

THE BROOKINGS INSTITUTION
FALK AUDITORIUM

OBAMA, NETANYAHU, AND THE PEACE PROCESS:
IS PROGRESS POSSIBLE?

Washington, D.C.

Thursday, March 28, 2013

PARTICIPANTS:

Moderator:

TAMARA COFMAN WITTES
Senior Fellow and Director, Saban Center for
Middle East Policy
The Brookings Institution

Panelists:

KHALED ELGINDY
Fellow
The Brookings Institution

ITAMAR RABINOVICH
Distinguished Fellow
The Brookings Institution

NATAN SACHS
Fellow
The Brookings Institution

* * * * *

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MS. WITTES: Well, good morning, everyone, and welcome to the Saban Center at the Brookings Institution. We're really delighted to have you here for a focused discussion on the outcomes of President Obama's trip to the Middle East, and prospects for renewed peace negotiations, or at least some form of peace process between Israel and the Palestinians.

As you know, President Obama took a trip through the region last week. He stopped in Israel, in the West Bank, and in Jordan, and hit, in many ways, hit all the high points for a public diplomacy onslaught in Israel, and tried, as well, to do some important diplomatic work on the Arab-Israeli front. And, as it turned out, at the end of his trip, brokered a tentative reconciliation between Israel and Turkey.

So, in advance of the trip, the White House did a lot of work to manage expectations -- indeed, to lower expectations -- for any diplomatic breakthroughs. But, given the momentum that a presidential trip inevitably creates, we thought it would be worthwhile to explore what the prospects are going forward, for progress on the Arab-Israeli front.

And I really couldn't ask for a better panel to help us work through some of these issues, than the three gentlemen sitting up here on the dais with me. I'm going to introduce them very briefly. You have their full biographical information in the material that was given to you when you came in the room.

But I want to first introduce Ambassador Itamar Rabinovich, our Distinguished Bronfman Fellow, and member of our international advisory board. Itamar, we're delighted to have you back with us in Washington, in the Saban Center. Thanks for joining us. I should note, too, that Itamar published with us, last year, a wonderful -- in fact, I think it's the most up-to-date and comprehensive review of the Arab-Israeli peace

process, *The Lingering Conflict*, and the newly revised edition is for sale outside. So I hope that, particularly those of you who are in academia, or looking for a good overview of efforts to resolve the Arab-Israeli conflict take a look at that revised text.

Next up we have Natan Sachs, a Fellow here in the Saban Center at Brookings. He focuses on Israeli politics and policy, and is working on a book on the domestic sources of Israel's foreign policy. Natan, glad to have you.

And Khaled Elgindy, also a Fellow with us in the Saban Center, a former negotiator with the Palestine Liberation Organization, focused on the permanent status negotiations -- when we last had active permanent status negotiations, 2004 to 2009, including the Annapolis talks. Thanks for being with us.

So, I thought we would start, Itamar, with just a little bit of discussion of what President Obama confronted when he landed in Tel Aviv. What are Israel's interests in trying to move forward on the peace process right now?

MR. RABINOVICH: Thank you. When you say "Israel's" I have to respond by distinguishing between the country and the government, or the coalition. I think the -- let me put it this way: If you were to hold a public opinion poll in Israel, and put the, let's say the Olmert proposal to Abu Mazen in September 2008 on the table, and ask the Israeli public do you support a peace deal with the Palestinians based on the Olmert proposals, maybe 60 or 70 percent will vote against it. If you make a deal -- actually make a deal -- with the Palestinians, brokered and underwritten by the United States, and put it before the Israeli public for referendum, 70 percent will support it.

So, this is what Ehud Barak, when he was prime minister, called the "corridor." He said we all know what needs to happen in that inner room, when you finally make a deal. And it can be made in that room. But, unfortunately, you have to

cross a long corridor on the way that is composed of many domestic and external difficulties that the Israeli prime ministers and other politicians find very difficult to cross.

So, I'd say Israel, I think Israel as a country, called it the Israeli electorate, I think, at the end of the day, will support a deal with the Palestinians.

The Israeli government, as it is composed now, based on the coalition that came out of the elections, is not ready for that. I'm sure Natan will elaborate, and will be, maybe, able to get into that later. But the way it is composed now, there is one component, the Tzipi Livni component, that is very supportive of such a deal. The Likud obviously drifted to the right. Bennett party is on the right. And Lapid is, I think, still in formation when it comes to foreign and national security policy. So it's not a coalition ready for that.

Now, I think, in terms of -- regarding the visit, it was a great success in terms of public diplomacy. There's no question about it that Obama won the hearts and minds of the Israeli public, and laid the basis, as a longer-term investment, for being a peace broker in the region.

There was another, less visible, layer to the visit, which was the personal relationship with Netanyahu. I think one of the major problems in the first term was the fact that there was no trust between the President and the Prime Minister, and this may have been fixed, at least to some extent, during this visit. And if this is the case, then both with regard to the Palestinian issue, and with regard to the Iranian issue, we may see a much more productive relationship.

So, the short answer to your question would be this: I think a good basis has been laid by the visit. It is not for short-term exploitation, it's for longer-term exploitation. The Israeli political system needs to complete, let's say, its readjustment after the elections. I know that things need to happen, also, on the Palestinian side.

And, therefore, I think -- I'll put it this way -- I think the challenge that Secretary of State Kerry faces as he begins the heavy lifting in the aftermath of the visit, is to structure a process that does not require an immediate, visible success in the first weeks, but it stretches over some time, and allows both the domestic Israeli, and other processes that need to ripen, to do that.

MS. WITTES: You know, the difference in perception and, perhaps, in ambition between the Israeli electorate and the Israeli government that you pointed out, President Obama tried to address himself precisely to that gap, didn't he, during his visit? And, indeed, in his speech before an assembly of Israeli students, said, you know, you're the ones that have to push your leaders. "I'm a politician, and I can tell you, if you don't push, nothing's going to happen."

But there's been a lot of evidence -- and there was a lot of discussion in the runup to the Israeli elections -- about the Israeli electorate, in fact, maybe shifting to the right on the question of Israel's relationship with the Palestinians, and being perhaps - - not having much of a sense of urgency about a need to settle the conflict.

So, how successful do you think President Obama was in trying to play on that gap?

MR. RABINOVICH: Okay, I'll have to spend a couple of minutes talking about what "right" and "left" in Israel mean today. Because there is -- students of history and politics know that, of course, "right," "left" can stretch along a number of fault-lines. And the single most important fault-line defining "right" and "left" in Israel has been the Israeli-Palestinian issue. But there are the secular-orthodox, there is the social-economic, and they all came to the fore with the social protests and other issues. And the drift to the right in the two years that preceded the elections was very much on all fronts. We have seen the attack on the judicial system. We have seen people like Dan

Meridor and Benny Begin, the liberal members of the Likud, being eased out during the primaries. And I read the outcome of the Israeli elections as very much a reaction of the younger, middle-class, sort of the "Tel Aviv bubble," as it were, responding to this drift. And, in that regard, there's certainly been a corrective movement.

It has not been fully translated to the national security and foreign policy issues. And here, I come back to Yair Lapid's still being in formation.

So, of course, one of the --

MS. WITTES: And Yair Lapid, just to remind folks, was the television personality who suddenly formed a political party last year, and emerged from these elections with the second largest party in the Knesset, 19 seats.

MR. RABINOVICH: 19 seats. And one of the keys to coalition and government formation was the fact that Yair Lapid with 19, and Naftali Bennett, the Settlers Party with 12, formed a bloc -- 31 -- that was equal to what Netanyahu's party had together with Lieberman's party. And they forced him to take into the coalition something that he evidently did not want to do.

So, if you look at this partnership between, say, the man who represents the Tel Aviv yuppies, and the man who represents the settlers, it is a complex relationship. And I suspect that at some point, one of Netanyahu's ambitions, domestically, will be to break that bond.

