Israel's National Challenges, at Home and Abroad

Featuring Yair Lapid, Minister of Finance, Israel

Washington Institute Policy Forum
Unedited Transcript
October 10, 2013

ROBERT SATLOFF, executive director, The Washington Institute: Good afternoon. Thank you for your indulgence. I am very delighted to be able to welcome our guest to The Washington Institute today. This is an Israel-focused week at the Institute. For those of you who weren't here yesterday, yesterday we hosted Maj. Gen. Amos Gilad for our annual Zeev Schiff Memorial Lecture. And Amos gave a professional military assessment of Israel's security concerns in the environment in which it lives these days. Today, I am very pleased to welcome to Washington and to The Washington Institute the honorable Yair Lapid, Israel's minister of finance.

Many of you may know Mr. Lapid from, what is now the conventional phrase, his "meteoric rise" in Israeli politics over the past year or so. Mr. Lapid, of course, founded the Yesh Atid Party, brought it from nonexistence into the heights of Israeli politics with a great success in the last election. And, as a result, in the "no good deed goes unpunished" category, he is now the minister of finance for Israel, which, as we know, is one of the most challenging, if not the most challenging portfolio, in the Israeli cabinet. The minister is here principally for the IMF meetings, but this is also an opportunity for him to meet with officialdom and to speak to this group and offer his views on the political and security challenges facing Israel. It is a privilege to host you here today. I'm delighted that we can do this. And I know that I and my colleagues here, as well as what I hope are millions of viewers on Livestream who are watching us all over the world, are looking forward to hearing what your views are on these issues in this, your first major Washington address on national security questions. So, ladies and gentlemen, please welcome Mr. Yair Lapid. [applause]

YAIR LAPID: Thank you so much and sorry for being late. So what I'm going to try to do here today is to explain my views and my party's views about the Israeli-Palestinian conflict. I want to focus on this—because I want to offer to you today the option that the Israeli-Palestinian conflict, as it is being [perceived] by the majority of the international community, is being conducted in the wrong field, or, if to be more precise, in two wrong fields.

The first field, which is very popular in Europe and in the UN, is referring to the conflict as a problem in human rights. This is not exactly a conflict, this is actually a story—it is described as a modern version of David and Goliath, only in reversed roles. This is maybe the most basic narrative of the Judeo-Christian tradition and Western society, in which opposite each other are the weak, who is always just and righteous, against the mighty, who is always wicked and impervious and heartless. Robin Hood and the Sheriff of Nottingham, and Aladdin and Jafar, and Little Red Cap [Riding Hood] and the Big Bad Wolf, and David Copperfield and Mr. Murdstone, and Madonna and Lady Gaga. [laughter] Not that we know who's the strong and who's the weak on this one. This concept of the Israeli-Palestinian conflict, this story, started as a tale told from [mouth to ear] between anarchists, left[ist] organizations in Europe. And the establishment—and in this case, the establishment is the Israeli gov-

ernment and American government and esteemed organizations like this one—made the classic mistake of not taking them seriously until it was too late. If we are to choose the one moment in which it turned out that we looked the other way, it is the first Durban conference that took place in South Africa in 2001, also known as the "Festival of Hate." This is two weeks before the 9/11 terror attack, and this is when pro-Palestinian activists are going to the streets of Durban claiming that there is no real problem with Islamic terror, there is no real problem with the regimes in the Arab world, there is no real problem within the Palestinian leadership, there is only one source of the problems between Islam and the Western world, and this is Israel, of course.

And this was also the moment in which it turned out that in human rights issues, the UN is not leading but being tagged along, and the focus moved from governments into NGOs who made use of the rhetorics of antiapartheid and antiglobalization and promoted the agenda that, a few years later, they would turn into the BDS movement, the boycott, divestment, and sanctions movement, which is basically openly preaching the elimination of Israel. This movement is now [numbering] more than 170 different organizations and adorns itself with some useful idiots from the world of art and entertainment, but the message is simple: Israel is strong, and therefore it is wrong.

I know [the argument I make] sounds a bit childish, and maybe whiny, but I'm only doing this because this is the way it really is. Actually, it's even worse, it's a miserable argument intellectually, because it doesn't even recognize the complexity of the situation. When you say "the Palestinians," who do you mean? Hamas or the PA? The Islamic Jihad or the people who live in eastern Jerusalem? Al-Qaeda terrorists or my friend Shukri Bishara, who is the Palestinian minister of finance, who visits my office at least once a month, and we both work together in harmony in order to promote the coexistence between our two people[s].

