

The Middle East The Gaza Bombshell

by David Rose, Vanity Fair April 2008

After failing to anticipate Hamas's victory over Fatah in the 2006 Palestinian election, the White House cooked up yet another scandalously covert and self-defeating Middle East debacle: part Iran-contra, part Bay of Pigs. With confidential documents, corroborated by outraged former and current U.S. officials, David Rose reveals how President Bush, Condoleezza Rice, and Deputy National-Security Adviser Elliott Abrams backed an armed force under Fatah strongman Muhammad Dahlan, touching off a bloody civil war in Gaza and leaving Hamas stronger than ever.



Condoleezza Rice and George W. Bush

Secretary of State Condoleezza Rice and President George W. Bush, whose secret Palestinian intervention backfired in a big way.

The Al Deira Hotel, in Gaza City, is a haven of calm in a land beset by poverty, fear, and violence. In the middle of December 2007, I sit in the hotel's airy restaurant, its windows open to the Mediterranean, and listen to a slight, bearded man named Mazen Asad abu Dan describe the suffering he endured 11 months before at the hands of his fellow Palestinians. Abu Dan, 28, is a member of Hamas, the Iranian-backed Islamist organization that has been designated a terrorist group by the United States, but I have a good reason for taking him at his word: I've seen the video.

To hear an interview with David Rose and to see documents he uncovered, [click here](#).

It shows abu Dan kneeling, his hands bound behind his back, and screaming as his captors pummel him with a black iron rod. "I lost all the skin on my back from the beatings," he says. "Instead of medicine, they poured perfume on my wounds. It felt as if they had taken a sword to my injuries."

On January 26, 2007, abu Dan, a student at the Islamic University of Gaza, had gone to a local cemetery with his father and five others to erect a headstone for his grandmother. When they arrived, however, they found themselves surrounded by 30 armed men from Hamas's rival, Fatah, the party of Palestinian president Mahmoud Abbas. "They took us to a house in north Gaza," abu Dan says. "They covered our eyes and took us to a room on the sixth floor."

The video reveals a bare room with white walls and a black-and-white tiled floor, where abu Dan's father is forced to sit and listen to his son's shrieks of pain. Afterward, abu Dan says, he and two of the others were driven to a market square. "They told us they were going to kill us. They made us sit on the ground." He rolls up the legs of his trousers to display the circular scars that are evidence of what happened next: "They shot our knees and feet—five bullets each. I spent four months in a wheelchair."

Abu Dan had no way of knowing it, but his tormentors had a secret ally: the administration of President George W. Bush.

A clue comes toward the end of the video, which was found in a Fatah security building by Hamas fighters last June. Still bound and blindfolded, the prisoners are made to echo a rhythmic chant yelled by one of their captors: "By blood, by soul, we sacrifice ourselves for Muhammad Dahlan! Long live Muhammad Dahlan!"

There is no one more hated among Hamas members than Muhammad Dahlan, long Fatah's resident strongman in Gaza. Dahlan, who most recently served as Abbas's national-security adviser, has spent more than a decade battling Hamas. Dahlan insists that abu Dan was tortured without his knowledge, but the video is proof that his followers' methods can be brutal.

Bush has met Dahlan on at least three occasions. After talks at the White House in July 2003, Bush publicly praised Dahlan as "a good, solid leader." In private, say multiple Israeli and American officials, the U.S. president described him as "our guy."

The United States has been involved in the affairs of the Palestinian territories since the Six-Day War of 1967, when Israel captured Gaza from Egypt and the West Bank from Jordan. With the 1993 Oslo accords, the territories acquired limited autonomy, under a president, who has executive powers, and an elected parliament. Israel retains a large military presence in the West Bank, but it withdrew from Gaza in 2005.

In recent months, President Bush has repeatedly stated that the last great ambition of his presidency is to broker a deal that would create a viable Palestinian state and bring peace to the Holy Land. "People say, 'Do you think it's possible, during your presidency?'" he told an audience in Jerusalem on January 9. "And the answer is: I'm very hopeful."

The next day, in the West Bank capital of Ramallah, Bush acknowledged that there was a rather large obstacle standing in the way of this goal: Hamas's complete control of Gaza, home to some 1.5 million Palestinians, where it seized power in a bloody coup d'état in June 2007. Almost every day, militants fire rockets from Gaza into neighboring Israeli towns, and President Abbas is powerless to stop them. His authority is limited to the West Bank.

It's "a tough situation," Bush admitted. "I don't know whether you can solve it in a year or not." What Bush neglected to mention was his own role in creating this mess.

According to Dahlan, it was Bush who had pushed legislative elections in the Palestinian territories in January 2006, despite warnings that Fatah was not ready. After Hamas—whose 1988 charter committed it to the goal of driving Israel into the sea—won control of the parliament, Bush made another, deadlier miscalculation.

Vanity Fair has obtained confidential documents, since corroborated by sources in the U.S. and Palestine, which lay bare a covert initiative, approved by Bush and implemented by Secretary of State Condoleezza Rice and Deputy National Security Adviser Elliott Abrams, to provoke a Palestinian civil war. The plan was for forces led by Dahlan, and armed with new weapons supplied at America's behest, to give Fatah the muscle it needed to remove the democratically elected Hamas-led government from power. (The State Department declined to comment.)

But the secret plan backfired, resulting in a further setback for American foreign policy under Bush. Instead of driving its enemies out of power, the U.S.-backed Fatah fighters inadvertently provoked Hamas to seize total control of Gaza.

