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P R O C E E D I N G S

MR. INDYK: Good afternoon, and welcome to the Saban Center at Brookings. Welcome to our austerity buffet which has nothing to do with the speaker, and I hope he won't take it personally. It was an experiment to see whether we could save some money in these difficult times. I don't like it.

We're very pleased to have Nahum back. Nahum amongst his other important titles carries the title of the Kreiz Visiting Fellow at the Saban Center at Brookings. We're very proud to have him associated with us and to have published his very interesting paper on the Sharon-Bush relationship. But I think you all know Nahum as the senior political analyst or columnist for *Yediot Aharonot*, Israel's major newspaper. Nahum is so valued for his political commentary in Israel itself that he was awarded the Israel Prize, Israel's most distinguished award, 2 years ago which was a well-earned honor and achievement for a man who does an amazing job in going out and seeing things for himself on the ground or in

the highest offices in the land, an astute observer and keen listener, and most importantly of all, a really --

MR. BARNEA: Henry Kissinger once said that Israel has only foreign policy, only domestic policies. I'm not sure it was true about the governments during Kissinger's time, but it could be very well true about the current new government we have.

Let me start by a story. President Obama called Netanyahu right after his government was approved and sworn in in the Knesset to congratulate him, and it was a half-hour conversation over the phone and for Netanyahu, the best news he heard during this conversation was a question posed by the President. Obama asked him at a certain point what are his political constraints. For Netanyahu it was great. I'll explain why. I'm not sure that I have to explain why because I see around the table a lot of people who understand what it means, but for the people who have a shorter experience in Middle East

affairs, one has to mention the fact that several American presidents were deeply moved and deeply involved in the politics of Israel and in the politics of the prime ministers of Israel in order to make some progress on several diplomatic fronts. Take Bill Clinton, for example. Rahm Emanuel who was working for Clinton at the time was sitting at his beautiful room in the West Wing facing the limousines outside and worked hard to convince a guy the name of Guy Levy, since then he was convicted for criminal affairs but he was a member of the Knesset from a party called Shas to convince how can Rabin convince this guy to comply with a certain government policy. Some major decisions made by the president during the Clinton era were not only influenced but dominated by the consideration of the difficulties or the constraints of the prime minister, Rabin or Barak. President Bush had long conversations with Prime Minister Olmert in order to understand the difficulties Olmert faces when it comes to a question like illegal settlements or the negotiations with Abu Mazen. So American presidents

tend to, and Martin is a bigger expert than me on the subject, understand and respect the democratic process, and since Israel is a democracy, they have this kind of tolerance toward difficulties of an Israeli prime minister. I'm not sure if they realize how effective can be public opinion in an undemocratic company like Egypt and how it can effect the decisions of the ruler.

From Washington it looks as if a guy like Mubarak or a guy like Ahmadinejad or a guy like Bashar Assad can do whatever he wants in his company. Am I wrong?

SPEAKER: Yes.

MR. BARNEA: I talked about Washington (inaudible) you agree with me. So this means that you agree with me. I wonder what will happen if you say yes. When it comes to Israel, sometimes they are very curious about it too.

Netanyahu came out with the impression or least he wanted to convince a curious reporter that his conversation with the president ended in what he

called a rapport. A rapport is what is chemistry for the rich, and Sam knows it very well. When Sam an ambassador we used to sum up every meeting between an Israeli leader and an American president by the standard of the amount of chemistry between them. The headlines were they have chemistry which means that they love each other. We tend to translate pleasantries into policy. The conversation was very - - and the president was very warm and didn't give Netanyahu one commitment regarding what really matters for him, and it is on one word, Iran, or in three words, Iran, Iran, and Iran.

Here I come to the question of policy. For Netanyahu, Iran is the foreign policy of Israel. There is no other foreign policy. He doesn't believe that by engaging with Iran the United States can stop the nuclear project. He believes that the Iranians will continue to develop it as long and as much as they can. So for him it was very important to get to get from the Americans a commitment on a deadline, that if the engagement with Iran will not be

successful, at a certain point or at a certain date they will move to other actions, either to more aggressive sanctions or to military operations.

