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ISRAEL AND THE UNITED STATES: YESTERDAY, TODAY, AND  
TOMORROW

HOW TO RESTORE ORDER IN THE MIDDLE EAST

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MIDDLEAST-2015/12/05

PARTICIPANTS:

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**Moderator:**

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## P R O C E E D I N G S

MS. WITTES: We have a treat for you now and I'd like to begin by noting that this session is on the record, so if you choose to make remarks when we open it up you will be on the record. Am I delighted to welcome you for a discussion. Now that we've figured out just what a mess the Middle East is we're going to talk about how to restore order and what Israel's role is in regional order.

Look, there's no question that the Middle East is facing upheaval of a historic nature. A breakdown of nation states, as we've seen in Syria, in Libya, and in Iraq increasingly, but also a breakdown of the state system and the regional order that the United States and Israel and our allies and partners relied on for a half century. The U.S. and its partners in the region used to lead a coalition that defended a status quo that benefited our interests. That was a coalition for the United States with some key regional anchors, including Israel, also including

Egypt and Saudi Araba.

Today there is no status quo order in the region to defend. That status quo is gone, and so all of the regional actors, and all of the external players are competing for influence to shape the future order of the Middle East. Now, for the first few years of this upheaval after 2011 Israel was able, to some extent, try and stand apart from what was going on around it. Taking a step back. It wasn't Israel's fight. In Israel some even saw a strategic advantage in the fact that the rest of the region was occupied with its own problems.

But we've seen increasingly that Israel can no longer stand apart from this regional chaos. The chaos is approaching its borders. Whether it is the affiliation of Ansar Bait al-Maqdi in Sinai with ISIS, whether it is contending factions on the Syrian side of the border up in the Golan approaching Israel and attempting terrorist infiltrations, or now this phenomenon of lone-wolf attacks against Israelis inside Israel.

MIDDLEAST-2015/12/05

So it's time to discuss what is Israel's role in helping establish regional order and how does Israel's remaining conflicts with some of its neighbors, particularly perhaps, the Palestinian conflict? How does that fit in? I'm delighted to be joined in this conversation with Knesset Yair Lapid, former finance minister and chair of the Yesh Atid Party, and by my friend, Steve Hadley, former national security advisor for President Bush. Thank you both for being here.

Yair, let me start with you. We heard last night from Defense Minister Ya'alon. His evaluation of what he called the regional geopolitics. He said he expected to see chronic instability in Syria for years to come, and he divided the region into three camps. He said there's a Shia camp which is now backed by the Russians, a Muslim brotherhood camp, he said, backed by Turkey and NATO ally, and a camp of Sunni Arab states who want U.S. leadership. It almost seemed as though, if you had to put Israel somewhere on that geopolitical map, it might be closest to the

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Sunni Arab camp. So first of all, do you agree with that breakdown of the region today, and where do you see Israel's role within those three camps?

MR. LAPID: I think it's a bit schematic. Because I'm not sure, for example, the Kurdish-Turkish conflict falls exactly into those lines. I will also note the fact that we have within the region four countries, which is Turkey, Iran, Israel, and Egypt that have no existential threat to them due to the fact they have real historical roots. Unlike the (inaudible) kind of countries that their core existence as countries, as nation states is being threatened.

So I'm not sure I'm buying into it. Besides, if you want to ask yourself what is Israel's role you have to ask yourself, and I'm not sure we got an answer for this last night, what is Israel's strategy? Do we have a coherent strategy of where is it that we want to go? Because if we have a coherent strategy, to me, the only coherent strategy is how to separate from the Palestinians with the backing of

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what you call the Sunni. I don't want to call them more moderate countries, but let's say more conservative countries. Then you're going somewhere. Then everything that you ask yourselves about the region, is there a country called Syria anymore? Because you were referring to it as Syria, and last night you were referring to it. I don't think Syria as we knew it exists. Of course, Libya doesn't exist anymore.

But the basic question we need to ask ourselves, and we didn't get the answer from this government. I want to be very careful. I don't want to attack my government on foreign soil in English.

MS. WITTES: Are you sure of it?

MR. LAPID: No, I want to, but I won't. But the thing is we need to have a coherent strategy, and the only coherent strategy is how to separate from the Palestinians. Now, this is not a rewarding path. I mean, we think instinctively of making peace as this enlightening moment. This moment of some sort of grace, but it is not. Because peace is the end of the

MIDDLEAST-2015/12/05

process. In the beginning it's an arrangement or an agreement that is politically unrewarding. That is painful. That is technical. That is very non-dramatic. But you have to go there because anything else is an existential threat.

I don't think we need to learn from what happened around Israel in the past four, five, six years. That now it's too dangerous to do anything. I think this is trying to find excuses not to do anything. I think what we have learned is that if you sit on your hands for too long and do not react to a situation that is tense bad things are going to happen. Therefore, we have to gather these countries, the Sunni countries, go to a regional summit. This is a plan I have introduced with the Israeli public a few months ago. Go to a regional summit from which will be the opening salvo for a regional process that will end up with us separating from the Palestinians.

In the beginning it's not breaking the wall like in the famous Reagan speech. It is building a higher wall in order to make it feasible for our

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children to have peace 10, 15, 20 years from now.