So, at this point, you, hear Bennett expressing himself, day in and day out, on national security issues. Lapid has been encumbered with the finance ministry, and with a gaping hole in the budget. At this point, he's not expressing himself on these issues, and therefore the right-wing coloring that the government has is much stronger.

MS. WITTES: So, Natan -- and we hasten to say, you are a Jerusalem-ite, not a member of the Tel Aviv bubble --

MR. SACHS: I'd point that out.

MS. WITTES: Itamar has just been talking about some of the other issues that have been redefining left and right in Israel.

One of, it seems to me, one of the objectives for President Obama was to put the Israeli-Palestinian issue back front-and-center for the Israeli public, and say, "You have got to focus on this," create a sense of urgency and, in a way, pressure all of these Israeli politicians to address the issue more substantively.

Do you think he succeeded?

MR. SACHS: To a limited degree, yes. As Itamar said, the public diplomacy part of the visit was very successful. And the speech in Jerusalem, in particular, I think, was very effective, in both conveying this love, and conveying standing American positions which are not identical to Netanyahu's -- and even in calling for some pressure from the public. And doing both of these together is a formidable challenge, and I think the President did it very well. So it was definitely successful in that respect.

And, as you said, one of the most interesting points is that in recent months, throughout the campaign, really, the only people speaking about the Palestinian issue were Tzipi Livni, of the center, shall we say, who got 5 percent of the vote, 6 seats, 5 percent of the seats, and Meretz, on the far left, far left, even to the left of Labor.

So, it really was not the main issue that people spoke about, even though it still is the defining factor of right and left as we think of it.

President Obama came and said, spoke exactly about these issues. He used issues of fairness, for example. He spoke about, "Put yourself in their shoes," spoke about empathy. And he asked Israelis to think about how a Palestinian views the world without a state of their own. So these are the kinds of things that Israelis haven't been talking about, and the President, I think, succeeded in bringing it back.

But the contours of what we're talking about, the game is still confounded by the basic coalition. As Itamar mentioned, we're not in fundamentally new terrain. If Netanyahu is a known commodity, and his coalition, moreover, is even less flexible than it was previously -- ironically, in some respect the center came back. All my friends in Tel Aviv, their power came to fruition. But the political system is actually more constrained than it was. If you think of the summer, Netanyahu had a right-wing coalition, but then, for a short while, he brought in Kadima from the center -- the largest party in the Knesset, and had a super-coalition that could have done anything he wanted, had complete opportunity, right or left.

Today, it's very different. Today, we have -- the dimensions of Israeli politics that Itamar mentioned, have played out such that today we have a domestic alliance: Lapid, from the center, and Bennett, from the right, have coalesced for a bold domestic agenda. It's not trivial. This is not just an alliance of sort of convenience. They're really trying to push in some very serious reforms, things that the ultra-orthodox, in particular -- the perennial members of any coalition in Israel -- are extremely upset about, and are now going to be a vociferous opposition to Netanyahu's government, something that he did not want.

But all this is premised on the idea that what divides the center and the far-right, strongly -- namely, the Palestinian issue -- stays in the back.

So, the way I put it often is that, really, we have two poles now in the coalition. On the right, we have Naftali Bennett, and on the center, we have John Kerry (laughter), who's heading a coalition of forces who want to bring back an issue that Bennett and Lapid do not want to discuss. And if they do discuss, we're suddenly going to have one of the ministers from Lapid's party, Yael German, a former member of Meretz, mayor of Herzliya, which is even more yuppie than Tel Aviv, and Bennett,

including his members, including his number two, Minister of Housing, who is a very hard-line settler. Bennett is, and Uri Ariel is even more so.

They, too, are very odd coalition partners, and they can coexist fine. There's absolutely no problem, as long as John Kerry doesn't annoy them with that issue.

And so the question is: Does this visit, and the follow-up by the Secretary of State, produce a dynamic in the Israeli and Palestinian publics that force this issue back to the fore? Now, if he does, is that enough to bring a peace deal? No, probably not. We still have these contours. But the Israeli political system is still in formation, so that there will be a part of Lapid's party doesn't know what it is.

But also, the system itself -- don't forget, there can be elections tomorrow in Israel, again -- or, I guess, it takes 30 days, so there can be next month we could have elections. And this could certainly happen again if something fractures it.

Now, to be clear, I'm not suggesting that the U.S. play Israeli politics. But if the U.S. pursue its own, clear, stated, longstanding agenda, the Israeli coalition, as it stands, will not be able to avoid the main issue that concerns Americans and, to be honest, many Israelis, as well.

MS. WITTES: So, as I understand you, you're suggesting that to the extent President Obama and Secretary Kerry are successful, they're likely to destabilize this Israeli coalition -- which, Itamar, you said Bibi would like to, perhaps, see the Bennett-Lapid alliance split, and maybe reform a coalition that's more to his liking.

So, is Bibi willing to play along with this game?

MR. RABINOVICH: Okay -- so, two comments on Bibi Netanyahu. One is -- the answer to your question is a definite yes. This is exactly what he tried to do during coalition negotiations. This is why the coalition-building took so long. He didn't want Bennett and Lapid in his party. One of them, Lapid, wants to run for prime minister,

makes no secret of the fact. You know, Lapid, for Lapid, this was to be the first phase of a two-phase plan to run next time for prime minister. He was overly successful this time, and he finds himself at a higher level than he expected, and he now has to cope with that.

But Netanyahu knows that this is a man who wants to succeed him, to replace him. Bennett used to work for Netanyahu, was his chief-of-staff. They had a bad falling out -- okay, not to his liking.

This is not a coalition that he wants. And if, at some point, tactically speaking, he can, because of, let's say, U.S. pressure, and Arab pressure, to move in the peace process, get part of this coalition out, and bring back his favorite ultra-orthodox (inaudible), who are much more dovish, then it would be more to his liking as a calculating politician.

But I want to raise another, which is not the calculating politician, but the potential statesman.

MS. WITTES: You have hope for Bibi as a potential statesman.

MR. RABINOVICH: I'm raising a question. (Laughter.) I'm raising a question. This is --

MS. WITTES: We're on the record, here.

MR. RABINOVICH: I know. This is his third term. It may be his last term, because part of what we saw in this election is the beginning of a generation of change, shift.

So he needs to think of how he wants, possibly, to exit Israeli politics at the end of this term -- as someone who managed to survive three terms as prime minister, or somebody who left a real mark.

Now, he may tell you that his mark, his legacy is stopping the Iranian nuclear challenge. That may be his answer. Many of us hope that he would rise to the occasion and leave his mark on resolving, or at least making significant progress in Israel's relationship with the Palestinians.

I think this is not an issue that he will make a decision on in the next few weeks, but as we look down, I don't know four years, but maybe the next two years, this is an issue he'll have to grapple with.

MS. WITTES: Thank you, Itamar. I think that's a great point, and also a very good segue.

Let me bring in Khaled, here -- we've been talking a lot about how Israeli elections could come at any moment. On the Palestinian side, of course, one of the challenges is that there haven't been elections in years, and there are no prospects of having any soon.

So we have a statesman, or a potential statesman, in Mahmoud Abbas, whom President Obama reiterated over and over again while he was in Israel, is a partner for peace, but someone whose own domestic legitimacy may be shaky.

You just wrote a piece for the *Los Angeles Times* a few days ago arguing that we've got to take a closer look at Palestinian politics.

MR. ELGINDY: Right.

MS. WITTES: So can you tell us what should we be looking at right now, to assess Mahmoud Abbas' room for maneuver, here.

