

TIP Conference Call with Dr. Jonathan Schanzer

Omri Ceren: Thank you all for joining us here this morning. We wanted here at The Israel Project to, among other things, take a break from the nearly overwhelming focus that the media has been giving to Iran, a completely justifiable focus, but nonetheless people often forget that Iran is only 50% of the two priorities that President Obama outlined as his top foreign policies when he spoke in front of the United Nations. The other one of course, securing a resolution to the Israeli-Palestinian peace process, and as everyone on this call knows, the progress has been uneven, and analysts and journalists and lawmakers have consistently sought to understand why it is that, among other things, robust political and economic institutions in the West Bank, the prerequisite for a Palestinian state, has failed to take hold. There are few, if any people in Washington, D.C. or the country that have analyzed this more deeply than Dr. Jonathan Schanzer, who joins us today from the Foundation for Defense of Democracies. Dr. Schanzer has written about this extensively over many, many years. He has studied it on multiple continents. And his latest book, "State of Failure: Yasser Arafat, Mahmoud Abbas, and the unmaking of the Palestinian state," which gets at a lot of the issues that have been circulating around the conversation of why it is that the Palestinian side of the Israeli-Palestinian conflict can't really get its house in order. And I don't want to take up more of your time or more of Dr. Schanzer's time. So on that note, I will hand it over to him for brief introductory remarks, and then we'll go to your questions and answers.

Jonathan Schanzer: Thank you very much, Omri, and thank you very much to The Israel Project. Thank you to you and to Josh and Melissa for arranging this, and for allowing me to discuss my book this morning. Let me just say this, the research that went into my new book, "State of Failure," began actually almost two years ago with some private meetings in Europe; those led to other meetings in the Middle East, and then more in the United States. It became clear to me that there is a new current forming in Palestinian society, it's a small but distinguishable one, and that is the Palestinians are tired, they're fed up with the corruption, the mismanagement, the abuse of power that has long plagued their government. Sure, they're sick of Israel's military presence, and there's no shortage of research out there on that. But what I found was something different: the same chorus of voices that put forward a very different argument – namely, that after more than twenty years of state building, there's not enough progress to show for the billions of dollars, that's five billion from the United States invested in the Palestinian national project.

To put it bluntly, the international community has poured billions of dollars into the would-be state of Palestine, and what did they get? They got corruption; they got mismanagement; they got nepotism; and abuse of power. They have a wealthy and powerful political elite that sits atop an ossified state structure with a tiny middle class and a seething lower class. And this is all significant right now because right now it is American foreign policy to help that political elite create a state to sit atop of that structure. And my book explains that basically that while the Palestinians have certainly made some strides toward statehood, it's that endemic corruption and mismanagement that has been a constant, and I detail these problems from start to finish. As far as I know, it is the first attempt to do so.

I'll briefly explain the timeline here because I do think it's important. It began actually from the beginning, in the 1950's, with the advent of the Fatah faction. It was a terrorist organization, and by definition it was secretive, which meant that its finances, many of which came from Arab states, were secretive. Let's just say the Fatah faction was not using Ernst & Young to put out a public record of its finances. Fatah continued to grow through the 1967 Six Day War, and that's when Yasser Arafat catapults to prominence on the world stage. By 1968 Arafat takes over the PLO, also a terrorist organization, also secretive by nature, and, again, also not using Ernst & Young.

So what happens is that the PLO becomes a juggernaut. It banks massive windfalls from the Persian Gulf, it creates huge business enterprises and generates great wealth as a result. The PLO then moved from one country to the next – from Jordan, to Lebanon, then to Tunisia – and every stop along the way the group gets richer, and it remains unaccountable to anyone. Then came the Intifada of the West Bank, and the violence that spread across the West Bank and the Gaza Strip. The U.S. was paralyzed, and they looked to Arafat and to the PLO to gain control of a situation that was spiraling out of control. So we made a deal whereby the PLO brought him into the violence and recognized Israel, in exchange for a process, which was to create a Palestinian state. And just like that, we hooked the switch the Oslo peace process is underway, leading into a handshake which led to the creation of a Palestinian Authority. That was all well and good except for one thing: Little thought had been given to this idea of state building and to cleaning up the corruption that we had been hearing about over those many decades.

