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What's next for Israel and the Palestinians 25 years after Oslo?
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PARTICIPANTS:

ADRIANNA PITA
Office of Communications
The Brookings Institution

NATAN SACHS
Director, Center for Middle East Policy
Fellow, Foreign Policy
Center for Middle East Policy

SALAM FAYYAD
Distinguished Fellow, Foreign Policy

JEFFREY FELTMAN
John C. Whitehead Visiting Fellow in International Diplomacy,
Foreign Policy

(MUSIC)

PITA: Hello and welcome to Intersections, the podcast where two experts explore and explain important policy issues in the world today. We're part of the Brookings podcast network and I'm your host Adrianna Pita.

We've got something of a special episode today. You probably noticed when you downloaded it that it's a little longer than usual. As we look back on the 25 years since Israeli, Palestinian, and American negotiators signed the Oslo Accords in hopes of achieving a viable two-state solution, it's an apt moment to bring together two former colleagues who worked together in Israel, Palestine, and Washington during the '90s and 2000s.

Recently reunited here at Brookings as Fellows with our Foreign Policy Program Salam Fayyad, the former Prime Minister and Minister of Finance of the Palestinian Authority, and Jeffrey Feltman, the former U.S. Ambassador and Assistant Secretary of State for Near Eastern affairs sat down with Natan Sachs, the director of our Center for Middle East Policy, to share their personal stories from inside the days of the Oslo process, the building and reforming of civic institutions in Palestine, and the Second Intifada.

In addition to looking back, Fayyad and Feltman will reflect on the current political environments inside the United States, Palestine, and Israel and the prospects for the future of peace.

Now let me turn it over to Natan.

SACHS: Hello, everyone and thank you very much for joining us. My name is Natan Sachs and I'm the director of the Center for Middle East Policy here at Brookings.

It's both a pleasure and a true honor for me to be here recording this podcast with our two new additions to are our team, the Honorable Salam Fayyad, the former Prime Minister and Finance Minister of the Palestinian Authority who's been really a champion of Palestinian statehood independence for a long time and one of the most respected leaders in the region I think. He joined the Center for Middle East Policy as a distinguished Fellow just recently and it's truly an honor to have you with us, Salam.

Thank you so much.

FAYYAD: Thank you very much.

SACHS: Jeffrey Feltman, who just recently joined the Foreign Policy Program and before that was the Undersecretary General of the United Nations, which was basically Number 3 in the whole U.N. The whole political issues reported to Jeff at the U.N.

Before that a very distinguished career in Middle East affairs. He was Assistant Secretary for Near East affairs in the State Department and ambassador to Lebanon and a diplomat in Tel Aviv and the acting consul general in Jerusalem and time in Baghdad, and I could go on and on.

One of the most interesting things here is that these two very distinguished colleagues have known each other for quite a while. So I wonder if one of you would tell us how you first met and how you would spend your times then.

Salam, would you like to start?

FAYYAD: Yeah. Thank you very much for this kind warm introduction and happy to be with you at Brookings and especially delighted to be joined with my old friend Jeff for this podcast.

I don't know if Jeff recalls this in particular, but your question was specific as to how we really met. It happened at (inaudible) checkpoint. I was the IMF representative at the time --

SACHS: This is the entry to the Gaza Strip?

FAYYAD: Yeah, beginning December 1995, that's when I actually assumed that office and start to do that job, didn't take too long. I used to travel from Jerusalem. I lived with my family in Jerusalem and I used to travel to Gaza just about daily. I had a little apartment that sometimes when I ended up spending too much late in the evening, I wouldn't travel back, I stayed there.

One day not long after I started to doing this, a gentleman walked up to me and says, hey, you're the IMF guy, aren't you? It was Jeff Feltman, that's when we met, that's how it happened.

He used to probably (inaudible) similar trips, and I was new there and he just

walked up to me like this and I said yes. That was the start of it. It was really most productive and best relation I had, especially a privilege to be (inaudible) for this forum.

Didn't take too long before he really started to actually visit with me regularly in my office in Gaza, driving himself. Hard to believe these days a U.S. Diplomat traveling from Tel Aviv to Gaza, driving his own car, beat up Chevy, blue (inaudible).

He would stop by between meetings, talking to people, getting some data on what's getting into Gaza, imports, things like this for his job. In between meetings he would stop by without calling or anything like that.

I was there most of the time. Oftentimes we had lunch together. We -- that had a certain name to it, I don't really want to say what it was, but in any event, that was really the start of what really was a very, very productive relationship, even beginning with the time I was resident representative and maybe gone too long.

But I remember in the spring of 1996, the -- it came to my knowledge that the Minister of Finance issued a bad check and that to me was a shocker. How can a Minister of Finance write a bad check.

That to me, the (inaudible) of IMF (inaudible) at the time was kind of really an ominous sign of a (inaudible) about to collapse. If it got to a point where Minister of Finance is issuing bad checks, so it must be that they really are in bad shape. Low and behold I get in touch with Jeff and I say, listen, things are really in bad way here, what's happening.

I remember vividly, this is how productive the gentleman was and extremely into what he was doing, rarely if ever met people with that kind of dedication to what they were doing and the person interest.

I remember receiving several phone calls from him that day like 15 minutes later, half an hour later. We start from nothing and by noon that day, he was able on the strength of contacts that he made, he was on the phone, we got to \$10 million (inaudible).

(Talk over)

SACHS: Palestinian Authority?

FAYYAD: I can go on. This is really not something that I can do justice to and spend all the -- and answer question like yours, but I -- we can go on with a remarkable journey.

SACHS: So this the early days of the Oslo process, which was signed in September, September 13th actually, 1993, so we're now 25 years since the Oslo process and it's a moment of kind of thinking back.

So, Jeff, as you think back on those days, could you tell us how you got involved in all this, you're a young diplomat in the Tel Aviv Embassy at the time; is that right?