MS. WITTES: So you believe that Israel pursuing this path of separation from the Palestinians would help bring Israel closer to the Arab States? Would help cement a coalition on behalf of regional order?

MR. LAPID: I think it should start with them. I think this regional summit should happen either in Cairo, in Riyadh. I think of course you have to have the Egyptians, the Jordanians, the Saudis, the Gulf countries involved from day one. This will cement this.

We see all around the region that coalitions are being formed almost on a daily basis. Who could imagine a year ago a coalition like the one you have in Yemen right now. But this coalition is based on mutual interests and on mutual cause, and we need to have it from day one otherwise it won't work. It's not like we're going to have a separate from the Palestinians and then we're going to come to the Saudis and say you see how good we were. Let us all

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unite and sing Kumbaya. We need to go from day one and make this process work with them.

MS. WITTES: Okay. So, Steve Hadley, you were involved in an effort to convene a regional peace conference, the Annapolis Conference, and to leverage common interest between Israel and Arab States on behalf of Israeli-Palestinian peace. What's your reaction to Knesset Lapid's proposal?

MR. HADLEY: Well, I think it's a very good one. I think there's a lot to like about it.

MR. LAPID: Can we wait a minute for this to sink in?

MR. HADLEY: But --

MR. LAPID: Yeah, I knew this was.

MR. HADLEY: Let me say a couple things I like about it. It recognizes that in all the challenges of the region there is also an opportunity here because there is so much dynamic and so many shifting perspectives and alliances within the region. I think that is a plus. It also recognizes that an Israeli-Palestinian peace should be and needs to be,

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if it's going to be sustainable and if it's going to be achievable, it's got to be embedded in a broader Arab-Israeli reconciliation. That's exactly right. Thirdly, I think it's right that it tries to take advantage of the emerging convergence of interest between Israel and the Sunni Arab States. So I think there's a lot to like about it.

The problem, I think, as you think about this proposal is how it plays within this broader dynamism of what is going on in the Middle East. You have so many problems to solve. There's the Israeli-Palestinian problem. There's the problem of ISIS. There are problems of how do we end these civil wars. There's problems of how do we construct a vision for the Middle East that gives the people in the Middle East, particularly in the Sunni communities in places like Iraq and Syria, a prospect for achieving security, prosperity, self-respect, and dignity that is a more compelling vision than what ISIS is providing.

Well, you know, the challenge of the Middle

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East today, and it's probably the hardest problem I think any of us have dealt with in this room, is all of those things are going on at the same time. So the question is prioritization and sequence and where you order these things, where you put them. I think in diplomacy the shortest distance between two points is rarely a straight line. I think going right now to some regional conference on Israeli-Palestinian people may not be the way to get where Yair Lapid wants to go.

What I would be thinking about, and it's something we ought to talk about here, we have an international process admittedly insipient going on in what is being done in Vienna. And it is --

MS. WITTES: On the Syrian conflict.

MR. HADLEY: It is a framework in which all stakeholders from within the region and outside the region are coming together. They're trying to talk about humanitarian assistance. They're trying to talk about a framework over time that would wind down the civil war in Syria. Hopefully, they will increasingly

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talk about coordinating efforts against ISIS.

Well, if that process gets some momentum to it I think ultimately it could become a vehicle for getting a framework in the Middle East, involving all stakeholders, as Tony Blair said, to address and develop strategies on the political, economic, diplomatic, and all the rest. That's where we ought to be heading. At some point as Vienna gets some momentum the question is whether there could be a subgroup of relative Arab States and Israel beginning to talk about how to begin to make progress in winding down the confrontation between Israel and the Arab States, and also the contours of an Israeli-Palestinian peace.

I think that's where you get to your conference. I think if you announce it tomorrow it looks incongruous given all that's going on in the Middle East. But if it can be an outgrowth of a Vienna process that begins to get momentum. I think that may be the framework for achieving what you're talking about.

MIDDLEAST-2015/12/05

MS. WITTES: Okay. So you're both talking about trying to establish some anchor of stability in a deeply unstable region. Steve, you just made the case for making Syria, or rather solving the Syrian conflict, focusing on that as the first necessary anchor of stability.

Last night Defense Minister Ya'alon said, look, we don't need to prioritize solving the Israeli-Palestinian conflict. Not only, as you said, Yair, because it's too risky right now with everything that's going on, but also because, look, the rest of the region just isn't that concerned about it. So, Steve, do I read you correctly that you would agree with that? That for the Arab States Palestine's not the priority. Syria's the priority and if you want to get their attention that's where you need to start?

MR. HADLEY: I think if you're going to begin to get some stability in this region you've got to start with the civil wars. You've got to resolve the civil wars. That requires you to start constructing legitimate states to bring stability

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there. I think you won't defeat ISIS until you've resolved the civil wars. So I think that is the priority.

For the moment, people are not seized with the Arab-Israeli issue, settling that issue as a priority. That may change, depending on what happens in Gaza and the West Bank. If, god forbid, you got a lot more violence and you began to see ISIS showing up in some way that will be a game changer, and that will change everybody's calculus. But I think for the moment it is not priority. But in the end of the day, if you want a comprehensive strategy for bringing stability, prosperity, and a better vision to the Middle East at some point you're going to need to get to the Israeli-Palestinian issue.

