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Thank you, Mr. Chairman, for the opportunity to address the committee today and to testify on the implications for U.S. policy of Hamas's stunning electoral triumph.

The first task, as in all cases, must be to clearly identify our objectives. As I see them, U.S. goals in both the Israeli-Palestinian arena and the broader region are to remain firm in our opposition to terrorism; ensure that violence between Israelis and Palestinians does not resume; support a two-state solution; advance democracy and promote government reform in the Middle East.

It is widely assumed that ensuring Hamas fails by isolating and undermining the forthcoming government is the best way to achieve these objectives. The reaction reflects legitimate opposition to bankrolling an organization that has neither recognized Israel nor renounced violence, and that has been guilty of horrendous acts over the years. It is premised on the belief that Hamas, starved of resources, will confront an angry population and, somehow, be forced out of power. And it hinges on the hope that disappointed Palestinians will then turn from Hamas's radicalism to moderation. All of which, given Hamas's track record, is understandable. But it also may be short-sighted and, ultimately, self-defeating.

Depending on how it is achieved and how it is perceived, Hamas's failure may in fact not be America's success. Should it come about as a result of heavy-handed U.S. and Israeli pressure, it will be blamed by Palestinians not on the Islamists but on the outside world. Hamas, convinced it is being set up for failure, may well abandon its political gambit and revert to the familiarity of armed confrontation, with the ensuing risk of full-scale violence. Chaos in the West Bank and Gaza inevitably will have security implications for Israel. If those Palestinians who supported Hamas feel cheated of their victory, how solid will the foundations of Palestinian democracy be? As for the prospects for future moderation, what grounds do we have for thinking that greater poverty and desperation will shore up Palestinian pragmatists? Every precedent from Palestine and beyond suggests the exact opposite. Indeed, Hamas's fortunes are themselves the byproduct of Palestinian despair, and radicalism is more likely than not to benefit from economic and political disillusionment. In short, before engineering the downfall of the Hamas-led government, the United States needs to be fully aware of the implications, and prepared to deal with them.

There are broader regional implications. Many throughout the Moslem world are watching the Palestinian experience to test the benefits of democracy and the sincerity of the West's endeavor. In fact, one of the more critical battles taking shape is not between Islamists and secularists, but within the Islamist camp itself: between political Islamists

who are flirting with democratic activism and *jihadi* Islamists who cling to the purity of armed confrontation. *Jihadists* condemned Hamas's electoral participation, just as they condemn Islamist participation in any election. As a result, we need to be mindful of the impact that a concerted effort to prevent Hamas from governing will have on that debate and on the ensuing regional balance of power between *jihadists* and political Islamists.

None of this is to say, as some fear, that Hamas should be allowed to avoid making changes or that it should be spared difficult choices. The issue, rather, is whether this is done with the aim of ensuring that this unprecedented experiment fail, and fail quickly, or – as the International Crisis Group suggests – with the aim of carefully testing if it can succeed and, if it nonetheless fails, making sure it does so in a manner consonant with U.S. national interests: i.e., that Hamas is held responsible, not us; that the cease-fire is maintained, not violated; that democracy emerges strengthened, not battered, and that Palestinians see the merit of moderation, not of further radicalisation.

Insisting that Hamas immediately recognize Israel's right to exist as Jewish state (something neither the PLO, nor Egypt, nor Jordan has done to date) and renounce violence as pre-conditions for any international assistance has the merit of moral clarity. But it will not work and it may well backfire. It runs the risk of ensuring the PA's collapse under conditions which most Palestinians will consider illegitimate and which will trigger a closing of the ranks around the most hard-line of Hamas's leaders, rather than a rift between its more pragmatic and more ideological camps. As the elections themselves demonstrated, there are real limits to what outside threats and pressure can do. Hamas won in part due to dissatisfaction with the PA, disgust at corruption, and frustration at Fatah's performance. But more than that, the vote expressed anger at years of humiliation, loss of self-respect, from settlement expansion, Arafat's imprisonment, Israeli incursions, perceived Western lecturing and, most recently and tellingly, the threat of an aid cutoff in the event of an Islamist success. Hamas, which benefited mightily from this deep-seated aspiration for dignity, is not about to betray it by appearing to bow to international pressure.

In other words, conditionality is the right approach, but it needs to be done judiciously and realistically. The goal should be to set out principles and benchmarks that are difficult for Hamas to meet, but equally difficult for it to reject.

There are several policy implications to this approach:

- The U.S. should not modify its current policy, which bars any assistance to Hamas or a Hamas-led government as well as any engagement with a terrorist organization. There is no reason for us to reward its outlook. Any U.S. dialogue with Hamas should be conditioned on the organization taking the steps that were imposed on the PLO in the past.
- 2. The U.S. should maintain a robust program of humanitarian assistance to the Palestinians, broadly defined and inclusive of programs that can help bolster democracy, elections, and the independence of the judiciary.

