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## Beyond Iraq

A New U.S. Strategy for the Middle East

By Richard N. Haass and Martin Indyk

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Summary: To be successful in the Middle East, the Obama administration will need to move beyond Iraq, find ways to deal constructively with Iran, and forge a final-status Israeli-Palestinian agreement.

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On taking office, U.S. President Barack Obama will face a series of critical, complex, and interrelated challenges in the Middle East demanding urgent attention: an Iraq experiencing a fragile lull in violence that is nonetheless straining the U.S. military, an Iran approaching the nuclear threshold, a faltering Israeli-Palestinian peace process, weak governments in Lebanon and the Palestinian territories challenged by strong militant Islamist groups, and a U.S. position weakened by years of failure and drift. He will also discover that time is working against him.

For six years, U.S. policy in the Middle East has been dominated by Iraq. This need not, and should not, continue. The Obama administration will be able to gradually reduce the number of U.S. troops in Iraq, limit their combat role, and increasingly shift responsibility to Iraqi forces. The drawdown will have to be executed carefully and deliberately, however, so as not to risk undoing recent progress.

The improved situation in Iraq will allow the new administration to shift its focus to Iran, where the clock is ticking on a dangerous and destabilizing nuclear program. Obama should offer direct official engagement with the Iranian government, without preconditions, along with other incentives in an attempt to turn Tehran away from developing the capacity to rapidly produce substantial amounts of nuclear-weapons-grade fuel. At the same time, he should lay the groundwork for an international effort to impose harsher sanctions on Iran if it proves unwilling to change course.

Preventive military action against Iran by either the United States or Israel is an unattractive option, given its risks and costs. But it needs to be examined carefully as a last-ditch alternative to the dangers of living with an Iranian bomb. To increase Israel's tolerance for extended diplomatic engagement, the U.S. government should bolster Israel's deterrent capabilities by providing an enhanced anti-ballistic-missile defense capability and a nuclear guarantee.

The U.S. president should also spend capital trying to promote peace agreements between Israel and its Arab neighbors, in particular Syria. Damascus is currently allied with Tehran, and an Israeli-Syrian deal would weaken Iran's regional influence, reduce external support for Hamas and Hezbollah, and improve the prospects for stability in Lebanon. On the Israeli-Palestinian front, there is an urgent need for a diplomatic effort to achieve a two-state solution while it is still feasible. Although divisions on both sides and the questionable ability of the Palestinian Authority (PA) to control any newly acquired territory make a sustainable peace agreement unlikely for the moment, these factors argue not for abandoning the issue but rather for devoting substantial time and effort now to creating the conditions that would help diplomacy succeed later. What all these initiatives have in common is a renewed emphasis on diplomacy as a tool of U.S. national security policy, since the United States can no longer achieve its objectives without the backing of its regional allies as well as China, Europe, and Russia.

Some might argue that these efforts are not worth it, that the Bush administration paid too much attention to and invested too much American blood and treasure in an ill-advised attempt to transform the Middle East and that the Obama administration should focus its attention at home or elsewhere abroad. But such arguments underestimate the Middle East's ability to force itself onto the U.S. president's agenda regardless of other plans. Put simply, what happens

in the Middle East will not stay in the Middle East. From terrorism to nuclear proliferation to energy security, managing contemporary global challenges requires managing the Middle East.

#### INFLUENCE LOST, AND REGAINED?

Since the collapse of the Soviet Union in 1991, the United States has been the dominant power in the Middle East. But in recent years, its influence there has diminished thanks to the failure to achieve a comprehensive settlement of the Arab-Israeli conflict, the protracted war in Iraq, and a lack of success in democratizing Arab authoritarian regimes. For almost a decade, the United States has done little to address the region's principal conflicts and concerns while developing a reputation for arrogance and double standards.

This reduced regional influence has been reinforced by a broader decline in the relative position of the United States in the world at large. The Bush administration has succeeded in raising serious doubts about U.S. competence and intentions, doubts that have been exacerbated by the global financial crisis. The United States seems unable to deliver on many of its promises and often to make matters worse when it tries.

Nevertheless, the vast majority of Middle Eastern states still look to the United States as the ultimate guarantor of their security and the power most able to help them achieve their objectives. Many people in the region still admire and identify with American values, and Obama's election victory will do much to remind them why. His ability to gain their respect will be vital to convincing the publics in the Arab and Muslim worlds to support their leaders in working with the United States.

