Iraq and the Levant (ISIL), Al Qaeda, Hamas, and Hezbollah, use the persistence of the Israeli-Palestinian conflict as fodder for anti-American propaganda and recruitment.

- Given the breadth of challenges in the Middle East, the United States requires cooperation and strong relationships with Arab partners. Working to end the Israeli-Palestinian conflict would strengthen these relationships and allow the United States to build coalitions to defeat common threats, including ISIL.

- Renewed American leadership is required following the mixed legacy of President Obama’s engagement with the Middle East. Publicly leading efforts to restart direct negotiations between Israelis and Palestinians would underscore America’s commitment to the region.

**Ensure Israel can fulfill its identity as a Jewish and democratic state.**

Achieving a negotiated, peaceful end to the Israeli-Palestinian conflict would finally grant Israel the recognition and normalized relations it seeks with its Arab neighbors. Without a peace agreement, Israel’s occupation of the West Bank and East Jerusalem will continue and create an eventual one-state reality. An end to the conflict would also ensure Israel can fulfill its identity as a Jewish and democratic state, providing full and equal rights to all of its citizens. As Mr. Trump’s Secretary of Defense, James Mattis, has observed, a one-state outcome could lead to an apartheid state, irreconcilable with America’s commitment to promote democratic values.
"Some people have a sense of the market and some people don't."
- President Trump, *The Art of the Deal*

### The U.S. Domestic Market

U.S. domestic support for Israel is bipartisan, with 85 percent of Republicans and 70 percent of Democrats agreeing that Israel is an important U.S. ally. With regards to the peace process, the majority of Americans (57 percent) believe that the United States should take an even-handed approach to resolving the conflict.

- The Trump Administration should be prepared for pushback from the political establishment and some domestic constituencies upon pursuing negotiations. Because achieving peace requires all sides to take challenging steps, some domestic constituents may misconstrue any pressure on the Israeli government as anti-Israel. Pro-Israel bodies, particularly the American Israel Public Affairs Committee (AIPAC), have long-standing support from Congressional members who will voice strong opposition to any policies seen as pressuring Israel.

- Mr. Trump is well-known as a strong supporter of Israel. This perception, combined with $3.8 billion in American military assistance to Israel every year, endows Mr. Trump with the political capital to guide Israel towards difficult, but necessary, steps to advance the peace process. Moreover, Congressional opposition is often less of a hurdle than widely perceived. If Mr. Trump demonstrates his determination to make progress towards a deal, Congress will ultimately defer to presidential authority. Skeptical domestic constituencies will also be placated if progress is made towards a negotiated deal. As Mr. Trump stated in *The Art of the Deal*, “my experience is that if you’re fighting for something you believe in — even if it means alienating some people along the way — things usually work out for the best in the end.”

- Other domestic constituencies advocating a stronger approach to the Israeli-Palestinian conflict have emerged in the public discourse. The majority of American Jews support a two-state solution and support an active U.S. role in the peace process—even if it means voicing disagreement with both sides. Liberal Jewish American groups such as J Street—which calls for a pro-Israel, pro-peace policy—are critical of Israeli policies towards Palestinians and the peace process. Some have called on the United States to take stronger action to advance peace. On the far left, the Boycott, Divestment, and Sanctions Movement (BDS) movement has spread across some college campuses; the BDS movement calls for the imposition of political and economic costs to alter Israeli policy.

### The Israeli Market

Engaging effectively with the Israeli market requires motivating and dealing with Prime Minister Benjamin Netanyahu and understanding the underlying dynamics of Israeli coalition politics.

In 2009, Mr. Netanyahu offered qualified support of a two-state solution, but recently rejected the idea of establishing a Palestinian state during his tenure. Three central aspects of Netanyahu’s character shape his engagement with the peace process—the priority he assigns to regional security issues, his ideological views of West Bank and East Jerusalem as a part of the biblical land of Israel, and his instinct for political survival. These motivations limit his willingness to engage with the peace process.
Former U.S. officials have observed that Mr. Netanyahu will only assent to a peace deal if he feels the negotiations are guided by firm U.S. leadership that he genuinely trusts and if he can sell the deal’s outcome to the Israeli people, again with the help of the United States. Without such U.S. leadership, Mr. Netanyahu is unlikely to take the first step to clear the way for negotiations.

In terms of political survival, while Mr. Netanyahu’s coalition is relatively stable, he is often beholden to the right flank of his Likud party and the Jewish Home Party, his critical coalition partner. Many of these members reject a two-state solution and have pushed Mr. Netanyahu toward hardline positions on security and settlement expansion. However, a future coalition government could be considerably more forward-leaning and willing to engage in the peace process.

The Palestinian Market

Working effectively with the Palestinians requires motivating and dealing with Palestinian President Mahmoud Abbas and understanding the fragile humanitarian situation in the occupied Palestinian territories.

To deal effectively with Mr. Abbas, Mr. Trump should recognize both Mr. Abbas’ strength as a partner for peace and his political weakness domestically. For over twenty years, Mr. Abbas and the Palestine Liberation Organization (PLO) have recognized the State of Israel, publicly committed to the two-state solution, and espoused non-violence. These principles are demonstrated through the PA’s close security coordination with Israel and were reaffirmed in the most recent Fatah party conference in November 2016. The PA has also increased its institutional capacity. According to a 2011 United Nations (UN) report, the PA has fulfilled the criteria needed for statehood. However, Mr. Abbas lacks political capital after years of negotiations that have neither delivered peace nor significantly improved Palestinian life on the ground.

- Within the West Bank, Fatah leaders lack popular support. Mr. Abbas has employed repressive policies to solidify his power, and democratic elections have been delayed. In the event of Mr. Abbas’ resignation or death, it is not clear that a partner similarly dedicated to a two-state solution would take his place.

- Since 2007, the PA and Mr. Abbas have not had control over the Gaza Strip. Fatah and Hamas remain divided, and regional attempts at brokering reconciliation have either failed or produced agreements that were ultimately not implemented. Hamas continues its undemocratic and harsh rule over Gaza, where the humanitarian crisis continues to imperil Palestinian security with spillover effects on Israel.

The fragile situation in the occupied Palestinian territories also adds urgency to securing a peace deal. Gaza is in the midst of a humanitarian crisis, and the West Bank and East Jerusalem face challenges related to violence, human rights violations, and poverty. Tensions are likely to rise without resolution of the root causes of such crises. The UN agency responsible for assistance to Palestinian refugees, United Nations Relief and Works Agency (UNRWA), also faces budget gaps that impede its ability to provide stabilizing assistance in the coming years.

The International Market

In interviews with Israelis and Palestinians, both parties expressed the centrality of the U.S. role in the peace process. However, members of the international community can be important and valuable partners for improving the climate to ultimately restart negotiations.

- The Arab world continues to support a negotiated peace, as expressed through the Arab Peace Initiative (API) of 2002. API offers Israel recognition and normalization of relations with the Arab states after “a just and agreed upon” solution to the conflict is reached. Saudi Arabia, Egypt, and Qatar have also supported
peace by attempting to bridge gaps between Fatah and Hamas in order to establish a reconciliation government, though with limited success.

- There are other international parties interested in supporting a peace process. The 2016-17 French Initiative brought together representatives from 70 countries, seeking to build momentum for the peace process. The Russians and Egyptians have also expressed interest in moving forward on peace initiatives. However, international efforts are unlikely to succeed without U.S. leadership.

Mr. Trump must also understand how international actors will react if the Israeli-Palestinian conflict further deteriorates. The Arab world remains deeply aligned with the Palestinian people. Highly visible relations with the United States will be difficult to maintain if the situation worsens. Drastic changes to the status quo, like moving the U.S. Embassy to Jerusalem, would set off widespread reverberations across the Arab world. Former Jordanian Foreign Minister Kamel Abu Jabr equated such a move to “poking a stick within a beehive.” In addition, another war in Gaza would result in devastation that the international community may not step in to rebuild. Gaza remains in crisis after three wars in the last six years. Donor funds are tied up in other regional crises, suggesting another devastating war in Gaza could make the territory ultimately unlivable and destabilize the occupied Palestinian territories and Israel alike.

Rawabi, the first planned Palestinian city and supported by a large investment from Qatar, has struggled to obtain the necessary permits for water and road access from Israeli-controlled portions of the West Bank (Area C).
Use Your Leverage

“The best thing you can do is deal from strength, and leverage is the biggest strength.”

- President Trump, The Art of the Deal

To change the political landscape in favor of peace, Mr. Trump must apply U.S. leverage to both parties clearly and effectively.

The United States is Israel’s strongest ally and chief source of military aid. As such, the Israeli government cannot afford to alienate Washington. Likewise, the United States is a major donor to the PA. Given the Palestinians’ weaker negotiating position as compared to Israel, the PLO looks to the United States to guide Israel towards sensible actions that will clear the way for a lasting peace.

Despite this considerable leverage, past U.S. administrations have often failed to keep the parties on the path to peace.

In particular, most U.S. presidents have not applied serious pressure on the Israeli government. Israeli and Palestinian interlocutors alike called on the United States “to act like a superpower” and take a stronger approach to resolving the conflict.

Mr. Trump can effectively utilize the leverage past presidents were unwilling to wield.

Adopting evenhanded policies toward both parties will not be easy. Both parties will test Mr. Trump’s will and commitment. Yet Mr. Trump is a dealmaker who won the presidency based on a rejection of establishment politics, entrenched interests and lobbyists, and political correctness. Congress and domestic constituencies may raise objections, but as president, Mr. Trump will have significant powers in foreign policy—and a determined President can often get his way.

Mr. Trump should show the Israeli and Palestinian governments that he is ready to apply leverage for the sake of U.S. national interests and the ultimate deal.

As one of our Israeli interlocutors remarked, “give us a U.S. administration with a backbone and we’ll give you a peace deal.” If Mr. Trump is determined to make the ultimate deal, he must use the tools of U.S. leverage to make it happen.
I. Outline the Path to the Ultimate Deal

To change the political climate preventing a lasting peace, the Trump Administration should outline to the parties the path to a successful deal. This requires affirming the final outcome, articulating clear terms of reference (TORs) to reach that outcome, and actively pursuing parallel efforts that improve the climate for successful negotiations.

