

THE BROOKINGS INSTITUTION

SABAN FORUM 2012:

WELCOMING REMARKS
AND
A CONVERSATION WITH ISRAELI FOREIGN MINISTER AVIGDOR LIEBERMAN

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P R O C E E D I N G S

MR. INDYK: Please welcome to the podium, Haim Saban.

MR. SABAN: Thank you, Martin. Good evening and welcome, ladies and gentlemen. I'd like to -- this is the security from Israel concocting something over there. (Laughter) I'd like to extend a special welcome to the ambassadors, ministers, members of the administration, members of Congress, and members of Knesset, and thank you all for joining us tonight.

As most of you know, once a year we bring together Americans and Israelis and guests from the region for this private, candid, high-level dialogue all about the issues and challenges that our societies confront. By talking frankly with one another we prepare ourselves and our governments to work together in meeting these formidable challenges. And my friends, yes, we do need to talk. The Middle East is in turmoil. Egypt seems to be having Revolution 2.0. Bashar al-Assad in Syria seems willing to fight for his own survival down to the last Syrian. Iran centrifuges keep on spinning and the prospect of peace between Israelis and Palestinians since yesterday unfortunately seems further away tonight than it's been in a long time.

So as I said, we do need to talk. And I'm honored that the Saban Forum has become the platform for leaders from Washington and Israel and other countries in the region to make important policy statements and engage in frank dialogue. Tonight is a perfect example as we will hear from Israel's foreign minister, Avigdor Lieberman, and Secretary of State Hilary Rodham Clinton. The Saban Center is celebrating its 10th anniversary this year and I'm so proud of what has been achieved. It has the deepest bench of experts in the business with decades of combined experience working through policy issues inside government and out. The Center offers more than sound bites; it offers sound thinking. And for that I have to thank Brookings, Strobe Talbott, Martin

Indyk, Tamara Wittes, Ken Pollack, and the whole team at the Center that day-in and day-out develop ideas, conduct seminars, release papers and books, and all with one sole purpose at the end of the day: help bring peace to the Middle East.

And with that I'd like to turn the podium over to Martin Indyk, my dear friend and the vice president of foreign policy at the Brookings Institution. He's going to get the program going while I'm going to have a glass of water. Thank you. (Applause)

MR. INDYK: Thank you, Haim. You all know that the Saban Forum simply would not be possible without Haim Saban, both as the inspiration and the patron. And I have to tell you that I'm not sure he's always happy about this, but he is involved in just about every detail of the Forum, programming and especially the event side of it. We're grateful to you, Haim, for so many things that you bring to the Saban Forum and the Saban Center at Brookings and it's really been a wonderful ride that we've had together. This is, ladies and gentlemen, the 9th Saban Forum and it grows every year from strength to strength thanks to Haim Saban.

I normally open the Saban Forum as the co-convener of the Saban Forum, but tonight I'm wearing another hat as the vice president of Brookings and the director of the Foreign Policy Program at Brookings to welcome you here on behalf of the Institution. That is normally the responsibility of Strobe Talbott, our president, but he is at another hotel tonight chairing another conference of the Tri-Lateral Commission and he sends his apologies, but he will be here tomorrow to greet you all.

So on behalf of Strobe, allow me to welcome you all to Saban Forum 2012. It is certainly the highest level of Israeli government participation that we've had in the history of the Forum and I'm very grateful and want to say a very special welcome "Bruchim haba'im" to all of the ministers, both current and former, that join us here this evening. Defense Minister Barak, Foreign Minister Lieberman, Deputy Prime Minister

Silvan Shalom, Deputy Prime Minister Dan Meridor, Former Prime Minister Olmert, and Foreign Minister Tzipi Livni. We're very grateful as well to all of the other participants that have joined us; many of them have come from the Middle East, not only from Israel, Nasser Judeh, the foreign minister of Jordan, has come especially for our forum as well as Prime Minister Salam Fayyad of the Palestinian Authority. We're grateful to all of the American participants who have traveled, many from the West Coast, to join us for this weekend.

To state the obvious, we meet at a time of great turmoil in the Middle East, just after a presidential election in the United States, just before a general election in Israel. Two weeks ago Haim, Tamara Wittes, and I were looking at the prospect of canceling the Forum because of the war that was then going on with Hamas in Gaza. Thankfully, calm has been restored. Hopefully, it's a lasting calm. Everyday, however, brings dramatic news from the Middle East. Today Syrian rebels shut down Damascus International Airport. Yesterday the PLO won U.N. General Assembly recognition as a non-member observer state. The day before, 200,000 Egyptians were in the street demonstrating against their newly elected Muslim Brotherhood president's latest decrees. And, of course, this evening just to warm things up for our Forum, the government of Israel announced 3,000 new settlement units.

