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In recent months, J Street has been outlining what a healthier, more sustainable US-Israel relationship might look like – one that maintains the US commitment to Israel’s security while ending the exceptionalism that has long defined the relationship and harmed both countries. We argued that while close cooperation should continue when interests align, it should operate on terms similar to those governing other US relationships. The era of a blank check must end: When Israeli policies contradict US interests, laws, or values, they should not receive automatic American backing, whether in the form of military assistance or diplomatic protection. Nor should US and Israeli domestic politics continue to bleed into one another in ways that distort policymaking in both countries.

This argument is both logical and overdue. But it must also be built upon. For decades, US policy has treated the Palestinian question as an adjunct to the US-Israel relationship rather than a central pillar of American strategy. That must change. A sustainable American strategy in the Middle East and towards the Israeli-Palestinian conflict also requires putting the US-Palestinian relationship on a more normal footing.

The Palestinian Authority (PA) – the Palestinian government created by the Oslo Accords – represents a proposition to the Palestinian people: diplomacy, nonviolence, and cooperation with the US and Israel are the best path to freedom, prosperity, and equality. Yet after decades of failed negotiations, expanded Israeli settlements, mismanagement by the PA, and the Palestinians now weaker than they have ever been, that proposition rings hollow. [80 percent](#) of Palestinians demand PA President Mahmoud Abbas' resignation, and Hamas has [overtaken](#) Abbas' Fatah as the most popular party.

Going forward, the US can play a central role in reversing these trends, beginning with a willingness to recognize and treat Palestine as a state – and to engage in a serious bilateral effort to support Palestinian nation-building. Without such a shift, the United States will remain trapped in a cycle of crisis management, vulnerable to repeated explosions of violence like those of October 7 – and their cascading regional consequences – that have had highly negative global implications for the United States.

When State-Building Briefly Worked

The good news is that focusing on Palestinian nation-building has a track record of success. For a brief, four-year period following the election of Mahmoud Abbas and the appointment of Salam Fayyad as prime minister in 2007, the Palestinian state-building project moved meaningfully and quickly in the right direction. Annual GDP growth surged to double digits, the PA's security forces asserted control across the West Bank's major cities, and by 2011, the World Bank [certified](#) the PA was "well-positioned to establish a state at any point in the future." Abbas' approval rating hovered [above 50 percent](#), and a [majority](#) of Palestinians backed the two-state solution.

Many in Washington now look back at that era and attribute it solely to Fayyad's effective stewardship, but it was much more than that. If the US is eager to help the Palestinians chart a course towards freedom and statehood, it would be wise to look to facilitate the three key conditions that enabled Fayyad and Abbas' limited success during that time: Palestinian leadership with strong public legitimacy, a cooperative Israeli government, and an engaged international community willing to directly support the PA.

Condition #1: Political Legitimacy

Most significant was that the PA enjoyed genuine political legitimacy. Abbas won the 2005 presidential election in a [landslide](#), and Fatah enjoyed [greater public support](#) than Hamas – particularly [after](#) Hamas' violent takeover of Gaza in 2007. This gave Fayyad a mandate to pursue his reform agenda. He initiated financial transparency reforms, consolidated the PA Security Forces' (PASF) control over Palestinian urban areas, and built out effective governing institutions.

Condition #2: Cooperative Israeli Government

Fayyad's state-building project also benefited from **an Israeli government that saw the PA as a partner and sought to strengthen it.** Ehud Olmert met with Abbas regularly, [released](#) over 600 Palestinian prisoners and [ended](#) Israel's practice of withholding PA tax revenues – Palestinian money, which Israel collected on the Palestinians' behalf and made up [40 percent](#) of the PA's total annual spending. Olmert publicly [articulated](#) the logic that guided him: "The idea is to strengthen the hand of the moderates, to strengthen the peace process." He also eased movement restrictions and scaled back IDF operations, allowing the PA Security Forces to assert control in Palestinian cities. For the Palestinian public, this cooperation offered tangible evidence that the diplomatic path offered by the PA could deliver.

Condition #3: Engaged International Community

The reform-focused Palestinian government and a credible Israeli-Palestinian diplomatic pathway enticed **the international community – led by the US and EU – to pour billions of dollars into Fayyad's project.** Six months into Fayyad's term, 87 countries and international organizations [committed](#) \$7.8B in assistance to the PA at the Paris Conference. Along with improved security conditions and growing private-sector confidence, foreign aid [helped drive](#) double-digit average annual GDP growth between 2007 and 2010 – even as dependence on foreign aid fell dramatically, suggesting the PA was on a trajectory toward sustainability.

Beyond enticing the international community, these conditions also delivered sustained public support for Abbas and for his party. Throughout those four years, Abbas [consistently outpolled](#) Hamas' Ismail Haniyeh in head-to-head presidential matchups, Fatah [trounced](#) Hamas in legislative election polls, and support for the Arab Peace Initiative [held](#) between 50 and 60 percent.