FELTMAN: Yeah. At the time the embassy in Tel Aviv for historic reasons had two or three, depending on how you counted them, Gaza watchers. I was the economic commercial Gaza watcher. It was separate from the consul general in Jerusalem, which was covering the West Bank.

Later this was consolidated into one mission, but at the time I reported up to the ambassador in Tel Aviv, Martin Indyk, but covering Gaza economic issues.

But when I was assigned this portfolio, when I was assigned this position back in early '93 it was a far different job than the job that I ended up having. Because by the time I got to Gaza after doing the two years of Arabic studies that the State Department provided me a great benefit, the Oslo Accords had happened, the Palestinian Authority had come into Gaza and Jericho, they were negotiation in the interim agreement, and there was a whole coordination structure that was set up to try to focus the international community on helping the Palestinian Authority meet its needs.

That's how I came to appreciate Salam, because Salam in these coordination meetings was always practical, pragmatic, focused. And that's also why I stopped by his office several times a week was to sort of compare notes with him, because Salam would not have written a bad check. So we were able to work together to figure out some of the stuff.

Also to be frank, I was living in Tel Aviv, my job was in Gaza, I had no office in Gaza, I needed to stop some place to use the bathroom.

FAYYAD: It's hard to talk about the genesis of our relationship without mentioning

another friend, Jake Wallace, who at the time was DPO in Jerusalem?

FELTMAN: The number two at the consulate in Jerusalem.

FAYYAD: Number two at the consulate in Jerusalem.

SACHS: I should say the consulate in Jerusalem serves in many respects as the diplomatic liaison to the Palestinian Authority.

FAYYAD: Yes, yes, pretty much. I don't know what happened. I think you left, you came back, because a number of years between 1996 when we first met in early 1996 to the time when I first joined the PA in June 2002, he at the time was acting consul general I believe.

FELTMAN: Yeah, I had the Gaza job from '95 to '98. From '98 to 2000 I was in Tunis. I had transferred to the embassy in Tunis. Martin Indyk insisted I come back to work on the Israeli Palestinian issues in 2000 initially from Tel Aviv, but then the consulate in Jerusalem where I was the number two, the deputy principal officer, but there was no number one after July of 2002, so I became the acting consul general -- the acting head diplomatic representative of the Palestinians and you were still IMF at the time I came back.

FAYYAD: Yeah, I remember.

SACHS: I want to come back to your experience as a Finance Minister with no bad checks written, but before that, Jeff, could you tell us a little bit about the experience working in the embassy in Tel Aviv, liaison with the Israelis, how you met the Israeli leadership the first time; secondly, how it was compared to Jerusalem, a very different place?

FELTMAN: I had two entirely different experiences in Tel Aviv. The first two in Tel Aviv, I was covering the Gaza Strip. I was working with Salam Fayyad with the Palestinians who were then it seemed to be on a forward trajectory.

So I was very much focused on Gaza and my relationship were developed mostly with the Palestinians with the exception that Martin Indyk was the ambassador. I was very lucky to have Martin Indyk as the ambassador. He sort of took me under his wing directly and he would bring me with him to meetings with the Israelis to tell the Israelis

what I was seeing in Gaza.

SACHS: At the time (inaudible), these are the leaders?

FELTMAN: Yes, yes. The second time I was in Tel Aviv, I was his special assistant, meaning I was with him in all of the meetings that were taking place during his second tour around the Camp David process at the time, and then when I was in Jerusalem, of course, I was part of the U.S. representation diplomatic mission to the Palestinians.

I want to go back to sort of the early Gaza period, because I think it gives us an example how pragmatic at the time many people were, not everyone. There was a lot of ideology at play (inaudible), but there was also pragmatism.

Because of the terrorism that had increased after the signing of the Oslo Accords, the Israelis imposed an ever stiffer closure on to the Gaza Strip restricting truck movement, labor movement, et cetera. At one point they cut off the ability of Palestinian trucks to go to Israel to pick up fuel or Israeli fuel trucks to go into the Gaza Strip to deliver fuel, so there was suddenly no ability to get fuel.

Comparing ideas with Salam, comparing ideas with others we came up with this idea that you build a terminal across the -- it's not a border, across the line between Gaza and Israel where simply the Israeli truck is on the Israeli side, downloads through a pipe, it goes into the Palestinian truck and the Palestinian side to be delivered to where the fuel is needed.

The Israelis who Martin Indyk took me to see were very pragmatic. They saw the need that you had to have fuel in order to have electricity, sewage treatment, et cetera, et cetera, so they quickly agreed and was able to help us cut through all the permit issues we had before. It was a pragmatic way of looking at a very real problem imposed because of the Israeli closures that were a security measure designed to counter the terrorism threat.

SACHS: It's interesting this issue of how to deal specifically with fuel getting into Gaza, but everything else of course is back now with a vengeance of ten years now, more than ten years of closure on Gaza, but we're still sort of -- we're thinking of the period in the '90s I suppose between the signing of Oslo in late '93 and the outbreak of the Second

Intifada in late 2000.

These are years that you mentioned, a lot of pragmatism, there's ups and downs in those years, but a lot of pragmatism but a lot changes in 2000. The summer of 2000, the second Camp David Summit is convened, it ends in failure, and then in September that year the Second Intifada begins.

You were mentioning earlier, you were discussing, Salam, you found yourself in a very interesting place in the Second Intifada. You, in fact, were with Yasser Arafat at the Mukataa in Ramallah, which is the Palestinian Presidential Headquarters in Ramallah that were under siege in 2003 by the Israeli forces in what the Israelis called Operation Defensive Shield.

Can you tell us a bit about how that came about and what that was about?