The Obama administration should take advantage of the willingness of regional and global powers to work with the United States by renewing Washington's commitment to diplomacy. Such a renewed commitment was already noticeable during the last years of the Bush administration, when U.S. diplomats participated in a series of multilateral efforts to engage Iran and North Korea, rebuild the United States' transatlantic relationships, and promote Israeli-Palestinian peace. But for such efforts to be truly effective, the Obama administration's diplomats will need even more support.

They will also need a plan for reshaping the strategic context in the Middle East. Counterterrorism should be an integral part of U.S. Middle East strategy, but it no longer need be the driver of that policy. The Obama administration should focus on strengthening local capacities to fight terrorism, preventing the reemergence of al Qaeda in Iraq, and bolstering institutions in failing states where al Qaeda is trying to put down roots. The president himself should also send a clear message to the Muslim world that the United States is at war not with Islam but rather with small groups of violent extremists acting against the basic tenets of Islam.

The Bush administration gained some traction in the Arab world with the aggressive promotion of its "freedom agenda." But its insistence on elections in Lebanon, Iraq, and the Palestinian territories enabled Islamist parties with militias to enter the political process and then paralyze it in each place. The Bush administration's boycotting of Hamas after it freely and fairly won the Palestinian elections enabled the United States' opponents in the Arab and Muslim worlds to raise the banner of double standards. And President George W. Bush's backing away from his public demands that the Egyptian and Saudi governments open up their countries' political spaces undermined the credibility of his democratization enterprise.

Rather than abandoning the effort entirely, the Obama administration should strike a more sustainable balance between U.S. interests and U.S. values. Authoritarian regimes that are repressive and largely unresponsive to their populations' legitimate needs have set in motion a dynamic in which opposition has gathered primarily in the mosque. This trend needs to be reversed. The answer is not early elections, especially not when parties with militias contest them. Rather, a gradual, evolutionary process of liberalization should be promoted, one that emphasizes the building of civil society, the opening up of political space, and the strengthening of democratic values, including the rule of law, judicial independence, freedom of the press and association, women's rights, and government transparency. Above all, the United States needs to focus on supporting efforts to provide a vast and growing young generation in the region with hope for the future and reason to resist the dark visions purveyed by religious extremists.

The dependence of the U.S. economy on oil is a key reason that the United States worries so much about the problems of the Middle East in the first place, and U.S. oil consumption also helps extremists in Iran and elsewhere. Had gasoline prices remained high, many Americans may well have changed their habits. But now that oil prices have declined dramatically, so will the perceived urgency of the problem; the Obama administration will therefore need to redouble efforts to increase energy efficiency, reduce consumption, and promote alternative energy sources. These policies would further diminish the demand for oil, slow the pace of climate change, and reduce the transfer of wealth to countries such as Iran, Russia, and Venezuela. It is no coincidence that when the price of oil was \$10 a barrel, in the 1990s, Iran's leaders were far more circumspect in their activities abroad than they have been in this decade of high prices. Now that oil prices have dropped again, President Mahmoud Ahmadinejad will no longer be able to fund foreign adventures while

avoiding the domestic political consequences of his mismanagement of the Iranian economy. The lesson is clear: reducing oil consumption can alter the strategic environment in the Middle East; energy policy is foreign policy.

One of the most important steps the Obama administration can take is to extend Washington's vision beyond Iraq. The "surge" in U.S. troops, and arguably even more a change in U.S. tactics and the willingness of Sunni and Shiite leaders to establish and maintain order in their communities, has created an opening for the United States to devote attention to other regional issues. Sectarian violence in the country has been effectively suppressed, and al Qaeda in Iraq has been radically weakened. But the situation remains fragile, and the need to pursue a host of second-order tasks should preclude more than modest reductions in U.S. combat and support forces in Iraq through 2009. By mid-2010, however, the Obama administration should be able to reduce U.S. forces significantly, perhaps to half their pre-surge levels. This would be consistent with the accord governing the U.S. troop presence that is currently being negotiated by U.S. and Iraqi officials. In the meantime, the highest political priorities will be ensuring communal reconciliation and an equitable sharing of oil revenues. Diplomatically, as reconciliation gains traction, Iraq's Sunni Arab neighbors will have to be persuaded to work with Baghdad's Shiite-led government.