Some sources call the scheme "Iran-contra 2.0," recalling that Abrams was convicted (and later pardoned) for withholding information from Congress during the original Iran-contra scandal under President Reagan. There are echoes of other past misadventures as well: the C.I.A.'s 1953 ouster of an elected prime minister in Iran, which set the stage for the 1979 Islamic revolution there; the aborted 1961 Bay of Pigs invasion, which gave Fidel Castro an excuse to solidify his hold on Cuba; and the contemporary tragedy in Iraq.

Within the Bush administration, the Palestinian policy set off a furious debate. One of its critics is David Wurmser, the avowed neoconservative, who resigned as Vice President Dick Cheney's chief Middle East adviser in July 2007, a month after the Gaza coup.

Wurmser accuses the Bush administration of “engaging in a dirty war in an effort to provide a corrupt dictatorship [led by Abbas] with victory.” He believes that Hamas had no intention of taking Gaza until Fatah forced its hand. “It looks to me that what happened wasn’t so much a coup by Hamas but an attempted coup by Fatah that was pre-empted before it could happen,” Wurmser says.

The botched plan has rendered the dream of Middle East peace more remote than ever, but what really galls neocons such as Wurmser is the hypocrisy it exposed. “There is a stunning disconnect between the president’s call for Middle East democracy and this policy,” he says. “It directly contradicts it.”

Preventive Security

Bush was not the first American president to form a relationship with Muhammad Dahlan. “Yes, I was close to Bill Clinton,” Dahlan says. “I met Clinton many times with [the late Palestinian leader Yasser] Arafat.” In the wake of the 1993 Oslo accords, Clinton sponsored a series of diplomatic meetings aimed at reaching a permanent Middle East peace, and Dahlan became the Palestinians’ negotiator on security.

As I talk to Dahlan in a five-star Cairo hotel, it’s easy to see the qualities that might make him attractive to American presidents. His appearance is immaculate, his English is serviceable, and his manner is charming and forthright. Had he been born into privilege, these qualities might not mean much. But Dahlan was born—on September 29, 1961—in the teeming squalor of Gaza’s Khan Younis refugee camp, and his education came mostly from the street. In 1981 he helped found Fatah’s youth movement, and he later played a leading role in the first intifada—the five-year revolt that began in 1987 against the Israeli occupation. In all, Dahlan says, he spent five years in Israeli jails.



Muhammad Dahlan

Muhammad Dahlan at his office in Ramallah, January 2008. Photograph by Karim Ben Khelifa.

From the time of its inception as the Palestinian branch of the international Muslim Brotherhood, in late 1987, Hamas had represented a threatening challenge to Arafat's secular Fatah party. At Oslo, Fatah made a public commitment to the search for peace, but Hamas continued to practice armed resistance. At the same time, it built an impressive base of support through schooling and social programs.

The rising tensions between the two groups first turned violent in the early 1990s—with Muhammad Dahlan playing a central role. As director of the Palestinian Authority's most feared paramilitary force, the Preventive Security Service, Dahlan arrested some 2,000 Hamas members in 1996 in the Gaza Strip after the group launched a wave of suicide bombings. "Arafat had decided to arrest Hamas military leaders, because they were working against his interests, against the peace process, against the Israeli withdrawal, against everything," Dahlan says. "He asked the security services to do their job, and I have done that job."

It was not, he admits, "popular work." For many years Hamas has said that Dahlan's forces routinely tortured detainees. One alleged method was to sodomize prisoners with soda bottles. Dahlan says these stories are exaggerated: "Definitely there were some mistakes here and there. But no one person died in Preventive Security. Prisoners got their rights. Bear in mind that I am an ex-detainee of the Israelis'. No one was personally humiliated, and I never killed anyone the way [Hamas is] killing people on a daily basis now." Dahlan points out that Arafat maintained a labyrinth of security services—14 in all—and says the Preventive Security Service was blamed for abuses perpetrated by other units.

Dahlan worked closely with the F.B.I. and the C.I.A., and he developed a warm relationship with Director of Central Intelligence George Tenet, a Clinton appointee who stayed on under Bush until July 2004. "He's simply a great and fair man," Dahlan says. "I'm still in touch with him from time to time."

"Everyone Was Against the Elections"

In a speech in the White House Rose Garden on June 24, 2002, President Bush announced that American policy in the Middle East was turning in a fundamentally new direction.

Arafat was still in power at the time, and many in the U.S. and Israel blamed him for wrecking Clinton's micro-managed peace efforts by launching the second intifada—a renewed revolt, begun in 2000, in which more than 1,000 Israelis and 4,500 Palestinians had died. Bush said he wanted to give Palestinians the chance to choose new leaders, ones who were not "compromised by terror." In place of Arafat's all-powerful presidency, Bush said, "the Palestinian parliament should have the full authority of a legislative body."

Arafat died in November 2004, and Abbas, his replacement as Fatah leader, was elected president in January 2005. Elections for the Palestinian parliament, known officially as the Legislative Council, were originally set for July 2005, but later postponed by Abbas until January 2006.

Dahlan says he warned his friends in the Bush administration that Fatah still wasn't ready for elections in January. Decades of self-preservationist rule by Arafat had turned the party into a symbol of corruption and inefficiency—a perception Hamas found it easy to exploit. Splits within Fatah weakened its position further: in many places, a single Hamas candidate ran against several from Fatah.

“Everyone was against the elections,” Dahlan says. Everyone except Bush. “Bush decided, ‘I need an election. I want elections in the Palestinian Authority.’ Everyone is following him in the American administration, and everyone is nagging Abbas, telling him, ‘The president wants elections.’ Fine. For what purpose?”