I interviewed a lot of people for this book, including Dennis Ross and Aaron David Miller and Elliot Abrams. One of the lines that stuck out at me was from Aaron David Miller, that basically that the Oslo process was transactional, not transformational. In other words, we wanted to just create a transaction that would create a state, but we were

certainly not looking at the idea of transforming the government of the Palestinians. So then after that, the 1990's were the wild years. It was effectively raining money for the Palestinians, which would have been terrific except that terrorists are notoriously bad at running governments. Under Arafat, corruption charges piled up; there was no accountability. There were some complaints from the Palestinians that – this is a theme that is a constant throughout the book – is that the U.S. and Israel were indifferent. As long as peace was processing, there was no reason to challenge the Palestinian leadership from our perspectives. Interestingly, the Palestinians themselves had other ideas – and so when the Second Intifada broke out (I was living in Israel at the time), there was actually a remarkable thing to behold that, even in the midst of war with Israel, it was the Palestinians who began to demand accountability. They brought about a change to the absolute power of Yasser Arafat. This sponsored the rise of Mahmoud Abbas, the current second Palestinian president, who was originally the prime minister, kind of the counterweight to Arafat. It also brought about the rise of Salam Fayyad – a celebrated reformer, the finance minister, later prime minister who I would say is the protagonist of my book.

But Fayaadism came too late. The electoral victory of Hamas in 2006, the violent takeover of Gaza in 2007 led to a situation where we here in the United States we dropped all expectations of the Palestinian Authority. Rather than asking Mahmoud Abbas to continue the process of reform that had started, we simply wanted him to stay in power – and that means we threw money, we threw intelligence, weapons, whatever it took, we wanted Abbas to stay in power, and we didn't care how we did it. And so as a result, Mahmoud Abbas became Yasser Arafat with a tie. Today, he has absolute power in the West Bank, the corruption charges have returned. In fact a few weeks ago it was reported, although there have been conflicting reports about this, that it was reported that upwards of \$3 billion of European aid money was misspent. That's a lot of money to simply misspend, and it actually represents roughly 90% of the entire European donation to the Palestinians.

In addition to the questions that have been raised about the abuses of misspending and mismanagement and financial waste, there have also been accusations of abuse of power, crackdowns on political challenges, stifling of freedom of the press, notably if you criticize Mahmoud Abbas on Facebook, you can actually be put in jail. There are documents which show where things like that have happened. In other words, after a brief vacation from history, with the rise of Fayyad and the idea that you might challenge Arafat, we're back to where we always were, which is: we're on track to create a state of failure – the title of my book.

The problem is detrimental for a few reasons. Apart from the obvious challenges of wasted funds, American tax payer funds, and the abuse of power, first I think it's important to note here, and this is sort of the lessons learned – one is that corruption is exactly what gave rise to Hamas, which ran on a clean government ticket in 2006. They continued to hammer home this idea that the PLO was corrupt, and they were the answer to the PLO, and that's why they won that election. It is probably the biggest takeaway, as to why it is important to continue to focus on this, and they continue to focus on it right now. The other takeaway that is important here, is that when the Palestinians see that the figures who are involved in negotiating their future with Israel, and they see that those people are corrupt, this is what creates an angry population and makes them anti-peace. For whatever reason, this has not gotten through to US decision makers over the years. In other words, what I'm saying here is that there is a cycle that has continued for two decades and it's a cycle that needs to end, but instead what I am finding is that the Obama administration is rushing headlong into another round of diplomacy that is emphasizing in the words of Aaron David Miller, "the transaction over the transformation." We continue to ignore all of the problems that have piled up over the years about corruption, and mismanagement, and nepotism, and abuse of power, and waste. And so this is the warning that my book issues, that if we don't do something about this, it's a good sign the Palestinian Authority backfires the future state of Palestine, if one will ever come into existence, and it will be rejected by the Palestinian people themselves and inadvertently create a state of failure. Now this is not to say that we are absolutely going ahead in this direction. I can tell you that there are those in the State Department that are aware of this and are at least willing to discuss it. The question is whether they are going to do something about it right now, as the United States pushes headlong for this Palestinian state, perhaps even looking at a window of only several months in order to begin to correct this problem. Again, this is sort of a warning of what might happen if we don't do something about a problem that has been really glaring for more than 20 years. With that I will stop, and again I want to thank the Israel Project for having me and I look forward to a discussion with you this morning.