1. **Reaffirm America’s commitment to a two-state solution publicly and privately.** The two-state solution—the recognition of Israel and an independent Palestinian state comprised of the West Bank and Gaza with its capital in East Jerusalem—has been a cornerstone of U.S. policy on the Israeli-Palestinian conflict for decades. However, the two-state solution is currently on life support. As both sides lose faith that a two state solution is possible, the window to re-launch negotiations is rapidly closing.

   - Although 59 percent of Israelis and 51 percent of Palestinians express support for the two-state solution, fewer than half of the Israeli and Palestinian publics believe the two-state solution is still feasible.\(^vi, vii\)

   - Palestinians increasingly believe Israel and the United States have abandoned the two-state solution, making it much more difficult to bring Palestinians to the table if they do not know the end goal.

2. **Once the final status outcome is affirmed, articulate the TORs to structure negotiations and disseminate them through quiet consultations.**

   The TORs, which should bolster the prospects for a viable two-state solution, should outline U.S. thinking on each of the core issues: borders, security, settlements, refugees, and the status of Jerusalem.\(^i\)

   - These TORs should first be shared privately in consultations with Israeli, Palestinian, and Arab counterparts, with the parties able to accept with reservations. If the parties do not accept the TORs, Mr. Trump should then move to declare them publicly. Continued rejection by the parties should be grounds for submission of the TORs at the UN Security Council, a prospect that would likely push the parties towards acceptance despite reservations.

   - The Trump TORs should draw upon past articulations of U.S. principles like those recently announced by former Secretary of State John Kerry, the George W. Bush Road Map, or the Clinton Parameters. While Mr. Trump may choose not to endorse any of these principles outright, Mr. Trump should craft TORs that build on recent principles. It should be expected that Israelis and Palestinians are likely to take issue with some parts of the TORs, which is why the right to accept with reservations will be key to success. Annex 2 further articulates this paper’s recommendations on core issues of the peace process.

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**Presidential actions that would be detrimental to peace:**

- **Moving the U.S. Embassy to Jerusalem.** Taking a position on a core issue like the final status of Jerusalem would kill the two-state solution, according to Palestinian interlocutors, and would deeply harm America’s relations with Arab states.

- **Turning a blind-eye to Israeli settlements.** The President should make clear that settlements are an obstacle to peace, in line with long-standing U.S. policy. Failing to condemn settlements would signal that the United States does not support the two-state solution, emboldening the Israeli right to abandon peace efforts and pushing Palestinians further away from the negotiation table.
3. From the start of the administration, undertake parallel efforts to create a supportive environment for negotiations to begin and succeed.

- **Improve the humanitarian situation in Gaza.** Gaza’s humanitarian crisis threatens Palestinians and Israelis alike. Gaza has become increasingly uninhabitable and its population is desperate for basic services. This status quo has dire spillover effects on Israel in the form of violence and pollution of resources. The Trump Administration should guide Israel to loosen its blockade of Gaza, improving the humanitarian situation without compromising Israeli security needs. Trump should also mobilize the international community to remain committed to Gaza’s reconstruction, including supporting projects with the private sector (See Annex 7).

- **Press for substantive discussion of the API.** The Trump Administration should engage in active diplomacy in the region to build momentum for a broader peace arrangement between Israel and the Arab world, building on the proposals outlined in the API. Mr. Trump should begin by encouraging Israel to meaningfully respond to the API, while simultaneously pushing Arab states to encourage Palestinian leadership to participate in negotiations.

- **Encourage regional allies to assist the Palestinians in forming a unified, moderate government.** The United States should be open to initiatives that bring about a reconciliation Palestinian government that renounces terrorism, recognizes Israel, and accepts past agreements. While the administration should not accept the excuse from either the PLO or Israel that division between the factions is an obstacle to beginning negotiations, it should welcome and bolster genuine efforts to bridge the divide, including participation by Arab states to help broker agreements by necessary parties to form a future unity government.

4. **Seek to formally launch negotiations once conditions are ripe for success.**

Mr. Trump should demand key steps from each party to create an environment for successful negotiations, backed up by use of U.S. leverage. In negotiations, Israel and the PLO should work toward a final status agreement that guarantees Israel’s security, ends the occupation, and realizes an independent Palestinian state in the West Bank and Gaza, with East Jerusalem as its capital. While the PLO would be expected to negotiate on behalf of Palestinian interests (with respect to the West Bank, East Jerusalem, and Gaza), the agreement would be implemented in stages: first in the West
Bank and East Jerusalem, then in Gaza once political conditions have been met. The two-stage implementation plan allows the peace process to move forward despite the current lack of a PLO presence in Gaza.²

- A negotiated agreement will be implemented immediately in the West Bank, ending the occupation, establishing a Palestinian state, and empowering the PLO as the representative of that state. This implementation phase will complement many U.S. national interests and bring significant improvement in peace and security to Israelis and Palestinians alike.

- In Gaza, the agreement will be delayed until the PLO has governance over Gaza—for example, in a unity government—or until the relevant Gaza government meets the conditions to be a partner for peace.³ This stage of implementation would begin upon the presence of such a government.

Negotiations should only be launched after parties have taken steps to improve the situation on the ground and build trust, as outlined in the sections below. Launching this process before there is adequate trust between the parties will result in yet another round of unsuccessful negotiations, an outcome that would be worse than the absence of negotiations.

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² The parties may oppose entering into negotiations while Hamas remains in control of Gaza. Mr. Trump should reassure Israel that the United States will remain vigilant in supporting Israeli security, reminding interlocutors that progress towards peace will empower moderate Palestinian leaders. This sequential approach reflects the reality on the ground that, despite its weaknesses, the PLO is a viable partner in the peace process while Hamas is not.

³ To be a partner for peace, the government, unity or otherwise, must renounce terrorism, recognize Israel, and recognize past peace agreements.
II. Applying Leverage to the Israeli Government

In his March 2016 speech to the American Israel Public Affairs Committee (AIPAC), Mr. Trump called Israel “our cultural brother” with whom the United States shares an “unbreakable friendship.” Since 1949, the United States’ alliance with Israel has indeed been unbreakable. Yet, similar to friendships and business partnerships, alliances must be rooted in honesty or they will ultimately fail. The honest fact is that Israel’s current trajectory undermines its future as a Jewish, democratic state, and it will not lead to a two-state solution. The Trump Administration should press the Israeli government as follows in order to create the environment for negotiations:

1. **Guide Israel towards a security plan that is compatible with peace.** Israel’s security will be integral to any negotiated settlement of the Israeli-Palestinian conflict. The Trump Administration should reassure Israel that the United States is committed to its security, emphasizing the recent $38 billion military aid package, but also guide Israel toward security pragmatism through the following actions:
   - Encourage Israel to adopt security proposals included in General John Allen’s 2013 security plan and the 2016 Center for a New American Security (CNAS) proposal. These plans articulate a comprehensive package of security measures that provide for Israel’s legitimate security concerns but also allow for a withdrawal from Palestinian territories.
   - Emphasize that regional instability is an insufficient justification to delay negotiations. Mr. Netanyahu is rightly wary of the ongoing regional crises. Yet, in light of this instability, achieving peace with their closest neighbor is more important than ever for Israel. Thus, the current instability may actually offer a unique opportunity to advance negotiations, as many of Israel’s other adversaries, including Hezbollah and Iran, are preoccupied with regional flashpoints in Syria and Iraq.

2. **Demand Israel address its settlement construction.**
   Long-standing U.S. policy has identified settlements as illegitimate and a barrier to peace. Settlement construction creates facts on the ground that affect final status issues and undermine Palestinian quality of life. Palestinian interlocutors consistently viewed settlement construction and expansion as a rejection of the notion of a Palestinian state and the two-state solution.

   Given the United States’ past policies towards Israeli settlement expansion and lessons learned from previous administrations, the report authors are divided in their recommended U.S. policy towards settlements for the Trump Administration. The report offers two different recommendations: (1) a full settlement freeze or (2) a partial settlement freeze, which are both outlined on the next page.

   **Should Israel fail to cooperate on the measures above, the Trump Administration should incrementally apply U.S. leverage. Please see Annex 9 for a list of both positive and negative leverage options.**

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**Additional Steps for Israel:**

To create the supportive environment for peace, the Trump Administration should also encourage Israel to:

- Ease the blockade on Gaza in ways compatible with security needs.
- Halt policy of demolitions of Palestinian property in the West Bank and East Jerusalem
- Remove checkpoints and barriers to movement in the West Bank and East Jerusalem that are unnecessary for Israel’s security.
- Halt Israeli incursions into Area A of the West Bank that are uncoordinated with the Palestinian Security Forces.
- Transfer parts of Area C to PA control to create contiguity in the Palestinian territories.

For additional measures please see Annex 7
The Trump Administration should demand a full freeze on settlement construction and retroactive legalization of settlement outposts.

All settlement construction undermines the potential for negotiations, imperils a two-state solution, and isolates Israel internationally. Mr. Abbas recently affirmed his willingness to return to negotiations if Israel stopped new settlement construction. However, anything less than a full freeze will be a nonstarter for most Palestinian leaders. Settlement growth, including in East Jerusalem and within ‘settlement blocs,’ threatens the contiguity of a Palestinian state as it predetermines the two-state border, which should only be decided in direct negotiations. Likewise, settlement growth makes any future movement or integration of settler populations more difficult. The international community has repeatedly condemned Israeli settlements as illegal, as demonstrated by UNSC Resolution 2334, which was supported by all Security Council members with the United States abstaining.

There will be opposition to this policy, but Mr. Trump must reaffirm that settlements run counter to U.S. national interests. Mr. Netanyahu’s government appears committed to settlement expansion, and the recent UNSC Resolution has only hardened such sentiments. However, Mr. Trump should recognize that many of the voices calling for continued settlement construction also reject the two-state solution and will block sensible concessions towards the ultimate deal. Mr. Trump should emphasize that settlements are not related to Israel’s security. Rather, they are a political choice.

