

THE BROOKINGS INSTITUTION

AMERICA AND ISRAEL CONFRONTING  
A MIDDLE EAST IN TURMOIL

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Anderson Court Reporting  
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## P R O C E E D I N G S

CHAIRMAN SABAN: Good evening. Welcome.

Thank you all for joining us here today at the Saban Forum III. I would like to thank our Israeli friends for schlepping all the way from Israel and being very courageous with your jet lag.

(Applause)

Give yourselves a big hand. Some of you came in here for just one day. I spoke to Minister Lieberman on my way in. It takes me about a week to overcome jet lag, and I said to him, Avigdor, are you not jet lagged, you just arrived this morning?

And he said, "No, I arrived this morning so I'm not jet lagged." So this is a real talent not to be jet lagged, and I really appreciate your coming here for the third forum.

I'd like to thank especially Foreign Minister Tzipi Livni for being here; Supreme Court Justice

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Stephen Breyer; Vice Prime Minister Shimon Peres;  
Minister of Strategic Affairs, Avigdor Lieberman;  
Minister of Education Yuli Tamir; Director of Military  
Intelligence Major General Amos Yadlin; Knesset member  
Ami Ayalon; Congressman Howard Berman; Congresswoman  
Jane Harman; Congressman Tom Lantos; Congresswoman Nita  
Lowey; Congressman Chris Shays; member of Canadian  
Parliament Michael Ignatieff; and Ambassadors from  
Australia, Bahrain, Morocco, Turkey, and Israel's new  
Ambassador to America, Sallai Meridor and other  
distinguished members of the diplomatic community.  
Thank you all very much for being here.

(Applause)

A special thanks to my good friend Martin  
Indyk, and his very capable staff at the Saban Center  
for all the records on behalf of the Forum and for  
organizing what I'm sure is going to be a very  
interesting couple of days. But what a way to start

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the couple of days in such a beautiful setting, so thank you, Martin, and thank you and your staff.

(Applause)

In a conversation I had a few weeks ago with Secretary Colin Powell, I asked him whether he could from 45,000 feet and maybe, like in 10 minutes, give me from his point of view what are the problems that we're facing in the Middle East, and he suggested solutions.

He smiled and answered that 10 minutes would not cut it: he would need more like 10 days, maybe 10 months, and maybe 10 years to address the issues facing the Middle East.

Secretary Powell was right, for the region is in a state that is much worse than we've ever seen it before. Between Iraq descending into civil war, Hizballah's effort to topple the Lebanese government, the chaos in Gaza, Iran working to obtain nuclear weapons in defiance of the international community, the

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region is truly in a massive turmoil.

What we will do here over the next couple of days is, we're going to try to have a candid discussion on all of these issues from the point of view of the United States and Israel and how a strong partnership between the two countries can help bring solutions to these daunting problems.

And now I would like to welcome Assistant Secretary of State David Welch. Through his distinguished career with the U.S. government he has worked on some of the most pressing issues confronting the United States. In his current position and in his previous position as Ambassador of Egypt and principal Deputy Assistant Secretary of State for the Bureau of Near Eastern Affairs -- I had to rehearse this sentence 20 times to be able to say it -- where his boss was incidentally Martin Indyk, he played a leading role in developing and implementing U.S. policy regarding the

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Arab/Israeli conflict, Iran and Iraq.

Assistant Secretary, thank you so much for hosting us here tonight in this beautiful setting, and thank you for all your hard work on the Middle East.

Ladies and gentlemen, David Welch.

(Applause)

ASSISTANT SECRETARY WELCH: Well, thank you, Martin, for calling me and asking me to sign the paper here at the State Department that's required so you all can enjoy this wonderful room. He didn't tell you that it comes at a slight price: you have to listen to me for a few minutes.

Thank you, Haim, for those warm words of introduction. Your generosity and your vision have made it possible to establish this Center at Brookings, and I know it reflects your personal view, as you just said; that there are many issues for us to confront these days and that at the center of those is the

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US/Israel relationship, which strengthens both of us and is a strategic basis for enabling us to confront some of these problems there.

The policy discourse that Martin and others here help us with is enormously useful to enable us to face these problems today. I'm honored to be included even if only for a few brief moments tonight.

I also would like to recognize Deputy Prime Minister Livni, who's your keynote speaker this evening. When I took up my position last spring, you were Justice Minister, and we had a chance to meet then. And since then I've gotten to know her really quite well. She really is a remarkable person. She's taken many steps to strengthen the relationship between our countries. I greatly value the relationship that she's cultivated between our two foreign ministries, and we've had many meetings together.