MR. ELGINDY: Well, I think we have to look at all of the same things that we look at on the Israeli side, and all of the same divisions and polarization, I think are there -- but, I think, multiply it by 100. On the Palestinian side you have, of course, divisions along ideological lines. You have this division -- and, actually, a civil war was

fought -- between the two largest Palestinian factions, Hamas and Fatah. And we're feeling the effects of that division in the split between the West Bank and Gaza today.

You also have a division -- I think people often overlook the Palestinian diaspora. There's an enormous division between Palestinians inside the West Bank and Gaza, and Palestinians outside. And, historically, the PLO, the historic leadership of the Palestinian national movement, has been primarily a diaspora movement, diaspora driven. Its main figures have been Palestinians from the diaspora. Mahmoud Abbas himself is a refugee from Safed.

And we've a shift in the center of gravity of the PLO, obviously, after Oslo, from the outside to the inside, to the occupied territories. And within the occupied territories we see a division, of course, since then, between Hamas and Fatah.

And we also have a third division -- which I think, as Itamar said exists in Israel -- you have this generational divide between the old guard and the new guard. And it's also reflective of the general trend in the region. There is enormous discontent by a new generation toward their leadership -- their old-guard leadership, whether they're Hamas or whether they're Fatah. And we're seeing some of that play out on the Palestinian street.

I think, you know, all of these things have to be factored in, not because people have to love Palestinian politics, or have to identify with its, you know, symbol and with its rhetoric, but the fact that it's real. And if Israeli politics, of Israeli coalition politics is a constraining force on -- I mean, obviously, it is -- on the Israeli leadership, it is all the more so in an environment where, as you said, Tammy, there hasn't been an election for a long time, there are questions about the legitimacy of this leadership -- you have a Palestinian whose term has technically expired, you have no Palestinian parliaments. It's been defunct now for many years because of this division.

And, at the same time, you have a PLO leadership that has never been elected, and its legitimacy was derived primarily through resistance and other means, and now those factors have also been removed from the equation. So you have a Palestinian leadership that, even were they to enter into negotiations, would be severely constrained because of these multiple divisions.

And I think that it's important to bear in mind that, obviously, you need to have a Palestinian partner, an interlocutor, who can sign an agreement, but there needs to be, like anywhere else -- and I think this is one of the lessons of the Arab uprisings is, domestic legitimacy matters. And President Obama alluded to that during his speech to the Israeli students that, you know, the days of making an agreement, you know, with -- with --

MS. WITTES: Unaccountable --

MR. ELGINDY: -- unaccountable autocrats are over. And I think that, you know, the irony is that the current policy thinking does not apply that to the Palestinians. He was talking more broadly in the Arab world.

MS. WITTES: So, as we think about the events of the last few months, just a few months ago Abu Mazen went to the U.N., got this "enhanced status," over the objections of Israel and the United States, and few other countries. It seems to be using that as a way of gaining greater domestic credibility -- perhaps that he could then use, as certainly he claimed, that he wanted to then use it in peace negotiations with Israel.

Of course, in the immediate aftermath of that, we had rockets from Gaza into Israel, and a crisis erupt there. And in the wake of the Gaza cease-fire, Salam Fayyad, the Palestinian prime minister, said to an audience here in Washington, that that crisis, and the fact that Hamas was able to use rocket fire to get concessions from Israel,

was a strategic death blow to the peaceful path that he and Abu Mazen had been advocating.

Is this partner for Israel -- Abu Mazen, the Palestinian Authority -- are they mortally weakened at this point? Or are there -- if you're Abu Mazen, in other words, what do you see as the main constraints? Do you feel like you have a platform on the basis of which you can take a risk, try to work with this very factious Israeli domestic environment, and make a go of things?

MR. ELGINDY: Well, I think that's just it, he's in a very, very precarious position -- not just vis-a-vis his opposition -- and his opposition is everything from Hamas to people outside of the Muqataa in Ramallah. There are protests on a regular basis, general strikes. And his Palestinian Authority, itself, is on the verge of financial collapse. So he doesn't have a lot going for him.

And his first and strategic choice remains, I think, a negotiated agreement with Israel. He wants to be the midwife of a Palestinian state. He sees that as his legacy. If he can't do it through negotiations -- and there are constraints on his ability to negotiate -- he's unable -- it's not that he doesn't want to go to negotiations, it's not that, even, that he insists on a settlement freeze before going to negotiations, but his people won't let him go back to negotiations under these terms.

And I think the main problem that we've seen with the peace process so far is that it has generally pitted the ability of a Palestinian leader to have domestic legitimacy against their ability to be recognized by Israel, or by the international community, as a partner. As long as these two things are in conflict, he's unable to do anything. And we saw that with the U.N., the U.N. bid, or with, you know, reconciliation. The more he moves towards reconciliation with Hamas -- which is a fundamental, very popular Palestinian demand -- the more sanctions he incurs from the international, from

Israel, and so on, and the same is true with the U.N. If he goes to the U.N. to bypass negotiations because the Palestinian public sees negotiations as a ruse, and he gains some domestic popularity, but at the expense of being sanctioned internationally.

So, as long as these are in tension -- his domestic legitimacy and his international acceptability -- I think it is a counterproductive kind of situation. The two ought to be able to coexist. You know, you need to have domestic legitimacy in order to have a partner who can sign a credible, meaningful agreement with Israel.

MS. WITTES: So, what could Secretary Kerry bring that would bring those two things together for Abu Mazen?

MR. ELGINDY: Well, I mean, I think -- I think there needs to be a serious re-think of the peace process as a whole. I think what he needs to bring to it is some sense of "Palestinian legitimacy matters," that Palestinians are part of the Arab Spring, or the uprising -- whatever you want to call it -- at least in the sense that the popular will is relevant, and is an actor at the table. And that's true of Palestinians as much as it is of Tunisians, Egyptians, and Libyans, and others -- a recognition of that, I think, would be a good start.

Another thing that he can bring is a sort of a recognition that realities have changed. And I think one of the reasons the peace process has been such a failure, and is really essentially dead, is that it's not, it's based on an outdated and, in some cases, totally obsolete set of assumptions that simply don't exist anymore. The reality has changed, the earth has shifted underneath everyone's feet. And, I would argue, even before the Arab Spring this was true -- the peace process was outmoded, even two or three years ago.

So, recognition that realities have changed -- you have new actors that are now playing roles -- we see it, obviously, in Egypt -- you have a new president, a new

ruling party -- and it's also true in Palestinian politics. Islamists matter -- whether they're the opposition, whether they're partners in governing, or whether they're the ruling party, you have to take them into account. And that is especially true in the Palestinian case.

MS. WITTES: So you're suggesting that, one way or another, for a peace process to move forward, there's going to have to be some form of political reconciliation.

MR. ELGINDY: Some form of political reconciliation, not just between Hamas and Fatah, but between Palestinian Islamists and the rest of the world. You know, they can't be ignored or wished out of existence. They're there. And if they're not part of the process in some broad sense -- not necessarily at the negotiating table -- but they're part of the process, the political process -- maybe as the loyal opposition, maybe as a partner. If they're not part of the process, then they become part of the problem. And then the incentive is to continue playing the role of the spoiler.

MS. WITTES: Okay. So that issue of integrating Islamists into the politics of the peace process reflects the broader challenge for the United States in the region of integrating Islamists into our regional policy.

It's also, it's a tough ask for Israel.

Itamar, do you want to comment on that? And also, more broadly maybe, on the question of what Secretary Kerry could do to ease Netanyahu's constraints?

MR. RABINOVICH: Interestingly, what Khaled just said -- if you translate it into operative terms -- reinforces the case for an interim agreement, and may make Netanyahu's life easier. Because Islamists -- let's say Hamas, in the case, the Palestinian case -- are not really partners for final status agreement. If you read their

charter, Palestine is an Islamic waqf, an Islamic endowment. You cannot renounce sovereignty over it to Christians and Jews. You can have a hudna with --

MS. WITTES: A "hudna," a long-term truce.