The administration refused to give us any date regarding the end of the engagement. I believe that if Netanyahu follows the trends in Washington, he realizes that a military action is not exactly a priority here. A lot of people here still blame Israel unjustly in my opinion for the invasion of Iraq and the whole WMD adventure. Anyway, after Iraq and Afghanistan and the economic crisis here, this is not a serious option on the table. At the same time, I asked Netanyahu at a certain point, If the worst scenario happens which means the United States will not act against Iran, Iran will continue building its nuclear capacity and Israel cannot do it on its own, cannot attack Iran, what will happen? His answer which was given in a kind of hesitant way was we will work on a different strategy of mutual deterrence. It's easier to say, it sounds very much. Mutual sounds like Santa Clause bells or something. But I

don't believe that anybody in Israel really started seriously to develop this kind of strategy and the whole thing is really hanging in the air.

Netanyahu was supposed to come to the APEC convention here in the beginning of May and see the president. I'm not sure it will happen. The president will be out of town or the town will be out of the president, I don't know, but it seems to me that the amount of enthusiasm here toward an early visit by the Israeli prime minister is I would say lower than in the past. What does it mean regarding the future I don't know, but maybe Obama would prefer to keep the rapport as it is by telephone conversations and not by a visit with a photo op and a nice East Room press conference where the tough questions will be asked. I don't know. But it doesn't seem very, very promising the relations.

I'll try to explain how Netanyahu became the prime minister of the wrong government from his point of view, how he formed the government he didn't want to form. It sounds like a novel and not like a

political analysis, but this is what happened. As you all know, the Israelis went to ballots on February 17 and it was early elections. The normal date for elections had to be more than a year and a half. It was supposed to be in November 2010, but Olmert resigned because of a criminal investigation that is conducted against him and Tzipi Livni who won the primaries in the Kadima Party didn't succeed to form a government, so the Knesset called for early elections and the election took place on February 17, and the results were mixed.

On the one hand, the Israeli voter sent a very clear message we move to the right. When we talk in Israel about right and left, and again I'm sorry I'm stating the obvious here, most of the time we talk about our policy toward the Palestinians, not about social affairs, not about the economy, and not about Iran. We talk about the Palestinians. The reason I'm saying so bluntly that the Israeli moved to the right is because the parties which are center or left of center lost a lot of votes, and the parties which are

right of center gained a lot of votes. It didn't mean that automatically Netanyahu could form a government, but it meant that the message from the public on this respect was very clear.

At the same time, the party which gained more votes than any other party was Kadima which during the election campaign moved to the left. Kadima was a party formed by Ariel Sharon as a centrist party, I would say a Gaullist party, something which doesn't need to be explained I guess. The whole idea was that it will be a party that will always be in the center. The names can be changed, the legals can be changed like in France, but in the end it will be the ruling party. So the Kadima Party won 28 seats in the Knesset, Likud only 27, which was a big victory in comparison to what they've got in previous elections, but it was not enough. We have a phenomenon which hit the Israeli political system for years. It's not stable and the big parties become smaller and smaller. While if in the 1970s and 1980s the two big parties had together a majority in the

120-seat Knesset, a big majority, now even the two of them combined could not form a majority.

Netanyahu had one big achievement. He managed to convince more than 60 members of the Knesset to recommend him to the president as the member of the Knesset who will form the government, but in Israel it's only one phase toward forming a government. Then he got himself into trouble because he wanted to have a National Unity Government based on Likud, Kadima, maybe Labor, if not Labor then another midsized party. He was ready to give Kadima the office of the foreign minister and defense minister too, but he wasn't ready to give Tzipi Livni what she wanted, and what she wanted was to have rotation in the (inaudible) again for people who grew up here, it sounds really like an enigma or (inaudible) or something. Rotation in leadership? We tried it once in Israel. In 1984, Shimon Peres and Yitzhak Shamir managed to get 60 seats supporting them. The parties were smaller, but each of them headed a bloc of 60 seats in the Knesset. So they decided to have a

National Unity Government and to rotate, 2 years
Shimon Peres served as the prime minister and then
Yitzhak Shamir. I believe that Livni was willing even
not to share at 50 percent to 50 percent. I suggested
that she will get it for a year and a half instead of
2 years and a half because -- never mind, she told me
that -- I reminded her of the old joke about George
Bernard Shaw who asked Lady Astor or something if she
is willing to spend the night for one million dollars
and she said yes. And then he said for one dollar?
He said what do you think about me? I know what you
are. The only question is the price. So she felt a
little bit like a whore in this context, but still I
believe she was willing to do it. Netanyahu said no.
He hesitated and he played with it, and he said no.