Yair Lapid has suggested a way to proceed. I'm trying to put that in the context of a broader strategy of the Middle East in some notion of sequence. I think you need to make progress on these other issues before you're going to have an opportunity for the kind of process that Yair talked

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about which I think we need to get to, but I don't think you start there tomorrow.

MR. LAPID: Well, first of all, you're talking about the American priorities. I'm talking about Israeli priorities. The Israeli-Palestinian conflict is not the number one priority. It is the priority. We have no other priority. It is not like we need to try and separate from the Palestinians as an outcome of this imperfect storm we have in the region. This is Israel's goal and this is where we should go, and we should go there now because anything else is an existential threat to Israel.

Now, I understand the fact that from your former and current position you say maybe this is not the best timing. But I'm telling you because of this imperfect storm we need to go there as fast as possible because this is also a window of opportunity. But even if it wasn't I would still be sitting here telling you this is where we need to go if we will not separate from the Palestinian within the next decade. If we want to separate from the Palestinians in the

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next decade you have to start yesterday. Then Israel is under the worst existential threat it has since 1948.

I'm not saying that this is an intellectual game you're playing with me. I understand what the position you're talking from within, but I'm telling you this is not Israel's best interest. Israel's best interest is to start tomorrow and use the current situation in the Middle East as an Archimedes' lever in order to go to this regional summit.

MR. HADLEY: I'm actually trying to be your friend here.

MR. LAPID: You ask my friends, it's not an easy task. There's so many of them around here.

MR. HADLEY: If I thought you could get there tomorrow, starting yesterday, I would be in your corner. I think we agree on the importance and the urgency and the (inaudible) and all the rest. I'm trying to figure out given all the things going on in the Middle East today and all the other distractions how could you construct a realistic path so not only

is Israel ready to go there, but the other Arab States are ready to go there?

MR. LAPID: I want to comment in a sentence. This is what leadership is about. The problem with historic examples is the fact that everyone has one which is, in a nice way, suitable to what you meant to say. If you go back, November 19, 1977, a plane is landing in the Ben Gurion airport and the door opens, stands there, President Sadat. You know, the (inaudible) plane. Ten days before nobody thought this is possible. Five days before the Israeli commander in chief went to the government and said, this is some sort of a plot by Sadat in order to start a new war. Menachem Begin was smart enough to ignore it.

So I'm telling you I understand what you're saying, but I'm telling you that Israeli future leadership should go there now, not wait for the right circumstances to happen. How do I know that? Because we've been waiting for the right circumstances now for 40 years. Enough is enough. We have to go there now.

MIDDLEAST-2015/12/05

MS. WITTES: Yair, I want to pin you down on where it is you plan to go? You said you want to convene a regional conference in Cairo or Riyadh. You talked about the Arab governments you would like to see support an Israeli effort to separate from the Palestinians. There's one government you didn't talk about with any specificity which is the Palestinian Authority, your negotiating partner.

MR. LAPID: Yes.

MS. WITTES: Part of the challenge of this regional chaos is that they do not have the attention of the Arab States. They're undergoing their own political upheaval. When you talk about Israeli separation I assume you're talking about something that's negotiated, so talk to me about your Palestinian partners.

MR. LAPID: I never meant it to sound like we are going to ignore the PA. Actually, if you want to embody you have three tables. You have the bilateral table that cannot stand there by itself. Since the Oslo Accords there were 11 bilateral rounds.

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They all came out to nothing. But you need to have a bilateral table. You need to have an Israeli-Arab table, and you need to have in between an administrative table. That will be something of the sort that happens now in Vienna or at P5+1 sort of media. So you have the enablers, you have the mediators, and you have the players themselves.

But, yes, we need to talk to the PA. If not for anything else it's because the core of my plan says that the security coordination will have to stay for the first 10, 15, 20 years because we have to make sure, A, that the wall is higher, and B, that the idea is still capable of doing anything it needs to do on the other side of this wall in order to prevent Hamas'tan from being built in the West Bank.

MS. WITTES: Steve, let me ask you from your perspective as a former senior American policymaker, if an Israeli government comes to you and says, we want to withdraw the civilians, but the IDF needs to be able to operate. Can you get the Arab States on board for that?

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MR. HADLEY: It's tough. I want to answer that question, but I want to put it in the broader. I want to go back to where I began. I think this is an interesting concept. I think it forces us outside the mold to try to think about how we would go in this direction. I think how could you energize? How could you bring the attention of the Arab World and the rest of the international community on this problem? It seems to me there are three things you could do.

One, leadership, obviously, is critical. An Israeli leader could come forward with a plan, not just an offer of negotiation, but a real plan that is so credible and concrete. Now, the problem with that is there have been two real plans offered to the Palestinians and they turned them both down. As we play this mind game here, one is a plan. One is a dramatic visit of a country or a leader of an Arab country to Israel or a dramatic visit of an Israeli leader to an Arab country.

I don't know where you go and I don't know the leader that comes. Egypt, is that strong enough

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to support an initiative to try to make peace among the Arab World in Israel? Is Saudi today? I just don't quite see where it comes yet. On the issue of separation it's a tough one. As a negotiating matter to say we're going to separate on the civilian side, but remain integrated on the military side, and the IDF is going to be present.