I'll give you an example for what I'm referring to. When I meet the so-called human [rights] activists, I always ask them the same question: "Why is it that you are so silent in front of the horrible oppression of gay people in the Gaza Strip?" The Hamas regime in Gaza is killing their gay people. They abuse them and then they hang them—because they are gay. "How can you be silent?" I ask them. And they're always mumbling something about the fact that it's really wrong, and they're trying to move—to change the subject as quickly as possible. Why? Because it doesn't get along with the story, because there is one country that is democratic—and gays and women and religious minorities have full rights in it—but it has to be the evil one. And there is one country in which they kill gay people and oppress women and kill Christians for being Christians and Jews for being Jews. And this is supposed to be the good one. This is the narrative, and you're not supposed to deviate from the narrative—you're supposed to be a good non-conformist like everybody else.

The BDS pious are wrong, and those who are not wrong are lying. This is not and never has been a struggle over human rights. You cannot define yourself or declare yourself the knight of morality and at the same time support people who despise everything you believe in. You want to talk about human rights? Talk about the whole package. Human rights and women's rights and the fact that for years the international support—instead of getting to the poor and the needy within the Palestinian territories—is supporting terror organization and corruption. And what about freedom of speech and freedom of press? What about the use of anti-Semit[ic] allegations and Holocaust denial? How can all this disappear from the discourse? This is not only about the mighty and the weak. Can we say that because the United States is strong and al-Qaeda is weak, then al-Qaeda is right and the United States is wrong? Of course not.

If we want to have a discussion over moral[ity] and ethics, let's have a discussion—because a discussion of morals is always an historical one. It is anchored in a certain context and, for better and for worse, this context includes in it the Holocaust and the fact that the Palestinians have refused more than once very generous peace offers

from Israel and the state of human rights within the territories itself. Whoever ignores this is lying—and is not only lying, is doing something else, which is no less ancient and no less effective, which is blaming everything on the Jews.

And on the other side of the equation, there is the other field, which is mostly popular not in Europe and the UN but here in America, especially in the State Department and a series of research institutes, that is referring [to] the Israeli-Palestinian conflict first and foremost as an analytical problem, or even a mathematical one. It is like a political version of Fermat's last theorem, or the search for the missing particles, and the diplomatic version of Gödel's incompleteness theorems. I hope I'm not offending anyone—but not all problems can be solved by opening the hood and finding what wires need to be reconnected. There's, of course, a bit temptation about this attitude—we, us, the human race, we are a species of problem-solving animals. And this is as well, if you'd like, some sort of a story—the story about the man who was the only one who figured out how to solve the problem. The only problem with this story is the fact that everybody's looking under the wrong hood—because the Israeli-Palestinian conflict is not dealing with [any] of the things we were talking about. It is not about borders, it is not about maps, it is not about Jerusalem, it is not about section number 5 in article number 7 in the Oslo Accords. It is not about swaps, it's not about the Saudi initiative from 2005 or the Clinton parameters from December 2000. If it was one of these things, or a combination of several of these things, I think the solution would have been found a long time ago.

Some of the brightest people in the world live in Israel and in the Palestinian Authority. Some of the brightest people in the world have dealt with the conflict in the past and [are] dealing with it in the present. And some of the brightest people in the world are sitting now in this room. So let us be, at least, modest enough to believe that if the problem was technical, one of us would have found a solution by now. The problem is not technical, and the problem—and I know what I am going to say now is real blasphemy—is not even with the Israeli settlements or with the Palestinian terror. The problem has practical applications, implications, but it is not [only] practical; it has political implications, but it is not only political. The problem is dealing with borders and dealing with security arrangements and maps, but it's not about this. The problem is about fear. And the problem is about mistrust. And the problem is about past traumas and anxieties. And the problem is about hatred and pain and bad memories.

The problem is, this is not a real dialogue, these are two monologues—because the Israelis and the Palestinians are talking about two very different things. The Israelis want peace and security, and the Palestinians want peace and justice. It sounds similar, but these are two very different sets or emotions and feelings. Nobody talks about this because nobody knows how to quantify feelings and emotions. But this is the real text of the conflict. How can people who do not believe a word of each other sign an agreement? How can people who fear and hate each other talk about coexistence? How can you ask people who suffer from a trauma to depend on the people who were the cause of this trauma? Can us, the Israelis, forget that after the disengagement, after we evacuated the Gaza Strip, the Palestinians—instead of building hospitals and schools and reach[ing] out [to] us for peace—have built training camps for the Islamic Jihad and showered the Israeli South with missiles that were aimed at inoffensive civilians? They had an opportunity and they blew it, by all means.