Progress Reversed

Netanyahu's return to power in 2009 marked the start of a shift in Israel's approach from genuine engagement to fundamentally undermining the PA. He [resumed](#) Israel's practice of withholding PA tax revenues as leverage in 2011 and oversaw a [surge](#) in settlement construction and IDF incursions into PA-controlled areas. Moreover, there has been no good-faith peace effort since the 2013-2014 final status negotiations spearheaded by Secretary of State John Kerry.

Like Olmert, Netanyahu [verbalized](#) his approach to Palestinian politics: "Anyone who wants to prevent the creation of a Palestinian state needs to support strengthening Hamas."

Rather than responding to Netanyahu's efforts to weaken the PA by doubling down on their support, international donors [grew fatigued](#) by the deadlocked peace process and began to pull away. Combined with Israel's intermittent withholding of revenues, the shortfall left the PA [unable](#) to pay employees on time, and Palestinian economic growth [stalled](#). Fayyad ultimately resigned in June 2013 with an approval rating of just 25 percent.

The decline in donor support only deepened from there. PA budgetary support fell from an annual average of [\\$1.15 billion](#) during the Fayyad era to roughly [\\$360 million](#) between 2016 and 2023. US bilateral assistance [dropped](#) from approximately \$500 million per year to around \$150 million.

Abbas and Fatah bear their share of responsibility. The PA has not held national elections since 2006. In 2021, Abbas announced elections only to cancel them. The failure to seek a mandate from the Palestinian people over the years has only deepened the PA's legitimacy crisis.

The PA's inability in recent years to protect Palestinians from settler violence or respond to Israel's accelerated annexation has further solidified the total collapse of its proposition that diplomacy and cooperation can deliver results. Just [32 percent](#) of Palestinians now support a two-state solution, and Hamas [leads](#) Fatah by 11 points.

A US-Palestinian Relationship Based on Nation-Building

The following policy recommendations would center US policy towards the Palestinians on reversing the decline in the PA's viability and legitimacy, and focus on the factors that led to progress on Palestinian nation-building.

1) Inject hope into the Palestinian state-building effort by recognizing a Palestinian state.

The first step in any serious Palestinian state-building effort is to restore legitimacy to Palestinian governance. The United States can begin by recognizing a Palestinian state. While such a move would not immediately transform realities on the ground, it would carry profound symbolic weight for the Palestinian public, result in a flood of other countries recognizing Palestine, and unlock new legal and diplomatic pathways for Palestine – including expanded access to international courts and the ability to enter bilateral and multilateral treaties.

2) Support Palestinian elections

Washington should also support new Palestinian elections as part of a broader effort to rebuild Palestinian institutions. For years, US policymakers have feared that elections could empower Hamas. And indeed, in 2021, when Abbas was seriously considering elections, he received a lukewarm response from Washington – one of the reasons he chose not to move forward. After 20 years of stagnation, the greatest risk lies in continued paralysis. Recent municipal elections suggest there remains a pathway for democratic renewal. It is time to test it.

To address concerns regarding the risk of a Hamas takeover, all participating parties should be required to renounce violence. This would either limit Hamas' role or force it to take moderating steps. More stringent conditions, however, would be counterproductive; insisting on full adherence to the Oslo Accords risks disqualifying a broad swath of Palestinian political actors, and after all, the current Israeli government is made up of parties that are actively – and [openly](#) – undermining Oslo. Why should Palestinians be held to a standard Israel has long since shunned?

3) Apply pressure on Israel to end policies that directly weaken the Palestinian Authority, especially withholding revenues and restricting freedom of movement

Beyond political rejuvenation, US policy must also focus on helping Palestine build the capacity to govern, and that will not be possible without the type of Israeli cooperation we saw during the Fayyad period. This effort will be more feasible if elections later this year result in a post-Netanyahu government, particularly one without far-right figures such as Itamar Ben-Gvir and Bezalel Smotrich. But either way, it will likely require sustained pressure on Israel to reverse policies that have undermined Palestinian institutions.

A critical first step is ensuring the regular transfer of Palestinian tax revenues collected by Israel. These funds constitute roughly [65 percent](#) of the Palestinian Authority's budget, and their periodic withholding has been economically and politically devastating. Washington should make clear to Israel that if its transfers do not resume, the US will suspend the bilateral free trade agreement and withdraw from other joint research and economic cooperation projects. If Israel is going to continue to actively sabotage the Palestinian economy, it does not deserve special economic status in the United States. More fundamentally, it should be the policy of the United States that the Paris Protocol – the framework governing Israeli-Palestinian economic relations – must be renegotiated or replaced. No government can function when another actor controls a key lever of its economy and is actively working to undermine it.

Israeli movement restrictions, which have increased dramatically since October 7, must also be addressed. Palestinians cannot live in freedom or function economically without the ability to move freely across the West Bank. Washington should make clear to Israel that if it does not change course on the issue of Palestinian freedom of movement, the United States will suspend Israeli participation in the US visa waiver program so that Israelis will no longer be eligible to enter the US without a visa. If Israel is unwilling to allow Palestinians to move freely, Israelis should not have free access to the United States.