The timing and pace of the drawdown will be critical: too rapid a reduction could regenerate instability and create opportunities for Iran and al Qaeda, whereas too slow a reduction would leave U.S. forces tied down in Iraq and unavailable for other tasks. Still, a well-executed drawdown of U.S. troops should enable Obama to make clear to Iraq's leaders and neighbors that he is shifting responsibility to their shoulders while demonstrating to the American people that their country's involvement in the Iraq war is coming to an end. Implemented gradually, a drawdown of U.S. troops should not raise questions about Washington's reliability given all that the United States has done over the past two years to bolster Iraq's stability and normalize life for its citizens.

#### TACKLING TEHRAN

At the same time, the Obama administration needs to turn its attention toward Iran. The Bush administration succeeded in ousting the Taliban and Saddam Hussein, but in the process it removed Tehran's most threatening enemies and inadvertently opened the door to an Iranian bid for regional primacy. Arab governments feel they are seeing a historical replay of Persian efforts to dominate their region and fear that newly empowered Shiite communities in Iraq and Lebanon, backed by Iran, will inspire long-suppressed Shiite communities in other countries in the region, such as Bahrain and Saudi Arabia. Israel, Turkey, and Arab regional powers see Iran embarking on an aggressive effort to acquire a nuclear capability that the international community seems powerless to stop. And in the war of ideas, Iran and its proxies, Hamas and Hezbollah, have made some headway with the argument that violent radicalism is the way to liberate Palestine and achieve dignity and justice for Arabs and Muslims.

At the same time, Iran's challenge has led other actors in the region to begin to work together and look to the United States for help. Egypt and Saudi Arabia have grown deeply disillusioned with U.S. leadership but would welcome an effective U.S. role. Even Syria, Iran's ally, has launched peace negotiations with Israel partly to improve its relations with Washington and partly to avoid being stuck on the Shiite side of the emerging Sunni-Shiite divide. If the Obama administration could show that there are real payoffs for moderation, reconciliation, negotiation, and political and economic reform, it would recoup considerable U.S. influence throughout the region.

Should Tehran's uranium-enrichment efforts proceed at their current pace, during Obama's first year in office or soon after, Iran may have stockpiled enough low-enriched uranium to produce weapons-grade material for at least one nuclear bomb. Iran would likely still be another year or two away from having a more extensive nuclear weapons capability. But once it has the potential to produce large amounts of weapons-grade fuel, it will essentially have crossed the nuclear threshold and forced all its neighbors, as well as the United States, to change their security calculations.

Israel, which has maintained a nuclear monopoly in the region through preventive military strikes on Iraq and Syria, will be sorely tempted to do the same with Iran. If Israel does strike, Iranian retaliation could spark a war in Lebanon, closure of the Strait of Hormuz, dramatic increases in the price of oil, and attacks on U.S. forces in Afghanistan and Iraq. If Israel does not strike, the two countries will be on hair-trigger alert with a high potential for miscalculation.

Meanwhile, other countries, such as Egypt, Saudi Arabia, and Turkey, will likely accelerate their own nuclear programs. Once it has a nuclear deterrent, Iran may feel emboldened to step up efforts at subversion across the region. Tehran would also have the potential to provide nuclear materials (to serve as the core of a "dirty bomb") or even a crude fission device to one of the terrorist organizations it supports.

These adverse consequences make it critical for the Obama administration to reach an early understanding with other leading powers about the need to cap Iran's nuclear advance. Unfortunately, recruiting Russia has become an even greater challenge since its use of force in Georgia in August 2008. Moscow may be tempted to revert to its Cold War approach of backing destabilizing actors in the Middle East with military support and diplomatic protection. It may not

be possible to prevent Russia from playing such a spoiler role, but it is at least worth testing whether Moscow is willing to act constructively in the Middle East.

Of course, getting Russia to support what the United States regards as its vital interests in the Middle East may require tradeoffs on issues that Moscow considers vital. The Obama administration will thus need to decide what its priorities are in the U.S.-Russian relationship. Although Washington cannot abandon treaty commitments it has made to eastern European states or sacrifice the independence of Georgia or Ukraine, it could offer various incentives to secure increased Russian cooperation on Iran -- such as U.S. support for Russia's accession to the World Trade Organization, U.S. restraint on ballistic missile defense installations in Europe, a slowdown in the pace of NATO enlargement, or financially lucrative arrangements such as a possible Russian nuclear fuel bank or Russian involvement in an international nuclear-fuel-enrichment consortium.