Mr. Trump should be smart in articulating the freeze and firm in using U.S. leverage to achieve it. Mr. Trump should avoid the pitfalls of President Obama’s attempted freeze in 2010 by establishing a baseline for construction, framing the freeze as a demand of U.S.-Israeli relations but not a precondition for Israeli-Palestinian negotiations, and holding the Israeli government accountable for rejection or violations of the freeze. Mr. Trump can succeed where Mr. Obama failed by staying firm and using the tools of U.S. leverage to move the Israeli government to comply. While this will cause a short-term backlash in Israeli politics, it will eventually realign Israeli incentives.
Israel Government actions that would end the two-state solution:

**Annexation of Area C**
Annexing all or part of Area C, the area of the West Bank originally designated as under Israeli civil and security control before it is transferred to the PA, would be viewed as an invalidation of the Oslo Accords as there would be no remaining territory to form a contiguous Palestinian state.

**Settlements in the E1 Corridor**
E1 refers to the area of land between Jerusalem and the Israeli settlement of Ma’ale Adumim in the West Bank. Any settlements in this area would restrict natural growth of a Palestinian capital in East Jerusalem and disrupt the territorial contiguity and integrity of a future Palestinian state.

III. Applying Leverage to the Palestinian Government

While often portrayed as a negotiation between two equal parties, Israeli-Palestinian negotiations are deeply asymmetrical. In these negotiations, Palestinians are negotiating for their freedom while still living under occupation. Israel negotiates from a position of strength as a nation with a strong military and institutional capacity. From the Palestinian perspective, the public feels their leaders have already made historic concessions for peace in past negotiations. In interviews with Palestinian civil society, many stakeholders highlighted the failure of past agreements, such as the Oslo Accords, to deliver statehood or meaningful changes on the ground. Demanding further Palestinian concessions on territorial and political rights, therefore, would weaken Palestinian moderate leaders and play into the hands of Hamas and other terrorist groups who are waiting for the peace process to permanently fail.

Despite the current fragility of the PA, Mr. Abbas is still the most viable Palestinian interlocutor to bring into negotiations. The Trump Administration should encourage the Palestinian leadership as follows in order to create the environment for negotiations:

1. **Demand explicit condemnation of all terrorist attacks against Israel.** Mr. Trump should clearly state any tacit or explicit incitement of violence against Israel is unacceptable and that the PA must condemn all acts of terrorism. The PA should also condemn attacks on IDF soldiers and take steps to end financial support for terrorists’ families. This includes incitement and praise through Palestinian propaganda condoning such violence and terrorism.

2. **Discourage the PA from taking unilateral actions in international fora.** Palestinians have sought UN

### Additional Steps for the PA:
To create the supportive environment for peace, the Trump Administration should also encourage the PA to:

- Continue security coordination with Israel
- Work toward developing a unity government that is legitimate and committed to nonviolence and peace
- Invest in and promote civil society and political participation
- Halt suppression of political opposition figures and supporters
- Improve anti-corruption measures and set a plan toward democratic elections

For additional measures please see Annex 7.
recognition of Palestinian statehood and have begun acceding to international bodies such as the International Criminal Court (ICC) and the International Court of Justice (ICJ). Israel views these unilateral moves as a rejection of negotiations and direct diplomacy. Mr. Netanyahu considers these moves as a non-starter for negotiations, as highlighted in his response to former Secretary of State John Kerry’s speech on 28 December 2016.”

Should the PA fail to cooperate on the measures above, the Trump Administration should incrementally apply U.S. leverage. Please see Annex 9 for both positive and negative leverage options.

### Palestinian Authority actions that would end the two-state solution:

**Dissolving the PA**
If Mr. Abbas chose to dissolve the PA, there would be no Palestinian government to provide services to the Palestinian people or maintain security coordination with Israel. This would create a situation of massive instability for both the Palestinian and Israeli people. It would also create a de facto one state, leaving Israel solely responsible for the West Bank, with economic and political consequences.

**PA/PLO take up armed resistance**
If the PA and PLO choose to abandon negotiations and organize armed resistance against Israel, this would negate the idea of a two-state solution, which is founded on the idea of two states living in peace and mutual recognition.

*Palestinian village in the West Bank.*
Defendants of the status quo oppose returning to the negotiating table due to regional instability resulting from the Arab Spring. In this climate, they argue, Israel cannot risk its security by making progress towards a Palestinian state, which could serve as a safe haven for Israel’s enemies. However, in fact, the persistence of conflict and instability across the region has made the need for a resolution to the Israeli-Palestinian conflict all the more urgent.

Hezbollah is currently bogged down in Syria, but will eventually return its focus to Israel. The terrorist organization is suffering significant battlefield deaths as it supports the Syrian regime’s efforts to retake areas controlled by opposition forces. While Hezbollah maintains a threatening stockpile of arms in southern Lebanon, it currently does not aim to precipitate yet another armed conflict with Israel. The United States should push Israel to avail itself of the relative quiet on Israel’s northern border to ensure its long-term security through a peace deal with the Palestinians, before Hezbollah winds down its operations in Syria and sets its sights on Israel once again.

States in the region would like to expand security and economic ties with Israel, but the lack of progress towards peace and the continued occupation foreclose opportunities for more comprehensive cooperation. While states such as Saudi Arabia and Turkey would like to expand ties with Israel in order to counter Iranian aggression, increase trade and investment opportunities, and combat terrorism, their publics remain staunchly opposed to cooperation with Israel, let alone normalization or peace. These governments are eager to show their populations they are still invested in ending the occupation. Resuming the peace process could provide breathing room for them to expand their relationship with Israel, enhancing Israel’s own security and prosperity in the process.

The battle against terrorism has been arduous, but would be more successful if one of the core rallying cries for radicalization (the Israeli occupation) were no longer relevant. Resolving the Israeli-Palestinian conflict must be a cornerstone of the Trump Administration’s strategy for defeating global terrorism and working closely with our allies to eliminate the root causes of instability within the region. At the 70th Annual Middle East Institute Annual Conference, Prince Turki bin Faisal al Saud commented on the linkage between current instability in the region and the Israeli-Palestinian conflict, “there is a direct link between the situation today going back to the 1940s.”

Brokering the “ultimate deal” and resolving the conflict between Israel and Palestine, salvaging a future two-state solution, and creating an “oil spot” of stability emanating from Israel to its surrounding neighbors, including a Palestinian state, will be a key starting point to resolving the instability plaguing the Middle East. Regional allies such as Saudi Arabia and Qatar may be more willing to undertake politically-challenging steps to counter extremist ideologies spewing from private organizations within their countries if they are able to shore up popular support by helping to broker a peace deal that secures a Palestinian state.

Funding for humanitarian assistance is scarce, thus the United States would face greater pressure to contribute to reconstruction and assistance efforts in the event of further conflict between Israel and Hamas. War has broken out between Israel and Hamas three times since 2008, with the last conflict in 2014. Another conflagration could occur, and is more likely every day that there is not a peace agreement that secures a two-state solution. The aftermath of such a conflict would be especially devastating for Palestinian and Israeli interests because the available funding for humanitarian assistance and reconstruction of Gaza would be minimal. There is already donor fatigue due to the crises in Syria, Iraq, Yemen, and Libya. With Gaza still reeling from the 2014 war, the United States would be pressured to contribute significant funding to stave off a massive humanitarian catastrophe in the event of another conflict. There is also a perception among some domestic and regional
constituencies that the U.S. government over the last decade has squandered much of its regional credibility. Through our regional travels, we found that the Obama Administration’s initial policies—while at first viewed favorably by many populations—eventually lost their luster. Critics argue alleged U.S. regional inaction—specifically citing since the Arab Spring in 2011—failed to stem the flow of violence in countries such as Iraq, Syria, Libya, Egypt, and Yemen. The same U.S. policies are also viewed as the United States ceding influence in the Middle East to nations such as Russia and Iran with anti-democratic goals and anti-Western values.

Therefore, the dire situation in the Middle East demands U.S. resolve and a willingness to play the role of a global leader. To do so, the United States must significantly alter its regional posture and resolve, including an overhaul of its counter-ISIL strategy and changes to its approach to the Israeli-Palestinian conflict. Doing so will take a significant investment in diplomacy to reassure our regional allies that their increased involvement under U.S. leadership will be fully supported by the Trump Administration with all of its instruments of national power.

Annex 2: Core Issues

The four core issues of the conflict are: borders and settlements, refugees, the status of Jerusalem, and security. Shiri Tal-Landman (2010) of the Israeli Institute for National Security Studies (INSS) argues that Mr. Netanyahu’s demand that the Palestinians recognize Israel as a Jewish state is now a fifth core issue.

Borders and settlements: The 2000 Clinton Parameters suggest that Palestinians get 94 to 96 percent of the West Bank. Eighty percent of Israeli settlers reside within the remaining 4 to 6 percent of the West Bank. This land could be part of a future Israeli state in exchange for equivalent land swaps to Palestine of Israeli territory within the Israeli side of the 1967 line. This principle of borders being based on the 1967 lines with mutually agreed land swaps has been articulated by previous administrations, in line with UNSC Resolution 242, and is, indeed, the position of this report as well.

Refugees: There are five to six million Palestinian refugees, people who fled their former homes in present-day Israel in 1948 and their descendants, spread across the world. Palestinians call for an implementation of the right to return for these refugees, based on UNSC Resolution 194, and for Israel to accept its “historical wrong” in their displacement. Israelis believe that if all Palestinian refugees were allowed to return, Israel would cease to be a Jewish state. The Clinton Parameters suggest that Israel acknowledge the suffering caused to the Palestinians and international mechanisms be arranged for compensation and resettlement (both in the new state of Palestine and, to a negotiated degree, in Israel). This report recognizes that this issue is most amenable to creative solutions, with potentially large zones of agreement that can be facilitated by the international community.