And in the same way, can they, the Palestinians, forget that the moment before peace was achieved, or at least seemed to be achieved, a fanatic Jew assassinated the Israeli prime minister and all promises were not fully [ful]filled? Can they ignore the fact that we have, in Israel, voices, horrible voices, illegitimate voices, that are calling to expel them and transfer them from their lands and to perpetuate forever their position as second-rate citi-

zens? The fact that this reciprocal mistrust is the leading emotion in the dialogue between us and the Palestinians binds us to be creative.

I want, with your permission, to add a component to this dialogue, but I want to be cautious for a second. I'm expressing here only my personal view, not the official position of the Israeli government or the negotiation team. This component is time. Time is one of the ingredients, along with the others—along with borders and security arrangements and settlements and economy, there is also time. And exactly like all the other components, it contains chance, and it contains risk. When I talk about time, I'm not talking here about an interim state—the Palestinians have made very clear many times, including in Chairman [Mahmoud] Abbas's speech in the UN last month, that they will not accept the idea or the concept of an interim state. What I'm talking about is a definite and a final agreement but with a schedule that will allow both sides to learn to live with it. We need to have a map. We cannot evade the necessity for a map with the final borders of the future Palestinian state. This map will not include Jerusalem, but it will include an organized plan to the evacuation of tens of thousands of settlers and security arrangements that Israel can live with.

The Palestinians and Israelis need to know how the story is going to end. Because if we will know how the story is going to end, we can be more understanding and more attentive to the needs of the other side. We need to go all the way and draw the maps and write the agreements and then to define the time needed for us for the implementation of each and every article. Time is important because it will allow all processes to work. The economical linkage between Israel and the Palestinian state will be in the core base of every agreement. And an economy needs time. With time, the Palestinians will understand that this linkage, this connection, is worthwhile and expedient. With time, the Israelis will be able to monitor the incitement within the Palestinian educational system. And the Palestinians will understand that the people who are calling for a "transfer" are a very small minority within Israel and will never be the main voice of Israel.

I admit it, that I need time, because I do not believe the Palestinians. This belief has deep foundations in the past, and I need time to get over it. It's a paradox. But the thing that is not allowing us to separate is the same thing that is not allowing us to associate. And this is the fact that there is no type of trust between us. What the world is asking from both parties this moment is to do the impossible: to go into a room and to engage [in] a discussion of a conflict that is originated in the past, without this past. And for this to happen, [it is] not the General Allen's forces we need, but a whole army of psychologists and psychiatrists that will enable us at least to start talking to each other in a productive way.

This was tried before. In the late 1990s, during the negotiation on the Good Friday Agreement, between England and the different divisions in Ireland, there was a point at which both parties got stuck. So instead of bringing another politician into the room, they brought in a psychiatrist—a bridging, no, I'm serious, a bridging expert, my friend Lord John Alderdice. And his job was one to create the basic credence that will allow the people who have been killing each other sequentially since the twelfth century to talk to each other.

Before coming here, I have asked Lord John, what was the first thing he said to them in the first meeting on the first day. Here's what he said. He said, "Colleagues, we have many deep historic differences, and all our people have suffered a great deal. But as we come together, we are all being criticized by the press and some of our own people, who do not believe that we are serious about finding a resolution. I believe that we are all serious, but we share a profound dilemma. If we succeed in reaching an agreement, there is a danger that some of our people on each side will see us as having betrayed the past and those who have suffered and died to protect our traditions. We all have the fear that history could accuse us of having sold our people into the hands of their traditional enemies. On the other hand, if we fail to reach an agreement, we will truly have failed our children and our grand-

children, for we will be handing on to them the same legacy of hurt and fear that we received and perhaps even have added to it. However we differ, we share these challenges, and they are weighty burdens that we share together." I wish I knew how to do this in an Irish accent, but you got it.

The brilliant part of these sentences is that not only Lord John has defined the problem to them, he also gave them a common enemy. And a common enemy is something that always creates trust and friendship, which explains, by the way, the great relationship between my first and my second wife. [laughter]

In the Irish case, like in the Israeli-Palestinian case, the common enemy is the media and cynicism and people who always say no. We need to define them as the people who always say no and to fight them as such. They're not saying no because they have a better perception of reality; they're not saying no because they've discovered something on the other side we didn't know before—or because they have a better, profound, understanding of either the conflict or the risks. They say no because this is what they are—for deep religious reasons, for trivial political reasons, because they don't know otherwise. This is not an allegation, this is an emotional state—and therefore, the people who say no are on both sides of the conflict: the Palestinian side and the Israeli side. And they are the common enemy—because they will always say no. Even if we will get to the right agreement, even if they know in the back of their minds that saying no means more decades of bloodshed, and pain, and making our children hostages of our own mistakes, we—with all [due] respect to FDR—we have a lot to fear but fear itself.