Then came an alliance between Netanyahu and
Ehud Barak which allowed Netanyahu to form the
government. Barak is one of the two keys to the
forming of this government. But why he was in
trouble, because at the beginning of negotiations he
had to convince a guy by the name of Avigdor Lieberman

to join him and not Livni. This was a barrier he had to cross. This is a battle he had to win. In order to convince Avigdor Lieberman that he will join his government, he recommends him to the president, he had to give up a lot. He gave up a lot in two different forms, one to interest you more and one to interest you less, and the Israelis more. One front was the ministries, the (inaudible) Party will head in the government. It interests you less, but for many Israelis it was a shock to see that the guy who is under a corruption investigation will decide who will be the minister of justice, who will be the minister of police, and will get more power to nominate judges and so on.

The front which should interest you more I believe is the basic agenda of the government. Here Lieberman managed to force Netanyahu to give up the idea of a two state solution and put him in potential trouble with the United States of America.

I'll conclude my opening remarks which went I believe beyond what Martin -- I have to explain what

is Netanyahu's basic attitude toward the two other questions regarding foreign policy, the Palestinians and Syria. Regarding the Palestinians, Netanyahu believes that the Israeli public will not accept more tangible concessions to the Palestinians, period. I believe that the way he explains is quite logical. One has to listen to him in order to understand, you don't necessarily have to accept what he says, but to understand the logic. In 2005 a government headed by Sharon with Netanyahu as the minister of finance decided on the disengagement plan. The disengagement plan was basically a unilateral evacuation of all of the Gaza Strip. Israel controlled about a third of the Gaza Strip. There were about 22, maybe I'm wrong, Israel settlements in Gaza in the north and in the south, and Israel evacuated it to the '67 borders leaving on inch of Israeli occupation in Gaza. The result was only an escalation of terrorist activities from Gaza done mainly by rockets and mortars from Gaza to Israeli civilian settlements in what we call the Gaza envelope, places from Ashkelon down to the area

of Rafa, daily bombardments which stopped for a while when Israel for some understanding with Hamas, but remained a big trouble for Israeli public opinion and for the Israeli government.

So for Israeli public opinion according to Netanyahu, concession, evaluation, withdrawal were translated into punishment and not into any improvement. So if this is the equation, why should we give more land or make more concessions? In this respect, he finds Netanyahu allies not only in the right but also in the so-called left. Ehud Barak doesn't believe that there is a Palestinian partner that can really be credible at this time, and you find a lot of people in Israel who feel the same way.

At the same time, the previous government of Israel made a commitment on the two-state solution. They made a commitment in Annapolis to negotiate a comprehensive settlement which will lead to the establishment of a Palestinian State. By leaving or turning his back to these kinds of agreements, he stands the risk of antagonizing the Americans.

SPEAKER: You mean the whole world.

MR. BARNEA: The whole world. I'm not sure Moldova, Russia or Ukraine and even the Czech Republic is part of --

SPEAKER: Absolutely. He puts himself in league with Hamas, Iran. They also rejected the two-state solution, but nobody else does. The whole international community supports it except for those countries.

MR. BARNEA: It goes back to the great question the president asked Netanyahu, political constraints. He understands very well what he is about to say, but he can always lean on the right wing of his government that refuses to do it under the fear that an agreement at a certain point will be reached and Israel will have to withdraw from all these places.

The theory of many people including myself, including Ehud Barak, including I believe Netanyahu, was that when Lieberman will get the office of the foreign minister, he will become moderate. First of

all, we had at least two foreign ministers who had much more conviction in their rightist ideology, rightist views, Yitzhak Shamir and Ariel Sharon, and they served as foreign minister and were quite successful in the job. Secondly, since Lieberman has no party, it's one giant called Lieberman and 14 dwarfs accompanying him with no real institutions and debate in the party, he is more flexible, and the idea was that he will play the game. He didn't. In his opening speech to the workers of the foreign ministry, he rejected Annapolis in a very blunt way. In my opinion, again, it was done because the investigation against him put him off balance. He is so upset, he is so nervous about it that he decides to do it -- we have in Hebrew (inaudible) to provoke instead of comply, to show the world that he doesn't care. But in practical terms, it gave Israel a tremendous blow, a catastrophe in terms of PR and it gave Netanyahu some relief. Why? He believes that after listening to Lieberman, everybody, including the people in

Washington, lowered their expectations regarding the future of the Palestinian-Israeli negotiations.