Omri Ceren: Thank you for that overview, Jonathan. I was wondering, you said that you know - Fayyad is effectively the protagonist in your book, the leader who really, really put his head down and attempted to enact these institution building both reforms and efforts that the West said it was pushing. But, he is no longer in charge, and in fact there was controversy that swirled around his resignation. I wonder if you could speak to both, what his resignation says about US diplomacy in the region, but also what it

says about the more narrow kind of Palestinian politics that circumscribe and limit efforts to build institutions and to open spaces for people like Fayyad?

Schanzer: Sure, it's a great question. Let me just say this, that first of all, Fayyad was brought in and there was a noun that was made in his name. It was Tom Friedman who created the noun Fayyadism, which is this idea of Palestinian state-building and reform, and Fayyad really won over Western policy makers. The problem is that, and there were a couple of problems. One, is that he certainly did not win over Mahmoud Abbas himself. We continued to hear for years that the two of them were at odds over the philosophy behind Palestinian state building, and so even when Mahmoud Abbas went charging ahead at the UN and declared a state unilaterally two years ago, it was Fayyad who was reportedly steadfastly against it. In fact, there are reports that he actually broke his hand slamming his fist on a table insisting that the Palestinians would not do this because of what it would do. Which would be to cut off the funds and it would not enable him to continue these institution building processes. And so, what we found is that these two leaders were at odds with one another. We created, the Bush Administration created, institutions of the Prime Minister as a means to offset the absolute power of Yasser Arafat. At the time, it's really interesting that Mahmoud Abbas was the Prime Minister who was brought in to offset Arafat. Then, you fast forward a few years, and you find that Mahmoud Abbas, who is now the President, has Fayyad trying to offset his power, and he consistently undermined Fayyad during that time period, ultimately leading Fayyad to just throw his hands in the air in April of this year and finally quit. He was really driven out. I mean the Fatah faction hated him. He challenged everything that they stood for, in other words, they had a system that they liked and he challenged it. So, it's a sad statement about the way Palestinian politics works. I also think it's a sad statement about US policy. Here we have a guy who is doing exactly what we want, and for all intents and purposes the United States government threw Fayyad under the bus. We did not come to his aid and we did not do enough to make sure that he stayed in power to be able to execute the kinds of things that we wanted to see take place inside the Palestinian Authority. And then finally, a broader observation I would make is that, here a guy who is not anti-Israel, not anti-America. He is just simply trying to build a Palestinian state. He is in many ways the Ben-Gurion of the Palestinians and he had very little public support on the Palestinian street, and this is a sad statement on the Palestinian political system.

Omri Ceren: The next question we had came in over email. We actually got this question twice, which was, to what degree can we ever expect a Palestinian state to be stable even under, not the best case obviously, but realistic scenarios for a Middle East

that is currently entering a cycle of destabilization. The specific question that we got was about the kind of benchmark that you gestured toward. There have been places in the Middle East, Egypt is the one that leads to mind most readily, where benchmarks about constitutionalism, plurality, civil society have actually lead to destabilization rather than stabilization. Are these the intentions, or inasmuch as it is in their intention, or to what degree can we ever expect a Palestinian state to take hold that meets both our requirements for the kind of state we would like to midwife and the region's requirements for the kind of states that they would like to see succeed there?