The elections went forward as scheduled. On January 25, Hamas won 56 percent of the seats in the Legislative Council.

Few inside the U.S. administration had predicted the result, and there was no contingency plan to deal with it. “I’ve asked why nobody saw it coming,” Condoleezza Rice told reporters. “I don’t know anyone who wasn’t caught off guard by Hamas’s strong showing.”

“Everyone blamed everyone else,” says an official with the Department of Defense. “We sat there in the Pentagon and said, ‘Who the fuck recommended this?’”

In public, Rice tried to look on the bright side of the Hamas victory. “Unpredictability,” she said, is “the nature of big historic change.” Even as she spoke, however, the Bush administration was rapidly revising its attitude toward Palestinian democracy.

Some analysts argued that Hamas had a substantial moderate wing that could be strengthened if America coaxed it into the peace process. Notable Israelis—such as Ephraim Halevy, the former head of the Mossad intelligence agency—shared this view. But if America paused to consider giving Hamas the benefit of the doubt, the moment was “milliseconds long,” says a senior State Department official. “The administration spoke with one voice: ‘We have to squeeze these guys.’ With Hamas’s election victory, the freedom agenda was dead.”

The first step, taken by the Middle East diplomatic “Quartet”—the U.S., the European Union, Russia, and the United Nations—was to demand that the new Hamas government renounce violence, recognize Israel’s right to exist, and accept the terms of all previous agreements. When

Hamas refused, the Quartet shut off the faucet of aid to the Palestinian Authority, depriving it of the means to pay salaries and meet its annual budget of roughly \$2 billion.

Israel clamped down on Palestinians' freedom of movement, especially into and out of the Hamas-dominated Gaza Strip. Israel also detained 64 Hamas officials, including Legislative Council members and ministers, and even launched a military campaign into Gaza after one of its soldiers was kidnapped. Through it all, Hamas and its new government, led by Prime Minister Ismail Haniyeh, proved surprisingly resilient.

Washington reacted with dismay when Abbas began holding talks with Hamas in the hope of establishing a "unity government." On October 4, 2006, Rice traveled to Ramallah to see Abbas. They met at the Muqata, the new presidential headquarters that rose from the ruins of Arafat's compound, which Israel had destroyed in 2002.

America's leverage in Palestinian affairs was much stronger than it had been in Arafat's time. Abbas had never had a strong, independent base, and he desperately needed to restore the flow of foreign aid—and, with it, his power of patronage. He also knew that he could not stand up to Hamas without Washington's help.

At their joint press conference, Rice smiled as she expressed her nation's "great admiration" for Abbas's leadership. Behind closed doors, however, Rice's tone was sharper, say officials who witnessed their meeting. Isolating Hamas just wasn't working, she reportedly told Abbas, and America expected him to dissolve the Haniyeh government as soon as possible and hold fresh elections.

Abbas, one official says, agreed to take action within two weeks. It happened to be Ramadan, the month when Muslims fast during daylight hours. With dusk approaching, Abbas asked Rice to join him for iftar—a snack to break the fast.

Afterward, according to the official, Rice underlined her position: "So we're agreed? You'll dissolve the government within two weeks?"

"Maybe not two weeks. Give me a month. Let's wait until after the Eid," he said, referring to the three-day celebration that marks the end of Ramadan. (Abbas's spokesman said via e-mail: "According to our records, this is incorrect.")

Rice got into her armored S.U.V., where, the official claims, she told an American colleague, "That damned iftar has cost us another two weeks of Hamas government."

"We Will Be There to Support You"

Weeks passed with no sign that Abbas was ready to do America's bidding. Finally, another official was sent to Ramallah. Jake Wallis, the consul general in Jerusalem, is a career foreign-service officer with many years' experience in the Middle East. His purpose was to deliver a barely varnished ultimatum to the Palestinian president.

We know what Wallis said because a copy was left behind, apparently by accident, of the "talking points" memo prepared for him by the State Department. The document has been authenticated by U.S. and Palestinian officials.

"We need to understand your plans regarding a new [Palestinian Authority] government," Wallis's script said. "You told Secretary Rice you would be prepared to move ahead within two to four weeks of your meeting. We believe that the time has come for you to move forward quickly and decisively."

- Secretary Rice asked me to meet with you to discuss how we can move forward together.
- Washington is considering how we can make progress in restoring a political process between you and the Israelis. In order to do this, we need to understand your plans regarding a new PA government.
- As you heard in New York, President Bush wants to support you.
- As you saw in Secretary Rice's speech to the American Task Force on Palestine, the Administration genuinely wants to find a way to move forward via the Roadmap toward our shared goal of a Palestinian state. We have just had a Quartet meeting in London and the EU takes the same position.
- But our ability to help depends to a great extent on you. We can do much more if there is a PA government in place that fully and clearly accepts the Quartet principles.
- Key Arab states are also prepared to help you along this path.
- You told Secretary Rice you would be prepared to move ahead within two to four weeks of your meeting. We believe that the time has come for you to move forward quickly and decisively to resolve the governmental crisis.
- We also believe that you need to communicate your plans clearly to the Palestinian people in order to build their support.
- We know you are evaluating the various options. We see three vital elements that should be part of whatever strategy you adopt:

The "talking points" memo, left behind by a State Department envoy, urging Palestinian president Mahmoud Abbas to confront Hamas. Enlarge this. Page 2.

