

The Med's Best Kept Secret

By Willy Stern The Weekly Standard July 27, 2009

Had a Thai herbal massage in Israel lately?

Perhaps nowhere else on the globe does there exist a greater discrepancy between perception and reality than Israel. The press portrays the country as a savage land racked by war and terrorism, and many outsiders have the impression that Israelis live their daily lives cowering amongst endless cycles of violence. The reality, though, is a country of 7.4 million people whose stock market and economy are humming along quite nicely (at least in contrast to the rest of the globe) and whose citizens revel in their chic Mediterranean lifestyle.

Anita Blum can't remember the last time her deluxe 100-room resort wasn't fully booked for the weekend. The Hotel Mizpe Hayamim is a well-appointed spa in the Galilee, two hours north of Tel Aviv, and suites go for \$500-plus-a-night. Blum charges extra for the therapies--a Thai herbal massage runs \$100--and enjoys a 75 percent occupancy rate year-round unchanged by the recent hostilities in Gaza and the world economic crisis.

As you wander around the luxurious grounds and drop \$75 on a lunch of beef carpaccio and veal entrecôte with organic vegetables, it's hard to think of Israel as a nation at war. And the guests aren't just the latest batch of Israeli high-tech millionaires. While Blum sees her share of the very rich--she has a helicopter pad, after all--she counts soldiers, schoolteachers, and university students, among her legions of happy clients.

In Israel, life goes on. The Western newspapers just don't notice. They follow instead on a few hackneyed storylines:

Policemen dragging unwilling Israeli settlers out of their homes.

Hamas (or Hezbollah) terrorists in menacing black scarves waving machine guns, a subset to the lingering "Palestinian issue."

Yet another rocket landing near a primary school in Sderot.

Noisy--and often corrupt--politicians trying to form a coalition amidst a dysfunctional, if vibrantly democratic, government system.

These narratives are real, important, and poignant, but they are only part of the story of a country that has seen 20 years of uninterrupted economic expansion. (Well, mostly uninterrupted. The 2001-02 Intifada and the current economic meltdown took their toll.)

Israel, of course, faces tremendous obstacles. It's tiny, surrounded by enemies, and lacking in natural resources. It has a growing and undereducated Arab population of some 1.45 million whose meager earnings add little to Israel's annual GDP of \$199 billion. (Even with its mostly unskilled Arab workforce, Israel's per capita income is around \$27,000, on par with those of New Zealand and South Korea.) And there are the 700,000 or so in the ultra-orthodox Jewish community who generally don't pay much in taxes or serve in the army but shamelessly mooch off government welfare. Then there are Israel's major trade partners, who have taken a beating in the global economic crisis, exacerbating Israel's chronic trade deficit. There's also been a notable slowing in Israel's high-tech sector in the last two years. And, with Iran threatening to go nuclear, Israelis fret about their very existence.

But these stories miss the bigger point: Israel today has become a vibrant, functioning jewel of a nation tucked into the eastern flank of the Mediterranean. Tel Aviv looks more like San Diego or Barcelona than Baghdad or Kabul. On a recent five-mile run along Tel Aviv's Gordon Beach, I saw Israeli yuppies cycling the boardwalk on \$1,500 Italian mountain bikes, teenagers in full-body wetsuits surfing the breakers, a deep-cleaved Russian model (nobody seemed to know her name) doing a photo shoot in a skimpy bikini whilst middle-aged Israeli men with potbellies and hairy chests shamelessly gawked, rows of high-priced yachts docked at the Tel Aviv marina, an endless stream of private planes on final approach to small Sde Dov Airport, and two Israeli soldiers in drab green uniforms making out in the sand and drinking Heineken. A nation at war? It seemed more like high season at Coney Island.

"Some first-time visitors are certainly surprised when they don't find tanks and camels in the streets," reports Hanna Munitz, general director of the Israeli Opera. Israel has a world class cultural scene. Want to see Franco Zeffirelli and Daniel Barenboim? No problem. The Alvin Ailey Dance Company visits. The opera plays to audiences at 97 percent capacity. "Just once, another opera manager told me she wouldn't bring her company to Israel because we were 'babykillers' or some nonsense," says Munitz, "but, even at lower pay, we attract the

best talents from around the globe. They love coming here!"