We've, I think, learned to respect each

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other's professionalism and candor. I particularly value her energy and her insight, and she's made enormous progress in helping her country dealing with the challenges facing it. And I thank you for that.

(Applause)

As Haim suggested, there's a lot going on in the region for which I bear some minor responsibility and which you all have a great interest.

Let me say a few words at the beginning on Iraq. This is an issue, obviously, very much in the news. We're taking a careful look at all the inputs we're getting, especially from the Iraq Study Group. There are other policy reviews going on at this time. I participate in the one here at the State Department.

As President Bush told the Iraq Study Group members shortly after the issuance of the report, this report all the way forward will be taken seriously. There's a very tough assessment in it of the situation

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in Iraq. There are really interesting proposals in it, and each one will be taken seriously and acted upon in a timely manner.

It's our responsibility to give our president the best assessment of these options, their risks and benefits as we look at how we might adjust our policy to help bring some success in Iraq.

The Iraq Study Group has recommended we engage Iran and Syria on the tensions in that country.

As President Bush said yesterday, if Iran and Syria want to sit down at the table with the United States, it's easy: just make some decisions that will lead to peace, not conflict.

Iran should verifiably suspend its nuclear enrichment programs. Syria should stop allowing money and weapons to cross its border into Iraq. It should also cut off Hizballah and refrain from any further destabilization of the government in Lebanon, a

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democratically elected government. Syria should also stop being a safe haven for terrorists.

Our views are out there. Those have been the same views for a while. Everybody knows them. Syria and Iran have had ample time to consider them. It's time for them to take a decision about them. I'm all for regional engagement. I believe it's necessary, crucial, to promoting a unified, prosperous, and stable Iraq.

When I was Ambassador to Egypt, we helped set up a G-8 and Iraq Neighbors Conference that then Secretary Powell attended. Last year I worked with the Secretary General of the Arab League to achieve an elevation of the Arab League's attention to Iraq. Right now as we speak, we're encouraging regional governments to offer financial and technical assistance to the Iraqi government as well as to do the normal business of diplomacy, send delegations, exchange

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visits, accept ambassadors and embassies.

Secretary Rice has met three times with her counterparts in what we call the GCC plus 2. These are the Gulf Cooperation Council countries, Saudi Arabia, Qatar, Oman, Bahrain, Kuwait, the Emirates. And the 2, the numeral 2, stands for Egypt and Jordan, countries that enjoy peace with Israel and are prominent, moderate Arab nations. Three times in the last three months we've met in this format at the level of foreign minister. Iraq's always been on the agenda. These exchanges are valuable as Iraq attempts national reconciliation. They also provide political support within the international community.

There's another idea sponsored by Iraq itself and the United Nations called the International Compact with Iraq that's another way to engage that government with the international community. The idea behind this compact is to set up a framework of benchmarks for

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economic security and political programs in exchange for support and assistance from the international community. We're encouraging everybody to participate in this compact process and to send high level delegations next year when it is inaugurated and signed.

Beyond Iraq we have a deep concern about the Iranian regime. In many respects this regime is our greatest global security challenge. The Iranian president and the leadership in Tehran have a bent toward regional hegemony. This threatens not only our interests but those of Israel and those of our moderate Arab friends. We only need to look at the streets of Beirut tonight to see the ambition that they have, or at the sectarian violence in Iraq to recognize the means that they're prepared to use.

Our further concerns about Iran are further amplified by the support for terror that it has

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afforded in the past from Argentina to Lebanon and its continuing pursuit of weapons of mass destruction. These are things that demand our strongest commitment, and we are committed to trying to address nuclear issues and other disagreements with Tehran through diplomatic means. We want a Security Council resolution under Chapter 7 to send the strongest possible message to Tehran, in a unified way, that the international community will not accept its deceptions about its nuclear program.

These negotiations are not easy, and finding common ground between the other members of the Council, or some members of the Council in particular, has been so far elusive. But there were doubts before about Resolution 1696 which set some of the standards for Tehran, and there was a unanimous passage of that resolution. At the time many people thought we'd never get that resolution passed, unanimously.

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We can have that level of cohesiveness again because people do recognize the threat, especially Iran's neighbors. And the consequences of failing to address the threat pose a higher risk for everyone. That regime is plainly headed in the wrong direction. That said, there's always an opportunity for it to change its policies. The basis of that would have to be verifiable suspension, a sine qua non, that's needed as a good faith gesture to begin negotiations that should have started long ago on this issue.