So what we need to do now is to unite the people who are saying yes. We need to help them to define themselves as a group—not as left, not as right, but as a human group who understands that anxiety and rage are not policies. We need, on one hand, to come to them with a resolved declaration telling them that the only solution there is is the two-state solution, and to tell them that the national dream of each of those two nations will never materialize in full, to tell them that in order to make a smart compromise with the other side, they will have to—and there's no way of avoiding this—courageously confront the resistance from home. And there is a resistance from home. And on the other hand, we need to build the confidence we need on both sides, with the help of the international community, and to give them the time needed for this—not generations, not decades, but an agreement that is defining a timetable that will allow the political systems of both sides to adjust to the new reality. For this to happen, we need to fight emotion with emotion. In the place where fear ruled, let there be hope. In the place where hatred prevailed, let's learn how to listen. In the place all pains have started, let's start the process of healing. Thank you very much. [applause]

SATLOFF: Thank you very much, Minister Lapid. That was a powerful and emotive set of remarks about a new way to think about the Israeli-Palestinian peace process. So, I'd like to open a question-and-answer discussion with you by putting your remarks in the context of being here in Washington. You're in Washington. You chose to deliver a set of, as I said, very powerful remarks about the Israeli-Palestinian issue. Your very last paragraph, you referred to the role of the international community context and support for this process. What role do you really want the United States to play—as the convener of the negotiations, and ally of Israel, and supporter of the Palestinian Authority—what role do you want us to play to help bring this about?

LAPID: Well, first of all, you are playing a role. I mean, I have my thoughts whether or not this whole process was an ongoing one, if not for all the enthusiasm and devotion of Secretary of State [John] Kerry and the White House. I mean, people tend to think this has been Kerry's game—no the White House is very committed and was very supportive from day one. So, this is, of course, positive; this is where we want to see the United States' support. And there's another thing: when I was talking about time, and the time needed, and the fact that people have to understand that we need time to implement the agreement, there is a problem—the Palestinians might come and say, "This is just an interim state in the back door. How can you assure us that the implementation is

not just stalling, and when this will be finished, we'll get what's promised or written?" And I would say a big chunk of the answer would be the United States. I mean, because I think most people understand that if the United States is going to say, "We are the guarantee for this," then the Palestinians have more reasons to believe this will actually happen. And this is not just another way of the Israelis to stall or to push back things that are necessarily unpleasant for a lot of people in Israel.

SATLOFF: I think the one line that, in your remarks, grabbed people's attention as much as any other was when you said, "I need time because I don't trust Palestinians." If you don't trust them today, how can you make an agreement with them, and what needs to be in an agreement that will allow you reach the point where you will trust the outcome?

LAPID: Well, when you build an agreement and the implementation is gradual, then this is—listen, trust is not prerequisite. It's not something you come to the table with. Trust is something you build through the satisfaction you get from succeeding in doing something together. I mentioned in my speech the relationship I have with Shukri Bishara, the Palestinian minister of finance. So, we're thinking about, you know, an economical convention, and I'll give you a small example: He came to office, I don't know, a couple of months after I did. And two days later, I called him and congratulated him. Three weeks later, he comes to my office. At the time I was, more than anything, happy to find that there's a possibility of somebody who is even greener than I am. And we're talking, and he's expressing his sorrows and troubles. Which by the way, now I know, ministers of finance, this is what we do when we meet: we meet and we bitch. [laughter] And one of the things he said is, "You know what, you're supposed to give us our tax money." You know, we collect taxes, we collect every second of the month. "And you don't give this; you delay, and whenever there's a problem with security, you don't give us the money." And I said, "You know, you will see that every second of the month automatically you will have your tax money, as long as I'm minister of finance." And this is what happened since. And in the first month he says, "Ok, this is a nice surprise." And the second—now he understands this is how things are with this government.

So this is the way you build confidence and trust. And now we trust a little more. And he called me just a couple of days before I came here, telling me—because he was supposed to come to the IMF as well, and we said, "Yeah, let's go out for drinks one night." And, you know, this is the way things are. And I think it will be much easier to build this trust when everybody knows ahead of us there is living together. So this is how time is going to be of essence.

