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The Palestinians: Overview, Aid, and U.S. Policy Issues

The Palestinians are an Arab people whose origins are in present-day Israel, the West Bank, and Gaza. Their ongoing disputes and interactions with Israel raise significant issues for U.S. policy (see “U.S. Policy Issues and Aid” below). After a serious rupture in U.S.-Palestinian relations during the Trump Administration, the Biden Administration has reengaged with the Palestinian people and their leaders in the West Bank-based Palestinian Authority (PA), and resumed some aid—with hopes of preserving the viability of a negotiated two-state solution. The Palestinians aspire to an independent state with East Jerusalem as its capital.

However, near-term prospects for diplomatic progress toward Israeli-Palestinian peace reportedly remain dim. Palestinian leaders lamented some Arab states’ normalization of relations with Israel near the end of the Trump Administration because it could undermine past Arab efforts to link such improvements with addressing Palestinian negotiating demands.

Palestinian domestic politics are dominated by two factions. Fatah, an Arab nationalist faction, is the driving force within the Palestine Liberation Organization (PLO), which represents Palestinians internationally. The Sunni Islamist group Hamas (a U.S.-designated terrorist organization) has not accepted PLO recognition of Israel and constitutes the main opposition to Fatah. Since 2007, the United States and other Western countries have generally sought to bolster the Fatah-led PA vis-à-vis Hamas.



Source: Economist Intelligence Unit.

Note: West Bank and Gaza Strip borders remain subject to Israeli-Palestinian negotiation.

Of the approximately 12.4 million Palestinians worldwide, about 4.8 million (98% Sunni Muslim, 1% Christian) live in the West Bank and Gaza. About 1.5 million additional Palestinians are citizens of Israel, and 6.1 million more live

elsewhere. Of the total Palestinian population, more than 5 million (roughly 44%) are refugees (registered in the West Bank, Gaza, Jordan, Lebanon, and Syria) whose claims to land in present-day Israel constitute a major issue of Israeli-Palestinian dispute. The U.N. Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is mandated by the U.N. General Assembly to provide protection and essential services to these registered Palestinian refugees, including health care, education, and housing assistance.

International attention to the Palestinians’ situation increased after Israel’s military gained control over the West Bank and Gaza in the 1967 Arab-Israeli war. Direct U.S. engagement with Palestinians in the West Bank and Gaza dates from the establishment of the PA in 1994. For the past several years, other regional political and security issues have taken some of the global attention from Palestinian issues.

Reduced international focus on the Palestinians may affect their economic conditions. According to the World Bank, external aid to the PA has declined from 27% of gross domestic product (GDP) in 2008 to just under 2% in 2021, contributing to large fiscal deficits that endanger the economy’s sustainability. The International Monetary Fund estimated end-2021 unemployment as 45% in Gaza and 13% in the West Bank, and has forecast GDP returning to pre-COVID-19-pandemic levels only near the end of 2023. Price hikes connected to the Russia-Ukraine war, including on grain, affect Palestinians alongside others in the region.

Timeline of Key Events Since 1993

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| 1993-1995 | Israel and the PLO mutually recognize each other and establish the PA, which has limited self-rule (subject to overall Israeli control) in the Gaza Strip and specified areas of the West Bank. |
| 2000-2005 | Second Palestinian <i>intifada</i> affects prospects for Israeli-Palestinian peace, leads to tightened Israeli security in the West Bank, and complicates the U.S. third-party role. |
| 2004-2005 | PLO Chairman/PA President Yasser Arafat dies; Mahmoud Abbas succeeds him. |
| 2005 | Israel unilaterally disengages from Gaza, but remains in control of airspace and land/maritime access points. |
| 2006 | Hamas wins majority in Palestinian Legislative Council and leads new PA cabinet; Israel, United States, and European Union confine relations to PA President Abbas. |
| 2007 | West Bank-Gaza split: Hamas seizes control of Gaza Strip; Abbas reorganizes PA cabinet to lead West Bank; this remains the status quo to date. |

2007-present	Various rounds of U.S.-brokered Israeli-Palestinian peace negotiations (the last in 2013-2014) end unsuccessfully; PLO/PA increases efforts to gain membership in or support from international organizations.
2017-2020	U.S.-Palestinian tensions rise during the Trump Administration.
2021	Biden Administration resumes aid and reengages diplomatically with Palestinians.

PLO/PA: Governance, Security, and Succession

The PA held occasional elections for president and a legislative council until the Hamas victory in the 2006 legislative elections. Since then, it has ruled by presidential decree, and has drawn some international criticism for alleged violations of the rule of law and civil liberties. While women hold some prominent positions, including within the PA cabinet, men still largely outnumber them in traditional leadership roles. Given the West Bank-Gaza split in 2007, it is unclear if elections will take place again. After announcing elections for 2021, PA President Mahmoud Abbas indefinitely postponed them, generating significant domestic criticism.