There's an attractive incentive package offered by the six countries in the negotiation that remains on the table that would benefit Iranians greatly. It would provide assistance in aviation, agriculture, and even civilian nuclear power. We're ready to honor that commitment if Iran is ready to take that step forward.

Our view of the challenges facing the region,

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including that posed by Iran and has been of course informed by the events of this summer when Minister Livni and I had many meetings. And prior to the conflict in Lebanon initiated by Hizballah, Lebanon itself was in the midst of dramatic and positive democratic transformation. The Lebanese government was reasserting its sovereignty following 30 years of Syrian occupation. It was working on important reforms. It was looking forward to a robust summer tourism season. That progress was damaged, jeopardized this July by a terror attack across Israel's northern frontier.

That gave us a difficult decision. The toll of the conflict on Lebanon was impossible to ignore. There were strikes into Israel. However, it was our judgment that a cease fire alone would not address the root causes of this conflict and would only have resorted to a return to the cycle of violence. Tzipi

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Livni, and other colleagues of ours in the Israeli government, brought great skill and creativity to these negotiations even as Israel was under assault.

Diplomatic successes do happen. We got Resolution 1701. It's not often in our business when you get a unanimous Security Council resolution on an issue involving the Middle East and when it is endorsed by a cabinet in an Arab country and a cabinet in Israel. It laid a good basis for a sustainable peace for Lebanese armies in the south of Lebanon for the first time in nearly 50 years. There is a new UNIFIL with a very robust mandate to support that endeavor. It has over 10,000 troops on the ground. It's still deploying but nearing its final stages.

It's essential that this resolution's provisions be fully implemented and respected by all, and behind that is a challenge to help Lebanon build and strengthen its democracy while creating a newer

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dynamic, a more hopeful one, in the region for stability and peace. For our part, we'll continue to work with the Lebanese and the international community to help them. We've committed a lot of money out of our taxpayer dollars, over \$250 million so far, and there will likely be more.

We will continue to support the Lebanese people, and we are doing so today as they face yet another challenge. In particular, they should be free of the kind of fear and intimidation that we see on the streets of Beirut, as I said this evening.

The great challenge in our business, of course, remains solving the Israeli/Palestinian conflict. We are committed to a two-state vision, Israel and Palestine living side by side in peace and security. Our president made that clear very early on -- the first president to do so with that kind of clarity -- and we remain committed to this path and

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repeated it in his address to the General Assembly in September.

We do this not because we're persuaded by some linkage or another but because it's a U.S. national interest, consistent throughout Democrat and Republican administrations: a commitment to serve the cause of peace.

The election of a Hamas-led government and that government's refusal to accept self-evident, reasonable principles, the Quartet principles, and to refuse to govern responsibly has brought into question the availability of a viable Palestinian partner. It's also meant considerable economic hardship for the Palestinian people. President Abbas tried valiantly to form a technocratic government that would have addressed the Quartet principles and would have allowed for early and complete engagement by the international community, but President Abbas has informed us that he

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failed as a result of Hamas' rejectionism.

And in case there was any doubt about Hamas' position, the so-called prime minister of that government, Ismail Haniyeh, gave a speech today to Tehran University where he made it robustly clear exactly what he thought of these principles. He doesn't accept a single one of them. President Abbas failed, but he failed, in my judgment, for the right reasons: because he would not compromise on those kinds of principles.

Meanwhile, the current cease fire in Gaza negotiated by President Abbas and Prime Minister Olmert and the prime minister's speech in Beersheba on the 26th of last month suggests to us that there continues to be a real desire by the parties to create conditions that will allow them to move to resolving their differences.

There are a number of steps each side could

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take. President Abbas could pursue for the support of the international community, naturally: reform of the Palestinian security services both to restore law and order, which I think his people would deeply appreciate, and to be better able to prevent terror attacks on Israel and on Israelis.

Abbas can further seek to develop the institutions that fall under his authority in order to make them better able to meet the needs of his people.

He could also move to reform his own political party, Fatah, so a younger generation might gain its rightful voice.

Israel can help. I think Palestinian public opinion would be powerfully affected by working to ease restrictions on access and movement, as called for in agreements reached with the United States' help last November which I was working on when you had this Forum in Jerusalem last year. This would help the

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Palestinian economy which is severely affected by the situation there. Such steps could help Palestinian moderates -- and there are many of them, ladies and gentlemen -- and lay the groundwork for further actions by both parties to fulfill their roadmap obligations.