Secondly, and this is something that I said to Netanyahu, he didn't say it to me but I believe that he shared the same opinion, by doing this, Lieberman sent the very clear message, don't call me. Hillary, you can call Netanyahu. Why should you bother calling me? You have to know that Tzipi Livni used to call Condi Rice every 5 minutes. It became a kind of joke in Israel. When Hillary became the secretary of state, she got the same kind of hectic telephones from Tzipi Livni. There was a kind of competition. Olmert called Hadley and called the president and Tzipi called the secretary of state all the time. She was not shy about it. Lieberman didn't call Hillary yet, and it's a new era in this respect. I'm not saying that he will do what Martin has done when he was in the administration, if some Israeli pissed him off he usually omitted the telephone number of this guy and forget about it. You know what I mean. But the whole world, as Martin said, will go to

Netanyahu when they will be curious what the Israeli is and not to Lieberman.

MR. INDYK: Say a few words about Syria.

MR. BARNEA: Syria, okay. I'll conclude my opening remarks on Syria. I am a reporter and I always remind myself that what people say to me is not necessarily what they think or what they will do. They say to me what they believe should be written on their behalf. So let me be cautious about it. Netanyahu is saying off the record that the United States has very little to gain out of promoting the negotiations with Syria, and even Israel has very little to gain by negotiating a peace treaty with Syria. It's quite clear what Israel will give in this agreement. Nobody expects the Syrians to accept anything but the full withdrawal from the Golan Heights. Netanyahu is on the record in recent years I understand in rejecting the idea of a full withdrawal so he believes that there is no point in promoting or working on the negotiations with Syria. Or to put it in Lieberman's words, Lieberman is really willing

enthusiastically to talk with the Syrians on a peace for peace basis, not peace for land, but peace for peace. I'm not sure this is the kind of framework the Syrians are thinking of, and not the Turks who served as mediators.

So I'm going back to what I said at the beginning. It sounds more like a domestic policy than like a foreign policy at the moment, but the Americans didn't get into it seriously yet so it's still an open question. I will say this, that whatever Israel is doing regarding the Palestinians, the Syrians and the Iranians will be affected first and foremost if we get around this domestic politics issue by the way the Obama Administration will conduct its policy toward Israel.

MR. INDYK: Thank you. That's sobering stuff, Nahum, and it leads me to the first point. I have a few. Maybe you'd like to respond to them. Often I get asked the question here since Netanyahu became prime minister, is he going to be like Nixon opening relations with China? It's his second term.

MR. BARNEA: You mean like Nixon, he will open our relations with China?

MR. INDYK: No. You have relations with China. I think you know what I mean, but I'll be glad to explain it to you if you like. A right-winger like Begin made peace with Egypt. He has the ability to bring the company behind him and make peace with the Syrians and with the Palestinians. So the first question that relates to that is where do you think Bibi the second time around has a different mission than just holding onto what is a very rickety coalition?

The second relates to the rickety coalition. Lieberman I gather can bring this government down tomorrow by walking out.

MR. BARNEA: Yes.

MR. INDYK: Because he has 15 votes and he can bring the government down. Is that a real threat? Does Bibi have a fallback? He much is that really going to constrain him? Which leads to the follow-on point which is what did Bibi actually say to Obama

when Obama asked him, What are your political constraints? Because after all he's the prime minister. Does he want to tell the President of the United States I can't do anything? That's the bottom line of what your analysis leads to here, is that Bibi's answer to the president is I can't or won't do anything. And if that's in fact the case, because obviously I can't sign onto the two-state solution, I can't commit to a settlements freeze. You haven't mention settlements and I'd like to respond on that. I can't or won't do a Golan deal. But in the meantime I need you to take care of Iran. So it doesn't make for a very good response to a president who has declared that one of his priority objectives is to achieve comprehensive peace in the Middle East, who has appointed a special envoy for this purpose and who in response to the foreign minister's remarks about Annapolis said in Ankara, let me be very clear, we strongly support a two-state solution.

So one could conclude from what you've said that we're heading a train wreck here. And yet if

Bibi's learned anything from the previous time when he was prime minister it is precisely that the Israeli public will not reward him for confronting an immensely popular president, and that especially if he's looking over his shoulder and thinking his government is going to come down and he's going to have to go to an election again, he is not going to want to go into that election in a confrontation with Barack Obama.

So this picture doesn't hang together. As you said, it's early days yet. The encounter hasn't happened. Mitchell will arrive there this week. But looking into the crystal ball a little bit, explain how is this going to work between the United States and Israel?

