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No Expansion vs. Freeze: Obama's Dilemma over Israeli Settlements

By [David Makovsky](#)

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Two and a half months after U.S. president Barack Obama and Israeli prime minister Binyamin Netanyahu first hit an impasse over the settlement issue, the dispute has not only continued, it has also grown more complex. Saudi Arabia has now rebuffed requests from Special Envoy for Middle East Peace George Mitchell to pursue confidence-building measures toward Israel, even in return for a moratorium on settlement construction. Although the Obama administration has not yet leveled any public criticism against Riyadh, it continues to be critical of Israeli settlements. To move diplomacy forward, Washington will have to engage in some creative policymaking.

Stakes of the Impasse

The current U.S.-Israeli impasse comes with significant stakes. The Obama administration hopes that its efforts will promote peace talks, but so far, the president's approach has had the reverse effect. The United States has raised Arab expectations of a settlement freeze to a level that may be impossible to meet. In fact, Palestinian Authority chairman Mahmoud Abbas declared that he will not negotiate with Israel without a full settlement freeze. Saudi Arabia's refusal to cooperate with Mitchell's peace gestures also creates speculation about whether other Arab states will keep their promises to the administration on issues ranging from reopening interest sections in Israel to lesser moves in return for Israeli action. Considering Saudi Arabia's political clout, some Arab states may not want to be out of step with the kingdom.

The settlement impasse has also impacted the dynamic of the Obama-Netanyahu relationship. Netanyahu is known to have felt blindsided by Obama when, without advance warning, he raised the idea of a settlement freeze during their first meeting. Although U.S. officials sharply deny concerns from the Netanyahu camp that Obama's efforts have been designed to topple the prime minister's government from the outset, relations between the two undoubtedly got off to a bad start. Trust between leaders is a crucial asset, and the more it erodes between Obama and Netanyahu, the more difficult it will be to deal with critical issues such as the peace process and Iran.

Defining a Freeze

Appropriately, Obama focused on the Arab-Israeli peace process right from the start, realizing that U.S. presidents usually have more political capital at the beginning of their terms than after political wear and tear takes its toll. The administration's focus on curbing settlements is not unreasonable. The expansion of settlements would be seen as an Israeli territorial enlargement, one that is exploiting the period of time during which peace prospects are uncertain and Palestinian institutions are being reformed.

The key question, however, is whether the proposed restrictions would eventually involve a complete settlement freeze in the West Bank. The Obama administration has stated that it wants Israel to stop not only outward expansion -- new housing beyond current settlement construction lines, which could be seen as territorially encroaching on a future Palestinian state -- but also construction within preexisting settlements, vertical or otherwise. So far, the Obama administration has not forwarded a public rationale for this stance, but

privately, U.S. officials say that brokering a total freeze would be much easier than the difficult project of monitoring the expansion of each settlement.

Netanyahu opposes the freeze idea as being impractical and at best short-lived, since school classrooms, synagogues, and other similar buildings need to be built within existing settlements. (The longest Israeli commitment to a freeze, made by Menachem Begin to Jimmy Carter in 1978, was only three months.) Netanyahu worries that the suggested moratorium lacks an exit strategy, which would leave Israel as the scapegoat if the moratorium unravels. The United States, for its part, is hoping for a permanent territorial agreement, so it is less focused on this particular Israeli concern.

Netanyahu appears to have gained politically from the impasse with Obama, since Israelis see the prime minister's position on vertical growth within settlements as reasonable and Obama's statements as rigid. During his first premiership (1996-1999), Netanyahu pursued pro-expansion policies, but since he has taken office the second time, his aides insist that he has not allowed his government to issue new construction tenders for the West Bank. Consequently, Israeli political opposition parties and politicians have been unusually silent, in stark contrast to how they behaved in response to previous U.S.-Israeli diplomatic impasses. Obama's deep unpopularity was reflected in one opinion poll that put his approval rating in Israel at 6 percent.

No Expansion vs. Freeze

In analyzing the freeze versus no-expansion dilemma, it would seem the main criterion should be durability. Legitimate questions arise, therefore, about the value of a short-term moratorium with exceptions for partially completed buildings, especially if a more effective no-expansion standard could be sustained until a peace agreement is reached.