The memo left no doubt as to what kind of action the U.S. was seeking: "Hamas should be given a clear choice, with a clear deadline: ... they either accept a new government that meets the Quartet principles, or they reject it. The consequences of Hamas' decision should also be clear: If Hamas does not agree within the prescribed time, you should make clear your intention to declare a state of emergency and form an emergency government explicitly committed to that platform."

Walles and Abbas both knew what to expect from Hamas if these instructions were followed: rebellion and bloodshed. For that reason, the memo states, the U.S. was already working to strengthen Fatah's security forces. "If you act along these lines, we will support you both materially and politically," the script said. "We will be there to support you."

Abbas was also encouraged to "strengthen [his] team" to include "credible figures of strong standing in the international community." Among those the U.S. wanted brought in, says an official who knew of the policy, was Muhammad Dahlan.

On paper, the forces at Fatah's disposal looked stronger than those of Hamas. There were some 70,000 men in the tangle of 14 Palestinian security services that Arafat had built up, at least half of those in Gaza. After the legislative elections, Hamas had expected to assume command of these forces, but Fatah maneuvered to keep them under its control. Hamas, which already had 6,000 or so irregulars in its militant al-Qassam Brigade, responded by forming the 6,000-troop Executive Force in Gaza, but that still left it with far fewer fighters than Fatah.

In reality, however, Hamas had several advantages. To begin with, Fatah's security forces had never really recovered from Operation Defensive Shield, Israel's massive 2002 re-invasion of the West Bank in response to the second intifada. "Most of the security apparatus had been destroyed," says Youssef Issa, who led the Preventive Security Service under Abbas.

The irony of the blockade on foreign aid after Hamas's legislative victory, meanwhile, was that it prevented only Fatah from paying its soldiers. "We are the ones who were not getting paid," Issa says, "whereas they were not affected by the siege." Ayman Daraghmeh, a Hamas Legislative Council member in the West Bank, agrees. He puts the amount of Iranian aid to Hamas in 2007 alone at \$120 million. "This is only a fraction of what it should give," he insists. In Gaza, another Hamas member tells me the number was closer to \$200 million.

The result was becoming apparent: Fatah could not control Gaza's streets—or even protect its own personnel.

At about 1:30 p.m. on September 15, 2006, Samira Tayeh sent a text message to her husband, Jad Tayeh, the director of foreign relations for the Palestinian intelligence service and a member of Fatah. "He didn't reply," she says. "I tried to call his mobile [phone], but it was switched off. So I called his deputy, Mahmoun, and he didn't know where he was. That's when I decided to go to the hospital."

Samira, a slim, elegant 40-year-old dressed from head to toe in black, tells me the story in a Ramallah café in December 2007. Arriving at the Al Shifa hospital, "I went through the morgue door. Not for any reason—I just didn't know the place. I saw there were all these intelligence

guards there. There was one I knew. He saw me and he said, 'Put her in the car.' That's when I knew something had happened to Jad."

Tayeh had left his office in a car with four aides. Moments later, they found themselves being pursued by an S.U.V. full of armed, masked men. About 200 yards from the home of Prime Minister Haniyeh, the S.U.V. cornered the car. The masked men opened fire, killing Tayeh and all four of his colleagues.

Hamas said it had nothing to do with the murders, but Samira had reason to believe otherwise. At three a.m. on June 16, 2007, during the Gaza takeover, six Hamas gunmen forced their way into her home and fired bullets into every photo of Jad they could find. The next day, they returned and demanded the keys to the car in which he had died, claiming that it belonged to the Palestinian Authority.

Fearing for her life, she fled across the border and then into the West Bank, with only the clothes she was wearing and her passport, driver's license, and credit card.

"Very Clever Warfare"

Fatah's vulnerability was a source of grave concern to Dahlan. "I made a lot of activities to give Hamas the impression that we were still strong and we had the capacity to face them," he says. "But I knew in my heart it wasn't true." He had no official security position at the time, but he belonged to parliament and retained the loyalty of Fatah members in Gaza. "I used my image, my power." Dahlan says he told Abbas that "Gaza needs only a decision for Hamas to take over." To prevent that from happening, Dahlan waged "very clever warfare" for many months.

According to several alleged victims, one of the tactics this "warfare" entailed was to kidnap and torture members of Hamas's Executive Force. (Dahlan denies Fatah used such tactics, but admits "mistakes" were made.) Abdul Karim al-Jasser, a strapping man of 25, says he was the first such victim. "It was on October 16, still Ramadan," he says. "I was on my way to my sister's house for iftar. Four guys stopped me, two of them with guns. They forced me to accompany them to the home of Aman abu Jidyhan," a Fatah leader close to Dahlan. (Abu Jidyhan would be killed in the June uprising.)

The first phase of torture was straightforward enough, al-Jasser says: he was stripped naked, bound, blindfolded, and beaten with wooden poles and plastic pipes. "They put a piece of cloth in my mouth to stop me screaming." His interrogators forced him to answer contradictory accusations: one minute they said that he had collaborated with Israel, the next that he had fired Qassam rockets against it.

But the worst was yet to come. "They brought an iron bar," al-Jasser says, his voice suddenly hesitant. We are speaking inside his home in Gaza, which is experiencing one of its frequent

power outages. He points to the propane-gas lamp that lights the room. "They put the bar in the flame of a lamp like this. When it was red, they took the covering off my eyes. Then they pressed it against my skin. That was the last thing I remember."