FAYYAD: Yeah, I can. It's interesting I sit with Jeff, we have never done this before. It's hard for me to kind of listen to him without being reminded of facts that really actually happened and not to kind of comment on -- because as he was saying what you were saying about his role at the embassy in Tel Aviv and Martin Indyk and all. He actually introduced me to Martin Indyk when he was ambassador, very unusual for IMF resident to kind of be working with the ambassador.

SACHS: To Israel, you were the res. rep to the Palestinian Authority.

FAYYAD: Yeah, I remember -- actually it must have happened in 2000. Jeff and I had another thing in common, we both drove ourselves around, which was a challenge pre-GPS. Not that it's not a challenge for me these days with GPS.

In any event I remember I was traveling to Brussels one day and he suggested that I stop by the embassy before actually flying out and I did. That's when we met, talked about a number of things, including -- this was actually before Camp David. It was definitely -- I mean --

SACHS: It was like '98.

FAYYAD: Before. No, this actually was after Camp David. I can tell you why I remember, because I remember getting to Brussels that day and that was the day on which the Supreme Court ruled on the elections -- or was that in -- no, no, 2000, it was

2000. In any event, so -- yeah, a lot of memories actually.

But on that I had just joined the PA mid-2002 as finance minister in June of that year. As matter of fact, it didn't take long. I think the next day -- I mean, the (inaudible) in Ramallah, myself and three other colleagues who joined the government was not really government change completely but was myself and Minister of Interior, Minister of Labor, and I forget the fourth, but four of us, only to find myself held up in hotel room in Ramallah under curfew. This was the height of the Second Intifada and the Israeli Army wasn't -- impose curfew.

Stayed there for quite a number of days unable to go actually to the office in Ramallah. I'm not talking about Gaza or anything like that, but anyway, we -- maybe few months afterwards, and I remember it was in September of that year, about less than three months after joining the PA, I was to go to Mukataa in Ramallah -- at the time I was living in Jerusalem with my family, not really officially and formally, but on a permit visit. My wife is Jerusalem resident, but in any event, effectively I was residing there.

I was called in for a meeting in Mukataa with a visiting dignitary to (inaudible) President Arafat at the time. Nothing in particular that I could think of as to why I myself would be called for meeting like that, but in any event it was not uncommon either. I just joined the PA and people (inaudible) about the Minister of Finance and the president wanted me around.

So it was not working there, but I remember for whatever reason it was not working there, whether it was a Friday or something or a holiday, I remember it was kind of afternoon that September day.

I took a taxi from Jerusalem and went to Ramallah. That same day there was a bombing, a bus, and obviously the thought crossed my mind given what had proceeded there, the high stakes, (inaudible) that this was going to have consequences that day, significant number of fatalities.

Nevertheless, there was no way I was really going to not go. I was going and I remember the thought cross my mind that could it be that (inaudible) would roll in today and things like this. The thought just crossed my mind, but I just kept going.

Got to the (inaudible) only to learn as soon as I got there that the meeting had been called off because the visitor had called in saying he's not going to be able to come. Now knowing who he was, I don't think it was a decision that he himself made without being told, so it was ominous to say.

For whatever reason I didn't kind of leave as soon as I was told there was no meeting. I saw the president and I remember kind of having conversation with a colleague of mine at the time (inaudible) before kind of really hopping on same car that brought me in taking me back to Jerusalem.

Just out of nowhere all of a sudden, I don't know how this can happen. I mean, no (inaudible) prior experience or anything like that, no noise, nothing. I mean, I would have thought that when tanks are moving, you hear the noise of tanks moving, but I could hear nothing.

All of a sudden machineguns, heavy machinegun, and everybody was yelling come on in, come on in, come on in. We were really shoved inside the building as a matter of fact. I mean, (inaudible) all this was happening. It was kind of scary with all this gunfire and all, but (inaudible) reflecting on it, kind of realtime.

I remember one of the girls kind of wanted to make sure that (inaudible). I think I said Jeff could not even stop a fly going through it, but wanted to make sure the door was closed. Before we know it we're kind of held up in Mukataa under siege, the tanks --

SACHS: How long were you there?

FAYYAD: We're there about ten days in all. The next day was (inaudible). The first day was not that eventful. I mean, after the initial round of gunfire and all and tank activity and the rest of (inaudible) and hear some noise. We're inside in the president's own kind of meeting room where he spent most of his time as a matter of fact, a few of us.

Then I remember distinctly that evening some of his office director, not chief of staff, just coming in and saying (inaudible) in touch with Israelis. He just walked into the room and he said -- because a number of people in the room. There some university professors who are called in to talk to the president about things and all.

So he came in and say in this way, in the way he said it, guests are now allowed to leave. That -- so I just did not consider that the rest to me, I just stayed put. He said, yeah, I mean, the guests are (inaudible) himself look at me and said, brother --

FELTMAN: Yasser Arafat --

SACHS: Yeah, Yasser Arafat, (inaudible). I said, I am not a guest here. I'm an official of this authority. There's no way I am going to leave, just really -- had he said something else, I mean, just the word "guests" just did not sit well with me, did not think it was addressed to me. So we stayed on and it played out.

The next day was very bad (inaudible), on the phone with Jeff many times. He can tell you about that more than I can of kind of testy exchanges and some (inaudible) trying to get me out to go to IMF World Bank meetings and -- but I did not really go at the time and I -- he would remember this maybe better, I don't know, but I -- I remember it was a point in time when -- there were meetings also arranged for me to meet administration officials at the (inaudible) of the Fall Meetings of the IMF and World Bank.

Jeff every day would say we're getting there, (inaudible) we got to the point where if I did not go, that would cause some scheduling problems. I remember my reaction was if your administration is not good enough to be able to push (inaudible). Fifty meters away from Mukataa, what am I -- what am I to expect, things like that. There were exchanges like this.

The next day was very testy, I mean, really, really (inaudible) day. I don't know -- just about everybody in that room thought that was the end.

FELTMAN: And they're destroying the building around you.