SATLOFF: Let me just ask one more question, then I'll open the floor to your questions. And this puts your remarks in a context. Israeli leaders have been coming to Washington quite frequently lately, and I think one doesn't have to mention any names to note that the normal priority, or the usual priority, of Israeli leaders in discussing Israel's security challenges is to go Iran, Iran, Iran, and then eventually make it to the Israeli-Palestinian issue, after doing a detour to Syria and Egypt, et cetera. You chose to focus your remarks on the Israeli-Palestinian issue. Is it fair to say that in your list of national security priorities, this is at the top, and you believe that your government should re-rank, or rank this at the top of its priorities?

LAPID: Well, first of all, I don't know if I'm ranking problems. It is never a good idea, because it's not even—even here, not only the Middle East, things are becoming more and less important as we go by. And I spent the entire morning almost, I don't know, an hour and a half, with Vice President Biden, talking mostly about the Iran nuclear problem and what we think of it. But the reason I chose the Israeli-Palestinian problem, or conflict, as the subject of what I want to say here is because when I was campaigning, and when I established Yesh Atid, my party, we said, we're going to deal with the real problems of Israelis especially the Israeli middle class.

And the Iranian problem is—maybe first and foremost we have to refer to it as an international problem, not only an Israeli problem. The Palestinian problem is first and foremost an Israeli problem, even though one has an effect on the other and the other has an effect on the one—but still. And in order to assure a better life for—I don't want to use my children because it's so corny—for, you know, the average Israeli, for the middle class; in order to assure a better economy; in order to assure a better stature for Israel; and, in ways, in order to assure a better positioning to Israel in the United States, the Israeli-Palestinian conflict is a key.

The Iranian issue is not the key to anything. We just need this to disappear. Iran cannot have a nuclear weapon, period. Everybody understands this, so now we're discussing only tactics. But it's not like we have something to gain. We only have something to lose. On the Palestinian field, I strongly feel we have a lot to gain in terms of our way of living and standard of living and future.

SATLOFF: Ok, thank you. Alright, friends, let's open the floor to your questions. When I do get a chance to focus on you, if you could please stand up, and hopefully the great microphones in the sky will carry your voice throughout the room. I'll start with Howard, on my right here.

HOWARD SUMKA, former director, USAID West Bank/Gaza: I appreciate very much your remarks. I watched you on Charlie Rose last night. I watched you again today. Time works only if you use it well. We've had more than twenty years since Oslo, more or less twenty years—it was a long enough time to build trust and to have the kind of process that you would like to see, I think. My question is, how—and Rob sort of already asked this question—what's going to happen starting tomorrow if you want to use the next decade—or less, one would hope—to get to the point where you actually have an agreement?

LAPID: Well, what I want to do is get the agreement and then get the decade. This is what I offered to this room. Listen, there's nothing more tiring than Israel politicians who come to the United States and talking about all the political problems they have in Israel because it's, in a way, none of your business and not supposed to be, and if somebody reflects it on you, what are you going to do with that. Having said that, let us also remember what Tip O'Neill said once—that all politics are local.

The time, on the Israeli side, and I think also on the Palestinian side, will allow all parties involved to work together towards a target they know already. Because this is a room filled with veterans—you all know that the real negotiation is never Israeli-Palestinian; it's Israelis with Israelis and Palestinians with Palestinians. If we're lucky, we come to the table with some results. So this 'time as an ingredient' idea, gives us an opportunity to tell our people and the Palestinians to tell their people, "This is an ongoing process. You don't trust the Israelis? Well, you have a decade to see how this implementation works." "You don't trust the Palestinians? Well, you have a year of this kind of security arrangement, and you will see how it works."

So, the difference between this and the interim state idea is the fact that here, you're going to know, in advance, what is the end result. You know the end game. A decade is too much.

SATLOFF: David Makovsky, up in front.

David Makovsky, The Washington Institute: Good to see you again.

LAPID: Good to see you.

MAKOVSKY: To take your point—you know, a very creative idea about the implementation phase. But when we look at the polling data in Israel and your theme of the society at large, you know, we see very low support among both Israelis and Palestinians. And we also wonder about the leadership, on both sides. You can't speak for the Palestinians, obviously, but can you talk about—I don't know if it comes up in your meetings—positive messaging, because the Palestinians have done many positive things, but the leaders don't always talk about, to their own people, what they've done. [When] Israelis do positive things, Palestinians don't find an interest to talk about the positive things. I'm trying to see about what is being done in the decisionmaking circles in Israel that would get out a message to your own people that would increase support for the peace process. Obviously, the prime minister's, and you, and the decisions on the security arrangements we know—but what about public messaging that would get out a more positive environment that would make it maybe easier for the government to take decisions. If you want to say it on the Palestinian side too [that's ok], but I'm asking about Israel.