3. The U.S. should take a sophisticated, nuanced posture when it comes to third party interaction with a Hamas-dominated PA. The bar for the EU or others providing some assistance should not be set too low, lest the message be that there is no need to change at all. But nor should it be set unrealistically high. Rather, it should aim at encouraging movement in the right direction, forcing Hamas either to change or to refuse to change in a context that most Palestinians will find difficult to understand.

A graduated approach in this spirit could focus on the following immediate demands: maintenance by Hamas of the cease-fire; respect by the PA of past international agreements; acceptance of the Arab League proposal (which entails recognition of Israel in the context of a two-state solution); or a statement by the PA that it encourages Mahmoud Abbas to negotiate with Israel and that it will abide by any agreement that is reached and endorsed in a popular referendum. These formulations achieve only indirectly what many insist Hamas do directly and leave for later clearcut ideological shifts; for that reason, they raise doubts. But is an outcome in which Hamas bows to reality by being forced to maintain the cease-fire, implicitly accept the two-state solution and, therefore, Israel's existence, not preferable to one in which a sizeable portion of the Palestinian population continues to cling to unrealistic, hard-line positions?

- 4. The U.S. should avoid overt interference in Palestinian politics, seeking in particular to engineer Fatah's swift return. If we have learned anything from the past, it is that efforts of this type have virtually never succeeded, and virtually always backfired.
- 5. The U.S. should work with Israel to ensure that steps are not taken during this period that foreclose the possibility of a viable two-state settlement, in particular with regard to construction in the area around Jerusalem, and work with countries like Egypt that have contacts with Hamas to try to minimize the risk of provocative acts by either side.

There is of course no guarantee that such an approach will succeed. Hamas's evolution is a work in progress at best, neither a sure thing nor the safest of bets; it will depend on the internal balance of power within the organization, as well as on how others – Fatah, Israel, the U.S., the EU – act. But there are at least some reasons for hope. Hamas's victory undoubtedly presents us with a headache, but it is an equal opportunity headache, with migraines for all, most prominently for the victors themselves. Paradoxically, Hamas's electoral triumph may optimize conditions for its political transition, for victory is likely to inhibit it far more than would have defeat. The Islamists ran on a campaign of effective government and promised to improve Palestinian lives; they cannot do that if the international community or Israel turns its back. They seek recognition and legitimacy; by winning, they now have to do far more to achieve this. They need to reassure anxious Palestinian security forces and the defeated Fatah movement; they cannot do that if they pursue an aggressive domestic agenda. Most of all, they most prove their way works; they cannot do that if conflict escalates. Renewed attacks against

Israelis would lead to a swift and far-reaching response and ravage any hope the Islamists have for their turn at the helm.

Beyond that, Hamas – which captured 44.5% for the national list and 36.5% for district lists – understands it did not win the popular vote, that its electoral result surpassed by far its political support, and that most Palestinians continue to believe in a negotiated two-state solution. Paradoxically, many Palestinians appear to have voted for Hamas in order to see it implement Fatah's program, there seemingly being more faith in Hamas's ability to achieve a two-state settlement than there is support for Hamas's aspiration to create an Islamic state. Hamas, which has always shown itself sensitive to public opinion, will need to take all this into account.

While a permanent status agreement appears out of sight, these constraints also suggest the possibility of a diplomatic accommodation. For Hamas's approach is more in tune with current Israeli thinking than Abbas's loftier goal of a negotiated permanent peace. In its penchant for unilateralism and partiality toward a long-term interim deal, Israel may have found its match in Hamas's reluctance to talk to the enemy, opposition at this stage to a permanent agreement, and preference for an extended truce. Moreover, in the unlikely event that the possibility of a comprehensive deal were to resurrect in the near future, it is hard to imagine it succeeding over Hamas's opposition. Ultimately, a sustainable peace may not be possible with the Islamists. But it plainly will be impossible without them.

Undoubtedly, Hamas's victory was not in the United States' interests. But the alternative was not that enticing either: coming in a close second, Hamas would not have been disarmed and would have been less constrained; Fatah would have remained divided; the reform program would have been stalled; the truce would have been more fragile; and the prospects for a genuine peace process would have been as elusive as ever.

If dealt with wisely, Hamas's victory could present an opportunity for the U.S. to boost its fundamental goals without betraying any of its core principles. The key, again, is to be clear about our objectives and how to achieve them. In this respect, bringing the more militant segment of Palestinian society into the political fray, getting it to deal with Israel and acquiesce in a two-state solution, boosting our democracy agenda and promoting reform would not be the worst hand the U.S. could have been dealt. President Bush's effort to promote democracy in the Middle East is premised, in part, on the reasonable assumption that electoral politics is a recipe for pragmatism and moderation. The gamble may or may not work. But the least we can do is not condemn it to failure before it has even begun.