FAYYAD: Actually that same night -- the first night for whatever reason, for whatever reason, I kind of get sleepy around midnight, I just wanted to go to sleep. So I never slept there and the -- so the president (inaudible) himself escorted me to his office in the newer side of the building, and he had a room that he actually used to sleep in, something like that. He put me in that room.

As a matter of fact I remember kind of really -- I don't know why with all that was going on, I was just really -- I got sleepy. I'm kind of -- half awake, half asleep, kind of

2:00, 3:00 in the morning, him coming back to check on me.

What I do remember, though, is speaking of destruction and all, about 6:00 in the morning guards knocking on the door saying you got to leave, you got to leave. There's indication Israelis about to (inaudible) going to be destroying structures and buildings. You have to move to the other side of the building.

So I ended up on the other side of the building, which is his office. The next day we moved, then -- indeed the destruction started, they're kind blowing up buildings. It was really dreadful, scary.

That evening was very scary. We got there and then Israelis (inaudible) to mobilize very, very close to really the edge of the (inaudible) and they were calling on us to go out and surrender and things like that with heavy machinegun and stopping every ten minutes and repeating the message again and all of that. It got really, really very, very testy there.

SACHS: Jeff, it's interesting. On the Israeli side, the Second Intifada seemed to signal the end of I think what we'll call the Oslo years and really transition to a very different period in that process. From the American perspective, it was also the end of a very difficult negotiation. Camp David of course was here with President Clinton leading it.

Looking from a slightly macro perspective, you were following things for a long time and have been since, but what changed, what's different from 1999 to 2001, what's the (inaudible) change there?

FELTMAN: I'm not sure we were honest enough to admit to ourselves that the Oslo process was over at that time. In fact, you still saw -- in terms of the U.S. positions, you still saw evolution in a way that was consistent with the Oslo process.

I believe it was July 2002 when George W. Bush came out in favor of a two-state solution. The two-state solution had never been officially part of U.S. policy, even if the Palestinians concluded internally that that was the goal of Oslo process. It wasn't stated in the declaration of principals, it wasn't stated in the interim agreement, that two-state solution.

George W. Bush in July 2002 put the U.S. firmly on a position of a two-state solution. He did that at the same time that he also withdrew the relationship with the Yasser Arafat himself because of the -- what he saw as a very ambiguous response at best to the terrorism launched in the Second Intifada.

But there was still a sense that as bad as things were, there was still going to be forward momentum. They set up -- the U.S. was the initiator of the quartet. It was Russia, the U.N., the EU, and the United States that put together a roadmap for two-state solution that had obligations on both sides. There was still a sense that somehow you could put this all together.

I will say in part this was credit to the type of relationship that Salam himself or the confidence the U.S. had in Salam's role inside the Palestinian Authority. For example, you know of all the congressional restrictions on assistance to the Palestinians, it's linked to Commitment to Peace and all sorts of things.

Salam was able to build the types of relationships with the U.S. administration, and particularly with the U.S. Congress, where we were able to transfer cash to the Palestinian Authority to pay for essential services. That would have been unheard of had Salam not put in place in the Palestinian Authority real fiduciary transparency and been able to persuade skeptics on Capital Hill that he could be responsible for the use of those funds. So I don't think we concluded as awful as the Intifada was that the process was basically over.

SACHS: Do you think, Jeff, though, what happens afterwards is basically -- in one sense Oslo continued, what is it about Oslo that survives, and I guess thinking even today, what is it that still survives from Oslo.

I suppose one is just the Palestinian Authority itself, that still exists. But do you think there's anything that survives even now after the Second Intifada and after all these years that have passed since?

FELTMAN: I'll let Salam answer that.

FAYYAD: Yeah. Again, a lot to say. I want to (inaudible) the earlier part about -- many, many other stories without mentioning human relations in all of this. In particular,

Jeff's (inaudible) -- household name in my own household. He was on the phone with my wife and kids every day assuring them and talking to them and all that. We didn't have warm personal relationship family to family before, but that really was something that my family never forget and I will always be in his debt for.

I mean, it's just -- there was that kind of -- it was the complexity, it was the violence. Things appear to be unraveling at all levels, but it was some channel that's out there, it's active, some communication, some back and forth and people listen to each other, the worst of circumstances, something which with deep sorrow I say (inaudible) nonexistent now.

So those days were tough and we thought they were really difficult days, but now by contrast, where we are today, they look like and sound like the good old days. They were not good, they may not be that (inaudible) either, which brings me to the question of where I see things going.

Your question specifically was to what is it that's left of Oslo. You suggested the PA (inaudible), it's still there. Yes, it is. It does exist, but in what shape. It really has been getting progressively weaker and weaker and weaker.

Palestinian leadership undermine in a political sense by the failure (inaudible). When I first used the phrase the final failure, I essentially was referring to the PLO having made a bet on Oslo to produce a Palestinian state in five years, something with the Oslo framework, and of course themselves are (inaudible) as Jeff said.

It was not before George W. Bush actually made that statement June of 2002 about that being the (inaudible) outcome, two states being side by side in security. That had become declared, a public official publicly declared U.S. person, not a small thing.

As was not a small thing what Jeff said about Congress of the United States actually getting to the point of dispersing cash (inaudible) at the time when nobody thought that something they could even begin to talk about. In this context there's this one congressman I really have to pay special tribute to, Howard Berman (inaudible).

I remember in 2003, remember -- Jeff, you mentioned the year, (inaudible) been in office less than a year and we met at the (inaudible) on the Jordanian side, and I just

briefed them about what we are doing.

I had good rapport with Congress, because I -- just basically they were interested in what we are doing, what our plans were, what the problems we are facing, and I just really kept it that level within the confines of the basic stuff that I really felt I was in charge of.

SACHS: Can you tell us a little bit about that, about the reform?