MR. RABINOVICH: -- a long-term truce with an enemy. That is permissible by Islamic law and Islamic tradition.

From, let's say, the Israeli right wing's perspective, an interim, a long-term interim agreement is preferable to final status agreement, because the concession that you have to make would be smaller. You get less, but you also give less. That is something that potentially that Netanyahu can maneuver with.

So, ironically, if Khaled is right, and Hamas is integrated, and Morsi and other Islamist leaders in the region -- Erdogan, a new interlocutor, let us say -- and other Islamists are integrated into a redefined peace process, then the emphasis shifts from a final-status agreement that is not either agreeable or comfortable for both sides, to the more comfortable middle ground of a long-term agreement, or coordinated unilateral agreement.

That may become the operative grounds.

MS. WITTES: Okay. So our two negotiators have already found a way forward. We'll see if Secretary Kerry takes their advice.

But, I think before we open it up to our audience for questions, there's one more dimension that I'd really like to get to, which is the broader regional dimension, and the only diplomatic news of President Obama's trip, the rapprochement between Israel and Turkey.

We've already seen Erdogan, in the wake of this reconciliation, attempt to insert himself into Palestinian reconciliation, and announce that he would like to work

with the Egyptians on this effort. He'd like to visit Gaza, he'd like to visit Ramallah. I believe Abu Mazen said, "Don't visit Ramallah yet."

It's clear that there is an interest, at least on the part of some regional actors, in getting back into the Arab-Israeli game.

I guess -- I was in Israel just before the President. One of the things that struck me is the continued anxiety amongst many Israeli foreign policy and national security thinkers about the regional environment -- about the uncertainty, about what's happening with Egypt, about the collapse of the Syrian state on their northern border, what was previously their most stable border.

And I wonder, Itamar, if I can ask you -- and maybe Natan, as well, from a sort of public opinion perspective, as well -- how is this regional environment affecting Israeli calculations about the risks of a peace process, or the opportunities in a peace process?

MR. RABINOVICH: Okay. Let me go back to 2009 -- '09, '10 -- the difficult years in the Obama-Netanyahu relationship, and the philosophical difference in looking at the Arab Spring. Netanyahu, and the Israeli right wing say this has become a very stormy, unstable environment. This is not a time to make concessions. You dig in, and you wait for the storm to go by. And Obama says no, no, no, this is a tide of history, and you have to be on the right side of history, and things are only going to get worse. Therefore, make your deal now, before it becomes too late.

And, to some extent, this is also a debate inside Israel between right and left, to say how do you read the larger regional picture -- exactly along the same lines.

Now, more specifically, about Syria -- I would say, right now, paradoxically, Israel is almost the least affected of Syria's neighbors. If you compare it to

the impact on Lebanon and Jordan, on Turkey, or conversely, the impact from Iraq into Syria, Israel is the least affected and least affecting in the Syrian crisis.

Now, this could change at a moment's notice. It could be jihadi groups taking control of deadly weapons and using them against Israeli targets, attacking from the Golan Heights. The crisis could intensify, Hezbollah could be drawn in. There could be a swift, a very swift transition from the current calm to a major crisis.

Longer term, longer term, the future of Syria as a state, again you have the domestic Israeli division between public left and right. The right wing, you know, it's not a calamity. Syria may collapse as a state, there will have to be no Golan deal, and they even broaden the scope and say, you know, maybe there are going to be major geopolitical changes, the Kurds are going to become an actor, it's a time to start reshuffling -- not in Khaled's, the terms that Khaled mentioned before, but really trying to reshuffle the regional chessboard. Let's call it a right wing.

Other Israelis say, no, our interest is in a stable, secular, moderate Syria, shifting from Iran to the United States. And, obviously, the price tag for that would be a Syrian demand or request of the United States to give them what Sadat received in return for his coming on the American bandwagon in the 1970s.

MS. WITTES: And that would mean a deal on the Golan.

MR. RABINOVICH: That would mean a deal on the Golan.

So, but this is obviously not an immediate issue. This is looking a couple of years down the road.

MS. WITTES: Natan?

MR. SACHS: Yes, I would just weigh in and say that one way of thinking about it is, from the Israeli perspective, do you take risks, or do you sort of aim for stability.

And if you think even back to the Oslo process, when it started, Rabin very -- I didn't know him personally -- but spoke very clearly about the window of opportunity that stemmed from regional stability -- Iran not being nuclear red, or close to it, stability on all sides of Israel, more or less, PLO very weak after the '80s. Jordan was stable, the peace with Egypt survived the assassination of Sadat. There were all these opportunities to move forward.

Almost nothing of what I just said still holds. Iran is where it is, Lebanon is still a mess. But everything else, even Jordan, there's anxiety about that, and that's very important for Israel, of course -- and Egypt, more than anything.

So, none of these pieces holds, and that window of opportunity is shut closed completely.

So, the question is, do you, in that mindset, aim for stabilizing the region as it is? And the answer for the Israelis is "Absolutely not." The region is completely shifting, tectonic shifts, and Israel needs to make sure it weathers this storm.

And from this perspective we should also give credit to the Netanyahu government, the previous Netanyahu government. They were able to weather the storm rather quietly. The fact that Israel was not in the news about Sinai, more than it had to be, or even about Syria, except for one very important incident, is actually to their credit. They were able to be very restrained on this point, and I think that was a good point.

But it comes from a mindset of "we're weathering the storm." An alternative view would be, there are all these changes. Israel has fundamental needs that are not aligned with the status quo, and it should seize opportunities -- perhaps on the Syrian front, perhaps on the Palestinian front.

But, by and large, this certainly strengthens the skeptical views in Israel. Ordinary Israelis, when they look at it, they see the need to hunker down, the need to get

into the bunker and survive this storm, and see where things emerge. And, moreover, Israelis on the right who think long term, and try to answer the question, "What do you want in the end?" -- you know, with the demographic question -- often the answers would be, "Well, the region is going to be completely different," hinting towards Jordan, hinting towards many things may be different, as Itamar mentioned. And I think this strengthens this view that, in 30 years' time, when there's (inaudible), who knows where the Hashemite Kingdom will be.

And this strengthens the view that Israel should not be moving too much, it should focus on security, it should think in terms of 100 years, rather than in terms of 20 or 30 years, reaching a kind of peace.

MS. WITTES: Itamar?

MR. RABINOVICH: Yes, two points -- one is Ambassador Sam Lewis is here, was a member of Clinton's peace team. And I vividly remember the meeting on March 1, 1993. There was a breakfast with Prime Minister Rabin. And Rabin analyzed the regional situation, and Ambassador Lewis said, well, the conclusion of what you just said is that you have to talk to the PLO. And Rabin nodded. It was really a --

MS. WITTES: And lo and behold, a few months later --

MR. RABINOVICH: Yeah. So that was a historic moment.

But to go back to the present, I fully agree with Natan's analysis. I would say this -- Israel can play in this new regional diplomatic game. There are two entry tickets to being in the game: one has already been purchased, that is normalizing with Turkey. The other is to have a functioning process with the Palestinians, without which talking to Saudis, and to others, is going to be very difficult.

So those Israelis who argue for starting a process also think about being a more active and acceptable player in the new regional politics.

MS. WITTES: And, no doubt, this is part of the argument that the Americans are making in their discussions with Jerusalem.

I have to ask, as well -- because the last time we had major shifts in the regional balance of power after the end of the Iran-Iraq war, the collapse of the Soviet Union, the Gulf War, that was when the PLO made its historic shift, and we ended up with the Declaration of Principles.

Today, the PLO and Abu Mazen are seeing their regional constellation of potential allies and adversaries shifting, and shifting very quickly. It's actually hard to keep track.