Status of Jerusalem: Jerusalem is potentially the most challenging core issue to resolve. There are two major issues: the division of sovereignty over municipal Jerusalem (with most Palestinian neighborhoods in East Jerusalem and most Jewish neighborhoods in West Jerusalem) and the division of sovereignty over the Old City (an area of one square kilometer with religious sites of enormous significance to many religions, including Christianity, Judaism, and Islam). Palestinians are unlikely to accept any deal that does not include East Jerusalem as their capital, while Israelis are increasingly unlikely to accept any division of Jerusalem. Indeed, Israelis have been increasing settlement activity in East Jerusalem in an attempt to reduce its Palestinian character. They also have plans to build new settlements in the E1 corridor so as to connect the settlement of Ma’ale Adumim and Jerusalem. As pointed out in the “red lines” section above, both these actions would remove territorial
contiguity of a future Palestinian state and kill the two-state solution by taking Jerusalem off the table. The Clinton Parameters envision a division of Jerusalem into Palestinian neighborhoods controlled by a Palestinian state and Jewish neighborhoods controlled by Israel, with a special regime of divided responsibility/sovereignty over the Old City with international oversight. As the most sensible midway option, this is also the position of this report.

Security: As pointed out in the Use Your Leverage section, General John Allen’s 2013 security plan and the CNAS 2016 proposal are plans that can maximize Israeli security while still ensuring Palestinian sovereignty.xii In particular, the CNAS security proposal (and presumably the classified Allen Plan) calls for a gradual 5-year redeployment of IDF forces from the Jordan Valley. In their place, an international or U.S. military force would be either temporarily (5 years) or permanently stationed in the two-kilometer security zone west of the Jordan River. By many accounts, this phased redeployment plan meets Israel’s security needs and the Government of Israel would either need to clarify its resistance to this proposal or engage seriously with what its implementation would entail. This report proposes that the U.S. adopt this position during negotiations.

Israel as a Jewish state: Some Israelis believe that if Palestinians do not declare that Israel is a Jewish state, then Palestinians will use a peace deal as a “temporary way-station toward eventually ejecting the Jewish people from...Israel.” In contrast, Palestinians believe that if they declare Israel as a Jewish state, then Israeli-Arabs will have diminished rights, Israel will admit even fewer Palestinian refugees and Palestinians will be forced to forsake their “own history as inhabitants of the same land.” Most countries in the world, including the United States, have not formally recognized Israel as a Jewish state, but as a sovereign nation-state. For the purpose of negotiations, the United States should keep this position and encourage the parties to reach a formulation on their own.

Annex 3: The Case for the Two-State Solution

Although it’s generally good to maximize all options in most negotiations, the Israeli-Palestinian conflict may be the exception. The two-state solution—the establishment of an independent Israel and an independent Palestine comprised of the West Bank and Gaza with its capital in East Jerusalem—has been a cornerstone of U.S. foreign policy for decades. More importantly, it is the only solution the majority of Israelis and Palestinians believe will lead to lasting peace. An August 2016 poll found that while 59 percent of Israelis and 51 percent of Palestinians support a two-state solution, just 25 percent of Israelis and 34 percent of Palestinians support a one-state solution in which both populations would have equal rights. There are three major reasons for the continued focus on the two-state solution:

1) Israel defines itself as both a Jewish state and a democracy. Israel is committed to its identity as a Jewish and democratic state. Yet Arab and Jewish populations are approximately equal within the borders of Israel and the Palestinian territories. Although controversial, demographic predictions have indicated that the Palestinian population will surpass the Jewish population due to higher fertility rates. In a one-state outcome, Israel would either lose its Jewish identity as Jews become a minority (an immediate deal-breaker to most Israelis) or Israel would lose its democratic character if Palestinians are not given full and equal citizenship rights. Political control of a Palestinian majority by a Jewish minority would be highly troubling to the international community and would even test the limits of pro-Israel groups in the United States. Retired Marine General James Mattis likened this outcome to an apartheid state, which would lead to international isolation for Israel and increase the potential for violence for both populations.

2) Palestinians seek sovereignty, freedom, and dignity. Since the 1993 Oslo Accords, Palestinians have worked towards a future sovereign state that secures freedom and dignity for its citizens. The PA has established institutions and built up its own internal capacity (with varying degrees of success) as well as actively sought recognition of Palestinian statehood in international fora. In 2011, the UN determined that the Palestinian Authority had developed
sufficient government institutions for statehood.

3) The international community has developed a consensus on the validity of the two-state solution. From the United States to the Middle East Quartet to the Arab League, a two-state solution has long been the agreed upon outcome of this intractable conflict. The international consensus leans heavily in favor of a two-state solution; alternative options have been met with skepticism or outright hostility.

Annex 4: Current Threats to the Two-State Solution

Despite widespread desire for a two-state solution, dynamics on the ground are pushing the situation perilously close to a de facto one-state solution. From the Palestinian perspective, the outright rejection of the two-state solution from certain Israeli government ministers and only qualified support from Mr. Netanyahu indicate that Israel is not serious about engaging in negotiations based on two states. Likewise, Israelis are not convinced that Palestine's territorially and politically divided government can deliver a two-state solution.

On the ground, the two-state solution has never looked further away. Gaza is completely split from the West Bank, physically and politically, effectively creating two separate states. Yet neither entity has true sovereignty, with Gaza under Israeli and Egyptian blockade and the West Bank and East Jerusalem under Israeli occupation.

The major threats to a viable two-state solution include:

1. Lack of Palestinian control over the West Bank: The Oslo Accord called for parts of the West Bank to be brought under Palestinian control. However, Israelis and Palestinians on the ground report that the Oslo Accords’ West Bank administrative divisions have largely become meaningless. The year 2017 marks the 50th year of the Israeli military occupation, with Israel exercising some level of control across the entirety of the West Bank. Palestinians have civil control of around 40 percent of the West Bank, which is not territorially contiguous, with limited security control. In contrast, Israel has full control over approximately 60 percent of the West Bank (Area C), which is territorially contiguous and contains most of the West Bank’s natural resources. Israel controls freedom of movement via a network of checkpoints within the West Bank as well as at its borders. The potential for Palestinian statehood is undermined by this lack of sovereignty and restrictions on resources and movement.

2. Palestinian political division: The split between Hamas and Fatah has divided the proposed Palestinian state into two separate entities. Internal political issues have created a repressive atmosphere in the West Bank and outright oppression in Hamas-controlled Gaza. Israel’s border controls and blockade of Gaza have exacerbated this divide by limiting movement between the West Bank and Gaza.

3. Israeli settlement growth and limits on Palestinian development in the West Bank: Israeli policies on settlements and development are changing the facts on the ground in the West Bank. Since the signing of the Oslo Accords, the settler population in the West Bank (not including East Jerusalem) has more than tripled from 116,000 in 1993 to 390,000 in 2015. In turn, Israel has prevented Palestinian expansion by declaring 70 percent of Area C for Israeli use and denying construction permits to Palestinians. In a five-year period from 2009 to 2013, only 34 out of 2,000 building permits...
were approved for Palestinians attempting to build in the West Bank. In all of 2014, only one permit was approved. As a result of these policies, Area C now has more Israeli settlers than Palestinians.\textsuperscript{xiv} Area C is territorially contiguous, and its annexation by the Israeli government would leave only territorially non-contiguous pockets of Palestinian cities for a future Palestinian state.

4. **Israeli unilateral “unification” of Jerusalem:** East Jerusalem, home to 315,900 Palestinians, is fully under Israeli control. In 1980, the Israeli government rejected the idea of the division of Jerusalem and officially annexed East Jerusalem, a move that has not been recognized by the international community, including the United States. Israeli policies aim to solidify this unification by undermining the Palestinian character of East Jerusalem. Palestinians face discrimination in the provision of services and may be pushed from their homes through home demolitions and residency revocations. In 2014, 98 home demolitions took place, with 208 residents uprooted from their homes and a further 107 Palestinians losing their residency status.\textsuperscript{xv} In turn, the Israeli government has also promoted settlement growth in East Jerusalem. Israel already expropriated about one-third of East Jerusalem’s territory for settlements, with a population of 210,000 Israeli settlers.\textsuperscript{xvi,xvii} Small groups of settlers also continue to set up settler enclaves within Palestinian neighborhoods. These settlements change the character of East Jerusalem and threaten to cut off East Jerusalem from the West Bank.

5. **Humanitarian disaster in Gaza:** According to the UN, if current trends persist Gaza will become uninhabitable by 2020. Gaza has been under Israeli and Egyptian blockade for nine years as well as had three military operations in six years between Israel and Hamas that devastated its people, infrastructure, and overall economy. In Gaza, only five percent of the water is drinkable, jobs and economic opportunities are scarce, and residents are frequently without electricity. As of 2014, the poverty rate reached 39 percent and nearly 80 percent of families were dependent on foreign aid. The Israeli and Egyptian blockade have hindered reconstruction and improvement of the economic situation; war between Hamas and Israel has continually devastated local institutions and created a quasi-state on the brink of disaster.

6. **Violence and incitement to violence:** Violence continues to undermine a two-state solution by breeding mistrust between Israelis and Palestinians. The carnage of the Second Intifada is still present in the Israeli public memory. In the fall of 2015, a wave of lone-wolf Palestinian attacks, as well as rocketfire from Gaza attacking Israeli civilians and soldiers, further deteriorated trust. Israeli settler violence and excessive use of force by the Israeli forces against Palestinians remain concerns.
Annex 5: Alternatives to the Two-State Solution

Our consultations with key interlocutors in Israel, Palestine, and the United States revealed that, while a two-state solution is imperfect, there is no viable alternative that would secure a negotiated, lasting peace deal. In comparison to the two-state solution, confederations, binational states, or regional configurations do not satisfy the needs of both the Israeli and Palestinian populations. Nevertheless, identifying the range of possible arrangements or alternatives to solve the Israeli-Palestinian conflict is warranted. This Annex reserves analysis but offers some alternatives to the two-state solution below.