How is the United States and Israel to cope with all of these dramatic developments? How is the United States and Israel to deal with the ongoing revolutions in the Arab world, the descent into chaos in Syria; the rise of the Muslim Brotherhood in Egypt; the growing Sunni-Shi'a sectarian divide that is spreading across the Arab world and the broader Middle East; Iran's nuclear weapons program and the absence of a viable effort to resolve the Israeli-Palestinian conflict.

These are questions and many others that we will have a chance to

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discuss and deliberate on this weekend. I'm sure you, just like me, can't wait to get started and we have a very special guest tonight to get us started in Foreign Minister Avigdor Lieberman. I'm very grateful to him for joining us tonight. We have tried for many years to have him join us at the Forum. Some of you will remember that he was here I think five years ago before he became foreign minister. But since then we haven't had the pleasure for one reason or another, it hasn't worked out, and so I'm particularly grateful that he's going to start us off today.

He, of course, was the leader of the Yisrael Beiteinu Party. He is now the co-leader, the number two leader of the Likud Beiteinu Party as well as the foreign minister in the current government of Israel. And to interview him tonight and conduct a conversation with him before we have a chance to ask him some questions we are very grateful to Robert Siegel, the anchor of All Things Considered on National Public Radio, to conduct this conversation. So, ladies and gentlemen, please welcome Avigdor Lieberman, the foreign minister of Israel, and Robert Siegel.

MR. SIEGEL: Minister Lieberman, welcome, and it's nice to meet you.

Martin Indyk mentioned some of the most recent news and as a newsperson I'm obliged to start there. Yesterday the U.N. General Assembly recognized Palestine as a non-member observer state; the U.S. opposed that along with Israel. Today Israel has approved 3,000 new housing units on the West Bank and Jerusalem. The White House said those actions are counterproductive and make it harder to resume direct negotiations. What was the message of approving the new units and what was the message to the Palestinians and what was the message to Washington?

MINISTER LIEBERMAN: First of all, the biggest news, the real news, to sit around one table me and Ehud Barak and Tzipi Livni and Ehud Olmert, it's real news. (Applause) But not the Palestinian resolution. And thanks to Haim Saban it's really

something unbelievable. In a good mood --

MR. SIEGEL: Keep Israeli peace is what you're saying.

MINISTER LIEBERMAN: Yes, it's a real domestic peace that we didn't see before. (Laughter) Israel-Palestinian peace -- I don't see peace; I see a lot of disagreements, a lot of tensions, but not peace. And, you know, before this meeting I don't know why everyone warned me to be politically correct. I will try my best, but I cannot promise and it's really -- (Laughter)

MR. SIEGEL: No, to the contrary, we'd like you to be as incorrect as you possibly can.

MINISTER LIEBERMAN: But for your question, first of all Israel, Israeli Israel, has been contending for many years with some misunderstandings and misrepresentations. The first misunderstanding was our dispute with the Palestinians as the main reason for the heart of the Middle East conflict. And the second misrepresentation and misunderstanding is the settlements. And, of course, settlements are the biggest obstacle to peace. And I try only to speak about the facts. You know, for example, we evacuated 21 flourishing settlements from Gaza Strip, we transferred 10,000 Jews, and we withdrew until the very last inch in Gaza Strip. The result was, of course, Hamas in power firing rockets on Southern Israel. We didn't see any peace as a result of this evacuation.

The same, of course, from the Lebanon side. We withdrew from Lebanon until the very last inch and we have the U.N. resolution that Israel fulfilled all obligations according to international law, but still we didn't see any peace from the Lebanon side.

Three years ago, 3-1/2 years ago, as a gesture of goodwill we decided to freeze all construction activities in settlements to freeze for 10 months, to create an

opportunity to resume direct talks. And after 10 months we saw that we were in the same place in the deadlock. For these reasons our settlement policy, our construction activity in the settlements, it's only according to our national interest. And I think that there is real consensus about Jerusalem, about Ma'ale Adumim, about Gush Etzion. We try not to provoke, not the Palestinians, not the others, but we think that it's our right to define our capital and to decide about constructions, about our view on our security issues, and you must understand that this construction activity in the settlements today is part of our security view.

MR. SIEGEL: Do you feel that, first of all, this announcement was not timed to coincide with the vote at the U.N.? It's been described that way. It was an answer to what happened at the General Assembly, fair enough?

MINISTER LIEBERMAN: Ok, It's an answer. But first of all, again, the settlements are not an obstacle to peace. The opposite is true. And I think that everybody who wants to avoid real reasons, a real understanding, a real solution tries to use this issue, as you know, the biggest problem. Sometimes I see watching TV you can see some reports that 40,000 people killed in Syria, dozens in Iraq, dozens in Egypt, in Libya, clashes in Bahrain. But, of course, the main report is about eight buildings in some small town in Judea or Samaria.