This week with all that's in the press, all the reports and views that are out there -- and I see many of you on TV from time to time -- tells us that the Middle East is really at a crossroads. The actions we take alone and together will determine whether this region moves forward in a more peaceful and democratic way or slides towards the adversaries of that way, the extremists.

The United States, with the help of Israel and our other friends in the region, are committed to pursuing the path of progress and will continue to push hard to realize our shared goal of a more peaceful and prosperous region.

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I know that pre-dinner speeches are supposed to be a little lighter, but the introduction suggested that we had an abundance of problems. I tried to touch upon some of them. I hope I haven't ruined your appetite.

Thank you very much. Thank you for inviting me.

(Applause)

(Recess)

CHAIRMAN SABAN: It's now my pleasure to invite Strobe Talbott to the podium. Strobe, as most of you know, is the president of The Brookings Institution and served as Deputy Secretary of State in the Clinton administration.

I want to thank you very much, Strobe, for your support of Martin and of the Saban Center. I'm very proud of what we've achieved together, and I know that it could not have been this way without the

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support of Brookings, and, most importantly, its reputation for independent policy research.

Ladies and gentlemen, it is with great pleasure that I invite to the podium Strobe Talbott.

(Applause)

MR. TALBOTT: Thank you, and I can only reciprocate. All of us at Brookings are deeply grateful to you for your generosity, for your vision, for your leadership, and for your support of what Martin and his extraordinary team have been able to put together over the last five years. Haim Saban's philanthropy, his commitment to advancing innovative ideas, have enabled us at Brookings to do much of our best work, including conferences of the kind that you're all going to be participating in.

The Saban Forum, while it's a unique event and a signature feature of a unique enterprise at Brookings, is very much in the spirit of what the

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institution is all about. It brings together a diverse group of influential people with a variety of perspectives to address the pressing policy challenges of the day. And we're very honored indeed to have with us this evening leading journalists and academics, fellow policywonks, and members of the American and Israeli governments.

In a personal vein, but I suspect that I am speaking for many of you in the room when I say what a particular pleasure it is to welcome Shimon Peres in our midst here tonight. He has been nothing less than a hero to me and I think to others as well over the years. He's a visionary, he's a statesman, and when Nita Lowey said to him when she came in earlier this evening, she used another word for Shimon which, I think, makes for a particularly rare distinction: He's an optimist. And thank you, Shimon, for being with us last year and again this year.

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We're also very, very honored to have Foreign Minister Tzipi Livni with us this evening. As David Welch has already said, she's among Israel's most talented leaders. A number of us here in the room tonight who were in Jerusalem last year for the Saban Forum had a chance to meet with her then and listen to her, and we were very impressed by what we heard. She was then Justice Minister in the Sharon government. She played a critical role in helping the prime minister build a political coalition in support of Israel's disengagement from the Gaza strip, a venture in which our friend, and at Brookings our trustee, Jim Wolfensohn, played a vital part.

And just as we are very, very lucky at Brookings to have the Saban Center for Middle East Policy, we're also very lucky to have the Wolfensohn Center for Development.

(Applause)

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Returning to our speaker, I think it's particularly appropriate on these premises and in this lovely room, and in the presence of Dr. Rice's colleague, David Welch, to say how much I know the secretary of state values Minister Livni. We all appreciate the good work that they have been able to do together, and we wish them well in the hard work that they have ahead starting, if I'm not mistaken, tomorrow. So please, all join me in thanking the foreign minister for agreeing to speak with us.

And, Madam Minister, the podium is yours.

(Applause)

MINISTER LIVNI: Thank you. Thank you so much for your warm words and hospitality. Thank you, Haim. Thank you all for coming here tonight. Thank you, David, for your warm words, and it is an honor for me to attend this conference and to share some ideas with you tonight, and as was said, tomorrow, with

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Secretary Rice.

As you all know, a special relationship between Israel and the United States crosses party lines. We deeply value the bipartisan support for Israel which is built on the solid foundation of shared ideals and lasting principles. It goes beyond a strategic alliance of interests and is based on the genuine and unshakable alliance of values.

We share the same vision for the Middle East because we share the same commitment to the principles of coexistence, peace, security, and democracy. In the reality of the unpredictable Middle East, complicated Middle East, there is simply no substitute for US leadership or for the special US/Israel relationship in protecting and investing our core values and interests in good times and in bad times.

I believe that in order to make wise policy decisions, especially in the Middle East, it is

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necessary to take an outsider point of view, a kind of an alien point of view. We need to rise above daily events and prior conceptions and try to identify processes and points in order to determine what decisions should be taken. And we must try as much as possible to be guided by principle rather than subjective emotion. I think that any such analysis reveals that the Middle East is changing. Alliances are shifting. New and dangerous threats are emerging, but so are new opportunities. Some assumptions that may have been valid 10 or 15 years ago no longer apply. New thinking is needed to match new reality.