The problem for the Palestinians is a face issue, a dignity issue, but that is an ongoing stick with which Hamas will beat any Palestinian leader, as long as that occurs. So I think on the other hand, certainly the security requirements of Israel require that kind of presence for a long time. So I think the only way you're going to get it as an outcome is if it is phased and for a period of time, acknowledges a period of time, and a period of time that we end not because of some arbitrary timetable, but because of some benchmarks on the ground that would lead Israel to conclude that it was going to be secure if it begins to gradually pull out of --

MR. LAPID: So benchmarks of execution not  
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only of timetables?

MR. HADLEY: Not timetables. Execution and facts on the ground that would allow to a sort of phased withdraw. I think that's the only way it works. But if it is the IDF needs to be on the West Bank until the end of time that won't go.

MR. LAPID: Well, I want to add one point to what Stephen has been saying. The fact of the matter is the Palestinians do remember what happened in 2006 and 2007. They know that the risk of not having the IDF there is that Hamas will take over, and they don't want to be thrown out of rooftops again as they were in 2007. Therefore, they will never admit it on day one of negotiations because they are good negotiators. But when you speak privately to lots of them they will tell you, we understand this should be for, so they will tell us a timetable and we will tell them execution, and then you have to ask yourself who's going to referee. But still, it is something that was not denied on the doorstep by the Palestinians.

MS. WITTES: Gentleman, I am going to open  
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up this conversation to the rest of the room because I see tent cards going up which means you have done your job in provoking some discussion.

MR. LAPID: No, it means the Israelis knows its own record.

MS. WITTES: Okay. But I'm going to start with an American, Martin Indyk.

QUESTIONER: Well, three cheers for Yair. I say that because even though I may have disagreements with the details, it is so refreshing to have an Israeli leader put an idea on the table. It's critically important because for Israel to take the initiative in trying to solve its problem with the Palestinians is what we in Washington need more than anything else. Whenever Israel takes an initiative that's credible the United States will get behind hit. That's our responsibility, but it makes everything else much easier, so.

MS. WITTES: Martin, can I just follow up with you there. Any initiative?

QUESTIONER: No.

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MS. WITTES: Any Israeli initiative?

QUESTIONER: No, credible initiative.

MS. WITTES: Okay.

QUESTIONER: Credible initiative. So that's point number one. Our colleague Natan Sachs has written a whole article now about how anti-solutionism has become the default policy of the Israeli government, and that is basically that you don't take an initiative. You just sit and wait. That is really problematic from an American point of view.

Secondly, Tom Friedman is here. I'd love to hear his reaction to this. He just spoke to the new Saudi leaders, spent quite a bit of time with them. But it's a new Saudi leadership and we're used to the Saudis being the caboose on the peace train. Never willing to actually take a lead role on this issue, rather to wait for everybody else to do it, to put an idea out there, but it has no mechanism for implementation and basically they'll sit and wait. But this is a different leadership there. Maybe they can be challenged in a way, privately first, that can

produce a different reaction. So I think it's still worth trying.

So the problem that I have with Steve's reaction, although it's logical and in a way correct, that you've got to try to put it in a regional context and therefore put it into what's happening with Syria and Vienna is that the chances that Vienna's actually going to go somewhere in any reasonable timeframe is practically non-existent, at least in my point of view. So you're therefore holding back something that might actually have a chance of lubricating the Syrian process. If we had an Israeli government that was coming forward with such initiative I would grab it.

MS. WITTES: Before you respond, if I may, I'm going to bring in Tzipi Livni and then Tom Friedman to respond to Martin's question. Tzipi?

MS. LIVNI: The last time I think that we had the Arab world supporting the peace process was in Annapolis. They were invited. They were there and they supported the efforts in order to achieve peace. I want to continue your remark that in a way when I

MIDDLEAST-2015/12/05

listen to it, it sounds like let's separate from the Palestinians and negotiate with the Arabs. In the end, the glass ceilings of the relations between Israel and the Arab world is the Israeli Palestinian conflict. It can be not their first priority, but when it comes to relations with Israel this is the glass ceiling. So I know that in Israel to talk about Palestinians it's not rewarded politically. It's better to speak about the Arabs. It's more romantic. They are rich. We have no real conflict with them, I'm talking about the moderates or the pragmatics. They don't use talk against us. We don't have disputes on borders. But talking about tables the right things to do is to have different circles but not one with the other, but the inner circle is the Israel Palestinian conflict need to be negotiated with the PA, with the Palestinians. Because I was there in the past, and I not negotiated but I asked the Arab representatives of the Arab League, it was 2008, I believe, they were invited to Jerusalem. They were there. I met them in Cairo and I said whether they

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would like to negotiate the Arab Peace initiative. Well first I asked whether it's negotiable and they said it is. And then I asked if we can negotiate this with them and said no thank you. You should negotiate this with the Palestinians and we will support any outcome that you would reach with the Palestinians. So in order to end the conflict with the Palestinians, we need to deal with the Palestinians also. Unless, attractive stuff like security, also borders, also settlements, also all the core issues that are on the table, and these are the core issues that are on the table between us and the Palestinians and then the Arab world can come.