When he came to, he was still in the room where he had been tortured. A few hours later, the Fatah men handed him over to Hamas, and he was taken to the hospital. "I could see the shock in the eyes of the doctors who entered the room," he says. He shows me photos of purple third-degree burns wrapped like towels around his thighs and much of his lower torso. "The doctors told me that if I had been thin, not chubby, I would have died. But I wasn't alone. That same night that I was released, abu Jidyan's men fired five bullets into the legs of one of my relatives. We were in the same ward in the hospital."

Dahlan says he did not order al-Jasser's torture: "The only order I gave was to defend ourselves. That doesn't mean there wasn't torture, some things that went wrong, but I did not know about this."

The dirty war between Fatah and Hamas continued to gather momentum throughout the autumn, with both sides committing atrocities. By the end of 2006, dozens were dying each month. Some of the victims were noncombatants. In December, gunmen opened fire on the car of a Fatah intelligence official, killing his three young children and their driver.

There was still no sign that Abbas was ready to bring matters to a head by dissolving the Hamas government. Against this darkening background, the U.S. began direct security talks with Dahlan. "He's Our Guy"

In 2001, President Bush famously said that he had looked Russian president Vladimir Putin in the eye, gotten "a sense of his soul," and found him to be "trustworthy." According to three U.S. officials, Bush made a similar judgment about Dahlan when they first met, in 2003. All three officials recall hearing Bush say, "He's our guy."

They say this assessment was echoed by other key figures in the administration, including Rice and Assistant Secretary David Welch, the man in charge of Middle East policy at the State Department. "David Welch didn't fundamentally care about Fatah," one of his colleagues says. "He cared about results, and [he supported] whatever son of a bitch you had to support. Dahlan was the son of a bitch we happened to know best. He was a can-do kind of person. Dahlan was our guy."

Avi Dichter, Israel's internal-security minister and the former head of its Shin Bet security service, was taken aback when he heard senior American officials refer to Dahlan as "our guy." "I thought to myself, The president of the United States is making a strange judgment here," says Dichter.

Lieutenant General Keith Dayton, who had been appointed the U.S. security coordinator for the Palestinians in November 2005, was in no position to question the president's judgment of Dahlan. His only prior experience with the Middle East was as director of the Iraq Survey Group, the body that looked for Saddam Hussein's elusive weapons of mass destruction.

In November 2006, Dayton met Dahlan for the first of a long series of talks in Jerusalem and Ramallah. Both men were accompanied by aides. From the outset, says an official who took notes at the meeting, Dayton was pushing two overlapping agendas.

"We need to reform the Palestinian security apparatus," Dayton said, according to the notes. "But we also need to build up your forces in order to take on Hamas."

Dahlan replied that, in the long run, Hamas could be defeated only by political means. "But if I am going to confront them," he added, "I need substantial resources. As things stand, we do not have the capability."

The two men agreed that they would work toward a new Palestinian security plan. The idea was to simplify the confusing web of Palestinian security forces and have Dahlan assume responsibility for all of them in the newly created role of Palestinian national-security adviser. The Americans would help supply weapons and training.

As part of the reform program, according to the official who was present at the meetings, Dayton said he wanted to disband the Preventive Security Service, which was widely known to be engaged in kidnapping and torture. At a meeting in Dayton's Jerusalem office in early December, Dahlan ridiculed the idea. "The only institution now protecting Fatah and the Palestinian Authority in Gaza is the one you want removed," he said.

Dayton softened a little. "We want to help you," he said. "What do you need?"
"Iran-Contra 2.0"

Under Bill Clinton, Dahlan says, commitments of security assistance "were always delivered, absolutely." Under Bush, he was about to discover, things were different. At the end of 2006, Dayton promised an immediate package worth \$86.4 million—money that, according to a U.S. document published by Reuters on January 5, 2007, would be used to "dismantle the infrastructure of terrorism and establish law and order in the West Bank and Gaza." U.S. officials even told reporters the money would be transferred "in the coming days."

The cash never arrived. "Nothing was disbursed," Dahlan says. "It was approved and it was in the news. But we received not a single penny."

Any notion that the money could be transferred quickly and easily had died on Capitol Hill, where the payment was blocked by the House Subcommittee on the Middle East and South Asia. Its members feared that military aid to the Palestinians might end up being turned against Israel.

Dahlan did not hesitate to voice his exasperation. "I spoke to Condoleezza Rice on several occasions," he says. "I spoke to Dayton, to the consul general, to everyone in the administration I knew. They said, 'You have a convincing argument.' We were sitting in Abbas's office in Ramallah, and I explained the whole thing to Condi. And she said, 'Yes, we have to make an effort to do this. There's no other way.'" At some of these meetings, Dahlan says, Assistant Secretary Welch and Deputy National-Security Adviser Abrams were also present.

The administration went back to Congress, and a reduced, \$59 million package for nonlethal aid was approved in April 2007. But as Dahlan knew, the Bush team had already spent the past months exploring alternative, covert means of getting him the funds and weapons he wanted. The reluctance of Congress meant that "you had to look for different pots, different sources of money," says a Pentagon official.

A State Department official adds, "Those in charge of implementing the policy were saying, 'Do whatever it takes. We have to be in a position for Fatah to defeat Hamas militarily, and only Muhammad Dahlan has the guile and the muscle to do this.' The expectation was that this was where it would end up—with a military showdown." There were, this official says, two "parallel programs"—the overt one, which the administration took to Congress, "and a covert one, not only to buy arms but to pay the salaries of security personnel."

Israel and the Palestinian territories. Map by Joyce Pendola.