So, as Abu Mazen looks at the rise of Qatar, a Muslim Brotherhood-led Egypt, Israeli-Turkish rapprochement, where does he see potential support for his path? And what is he worried about in the region, Khaled?

MR. ELGINDY: He's obviously worried about all of these trends, particularly in Egypt, which had been, in a sense, his strategic depth. And you take Mubarak out of the equation now, and he's lost that.

Hamas, his key political rivals, also lost their main regional patron, but they've adapted much -- they've been much more deft at adapting to the regional situation which, in all honesty, has had, frankly, the trend-lines have been in Hamas' favor, with Islamists winning elections around the region, and especially in Egypt. So, both Abbas and Hamas have suffered setbacks but it, on the net, has been much greater for -- much to Abbas' disadvantage.

But let me just respond to something, sort of hit two birds with one stone -- something that Itamar said, and Natan, also -- as far as the interim deal, and the window closing on the Israeli side, or sort of deepening apprehensions to taking these risks for peace.

I actually think that, maybe contrary to conventional wisdom, that there's an opportunity right now by the dramatic changes that are playing out in the region. I think the fact that the window is closing on a two-state solution, the consensus on the Palestinian side is beginning to crumble, but there's one constituency that, interestingly, is actually moving towards a two-state solution, and that is the Islamists -- or at least the bulk of mainstream Islamists, the Muslim Brotherhood in Egypt, and its offshoot in the Palestinian scene, Hamas, both are essentially now on the record, and their actions, I think, also support, that they are now basically in the two-state solution camp. We can debate that point.

But, if --

MS. WITTES: Do you want to explain a little bit what you see that leads you to that conclusion?

MR. ELGINDY: Well, you know, the Brotherhood-led government in Egypt, they're on the record as upholding the Camp David and the peace treaty with Israel which, of course, confers recognition -- whether it's de facto or de jure is debatable. But they are now clearly in the "We recognize Israel, we are going to uphold our end of the bargain, in terms of the peace treaty."

You also have their actions, the actions by Egyptian authorities against the tunnels, the smuggling tunnels between Gaza and the Sinai. Even if it's not the Brotherhood that is behind those decisions, they've clearly endorsed them. So they're also on board, essentially -- in a way, they own the Gaza blockade policy that they inherited from the previous regime.

So all of the conventional wisdom that Morsi would act on behalf of his political and ideological allies in Gaza, I think haven't come to fruition. Instead, he's acted in accordance with his perception of Egyptian interests.

The Hamas, I think, the same goes for Hamas. Hamas is essentially, even the act of taking over the Gaza Strip, was in furtherance of the two-state solution, as odd as that may sound. And Gaza today is the foothold for the two-state solution, not in the West Bank. And you see that reflected in the polls, as well. West Bank-ers see -- 60 percent of West Bank-ers, according to the latest poll that I saw, see that a two-state solution is no longer viable, whereas it's only 40 percent in the Gaza Strip.

So, in a way, it is Hamas-ruled Gaza that is keeping a foothold on a two-state solution.

And, of course, the rhetoric coming from Khaled Meshal, which goes both ways, but, I think, the preponderance of Hamas' rhetoric is in favor of two states. They don't want to be the ones to sit across the table to negotiate. They're happy to let, to have a division of labor with Mahmoud Abbas and Fatah on that score. But I think it is possible to have a two-state solution, where Hamas is not necessarily at the table, but perhaps in the background, perhaps looking over Mahmoud Abbas' shoulder. But, in one form or another, they're involved, if not directly.

And I think we can make a case for permanent status, as opposed to interim, which I, personally, wouldn't endorse.

MS. WITTES: Okay.

With that, let me open it up for questions. We'll have microphones coming around.

Two instructions for those of you in the audience who would make an intervention: Number one, please identify yourself. And, number two, please make sure it is a question -- that is, a single question, with a question mark at the end.

And we'll start with the gentleman right here, in the purple sweater.

MR. RAVIV: Am I the only one in a purple sweater? Good morning, Dan Raviv, with CBS.

To what extent is the Iran issue holding back the possibility of a peace process, in that Netanyahu had said for years that when we're under this Iran nuclear threat, we can't do anything.

So, did Obama give enough reassurance? What's your reading of what was said during the trip to Israel?

MS. WITTES: Okay -- a model question.

Gentlemen, who'd like to kick us off?

Itamar?

MR. RABINOVICH: Well, I made reference earlier to the fact that we don't know what went on in the closed room, between the President and the Prime Minister. That refers both to the peace process, or the Palestinian issue, and to the Iranian issue.

But I would say the following: Clearly, there's a linkage. And whether explicit or implicit, if the President undertakes to look after the Iranian issue, and if a relationship of trust is established between the two leaders, then the President would be asking for reciprocity on the Palestinian issue, and also could argue that, now that your concern with Iran is maybe relieved, you can be more forthcoming on the Palestinian issue. So the linkage is there, whether explicit or not

You could see that some of the urgency on the Iranian issue has been removed, partly, and the red line has been --

MS. WITTES: Pushed off, if you will.

MR. RABINOVICH: -- has been pushed off. And the Iranians contribute to this by not moving toward weaponizing, although they continue to enrich.

So I think, looking forward into the next few months, the two issues will continue to unfold, with real linkage between the two of them.

MR. SACHS: I'd say that, to a certain degree, there is the opposite opportunity. So, Israelis do sometimes speak about "Iran for Palestine," in a sense. And so this linkage -- I think there's some room there to move. I don't mean to overstate it. But that sometimes is said. So the thing Netanyahu very clearly is most worried about is the Iran issue. He's spoken about that in existential terms very explicitly. And the thing that the world -- everyone outside of Israel -- wants most, is some movement on the Palestinian issue.

So, in theory, there's potential for movement there, but it's limited. And it's limited, in part, I think, because one of the limiting factors -- I think it's also interesting in Washington, here, it's just the bandwidth of time and effort and political capital that the leadership can spend.

So we mentioned earlier the coalitionary problems -- these are very different coalitions you have to build. For an Iran strike, you need one thing. It is not the same coalition you need to be hawkish or dovish on the Palestinian issue. Examples are, perhaps, Bogie Ya'alon, the brand new Minister of Defense, which is an extremely important post in Israel, who is, at least these days, very, very much a hawk on the Palestinian issues, although he wasn't originally. But on the Iran question, perhaps more -- I wouldn't say "dove," there are none, but perhaps more of a centrist, shall we say, more skeptical of a unilateral Israeli strike than Netanyahu and than Barak, his predecessor.

So these kinds of coalitions you need to build are very different. If you want Ya'alon on side, you have to do certain things. If you want someone else on your side, you have to do very different things. There's limited bandwidth.

And successful presidents and prime ministers, from my observation, are the ones that know to prioritize very clearly what they want.

So, unfortunately, I think, for the attention to the Palestinian issue, this linkage might be more difficult politically.

MS. WITTES: Maybe more potential than actual, in practice.

Okay, in the back.

MR. DANZIGER: Thank you. I'm Rafi Danziger, consultant to AIPAC. And my question is to Itamar and/or Natan.

One scenario you did not raise was the possibility of Labor moving in, in case Bennett moves out if there's progress on peace. Shelly Yacimovich, the head of Labor, already said that she will do that if, indeed, there's movement toward peace. So, I would like to hear a comment on that.

And, Itamar, could you respond to what Khaled said, that Hamas is ready for a permanent agreement, not only for interim.

MR. RABINOVICH: Okay, on Labor and Yacimovich -- as you know, Shelly Yacimovich took -- Labor, traditionally, was the pro-peace, pro-diplomatic-solution party. When Ariel Sharon formed Kadima, that role was taken away by Kadima. And Labor, under Barak, was not able to restore it. The party entered into a major crisis. Barak left, Yacimovich succeeded him, and she took the party to a very distinct domestic agenda, left-wing domestic agenda -- refused to be outspoken on the peace issue, and paid for it in the election. It turned out that her gamble on that orientation was wrong, was not successful. And I'm sure she's contemplating her future course.