On this basis I would like to share with you some core principles that I believe should help guide us in addressing the common problems facing the region and then to try and translate those principles into specific policies and decisions.

Now I would like to clear something at the

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beginning of my speech because, unfortunately-- especially in Europe I can say--, Israel-- when it comes to a situation of stagnation and stalemate--, Israel has become what is called "the usual suspect" when it comes to efforts to make peace in our region. And I would like to make it clear: Even though maybe it is less needed in the United States of America, to make it clear that peace is not only our dream, our goal, our vision, but peace is our deep interest, and we believe that stagnation is not the right policy for the Israeli government. And if there were days when Israel needed some persuading or support in taking risks in order to achieve peace in our region these days are over.

We are willing to take steps in order to promote peace, in order to achieve peace, in order to advance a peace process. But, of course, we have to recognize the situation on the ground. We had to see

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the processes and to decide what are the best decisions to make because at the end of the day of course the vision is a two-state solution living side by side in peace and security.

So this brings me to some working assumptions in order to show we do know the assumptions and then, as results, to understand what are the best options. But, unfortunately, in the Middle East I think that we have to choose between bad options, especially in the last years.

The first working assumption or principle is that the Middle East conflict is fueled primarily by the battle over values, over ideology, and less over territory. There is a common and mistaken assumption that I sometimes hear that the Israeli/Palestinian conflict is the core of the problem of the Middle East.

That somehow, if this conflict could be -- that some of this conflict can be resolved so the situation can

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be different, and we can face a totally different region. So this is wrong.

I believe that this view confuses symptom and cause. The truth is that the conflicts in the Middle East are a consequence, not a cause, of radicalism and terrorism. What has driven these conflicts is a much deeper ideological conflict between moderate and extremists that causes border and national identities.

And I will take some examples from our region and the first, of course, is the Iranian example.

Thinking about Iran, we face a regime driven by -- not by national interests but by an extreme of ideological interests. Israel is not even the main issue on their ideological agenda; their idea of spreading sharia all over the region is a threat not only to Israel but the region itself. And the threat -- and this is being understood not only by me or by Israel but also some other leaders in our region --

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also by leaders of Moslem and Arab states that are living next to Iran in understanding that this is a threat which is based on ideology and a threat to the region.

So let's imagine that we can find this magic solution to the Israeli/Palestinian conflict. I don't think that there is anybody here or outside this room thinking that if we can solve the Israeli/Palestinian conflict, we can see a change, a real change, in Iran, and they will put their ideological vision aside and live in a tranquil Middle East. This is not the situation, and we have to understand it.

Another example of this, of course, is Lebanon. I mean in Lebanon there was no conflict between Israel and Lebanon before July 12th. Hizballah represents the Iranian cause in Lebanon. Their ideology is to keep, of course, also an open front with Israel. Israel was attacked from Lebanon by Hizballah

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in order to represent the Iranian cause, so this is something that is a threat also to the region itself and not only to Israel.

The third example is the Hamas example. I mean their ideology is clear, and it is not based on the Israeli/Palestinian conflict. It doesn't come from national reasons. Their vision is not to a state solution but it was made clear also today about what is core by Mr. Haniyeh today saying very clearly that their ideology cannot -- or according to their ideology they cannot recognize even the right of Israel to exist. So the conflict is not a conflict on borders, but this is a matter of ideology.

Now, when we are facing the same threats, there is also an understanding that the alliances in the region can be changed. And it is amazing to see sometimes a situation in which leaders and the reason of understanding of leaders, less of public opinion in

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their own states, that the threats is a common threat to Israel as well as to some other moderates, Moslem Arab states, and understanding that we face the same threats and understanding that the conflict in the region is no longer what was called the Jewish/Arab conflict, no longer the Israeli/Palestinian conflict, but it is real conflict between moderates and extremists.

So this is also an opportunity because in an understanding that we share the same threats and in an understanding that we show the same ideas or goals. So there is an opportunity to find new alliances in the region and to show some ideas together and to promote a process which can be the answer, a united answer, to these kinds of threats.

I would like to add that, unfortunately, sometimes there is an understanding by these leaders saying that -- and they say it in closed doors --

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saying that they understand that we face the same threats, saying that Iran is the real threat to the region, saying that they don't want Hizballah to succeed, they don't want Hamas to succeed because Hamas represents also their own extremists back home. I mean talking in other places in our region, but this is something that they are willing to say in closed doors but, unfortunately, they are not willing to express it publicly because there is the public opinion which is based on, unfortunately, past false perceptions of the conflict.