MR. SIEGEL: We've spent a great deal of time reporting on the fighting in Syria and certainly on Iraq --

MINISTER LIEBERMAN: I think it's like the discussion yesterday in the U.N. Instead of the biggest problem, it's real, it's a weakness of international community, is the fact that the international community notable for 22 months to stop this massacre, this bloodshed in Syria, 40,000 people killed. And the main discussion in the U.N. is not about 40,000 people slaughtered in Syria, but about some statement, some declaration

of non-member state or about the settlements. It's hypocrisy.

MR. SIEGEL: I wanted to ask you, back to the U.N. vote on the Palestinians, there was a draft paper attributed to you saying--looking forward to that vote--saying that such a vote would destroy all Israeli deterrence and completely harm its credibility. You spoke of the option of toppling Abbas' government, or the other option of containment or a softer response would be seen as raising a white flag. Is it really a choice between toppling Abbas' government or surrender in response to this vote at the U.N. that gives them less than full member status?

MINISTER LIEBERMAN: To topple the Abbas government is a Palestinian domestic issue. It's not our business. Israel never interfered in the domestic policy of any country and not of Palestinians. But you must understand that what's the real problem of Palestinians, what's the real challenge. It's not declaration. It's unemployment, it's financial problems, economic problems, healthcare, personal security, education. And because Mahmoud Abbas failed in all his problems on the domestic arena he tried to escalate his activity in international arena. You know the same and we started from this issue, misunderstanding. Israeli-Palestinian dispute is the heart of the Middle East conflict.

Try to ask yourself what's the main reason for Arab Spring? What's the main Spring? Why Ben Ali lost the power in Tunisia? Why Mubarak lost the power in Egypt? It's not Palestinians, it's not Zionism, it's not Israel. It's poverty and misery. The same with Mahmoud Abbas. Why Mahmoud Abbas lost elections in 2006? Why he lost power, why he lost control in Gaza Strip? Because, first of all, poverty and misery. He failed to handle his economic problems, very corrupted and ineffective administration. This is the reason. He is not able to deliver the goods to the Palestinians. And to topple or not to topple Mahmoud Abbas -- it's their problem, it's their choice. And as you know,

he postponed for two and a half years the presidential elections and the parliament elections. And I think that we understand why.

MR. SIEGEL: But conceding the point that the Israeli-Palestinian conflict may not be the central conflict of the entire region, don't you regard your issues with the Palestinians as a central conflict for Israel and the issue that you have to find some resolution to?

MINISTER LIEBERMAN: Of course, we need some comprehensive solution with the Palestinians. But it depends, first of all, on the Palestinians. I think that we made a lot of gestures of goodwill. And I completely agree with you that I am a bad guy, a very bad guy, and we have very right and very radical government, but I take, for example, the previous very dovish government with my friends Ehud Olmert as the prime minister, Tzipi is the minister of foreign affairs. What was in Annapolis? I saw the Ehud Olmert proposals in Annapolis and, in the end of the day, Mahmoud Abbas refused to sign the agreement. What was with Ehud Barak as the prime minister in Camp David was President Clinton, Bill Clinton and Arafat was the same. He was ready to go back to the '67 line to divide Jerusalem even to open the issue, the question of refugees. And Arafat refused to sign an agreement. I think that you must understand that the ball is in their court. We're ready to sacrifice, we're ready to understand but we're not ready to be suiciders.

MR. SIEGEL: Now, as you know, many Palestinians would say that among the goods that Mahmoud Abbas and his government hasn't delivered is the peace that they seek, the deal that they think would be acceptable. But at this moment as we talk about the weakness of Mahmoud Abbas, Hamas in Gaza seems to be stronger and stronger.

MINISTER LIEBERMAN: Of course.

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MR. SIEGEL: It's more and more popular. This is a group that unlike Mahmoud Abbas isn't seeking diplomatic solutions to his problems with you, they're seeking to fight with you. What's gone wrong here? How has Hamas been strengthened in the course of all of this?

MINISTER LIEBERMAN: First of all, you must understand that thanks to Mahmoud Abbas, Palestinian Authority doesn't exist. You have two different entities. You have one entity in Gaza Strip called Hamastan and you have different entity in Judean Samaria called Fatahland. And they're not able to lead their elections and it's a result of Mahmoud Abbas' administration. And he failed, he lost the control. In Gaza Strip he received from our hands all Gaza Strip. And he lost control not because of Israel, but because of corrupted and ineffective administration. Hamas is more effective and they have more political will and determination.