FELTMAN: I mean, just one simple thing you did, you put the Palestinian Authority budget, the expenditures on the web, so there was transparency. The Palestinian citizens could see --

SACHS: And a demand for bank accounts for all employees.

MR. FAYYAD: Serious reform actually took place. And contrary to the prevailing wisdom about the genesis of (inaudible) reform, I really do think it's important to state it as it was, even if that's really not the consensus feeling as to what the (inaudible) was.

I can tell you now that you mentioned something about (inaudible) paid into bank accounts as opposed to brown bags and cash payments and petroleum, and all the monopolies and total lack of transparency, no accountability whatsoever, and things like this.

I can tell you, because I was there, that most of what needed to be done to put together a well functioning public finance system happened when (inaudible) was still president. I say this for the history books. I was there and this is my own testimony.

People don't think so and they think just basically what happened was a continuation of what was happening before, but that's the reality. The (inaudible) happened when he was (inaudible), happened while he was president.

Preparing meaningful budgets and publishing them, including his own -- the budget for his own office happened when it was a consolidation of the Palestinian Authority's commercial operations in one holding company type structure. Under the chairmanship Minister of Finance happened with his own signature.

So all this (inaudible) and discussion, consultation back and forth. We persevered, but things happened. That really helped in conversations with Congress, because you

come to Congress -- instead of just coming we're broke, we need money, we need to really do some reforms, we need to prepare a budget, but it's very difficult, ladies and gentlemen, to prepare budget. Why is that, we can't really prepare a budget when two-thirds of our revenues are blocked by Israel, held by government of Israel.

SACHS: This is under an agreement where Israel takes the customs on behalf of the Palestinian Authority and then transfers it, but it's sometimes withheld.

FAYYAD: So that really begins to be subject -- something people begin to relate to as an essential ingredient to empowerment, to enabling this budding kind of effort that (inaudible) reform and improving things, work.

So it's not really stated in terms of the right and wrong of it. Of course I thought it was wrong, but the idea was I can't really prepare -- I can't really have any meaningful accountability if we don't have a budget to tell people where the money comes, where -- (inaudible) along the way phrases like people's money and things like this, looking for things that resonated (inaudible) generate, because it was for reform, things like that, but interesting period. So in short order, we were able to really do things quickly.

So by the time I actually made it to Washington, D.C., after that siege, because sit through it until it ended, and then -- Jeff kind of made the arrangements for the meeting. I remember my first meeting with senior most leadership in the United States happened in October of that year after that September siege.

I met the Secretary of State, then Colin Powell, and Condoleezza Rice as National Security Advisor to the president, vice president, and Congress, (inaudible) that conversation. By that time we had things, because Jeff had contact with (inaudible) some two months after I became -- two weeks, sorry, after I become (inaudible).

He says there's this trip to Washington we think is kind of really useful for you, (inaudible) to go discuss your plans. My reaction was I have just started to do things. I still don't have a story to tell. By agreement, we agree to defer that.

I actually did (inaudible) go, which was actually remarkable (inaudible) American relationship. Palestinian official invited to go to Washington, D.C., (inaudible) come here.

But it sort of really paid off, because time I showed up I had something. And in

those discussions, talking to Congress people at the time, and they were listening, you know, we have these plans, we have these designs, we have these impediments, we have these problems.

All of that actually by the way they was holding money got resolved by December of that year and involvement by the president himself, interest on his part, played a key role and good act of diplomacy on the part of then ambassador to Israel and Tel Aviv, Dan Kurtzer --

FELTMAN: Dan Kurtzer.

FAYYAD: -- it was very effective in the way he communicated that message. It happened.

FELTMAN: By December you had a track record. You were able to show that it wasn't just hocky foddy (ph), empty talk in Arabic, that you were actually able to deliver, and I think that impressed the White House. It was something the Israelis couldn't deny, because they saw it happening.

I have to say that your relationship with George W. Bush also was helped by the fact that you're a University of Texas graduate.

FAYYAD: Yeah, there were stories about kind of -- my first meeting with him was in spring of 2003. This was actually -- the sequence of events here -- my first trip was in October 2002, so money was still withheld, just beginning to really talk about things and people reporting to each other about what the guy said and didn't say.

I was in the old Executive Office Building for a meeting and I was told the vice president wants to see you at the time. It was October 2002. None of it was kind of on the agenda and all.

I remember -- I don't know if you still remember this or not. After that trip and (inaudible) and Congress wasn't reporting on this in many ways.

So Jeff, he still was at the time acting consul general. He said the president was briefed on your meetings. This was important to the situation at the time. They talked about this, this (inaudible) rumor. They discussed issues and all. Can't say situation room without remembering that story, you need something, but we'll keep that for another

time.

But anyway we -- was active conversation. President apparently at the time kept saying why did I meet the Minister of Finance. Jeff actually conveyed that to me. So my next trip to D.C. was in spring of 2003 and it happened -- Jeff calls me up and says America -- Washington wants to really talk to someone. We discussed Prime Minister of Mosul at the time and all likelihood --

FELTMAN: Mahinda Baas --

FAYYAD: He was the Prime Minister at the time and I was Minister of Finance. Low and behold I was somebody representing then Prime Minister to go.

So, yeah, I did come to Washington at the time. All of this about Yasser Arafat, President Arafat was still around. Before I went, before I came back from any travel, I go stop there and ask if he needed something and things like that.

So I ended up that relationship -- a lot of stuff was written about this. The chemistry was just great, so people started to really speculate. So at some point I was the classmate of Colin Powell and went to Texas together with George W. Bush University of Texas --

FELTMAN: And none of it was true.

FAYYAD: None of it was true, but the Texas connection was very powerful in the way my first encounter with George W. Bush --

SACHS: You used those longhorns -- (Talk over)

SACHS: Salam, how -- you maintained the confidence of Yasser Arafat up until the end of Yasser Arafat's life, you were able to maintain that. How did you answer the critics that said that you were become too close to us?