And this is something that we have to understand. This is something that they face back home, but I do expect these leaders not only to understand that we share the same threats and the same goals and maybe even we can share the same ideas of how to solve or to tackle the threat. But I also expect some of them to say it publicly, because this is part

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of an understanding, or this is part of what I believe is also the role of leadership.

Now, the question -- okay, there is an understanding that this is a mutual threat, there is an understanding that this is something between a conflict between moderates and extremists. And the next question we should ask ourselves is what we are doing.

I mean how can we tackle this conflict, or how can we use this new opportunity?

Now, another thing which is important to understand is that these radical forces are empowered by rogue states that export extremism and weak states that incubates or tolerate it. And also when it comes to these states, part of the problem in our region that we see is these rogue states, for example Iran. On the other side we can see a weak state like Lebanon which is being used by rogue states in order to attack the others. And the attack of July 12th is only an example

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in which a rogue state, Iran, used a weak state, Lebanon, in order to attack -- in order to attack Israel.

So the answer we should give on one hand is against rogue states and, on the other hand, to help or to change the situation in some of the weak states and to transfer these states into -- what should I say -- normal states or states which function; which have a real government and only one army without any kind of malicious or terrorist organization; which are not using the weakness of the government in order to promote their extreme ideas.

Now, in this understanding it is also important to understand that to appease these terrorists or to appease these extremists is not the right answer because they misunderstood these messages.

And sometimes it is important to send a very strong message to these extremists in saying that if they want

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to be part of the international community, they have to -- excuse me for saying so -- to simply to behave. And this is part -- and the world cannot accept this kind of behavior.

And again using the same examples of Iran, so -- of course, the issue is not only the nuclear issue, by the way -- just the statements of Ahmadinejad mocking the Holocaust, ridiculous the Holocaust, talking about his vision about wiping Israel off the maps, calling Jews to come back to Europe. I mean this is unacceptable regardless of this nuclear issue.

And there is also something that we have to understand when it comes to the Iranian issue. The problem is, of course, the ideology of this regime, their attempts to achieve nuclear weapons and what I call the domino effect, because in our region the other states have to choose between some options. I mean we are being watched, and as long as the international

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community is strong on this issue, sending the right message to Iran, taking the right decision in the Security Council so the message is clear, but we are being watched and if the international community shows some hesitation, the message is clear and we will see proliferation of mass destruction weapons to other states, to non-states, to terrorist organizations, and other small states will have to choose between the international community with its own hesitation or they will choose to join or to appease what is, right now, the bully of the neighborhood, Iran.

And this is something that can affect what I called before "the opportunity," new alliances and understanding that we fight the same threats to another situation on the ground, and this is also something that decision-makers, I believe, have to take as part of their consideration: what are the right steps that should be taken against the Iranian threat?

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In the case of Lebanon, of course, there's a need of full implementation of Resolution 1701, which I do believe represents the interest of the region. It represents the interests of the moderates, the interest of those who want to believe and to live in peace in our region but, unfortunately, Resolution 1701 is not being enforced fully and completely. The Israeli soldiers are not back home, but the arm-- and also the arms embargo-- which is part and crucial part of Resolution 1701 -- is not being enforced fully and completely, especially on the Israeli/Syrian border.

But, of course, the situation on the ground right now in Lebanon is more complicated, and I don't want to say something publicly because, unfortunately, part of the states being embraced by Israel or by other moderates can be accused of debts for other leaders.

Of course, this is the message, also, that Syria should get. I mean if they want to be a part of

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the international community, they know what is needed.

And Syria now plays a very negative role in our region. And the fact that the first abducted soldier, actually -- he's not back home -- is also due to the fact that court martial in Syria doesn't permit it. And the fact that they want also to dictate not only -- and this not only reflects the Israeli/Syrian situation -- but they want -- all of these extremists want to dictate the Israel/Palestinian conflict, and they want to use it for their purposes.

In the case of the Palestinians, as I said before, in our need to choose I do believe that also a Palestinian state, normal functioning state, is not only a Palestinian interest but this is also an Israeli interest. And, of course -- and this is something that I will refer to later -- these states should be a state that will end the conflict and not perpetuate it. And this is the reason why you have to take some steps in

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order to prevent the future Palestinian state to be a terrorist state in the region because this is the last thing that our region needs.