**Binational one-state entity:** Israel could officially annex the occupied Palestinian territories under its control or Palestinians living in the occupied territories could dissolve the PA and demand equal rights and citizenship. In both scenarios, a de facto one state entity would emerge. This could result in violence if actors on either side reject and resist the one state reality. In both scenarios, Palestinians would lose their national claim and Israel would be faced with a choice between its Jewish character and democratic values.

**Regional land swaps:** A regional solution with a wider-number of regional partners and allies could be an alternate way forward. One example might be land swaps between a larger number of actors, say Egypt, Jordan, Israel and Palestine, as opposed to simply between Israel and Palestine.

**Jordan plays a larger role:** Another alternative could be an increased active involvement of another strong regional U.S. ally, Jordan. In the absence of a two-state solution with a unified West Bank and Gaza, one alternative is to form a coalition or governing federation between Jordan and the West Bank.

The Case for an Open Mind:

World leaders have pursued a two-state solution to the Israeli-Palestinian conflict for decades with little success. In many ways, “two states” has become more of a slogan than an attainable outcome. A two-state solution – as presently conceived – is not the only means for achieving lasting peace in Israel and Palestine. So long as the following four basic principles are included in a peace agreement, its final form could be something other than two states:

- **Freedom of self-determination:** Residents of Israel and Palestine must have the right to elect their governments through a democratic process.
- **Freedom of movement:** Residents of Israel and Palestine must be able to travel freely within their states, allowing them to work and live where they choose.
- **Equality:** Residents of Israel and Palestine must be treated equally within their states, without discrimination based on race, sex, religion, or creed.
- **Security:** Residents of Israel and Palestine must be able to live at peace without fear for their safety by their government or foreign parties.

If these fundamental human rights are guaranteed in a final peace agreement, peace can be achieved through a one-, two-, or multi-state solution. As President Trump understands, negotiations are most likely to be successful when negotiators have the greatest flexibility to craft a deal that is amenable to all sides. Therefore, considering alternatives to the two-state solution that meet the needs of Israelis and Palestinians could help President Trump achieve the “ultimate deal.”
Alternate power-sharing agreement—one land, two peoples: There could be another alternative power-sharing agreement that encompasses a single territory with two political entities, each maintaining its own national status.

Continued conflict: A civil war or another intifada could bring about a significant change in the status quo.

Annex 6: Lessons Learned in Previous Negotiation Efforts

1. Build and empower a strong, diverse, and experienced team.

Officials overseeing the negotiation process must be seen as credible and committed by both parties. They should have expertise in negotiating deals and bringing processes to fruition, as well as comprehensive knowledge of the Israeli and Palestinian political dynamics. Their mandate to constructively engage on the issue must come from the top (i.e. the President).

- **Construct a diverse team of experienced diplomats and issue experts, then rely on their expertise.** Under former President George H.W. Bush, Secretary of State James Baker brought professional diplomats and sitting ambassadors directly into his negotiations, which helped him understand the region and develop effective strategies and tactics. Mr. Baker used this understanding to achieve significant progress in negotiations through the Madrid conference.

- **Special emissaries must be perceived to have the White House’s full confidence and support.** The Secretary of State, a designated emissary, or other high-level diplomats will lack credibility with foreign interlocutors if they are not perceived to directly represent the President’s preferences. Regional leaders knew that Secretary of State James Baker had the full faith of President George H.W. Bush, which enabled Mr. Baker to attain commitments that ultimately led to the Madrid Conference. In contrast, George W. Bush-designated envoys were not seen to have the president’s full backing and were therefore less effective negotiators as a result.

- **A peace process team must have a wide range of views and expertise.** The team should hold diverse viewpoints so that their involvement is (1) accepted by all parties and (2) able to critically analyze the Palestinian and Israeli sides. Palestinians are historically less trusting of a U.S.-led peace process team that is overwhelmingly comprised of American Jewish officials and includes few or no American Arab or Muslim officials. While policy is ultimately set by the President, having a diverse team will strengthen those policy options and prepare the ground for successful negotiations.

2. Take advantage of rare opportunities; work to create openings.

It is rare to have all parties led by officials willing and able to come to the negotiations table. All parties must also be willing to make concessions that advance the prospects for peace. The rare moments when these conditions emerge occur must be seized. Past missed opportunities highlight specific lessons that can be used for future negotiations:

- Palestinian President Mahmoud Abbas and Israeli Prime Minister Ehud Olmert came extremely close to an agreement on final status issues in their 2007/2008 talks at the Annapolis Conference; however, upon taking office, the Obama Administration failed to build on this momentum, choosing instead to begin the peace process anew, abandoning the progress made under the George W. Bush Administration.

- When Israeli Prime Minister Yitzhak Rabin expressed an openness to returning the Golan Heights to Syria in exchange for normalization and security, Secretary of State Warren Christopher failed to engage in the requisite intensive
diplomacy to transform this opening into a negotiated peace agreement, and instead let the offer wilt, returning to Washington for a month-long vacation.

- The Arab League presented the API in 2002, and has since unilaterally amended its terms to make them more favorable for Israel. Both the George W. Bush and Obama Administrations have not successfully pushed Israel to substantively respond to this proposal.

3. Ensure compliance with agreed-upon commitments.

When agreements between parties were reached, the United States neither adequately monitored parties’ commitment to the terms of the agreements nor held them accountable for noncompliance. Both actions are necessary if the incoming Trump Administration wants to ensure a lasting negotiated deal.

- **Effectively monitor and verify performance.** A designated official or group must be tasked with regularly observing progress and performance, logging successes as well as violations of agreed-upon commitments. This entity must be empowered to enforce noncompliance. They can also reward for milestones that are met.

- **Hold parties accountable for violations.** Monitoring and logging performance is not enough; the incoming administration must impose consequences for destructive violations of the negotiated deal. The November 2005 Agreement on Movement and Access for Gaza offers a compelling example of the need for accountability: U.S. Secretary of State Condoleezza Rice engaged in intensive diplomacy to broker the deal, but it collapsed shortly after she departed from the region because of poor follow-up and a belief among the parties that they did not have to fulfill their commitments. There were no consequences for noncompliance.

4. Judiciously employ confidence-building measures.

Demanding the adoption of confidence-building measures (CBMs) can be an effective way to build momentum toward a return to negotiations, either for an ultimate agreement or to prevent escalation of violence. However, CBMs need to be linked to a negotiation process or framework to be successful. CBMs divorced from a larger negotiation process may ultimately breed discontent and cause more harm than good.

- CBMs can sap the political capital necessary for more substantive concessions at later stages and perversely undermine trust if they are viewed to stall meaningful negotiations.

- The Obama Administration’s insistence on a ten-month moratorium on new housing starts, which ultimately expired without any movement on the peace process, embodied both mistakes: 1. the Palestinians were disappointed the concession was not more significant, and 2. Netanyahu had to sell the policy to his coalition. The U.S. administration also suffered politically.
Possible Approaches

**Israeli Options**
- Withdrawal to separation fence
- Unilateral disengagement
- Selective annexation
- Improve conditions on ground

**Palestinian Options**
- Unilateral declaration of independence
- "Lawfare" (ICC, ICJ)
- Fatah-Hamas unity government
- Violent resistance
- Non-violent resistance

**Joint Options**
- Renew bilateral negotiations
- Coordinated unilateralism
- Long-term ceasefire

**International/Regional Options**
- Parameters or TOR
- 2008 Road Map
- 2002 Arab Peace Initiative
- International Initiative

Possible Outcomes

**Binational/unity Federal**
- One State

**Separation Long-term interim agreements**
- Two States

**Autonomous cantons Federation Confederation**
- Three States

- Status Quo

- Creeping Annexation

- Jordan Options

- Trusteeship

Graphic created with Piktochart. Content courtesy of Ambassador Daniel Kurtzer.
Annex 7: Creating the Environment for the Ultimate Deal

It is critical to create an environment that supports a lasting deal. Currently, Israelis and Palestinians are skeptical a two-state solution is still possible. The low quality of life Palestinians experience under the status quo breeds frustration and anger. Likewise, Israeli life is permeated by a sense of insecurity, contributing to hesitancy to make compromises for peace.

The United States should press Israelis and Palestinians to take independent actions to change this environment. The steps should be considered "minimum expectations" rather than a favor or quid-pro-quo action. Thus, these actions should not necessarily be part of negotiations and many are actions both parties should be taking under Phase I of the Road Map as articulated by the Quartet on the Middle East (QME). To date, the first phase of the Road Map has not been fully implemented.

Given these benchmarks, the United States should press Israelis and Palestinians to fulfill these minimum requirements, without which the United States will question both sides commitment to the two-state solution. Israel should take more unilateral steps given the asymmetry of the conflict and Israel’s relatively stronger negotiating position. Palestinian steps are directed at the PA, as the legitimate representative of the Palestinian people, proportionate to the level of control they have over the status quo.

The recommended actions below focus on increasing trust, improving Palestinian quality of life, and building Palestinian state capacity. An independent mediation body should also be empowered to adjudicate disputes related to the actions listed below. This body could be comprised of QME members approved by both parties or another entity developed through direct negotiations or consent from both parties. Recommendations should be implemented in the immediate (*), short-term (**), and medium term (***) for actions lasting up to 2 years. These actions will facilitate an environment that allows the parties to come to the negotiating table as well as reach a viable final agreement.