What you have today, even in Judea Samaria, is the real opposition from the Fatah -- from the young generation in Fatah, not from Israel. You can see what published Dahlan in the Gulf and the others in London, but today you have not only the tension between Mahmoud Abbas and Haniya, but between young and old generation in Fatah. And it's clear, despite all resolutions in the U.N., if Mahmoud Abbas will move for elections he will lose the elections.

MR. SIEGEL: Should he move for elections? Would you be pleased to see him have an election?

MINISTER LIEBERMAN: I think the key, like in all Arab countries, it's not Zionism, it's not settlements, it's economy because these disparities, this poverty and misery, it's the main reason for upheavals in Arab world. Not Zionism. And you must understand that the biggest problem of Arab world and the Palestinians is that the middle class doesn't exist. The backbone of really very stable countries, democratic countries,

prosperity, is existence of the middle class. What you have in Egypt, it's a disparity between very rich oligarchs and 90 percent people suffering. Well, the same among the Palestinians. And the problems that you have -- in Europe, the most successful countries like Switzerland, like Norway, 90 percent is the middle class, successful middle class. And they must develop the middle class. It's impossible in artificial way to build a democratic country, tolerated country, that is ready to co-exist with others.

MR. SIEGEL: But you can't move to Scandinavia, that's not one of the options for Israel. (Laughter) So let me ask you this question: as opposed to lurching to conference to conference and crisis to crisis, when you think over a 10-year or 20-year horizon, given your pessimism about the Palestinians, for example --

MINISTER LIEBERMAN: Only realism, not pessimism.

MR. SIEGEL: Well, then your realism about it. Think a little bit farther out with us for a moment. What is it in the special relationship that we in America are helping you attain? Is it to continue the status quo, but have more fences? Is it to have a negotiated peace? You tell me, what is it, when you think long term, that you aspire to?

MINISTER SIEGEL: First of all, I completely agree with you that real first and crucial mistake was of Moses, that he brought us to the Middle East and not to the Benelux. (Laughter) Of course, Benelux is much better, it's so nice neighborhood, not like the Middle East, but we are in the Middle East. And in the Middle East it's not coincidence that in the Middle East we have only one vibrant democracy, the state of Israel. Despite all of our challenges and all threats from Iran, from Hezbollah, from Hamas, from Jihad, you see what happens now in Syria, what happens even in Iraq, what happens in Egypt, and despite all the challenges we're still a vibrant democracy, a stable vibrant democracy.

What are our perspectives of the long term? First of all, it's clear for me

and what we try to provide for the Palestinians, especially in Judea and Samaria, much better economic environment. If you take, for example, in Gaza Strip, in Judea and Samaria in the last years, until the last year, the economic growth was about 15, 16 percent in Gaza Strip and about 8, 9 percent in Judea and Samaria. And it's thanks to our efforts.

And you must understand that in the last three months we paid the salary for Mahmoud Abbas' administration, we paid for their electricity, and I think the key is economic development. Israel -- because you know what is the real mistake? What is my problem with Western view on the peace process? You think that it's possible to impose peace. And as a result from peace we will see security and prosperity.

MR. SIEGEL: So when you think ahead are you thinking about an independent Palestinian State?

MINISTER LIEBERMAN: I think that opposite is true. It's impossible, you can only create peace. First of all security, second prosperity, as a result from security and prosperity we will achieve peace. And the first challenge for the Palestinians to achieve GDP per capita \$10,000. If they will achieve the GDP per capita \$10,000 we will resolve all our problems without Quartet, without special envoys, without U.N. And it's key today to develop their economy because the main reason is unemployment.

MR. SIEGEL: Yes, but it's going to be a question in this city. In the second Obama administration how much effort should the United States put into trying to advance a process which you seem to regard as fruitless and impossible and not even relevant to progress in the region? Should you ask the President to just forget about it? We're doing okay; the status quo is all right.

MR. LIEBERMAN: First of all, I would like to express my appreciation to the United States, to President Obama, and to the Secretary of State. They really made

incredible efforts to provide ceasefire between Gaza Strip, to achieve some understanding between us and Egyptians, their very, very courageous stance in the U.N. regarding the Palestinian issue. We really think that at the end of the day we'll have only one reliable ally, a real friend, they are sharing the same values, it's us and the United States. And really we don't see any alternative to the United States. And I think that at the end of the day the United States -- also people know that in the Middle East at the end of the day they have only one reliable ally and it's Israel. It's really very strong ties. It's not only strategic, it's not only security, not only U.N.

MR. SIEGEL: But from what I've heard you say about the outlook, we should stop, we should leave you alone.

MINISTER LIEBERMAN: I think that the biggest challenge, it's not the Palestinians. I think that we will resolve the problem today with the Palestinians. It's first of all the international communities that failed in all challenges and they are trying to compensate this lack of success in all international issues with over-involvement in the Palestinian issue. And the real biggest threat of course, as you see, is Iran. It's a real challenge.