4) Challenge Israeli settlement expansion and violence by supporting the West Bank Violence Prevention Act

A parallel effort must address the accelerating erosion of Palestinian viability in the West Bank. The dramatic expansion of settlements and the rise of violent extremist settler movements have significantly worsened conditions for Palestinian statehood. The West Bank Violence Prevention Act, a bill that would introduce sanctions targeting violent settlers – modeled on those introduced by the Biden administration – currently has the support of 144 members of Congress and 43 senators. These sanctions focus not only on violent individuals but also on the networks and organizations that enable them, and vigorous implementation could have a dramatic economic impact on the broader ecosystem sustaining settlement expansion and settler violence.

5) Push for a meaningful role for the Palestinian Authority in Gaza

From the outset of the war, the most viable scenario for removing Hamas has been a gradual expansion of Palestinian Authority governance and security responsibilities in the territory. Israel has consistently blocked this outcome, despite it being by far the most straightforward way to build an alternative governance and security infrastructure to Hamas.

The 20-point plan negotiated by President Trump and endorsed by the UN Security Council as part of the Gaza ceasefire offers a sound path towards reviving the Strip and ultimately reintegrating it with the West Bank. But it will not work without a real role for the PA, nor if the entire plan, including restarting reconstruction and surging more aid into Gaza, hinges on the important – but difficult to immediately achieve – requirement that Hamas disarm.

Washington should make clear that Israeli obstruction is incompatible with broader US objectives. If Israel continues to prevent any credible Palestinian governance alternative to Hamas from emerging in Gaza, the US should not allow for American weapons to be used in Gaza or the West Bank and should withhold relevant offensive weapons sales as outlined in the Ceasefire Compliance Act. It should also make clear that if the Netanyahu government continues to play an unhelpful role in moving forward in Gaza, it should not expect any US protection or diplomatic cover from mounting actions at the International Criminal Court and International Court of Justice related to charges of Israeli war crimes associated with the war in Gaza.

6) Remove legal barriers to meaningful US-PA engagement

The top priority is the 2018 [Taylor Force Act](#), which Congress passed to discourage the PA's problematic practice of paying families of Palestinians who committed terrorist acts and are being held in Israeli prisons, but has in effect [halted](#) all direct US financial assistance to the PA. The PA has undertaken significant reforms to the program – negotiated during the Biden administration and implemented early in the Trump administration. The United States should undertake an independent audit to verify compliance, after which the president could certify that the necessary conditions have been met, unlocking broader US support.

Also hindering US-PA cooperation is the 2019 [Promoting Security and Justice for Victims of Terrorism Act](#) (PSJVTA), which functionally prevents both the PA and the PLO from establishing a diplomatic presence in the United States. The statute exposes them to hundreds of millions of dollars in civil liability for past acts of terrorism if they maintain offices or conduct any official activity in the US. Congress should repeal PSJVTA or amend it to allow the newly recognized Palestinian state to establish an embassy and other offices.

The 1987 [Anti-Terrorism Act](#), which designated the PLO a terrorist organization and barred it from operating in the US, should also be sunsetted – and can be by certification by the President of the United States. American officials regularly meet with representatives from the PLO, and the executive branch took the PLO off the terrorism list at the start of the Oslo process. The fact that Congress still classifies the PLO as a terrorist organization is an artifact of the past.

7) Finally, the United States should mobilize a sustained international effort to support Palestinian governance

In the aftermath of the Gaza war, there is growing recognition that years of neglect and attempts to “manage” the conflict have failed, with destabilizing consequences that extend across the region and into global energy markets. That recognition has already translated into increased willingness from key actors, including the European Union and Saudi Arabia, to invest in Palestinian institutions. The EU has [committed](#) \$1.8 billion to support the Palestinian Authority, and a [coalition](#) launched by Saudi Arabia and France in September 2025 has drawn commitments from a dozen countries, including Japan and the UK. But financial support must be tied to accountability and reform. Under Prime Minister Mohammad Mustafa, a technocrat with experience at the World Bank, the Palestinian Authority has begun to take meaningful steps in this direction with encouragement from the EU and Saudi Arabia. Deeper political reforms remain constrained by Abbas and require the types of political reforms outlined earlier in this paper.

Conclusion

The outlines of a more effective US policy are clear: restore Palestinian legitimacy, build governing capacity, pressure Israel to remove structural obstacles to Palestinian statehood, and mobilize coordinated international investment. These actions by themselves will not deliver a Palestinian state. That will require more from Israel and a more concerted American effort. But taken together, these steps could fundamentally reshape the situation on the ground, meaningfully improve the lives of Palestinians, create a more stable foundation for eventual resolution, and act as a major first step towards getting to an outcome where Israelis and Palestinians achieve the freedom, security, prosperity, and equality they deserve.