Abbas's age (b. 1935) and reports of health problems have contributed to speculation about who might lead the PLO and PA upon the end of his tenure. Top advisers Hussein al Sheikh (on political affairs) and Majid Faraj (on security) have major profiles internationally, but limited domestic popular support. Other key Fatah figures include Mohammed Shtayyeh (the PA prime minister), Mahmoud al Aloul and Jibril Rajoub. Marwan Barghouti attracts significant popular support, but has been imprisoned by Israel since 2002. Nasser al Qudwa is another prominent figure who formed a list with Barghouti to rival Fatah for the postponed 2021 elections. Mohammed Dahlan enjoys support from some Arab states, but was expelled from Fatah in 2011.

Hamas and Gaza

Hamas controls Gaza through its security forces and obtains resources from smuggling, informal "taxes," and reported external assistance from some Arab sources and Iran. Yahya Sinwar, Hamas's leader for Gaza, came from Hamas's military wing. Hamas also maintains a presence in the West Bank. Qatar-based Ismail Haniyeh is the leader of the political bureau that conducts Hamas's worldwide dealings. Fatah and Hamas have reached a number of Egypt-brokered agreements aimed at ending the West Bank-Gaza split. However, problems with implementation have left Hamas in control of Gaza despite PA responsibility for some civil services. For security reasons, Israel and Egypt maintain tight controls on goods and people transiting Gaza's borders.

In May 2021, Hamas and other Gaza-based militants became involved with Israel in an 11-day conflict. In a pattern that echoed past conflicts from 2008-2009, 2012, and 2014, the militants launched rockets indiscriminately toward Israel, and Israeli military strikes largely decimated Gaza's infrastructure. The actions on both sides worsened a conundrum for international actors seeking to rebuild Gaza's infrastructure without bolstering Hamas.

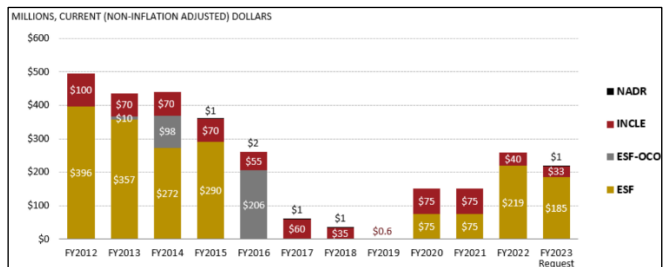
Difficult living conditions for Palestinians in Gaza persist and are exacerbated by uncertainties regarding external funding. Israeli-approved funding transfers from Qatar since 2018 have provided some relief for Gazans. To the extent that outside contributions replace funding from the West Bank-based PA—whose actions suggest ambivalence over taking responsibility for Gaza—they could undermine prospects for West Bank-Gaza unity.

U.S. Policy Issues and Aid

The extent to which the Biden Administration might improve U.S.-Palestinian relations remains unclear. Relations significantly worsened in light of various developments during the Trump Administration, including the U.S. recognition of Jerusalem as Israel's capital (without specifying the boundaries of Israeli sovereignty within the city) and the suspension of U.S. aid. The Biden Administration has stated its intention to reopen the U.S. consulate general in Jerusalem that the Trump Administration subsumed into the U.S. embassy to Israel in 2019, but has not specified the timing amid opposition from Israeli officials and some Members of Congress. In 2022, the Biden Administration announced that the Office of Palestinian Affairs within the U.S. embassy to Israel would report directly to the State Department in Washington rather than the U.S. ambassador to Israel, but Palestinian leaders reportedly are still pushing for the consulate to reopen. The Administration also has stated opposition to certain unilateral Israeli or Palestinian actions, including annexation, settlement activity, house demolitions and evictions, and incitement to violence.

While the Biden Administration has resumed some types of bilateral aid (see **Figure 1**) and voluntary contributions to UNRWA, the Taylor Force Act (Div. S, Title X of P.L. 115-141) prohibits most Economic Support Fund (ESF) aid directly benefitting the PA unless the PLO/PA curtails domestically popular payments that arguably incentivize acts of terror. The Nita M. Lowey Middle East Partnership for Peace Act of 2020 (Div. K, Title VIII of P.L. 116-260) has authorized \$50 million annually from FY2021 to FY2025 for Israeli-Palestinian people-to-people and economic cooperation initiatives, and Congress has appropriated these amounts for FY2021 and FY2022.

Figure 1. U.S. Bilateral Aid to the Palestinians



Source: U.S. Department of State.

Notes: NADR=Nonproliferation, Antiterrorism, Demining and Related Programs, INCLE=International Narcotics Control and Law Enforcement, ESF=Economic Support Fund, OCO=Overseas Contingency Operations.

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