But as I said before, when we fight these conflicts in an understanding that this is between moderates and extremists in reference to the Israeli/Palestinian conflict, I do believe that we share the same interest: those who believe in two-state solution. I mean Israel and the moderates in the Palestinian society as well as others, and it is -- this is the vision and, of course, it is more difficult to implement it because, unfortunately, the moderates in our region are usually also the weak ones.

And the next question that we should ask ourselves, what should we do in order to strengthen the weak leaders? What are the right steps? And the other principle that I would like to share with you is my understanding that moderate leaders are strengthened

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more by international demands that they live up to their basic obligations rather than by international concessions that they do not have to.

And I'll take the same examples, the last two examples of the Palestinians and the Lebanese, just that they did refer to the complex situation of drafting a United Nations Security Council resolution.

I think this is, for the first time, that Israel is part of it, supporting this kind of resolution. But until the last moment Israel asked to take three words out of the resolution, and the three words were "at its request." And I will explain.

Because it was clear according to Resolution 1701 that the international forces, or the idea is that the international forces, helped the Lebanese government to deploy to the south part of Lebanon. And it was clear that when the decision is being made so the international forces will come to Lebanon and

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deploy with the Lebanese army to the south part of Lebanon, when it comes to the arms embargo, it was written that the international forces can help the Lebanese government and the Lebanese army to implement or to enforce the arms embargo, not only at the request of the Lebanese government -- and I certainly said it before, I'm not just trying to be wise afterwards -- I said that when in an understanding that Siniora is too weak, and in our region when somebody is too weak and sometimes the perception is that these leaders are cooperating with the international community, and this is something which is not acceptable in some of these states, so I said that these three roads are not helpful for Siniora, but they are going to make it more difficult for him to ask the international forces to come and help him.

Well, unfortunately, I failed then, and now it is difficult for Siniora to ask the international

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forces to come and help in enforcing the arms embargo.

Another example is the example of Abu Mazen, Mahmoud Abbas, and a few requirements of the international community. I mean the moment or the days after Hamas won the elections in the Palestinian Authority, it was clear -- and this was the decision of the Quartet and the international community as such -- they put these three requirements of renouncing violence of terrorism, accepting the right of Israel to exist, and accepting, adopting former agreements between Israel and the Palestinians.

Now, these requirements are now the tool of Abu Mazen to force Hamas to change. Any hesitation by the international community doesn't help the moderates; it make it more difficult for them to force or to change the situation on the ground because it is easier for a weak leader to come to his own people and to say, listen, I want to do something else. I want to

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be more -- to compromise on this but I cannot. Because if we, the Palestinians, want to get legitimacy from the international community, if we want to get the support, the money from Europe, so you will have to change. You have to meet these requirements. So these requirements are not an obstacle on our way, on our roads towards peace or in a way to change the situation on the ground, but these requirements are helpful. These requirements are the tools of the moderates in order to change the situation on the ground.

So I would like now to take these understanding and to try and find the way what are the best decisions to be made. And the situation, of course, is complicated, but at first I would like to share with you the Israeli vision for peace which is, I believe, clear in Israel. And I do believe that I represent here today not only the current Israeli

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government but a vast majority of Israelis in this vision and belief.

And the vision is what was so clearly said by President Bush: a two-state solution living side by side in peace. But there is also a need to understand what is the real meaning of this vision of these words. Two-state solution, the meaning is two homelands for two peoples. One is Israel, the homeland for the Jewish people that when it was established gave an answer to what was called then "the Jewish problem." That was and still is a refuge for Jewish people, that called Jewish refugees to come from Europe and from Arab states to Israel and to create this new entity as the homeland for the Jewish people. This is the essence of Israel and, of course, as part of our values. And in order to keep Israel as a Jewish and democratic state, and in order not to bring these two values in contradiction, our understanding and our

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belief is to support the other, to support the Palestinians in achieving their own homeland.

But so does the Palestinian state answer to the Palestinians wherever they are: those who live in the territories and those who left in 1948, being kept as peons, as cards, as political cards in refugees camps waiting for a dream? But their dream is not to create their homeland but to come back to -- or not come back -- some of them are not the sons and generations, different generations -- but to come to Israel, the Jewish state out of the two states. This is against the vision of two-state solution, not only as Israel understands it but the international community understands it. This is part of President Bush's vision, and it was clearly said also by President Bush that the answer to the refugees issue is by establishing a state of their own.

