



PERSPECTIVES

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Trump's Business Approach to Foreign Aid Diplomacy

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EXECUTIVE SUMMARY: Until now, two approaches have dominated American foreign aid: the strategic and the humanitarian. Trump has added a third: the "business approach." The strategic is based on interests, the humanitarian on compassion, and the business on yield. The great powers use the strategic approach and the Europeans the humanitarian. The business approach now guides US aid to the Palestinians. Trump has threatened to cut off US aid to the Palestinians if they refuse to negotiate with Israel, and cut US allocations to UNRWA. This new approach influences the attitudes of Egypt and Jordan, both large recipients of American aid. This can be seen in their low-key responses to Trump's Jerusalem decision. It can also have ramifications for Israel's relations with the Palestinians and the US.

When Trump cut \$65 million from US payments to UNRWA, and at the World Economic Forum in Davos threatened the Palestinians that if they do not return to negotiations with Israel he will stop US aid to them as well, he set forth a new rationale for foreign aid. It is the rationale of a businessman who, as president, is applying a business approach to diplomacy.

Trump wants to achieve the "ultimate deal" between Israel and the Palestinians – a deal, not a peace agreement. In his first State of the Union address, against the backdrop of the UN General Assembly resolution denouncing the US recognition of Jerusalem as Israel's capital, he repeated his threat to put a halt to American aid to countries that act against the US and vote against it in UN institutions. Thus he has added a "business approach" to the existing strategic and humanitarian approaches to foreign aid.

Superpowers like the US, Russia, and China provide aid, both military and economic, mainly as a means to serve their strategic interests. In the Cold War era, the US used foreign aid to support allies, such as Israel, that were subject to Soviet pressures. The Soviet Union acted similarly towards its allies, such as Cuba. The US provided large-scale aid to Israel and Egypt to support their negotiations and safeguard the peace agreement once it was reached.

This rationale has held sway up to the present. Military assistance is also provided to Israel so it can meet the challenge of any hostile regional coalition. China is now using extensive economic aid to widen and deepen its influence in the international arena, particularly in Africa.

The rich countries in Western Europe and Scandinavia, including the Netherlands, France, Germany, Belgium, Britain, Sweden, Norway, and Denmark, provide aid mainly for humanitarian rather than strategic reasons. They make contributions without expecting returns. Aid is extended to poor and underdeveloped countries mainly to reduce the gaps between them and the developed world. Some wealthy countries channel a regular percentage of their GDP into such humanitarian aid.

Since the signing of the Oslo Agreement, the Palestinians have received billions of dollars in aid from the US and Europe. The American aid has been given mainly for strategic reasons, similar to those that lay behind the aid to Egypt: strengthening and maintaining the peace process with Israel. The European aid has been given mainly for humanitarian reasons. It stems from the notion that the Palestinians are poor, needy, and oppressed, and must be helped.

When providing humanitarian aid, countries do not look into the uses that are made of it. Hence Europe has ignored important reasons for the Palestinians' distress – such as, for example, Hamas's huge annual investments of hundreds of millions of dollars in the manufacture of rockets and the construction of attack tunnels, all at the expense of Gaza's needy residents. No one has ever inquired how much money from humanitarian contributions ends up in the private bank accounts of Palestinian leaders. The Europeans started asking questions only when it was proved to them that the Palestinian Authority was using aid contributions to pay sizable salaries to Palestinian terrorists who had been convicted and imprisoned in Israel, and to build public institutions and name them after terrorists.

According to the Congressional Research Service, since the Oslo Agreement the US has given the Palestinian Authority a total of \$5.2 billion, the highest

American foreign-aid total per capita. During the same period, the US gave UNRWA an overall sum of \$4.5 billion. Barack Obama doubled American allocations to both the PA and UNRWA. In 2008, the Palestinian Authority received about \$400 million; in 2009, about \$900 million. In 2008, UNRWA received \$184 million; in 2009, \$268 million. Recently the PA has been receiving \$400-\$500 million per annum and UNRWA \$350-\$400 million.

The reduction in aid to UNRWA is justified because this agency perpetuates the Palestinians' status as refugees. Most of its employees in Gaza are affiliated with Hamas, and its schools preach hatred of Jews and Israel. Rockets are stashed beneath the floors of these schools and fired at Israel from their vicinity. UNRWA should have been closed down long ago and its functions transferred to the UN High Commissioner for Refugees (UNHCR), which deals with refugees on a worldwide basis. Yet, instead of using this opportunity for a serious reassessment of UNRWA, the humanitarian approach has prompted countries like Belgium and the Netherlands to increase aid to this organization to offset the American cutback.

For Trump, as noted, aid is an investment that must yield a proper return. Because the rationale for aid to the Palestinians is the existence of a peace process, and because the Palestinians are not prepared to negotiate (as was the case during most of Obama's tenure), the justification for the aid collapses. Trump was also offended by the Palestinians' boycott of Vice President Mike Pence's visit to Israel and the insults Abbas and his associates have hurled at him.

The Trump administration brandishes a stick at the Palestinians but also offers them a carrot. In Davos, Trump wielded the stick by warning that if the Palestinians did not go back to the negotiating table – that is, provide a return on the investment – they will lose American aid and their suffering will worsen. On the other hand, at a recent meeting of the Palestinians' donor countries in Brussels, Trump's special emissary for negotiations Jason Greenblatt said that if the Palestinians return to negotiations with Israel, the US will continue to help them and keep them afloat.

It is very possible that this approach of Trump's contributed to the relative moderation of Egypt's and Jordan's reactions to Washington's recognition of Jerusalem as Israel's capital, with more criticism directed at the Palestinians' extreme response than at Trump's decision. Egypt and Jordan are among the largest recipients of American aid, with each country receiving \$1.6 billion in the past year. Whereas the Palestinians demanded a boycott of Pence's visit, Egypt and Jordan hosted him. And while the Palestinians said the US can no longer

mediate the conflict with Israel, Jordan's King Abdullah declared that there can be no negotiations without the US, and a senior Egyptian official said that Ramallah or Abu Dis could be the capital of a Palestinian state.

Trump's business approach to foreign aid could pose a challenge to Israel. About one-third of American aid to the Palestinians goes to training and maintaining their security forces. Freezing that aid would likely damage Palestinian security cooperation with Israel. Withholding the remaining resources could exacerbate the humanitarian crisis in Gaza and possibly foment a new wave of violence.

Furthermore, the US gives Israel about \$3 billion in military assistance per year. Trump has said Israel will have to pay something in return for the Jerusalem declaration and make substantial concessions as part of a peace agreement. The business approach could thus entail heavy pressure on Netanyahu when Trump finally presents his "ultimate deal."

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