Increasing Trust

**United States:**
- Commit funding for Track 2 dialogues that build trust between Israelis and Palestinians, including for civil society groups, technical experts, scientific groups, religious and cultural authorities, and youth organizations. *
- Reassure Israel of the U.S. commitment to Israeli security, noting the recent military aid package and continued support. *

**Israel and PA:**
- Make public commitments to the two-state solution. *
- Halt incitement of violence or racism. Publicly condemn incidents of incitement and violence. *
- Increase interaction and cooperation in economic, professional, educational, and cultural fields. *

Improve Quality of Life for Palestinians

The low quality of life for Palestinians in the West Bank, East Jerusalem, and Gaza creates anger and frustration that could readily spark violence or rejection of a two-state solution. This situation also leads to negative spillover effects that harm Israel’s security, public health, and ecological integrity (such as through pollution and disease). Palestinian suffering also feeds anti-Israel and anti-American sentiment in the Arab world, increases international isolation of Israel in multilateral forums, and places the United States in the position of shielding Israel from international censure.
United States:
- Maintain development assistance focused on the occupied Palestinian territories, especially to UNRWA, and funding for the reconstruction of Gaza.*
- Mobilize additional funding and technical support for high-impact projects. Global Palestine: Connected Gaza is a private sector initiative that proposes 70 “catalytic projects” ranging from quick impact projects addressing urgent needs to larger scale projects addressing rebuilding and long-term development. A list of these projects, and the larger Spatial Vision of the initiative, can be found at their website: http://www.connectedgaza.com/ *

Israel:
- Halt Israel’s demolition of private Palestinian property in the West Bank and East Jerusalem. Create a transparent system of construction permits that includes the opportunity to rectify structures built without a permit.*
- Increase municipal services to Palestinian residents in Jerusalem, including expanding these services to those living within Jerusalem municipality boundaries but outside the separation wall.*
- Remove checkpoints and barriers to movement in the West Bank that are unnecessary for Israeli security control. An arbitration and enforcement body should review any disputed checkpoints with Israeli, American, and Palestinian security experts to determine their validity.**
- **Ease the blockade on Gaza. An arbitration and enforcement body should review blockade procedures and ensure it addresses reasonable security concerns without disproportionately affecting Palestinian life.** *
  - Adopt a dual-use list in line with international standards; increase permits for workers and travel; increase import and export allowances.
  - Widen the nautical boundaries of Gaza to the Oslo-agreed upon 20 nautical miles from the Gazan Coast.
  - Increase power supplied by Israel to Gaza by at least 30 megawatts immediately and 100 megawatts within one year.*** Currently, a sewage treatment plant sits unused in Gaza because it needs 3 megawatts of electricity to run, while 90,000 cubic meters of untreated sewage flow daily into the Mediterranean.**
  - Increase the amount of water sold to Gaza to at least 20 million cubic meters.xxxi

PA:
- Halt suppression of political opposition figures and supporters.*
- Increase governance in refugee camps and Jerusalem neighborhoods outside the separation wall.**
- Work toward developing a legitimate unity government that is committed to nonviolence and peace.***

**Build Palestinian State Capacity**
In 2011, the UN declared the PA to have developed sufficient governmental and institutional capacity to qualify for statehood. However, the PA still has limited control over 40 percent of the West Bank and has failed to comprehensively address corruption. This reality leads to frustration among Palestinians, decreasing support for a viable peace agreement with Israel and may even jeopardize the PA’s ability to implement a deal if an agreement is reached.
United States:
- Continue bilateral assistance and technical support to the PA, including training of security forces.*
- Invest in civil society and democratization initiatives. Condemn attacks against civil society in Israel and Palestinian territories.*
- Increase business cooperation through existing channels like the Palestinian American Chamber of Commerce.**
- Craft a Free Trade Agreement and Bilateral Investment Treaty tailored to supporting Palestinians and a future Palestinian state. For example, industrial parks established by United States, Israeli, and Jordanian firms should enjoy the full benefits of the agreements.***

Israel:
- Halt Israeli incursions into Area A of the West Bank that are uncoordinated with the Palestinian Security Forces (PSF). Any disputed cases should be referred to an arbitration and enforcement body.*
- Reopen the Orient House and other Palestinian institutions in East Jerusalem.*
- Transfer Area C to Palestinian control. Civil control should be given to PA over significant portions of Area C, with security control also yielded in areas without settlements such as in the northern West Bank.**
- Remove barriers to Palestinian telecommunications development, including releasing frequency spectrums to the PA for provision of 3G/4G wireless networks in the West Bank and authorizing import of materials to build telecommunications infrastructure in Gaza**
- Establish a transparent, administrative council for Palestinian neighborhoods in East Jerusalem to manage civil affairs with a budget separate from the Jerusalem municipality. The council should receive technical support from the UN and eventually incorporate PA representatives.**
- Transfer control of the Allenby Bridge border crossing with Jordan to Palestinian control. A U.S. or international monitoring presence could also be established.***
- Pass a settler relocation compensation law to incentivize voluntary settler movement. The United States and international community could support these efforts with funding.***

PA:
- Invest in and promote civil society and political participation.*
- Initiate internal reforms to improve the PA's legitimacy and set a plan for democratic elections.**

The Trump Administration should not view or articulate these measures as a replacement for a deal or as a conflict management strategy. The measures must be firmly placed within the context of creating an environment that facilitates the two-state solution. Otherwise, as the Art of the Deal notes, “if you don’t deliver the goods, people will eventually catch on.” In this case, the result of half-measures without delivering the goods would be anger and frustration that could permanently bury the potential for a deal or spiral into violence.
Annex 8: Monitoring and Accountability

In the pursuit of the outcomes listed above, there are a series of outputs that can measure whether the two parties are progressing towards a useful environment for negotiations. The United States should monitor progress towards these outputs through the establishment of a dedicated unit within the U.S. negotiating team. This unit should also submit reports every six months to the Secretary of State on the progress (or lack of progress) of both parties. In the event of limited progress and/or a failure to take steps to return to the negotiating table, the Trump Administration can then determine whether to utilize any or a combination of the leverage options and incentives outlined in the toolkit in Annex 9. However, this section is chiefly concerned with monitoring the confidence building measures and their outcomes outlined above.

First, with respect to the red-line actions (i.e., actions that would kill a two-state solution if undertaken by either party) the United States should publicly state such actions would elicit a strong and immediate response from the United States government, perhaps in line with the more severe leverage options described in the next section.

All other actions should be monitored and reported by a dedicated unit within the U.S. negotiating team comprised of personnel experienced in conflict resolution, negotiation, and monitoring and evaluation. For some outcomes, it may be useful to set up a “timeline” of progress to track positive developments or failure to meet these minimum expectations. This tracking mechanism should also be frequently communicated to both Israeli and Palestinian interlocutors.

However, there are some outputs that require a more nuanced analysis. For instance, settlement activity is more complex. For such actions, the United States should develop a typology that can determine the seriousness of the action and, hence, the potential U.S. response.

Settlements: One typology for settlements, in increasing order of negative impact on the peace process, is as follows:

- Existing settlements west of the security barrier (in the event of a demand for a full settlement freeze)
- Existing settlements east of the security barrier
- New settlement outposts
- Settlements in East Jerusalem
- Settlement construction in the E1 zone (red-line action)

This report recommends that Mr. Trump apply leverage options from the toolkit in the next section proportional to the seriousness of the respective settlement actions.

Incitement and acts of terrorism: A similar typology concerning Palestinian incitement to violence can also be established. One typology for incitement, in increasing order of negative impact, is as follows:

- Lionization through public speeches
- Financial rewards for martyrs
- State-sanctioned acts of terrorism
- Organized violent resistance under the PA/PLO

Returning to the negotiating table: The actions described above relate to creating the supportive environment for
negotiations. Once several positive steps have been taken, the Trump Administration should focus on incentivizing additional steps towards an implemented deal:

- The two parties agree to return to the negotiating table
- The two parties commit to a timeframe to achieve a deal
- The two parties achieve a deal
- The two parties implement the deal

Once again, the United States should offer cascading positive incentives to both parties using the incentive toolkit in the next section for achieving each of the former three steps: with the largest incentive for the achievement of a deal, a scaled medial incentive for the timeframe (smaller the agreed timeframe, larger the incentive), and a small incentive for the two parties agreeing to return to the table.

Graduate consultants with representatives from the Temporary International Presence in Hebron.
Annex 9: Incentive & Leverage Option Toolkit

The United States holds unique leverage over both parties in the peace process. As an experienced negotiator, Mr. Trump can judiciously apply U.S. leverage in order to incentivize and reward cooperation while presenting serious and credible consequences for noncooperation. The toolkits provided below represent a menu of options the Trump Administration can utilize to initiate and sustain direct negotiations between Israelis and Palestinians. These options answer the “or else” question of U.S. involvement in the peace process, namely if either party fails to constructively participate in direct negotiations, this toolkit provides potential U.S. government responses. Importantly, the decision of which option (or combination of options) to enact will depend on the political context and the degree of intransigence from the party or parties. In many cases, the threat of the option may be sufficient in securing concessions or cooperation in direct negotiations.

The toolkits are organized by parties. U.S. incentives and disincentives towards Israel are listed first, particularly focusing on the issue of settlements. A general toolkit on applying leverage to the Palestinians follows.

Israel: Incentives & Disincentives

General & Process-Related Toolkit

Table 1: General & Process-Related Disincentives (in order of increasing severity)

<table>
<thead>
<tr>
<th>#</th>
<th>Disincentive</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Modify U.S. policy of fast-tracking Israeli arms procurement</td>
<td>Instead of the current status quo that fast-tracks Israeli defense procurement, having Israel seek approval from U.S. interagency stakeholders would slow the procurement process.</td>
</tr>
<tr>
<td>2</td>
<td>Review bilateral aid to Israel and advocate for a decrease in aid.</td>
<td>Israel is the largest recipient of U.S. aid. Announcing an intent review and decrease this aid would provoke a strong Israeli response. The current Congress would voice opposition and likely block any actual change.</td>
</tr>
<tr>
<td>3</td>
<td>Make Terms of Reference (TOR) for negotiations international law through a UNSC Resolution.</td>
<td>The threat of a UNSC resolution enshrining TORs could be sufficient to bring Israelis to the negotiating table. If talks collapse, enshrining the TOR in international law would also preserve any progress made for the next round of negotiations.</td>
</tr>
<tr>
<td>4</td>
<td>Offer symbolic recognition of Palestine, without specifying borders or capital.</td>
<td>In 2014, Sweden became the first European country to officially recognize Palestine. While largely symbolic, official recognition would alter the landscape of negotiations and bolster the two-state solution. Such an action would not require Congressional approval.</td>
</tr>
</tbody>
</table>
37

Table 2: General & Process-Related Incentives (in order of increasing impact)

<table>
<thead>
<tr>
<th>#</th>
<th>Incentive</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>5</td>
<td>Abstain from a UNSC Resolution supporting Palestinian statehood.</td>
<td>In 2014, the United States vetoed a UNSC resolution recognizing the state of Palestine. Abstaining from any future vote would send shockwaves through the international community, affirming UN Resolution 181 on the establishment of two independent Jewish and Arab states.</td>
</tr>
<tr>
<td>6</td>
<td>Vote in favor of a UNSC Resolution supporting Palestinian statehood.</td>
<td>Both a vote in favor or an abstention (above) come with significant political costs. Senator Lindsey Graham has vowed a “violent backlash” to previous statehood resolutions, for example, including halting U.S. funding to the UN.</td>
</tr>
</tbody>
</table>
Israeli Settlements Toolkit
Settlement disincentives and incentives are ordered by lowest to highest severity, as measured by their potential political ramifications.