It is also important to understand that it is

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not a zero sum game, and when I represent this vision, the meaning that's supporting this idea, supporting this vision of a two-state solution in its right nature is not supporting Israel; it is something that is not pro-Israeli or anti-Palestinian. This is something which I can call pro- -- a process. And this is the reason why my expectation is -- and, of course, we heard it from President Bush -- but our expectation is to hear it from other leaders also in Europe in an understanding that, as I said before, the only way that a Palestinian leader can adopt this kind of vision is only in an understanding that this part of the vision of the international community -- and there is no other solution when it comes to what they call, or the demand of, a return of refugees to Israel. This is the hard core of the conflict, and this is the first principle.

The second principle, of course, is two states living side by side in peace, so there is a need

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for us to make sure that the Palestinian state is not going to be a terror state, and the three requirements are only part of it. And the roadmap, the first phase of the roadmap is also based on an understanding that in the way of establishing a state of their own there's a need to dismantle the terrorist organization, to renounce terrorism because at the end of the day the vision is to live in peace.

And, of course, we'll have to face a discussion of the future borders of the Palestinian state. Maybe only when it comes to the future borders, it teases zero-sum game because one place is built, one place will be all part of Israel, all part of the Palestinian Authority or the Palestinian state. But for those who believe that if we can hold back the wills of history, wind back time and go back to 1967 so this can solve the conflict, this is not correct, because in 1967 the Palestinian state didn't exist and,

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in a way, the choice is between '67 borders or a viable Palestinian state because in '67 there was no connection between the Gaza strip and between the West Bank. And this is the reason why we have to negotiate as part of the final-status-issues the question of borders.

I have some ideas, but this is not the right place to share these ideas because it is important to understand that, firstly, it's for our both sides, Israelis and Palestinians, to negotiate it among themselves.

Now, I wish we can end the conflict the next day, enter a room here or elsewhere, negotiate final status issues, solve the conflict and live happily ever after. Unfortunately, the situation is more complicated than that, and there is also another one, especially right now when we are facing a Hamas-led government, when the moderates are more weak, and

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sometimes an attempt to solve the conflict can lead to more frustration and more violence.

And this is something that we faced after 2000 and after Camp David. So the idea is not only to enter a room and to try and solve the conflict but to be reasonable if we can do so; and, if not, the answer was given in the roadmap in an understanding that we cannot end the conflict, the idea was to cut this process into phases and one step after the other to promote this vision of two states. But it is clear that there is a political horizon for the Palestinians and Palestinian state, a viable Palestinian state, and, of course, it is -- it gives also an answer to the Israelis' demand and concern of security.

So basically, the roadmap represents the idea of a two-state solution, but in stages. And right now we face a situation in which there is a Hamas-led government, there is the President Abu Mazen, Mahmoud

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Abbas, who is too weak. He's a partner in terms of somebody that we can negotiate with, but we have to ask ourselves, we cannot fool ourselves -- and they ask the question, can he deliver? I mean let's assume that we can do something, can he deliver, because he cannot control these terrorist organizations, he cannot control Hamas in this situation?

So we have to ask ourselves, what is the best way in order to strengthen Abu Mazen? And I know that all of us are talking in terms of strengthening the presidency, strengthening Abu Mazen. Easy to say, more difficult to implement.

And I think that the next task, goal that we have to face, is to find the way to strengthen or to create -- and I don't want to patronize the Palestinians, because it's for them -- this decision is a Palestinian decision. But it is important for moderates to create a genuine alternative to the Hamas-

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led government, and a genuine alternative is not only a presidency but this is part of also Fatah and other moderates within the Palestinian Authority. They have to create a genuine alternative, and I hope that we can find a way to empower and to help the moderates in the Palestinian Authority.

And I do hope that they can come to their own people in asking for support, and the choice is between two options: one is the vision of two states, and the meaning is concession: concessions on both sides, for Israelis as well as for the Palestinians. And the other is, of course, to choose extremism, to choose violence, to choose terrorism.

I am certain and I'm sure that as the Israelis want peace, this is also the aspiration of the Palestinians as well. But it doesn't mean that we can -- that we have, you know, this magic key and we can find the right way to do it in the near future. But

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part of our responsibility is to try to find a way not to live in stagnation, because it works against those who believe in a two-state solution. And I do hope that we will be wise enough to take the right decisions and strong enough to implement it for generations to come.

Thank you.

(Applause)

MR. TALBOTT: Madam Minister, we all thank you very much for sharing with us your perspective on issues that go to the very core of the US/Israel dialogue in all of its dimensions, notably including under the auspices of the Saban Forum.

David, thank you for your hospitality this evening, and to all of you, thanks so much for being with us.

(Applause)

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