FAYYAD: You know, to his credit, I have to tell you, to his credit he saw that as I saw it myself. Because a lot of -- oftentimes during those days, summer 2002 and (inaudible) 2003 and all, all of these stories about me being the choice of the west of Washington and even Israel and sometimes people going as far as suggesting to really be the successor to Yasser and things like this. At the time when the post of -- Prime Minister was being introduced, my name was circulating as that first Prime Minister and

things happened.

I never had any illusion as to who I was, what I was there to do, anything like that. To be honest with you on that, during that (inaudible), I said not my job. I'm here to do the books and all. I just get here. There are a lot of people who have been doing this for a long time. I had to be on (inaudible), so I sat this went out obviously.

Throughout I was really completely preoccupied with doing those things that really needed to be done right. He knew from my relationship with him while I was IMF resident, that I really have the interest of getting things done right, (inaudible).

From my days -- going back my days IMF, I always kind of took advantage with my many meetings with him to kind of talk about the need to reform things, particularly I started to get close to (inaudible) negotiation, but many good meetings.

He kind of had the sense of what this is about. There are many stories I can tell you. It was kind of really -- as a matter of fact it was his -- I think the way he kind of perceived himself made it possible for him to really absorb this.

This is someone who would get pieces of paper with them -- on them, written stories about look at what's happening, this guy's becoming really too influential about me, look at what New York Times is saying, the (inaudible) PA official, pictures and all. All you do is -- I remember kind of with his pen he was just Dr. Salam. He just kind of refers them to me and all that.

Then (inaudible), I had a lot of empathy and it showed. What I really (inaudible). One of the kind of conversations I recall, like it was a high-pitch conversation with Jeff on the other end of it was really toward the end of 2002. I don't know if you remember this, but we were in the final stages of negotiating the release of our (inaudible) Israel, held by Israel.

We were getting close to end of Ramadan and Eid and for whatever reason, President Arafat wanted salaries paid before Eid. I just simply did not have the resources and did not want to do what he wanted to do, which is to really get a loan from our Central Bank, which is something -- or you know a loan from pension fund, and I did not want to do that either.

Here I was kind of three or four months old minister about (inaudible) cabinet kind of saying, no, I wouldn't do these things. I was counting on breakthrough on the Israeli side.

On that day -- and I kept postponing the inevitable encounter between (inaudible) and something like this. I knew it was big (inaudible) and every cabinet meeting we had, or so-called leadership meeting, he would say I have the papers ready so your brother, Salam and I, would sign and get this done and I pretend as if I read nothing and avoid him, avoid him, avoid him, avoid him, day of day of reckoning. 10:00 a.m. the phone started ringing off the hook. I told my secretary to tell Mukataa I was at the bank. I wasn't at the bank.

Kind of midday I thought, come on now, (inaudible, talking under breath), I should be better than basically (inaudible, talking under breath).

I went there and by the time I (inaudible) on my own and all, by the time I made it there -- of course a lot of things -- I mean, you know, I knew he must be really totally angry, furiously angry and all. I knew what it was like when he got angry at someone (inaudible).

So I had little bit of a piece of paper and scribbled a letter of resignation and put it in my book, in my -- because I figured something bad is going to happen or just kind of drop the subject and move on. I'm not going to take abuse from anyone, not even the president and all.

I remember (inaudible) just walked in and everyone is like the president, the president is looking for you. I said I know, I know, I know, and I was really kind of -- so I walk in he was alone in his room over the table there.

I don't know if have you recollection of it, but by that time Americans were not actually going to Mukataa. The last meeting that took place was Secretary Powell in I believe spring of 2002, Secretary of State at the time, was last meeting.

Anyway, he was kind of pacing. I mean, he -- I saw that he was really trying to not kind of yell, I could tell. Where have you been, Brother. He was really making an effort to contain himself. Please sit down, Mr. President. I said I know this is really painful. I know

it's been -- I know that you really been saying that you need to -- I know you care.

But on my way here, I called in on radio myself and I said salaries are not going to be made and I myself take full responsibility for it as Minister of Finance. It's my responsibility.

And I -- something else I need to tell you, these two instruments, one is illegal and one I would not really recommend about those two borrowing instruments. It would be much better, and I do this passionately just as I'm doing it now, I'd much rather have you be known as someone who is so desperately wanted to pay salaries but did not to uphold some principals rather than satisfy an immediate need to pay today. What are we going to do tomorrow, what are we going to do next month.

He was quiet, didn't say anything. I sat there not knowing what to do, and then I decided to (inaudible) and leave, you know kind of -- this happened, nothing bad. I went back to my office really sad, I mean, not in any way gratified --

FELTMAN: But the letter is still in your pocket?

FAYYAD: Yeah, the letter was never brandished. I didn't have to, didn't have to. That was kind of last resort. If something really bad happen, (inaudible) sit down, just kind of be on the receiving end of major abuse, so I am not going to do it, but I have to really reach out to -- nothing like that. He was quiet and I left, I go to my office and Jeff called. Jeff called.

I said, oh, breakthrough. I was doing this, you know, praying for time. And of course, Jeff, every day I call him. Tell them, tell everybody. I mean, I was just getting to there. It's a problem. There's just massive pressures, we can't really deal with this. Why the Israelis stalling so much.

We agreed. We can't really do this, can't really do that, but Jeff was -- I said, I'll handle (inaudible), so we have a resolution except that Jeff at the time said can you give me a fax number. He mentioned Israeli officer's name. He wanted to send you a letter, and I got really angry.

I said, letter, when I'm really expecting money to be transferred, why they want to send me a letter. I don't want a letter. That whole frustration, that whole kind of state of

mind reflected and this really should -- I'm saying this to answer your question.

The extent to which I was really sad and angered by being put in this position of being unable to do something, the heavyweight of injustice and all facets of it. I said, tell Washington if they are not good enough to get Israelis to release our own money, what good is there to really be expected of them. That was my own message.