Table 3: Disincentives regarding Israeli Settlements (in order of increasing severity)

<table>
<thead>
<tr>
<th>#</th>
<th>Disincentive</th>
<th>Details</th>
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<tbody>
<tr>
<td>1</td>
<td>Enforce existing U.S. trade policy on the labeling of goods manufactured in the Israeli-occupied West Bank.</td>
<td>Current law mandates that products made in illegal settlement communities should not be labeled “made in Israel,” subjecting those products to a 10 percent ad valorem tax outside the U.S.-Israel Free Trade Agreement (IFTA).</td>
</tr>
<tr>
<td>2</td>
<td>Following on the option above, legally mandate separate labelling of settlement products, thus removing such products from the IFTA.</td>
<td>This option could also incorporate promises of the eventual banning of settlement products if Israel does not implement a settlement freeze.</td>
</tr>
<tr>
<td>3</td>
<td>Identify the worst offenders among U.S. non-profit organizations supporting settlements, such as those providing legal defense funds for Israeli terrorists, and revoke their tax exempt status.</td>
<td>For example, the Honenu organization has helped Yigal Amir, Yitzhak Rabin’s assassin; Ami Popper an Israeli who killed seven Palestinians at a bus stop; and an Israeli soldier who shot a British photographer.</td>
</tr>
<tr>
<td>4</td>
<td>Expand State Department guidelines on terrorism reporting to include organizations that support or advocate for attacks on Palestinians by Israeli settlers as terrorist organizations.</td>
<td>Since 2010, the State Department has classified Israeli settler attacks on Palestinians as terrorism. Expanding this classification to include support organizations would send a clear signal on U.S. policy regarding settlements.</td>
</tr>
<tr>
<td>5</td>
<td>Following the above, the U.S. Treasury Department can designate those Israeli nationals involved in terrorist incidents (whether directly or in a support capacity) for its list of “Specially Designated Nationals.”</td>
<td>Inclusion on this list would freeze his/her U.S. assets and prohibit U.S. persons from conducting business with such individuals.</td>
</tr>
<tr>
<td>6</td>
<td>Deduct funds used on settlements from the $3.8 billion per year in military aid to Israel and place the deducted funds in an escrow account. The funds would become available in the event that Israel enact a full settlement freeze (or other settlement-related condition).</td>
<td>Even among pro-Israel groups in the United States, there is a sentiment that the United States should not subsidize the dismantlement of settlements and relocation of settlers, as occurred in Gaza in 2005. The escrow fund appeals to this sentiment, as dismantlement and resettlement costs could be offset by the escrow account.</td>
</tr>
<tr>
<td>7</td>
<td>Abstain from UNSC Resolution terming settlements illegal or of “no legal validity.”</td>
<td>The Obama Administration abstained from a UNSC resolution on settlements in December 2016, provoking an immediate reaction from the Israeli</td>
</tr>
</tbody>
</table>
government. An abstention from Mr. Trump would bring the same pressure and leave Mr. Netanyahu no excuses.

<table>
<thead>
<tr>
<th>#</th>
<th>Disincentive</th>
<th>Details</th>
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<tbody>
<tr>
<td>8</td>
<td>Vote in favor of a UNSC Resolution terming settlements illegal.</td>
<td>Doing so would signal a reversal in standing U.S. policy and would represent a significant blow to Israel on the international stage, thus representing an important possible leverage option.</td>
</tr>
<tr>
<td>9</td>
<td>Withhold military aid in exchange for settlement freeze.</td>
<td>Withholding Israel's $3.8 billion in military aid would immediately set off a domestic political crisis in Israel and the United States. It is important to underscore the risk inherent in this action since withholding the total amount (or a significant amount) could lead to serious concessions related to negotiations or lead to a “siege” mindset among the Israeli public, allowing settlements to continue unabated.</td>
</tr>
</tbody>
</table>

**Table 4: Incentives regarding Israeli Settlements (in order of increasing impact)**

<table>
<thead>
<tr>
<th>#</th>
<th>Incentive</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Announce a new bilateral aid package to help relocate settlers to new communities within Israel’s borders.</td>
<td>The bilateral package could significantly offset the cost of relocation of Israeli settlers.</td>
</tr>
<tr>
<td>2</td>
<td>Announce the U.S. will substantially contribute to an international fund to compensate Israeli settlers dislocated by a final agreement.</td>
<td>Similar to the above, the United States could spearhead an international effort to offset the cost to the Israeli government to relocate settlers.</td>
</tr>
<tr>
<td>3</td>
<td>Communicate U.S. willingness to pressure European allies to step away from settlement labeling guidelines.</td>
<td>Should Israel prove willing to halt settlements in favor of negotiations, the U.S. government could make overtures to European countries to stop labeling restrictions until the conclusion of negotiations.</td>
</tr>
</tbody>
</table>
# Disincentive | Details
---|---
1 | Withhold bilateral assistance to the PA. 
| Current bilateral assistance averages around $400 million per year. Since most aid is channeled through USAID programming, aid committed to budget support for the PA could be rescinded without affecting USAID programming, although funding for Palestinian security forces would be affected.

2 | Make TORs for negotiations international law through a UNSC Resolution. 
| The threat of a UNSC resolution enshrining negotiation TORs could be sufficient to bring Palestinians to the negotiating table. If talks collapse, enshrining the TOR in international law can preserve any progress made for the next round of negotiations.

3 | Threaten to withhold the President’s waiver on the legal prohibition against the PLO representative’s office in Washington, D.C. 
| The Anti-Terrorism Act of 1987, the President downgrades the status of the Palestinian representative in Washington unless the President allows for a 6-month waiver for the office to remain open.

4 | Reduce or cut off U.S. aid to UNRWA. 
| The United States is the largest single-state donor to UNRWA, totaling $359 million in 2016. Rescinding or significantly lowering U.S. aid would cripple UNRWA’s total budget of roughly $2.4 billion.

5 | Threaten to allow Section 704 triggers to come into effect if Palestine continues to seek membership in UN bodies or pursue actions against Israel in the ICC. 
| According to the Consolidated Appropriations Act of 2016, should Palestine’s status in the UN or other UN-related agencies approach the status of “membership,” economic aid to the PA may be rescinded.
Table 6: General & Process-Related Incentives (in order of increasing impact)

<table>
<thead>
<tr>
<th>#</th>
<th>Incentive</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Increase bilateral assistance to the PA.</td>
<td>While totaling $400 million per year, the United States could increase this aid according to Palestinian stated preferences to incentivize cooperation.</td>
</tr>
<tr>
<td>2</td>
<td>Reach out to the U.S. Congress to abandon Taylor Force Act in its current form.</td>
<td>If passed, the Act would cut off economic aid to Palestine conditional on the U.S. Secretary of State certifying that the PA has taken credible steps to end violence, publicly condemns violence, and terminated payments to terrorist organizations. The Act would jeopardize the predictability of bilateral assistance to Palestine.</td>
</tr>
<tr>
<td>3</td>
<td>Initiate a refugee assistance fund in coordination with Arab states.</td>
<td>The United States could act as the chief organizer and leading contributor of an international fund to support the relocation and compensation of roughly 5.15 million refugees.</td>
</tr>
<tr>
<td>4</td>
<td>Communicate with Israel to lift portions of the Gaza blockade and/or open additional border crossings.</td>
<td>Further actions could include separate bilateral assistance to support reconstruction in Gaza.</td>
</tr>
<tr>
<td>5</td>
<td>Remove provisions of the Palestinian Anti-Terrorism Act (PATA) that limit U.S. aid if Hamas is included in a unity government.</td>
<td>Current provisions state U.S. aid could not be transmitted to a power-sharing PA government with Hamas as a member, unless Hamas accepted the conditions of recognizing Israel and acceptance of past agreements.</td>
</tr>
<tr>
<td>6</td>
<td>Offer symbolic recognition of Palestine, without specifying borders or capital.</td>
<td>Even symbolic recognition would go a long way in signaling a U.S. shift away from direct negotiations in favor of an &quot;outside-in&quot; strategy that establishes Palestine as an independent state under international law before the conclusion of Israeli-Palestinian negotiations.</td>
</tr>
<tr>
<td>7</td>
<td>Abstain from a UNSC Resolution supporting Palestinian statehood.</td>
<td>In 2014, the United States vetoed a UNSCR recognizing the state of Palestine. Abstaining from a future vote would send shockwaves through the international community, affirming the UN Resolution 181 on the establishment of two independent Jewish and Arab states.</td>
</tr>
<tr>
<td>8</td>
<td>Vote in favor of a UNSC Resolution supporting Palestinian statehood.</td>
<td>This action would fundamentally overturn decades of U.S. policy and signal the United States' commitment to the realization of the two-state solution. Such an action, as an abstention, would have significant political costs on Capitol Hill, including U.S. defunding of the UN.</td>
</tr>
</tbody>
</table>
Annex 10: Consultations and Interviews