So, we are now dealing with a number of potentialities.

If there is a change in the coalition, and if she ends up coming in, will she continue to uphold the domestic flag, or will she go back to hoisting the foreign

policy/diplomacy flag? So, one speculation upon another, and I don't think we can say anything definitive at this point.

Now, on Hamas and final-status agreement, I'm a bit less sanguine than Khaled. Khaled Meshal has been speaking from both sides of his mouth. There is a positive statement and then there is a retraction, by himself or by somebody else.

The Egyptian leadership has been, I think, very skillful in playing, again, an ambivalent political game, whereby, in practical terms, they work with Israel. The president, himself, refuses to deal with it. It's assigned to the military and to the intelligence communities. We have the bare minimum of a relationship, and he manages with that.

I would say, as we said with other issues, as the next few months unfold, and as a more serious drive towards some kind of a peace process is being led by the United States, people's real positions will be testing, including that of Hamas, say. There will be a point at which ambivalent statements won't work, and one would be required to take a definitive state, and then we'll know.

MS. WITTES: Although one could suggest that, in Hamas' case, that test will only come if the U.S. and others make clear that the door is not entirely shut to engagement with Hamas. I mean, at this point, the U.S. is still insisting on the Quartet principles. Israel still insists that Hamas is persona non grata, in terms of the peace process.

So, how can we ensure that Hamas faces an effective test?

MR. RABINOVICH: In indirect, tacit diplomacy. I mean, you don't even have to speak -- so many of Hamas' promoters or patrons today in the Arab world are allies and partners of the United States, that the United States, or the administration,

doesn't need to speak directly to Hamas in order to establish what Hamas will do in situation A, or B.

MS. WITTES: Okay. Why don't we take a few questions down in front, Marshall?

And we'll start with Ambassador Sam Lewis.

MR. LEWIS: Thank you. A very fine discussion, by the way -- all of you.

I'm curious about how you would integrate the Islamist wing better into a peace process, and end up with an interim agreement, which both Itamar and her highness thought would be the result.

Because any interim agreement that doesn't touch on Jerusalem can't possibly be something that the Islamists would support -- or am I wrong? And could you have an interim agreement that does, in fact, ignore everything about Jerusalem?

MS. WITTES: Khaled?

MR. ELGINDY: Well, my understanding of an interim agreement is that, by definition, it would ignore Jerusalem.

MS. WITTES: You mean under the Oslo framework.

MR. ELGINDY: Under -- yeah, under Oslo framework or, you know, sort of -- I mean, I see it as a continuation of the Oslo framework. You get an agreement on what you can get -- maybe it's a state with provisional borders, maybe it's limited withdrawals or redeployment from certain parts of the West Bank, limited settlement evacuations. All of these things, by definition, would exclude Jerusalem -- as well as, you know, some of the other core issues that are difficult to resolve.

So, I don't advocate an interim solution. I don't think there's any such thing as "interim solutions." I think kicking the can -- it only gets harder as you kick the -- you know, you kick the can down the road, the can just gets bigger, and eventually, you

just can't kick it anymore. It starts -- you know -- and so I don't see any value at all in interim agreements. But, as I understand it, they wouldn't include Jerusalem.

I think the Islamists have shown a certain amount of pragmatism when it comes to even issues like Jerusalem. The problem with the issue of Jerusalem isn't the Islamists. There is a fairly solid consensus on the Palestinian side of the minimum that Palestinians would accept. And Islamists are within that minimum consensus. So it's not the Islamists who suddenly pulled the issue off to the extreme.

What Islamists demand in Jerusalem is pretty much in line with the consensus of the vast majority of Palestinians.

MS. WITTES: Do either of you want to add on that?

MR. SACHS: Well, I'd just say that there is the difference -- proponents of coordinated unilateralism, as Itamar mentioned, hardly speak to this, which is, the part of the problem is that getting a signature on anything short of the real thing involves a tremendous cost for any of the parties.

Of course, there are the drawbacks of unilateralism, as we saw in Gaza. For the Israeli public, that was an unmitigated failure -- I think, perhaps too critically judged, in part because there's a mixing there of dismantling the settlements, which was one thing, pulling the military out, which was actually a second thing. And there are different judgments of each.

But this affects the way Israelis think about possibilities of unilateral action in the West Bank. For example, the Jordan Valley is now something that the Israelis would probably insist on much more, actually, in the interim, because of the changes in the Arab world, as a lesson from Gaza. One of the lessons from Gaza was that the final decision to pull out, not just from Gaza, but from the border between Gaza

and Sinai, which opened the road for the tunnels and for the weapons, that was an Israeli strategic mistake, from a unilateral standpoint.

So -- I'm sorry, to be brief, perhaps coordinated unilateralism would give some avenue to this and, in this respect, the coordinated part of it needs to be, probably, from a trusted partner, and the U.S. is sort of the obvious candidate for that.

But what that entails, and where that leads is an open question. There can be any number of variants of a coordinated unilateralism.

MR. RABINOVICH: Yes, briefly, let's say what Khaled described as -- is not something the current Israeli government coalition would be willing to do.

So, if that happens to be the case, it would require either re-formation of the coalition, in line with what Rafi Danziger asked before, or even a new election. But not with the current coalition.

MR. SACHS: so, maybe I'll say one point on that -- the Yacimovich question, I think, is an excellent one.

The Labor coming in originally was very difficult, for a variety of different reasons. I tend to think that Yacimovich -- but not just her, the new guard, some of them very young, in Labor -- are genuinely focused on the socioeconomic issues. They are also doves; all of them are doves on the Palestinian issue. But many of them truly are focused on other issues. If Yacimovich, herself, did it before there were the big demonstrations in Israel, 2011, and others are focused on other issues -- feminist issues, and other questions.

So, for them, it would be very hard to come in because of Netanyahu's economic policy -- and, in particular, with the lead-up to this budget coming on, which is going to be a very difficult one. For that, Lapid suits much more as a real capitalist, like Netanyahu.

But once this budget is over, and if other things change, and if Yacimovich feels the pressure of never having been a minister or a deputy minister, wanting to lead the opposition, things may change. And there is still a -- there's going to be, if that ever comes to fruition, if Bennett leaves, and people on the left feel like Netanyahu is actually moving with the United States, and "maybe we should join and help him," we're going to see tensions inside Labor -- between, probably, part of the young guard, including a bunch of people who do not like Yacimovich at all, and some of the establishment, people, especially, who have been ministers in the past, and really like being ministers, and feel like the place to influence -- I don't mean that only cynically -- that the place to influence Israeli politics is not from the back-bench in the Knesset, where very little is done, but rather from the cabinet itself -- the security cabinet or general cabinet.

And we're going to see this kind of split. And the drama that Labor always produces, the headache it always gives to every single leader it has, is going to come back -- if Bennett gives it the opportunity.

MS. WITTES: Okay. That also suggests that sustaining a sense of urgency on the Israeli-Palestinian conflict is going to be a challenge while these socioeconomic issues continue to play out.

So, let's take Garrett Mitchell, and then Saeb Erekat.

MR. MITCHELL: Thank you very much. I'm Garrett Mitchell, and I write "The Mitchell Report."

And I'm trying to decide whether -- this is feeling a little bit like groundhog day, and it's also making me wonder whether that's just because I'm hardheaded.

So what I want to do is to try to understand the distinction between the long list of very interesting things you've talked about today -- the vast changes in the

region, which I don't need to detail, but which you've outlined. And the question for me is: All of those are interesting. Which of them are relevant?