I don't say that it should be first and later, because when the Arab world support a process, when the Arab world support any decision, maybe even pushing sometimes the Palestinians to make the right decision, this can help any Palestinian leader to make the right decisions. But just speaking about regional conference, Arabs, it's nice, but without the Palestinians we cannot do it.

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MS. WITTES: Thank you, Tzipi. And Tom, you published a column recently. You just got back from Riyadh, spent time with the crown prince the deputy crown price and defense minister. How do you think the Saudis would react to the kind of ideas we're discussing here?

MR. FRIEDMAN: Well the first thing I can tell you is that I've heard the term Israeli and Palestinian mentioned a lot more this morning than I did in four days in Riyadh. So --

MS. WITTES: Did they mention it at all?

MR. FRIEDMAN: I heard it almost never. And I don't want to suggest that they don't care anymore, but I will tell you their focus is elsewhere. I'll just make a few very quick observations. They are terrified of one thing: that ISIS attacks Israel. Because if ISIS opens up a front against Israel your Sunni alliance is going to go out the window. So in the previous panel people noted that ISIS, their guns are focused not toward Israel right now. If that changes that is something Saudis and the Gulf Arabs

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are terrified of. If these guys actually make the Palestinian issue and fighting Israel one of their lead messages. So the idea that Israel has time and not to worry about the Palestinian thing, and to Martin's, I think excellent point, you know, everyone in this country is starved for a creative Israel idea. We feel we are watching a country committing suicide with all the best excuses and explanations. And people are starved for someone who offers us some Israeli creativity about something other than why Israel can, must, and doesn't need to do anything.

Back to Saudi Arabia. (Applause) Thank you. Just had to get that off my chest. Sorry. That had nothing to do with Saudi Arabia.

MR. LAPID: We are all here for you.

MR. FRIEDMAN: Yeah. I appreciate that. So I would tell you a lot of talk about crowned prince Muhammad bin Salman, you know, very disparaging of him. Don't buy it. First of all, I'll tell you two things about him. One, if he didn't exist the Saudis would have had to invent him. And I'll tell you why.

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MIDDLEAST-2015/12/05

And the other is that he is so much more Mackenzie than Wahhabi. And those two things are connected, all right

Why are they connected? They are looking at a world for the near future, and maybe beyond, of \$30 to \$50 a barrel oil. That's their working assumption. And if it changes, something wonderful, great. But that's the future they're looking at. They burned through a fifth of their financial reserves this year. Five times one ends up as zero for them. So they know that's coming. That's one trend he's looking at.

Second trend, well, pal, crown prince Abdullah then King Abdullah, who is a real subversive in his own way. Back in 2004 said, you know what, any Saudi who wants to study abroad, I'll pay for it. Today post 9/11 there are now 100,000 Saudis studying in institutions of higher education in America and another 100,000 in Europe. Thirty thousand come back every year with Western education, looking for jobs. And the third trend is, because of the budget constraints they're looking at they have to cut

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MIDDLEAST-2015/12/05

subsidies on oil. They basically burn in the summer 500,000 barrels of oil a day, of their own oil that they should be selling, and because they subsidize all these things, they're going to have to cut subsidies and raise taxes. Now, we have a --

MS. WITTES: Now, Tom, does that make them more interested in Israeli Palestinian peace, or more worried?

MR. FRIEDMAN: I'll get to that. Let me just loop, make one more loop here. As I said to the Crown Prince, you know, we have a motto in our country, no taxation without representation. And you've lived by the motto, no representation without taxation. Okay. Which is if I don't have to tax you, I don't have to represent you. Well the flip is now true. So what you're seeing is a government that understands this. A generation that understands this. And they are slowly trying to shift the basis of their legitimacy from piety and family to performance.

When you're in the middle of that big a shift, that has enormous domestic legitimacy

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MIDDLEAST-2015/12/05

implications, the idea that you're going to get in front of the Israeli Palestinian parade, they will be what we used to say about Lebanon, we don't know who the first Arab country that will make peace with Israeli, but we know who the last will be. We used to say that about Lebanon. I would tell you that about Saudi Arabia. They're so domestically focused, this touches to the very core of the legitimacy of the regime, so the idea that they will lead this parade is I think a little unrealistic and I go back to where I started, they are terrified that ISIS makes Israel target number one. That has huge problematic implications for them.

MS. WITTES: Okay, so that suggests that there is some urgency for Israel in trying to create a moderate constituency, build up moderation among the Palestinians to prevent ISIS from finding that foothold, but at the same time you can't necessarily count on a lot of support from the Gulf there.

MR. LAPID: Well first of all, I mean people that Tom is talking about, I mean bin Salman he's

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what, he's 30 years old, right? Thirty years old and bin Nayef?

MR. FRIEDMAN: He's 52.

MR. LAPID: He's 52. They are young people. So I wouldn't underestimate their ability to open up to new ideas. But the thing I want to say most (inaudible) is there's always a political risk in putting up a plan. I mean you put out a plan, people will attack you. People will tell you they don't like it. They will find a flaw. And I was saying, yes, this is the idea. You like it. You don't like it. Here is a plan. Here's something to do. Do we agree on the principle that says that we need to do something because as Tom was saying we are now at an existential risk that, I don't want to say the country's committing suicide. This country's not going nowhere. We're not committing suicide. Israel is going to live forever. Yet, we need to make sure we're doing something dramatic now.