MR. SIEGEL: Let me ask you about Iran. President Obama has been at pains to say that the policy of the United States is not to contain a nuclear Iran, it is to prevent Iran from acquiring a nuclear weapon. And he has said that the U.S. and Israel are on the same page.

First of all, do you accept U.S. policy as a guarantee in this issue that you needn't worry about Iran getting a nuclear weapon because the U.S. is determined to prevent it happening?

MINISTER LIEBERMAN: Let's forget about the Iranian nuclear ambitions. Let's speak about Syria. The Assad regime --

MR. SIEGEL: Well, no, we can get -- why don't we get to Syria next?

MINISTER LIEBERMAN: No, no, no, no, no. No, no, no, no, no.

MR. SIEGEL: Why don't we get to that next and talk about Iran first?

MINISTER LIEBERMAN: The Syrian -- even the suppressive Assad regime not able to exist without Iranian assistance.

MR. SIEGEL: Yes.

MINISTER LIEBERMAN: Okay? The Iranians, they can exist without Hezbollah, Jihad, and Hamas. But Hezbollah, Hamas, and Jihad, they cannot exist without Iran. You know, you see what all terrorist activity in Afghanistan, in Iraq, is everything with Iranian involvement. Their penetration to Sudan, to Somalia, to the East Africa, you see more and more Iranian activity. Iran is a real global threat, not only for Israel.

If you will go to the Gulf, and let's speak with rulers of the Gulf countries, they will never speak to you about the Palestinian issue. They always will speak with you about the Iranian issue. And you must understand that not only is Israel with their crazy radical views, but even is Saudi Arabia and the Gulf countries they understand that the biggest threat and biggest challenge, it's Iran regarding their nuclear ambitions.

MR. SIEGEL: Yes.

MINISTER LIEBERMAN: I think that it must be clear, if Iranians, if they will achieve the nuclear capabilities, the first result will be crazy nuclear arms race in all Middle East. And you can imagine the reality like in the horror movies in Hollywood and the leaks of the nuclear technologies to some terrorist groups, some militants. And, of course, we understand what the future is in this case. The Iranians with a nuclear umbrella, their stances, their behavior, not only regarding Israel, but regarding all Gulf countries, the threats and the almost threats.

MR. SIEGEL: And U.S. policy is mindful of this. And my question is do you see in Washington what amounts to a guarantee that the U.S. will take care of this, the U.S. will see to it that Iran does not go nuclear?

MINISTER LIEBERMAN: I don't have any doubts. First of all, again, they know the assessments of all security forces in the world, including CIA and Mossad and MI-6, we have the same -- we're sharing the same assessments. Now it's time for the political decisions.

I don't have any doubts that the United States understands exactly how big this threat, even, you know, the Iranian threat to close Hormuz Straits.

MR. SIEGEL: Strait of Hormuz, yes.

MINISTER LIEBERMAN: Strait of Hormuz. And I think that as an energy policy and price for oil, for gas, everything depends on the issue of the nuclear capabilities of Iran. With Iranian nuclear capabilities it's not only, you know, a dirty bomb, but the price for the energy resources will double. And I think that the United States, as all the Western world, they understand and they will prevent this reality. And, of course, even in this case the most reliable ally of the United States and the Western world: it's Israel.

MR. SIEGEL: Are you impressed with the effectiveness of sanctions so far against Iran?

MINISTER LIEBERMAN: First of all, I think it was a very clear message to the Iranians and to the rest of the world, but it's not enough, you know, because you have really a very tough and very radical leadership in Iran that they're ready to sacrifice their own people. And to achieve their nuclear and their political ambitions, they're ready to sacrifice. It's not enough. Really it was very difficult, a very right decision about the sanctions, but it's not enough. With sanctions it's impossible to stop the Iranian nuclear

development.

MR. SIEGEL: Foreign Minister, we're going to take questions from the audience in a moment. I just wanted, though, to clarify, to have you clarify, when we talk about what the U.S. role should be in the coming years in diplomacy involving Israel and the Palestinians, I'm not sure if I hear you. If the only point is economic development in the Palestinian territories, I'm not sure whether you're asking for any involvement, whatever, of the United States.

MINISTER LIEBERMAN: First of all, economic development. What we see today in the Arab world, in the oil wealth, the question of economy, of unemployment, it's the first question. What is today's main issue in Europe, in EU countries? It's economic issues. What's the main reason in the Arab world for the turmoil? It's economic issues. What's the main issue in the last election in the United States? It was economic issues. What's the main issue today in China or in Japan? It's first of all economic issues? And you must understand today we are living in an economic world and economy is key. And as I mentioned, without a strong middle class you cannot provide any peaceful policy.