Enlisting Russia's support for a common approach toward Iran would, in turn, make it easier to bring China on board. Beijing will not want to be left outside an international consensus. China's interest in the free flow of oil from the Persian Gulf is growing alongside its energy requirements. Nevertheless, Beijing currently prefers to pursue its commercial interests with Iran rather than increase economic pressure on it. The challenge for the Obama administration will be to make Chinese leaders understand that a crisis with Iran will have adverse consequences for China's economy and, as a result, the country's political stability.

#### A PRESSING ENGAGEMENT

To alter Iran's behavior, particularly on the nuclear issue, the Obama administration should engage the Iranian government directly. Why? Because the alternatives are even less promising. Containment and sanctions have failed to change Iran's course. A preventive military strike on Iran's nuclear facilities would at best delay its nuclear program for a few years while exposing Israel and U.S. forces in Afghanistan and Iraq to retaliation. And there is no realistic prospect of toppling the Iranian regime, either through military action or through support of an internal uprising. There are no guarantees that trying to engage the Iranian government more constructively would yield better results than current policy has. But a sincere attempt that failed would at least reinforce the case for then resorting to more hard-line options, in the eyes of both the American public and the international community.

Any U.S. initiative toward Iran will be complicated, if only because of the wide range of interests involved. That challenge will be increased by the dysfunctional nature of Tehran's decision-making and the regime's desire to advance both Iran's national interests and the interests of its Islamic Revolution. The Iranian state is capable of realism and compromise, but the revolution views the United States as "the Great Satan." In the past, when forced to choose, Iran's leaders have been prepared to put the state above the revolution. The Obama administration should thus try to find a way to address Iran's legitimate state interests while adamantly opposing its revolutionary impulses.

An Iran initiative should aim at direct U.S.-Iranian negotiations focused on bringing Iran into a new regional order and persuading it to engage its neighbors responsibly while promoting its influence by peaceful means rather than through confrontation, subversion, and nuclear proliferation. Success will be extraordinarily difficult to achieve, and the United States will need leverage to make even modest progress. The carrots of reduced sanctions, security guarantees, and normalized relations with the United States and the international community will be important, as will be the stick of potentially increased sanctions (including more stringent financial sanctions and a ban on Iranian imports of gasoline).

Before the Obama administration embarks on such an effort, however, it will need to secure Arab, Israeli, and Turkish backing. Egypt, Jordan, and the member states of the Gulf Cooperation Council fear that their interests will be sacrificed on the altar of a U.S.-Iranian détente. To allay these fears, Washington needs to treat these countries as full partners in its initiative, consulting with them regularly and offering them a nuclear guarantee in the event the attempt to limit Iran's nuclear programs does not succeed.

Israel is well aware of the drawbacks of a preventive military strike against Iran, especially if it has to act on its own. It prefers to support a diplomatic effort that would prevent Iran from crossing the nuclear threshold, even though it is wary of Iran's dilatory tactics. And it, too, sees the advantage of peacemaking, especially with Syria, as a means of acquiring leverage over Iran. Nevertheless, Jerusalem's tolerance for engagement is more limited than Washington's because it has a less robust deterrent and greater reason to fear Tehran's intentions. Israel has never been prepared to accept another nuclear power in its neighborhood, especially not one that directly threatens its existence: given Israel's small size and concentrated population, a first strike by Iran on any scale would have devastating consequences.

To allow more time for diplomatic engagement to work, therefore, the Obama administration will have to persuade Israel not to strike Iran's nuclear facilities while U.S.-led diplomatic efforts are unfolding. That will require enhancing Israel's deterrent and defensive capabilities by providing it with a nuclear guarantee as well as additional ballistic missile defenses and early warning systems. Simultaneously providing nuclear guarantees against Iran to both Arab and Israeli

allies will be a serious undertaking for Washington, but it may be the only way of preventing Iran's nuclear program from triggering a regional arms race.

The first step of a new U.S. initiative toward Iran should be to lead U.S.-Iranian negotiations in a multilateral framework. The model should be the current six-party talks, in which several regional players participate and provide the umbrella for direct U.S.-North Korean engagement.