MR. BARNEA: I'm not going to make any prophecies because we can talk about the 22nd century maybe in more concrete terms, but not about next week. But let me answer your questions or remarks I a different way. First of all, I'm not sure this is the final coalition Bibi will head. He is trying to

learn. He learned from Sharon a lot of things, he learned from Shamir a lot of things. He learned from his own mistakes. There is no doubt that in his mind the way his coalition is composed is bad. It's unfortunate. But the way he analyzed it, the alternative was to be in opposition, to remain the head of the opposition, or to share with Tzipi Livni the same status. I asked him, Why you didn't agree to a rotation? I said to him you are not going to remain prime minister more than 2 years anyway. What is that? So you will become the first one. He said I would have become a lame duck from day one. Again, it had some merit, not in Israeli domestic terms, but judged by foreign policy terms. If everybody believes Livni is more moderate, everybody would have bypassed him and waited for Livni to solve the problems.

Answering your question. Look, one should hope that by doing it, by saying all these things and emphasizing his difficulties, he only tries to extend his room to maneuver. For example, the two-state solution. He can come here if he's invited.

MR. INDYK: Let me clarify one point. I don't believe you got the story right. They're just giving you a spin in Jerusalem. Barack Obama is looking forward to Bibi's visit in the first week of May. That's as far as I understand it. So if somebody doesn't want to come, that's one thing. But to say that Obama doesn't want him here is completely inaccurate.

MR. BARNEA: Martin, if we talked half an hour before this session I would have said we will see each other in the first week of May, but between the two I had a phone call from my paper and they said that there are some difficulties there. Maybe it's spin. Maybe it's spin. Usually we print spin. We don't print anything else. When it comes to diplomatic affairs, you have very little information and a lot of spin. I see around the table some of the greatest spinners I know. Hi, Steve.

Look, he is trying to extend his room to maneuver. Yes, there is a possibility that Lieberman will quit the government either because he will be

forced to if there is an indictment. According to Israeli law, if there is an indictment against a minister, he has to quit the government. He doesn't have to quit the Knesset. So if I were Netanyahu, I would have done the best I can to keep him happy until the very, very let's say blessed day when the indictment will be out and Lieberman's party will be "in the government" and will all his dwarfs will be orphans. But it doesn't happen that way. He can leave the government because of the indictment or because of the investigation. He can leave the government he wanted to. By the way, he is a very nice guy, likable. I'm sure some of you know him (inaudible) we can talk about him if you want.

MR. INDYK: Come back to Bibi.

MR. BARNEA: Bibi. According to Israel law, if he leaves the government it doesn't mean necessarily elections. It can mean the forming of a government headed by Bibi with Kadima instead of Lieberman. Bibi can accept the two-state solution. If Lieberman is not sweating behind his back he can do

it. It doesn't mean that the Palestinian State will be established in any foreseeable future. It means that he can negotiate it. By the way, he offered or he told Abu Mazen that he wants to resume negotiations. It's not clear on what, but he realized that negotiations with the Palestinians should be part of his agenda.

Regarding Syria, again we can face a surprise. I have to remind you that -- negotiated or mediated between Syria and Israel when Netanyahu was prime minister, and according to his record, Netanyahu practically offered the full Golan Heights to the Syrians. When I pressed Netanyahu about it several months ago he said, yes, but Lauder was not my representative, he was the Syrian choice. I know Lauder. It is what he said.

MR. INDYK: Let's go to questions.

SPEAKER: Here's what I'm hearing. I want to follow-up on my friend Martin because I thought he was too gentle toward you. I'm hearing from Bibi and I'm hearing from you I'm just the poor little victim

that's inherited this coalition. This bloody guy put together the coalition because he wanted point, and then he puts together a coalition in which he basically handcuffs himself according to him. Then don't put it together. Now let me transfer to the American scene. From my perspective in conversations all around town there's a real belief that the U.S.-Israel relationship is solid, deep, wide; it's no longer precarious. But we're sick and tired of endless turmoil and conflict and we can't operate vis-à-vis Iran without looking like we're trying to resolve this two-state dilemma.

I don't know how the White House will handle it. I've got my recommendation, but we're sick and tired of it. There's a sickness if you will in the Senate and the House up and down Massachusetts Avenue and of course Pennsylvania Avenue. I think this victimization attitude has to cease because he's going to face a guy who says I am popular as Martin indicated, I've got real concerns here in terms of the economy, and I need, the United States needs in terms

of its interests a resolution of this conflict and you bloody guy better do it. The pro-Israel types will say that's pressure. You better get used to the P word. I think it's coming.