MR. SIEGEL: But, I mean, there are dozens of nations that took part in that vote at the U.N. that are independent states that don't have strong middle classes. I mean, you can be an independent state and be a poor country without a highly developed middle class. Why can't the Palestinians aspire to being, at first, a poor independent people?

MINISTER LIEBERMAN: Because Palestinians really is the most secular educated part of the Arab nation. They live side by side with the Israelis for many years. They see exactly what's the standard of life in Israel, and they want the same, of course. You know, it's like before East Germany and West Germany. They saw what

happens and the main reason for the collapse of the Warsaw Pact and the Soviet empire, it was not CIA, it was economic issues. And I think the same today with the Palestinians, if we will resolve all their economic problems, or most of them, it's impossible to be a non-democratic country if you have real GDP per capita about \$10,000. And you cannot explain what is democracy to a country like Yemen whose GDP per capita is less than \$1,000, that half of the population completely illiterate and you have 200 tribes and Shiite and Sunni. Let's explain then who is Voltaire and Jean-Jacques Rousseau and what is the greatest French Revolution. (Laughter)

MR. SIEGEL: I think that many populations in the world would flunk the Rousseau-Voltaire test as to whether that qualifies them to be citizens of an independent country, but we should probably actually hear from the people who have been listening to us so far and get their questions.

MINISTER LIEBERMAN: Again, you know, I'm sorry to interrupt you, but you must understand what our problem, as you mentioned. We have one small Jewish country in the world, 7-1/2 million people in total. Around us, 57 Islamic countries, okay? In addition, you have more than 50 non-aligned countries. What are non-aligned countries? At least part of them it's like North Korea, Zimbabwe, Cuba, Venezuela. And, of course, you know, people prefer their profits and not their values. And when it comes to the table, everybody understands that you have from one side one hand, Israeli hand, and from the other side you have at least 115 hands of Islamic countries and non-aligned countries. And I think I'm proud that usually we from the other side -- from one side, it's North Korea and Zimbabwe and Cuba and Iran, and we're from the other side.

MR. SIEGEL: You are on the other side from North Korea and Cuba and Iran for sure.

Martin Indyk, why don't you ask a question? Let's get a microphone to

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Ambassador Indyk.

MINISTER LIEBERMAN: From the beginning, the first question, oh, from Martin.

MR. INDYK: I'll put you at ease. I'm not going to ask about the Palestinians.

MR. SIEGEL: Don't ask about the Palestinians.

MR. INDYK: I always used to enjoy coming to talk to you about Israeli politics and I wonder if you could --

MINISTER LIEBERMAN: You know, it's not fair. (Laughter) The question about Israeli politics, now you can ask only Ehud Barak. He's really free and he can speak openly without any restrictions, you know. (Laughter)

MR. INDYK: Well, let me try anyway because I think the Americans in the audience would be interested in understanding what is your analysis of what is happening in Israeli politics. From the untrained American eye it looks as if there's a rightward shift, quite dramatic rightward shift, in Israeli politics. And I wonder is that your assessment? And can you explain, in terms of your analysis of what's happening to the Israeli electorate, why you joined with the Likud as opposed to, for so many years, staying separate from them?

MINISTER LIEBERMAN: As you remember, of course, when I established the Yisrael Beiteinu Party, the first idea was presidential elections. And I really too envy the situation in the United States, you have only two parties. In the last Knesset -- now in the Knesset we have, thank God, only 14 parties. In the previous Knesset we had 23 parties in the Parliament, and we're only 120 members of Parliament and 14 parties. And you know exactly how it's difficult to establish coalition. You know, for these reasons we, of course, great Israel, will have about -- I don't know exactly -- 31,

29 ministers and we have numerous deputy ministers. In a country like the United States I think that you have only 16 ministers, but with 18 30 ministries. And in a country like Switzerland, they have only seven ministries. And I think it's a very complicated political, very also ineffective political system. We must change this political system.

It's impossible in Israel to see the reality with two big parties, but at least four of five parties, it's necessary. It's necessary to change this political tradition, political environment, political reality because we spend too much money for this, you know, to maintain this coalition. It's really impossible to move forward with real reforms with this political situation as we have. We have only one government in our history, since '48, that fulfilled all our legal terms. It was the Golda Meir government and not thanks to the political situation or coalition, but because of the Yom Kippur War. And, you know, every three years we have new elections. It's necessary for us. It's our biggest problem, our political system. And I think our decision in these elections to move forward with Likud as one big party, it's a first step for these political reforms. It's impossible only to preach and to teach others. You must give yourself some example of what you're ready to do. And I think it was the right decision.

You know, in the past, the same, Likud -- Herut was a small party in opposition. It started as Gahal.

MR. SIEGEL: It was Begin's original party.