In essence, the program was simple. According to State Department officials, beginning in the latter part of 2006, Rice initiated several rounds of phone calls and personal meetings with leaders of four Arab nations—Egypt, Jordan, Saudi Arabia, and the United Arab Emirates. She asked them to bolster Fatah by providing military training and by pledging funds to buy its forces lethal weapons. The money was to be paid directly into accounts controlled by President Abbas.

The scheme bore some resemblance to the Iran-contra scandal, in which members of Ronald Reagan's administration sold arms to Iran, an enemy of the U.S. The money was used to fund the contra rebels in Nicaragua, in violation of a congressional ban. Some of the money for the contras, like that for Fatah, was furnished by Arab allies as a result of U.S. lobbying.

But there are also important differences—starting with the fact that Congress never passed a measure expressly prohibiting the supply of aid to Fatah and Dahlan. "It was close to the margins," says a former intelligence official with experience in covert programs. "But it probably wasn't illegal."

Legal or not, arms shipments soon began to take place. In late December 2006, four Egyptian trucks passed through an Israeli-controlled crossing into Gaza, where their contents were handed over to Fatah. These included 2,000 Egyptian-made automatic rifles, 20,000 ammunition clips, and two million bullets. News of the shipment leaked, and Benjamin Ben-Eliezer, an Israeli Cabinet member, said on Israeli radio that the guns and ammunition would give Abbas “the ability to cope with those organizations which are trying to ruin everything” —namely, Hamas.

Avi Dichter points out that all weapons shipments had to be approved by Israel, which was understandably hesitant to allow state-of-the-art arms into Gaza. “One thing’s for sure, we weren’t talking about heavy weapons,” says a State Department official. “It was small arms, light machine guns, ammunition.”

Perhaps the Israelis held the Americans back. Perhaps Elliott Abrams himself held back, unwilling to run afoul of U.S. law for a second time. One of his associates says Abrams, who declined to comment for this article, felt conflicted over the policy—torn between the disdain he felt for Dahlan and his overriding loyalty to the administration. He wasn’t the only one: “There were severe fissures among neoconservatives over this,” says Cheney’s former adviser David Wurmser. “We were ripping each other to pieces.”

During a trip to the Middle East in January 2007, Rice found it difficult to get her partners to honor their pledges. “The Arabs felt the U.S. was not serious,” one official says. “They knew that if the Americans were serious they would put their own money where their mouth was. They didn’t have faith in America’s ability to raise a real force. There was no follow-through. Paying was different than pledging, and there was no plan.”

This official estimates that the program raised “a few payments of \$30 million”—most of it, as other sources agree, from the United Arab Emirates. Dahlan himself says the total was only \$20 million, and confirms that “the Arabs made many more pledges than they ever paid.” Whatever the exact amount, it was not enough.

Plan B

On February 1, 2007, Dahlan took his “very clever warfare” to a new level when Fatah forces under his control stormed the Islamic University of Gaza, a Hamas stronghold, and set several buildings on fire. Hamas retaliated the next day with a wave of attacks on police stations.

Unwilling to preside over a Palestinian civil war, Abbas blinked. For weeks, King Abdullah of Saudi Arabia had been trying to persuade him to meet with Hamas in Mecca and formally establish a national unity government. On February 6, Abbas went, taking Dahlan with him. Two days later, with Hamas no closer to recognizing Israel, a deal was struck.

Under its terms, Ismail Haniyeh of Hamas would remain prime minister while allowing Fatah members to occupy several important posts. When the news hit the streets that the Saudis had promised to pay the Palestinian Authority's salary bills, Fatah and Hamas members in Gaza celebrated together by firing their Kalashnikovs into the air.

Once again, the Bush administration had been taken by surprise. According to a State Department official, "Condi was apoplectic." A remarkable documentary record, revealed here for the first time, shows that the U.S. responded by redoubling the pressure on its Palestinian allies.

The State Department quickly drew up an alternative to the new unity government. Known as "Plan B," its objective, according to a State Department memo that has been authenticated by an official who knew of it at the time, was to "enable [Abbas] and his supporters to reach a defined endgame by the end of 2007. The endgame should produce a [Palestinian Authority] government through democratic means that accepts Quartet principles."

Like the Walles ultimatum of late 2006, Plan B called for Abbas to "collapse the government" if Hamas refused to alter its attitude toward Israel. From there, Abbas could call early elections or impose an emergency government. It is unclear whether, as president, Abbas had the constitutional authority to dissolve an elected government led by a rival party, but the Americans swept that concern aside.

Security considerations were paramount, and Plan B had explicit prescriptions for dealing with them. For as long as the unity government remained in office, it was essential for Abbas to maintain "independent control of key security forces." He must "avoid Hamas integration with these services, while eliminating the Executive Force or mitigating the challenges posed by its continued existence."

In a clear reference to the covert aid expected from the Arabs, the memo made this recommendation for the next six to nine months: "Dahlan oversees effort in coordination with General Dayton and Arab [nations] to train and equip 15,000-man force under President Abbas's control to establish internal law and order, stop terrorism and deter extralegal forces."

The Bush administration's goals for Plan B were elaborated in a document titled "An Action Plan for the Palestinian Presidency." This action plan went through several drafts and was developed by the U.S., the Palestinians, and the government of Jordan. Sources agree, however, that it originated in the State Department.

The early drafts stressed the need for bolstering Fatah's forces in order to "deter" Hamas. The "desired outcome" was to give Abbas "the capability to take the required strategic political decisions ... such as dismissing the cabinet, establishing an emergency cabinet."