MR. BARNEA: May I answer?

MR. INDYK: Yes, but you don't have to be the spokesman for Bibi.

MR. BARNEA: He's the reason I'm here. To sum up your theory, it's the case of the kid who killed his parents and then as an orphan asked for some favor. I don't fully buy it as a spokesman for Bibi. What Bibi will tell the president is I agree to a two-state solution, whatever. "Do we have a partner?" he will ask, and it's a big question. Not because Abu Mazen is not nice. He is nice. He is probably the nicest among Middle Eastern leaders including my leaders. But the question is whether he has the power, the persistence and the political mechanism to run a state.

We can get into the blame game. Who is responsible for the fact that they are so weak? Fatah

is weak, the PA is weak, and so on. It's a long story. But the fact is that they don't have it. And if you talk with people around Abu Mazen they say the two solution idea is dead. They are the first to say it because they feel so weakened by the realities on the ground.

There is a very interesting experience which I wonder how the new government of Israel will treat it. We call it the Janine model, a coordination between the PA and the IDF in order to promote, to start, and the United States of America, leaning on the battalions which were trained by the United States and to have a kind of autonomy in a certain region, a very specific region, in the West Bank. It spread into southern Hebron hills. It's a success. Believe me, I am the only Israeli interested in it. I went into it. The Israelis ignore it because they are so disappointed, cynical, indifferent. You can choose the word. So the idea is that from the bottom up this Palestinian State will emerge is for me a fine idea, maybe in the long future the right idea. But when

Bibi talks with the president I'm sure Janine will not come up as the key to the solution.

MR. INDYK: I think that that's probably what Bibi will do. He will say let's exactly as you -

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MR. BARNEA: Start from the bottom.

MR. INDYK: Start from the bottom.

MR. BARNEA: He talks about economical --

MR. INDYK: But then the president is likely to turn around and say, okay, if that's what you want to do, but then we have to freeze the situation on the ground. You can't take a bottom-up approach and keep on settling there, expanding settlements. So what's Bib's response going to be on that?

MR. BARNEA: Freeze settlements.

MR. INDYK: He will?

MR. BARNEA: We are a democracy. The courts will not let me because they have their own policies, and the Knesset will not let me, I'll do my best to freeze it.

SPEAKER: That would be the worst thing he could say because there's been a whole series of prime ministers who have tried to charm the President of the United States in the Oval Office. They thought they did. Cracked jokes. Did this. Did that. Go home, and then there are settlement announcements and every one of them from Carter on says that the prime minister is a liar. Everyone one of them have called the prime minister a liar.

MR. BARNEA: I'm shocked. I had breakfast today with my friend Tom Friedman and we tried to analyze exactly this question, settlements, how it will play out during Netanyahu's era. The answer is that Netanyahu -- there is no doubt that he will be under pressure from his own coalition to do it. Israeli public opinion is not interested in extending the settlements. Most Israelis are even hostile to the settlements because they see it as a problem. But you know how it is in democracies. It's enough to have a minority who is focused, persistent, and effective politically. Ask the people in APEC to

influence or the Cubans in Miami to influence the policy of the government. You don't have to have a poll on it.

MR. INDYK: Sam?

SPEAKER: I'd like to ask you about something you kind of slid by about your conversation with Bibi at the very beginning when you were recounting some of the things he said. If I heard you correctly you said let's take the worst case, Obama fails to stopping the nuclear program and stops us. What do you do then? That implies he expects Obama to be able to stop Israel from any military action if you determine you had to do it. Is that what you meant to say?

MR. BARNEA: I don't know enough about the reality of a military option done by Israel. I don't know enough about it. And the little I know, I'm not sure I have liberty to share here. Take into consideration that it's a complicated operation and retaliation is a big question. Saddam Hussein didn't

retaliate to the bombing of the Iraqi nuclear reactor in 1981. I'm not sure it's a precedent.

MR. INDYK: Let me just make one comment on the answer that Bibi, Nahum, because I found it very interesting when you referred to mutual deterrence. I had a conversation with Bibi more than a year ago on this particular issue in which he also referred to mutual deterrence and started to lay out to me the kinds of things that Israel would need for mutual deterrence. So I concluded the fact that he brought it up, the fact that Jacob Armidor who is a former general and former deputy head of military intelligence, a hard right-winger, a defense intellectual, has put it out in the paper this week the idea of mutual deterrence, suggests to me, after all Bibi was talking to a journalist, that this is something that they are giving some consideration to as a fallback if the military option doesn't work out.