MINISTER LIEBERMAN: Begin and the liberal party. And step after step they, of course, they took the power. I think the same now. For real political reforms we need the big political blocks and I hope to see in the next Knesset this new reality: the presidential elections, four or five big parties, and at least, you know, we hope, we always speak about Tikvah.

MR. SIEGEL: Haim Saban.

MR. SABAN: First of all, I'd like to thank you again for joining us, Avig. I don't think if you ran research in the streets of Tel Aviv, or Washington for that matter, you'd find a lot of people who know who Jean-Jacques Rousseau and Voltaire are, so we'll start with that. So if we want to wait --

MINISTER LIEBERMAN: It's interesting idea, yes, to check.

MR. SABAN: Well, you would be surprised, not a lot of people know who they are. And if we want to wait until the Palestinians know who Voltaire and Jean-Jacques Rousseau is, it's going to be Tisha B'Av until they -- you know, we can get the -- right. (Laughter) So let's put that aside for a second with Jean-Jacques Rousseau and Voltaire. Let's talk about the \$10,000 GDP.

I think it's a lofty idea and I think it's a very good idea. Let's assume that today the Palestinians have \$10,000 GDP. Then what?

MINISTER LIEBERMAN: Again, in the moment, you know, it's very easy to incite crowds, to recruit terrorists when people, they're really in a very, very poor situation, in a very bad situation. You know, today, with unemployment about 20 percent in the Palestinian Authority; in Judea or Samaria, 25.

MR. SIEGEL: But Haim is giving you a hypothetical.

MINISTER LIEBERMAN: Yes. I think that it's really -- it's something that we can achieve, \$10,000. After this moment, you know, the people will be ready. They understand that they have vote to lose. Today many of the terrorists, they understand that it's a way, you know, to feed their families, to receive money from some radical international movements, radical regimes. And for them it's a way only to feed their families. If they will have vote to lose, I think that it will be a completely different reality.

I think, for example, in the Balkan region what happens. Remember the Balkan region during the previous regimes, Tito and Ceausescu and Todor Jivko and

Albania was Enver Hoxha. It was really very similar, very crazy reality, more similar to the Middle East. After some really difficult period with civilian war in the Balkan region, today you have a completely different Balkan region. They dream only to be a part of the EU, to be a part of NATO. And they speak with you, you know, not about the Palestinian issues, but only about the trade, export/import investments. And when the people are involved in economic development, they don't need the incitements and not terrorism and not other issues.

MR. SIEGEL: Can we have a microphone for Dennis Ross? I'm giving you the heavy-hitters here.

MINISTER LIEBERMAN: Yes, it's heavyweight questions, Haim, Martin, and Dennis Ross.

MR. ROSS: This is not a hard one, just a straightforward one. You mentioned that the last couple of months you have paid the salaries of most of those in the Palestinian Authority. That comes from the duties you collect on the goods that go into the Palestinian Authority. Will you withhold that which represents 70 percent of the monthly revenues of the Palestinian Authority in response to what just happened or will you continue to provide those monies, which, as you said, help to create not just the salaries? But related to the points you're making on the importance of economy, is it not in your interest to ensure that there is a kind of economic floor there and you avoid any kind of a vacuum?

MINISTER LIEBERMAN: First of all, as you know, we signed not only the Oslo Accords, but also the Paris Protocol. And according to the Paris Protocol there is a mechanism how to collect the money for their debts. Today it's our biggest problems, outstanding debt to our electricity company, about 700 million shekels. That's also very serious troubles, very serious problems. We will respect all our international

obligations, opposite from Mahmoud Abbas, because this unilateral step in the U.N. is clear contravention to their obligations, to their signature to the Oslo Accords, to the roadmap. But we will respect all our obligations, but we don't need to pay for their electricity.

And you must understand, we paid salary for the Palestinians and Mahmoud Abbas bought a new jet at the same time for \$53 million. The prime minister of Israel, he doesn't have his jet, but Mahmoud Abbas has his jet, his private jet for \$53 million, only 2 months or 3 months ago. I think that, as I mentioned, our problem today with the Palestinians not to, you know, to help them, not to develop -- to cooperate with them how to develop their economy, but, first of all, corruption and very ineffective administration.

And I think we draw our conclusions in this situation as we have today. Of course, first of all, we will try to compensate all our losses, especially regarding our electricity company, maybe some other steps. But we will respect all our obligations, but it's not our duty to pay every month the salary for Mahmoud Abbas apparatus.

MR. ROSS: So you will cut back on what --

MINISTER LIEBERMAN: Yes, I'm sure that Qatar, Saudi Arabia, France, they will pay for all his debts and all his problems, no doubt.

MR. SIEGEL: So we have a question from this side of the room, which I've ignored. Could we get the microphone around?