The drafts called for increasing the “level and capacity” of 15,000 of Fatah’s existing security personnel while adding 4,700 troops in seven new “highly trained battalions on strong policing.” The plan also promised to arrange “specialized training abroad,” in Jordan and Egypt, and pledged to “provide the security personnel with the necessary equipment and arms to carry out their missions.”

A detailed budget put the total cost for salaries, training, and “the needed security equipment, lethal and non-lethal,” at \$1.27 billion over five years. The plan states: “The costs and overall budget were developed jointly with General Dayton’s team and the Palestinian technical team for reform”—a unit established by Dahlan and led by his friend and policy aide Bassil Jaber. Jaber confirms that the document is an accurate summary of the work he and his colleagues did with Dayton. “The plan was to create a security establishment that could protect and strengthen a peaceful Palestinian state living side by side with Israel,” he says.

The final draft of the Action Plan was drawn up in Ramallah by officials of the Palestinian Authority. This version was identical to the earlier drafts in all meaningful ways but one: it presented the plan as if it had been the Palestinians’ idea. It also said the security proposals had been “approved by President Mahmoud Abbas after being discussed and agreed [to] by General Dayton’s team.”

On April 30, 2007, a portion of one early draft was leaked to a Jordanian newspaper, *Al-Majd*. The secret was out. From Hamas’s perspective, the Action Plan could amount to only one thing: a blueprint for a U.S.-backed Fatah coup.

“We Are Late in the Ball Game Here”

The formation of the unity government had brought a measure of calm to the Palestinian territories, but violence erupted anew after *Al-Majd* published its story on the Action Plan. The timing was unkind to Fatah, which, to add to its usual disadvantages, was without its security chief. Ten days earlier, Dahlan had left Gaza for Berlin, where he’d had surgery on both knees. He was due to spend the next eight weeks convalescing.

In mid-May, with Dahlan still absent, a new element was added to Gaza’s toxic mix when 500 Fatah National Security Forces recruits arrived, fresh from training in Egypt and equipped with new weapons and vehicles. “They had been on a crash course for 45 days,” Dahlan says. “The idea was that we needed them to go in dressed well, equipped well, and that might create the impression of new authority.” Their presence was immediately noticed, not only by Hamas but by staff from Western aid agencies. “They had new rifles with telescopic sights, and they were wearing black flak jackets,” says a frequent visitor from Northern Europe. “They were quite a contrast to the usual scruffy lot.”

On May 23, none other than Lieutenant General Dayton discussed the new unit in testimony before the House Middle East subcommittee. Hamas had attacked the troops as they crossed into Gaza from Egypt, Dayton said, but “these 500 young people, fresh out of basic training, were organized. They knew how to work in a coordinated fashion. Training does pay off. And the Hamas attack in the area was, likewise, repulsed.”

The troops’ arrival, Dayton said, was one of several “hopeful signs” in Gaza. Another was Dahlan’s appointment as national-security adviser. Meanwhile, he said, Hamas’s Executive Force was becoming “extremely unpopular I would say that we are kind of late in the ball game here, and we are behind, there’s two out, but we have our best clutch hitter at the plate, and the pitcher is beginning to tire on the opposing team.”

The opposing team was stronger than Dayton realized. By the end of May 2007, Hamas was mounting regular attacks of unprecedented boldness and savagery.

At an apartment in Ramallah that Abbas has set aside for wounded refugees from Gaza, I meet a former Fatah communications officer named Tariq Rafiyeh. He lies paralyzed from a bullet he took to the spine during the June coup, but his suffering began two weeks earlier. On May 31, he was on his way home with a colleague when they were stopped at a roadblock, robbed of their money and cell phones, and taken to a mosque. There, despite the building’s holy status, Hamas Executive Force members were violently interrogating Fatah detainees. “Late that night one of them said we were going to be released,” Rafiyeh recalls. “He told the guards, ‘Be hospitable, keep them warm.’ I thought that meant kill us. Instead, before letting us go they beat us badly.”

On June 7, there was another damaging leak, when the Israeli newspaper Haaretz reported that Abbas and Dayton had asked Israel to authorize the biggest Egyptian arms shipment yet—to include dozens of armored cars, hundreds of armor-piercing rockets, thousands of hand grenades, and millions of rounds of ammunition. A few days later, just before the next batch of Fatah recruits was due to leave for training in Egypt, the coup began in earnest.

Fatah’s Last Stand

The Hamas leadership in Gaza is adamant that the coup would not have happened if Fatah had not provoked it. Fawzi Barhoum, Hamas’s chief spokesman, says the leak in Al-Majd convinced the party that “there was a plan, approved by America, to destroy the political choice.” The arrival of the first Egyptian-trained fighters, he adds, was the “reason for the timing.” About 250 Hamas members had been killed in the first six months of 2007, Barhoum tells me. “Finally we decided to put an end to it. If we had let them stay loose in Gaza, there would have been more violence.”

“Everyone here recognizes that Dahlan was trying with American help to undermine the results of the elections,” says Mahmoud Zahar, the former foreign minister for the Haniyeh government, who now leads Hamas’s militant wing in Gaza. “He was the one planning a coup.”

Zahar and I speak inside his home in Gaza, which was rebuilt after a 2003 Israeli air strike destroyed it, killing one of his sons. He tells me that Hamas launched its operations in June with a limited objective: “The decision was only to get rid of the Preventive Security Service. They were the ones out on every crossroads, putting anyone suspected of Hamas involvement at risk of being tortured or killed.” But when Fatah fighters inside a surrounded Preventive Security office in Jabaliya began retreating from building to building, they set off a “domino effect” that emboldened Hamas to seek broader gains.