MR. BARNEA: I guess that most people believe that a nuclear Iran will not use the bomb but only use it as a strategic weapon not necessarily

against Israel, first of all, against the Arab countries which are very sensitive. One of the outcomes can be a purchase of some nuclear weapons by Saudi Arabia from Pakistan. Egypt will demand to become nuclear. It can be a big, big mess. So this is the reason mutual deterrence, I'm not sure if there are only two players in this game. There is no doubt that an arrangement like this will include some commitment from the United States to toward the safety of Israel. But Bibi at least to me seriously believes that they will use it, something which made me puzzled. Maybe I don't have enough imagination or vision. He seriously believes at a certain point that they will use it.

MR. INDYK: David?

SPEAKER: Thanks. I want to continue on the Iranian issue. You started, Nahum, by saying that Bibi's priorities in foreign policy are Iran, Iran, Iran, not settlements, Palestinians, Syria, anything else. From that standpoint, I wonder if people in Israel and in the Israeli government in particular --

how much attention they're paying to what's going on in Arab relations with Iran. In the last several weeks Morocco broke diplomatic relations with Iran, Egypt publicly accused Iran of trying to sabotage Egyptian national security and so on and so on. Does Bibi see this as a significant change in the picture? Does he see it as a way in which perhaps Israel can avoid other issues while focusing on some kind of regional coalition against Iran or something like that? How is this viewed in Israel right now?

MR. BARNEA: We have here a phenomenon which took place several times. In 2006 when Israel invaded Southern Lebanon because of the terrorist kidnapping by Hizballah, everybody in the region was happy that Israel is doing it but nobody supported Israel. They believed that Israel is serving their purposes but they were not outspoken about it. The same phenomenon happened in Gaza in the operation last December and this January. Egypt, Jordan, Saudi Arabia, probably, were very happy that Hamas is attacked and suffered some casualties and that the Iranian image is somehow

hit by it, but nobody really went out publicly, including, by the way, the PA. I didn't mention the PA which was very important.

The most positive, and in my opinion also the most important, news from the Gaza operation was the lack of any serious demonstration in the West Bank during the operation. Abu Mazen said to one of the Israeli officers, the only green flag I saw during the operation was in Sakhneem which is deep in Israel, not in the West Bank. The biggest demonstration against Israel was in Turkey, not in Nablus, so, yes, there are a lot of so-called moderate Arab forces which would rather be bitten by Israel. They will not do anything to encourage us or to help us.

MR. INDYK: Gary, Scott, Rafi -- let's take them all together and you can then --

SPEAKER: Aside from getting elected and staying prime minister, hoping that Iran won't get a bomb and hoping to forestall a two-state solution, does Netanyahu have any other agenda items on his plate? And is there something that he can and/or

might do that would make him be seen 2 years hence as a relatively successful prime minister?

SPEAKER: Nahum, having just recently Martin's book, I've got Syria on the brain, especially after David's last question about Arab states and Iran. It seems to me that there is an avenue open to Israel to sever the ties or at least put a roadblock between Tehran and its agents in Lebanon, and I wonder how you would assess Prime Minister Netanyahu's options for using recent developments in Egypt, the relationship with Turkey, the Arab League's King Abdullah's plan, to try to reorient strategically Syria away from the Iran-Syria-Hizballah-Hamas axis and whether or not you think that's an area where they might find an interest and a cooperative avenue with Washington.

SPEAKER: Nahum, I was a bit surprised when you said that Lieberman was pushing Netanyahu not to accept a two-state solution when Lieberman himself said he accepts the roadmap and he wants to implement it word for word. Of course, the roadmap calls for a

two-state solution, and he said that he wants to have a major withdrawal in the West Bank with land swaps. He said he would be happy to -- I'll get to Annapolis in a second. And he said he would be happy to get out of -- settlement if a deal can be made and even giving up -- neighborhood in Jerusalem. His objection to Annapolis was he said that this is jumping from the first phase to the third phase of the roadmap and therefore he was opposed to that. But I haven't heard him actually come out against the two-state solution.