Jerusalem, borders, right of return, et cetera -- anything in those changes that you've been talking about relevant to changing the perspective and the possibilities on the issues that we know are going to have to get resolved if there's going to be an agreement?

MS. WITTES: Okay. So, effect of this political ferment on the final-status issues that remain unresolved -- and, so, in a sense, Gary, I think what you're saying is that we've been talking about atmospherics, but when you get to the brass tacks of negotiations, what has really changed?

I would have my own answer on that question, but I'll let you guys start --

MR. RABINOVICH: (off mic)

MS. WITTES: Well, I mean, to me the big one is settlements. And the Israeli coalition politics on settlements, I would say, look very negative; that the ministerial portfolios responsible, with responsibilities that would allow them to either expand or contain the settlement project are primarily in the hands of Naftali Bennett and his very pro-settlement party. And the one constraint within the coalition on settlement activity might be the Defense Minister. Ehud Barak, when he was in that role, was willing sometimes -- sometimes -- to put his foot down and halt moves that would be very unconstructive with respect to a two-state solution or, more broadly, with respect to relations with the Palestinians. I don't see Bogie Ya'alon playing that same role.

So, to me, that's the big shift between the last Israeli government and this Israeli government, is what's going to happen on the settlements.

MR. SACHS: I very much agree. I think that, in a sense, what we saw was a deal. Lapid got most of the domestic stuff he wanted, and he's Minister of Finance

-- although he, himself, probably didn't think he really should take that job, which is a very difficult one, and one that often doesn't help you politically. But in the aftermath of the coalition agreements, it suddenly emerged how much Bennett's party got on the relevant portfolios for settlements. I'd say that the Ministry of Defense is not only the last stopgap, it's really the most important position. And Bogie Ya'alon is a pragmatist in many respects, but he, at least recently, has been very hawkish on the Palestinian question, and on settlements. And his deputy Danny Danon is even more so -- both from the Likud.

And there's the Housing Ministry, which matters for some things, but less than the Ministry of Defense. It's not Bennett, it's the number two in his party, actually from a different faction more extreme than Bennett.

There's a whole host here. It's really all the way up to Netanyahu, there's almost no one who you'd expect to play the role.

But I would just qualify that by saying that the voices out of the prime minister's office, including National Security Advisor Amidror, and others, are that Israel might be going towards what it considers to be a quiet freeze. So none of what happened earlier, in the first Obama term, but a tacit agreement not to build, at least officially, outside what Israel considers to be the blocks, and not in E-1 -- and, in other words, avoid all the embarrassments because of the international relations problem that they recognize -- that you mentioned earlier, Tamara -- that they might go for this in the unilateral kind of way.

And the fact that Amidror has been signaling this is considerable, because Amidror is even more hawkish than Bogie Ya'alon -- or, at least, that is often the perception.

So, there might be this sort of strategic acknowledgment that there needs to be limits on what can be done outside of the blocks.

MR. RABINOVICH: Well, the settlement issue, I think, can be seen in two different ways. One is where it fits into final-status agreement, and where it fits into the management of the issue in the next few months.

So I think what Natan and Tamara spoke about until now was more on the management side of the issues: How does this government conduct itself on settlements in the next few months, trying to create a positive atmosphere rather than a confrontational one.

But there is the issue of what happens with the settlements in a final-status agreement, whether you have a swap, and 6 percent of the West Bank accommodates the settlement blocks, very much what was on the table, let's say, between Abu Mazen and Olmert.

So that takes me back to the leadership issue that I raised earlier. Say, if we are going to have final-status agreement, it would take a leadership act of the highest order by Netanyahu.

If you look at the history of the Arab-Israeli peace process, every breakthrough that happened -- Menachem Begin in the late '70s, Rabin, Sharon -- Olmert did not have a real breakthrough, but he was willing to go far down the line both on the Palestinian and Syrian issue. And all four of them went against the grain. And, for Begin, not part of the land of Israel, but on the Sinai, he was willing to go a long way. Rabin, Rabin was willing to recognize the PLO. Sharon, the father of the settlement project, went out of Gaza and destroyed the Gaza settlement. And Olmert, coming from the hardcore of the Likud party, family-wise, ended up by willing to go a very long way, both on the Palestinian and Syrian fronts.

So, for a tectonic shift of that order of magnitude to happen, Netanyahu will have to make the decision: Does he want to lead the country to a final-status agreement? For this, he will have to break his coalition, and probably break his party, and pretty much do what Sharon did. Sharon had to leave the Likud, build another party, and do what he did -- and probably would have continued, would have continued in the West Bank, on a smaller scale, what he did in Gaza, had he not been defeated by his own party.

So the question comes back to haunt Netanyahu: Are you willing to make that kind of a huge decision -- call it "for the legacy" -- or do you want to manage the issue with more minor decisions? He may not have come to terms, himself, with this question. It's too early to tell whether his third term will be the term in which this happens, or doesn't.

MS. WITTES: Khaled, did you want in?

MR. ELGINDY: Yes. I mean, on this issue of settlements, I think from the Palestinian perspective -- and maybe even from the Israeli -- when we're talking about "settlements," what we're really talking about is Jerusalem. "Settlements" are Jerusalem. That's what, from a strategic, are the obstacle, both in and around Jerusalem.

So, a freeze, or a slowdown in the so-called "blocks" -- I mean, outside of the blocks, is not that meaningful for Palestinians, because it's not the Elon Morehs and the Yitzhars -- as problematic as they are, particularly as a source of settler violence -- at a tactical level on the ground, for Palestinians, they're not the strategic problem. The strategic problem is that you cannot have a Palestinian state that does not include Jerusalem, and that does not Jerusalem's hinterland. And that is precisely what the blocks are designed to destroy.

So, I find it difficult to envision how an Israeli government that is comprised of settlers, that is, you know, a Ministry of Construction, of all things, that is headed by a settler, is going to even tolerate a slowdown at a tactical level, much less at a strategic level.

So, you know, I think one of the changes, you know -- the question was "What's changed?" Everything has changed. Everything has changed, not just on the political scene, in terms of political actors, but realities on the ground have changed.

You know, when I hear people talk about the "Clinton parameters" I find it very amusing. The "Clinton parameters" was the end of 2000, when you had something like 380,000 settlers. Today you have close to 560,000 settlers -- almost a 50 percent increase in the past 12 years. So, that's another kind of reality that has changed, and we have to accommodate -- we need more, much more creative thinking.

I think one of the outcomes of the settlement problem is that we might need to think outside the box. We need to think in terms of more creative solutions than simply, you know, the traditional two-dimensional, draw a line, swap some land, and you're a sovereign over here and you're a sovereign over here, but where you end up with something like a checkerboard, or Swiss cheese, or something that's just not viable.

I think we need to think much more creatively about how to implement sovereignty in ways that maybe can accommodate these changes on the -- these sort of demographic changes on the ground, and be much more flexible with regard to how we define "sovereignty." And that can also, I think, help resolve issues like right of return, without, you know, flooding Israel with 5 million Palestinian refugees.

So, I think one of the outcomes has to be that we think creatively. You know, we need whole new paradigms for how to conceptualize these issues, otherwise

we're going to see mass evacuations of hundreds of thousands of settlers, which is politically problematic.

In lieu of that, I think we need to stretch the bounds of our traditional understandings of things like sovereignty.

MS. WITTES: Okay, we've got about 10 minutes left, and I want to try and get to as many of you as possible. So we're going to take several in a row, and we'll start right here. Saeb?

MR. EREKAT: Okay, my name is Saeb Erekat, from Al Quds Daily Newspaper.

And my question to any or all three of you: Although the President -- the feeling is that although the President spoke quite passionately about the need for a Palestinian state, he basically adopted the Israeli position, especially by insisting that the Palestinians should recognize Israel as a Jewish state.

Do you concur? And how would the Palestinians go about fulfilling that request?

Thank you.