Schanzer: All very good questions, and probably requires an hour long phone call by itself. Let me just say a couple of broader observations. One, is that when you look at the potential among the Palestinians it is actually great. You are looking at a population that has been exposed, because of the very large Palestinian diaspora, we will call it. They have had education abroad, they have had exposure to functioning democracies, they have had the opportunity to learn in the best universities around the world. So you actually do have a pretty good brain trust there, as long as it is put to work in the right way. Salam Fayyad himself was a product of University of Texas at Austin. There are many others who have come through the Palestinian system who were trained here in the United States or in Europe. That's exactly what you want. So, it's not as if the talent isn't there. It's really more about putting the right laws in place, having an independent judiciary, basically focusing in on clean governance. All of the things Fayyad was out to do. But I don't think anybody took Fayyad seriously enough and I do not think enough effort was expended in this direction. The thing that I like to point out though, is that the real danger here is not what might happen if the you know, Palestinian society gives way to perhaps a more inclusive time of government. Of course, there is the destabilization that comes with that, as we have seen in places like Egypt or Tunisia. What I have been warning is that what if the current system remains in place. Just remember Abbas is four years past the end of his legitimate Presidential term. They are the same people who have been running the show since the PLO years. There has been zero change among the Palestinian leadership. This is exactly the formula that led to the Arab Spring type revolts in Egypt, Tunisia, Syria and beyond. In other words, I think that right now we risk seeing some unrest inside the Palestinian Authority, as long as these things remain as static and stagnant as they have been. I think that could be the greatest argument for a new beginning, but I am not going to tell you to destroy the system tonight and start something new tomorrow, but we need to begin to see the opening up of the political space. You can't even run for President right now, because they refuse to hold elections. You can't create a new political party, because Mahmoud Abbas won't allow for it. Some of that has to do with the Hamas-Fatah conflict and the

challenges that have resulted from that, but some of it has to do with the fact that Mahmoud Abbas has, in many ways, become an autocrat. Yasser Arafat with a tie.

Omri Ceren: The next question we have is kind of a bankshot. But it's a question about these reports coming out that have been driven by Al Jazeera, picked up sympathetically to some extent by the BBC, more skeptically elsewhere that there's evidence that Yasser Arafat was, in fact, poisoned by polonium. Now the coverage that's been picked up at least in the Palestinian media seems to make this a Palestinian issue, that it's a sign of a struggle within Fatah, which gets to the heart of some of what you've written about that the party dysfunction. I wonder if you could speak to about what's going on there and who the players are and what it means for U.S. efforts to establish a robust Palestinian state.

Jonathan Schanzer: Sure. I mean this really is palace intrigue right now. I think that's the only way to put it. The polonium scandal actually broke a full year ago, when a journalist by the name of Clayton Swisher over at Al Jazeera, who initially published the first report about polonium poisoning. He enlisted the help of some Palestinian figures as well as Suha Arafat, the widow of Yasser Arafat. You have to remember that Arafat himself had been holed up in the Muqata compound during the second *intifada*. He was being surrounded by Israeli tanks. He was 75 years old at the time and he had lived a pretty hard life. He had survived a plane crash and now he was sitting in the Muqata basically eating cans of tuna fish every day, defiantly, standing in front of the Israelis that he's not going to back down during what we can only call a war. Arafat died rather suddenly, nine years ago yesterday, I think, that he died. He fell ill very quickly and was rushed to a hospital in Paris. And at the time everybody sort of said it was the rapid deterioration of an older man's health. But eight years later Al Jazeera raised this question about whether he had been poisoned. Now Of course the fingers initially pointed at Israel and you continue to see in the news for the past few days. Palestinian figures across the political spectrum are pointing fingers at Israel saying that Jews not only killed Mohammed but the George Washington of the Palestinians. So one gets the sense that maybe Al Jazeera or Qatar that sponsors Al Jazeera, they're looking, perhaps, to create some unrest. You could imagine that the Palestinians must be seething right now at this notion that Israel poisoned their founding father and killed him before his time. And so, there's certainly the possibility that that was one of the intended consequences of releasing this story. But there's also what ... just told me, if he was in fact poisoned with a particle of polonium, and you only need a very very small particle to be ingested to kill someone with polonium poisoning. It would have had to have been placed in Yasser Arafat's food and drink by someone close to him and