LAPID: Well, I think what is lacking in terms of positive messaging—I think people now don't have faith anymore. They think nothing's going to happen. And this started as an observation, but now it's a factor. When everybody does not believe in the peace process, then it's a factor within the peace process. So I'm going to say something very personal on this, because this is the kind of messaging I'm passing in Israel. I'll go personal all the way. On November 5, which is, what, a month from now, I'm going to be fifty. Ok, it's my fiftieth birthday. On November 5 last year, I was forty-nine. I was campaigning for a party no one ever heard of, and they said I'm going to earn between four and five seats in the Knesset. So, now, what I'm telling people is, listen this is the power of optimism and we lost that somewhere down the road. Let's bring this back. Let's do the naïve thing. Let's ignore the skeptics.

You know, I'm going through this weird process that ever since I became a politician, I'm less of a cynic than what I used to be. I'm more of a believer. Why? Because there's an ability to change things if you really, really want to. I don't think it is true in America, and I'm telling you it's not true in Israel: people who tell you the system is so complicated, and you have to understand all the complexities within—they just don't want to do something. Politicians, especially senior politicians, who have a real will to change things, can change things. Now, the question is, how many of those can you gather—and this is what we've been dealing with in Israel.

So, this is my answer for positive messaging. This is my positive message. On top of this, on the other side of the equation, on the other side of the people who are saying, you know, forget it, nothing's going to happen, there are the people who understand that, even though we didn't achieve a lot, even the fact that we've been trying on and on and on and on and on and on, for twenty years now since Oslo, as was mentioned here, means everybody in his right mind understands that there's only one solution on the table. And this is fairly new. I mean, aside from—there are parties and politicians in Israel who will tell you otherwise—but the majority, the vast majority of the Israeli public arena is within the understanding that the two-state solution is the only solution; by the way, for Jewish reasons—because it's the only way of keeping the Jewish identity of the State of Israel.

But it doesn't matter: so, you can look at the same time that we are disappointed with, you can look at in a positive way and say, you have a living proof of where this is going. Why not try—if this is going there—why not try and cut on the time it's going to take us.

SATLOFF: In your view, does this Israeli government—is this Israeli government and is this Palestinian Authority capable of reaching, within the period that Secretary Kerry has allotted, the sort of final agreement that you're talking about?

LAPID: Well, I came to government saying out loud that I will not sit in a government that doesn't go into a negotiation. And I came to this government, which means I believe this government can go quite a stretch in trying to achieve a peace agreement—and this is what we're doing now—and, of course the more success the negotiations will have, the more risks we'll have to take internally. But, of course, I will not discuss the Israeli coalition in this room—and this is only because I'm not suicidal. [laughter]

SATLOFF: Mr. Erikat, on my left.

SAID ERIKAT, *al-Quds Daily*: My name is Said Erikat. I'm a Palestinian journalist. If you allow rhetoric all the way truly likening the Palestinians in their occupation to al-Qaeda and Israel to the United States, assuming that [we're separating] the good guys from the bad guys, but that's ok. . . You also suggested—

Lapid: I represent the Israelis by the way.

ERIKAT: Sorry, but you're an Israeli official. So you suggested that the Palestinians must resolve all these existential problems before even they get to the table. My question to you is on a technical issue: where should this Palestinian state—you believe in the two-state solution—where should it be? Should it be on 22 percent of the Palestinian land that they have accepted as a final settlement, and forgo 78 percent of their land?

LAPID: I have said on this stage that in any future peace agreement will include the evacuations of tens of thousands of Israeli settlers. I must tell you that this discussion between the two of us is emotional—this is very emotional to me—this is for me fatherland, this is not just a territory for me. And, in the end, I understand there will be an evacuation.

But since both of us are from the same part of the world, and both of us knows that telling, in advance, what is it that you want to give up or not is not a good idea when you negotiate—this is not the Middle Eastern way of negotiating. We are negotiating now, the Israelis and the Palestinians. There is an agreement saying that the only person who is allowed to say what's going on at the table is Secretary Kerry. And I think we're going to keep it this way. But I think it's enough of a hint to say that I understand that a future peace agreement will include evacuation of settlements and settlers.

SATLOFF: Barbara Slavin and then Ziad Asali in the center.

BARBARA SLAVIN, The Atlantic Council and Al-Monitor.com: I am Barbara Slavin. I'm from the Atlantic Council and Al-Monitor.com which you may have seen.

LAPID: Ben Caspit?

SLAVIN: Ben Caspit, and Shlomi Eldar, and many good people from Israel write for it. This was a question suggested by an Israeli. You've talked about the Israeli-Palestinian question, but isn't the biggest threat to Israel, as it's presently constituted, the ultraorthodox and the growth of this community? And what are you going to do—how are you going to make these people work, be part of a vibrant, Jewish Israeli society? And isn't really that really the biggest threat to Israel is facing?