AMBASSADOR TAWFIK: Thank you. My name is Mohamed Tawfik. I'm the ambassador of Egypt. Someone next to me at the table suggested that it would be a good idea if I gave my own interpretation of all the subjects that you, Honorable Minister, have expressed. I think that would take a couple of hours, but I will make a few remarks and, in the end, I will ask you a question.

First of all --

MINISTER LIEBERMAN: First of all, it's really heavyweight, all questions. (Laughter)

AMBASSADOR TAWFIK: First of all, regarding the Arab Spring, certainly countries like Egypt, we do have poverty and we do have disparities in income and we do have a number of problems, but I would like to assure you that we have a vibrant middle class, we have a vibrant youth, and we are involved in the process of putting forward a democracy. And I would like to assure you that the problems we have, we will succeed in resolving them. And that will have a tremendous influence everywhere in the region.

Regarding the issue of the development and poverty and unemployment in the occupied territories, there is no doubt that the stranglehold that Israel has, that the occupation has over those territories throttles the Palestinian economy and makes it impossible for them to grow. And if we put a condition on any steps towards peace on the Palestinians achieving a certain GDP per capita, then basically we're putting the Palestinians in a Catch-22 position.

MR. SIEGEL: Mr. Ambassador, let's cut to the question so that we can --

AMBASSADOR TAWFIK: And the question is, is that actually what you are saying? Are you saying that you are not interested in any peace talks until the Palestinians reach \$10,000 per capita?

MINISTER LIEBERMAN: Thank you, Your Excellency. First of all, I really wish you to overcome all your troubles and to resolve all problems. And I think it's very important for all the region to see a very successful and stable Egypt. It's our interest exactly like you. You are our biggest neighbor. And as I mentioned, I don't see that we will move to the Benelux or Benelux will move to the Middle East. And I hope

that we really enjoy the good neighborhood maybe in the next year, maybe in 10 years, but one day I hope that we will enjoy a real very quiet and very stable neighborhood in our region.

Regarding the direct talks, from the first day of this government our suggestion was immediately to resume direct talks. We agreed for the proximity talks, not only to the direct talks. And, you know, you can ask maybe the others, Dennis Ross or others, how many times we tried to resume direct talks with the Palestinians.

We agreed to freeze the construction activity. We had a meeting in Jordan and, you know, we made a lot of -- we were ready for the really gestures of good will. And some people in this meeting, in this hall, they know exactly what was our proposals. I don't see -- you can ask Nasser Judeh what was in Jordan and what was the reason that this meeting failed. Not because of us.

And I think we're really ready even today to resume the direct talks without any preconditions. And it must be clear, even today, even tomorrow, and day before yesterday, I think one who made everything to avoid direct talks, it was Mahmoud Abbas. And you can ask the others and I don't want to mention their names.

MR. SIEGEL: May I ask you, though, because we're all getting, I think, in several questions at the same point here, which is the objective of these talks, what you understand as the outcome that they would eventually lead to. First of all, whatever the per capita GDP is of the Palestinian areas and in a settlement, do you see a two-state solution, an independent Palestine next to Israel?

MINISTER LIEBERMAN: Of course, the state of Israel, the Israeli government recognizes a two-state solution. It was Bar-Ilan speech in 2009, I think, in May, and this speech, for the first time, the right wing government recognized a two-state solution.

MR. SIEGEL: But you're not backing away from that in any way?

MINISTER LIEBERMAN: No, it's impossible, you know, to change a real responsible government. We're reasonable people and we respect all obligations of the previous governments. Despite even if we don't agree with all our previous governments, we will respect the international obligations.

MR. SIEGEL: And you can imagine such a Palestinian state that is an economic work in progress, that is into the \$10,000 GDP level that you have described, yes?

MINISTER LIEBERMAN: Of course. You know, you must understand, again, only to pay lip service, it's really maybe very -- it's the easy solution. For example, you know, from '48 to '67, 19 years, all the Gaza Strip and Judea and Samaria, all this territory was under Arab control. Gaza Strip was a part of Egypt and Judea and Samaria part of Jordan. I didn't remember that somebody spoke during this time about an independent Palestinian state. Nineteen years. They had an opportunity for 19 years to establish a real Palestinian state. But despite all this historical experience, we are ready to move forward. But, again, the problem is that they're not able to lead even the elections within the Palestinian Authority, the tension and friction between Gaza and Judea and Samaria, Hamas and Fatah. We don't know who will today have the right to represent the Palestinian people.

MR. SIEGEL: Well, Prime Minister Lieberman, it's been a pleasure talking with you and I appreciate all your time and your ideas. (Applause)

MINISTER LIEBERMAN: Thank you. Thank you. My pleasure.
(Applause)

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