And when you're saying something dramatic it's risky. People are going to attack you. And I

MIDDLEAST-2015/12/05

say go for it. Attack the concept. But we need to discuss something. Right now we're discussing two things. Either a) the possibility of doing nothing; b) the possibility of doing the things we did before. None of them are going to work. That much we know. So we need to go somewhere else. And this is why I put out a plan that says we have to go -- we are here, I want to go there. This is the strategy. This is what we want to do.

MS. WITTES: Thanks. Okay, Steve, you've spent the last months immersed in the question of how to help American partners in the region stabilize this region. And you just heard from Tom how domestically focused some of our key partners are. Is there more of a role the United States could play here in shaping the environment in a way that would allow Arab Israeli diplomacy to move forward?

MR. HADLEY: Yes. The problem, I think is, in response to Martin, look we've now had three administrations, two democratic, one republican go way down the road in a peace negotiation and all three of

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MIDDLEAST-2015/12/05

them, for different reasons failed. You know you can't keep going down this road and failing. So what I'm trying constructively to say is good that you've opened the debate. If we're going to do this a fourth time, can we structure it in such a way this time that we can succeed? And simply getting to the table and talking does not generate success. The question is can we use the turmoil in the region to structure a set of incentives, positive and negative, so that this, and a scenario by which ultimately we get to a successful outcome. And that's why I say you need to look at it in a broader concept. In a broader construct of what is happening in the region and can you generate some initiative on some of these others issues, civil wars, ISIS, and the like, to put some positive negative pressure on folks, so that this time you might succeed?

It is going to require leadership. It always does. And you have talked about where and how to have Israeli leadership. Tom's put his finger on the problem. Giving the problems that each of the

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major Arab countries have, who is the one who is in their interest today to step forward on this problem? And I don't see them. Now that doesn't mean we can't come up with one. But we ought to be putting some intellectual interest in trying to game this out as to how to get done.

Another thing --

MS. WITTES: What about the Jordanians, Steve?

MR. HADLEY: -- that is even -- much too weak.

MS. WITTES: Much too weak.

MR. HADLEY: The other thing though that Israel can do now, and it is always, and I'm going to get a little heated about this, it is always the piece of the puzzle that never -- nobody commits to. But in addition to the negotiation track, there is what happens on the ground to make life better for Palestinians, to step back some of the military presence while still safeguarding Israeli security. Getting more economic activity going, doing some

MIDDLEAST-2015/12/05

transfers from Area C to Area A, things like that, that can both empower Palestinians, give the Palestinian people some hope. I think make it more likely that a negotiation would succeed. But even more importantly in today's environment, make it less likely that ISIS can get a foothold in the West Bank and Gaza and create the nightmare that Tom talked about. That is something we always say we're going to get to and we never get to. And that's over three administrations. And if there is a priority for vision and leadership from the Israelis, it is what they can do on the ground for Palestinians now.

MS. WITTES: Thank you. I'm going to take it back out to all of you. I have Donna Vice, Phil Gordon, Ilan Goldenberg, David McCusky, and we'll see how far we get. Please do try to stick to your two minutes. Donna?

QUESTIONER: First of all, thank you, it's a great honor to be here again. And it's, as usual, very fascinating and enlightening. Yair, you mentioned the fact that you're not going to speak on

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foreign soil in English against the government, but it is a different discussion in English than it is in Hebrew. And what you're practically saying is let's build a wall, a higher wall. And if you want to build a wall you're gonna have to draw a map. And when you draw a map you're gonna have to make decisions regarding facts on the ground. So I wanted to know if you think it's still possible to draw a line and separate between the Jewish majority and the Arab population, taking in consideration that fact that we have over half a million Jews in the territories including Jerusalem? And b) would you go as far as saying that if you do not find a partner you will go unilaterally? And you know that to the Israeli public it's a very hard point to sell these days unilateral acts. And if you could talk about Jerusalem?

MS. WITTES: Okay. And hold that thought, if you would. Phil Gordon.

QUESTIONER: I just have two things. One on Palestinians for Yair, and briefly on Iran for Steve. I think like the other Americans here, the reaction to

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MIDDLEAST-2015/12/05

your proposal, I also applaud it and I think we all applaud the initiative on this issue. And the fact frankly that you identified it as such a core issue. We so often hear from Israelis, he heard last night, that Iran is overwhelming. The top priority and jihadism is another. But to identify this as a core Israeli national security interest in itself is welcome. I guess though my reaction is like Steve's, which I would describe as "yes but." I don't think anyone here disagrees with the notion of outreach or integrating the Arabs, but the question is what problem are you trying to solve. You know when we went at this year with Martin, Secretary Kerry, this was part of the initiative and Secretary spent a lot of time with the Arab countries, but what we found was they weren't the problem. There was nothing in the initiative that they were particularly opposed to. But not only were they not the problem, they weren't the solution. Because any time that, you know, if the notion was that the Palestinians are worried about the reaction in the Arab world, that's not what we

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discovered either. So again, applause for a dramatic, bold initiative on what many of us agree is a core national security interest. But it may be the wrong address and the question is do you have a dramatic initiative for the right address which is ultimately the Palestinians?