Second, Washington should abandon its demand that Iran suspend its enrichment program as a precondition for formal negotiations. If Iran does suspend enrichment during the negotiations, the United Nations should suspend sanctions; if Iran does not, UN and multilateral sanctions should be intensified.

Third, Washington should be willing to discuss what Iran, as a signatory to the Nuclear Nonproliferation Treaty, claims is its "right" to enrich. In the end, it may be necessary to acknowledge this right, provided that Iran agrees to limit its enrichment program under enhanced safeguards to keep it from developing a "breakout capability" -- the capacity to produce significant amounts of weapons-grade uranium. However, this right must be earned by Iran, not conceded by the United States. Otherwise, Iran will pocket it and continue to insist on developing an industrial enrichment capacity, which would bring it unacceptably close to a bomb-making capability.

Finally, there should be parallel bilateral negotiations over the normalization of U.S.-Iranian relations, Iran's sponsorship of Hamas and Hezbollah, its opposition to the Israeli-Palestinian peace process, and its role in Iraq. But the United States should not insist on linking these issues. Instead, some incentives should be tied only to Iran's behavior in the nuclear realm; others could be made contingent on its overall behavior.

The details of these initiatives should be publicized so that Iranians and Americans are aware of them. Such transparency would require the Iranian government to defend its negotiating positions with domestic constituencies, and it would help the U.S. government mobilize support at home and abroad should more pressure become necessary.

The option of a military response -- launched by either the United States or Israel -- needs to remain in the background precisely because without one, Tehran might see a diplomatic initiative by a new, young U.S. president as an opportunity to play out the clock until Iran can cross the nuclear threshold. If the Iranian government proves unwilling to negotiate directly with the United States and suspend its uranium-enrichment program in the process, Obama will be faced with a difficult choice in his first term. Before making a decision on whether to attack Iran, the U.S. government should use private channels to notify Iran's supreme leader, Ayatollah Ali Khamenei, of the dangers he will be courting for his country and his regime if he continues down the nuclear path in defiance of the international community. Likewise, the United States will need to issue a statement making absolutely clear that any use or transfer of nuclear weapons or nuclear materials by Iran will have devastating consequences.

Because time is of the essence, Obama should not delay this initiative until the June 2009 presidential election in Iran in the hope that a more reasonable leadership will emerge. Previous U.S. attempts to play on internal political dynamics in Iran have all proved counterproductive; the United States simply lacks the knowledge and the guile to do so effectively. The point of offering to engage directly with Tehran is to establish an effective channel of communication with the government of Iran, not with any particular faction within it.

## THE ROAD TO DAMASCUS

Launching an Arab-Israeli peace initiative at the same time would also help get Iran's attention. Progress on peacemaking, especially on the Syrian track, would cause concern in Tehran that its bid for regional primacy was failing at the same time as the price of oil -- that other indicator of its national strength -- is rapidly declining.

Syria is the principal conduit for Iran's influence in Lebanon and the Palestinian territories. Israeli-Syrian negotiations threaten to sever these ties. Drawing Syria away from Iran would also deprive Tehran and its Hamas and Hezbollah proxies of a critical ally. Such a strategic realignment would weaken Iran's influence in the region, reduce external support for both Hamas and Hezbollah, and improve the prospects for stability in Lebanon.

In the past, Iran has seen progress in the Arab-Israeli arena as aimed at isolating it and has successfully used its proxies to provoke havoc and subvert reconciliation. It will probably try to do so again. But this time, the Iranian leadership would at least have the option of going along since the U.S. president would be pursuing peace at the same time as he was offering Tehran an alternative path, one that accommodated its legitimate national interests and security concerns if it chose to engage with the United States.

Negotiating peace with Syria should be less complicated than resolving the Palestinian problem. The Israelis have little doubt that the Syrian government would be capable of fulfilling its part of a deal. The outgoing prime minister of Israel,

Ehud Olmert, has reportedly offered Syrian President Bashar al-Assad full Israeli withdrawal from the Golan Heights, and the leaders of Israel's two other major parties -- Benjamin Netanyahu and Ehud Barak -- both made a similar offer to Assad's father when they led Israel during the 1990s. Indeed, most of the substantive issues between Israel and Syria were resolved by early 2000, under the Clinton administration.