Many armed units that were nominally loyal to Fatah did not fight at all. Some stayed neutral because they feared that, with Dahlan absent, his forces were bound to lose. “I wanted to stop the cycle of killing,” says Ibrahim abu al-Nazar, a veteran party chief. “What did Dahlan expect? Did he think the U.S. Navy was going to come to Fatah’s rescue? They promised him everything, but what did they do? But he also deceived them. He told them he was the strongman of the region. Even the Americans may now feel sad and frustrated. Their friend lost the battle.”

Others who stayed out of the fight were extremists. “Fatah is a large movement, with many schools inside it,” says Khalid Jaber, a commander with Fatah’s al-Aqsa Martyrs’ Brigades, which continue to fire rockets into Israel from Gaza. “Dahlan’s school is funded by the Americans and believes in negotiations with Israel as a strategic choice. Dahlan tried to control everything in Fatah, but there are cadres who could do a much better job. Dahlan treated us dictatorially. There was no overall Fatah decision to confront Hamas, and that’s why our guns in al-Aqsa are the cleanest. They are not corrupted by the blood of our people.”

Jaber pauses. He spent the night before our interview awake and in hiding, fearful of Israeli air strikes. “You know,” he says, “since the takeover, we’ve been trying to enter the brains of Bush and Rice, to figure out their mentality. We can only conclude that having Hamas in control serves their overall strategy, because their policy was so crazy otherwise.”

The fighting was over in less than five days. It began with attacks on Fatah security buildings, in and around Gaza City and in the southern town of Rafah. Fatah attempted to shell Prime Minister Haniyeh’s house, but by dusk on June 13 its forces were being routed.

Years of oppression by Dahlan and his forces were avenged as Hamas chased down stray Fatah fighters and subjected them to summary execution. At least one victim was reportedly thrown from the roof of a high-rise building. By June 16, Hamas had captured every Fatah building, as well as Abbas’s official Gaza residence. Much of Dahlan’s house, which doubled as his office, was reduced to rubble.

Fatah's last stand, predictably enough, was made by the Preventive Security Service. The unit sustained heavy casualties, but a rump of about 100 surviving fighters eventually made it to the beach and escaped in the night by fishing boat.

At the apartment in Ramallah, the wounded struggle on. Unlike Fatah, Hamas fired exploding bullets, which are banned under the Geneva Conventions. Some of the men in the apartment were shot with these rounds 20 or 30 times, producing unimaginable injuries that required amputation. Several have lost both legs.

The coup has had other costs. Amjad Shawer, a local economist, tells me that Gaza had 400 functioning factories and workshops at the start of 2007. By December, the intensified Israeli blockade had caused 90 percent of them to close. Seventy percent of Gaza's population is now living on less than \$2 a day.

Israel, meanwhile, is no safer. The emergency pro-peace government called for in the secret Action Plan is now in office—but only in the West Bank. In Gaza, the exact thing both Israel and the U.S. Congress warned against came to pass when Hamas captured most of Fatah's arms and ammunition—including the new Egyptian guns supplied under the covert U.S.-Arab aid program.

Now that it controls Gaza, Hamas has given free rein to militants intent on firing rockets into neighboring Israeli towns. "We are still developing our rockets; soon we shall hit the heart of Ashkelon at will," says Jaber, the al-Aqsa commander, referring to the Israeli city of 110,000 people 12 miles from Gaza's border. "I assure you, the time is near when we will mount a big operation inside Israel, in Haifa or Tel Aviv."

On January 23, Hamas blew up parts of the wall dividing Gaza from Egypt, and tens of thousands of Palestinians crossed the border. Militants had already been smuggling weapons through a network of underground tunnels, but the breach of the wall made their job much easier—and may have brought Jaber's threat closer to reality.

George W. Bush and Condoleezza Rice continue to push the peace process, but Avi Dichter says Israel will never conclude a deal on Palestinian statehood until the Palestinians reform their entire law-enforcement system—what he calls "the chain of security." With Hamas in control of Gaza, there appears to be no chance of that happening. "Just look at the situation," says Dahlan. "They say there will be a final-status agreement in eight months? No way."

"An Institutional Failure"

How could the U.S. have played Gaza so wrong? Neocon critics of the administration—who until last year were inside it—blame an old State Department vice: the rush to anoint a strongman

instead of solving problems directly. This ploy has failed in places as diverse as Vietnam, the Philippines, Central America, and Saddam Hussein's Iraq, during its war against Iran. To rely on proxies such as Muhammad Dahlan, says former U.N. ambassador John Bolton, is "an institutional failure, a failure of strategy." Its author, he says, was Rice, "who, like others in the dying days of this administration, is looking for legacy. Having failed to heed the warning not to hold the elections, they tried to avoid the result through Dayton."

With few good options left, the administration now appears to be rethinking its blanket refusal to engage with Hamas. Staffers at the National Security Council and the Pentagon recently put out discreet feelers to academic experts, asking them for papers describing Hamas and its principal protagonists. "They say they won't talk to Hamas," says one such expert, "but in the end they're going to have to. It's inevitable."

It is impossible to say for sure whether the outcome in Gaza would have been any better—for the Palestinian people, for the Israelis, and for America's allies in Fatah—if the Bush administration had pursued a different policy. One thing, however, seems certain: it could not be any worse.

David Rose is a Vanity Fair contributing editor.