Mahdi Abdul Hadi, Palestinian Academic Society for the Study of International Affairs
Ziad Abu Amr, Palestinian Authority
Xavier Abu Eid, Palestine Liberation Organization
Mirza Ajdinovic, Temporary International Presence in Hebron
Nadim Al Ayaseh, Shoruq Organization
Amaya Al Orzza, BADIL Resource Center for Palestinian Residency and Refugee Rights
Ghassan Al Khatib, Palestinian Authority
Laith Arafeh, Palestine Liberation Organization
Akram Atallah, Shoruq Organization
Meg Audette, United Nations Relief and Works Agency for Palestine Refugees in the Near East
Sam Bahour, Palestinian Telecommunications Company
Gadi Baltiansky, Geneva Initiative
Mustafa Barghouti, Palestinian National Initiative
Nir Barkat, City of Jerusalem
Joanne Barrett, United Nations Office of the Special Coordinator for the Middle East Peace Process
Yossi Beilin, Geneva Initiative
Jeremy Ben-Ami, J Street
David Berns, U.S. Consulate Jerusalem
Donald Blome, U.S. Consulate Jerusalem
Shlomo Brom, Institute for National Security Studies (Israel)
Udi Dekel, Institute for National Security Studies (Israel)
Khaled Elgindy, Brookings Institution
Oded Eran, Institute for National Security Studies (Israel)
Shai Feldman, Brandeis University
Hillel Frisch, Begin-Sadat Center for Strategic Studies
Zehava Gal-on, Member of the Knesset
Avi Gil, Jewish People Policy Institute
David Gillette, American Israel Public Affairs Committee

Nimrod Goren, Mitvim

Sharren Haskel, Member of the Knesset

Isaac Herzog, Member of the Knesset

Einar Johnsen, Temporary International Presence in Hebron

Boaz Karni, Economic Cooperation Foundation

Yehezkhel Lein, United Nations Office for the Coordination of Humanitarian Affairs

Michael Nudelman, Member of the Knesset

Ayman Odeh, Member of the Knesset

Hagit Ofran, Peace Now

Amir Ohana, Member of the Knesset

Gregory Raikes, United Nations Office of the Special Coordinator for the Middle East Peace Process

Oded Revivi, Efrat Settlement

Grant Rumley, Foundation for Defense of Democracies

Jonathan Rynhold, Begin-Sadat Center for Strategic Studies

Natan Sachs, Brookings Institution

Daniel Shapiro, U.S. Ambassador to Israel

Dorothy Shea, U.S. Consulate Jerusalem

Khalil Shikaki, Brandeis University

Sima Shine, Institute for National Security Studies (Israel)

Mohammad Shtayyeh, Palestinian Economic Council

Yael Stein, B’Tselem

Joshua Teitelbaum, Begin-Sadat Center for Strategic Studies

Amir Tibon, Walla News

Celine Touboul, Economic Cooperation Foundation

Sofia Zitouni, Temporary International Presence in Hebron

Husam Zomlot, Palestinian Authority
Annex 11: Graduate Consultants

**Liv Dowling**
Liv Dowling is a second-year Master of Public Affairs student at the Woodrow Wilson School, where she focuses on national security policy, diplomacy, and South Asian geopolitics. Liv has spent the majority of her professional life abroad, first as a research scholar at Jawaharlal Nehru University in New Delhi before moving to Bangkok, Thailand, where she evaluated market-based public health interventions as a Princeton-in-Asia Fellow at an international non-profit. Liv returned to the subcontinent as an American India Foundation Fellow, through which she organized a national-level training on the inclusion of vulnerable populations in the policy development process. This past summer, Liv focused on U.S.-India economic relations as an intern with the Office of India Affairs at the U.S. Department of State.

**Srikar Gullapalli**
Srikar Gullapalli is a Master in Public Affairs candidate (class of ’17) at the Woodrow Wilson School, Princeton University. He has worked on developing foreign policy for the Government of India in the past. He was exposed to the Israel/Palestine issue for the first time as a result of this workshop, and something tells him it won’t be the last.

**Mike Kelvington**
Major Michael Kelvington grew up in Akron, Ohio, and serves in the US Army as an infantry officer. After graduating from West Point in 2005, he served in a variety of operational assignments including 7 deployments to Iraq and Afghanistan with airborne and special operations units, including the 75th Ranger Regiment. He received multiple awards including the Bronze Star Medal with Valor and 2 Purple Hearts for wounds sustained in combat. At the conclusion of his studies at Princeton and his time as a General Wayne A. Downing scholar for the Combating Terrorism Center, Mike will return to the operational Army.

**Chad Maddox**
Chad was born and raised in Atlanta and earned his bachelor’s degree from Kennesaw State University. He worked on counter-terrorism and counter-proliferation efforts at the Department of Defense. Chad then became a senior consultant on a team making IBM’s Jeopardy-winning supercomputer, WATSON, answer questions related to international affairs. This past summer, Chad worked at the United States Embassy in Seoul, South Korea as a Charles B. Rangel International Affairs Fellow.

**Drew Newman**
Drew Newman, is Master in Public Policy Candidate. He began this workshop knowing nothing about the Israeli/Palestinian conflict and how to achieve peace in the region. Although he has learned a lot and thoroughly enjoyed the course, he sadly still does not know how to achieve peace in the Middle East.

**Sajda Ouachtouki**
Sajda Ouachtouki is currently a second-year MPA student at Princeton University’s Woodrow Wilson School who is pursuing the development track. She received her BA from Princeton University where she majored in international affairs and minored in Near Eastern studies, Arabic Language and Culture, and Gender and Sexuality Studies. Before her MPA, she worked at USAID for two years on democracy and human rights issues.

**Steven Petric**
Steven Petric spent nearly four years in Iraq and Afghanistan before coming to Princeton, directing programming across multiple governorates, including in some of the most challenging locations. Steven’s decade of public sector work spans Africa, Asia, Europe and the Middle East. Before venturing into the public sector, Steven spent three years in the private sector in New York and London. Steven holds a Bachelor of Science from Northwestern University, where he was a member of the men’s varsity swimming team, and a Master of Arts from the University of Essex, UK.
Mark Stevens
Mark Stevens is a second-year Master in Public Affairs candidate focused on International Relations, and he also received his undergraduate degree from Princeton in 2013 as a Woodrow Wilson School concentrator. He spent two years working on Syria and Lebanon policy at the U.S. Department of State in Washington, serving in the Bureau of Near Eastern Affairs and the Bureau for Population, Refugees, and Migration, as well as on the Syria Transition Assistance Response Team in Istanbul, Turkey. Mark plans to continue working to advance accountable governance in the Levant region of the Middle East after graduation.

Julie Whittaker
Julie Whittaker is a Master in Public Affairs candidate at Princeton University and the co-founder of the Amal Foundation, a nonprofit organization supporting education for refugee youth in Jordan. Julie's professional background is in relief and development in the Middle East. Prior to joining Princeton, Julie worked in Jordan, where she managed community engagement programs in Za'atari Refugee Camp, led urban refugee education projects, and served as a Fulbright Scholar. She also previously worked on Palestine refugee issues with UNRWA and the U.S. State Department's Bureau for Population, Refugees, and Migration. Most recently, Julie worked as a graduate intern with UNICEF’s Mission to the State of Palestine in Jerusalem.

Mor Yahalom
Mor Yahalom is Master in Public Affairs (MPA) candidate, at the Woodrow Wilson School, Princeton University. At Princeton, she works as a Research Assistant to Ambassador Daniel Kurtzer, and was selected to be a Student Fellow at the Center for International Security Studies (CISS). Born and raised in Israel, Mor began her professional path in the Israeli Defense Force (IDF), where she served for three years as an officer in the Signal Corps. She holds a bachelor’s in behavioral sciences from the Academic College of Tel Aviv-Yaffo, where she was nominated class valedictorian at graduation. Mor’s feminist activity and focus on the empowerment of women in the fields of peace and security has led to her involvement with the parliamentary work of Member of Knesset Merav Michaeli, one of Israel’s most prominent feminist advocates. She later continued to work with Member of Knesset Dr. Ronen Hoffman, as his Parliamentary Advisor. In the summer of 2016 Mor worked at the Foundation for Defense of Democracies (FDD) as a research intern where she conducted research for the book “The Last Palestinian: the Rise and Reign of Mahmoud Abbas”.

Ambassador Daniel C. Kurtzer, Faculty Advisor
Daniel C. Kurtzer is the S. Daniel Abraham Professor of Middle East Policy Studies at Princeton University’s Woodrow Wilson School of Public and International Affairs. During a 29-year career in the U.S. Foreign Service, Ambassador Kurtzer served as the United States Ambassador to Israel and as the United States Ambassador to Egypt. He is the co-author of The Peace Puzzle: America’s Quest for Arab-Israeli Peace, 1989-2011, and editor of Pathways to Peace: America and the Arab-Israeli Conflict. He served as a member of Secretary of State John Kerry’s Foreign Affairs Policy Board and as an advisor to the bipartisan Iraq Study Group. Kurtzer received his Ph.D. from Columbia University.
Annex 12: Endnotes


3. Ibid.


9. The Israeli government will likely resist a full settlement freeze at its outset. There will be a period of back and forth until the Israeli government realizes that Mr. Trump is serious and will be firm in using continued U.S. pressure. Israeli-Palestinian negotiations should not hinge on achievement of the full freeze, as long as significant progress is being made by both sides towards creating an environment conducive to negotiations. The Palestinian government may try to insist on the full freeze as a precondition. However, from the start, Mr. Trump must push Palestinians to be pragmatic and not overbid. Palestinians will be reassured by the US demonstration of commitment to using tools of leverage – before and, if needed, during negotiations – to ultimately achieve the full settlement freeze.


17. Before the Trump Administration’s chosen emissary begins his consultations with Israeli and Palestinian interlocutors, Mr. Trump should consider issuing a statement or giving a speech in the Rose Garden highlighting his trust in the emissary’s abilities and his full confidence that the emissary speaks for the President abroad. Doing so would underscore the emissary’s influence and credibility in negotiations and provide the foundation for his success.


20. Ibid.