Fueling the debate is a disagreement over past U.S. policy toward settlements. Israel asserts that it reached a verbal understanding with the United States in spring 2003, enabling Israel to accept the Quartet-endorsed Roadmap peace plan (formally announced at the June 2003 Aqaba summit led by former president George W. Bush), support the creation of a Palestinian state, and ultimately even withdraw from Gaza. According to the Israelis, a delegation of U.S. officials, led by then deputy national security advisor Steve Hadley, flew to Israel on May 1, 2003, to meet with Ariel Sharon to hammer out settlement principles. The two sides agreed that Israel could build within settlements so long as it constructed no new ones, engaged in no more land expropriations, and provided no financial incentives to settlers to move to the West Bank. Furthermore, any construction within settlements would be confined to the existing construction line. So long as these principles were not crossed, everything else was permitted. Bush's national security advisor Condoleezza Rice blessed the agreement's terms in a subsequent meeting, and the Israeli government endorsed the Roadmap on May 25, 2003. In a carefully orchestrated public letter exchange several months later, while the Gaza withdrawal was being discussed, Israel committed explicitly to demarcating the existing construction line. Former White House deputy national security advisor Elliott Abrams, allegedly intimately involved in those negotiations, has publicly and emphatically supported the existence of the verbal agreement.

Contradiction, however, surrounds the issue of the understanding. Rice purportedly told Secretary of State Hillary Clinton that no such verbal agreement ever happened (which has led former members of the Bush administration to assert that Rice's denial was due to her deteriorating ties with Israel toward the end of her tenure as secretary of state). Furthermore, some members of the Obama administration deny the understanding's existence, insisting that top Bush administration officials never blessed the verbal agreement. Other Obama officials say that because Rice and Hadley refused requests by the Obama administration for a formal briefing, the current administration cannot be faulted. Whatever happened in 2003, Israel's perception of the episode will cause it to question the validity of any future verbal agreement with the United States.

It is also clear that despite what did or did not happen, neither Ariel Sharon nor Ehud Olmert implemented the demarcation of the current settlement perimeter. The Bush administration seemed to have lost interest in the

issue, particularly when Sharon was leading Israel out of Gaza in 2005 and when Olmert was participating in the Annapolis peace conference in 2007. And although the problem of implementation occurred before his tenure, U.S. officials admit that Netanyahu is receiving the brunt of the blame for his predecessors' actions.

Ironically, Israel has demarcated the settlement lines, but has not transmitted the data to the United States. Baruch Spiegel, a retired Israeli general known for his fairness, was reactivated by Sharon to lead an Israeli defense ministry partly for this very purpose. The Spiegel group, which worked from 2004 to 2007, demarcated every one of the 120 West Bank settlements, as well as eighty-seven illegal Israeli outposts (including the twenty-three that began since Sharon came to power in 2001), and updated its findings every three months with the use of aerial reconnaissance. It remains unclear why Sharon and Olmert did not permit Spiegel's work to be shared with their American counterparts.

Conclusion

It seems unlikely that the United States and Israel will reach a sustainable freeze on settlements, other than as a short-term symbolic gesture. Nonetheless, a more sustainable no-expansion agreement is attainable, one that deals with the central issue of territorial enlargement, which could prejudge final-status peace negotiations. The current U.S.-Israeli impasse, therefore, appears to have been avoidable. Whatever agreements did or did not happen in 2003, Israel cannot ignore that it must overcome a legacy of mistrust regarding implementation.

A resolution to the current impasse is amenable to a sustainable solution. With Spiegel's work and U.S. satellite capabilities, the United States and Israel should be able to agree on a credible monitoring mechanism that ensures full compliance on settlement expansion. Whether Washington agrees or disagrees with less-significant details, American leaders should welcome such a development. The daunting complexity of monitoring settlement expansion should be only a short-term effort, since a permanent territorial agreement -- one that once and for all decides which settlements will be annexed by Israel -- should be the ultimate objective of all parties, making the discussion of minor construction details moot in the face of an accepted border.

A nonexpansion approach might have ended the current settlement impasse months ago, and genuine peace negotiations could already be in process. The current U.S. approach, however, too focused on the short-term gains of a settlement freeze, is producing nothing but diminishing returns.

David Makovsky, Ziegler distinguished fellow and director of The Washington Institute's Project on the Middle East Peace Process, is coauthor of the 2009 book [Myths, Illusions, and Peace: Finding a New Direction for America in the Middle East](#) (Viking/Penguin).

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