LAPID: Well, first of all, for the Israel Jew who gave you this question, thank him on my behalf. [laughter] Listen, there's two parts to my answer: The first part is, Israeli citizens are not a threat. I will not address other Israelis, whether they are ultraorthodox or not, as a threat to the country. They are as good citizens as I am. Having

said that, my party ran to campaign on the draft of the ultraorthodox to the army and then pushing them into the labor market. We have, since we have been elected, we have pushed strongly a bill for the draft. We have finished first call in the Israeli Knesset. A committee sat during the Knesset session, we sat now, and we're going to finish it within a month to a month and a half. This is why it was necessary to have a coalition without the ultraorthodox parties this time. And three years from now, 70 percent of the ultraorthodox youngsters will be drafted to the army; and next year, the first 28,000 ultraorthodox are going to get letters saying you can go into the labor market, we are not forcing you any more to sit in the yeshiva and… I was talking about the ultraorthodox and God made my microphone. [laughter]

Thank you. So, there going to go in the labor market. It was published a week ago that, for the first time in many, many years, instead of an increase in the number of young ultraorthodox who go to yeshiva, there is a decrease of 4,400 people. So, there's a whole social revolution on the go there, that, I think, all Israelis agree that it was our initiative. And it's not without its pains; we're cutting, for example, child allowances—we cut almost in half and yeshiva budgets. And there's a pain to it. Every social change has pain to it. But this is a crucial move for the Israeli society to make. And, as I was saying, listen, when you come to Washington, you talk about international affairs because this is what's interesting, but I understand that problems with budgets, you have ones of your own. You don't need us for this. But I'm happy that you asked me about something that's on our immediate concern.

SATLOFF: In the center in the back, Ziad Asali, and then over here on my left.

ZIAD ASALI, American Task Force on Palestine: Mr. Minister, thank you for your remarks. And I have to tell you that this is the most interesting speech I have ever heard by a Palestinian or an Israeli to tackle the substance of the conflict.

SATLOFF: Now I'm worried. [laughter]

ASALI: I'm telling you, this is a serious statement. We have had all kinds of speeches about final-status and all kinds of relations—what bothers me has been the exact impossibility of the space in between: between people who represent Palestine and people who represent Israel, where every concession is a test of manhood, or lack thereof; a test of, zero-sum measure of compromise on morals or on land or on history or identity. I think what you just said is promising because I feel like there are people in Israel, certainly at high places, who understand the problem in those terms—that we need to connect at the human level, and understand that there is a possibility of compromise, without actually selling out whatever it is that we're selling out.

I am very intrigued by the formulation of timing that you put together. We all know that at the present time, it's just not possible to put together a package and have people sign on and then go to everyone and have everybody agrees. It's just not possible. It is possible to come up with a formulation that would unfold over a period of time that would be consistent with the change that you talked about.

The last thing I want to say is this: you are in a stronger position. You as Israelis and as American Jews vis-à-vis us as Palestinians or as Palestinian-Americans. There is no question about it. It makes concessions on our side, consistently, feel to others like a betrayal or a weakness. It is really a belief that what you just said is possible; it is possible to make concessions even in a weak position, if you know that you are ending up with a result that is achievable, and that's equitable, and that's honorable. I did not mean a speech, and Rob is already warning me…[laughter]. But anyway, thank you. And this conversation just needs to continue.

LAPID: Thank you. I will say two things about those remarks. First of all, now there's two of us, only 12 million to go. [laughter]

ASALI: Good start, though.

LAPID: Yeah, good start. [laughter] And, besides, on the intellectual level it's interesting because the struggle in the world in every subject we are facing is now between purists and the people who are willing to compromise. And I'm not sure if I know in the world of social networking and so on and so forth who will prevail, but this is the struggle. So, if the people who are willing to understand that the concept of compromise is not getting all you want will be able to unite and have as clear voice as the purists, then we have a chance. So, yes let's work on this together.

SATLOFF: In your remarks, you mentioned two very hot-button issues: one was Jerusalem, and the other is settlements. There are a couple of other hot-button issues that you didn't mention. And I wanted to ask you about these, because they were headlines in a recent speech given by your prime minister. One was about refugees and the other about the idea of Israel as a Jewish state. Neither one came up in your remarks, and I wanted to know if there's a reason for that. Are they as significant in your list of important aspects of this conflict, or some other reason?