In the past, the Israelis sought to trade the Golan Heights for peace but doubted the depth of Syria's commitment to normalizing relations. Today the stakes are different: facing a serious threat from Iran, the Israelis are more interested in Syria's strategic realignment. If Assad proves willing to make that shift, it would deal a serious blow to Iran's interference on Israel's northern and southern borders, providing a strategic dividend to replace the devalued peace dividend that the Israelis used to hope for.

Turkey, a NATO ally that borders Iran, Iraq, and Syria and maintains a long-standing strategic relationship with Israel, can also play a central role in this process. Turkey's current government -- led by the moderate Islamist Justice and Development Party -- has earned Turkey greater credibility in the Arab world. The Turkish government has taken advantage of this to step into the breach left by the Bush administration's refusal to deal with Syria, successfully brokering indirect negotiations between Damascus and Jerusalem. It has also contributed to the international peacekeeping forces in Lebanon and is willing to participate if similar forces are required in Gaza or the West Bank. Obama should therefore offer to partner with Turkey in promoting Israeli-Syrian peace and dealing effectively with the challenge from Iran.

A U.S.-brokered peace between Israel and Syria would remove Damascus as an enemy and, in the process, likely cause the breakup of the Iranian-Syrian alliance. But that can happen only if the Obama administration is involved in the negotiations, since Syria will not abandon its strategic relationship with Iran unless it knows that normalized relations with the United States are in the offing. A willingness to turn a new page in U.S.-Syrian relations would give Obama greater ability to persuade Syria to respect Lebanon's independence and police its border with Iraq more effectively. A U.S.-sponsored Israeli-Syrian negotiation would also help alter the dynamics of the other major peacemaking effort Obama should undertake.

#### SALVAGING THE TWO-STATE SOLUTION

The plight of the Palestinians remains a sensitive issue across the Arab and Muslim worlds. The situation has been exploited by the Iranians to advance their otherwise implausible claim to leadership in the broader Middle East and to bolster their argument that violence and terrorism are the way to liberate Palestine, a position that undermines those Arab leaders who would work with the United States to try to resolve the problem by engaging with Israel.

The Bush administration's neglect of this issue has cost the United States dearly in the region, something that President Bush himself belatedly recognized by launching the Annapolis peace process in 2007. Some still argue that it is a mistake to focus on this matter because few leaders in the region really care about it and a final-status agreement will not resolve the region's more pressing problems. But this argument ignores the opinions of a majority of Israelis who have come to see the occupation as a dangerous burden and of millions of Arabs and Muslims who see the Palestinian issue as a symbol of their own humiliation. Moreover, failure to resolve this issue allows Arab leaders to divert public scrutiny from their own failings.

Obama should take advantage of the framework created by the Annapolis process on four interrelated levels. First, the negotiations should be resumed and the understanding preserved that a final-status agreement should be reached as quickly as possible, while allowing its implementation to take place in phases. Although the gaps have been narrowed on several critical issues -- borders, refugees, and Jerusalem -- the United States will have to help bridge differences between the parties. Given how much time the two sides have already spent negotiating, U.S. solutions should be proposed -- but not imposed -- sooner rather than later. To encourage progress, it may also be necessary for Obama to outline in some detail his views of the principles underlying a final settlement.

Second, the Obama administration should encourage the Palestinians to honor their commitment to fight terrorism and encourage the Israelis to honor their commitment to freeze settlement activity. Both sides took partial steps toward fulfilling these pledges under the road map for a two-state solution proposed by the Quartet (the European Union, the UN, the United States, and Russia). The PA has deployed Jordanian-trained police in West Bank cities to maintain order. But greater funding and accelerated training are required to give Palestinian forces the ability to act against terrorist groups and gangs that are still pursuing anti-Israeli violence. Because this process will inevitably take time, the new president should also lay the groundwork for deploying international forces (preferably Arab, Muslim, or both) as part of a final-status agreement, to partner with the Palestinian forces until they can police their own territory.

When it comes to settlement activity, the Olmert government reduced new construction beyond the security barrier, but it also gave permission for the construction of thousands of new housing units inside existing settlement blocs and in

greater Jerusalem, evoking an outcry from the Palestinians and Arab leaders. Obama will need to seek an understanding with the next Israeli prime minister that all settlement activity will be frozen for a certain time period (say, six to 12 months) while negotiators finalize the borders of a Palestinian state. Once an agreement on borders is reached, settlement activity could resume, but only in the agreed settlement blocs that would be formally annexed to Israel after the other final-status issues have been resolved.