Steve, very briefly, I was intrigued by your somewhat optimistic take on Vienna. Couldn't agree more that resolving the civil war is a key to everything across the region. But we've heard a lot in the these discussions about the concern of having Iran at the table. So you seem to talk about Vienna as a plus, because finally we have Iran at the table. Be interested in your take on their role in resolving these issues.

MS. WITTES: Thank you, Phil. Ilan?

QUESTIONER: Thank you. I'm actually going to echo some of the points Phil's just made. One point on specifically the Arab role in the last round of the negotiations, when we were trying to do this with Secretary Kerry, the other thing we also found

MIDDLEAST-2015/12/05

they weren't really part of the problem or the solution, but when push came to shove at the very end, and we needed them to put some pressure on Abbas or try to bring him forward, they weren't interested in doing that either. They didn't want to put any of their political capital into the idea of publically arguing with Abbas or trying to get him to move. That was not part of their interest. And I don't think will be. So you're never, I think, going to get them in this environment to put an effort on that.

And then also very much wanted to agree with Steve on his point about the Syrian civil war really needs to come first. That's the issue where everything we've been talking about all weekend comes together. Whether it's Iran Saudi competition, Kurdish Turkish issues, U.S. Russia competition, all of it, the reason all these different countries have different priorities, there's a lot of reasons for it. But you see all of it in Syria, and until you address that nothing else really happens.

We have seen two different prescriptions and

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descriptions of the situation in Syria and what can address it. I think what Brett McGurk was laying out earlier, and I think the administration thinks is we're in a situation where the Russians are running into trouble. The Iranians are running into trouble. There's an opportunity to try to deescalate and negotiate. I think that's one theory of the case. Another theory of the case we hear, for example, from Ya'alon yesterday is now the Russians are feeling very confident, the Arabs are nervous because they see the Russian intervention and feel the Americans are pulling away. The Iranians are feeling emboldened and so that would argue that first you need to somehow shift the situation on the ground and try to apply additional American pressure and military intervention and only then get to a negotiated solution. I wonder, especially for Steve Hadley, where do you fall on that? Should we be engaging and negotiating or do we need to also be shifting the situation on the ground first, before we can do that?

MS. WITTES: Thanks, Ilan. Okay. We're

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going to take David McCusky and then we'll come back up to the two of you for some comments.

QUESTIONER: Steve, said we've had three times we've tried to hit the homerun ball. Clinton in 2000, Annapolis and the effort led by the Secretary in 2013, 2014, I was happy to be a part of. The question is, I look at a whole generation of 20-soemthings in the Mideast, in the Midwest and I've gone to now 110 college campuses, there's a whole generation out there that was born after the Jordan Israel Peace Treaty. They have no memories of the handshake, Madrid, any of the ups of the up and down rollercoaster. They've seen only downs. From my perspective, I'd rather us achieve less but succeed more. Unless we have some new idea that makes us believe we're going to succeed more by doing the grand deal.

So my question is, there was an actor that no one mentioned so far in this session, and I don't know if they're going to be successful in trying to mediate between Israelis and Palestinians, because obviously anything that could be done, you know,

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MIDDLEAST-2015/12/05

together to quote Tzipi, would be preferable. And if not, then maybe we do what's feasible, like Yair was saying. I'm just wondering, might be an imperfect mediator, but I wonder about Egypt that has historically had a role. Sisi is someone who's liked by Israel, respected by the PA and feared by Hamas. And I wonder if that's not a bad place to begin, even if he could only address Gaza as a start. But if you can't do something wider, then I think you have Yair's idea because Zionism was based on the idea you don't put your decision making on hold to the decision making of others, if you feel Abbas isn't ready.

And my last point to Steve, talking about Vienna, I mean I think an undercurrent of the conference so far that hasn't been made explicit in a U.S. Israel dialog is basically Israel has not hope, doesn't believe that there ever is a future Syria. We heard this from Ya'alon last night, Itamar maybe expressed a dissenting view. But I wonder the fact that Israel doesn't believe in Syria, doesn't see ISIS as a top threat. If that divergence between the U.S.

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saying it's a top priority for a unitary Syria, and the Israelis don't believe it's possible, if that's a relevant data point in terms of U.S. Israel relations? Or is it irrelevant because Israel won't be decisive in that outcome anyway and is not even part of the Vienna process? Thank you.

MS. WITTES: Okay. Thank you. I'm going to start with Steve. And Steve I think both of you actually what you heard across the room is a tension between as Tom described it, starvation for big ideas and new proposals, and a fear of being overambitious in a region with a lot of contradictory interests and major powers, especially the United States that might be limited on bandwidth. So, Steve, from a Washington perspective, how do you strike that balance?

MR. HADLEY: Well you know this is a hard problem that we're stuck with dealing with, because the consequences of failing to deal with it or too unacceptable to everybody, including Israel.

On David's point, I don't know what the future of Syria is. Nobody really knows. But I know

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that that civil war needs to wind down. And if we can't get the violence down and get some prospect going forward, it's going to do what it's done for the last four years. It is the engine of increased violence, increased sectarianism, disruption in the region, and an open door for ISIS. It will simply continue to do that. So it needs to be addressed.

I'm not optimistic about Vienna, particularly. But I think if we're going to get to an outcome, it's a combination of the kind of diplomatic process in Vienna which has now started that brings all parties within and from outside the region to table.