SPEAKER: I wanted actually to follow-up on David's question. I disagree on the point that the Arab states didn't do enough on the Gaza war. The Rafa crossing remains closed. The Egyptian foreign minister, even his statements against Hamas were very brutal. Most recently, the exchange we're seeing between Hizballah and the Egyptian officials, do I understand from what you are saying that you do not link it to the peace process and you just see it as a Sunni-Shia debate? The Egyptian press is openly

calling Nasrallah a war criminal and a terrorist. How is this viewed in Israel?

SPEAKER: Mr. Barnea, I just wanted to ask you recently I've heard a few Israeli speakers here in Washington basically saying that Israel is building facts on the ground toward a one-state solution, yet at the same time this very much goes against the grain in Israeli thinking, Israeli Zionist thinking, that this is not what anyone wants, the Palestinians or the Israelis. So if this is such a big issue, how does that correspond with Netanyahu not actually stating that, yes, the two-state solution is the only solution?

MR. BARNEA: In answering (inaudible) I can only say that the opposite of the two-state solution is not a one-state solution. The opposite of a two-state solution is no solution, and this is exactly the essence of what Netanyahu -- or what I tried to describe here is a policy that doesn't believe in, A, a solution, an agreement, a comprehensive agreement at the moment, and B, a unilateral withdrawal. So you

stay with the status quo as Martin rightly commented, there is no status quo because things are changing on the ground. But Lieberman's, and here I come back to what said -- Lieberman's support of the roadmap comes from the fact that the first phase of the roadmap harbors several commitments that in the foreseeable future that will not be met and this is the reason Annapolis came to life. The reason the leaders went to Annapolis was that they realized that the roadmap is not good enough we can't overcome the first phase of the roadmap. So by supporting the roadmap the way he supports it, it basically doesn't believe that we can go further than the first phase.

Regarding Jerry's question, does Netanyahu have an agenda beyond that? One has to realize that the number one problem Israel faces now is now the number one problem that the United States faces and it is the economy, and Netanyahu believes that he has the key to solving the problems of the economy and he will run the show regarding the economy and he believes that we were fortunate because when it started Israel

was in a relatively stable condition, better than the financial system of the United States, and since there is a kind of delay between what happens here and what happens in Israel, like 6 months the domino effect, we can overcome it, it will take long and so on, but he believes that here this is where he will succeed and (inaudible) his glory.

Scott, you said something about using Egypt. Right?

SPEAKER: Syria (inaudible)

MR. BARNEA: Again having an agreement with Syria can have several very, very, very tangible advantages. One is that Syria doesn't say that they're willing to cross the line from Iran and to betray Iran, but the idea is that by making Syria part of the let's say moderate family, Iran will stop being an ally with Syria or Syria will stop being an ally with Iran and this will be resolved by circumstances. Also the fact that Syria is serving as the basis for several Palestinian terrorist organizations and also it is the corridor to supplying armaments to Hizballah

and from Hizballah to Hamas. So for Israel it can be an advantage to take Israel out of the terrorist equation. So I don't agree with the basic assumption of Netanyahu that we have very little to gain. But again Bashar Assad is not Sadat. He is not talking about going all the way. He is talking about a different kind of agreement or a different kind of peace. So I believe that any Israeli prime minister will have to take into account that the road to a peace agreement with Syria will be paved by a lot of mines. The Syrians will behave not like the Egyptians during the Camp David and pre-Camp David and post-Camp David negotiations. What else?

MR. INDYK: Arab response (inaudible)

Israelis recognize what's going on in the Arab world against Iran.

MR. BARNEA: Yes, it's true that there is now a crisis between Egypt and Iran. It's serious, and we, the Israelis, sit on the balcony, on the terrace watching it and find it very difficult to hide our pleasure. It's true. But what I tried to stress

is that even if the interests are common, and again Netanyahu believed that regarding Iran he represents a common interest that encompassed most of the Middle East. Even if we say this, don't expect the kind of open cooperation that you expect from countries which have a mutual interest. If you remember, maybe you don't remember because you are so young, but the first Gulf War. In the first Gulf War the Americans begged Israel don't join the coalition. Please don't support the coalition. Don't say anything positive about the coalition, because Syria was part of it and other countries.

MR. INDYK: Thank you very much for an enlightening but disturbing picture. I suspect that the picture will change quite dramatically in the next 6 months, that what you have reflected here in some ways is a snapshot of Israeli political leaders who have spent the last 3 months focused on their navels and not focused on the rest of the world.

MR. BARNEA: I'd be happy to be wrong.

MR. INDYK: And all that means is we have to
have you back in about 6 months to enlighten us again.
Thank you very much.

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