Third, Obama should help improve conditions in the West Bank by providing increased aid and backing efforts to ease the flow of goods and people. Salam Fayyad, prime minister of the PA, and Tony Blair, the Quartet's special envoy, have begun to kick-start local economic projects and remove some strategic checkpoints. It is important that they receive cooperation from Israel and funding from the Arab states.

Fourth, Obama should seek the active involvement of Arab states in the process. Following in Saudi Arabia's footsteps, the 21 other members of the Arab League have offered to sign peace agreements and normalize relations with Israel, provided that Israel withdraws to the pre-June 1967 borders and agrees to the creation of a Palestinian state. The lack of visible progress in the negotiations, however, combined with Israel's settlement activity, has soured them on the Annapolis process. Gaining the renewed involvement of the Arab states will be easier if they see that negotiations are progressing and that settlement activity is being halted. They need to be pressed to fulfill their financial pledges to the PA and to engage more visibly with Israel throughout the process, not just at the end.

Obama will have to decide what to do about the conundrum posed by Hamas, which won the Palestinian elections in January 2006 and then took control of Gaza through a military putsch in June 2007. Hamas rejects both Israel's right to exist and the agreements the Palestinians have already entered into with Israel. It also advocates and practices violence and terrorism (which it calls "resistance") against Israel. Nonetheless, given Hamas' control of Gaza and its support among at least one-third of Palestinians, a peace process that excludes it could well fail.

The way out of this dilemma is to make it clear that Hamas, and not the United States, is responsible for the Gazans' fate. As the governors of Gaza, Hamas' leaders should have to choose between launching rocket, mortar, and terrorist attacks on southern Israeli towns and meeting Palestinians' needs by establishing order and taking the steps necessary to attract aid (including ending the use of tunnels for arms smuggling and returning the Israeli hostage Gilad Shalit). The cease-fire agreement that Egypt negotiated is holding for the moment precisely because the Hamas leadership has effectively policed it, choosing to place the needs of Gazans ahead of Hamas' interest in "resistance."

The United States should encourage such developments but leave it to Egypt, Israel, and the PA to handle their relationships with Hamas. If the cease-fire between Israel and Hamas continues to hold and a Hamas-PA reconciliation emerges, the Obama administration should deal with the joint Palestinian leadership and authorize low-level contact between U.S. officials and Hamas in Gaza. If the cease-fire breaks down irreparably and the Israeli army reenters Gaza, the United States should then work with others to create and insert an Arab-led international force to restore PA control and bring about Israel's withdrawal. Obviously, it would be highly desirable to avoid such a scenario. One way to do this would be to ensure the kind of progress in the negotiations that would create a dynamic in which Hamas feels pressured by Gazans not to miss the peace train that is beginning to move in the West Bank.

#### STAYING ON COURSE

For these initiatives to succeed, Obama must make them a personal priority. The secretary of state will have to take the lead in the diplomatic effort, but because this ambitious Middle East agenda will require intensive engagement with many parties, all conducted simultaneously, Obama should appoint special envoys to manage both the Iran and the Arab-Israeli initiatives, with each reporting to the president through the secretary of state.

The pace of the negotiations cannot be dictated by Washington, but in certain areas time is of the essence. The Iran initiative, for example, needs to be launched as soon as possible because of the urgent need to stop Iran's enrichment program before Iran achieves a breakout capability. Time is short for the Israeli-Palestinian initiative as well, because Israeli and Palestinian support for a two-state solution is evaporating. It will be difficult to reach an Israeli-Palestinian accord, and even if one is agreed on, it could only be implemented in phases. An Israeli-Syrian agreement, by contrast, could be achieved more quickly. All three efforts should be pursued simultaneously, in any case, because progress on one will help generate progress on the others.

Renewing diplomacy in the Middle East will be a tall order for Obama. That will be especially true because the Middle East is bound to have some unwelcome surprises in store for him. Only an integrated strategy -- one that anticipates the consequences of action in one arena for what the United States is trying to achieve in others and that can be kept on course despite the inevitable distractions -- stands a chance of success.

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