FELTMAN: I think I might have softened it a little bit.

FAYYAD: Basically he knew -- he knew -- I had this letter to do that. I mean, his last phone conversation before he pass away was with me actually in embassy. In any event, that's how it was done, but the Texas connection was kind of really something. In the context of that meeting, or trip to Washington, I was sitting with still at the time National Security Advisor Condoleezza Rice in her office, (inaudible) in her office, and she says I was able (inaudible) to then Prime Minister Abbas.

She said there's something that you going to have to do alone. I said okay. I didn't know we were going to -- I never really went to the Oval Office, or something like that, so we kind walk around (inaudible). So we get there and low and behold -- in the Oval Office and somebody's walking toward me doing this, the Texas Longhorn signs. That's the genesis of this kind of people to start to think oh, they went to school together, or something. It wasn't that, but there was good chemistry.

SACHS: We have to wrap. I want -- we're thinking of these years and the attempted reform and of course looking back at them now from the years now, there's a tragedy to it. So much work was done and yet so much destroyed in Second Intifada.

Of course the Israeli perspective of Yasser Arafat became very negative, especially after the Second Intifada, but I'm wondering -- we're thinking about it from where we are today, end of 2018, Jeff, you served in many embassies, from ambassador to Lebanon, you served in Baghdad, and you were Assistant Secretary of NEA. Salam, you spent a lot of time throughout the Middle East.

Today it seems like the Palestinian issue, the Israeli-Palestinian conflict, is at best a second order issue. Most countries, most people in politics at least are interested in other issues.

Is this a fair description, Jeff, is that true and can it last, will it last?

FELTMAN: Well, I have to say that during my time at the United Nations unless there was a hot conflict, like a Gaza conflict, the Europeans who visited the Secretary General in meetings I attended, tended to bring up the Palestinians more than the Arabs did.

Jordan's an exception. Jordan always would start off, any Jordanian official would start off the meeting talking about the Palestinians, but in general it was off the radar screen by those leaders you would think would have a -- or at least rhetorically have a great interest in the solution.

So I think it is a problem except when things are hot, but the problem is can things not get hot given the current lack of horizon. At some point it's going get hot again.

SACHS: What kind of horizon do you think may be possible today? Is it fair to say -- a lot of people say in the 25 years after Oslo now two-state solution as a pipe dream. It was a relevant years ago and we should be thinking about completely different things. If there would be any resolution, some say one state, they call it a solution perhaps, some say confederacy, some say no solution at all. Where do you stand, Jeff?

FELTMAN: This is not very imaginative. When I go through the list of possible solutions, I still come up and say perhaps it's hard but the least problematic is a two-state solution.

But right now the positions of the two sides are absolutely irreconcilable. The Israeli positions do not give the minimum requirements that the Palestinians could accept and facts are changing on the ground all the time.

Politically the two-state solution, it seems to me, is still the best for both the Israelis and the Palestinians, but how you implement it with the lack of trust and with the changes on the ground and the current political environments, frankly among both the Israelis and the Palestinians, I don't know.

SACHS: Salam, is it still possible?

FAYYAD: You know, (inaudible) what Jeff said about the two-state solution, and I especially agree with him on what has been a problem for a long period of time, except

that it has become more problematic the passage of time, namely the maximum offered by Israel not being anywhere near the minimum acceptable to Palestinians essentially.

SACHS: Does that include Annapolis?

FAYYAD: That includes everything. The problem I think got progressively worse in some ways because when the state did not happen by the presumptive date when it was supposed to happen, end of interim agreement itself.

SACHS: According to what the Palestinians interpreted?

FAYYAD: Yeah, because it was -- the critics and (inaudible) how come -- how we agree to something like this. The answer was how come we did not insist on certain (inaudible) for example. How come we did not insist on (inaudible), how come, how come, and the answer was wait five years, wait four years, wait three years -- it doesn't really matter.

With all of its imperfections, the conventional wisdom was five years (inaudible) from start date, we're going to have a state. When that did not happen, that was really a huge problem. By the time it did not happen, it was also beginning to be clear that the prospects of that happening any time soon were a lot dimmer than they were then years earlier. That was kind of -- that's what I really remember, try not failure. PLO had bet the house on that program delivery, statehood. It didn't -- it became a lot weaker, but does not really have the constituency it once did, the capacity to really represent with strength and all of that weakened by a process that did not produce, but where does that leave us.

I don't know. This has been really visited many times and that the heading of well, if it's not two state, then one state. To this day, some people who I really regard as serious observers and analysts talk about one-state reality alone.

I honestly do not know if they have thought that through. I myself beg to differ with all of this analysis. I mean, I could be the minority of one, I don't know. Because most everybody I talk to seem to think two state did not happen, Israel has been difficult particular with respect to certain activity, and Jerusalem did not give on anything. So there's no possibility physically for person -- so it's going to be one state.

I beg to really question this. The fact that two-state solution concept did not

produce a two-state reality does not impart (inaudible) to one-state solution or to a one-state reality that's acceptable. I mean, it could produce one-state reality, that's not acceptable, especially from our point of view, Palestinians.

We can't be (inaudible). We're kind of even today outnumbered Jews in the Holy Land. So, therefore, one state and one man, one vote; one woman, one vote; one person, one vote; that got me really thinking.

Somebody really needs to tell me (inaudible) to this somewhere, I just don't see it. It seems to me more of a copout than anything else. I don't see one-state reality. For those who really go to (inaudible) and say we know better essentially, you're doing the wrong thing from Israel's point of view because Israel can never be more Jewish and bureaucratic at the same time unless Palestinians have their say.

They assume that we will have the same world view on the solution concept that they do. He doesn't, I don't think he does. And what we have is reality of status quo, that seems to be actually the default.