then all of sudden, what you have, you raise some questions about whether someone was a traitor to the Palestinian cause, and who might have wanted to do that. Now all of a sudden people are pointing fingers at each other. There have been multiple reports over the years of Palestinian officials blaming each other for the death of Arafat as they malign one another and you get a sense that they are certainly not a cohesive leadership right now as a result of these reports. And again this stresses what I've long been stressing that there's very little political cohesion inside the Palestinian Authority and that it's really just been strong armed by authoritarian tendencies rather than having a functioning political system. I think this is going to highlight that as this plays out.

Moshe Ulmer: What steps, if any, can the United States take to change the trajectory of corruption and nepotism within the Palestinians? And secondly, how can there ever be a two state solution as long as Hamas wants to destroy Israel?

Jonathan Schanzer: Both good questions. First of all just let me say this, that part of this has to do with actually shedding a light on the Palestinian political system. I will tell you this, that I am one of the few, in fact I may be the only, actually in Washington, of the analysts that actually studies the domestic Palestinian system, which is remarkable because we continue to hear from the administration and from many others that the Palestinian issue – the question of Palestine is what they call it – is crucial to understanding all the other unrest that has been rocking the Middle East for many years. This is sort of insane when you think that nobody has actually stopped and looked internally at how the Palestinians have been operating and the way that they have squandered their own opportunities. So what I first suggest is that we take a closer look at the Palestinian political system. If they truly want to have a state and they truly believe that they deserve a state well then, they should be analyzed in the same way any other country in the region is analyzed and put under the same scrutiny. And so you take that a step further and what it means is that the U.S. government needs to stop treating them as if they are the poor children of the Middle East and begin to hold them accountable for the way they spend their money, for the way they handle their political system, for the way they abuse the rights of their own people. Again, this is not to say that Israel is completely inculpable. But that doesn't seem to be the problem. There's plenty of research out there, a lot of writing about what Israel may or may not have done to prevent the Palestinian problem but the bottom line is that the Palestinians have significant responsibility for their own lack of progress that needs to be addressed by the U.S. government plus all of the arms of the government whether it's Treasury looking into corruption; whether it's the State Department holding

them accountable; whether it's the executive making sure this is not ignored during the peacemaking process that Kerry has sponsored. These are all things that the United States needs to do. To your second question which is actually the subject of my first book on the Palestinians... it is going to be extremely, extremely difficult to get that final deal with the Palestinians when you effectively, right now, have a three state solution. I mean let's just face it, you have Hamasistan in the Gaza Strip; Westbankistan with the PLO at the helm on the other side; and you have Israel separating these two territories and there are separation barriers around both Palestinian territories. This doesn't exactly allow for the free flow of goods and people first of all. And then on top of that you've got two different governments, two different leadership, different security apparatus and economies, and, actually, most people don't know this, they speak different dialects in the West Bank and the Gaza Strip. There is a significant division that exists and remains between the Palestinians and that's another issue for, perhaps, another time, but I think again, the bottom line is that we continue to talk about the Palestinians as if they're prepared for this next step, but that's not to say that we are trying to prevent the next step, but what we need to be doing, if we are going to do this. And it appears to be your policy right now, then let's make sure that we don't create a failed state. That should be our goal first and foremost. It's not just about getting a deal done with Israel. It's about making sure that whatever happens after that does not lead to heightened instability and perhaps new dangers in the Middle East.

Omri Ceren: I'd like to thank Jonathan again for taking the time this morning to go over his book in the larger context of the peace process and the context of a future Palestinian state. We are going to, next week, be holding broader in person event with Jonathan where he'll be able to go much deeper into all these issues and I invite you contact Melissa Weiss at The Israel Project for details on that; that's MelissaW@TheIsraelProject.org And on that note thank you for joining us this morning and we look forward to talking to everybody soon.