LAPID: Well, about the refugees, about what is known as the "right of return," I don't need even to answer this anymore because it was President Abbas who said in an interview in the Israeli television; he said, in his own voice, that he realized now that he's never going to come back to his home in Safed. Sure, there will be concessions on both sides, but I think we are over this as a subject.

On the recognition of Israel as a Jewish state by the Palestinians, I'm on record saying I disagree with the prime minister on this, which is ok within a coalition. He has more agreements with me than he has with the majority of the people in his own party, so [laughter]. I do not need recognition from the Palestinians or anyone else for Israel as a Jewish state. My father didn't come from the Budapest ghetto to Israel in order to get recognition from someone else. The whole concept of the Jewish state is that we recognize ourselves and we are masters of our own destiny. This is the conclusion we withdraw from the Holocaust—that we have to be able to control our own destiny and, therefore, we need no recognition from anyone else. So, I don't even understand in times why is it that it is so important to so many people—but I'm going to do what I do, which is go from one to the other and say, "Let's talk about this, and let's make sure we understand why is this so important that we get recognition from the Palestinians, [of] all people."

GREG GROSS, U.S. Department of Defense, Global Security Affairs Partnership Strategy: Formerly at the Defense Department dealing with security cooperation. My question for you is, if you don't mind me borrowing your marriage analogy, they always say that second marriages are a hope over experience. [inaudible] My question is, the Oslo process had various proposals and, subsequent to that, basically, from my understanding, what were exactly what you are talking about—they were confidence-building measures, timelines, in the case of Oslo, there was a map. And so, I'm having trouble understanding how what you're proposing is different from those past approaches. As Dave Makovsky has pointed out, the conditions are far worse now than these past occasions when the kind of proposal you're suggesting had already been [applied].

LAPID: Well, I'm not sure—I mean, you've said that the consequences now are far worse, and you said it like it's a known fact: I'm not sure I'm signing on I think we are now after twenty years in which the Palestinians have their territory, the Palestinian Authority, self-management. They've been through a lot, and I think, in terms of--

when we're talking about time, in terms of suspicion, things are not as bad as they were when Arafat [and his] people came from Tunisia and everybody thought the country's going to collapse in a second because a terror organization is coming to live amidst us. So I don't think this is—it's bad enough, we don't need to add to it. And what I'm saying now, well, I don't want to go into the details. What were the holes; there were big loopholes within the Oslo Accords. I think in this room more than others, I don't need to explain this. So what we need now is to have a better agreement, with a better understanding of what is it that we want to achieve.

And now it is not very theoretical, this is—I'll give you an example: take every Israeli, tell him "We're talking about Zone A, Zone B, and let's talk about what's happening in [Zone] C in terms of the swaps." They'll all know what we're talking about, they can visualize it; it happened already. They saw the tanks reversing. They saw it in the Gaza Strip—this was a bad experience. They saw it in the West Bank. They know how it worked. So this is the time to restart, or to jump-start again, a process with an end zone—this is what I believe.

SATLOFF: Let me close with what I think is an important question for an American audience. There was a time, Mr. Lapid, when it was almost conventional wisdom that so much of the Middle East depended on the resolution of the Israeli-Palestinian conflict. And American politicians and Israelis and Middle Easterners made this argument. It's difficult to make that case today. We see [that] Syria has no connection to this argument, what happens in Egypt has little connection, the Iran nuclear problem has little connection. Why should Americans care, today, about an issue that you and the Palestinians clearly care so much about?

LAPID: Well, I think it's a question that is broader than Israel. It's a question about, I mean—this is a perfect place to discuss this, but there should be another guest—about the role of the United States in the world, about the special relationship and why is it that this is important. And so I will say only this: I think countries have and need to have an ethos. And the American ethos is as guardians of all of that is right. And I think the Americans understand that we represent, in this haunted and tortured part of the world, the closest thing to an outer base of principles we all believe in.

And Vice President Biden took a lot of heat saying, if Israel wasn't there, we'd have to invent it. And I don't think it was just, because I think what he was referring to was that if you are a superpower and you want the principles you represent to be everywhere, then you have to have some allies. And why is it America is the strongest nation on earth? I mean, there are more Chinese. Europe, on the whole, is a bigger industry, I think. And the answer is because it is a constant force of ideas; it is pushing ideas—and Israel is one of the ideas that America supports. And I think this is why the United States is so involved in what is happening in Israel. For what it's worth, in every poll ever made in Israel, Israelis always note that the most important thing for Israelis is the special relationship we have with the United States. And this will become, I guess, in future times, more and more crucial in terms of the ability to compromise within Israeli society.

SATLOFF: Friends, please join me in thanking Minister of Finance Yair Lapid.