We don't have one-state reality. I think we have more three or four-state reality. One state look alike, Palestinian in Gaza, another Palestinian state look alike on 40 percent of the West Bank, give or take maybe add to it a little bit, and then you have the settler enterprise Israel and some 60 percent of the West Bank, and then you have Israel (inaudible).

What Israel is foregoing, and I think consciously foregoing, is the possibility and what was requirement or expectation in Oslo, end of conflict resolution, end of conflict resolution, meaning it did sign off on bipartisan. Now, Israel must know that not the current leadership, not any future relationship could possibly sign on to something like this.

It seems to me the calculus is the political cost associated with running it as it is is not as high, it's lower, than moving on (inaudible) political reality in Israel right now. That really is what I see.

It doesn't mean that there's going to be stability forever, but it seems to me that effectively is what's happening. So there's nothing good about this for us. Waiting is just

not really good idea from my point of view until something happens. I don't see good things happening on the path we are on right now.

SACHS: Where does this leave us now with, last question, with American policy right now? On the one hand the Trump administration has been hinting that it will release its version of the ultimate deal any time soon, on the other hand very dramatic steps breaking with tradition on the embassy to Israel moving to Jerusalem, cutting aid to the Palestinian Authority, to the U.N. Relief, and works agency for passing refugees; do either of you see a prospect serious movement in the near future and isn't this -- the consensus I hear here of two-state solution is still possible, maybe that flies in the face of what we're seeing right now in reality?

FELTMAN: I was intrigued with President Trump's comment after his meeting with Prime Minister Netanyahu in New York (inaudible) General Assembly where he said he would prefer a two-state solution, where before said he would do whatever the parties wanted to do.

I was intrigued by that, because my interpretation has been that the Trump administration is very deliberately going sequentially and taking every final status issue off the table, trying to take every final status issue off the table and then using the Palestinian reaction to then blame the Palestinians.

You take Jerusalem off the table, you cut the assistance, you put a question mark over the question of refugees, all that, and then the Palestinians refuse to talk to the American officials, you use that refusal to then close down the Palestinian Representation Office in Washington and probably they'll go after the consul general in Jerusalem for all -- on the same grounds.

You use the Palestinian reaction to your policies in order to then blame the Palestinians for what's happening. So I believe they're sequentially going through issue by issue to try to take final status issues off the table. I don't think it will work over the long term, but I think --

SACHS: Salam, briefly any chance now?

FAYYAD: No chance Palestinians (inaudible) something like this. Again this

whole -- if we really take in what has happened so far on the path to rolling out the plan, clearly that cannot really be good news, not only for Palestinians themselves, not only for us, but I think for all of those who really at one point or another -- especially those who still believe that the two-state solution can happen, because there are serious issues with this.

So to think with that really kind of beginning contrasted -- as contrasted with several other beginnings at this before, we going to really learn in a better place that major supposition to be honest with you. It remains to be seen what happens.

You know this said, there is -- to be honest with you there is an issue. There is at some point the need for serious people to really ask the right questions. If there is a tall seriousness about this.

We tend to all get sucked into the last thing that's said or sometimes not said. As I once was myself when -- when I found out that the Republican party's platform for the last election did not have what had become by then tradition or traditional reference of a two-state solution.

What I found more disturbing at the time was the negotiation has led to it being deleted. It was there and the draft was deleted and all of that. I saw that as an ominous sign. Now the president is saying, well, you sort of like the two-state solution, took a long time. You can complain about this. The risk I see is sometimes that pushes us too much in the direction of somehow thinking that things were kind of okay until this last bad thing happened. Well, things were not okay after this last bad thing happened. Things were not okay. Things were not -- so we kind of really get ourself in this convoluted mindset.

It keeps postponing the day of reckoning. The moment of reckoning when we really have to ask ourself fundamental question, is there anything that can seriously be done about this under any heading whatsoever.

We have two states, one of this (inaudible) has been around for seven decades. Let's really begin to actually change the labels, redefine things in a way that can be operationalized in a meaningful way. So (inaudible) would say two-state solution, something which people became desensitized to, highly skeptical of, two-thirds of us

Palestine are Millennials or just under, (inaudible). They're extremely sceptical with good reason, totally disenfranchised. So you keep saying this, it don't mean anything.

What if you say (inaudible) two-state solution negotiated, yes, but one of these two states has been around for seven decades. Why don't we really make central the question what is it that needs to be done in order for that other state to emerge and define everything on the basis of defining the goal in this way.

That begins to really -- I'm not really saying this in order to dodge Palestinian responsibility. I be the first one to say this what we Palestinian should (inaudible).

First order of business when you relay the five things this way is what is it we Palestinians are prepared to commit in order to deliver on what we believe is a unifying national objective of having a sovereign independent -- full independent state on the territory of Israel occupied 1967, beginning with the act that only we can do it, that's building that state. That really begins to define it in an entirely different way.

FELTMAN: That was your philosophy as Prime Minister. As Prime Minister you were not involved in the political talks, but what you were involved with was trying to build the state from the ground up, the institutions that a state would require a credible transparent accountable institutions.

You were trying to -- basically as all of us were over here at one table dealing with the politics, you were over here quietly building that state expecting that the institutions could then be moved in to the political process once there was an overall solution.

SACHS: So on that note of both I think extreme pessimism about where we are at the moment in one respect but also sort of, I think, an understanding that things often look bad, and sometimes good comes when you don't expect it.

It's not actually true that it's darkest just before dawn, but it is true that often good things come in surprise. In the spirit of what you just said, Jeff, of looking for pragmatic solutions, which is certainly something that we at Brookings aspire to of serious policy, look for pragmatic solutions, let me conclude by saying a huge thank you. Again a huge belated welcome to both of you here at Brookings.

Jeffrey Feltman and the Honorable Salam Fayyad, thank you both very much for

joining me as well.

FAYYAD: Thank you.

FELTMAN: Thank you.

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