But secondly, more assertiveness on the ground. Vienna will not succeed unless, in my view, the United States gets much more actively engaged on the ground in Syria. We've had a discussion this morning about how that might be done. So that the region knows that it is neither going to be a Russian sphere of influence, no part of Iranian hegemony. So the Russians and the Iranians begin to think this

MIDDLEAST-2015/12/05

isn't such a great place anyway. And that gives some strength to the negotiations. Because talking in Vienna will not solve this problem. We have to affect facts on the grounds, which will then begin to impact the conversation in Vienna.

I don't know about Egypt, Sisi, I mean it's the kind of thought that ought to be given to see if we can take Yair's idea and turn it into an operational plan. But, again, I go back to where I mentioned early, if the opportunity where Israel really can lead and lead boldly is on the ground, the United States gets much more actively engaged on the ground in Syria, we've had a discussion this morning about how that might be done. So that the region knows that it is neither going to be a Russian sphere of influence, nor part of Iranian hegemony, so the Russians and the Iranians begin to think, this isn't such a great place anyway, and that gives some strength to the negotiations, because talking in Vienna will not solve this problem, we have to effect facts on the ground which will then begin to impact

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MIDDLEAST-2015/12/05

the conversation, in Vienna.

I don't know about Egypt, Tzipi, I mean, it's the kind of thought that ought to be given to see if we can take (inaudible) idea and turn into an operational plan. But again, I go back to where I mentioned earlier. If the opportunity where Israel really can lead and lead boldly, is on the ground, bottom up, creating in the West Bank, the conditions for peace and maybe a viable state, by changing the expectations on the ground, and that's something Israel has completely within its control, and needs to do, and has not done for two decades.

MS. WITTES: Thank you. Yair?

MR. LAPID: Yes. Actually what we have in here is a classic bottoms-up, versus top-down policies, and we need both I think -- maybe so, but I prefer top-down because we've tried bottoms up -- Actually Prime Minister Netanyahu whole theory of economical peace instead of making peace, is all about bottoms up, didn't work that well.

MR. HADLEY: Didn't do it. Didn't do it.

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MR. LAPID: Well, I decided not to attack him, but you can.

MR. HADLEY: I'm not attacking; I'm describing the conditions on the ground, go look and see.

MR. LAPID: This is what I'm saying every time I'm attacking somebody. So, but I think we agree to the fact that, you know, Israel cannot and should not try to absorb 3.5 million Palestinians if it wants to stay, maybe we should go back to the basics. If it wants to stay a Jewish Democratic State, we need to do something, and we need to do it now. These are the basics, so maybe we forgot about them, and then this brings me to Dana's question.

Yes. Of course, we understand the fact that we have to draw borders, and to secure borders is the key issue here, and this will come with a price. I wouldn't make the mistake that so many before me has made which is negotiating before the negotiation, sitting in front of cameras in public ballrooms, and talking about what is it that you are willing to give

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up. I don't think it's a good idea to want to be either the leader -- either the one who leads or part of the negotiation two, three years from now. I don't want to be on record on giving up on anything.

I think it's the right way to do it, but when I said, it is a plan unlike an idea, it means, yes, we have maps, yes, we understand what we are tangled in. And, no, I don't think we have -- we are beyond the point of no return. I know it feels sometimes that if you look at Israel and Palestine, and then the region, it feels like we are -- I don't know -- an equilibrium that is drowning within a quagmire. And yet, we have to do something, and this something comes with a price, and I don't think this should be unilateral, because the Israelis are right about the fact that we've tried that.

And the Palestinians, instead of, you know, building schools and hospitals, welcome us into power and build terror tunnels and stop firing at the people. So, I don't think we should or can go unilateral. I think it should be part of a broader

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MIDDLEAST-2015/12/05

agreement. There is a misunderstanding about the plan, listening to Tzipi first and then to Phil, I never said we are not going to talk to the current policies. Of course the bilateral talks are the core of any plan, but it has to be surrounded by what I call the enablers and the moderators.

It has to be -- you have the middle table, it says, today, you are talking about Gaza, I'm simplifying of course, let's bring in the Egyptians. Today we are talking here, in the bilateral talks, about the Jordan Valley; let's bring in the Jordanians because we need them at the table. We are talking about how to establish a Palestinian State financially, let's bring in the Saudis and the (inaudible). You need to have those players who are the enablers, and you have to -- need to have the moderators in order to bring them in at the right time and in the right context. So this is the idea. But, of course, talking directly to the Palestinians would be part of any move we are making.

And I think David's idea about making Egypt

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into a key player, and this, is a natural. Of course we've talked to the Egyptians before coming up with that idea publicly, and they are interested, and I think they are going to be key players, but I wouldn't give up on the Saudis and Gulf Countries as well. The bigger it gets, the more interesting it is, the more interesting it is, the more chances there are that something real will happen.

I want to say, again, this is not vague, this is after talking to all the players involved making sure they are interested, otherwise it will be irresponsible of me to publish (inaudible).

MS. WITTES: Alright. Ladies and gentlemen, please join me in thanking these two fantastic guys. And we will now go on coffee break, until 11:30. Thank you very much.

\* \* \* \* \*

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