MS. WITTES: Okay, and then, Marshall, on your other side, the gentleman right there.

Yes?

SPEAKER: Good morning -- just further on Jerusalem settlements.

I agree, if the Palestinians can't get Al Quds some sort of capital on East Jerusalem, there is no deal at all. So, Itamar, maybe Bibi's decision is made by his very actions. Because if the settlements, and the breaking of the Arab neighborhoods in East Jerusalem continues as it's going on right now, there will not be an Al Quds, and the Palestinians, and the Arab world, will not accept it.

So, what is going on in Bibi's mind about his vision of the future? That's the question.

MS. WITTES: That's a \$60,000 question.

And then one more, right behind you, Marshall.

Yes, there we go.

MR. SUMKA: Howard Sumka, former USAID director for West Bank-Gaza.

Apart from the problem of bringing Hamas and Fatah together, and the political issues that would create in the U.S., I wonder if you could talk -- mostly Khaled -- about the political problems within the Ramallah-Palestinian Authority, the fragile state of Fayyad's state-building enterprise, and the conflict between him and Abbas, and among the factions in the PLO?

MS. WITTES: Okay. So, where do we want to start? With Israel as a Jewish state?

MR. SACHS: Sure.

MS. WITTES: How important was it that Obama was willing to echo that language?

MR. SACHS: I was surprised that he did, to be honest. It was important for Netanyahu.

The demand for the Jewish-state component, which is relatively new -- it's a Netanyahu; it's just last term that Netanyahu brought that precondition in.

The rational for it, the reason it resonates so much with Israelis, is partly because it is a fundamental ideological sort of standpoint, Israel as a Jewish, democratic state.

But the other is that it relates to the question of the right of return of refugees, of Palestinian refugees and their descendants. That's where it really resonates with not just the right wing, but with other.

So, Tzipi Livni, for example, is adamant on the question of return of refugees or their descendants into Israel-proper. Olmert, slightly less so, but these are just nuances.

And so, on this, Israelis are adamant. If it's a two-state solution that we would ever get two, then it has to be two states, not one -- and-a-half Palestinian and a half Jewish.

But the official symbolic recognition of "a Jewish state" by the foreign -- is odd, I think, to quite a few Israelis -- and, I admit, to me, too. I don't think Israel has a formal position on Finland, what its character exactly needs to be vis-a-vis its Swedish minority or other issues. Nor should Israel give up its right to define itself. Not Mahmoud Abbas, nor anyone else, can tell Israel whether it is or is not a Jewish democratic state.

Israel has international obligations and, of course, obligations to its minorities, serious obligations to minorities. But its definition is completely an Israeli sovereign issue, or should be, to my mind, a completely Israeli sovereign issue, just as Palestine should define itself, and call itself whatever it wants.

Now, so these two issues, to a certain degree, need to be decoupled if we ever move forward dramatically. I would say, just the symbolic issue -- the danger of it is that it becomes an excuse for "until they recognize..." -- become, in a sense, Zionists, then nothing can move. And this is very different from the mindset of people who are pushing for a pragmatic solution, which was sometimes radical, but the idea was: We

need to somehow get along, that good fences make good neighbors, not that deep love, or acceptance of each other's ideology would make good neighbors.

And this is sort of a philosophical difference, I think, between camps in Israel, and how they view things. The President, in endorsing this language, I imagine it is more of a tactical move than something else. I was a bit surprised. I don't think it was the best move.

MS. WITTES: Okay. And Itamar.

MR. RABINOVICH: Yes, two points -- one, regarding this point, actually it's not a new American position. If you go back to the Clinton parameters, old as they are, Clinton said, two states, one of the Palestinian and one of them Jewish. So, the fact that Israel should be a Jewish state is not a new element.

What is new is that about three years ago Netanyahu introduced it as a precondition. He said, I want you, the Palestinians to say that. That, of course, is a different issue.

So, by just saying that the American vision is for Israel to be a Jewish state is not that new or revolutionary.

Now, to answer your question, you know, Netanyahu would probably tell you, "Well, this is not the coalition I wanted. I didn't want Bennett, I didn't want Lapid -- but they would not separate from one another. And Shelly Yacimovich would not accept my radical offer -- I, as a capitalist, to offer to this radical socialist the Ministry of Finance was the most I could do in order to try to get an alternative coalition. Even that did not work. So I'm stuck with this uncomfortable coalition. I'll be very happy to change it over time." And then, of course, you'll also see a more liberal policy on housing.

I suppose that's, in a closed room, in a non-existent, off-the-record conversation, what the Prime Minister might say to you.

MS. WITTES: Okay.

And, Khaled, on Howard's.

MR. ELGINDY: Well, just real quick on the Jewish-state question.

I mean, from a -- for all the reasons that Natan already pointed out, I think it's an unusual request. From the Palestinian standpoint, it's all the more so because it's essentially asking Palestinians to negate their own narrative, to negate their own legitimacy, that they actually had no historic claim to this land in which they had always existed, and that this is the Jewish homeland.

So, in other words, asking Palestinians to accept the notion that they are interlopers, and their own -- whatever you see as the history, for Palestinians to accept, to negate their own history is simply not feasible, it's a non-starter. There's no Palestinian leader, living or dead, present or future, who will ever agree to recognize Israel as a Jewish state. And states don't recognize each other's characters, they recognize each other's -- they recognize each other, that's with the diplomatic, the legal act of recognizing a state is. And the PLO has already recognized Israel.

In terms of Palestinian internal politics -- yes, there is an ongoing feud between Mahmoud Abbas and Salam Fayyad, and every now and again it surfaces. I don't think too many Palestinians are losing sleep over it. I think there are a lot more compelling issues in Palestinian politics, like the fact that there is no functioning Palestinian parliament, the fact that there are no checks Mahmoud Abbas' leadership as president, no formal checks, no institutional checks.

So the notion of institution-building, I think, rings somewhat hollow, when it's only certain institutions -- namely, the security apparatus -- that are being developed, while actual governing institutions are either collapsing, or are completely dysfunctional.

So -- and I think, again, this is another one of these assumptions of the peace process that simply no longer hold.

MS. WITTES: You know, I'll just add one point, on the Palestinian Authority and the state-building project, which is that Salam Fayyad just concluded yet another international conference with the donors to the Palestinian Authority, and presented his budget plans, and his needs for the year.

And, you know, this is a project, of building the institutions of Palestinian statehood, in which the international community has invested billions of dollars over the last several years. And this latest budget, I think, is for \$3.8 billion, of which he's looking for about half of that from the international community again.

This investment, if you will, by international donors was always premised on the notion that it was accompanied by a diplomatic process, so that the infrastructure would be built, the economics would be built, and the politics would be built at the same time, to realize, to make manifest, the promise of Palestinian statehood.

Now, instead, what we've had for the last several years is state-building without diplomacy. And Palestinians, at a certain point, while, you know, recognizing that there have been steps made, and improvements in infrastructure, improvements in basic security, they also see this constant in-fighting between Fatah elites and Salam Fayyad over issues like corruption, or patronage -- call it whichever you prefer. And they see that there is no diplomatic pot of gold at the end of this state-building rainbow. So, at a

certain point, this state-building exercise becomes a hollow exercise, without the political process that was meant to go alongside it.

And so, you know, the sort of occasional ideas that get thrown out, about dismantling the Palestinian Authority, handing the keys back to the Israelis, this is not a manifestation of the failure of state-building, it's a manifestation of the failure of the other half of the infrastructure, which is the diplomatic infrastructure.

We have, unfortunately, run out of time. I know there were a couple of you that we did not get to.

I want to thank you all for coming, for your excellent questions.

I want to thank my three panelists for this fantastic discussion.

And I want to remind you all, please, that *The Lingering Conflict* is available for purchase right outside the door.

Thank you so much. (Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190