It's not only culture. Israel enjoys top universities, upscale restaurants, million-dollar homes, hoity-toity architecture, and the like. Take the economy. In the fourth quarter last year, when the global economy went all to hell, Israel's annual, quarter-over-quarter rate of GDP was only off 0.5 percent, the best figure in the industrialized world. (The United States was off 6.3 percent and Japan 12.1 percent.) "Think about the resistance of our economy in recent times," suggests Zvi Eckstein, deputy governor of the Bank of Israel. "Our prime minister [has a stroke]. The war in Gaza. The war in Lebanon. The government gets replaced. But we've maintained a stable macroeconomic structure and a strong high-tech sector."

What's the secret? Ayelet Nir, chief economist at IBI, an Israeli investment firm, lists six major reasons Israel's economy has done well of late:

A very conservative banking system--without most of the complex and problematic financial instruments found in the United States.

No mortgage crisis in a country where putting 50 percent down isn't unusual, and banks often ask for guarantors.

A current account surplus since 2003.

Negligible inflation.

Prudent governmental fiscal policy.

Healthy integration into the world economy.

Last year, 483 Israeli high-tech companies raised a whopping \$2.08 billion from local and foreign venture capital investors. (Only U.S. companies raised more.) All the major tech players--Google, Microsoft, IBM--have large research centers in Israel. They go where the talent is.

Take the case of Isaac Berzin, an Israeli inventor and chemical engineer named by Time magazine last year as one of the world's 100 most influential people. He's an MIT-affiliated scientist who discovered a process to extract renewable energy from seaweed and could live anywhere in the world. He and his wife, along with their three daughters, chose Jerusalem. Berzin still has to do his annual stint in the army reserves--where, he complains, he knows the "smell of every dirty sock" in his unit. But Berzin thinks the mandatory military service is very positive for Israel. Virtually every high school senior in Israel takes a battery of tests before being assigned to a military unit. Israel's best and brightest are tapped at this early stage and sent to elite units. Alumni from these elite units form a natural pipeline into Israeli high-tech firms. Think of it as a mixture of Harvard Business School and the Marine Corps.

"Everybody knows everybody else's business," explains Elisha Yanay, the cigar-chomping president of Motorola in Israel. "That leaves no room for B.S. Résumés mean very little in our country. In a few

phone calls, you can strip anybody bare--how they did in kindergarten, their military service, whatever. Pretending in our country is just not possible." Israel is today "the third-hottest spot [after Silicon Valley and Boston] for high-tech venture capital in the world," adds Yanay. "We have only 7 million people but make enough noise for 70 million."

Not all of Israel is noisy. The Tel Aviv stock market, in particular, seems one of the world's best-kept secrets. In the last 12 months, amidst the global meltdown, the Tel Aviv-100 has slumped only 15 percent. (By contrast, the U.K.'s FTSE 100 Index is down 24 percent, Japan's Nikkei 225 is off 28 percent, and the S&P 500 Index is down 31 percent.) Some of the Israeli market's resiliency is certainly driven by the continued success of Teva Pharmaceuticals, the massive Israeli generic drug firm, market cap near \$42 billion. (Teva's former CFO Dan Suesskind jokingly refers to what he calls the "regret curve"--that is, people who look at the chart of Teva's share price over time and regret not buying the stock.) "Most countries I know would be happy to trade positions with us, at least on the economic front," reports Ben-Zion Zilberfarb, professor of economics at Bar-Ilan University. "Our recession ought to be milder."

And it's not just Israelis who are taking advantage of the boom. A year ago, Carlos Arroyo was whipping passes to Dwight Howard and leading the Orlando Magic into the NBA playoffs. Now it's approaching midnight on a Monday night; Arroyo is just off a nifty 17-point, 4-rebound, 4-assist outing. He's chatting in the bowels of the Nokia Arena about his new life. He's glad to be out of Orlando. "What I really like about this place is the chic, cosmopolitan lifestyle. You go the supermarket, you find amazing food." What city is he talking about? Los Angeles? Toronto? Try Tel Aviv.

Last year, Arroyo accepted a multimillion-dollar offer to play for Israel's best basketball team, Maccabi Tel Aviv, when he could have been suiting up against LeBron and Kobe. Earlier in the year, he told a visiting reporter, "The restaurants [in Israel] are fantastic. There is this one particular Italian restaurant my wife really likes." (Much as he likes Tel Aviv, Arroyo will probably be moving on during the offseason as he and the Maccabi coach didn't mesh.)

Chloelys Restaurant in Tel Aviv is typical of the culinary boom Arroyo's wife so admires. The restaurant's wood flooring is imported from Brazil, its bricks from Belgium, and chef Victor Gloger keeps 7,000 bottles of wine in his cellar. The businessman's special (gilt-head bream fillet on grape leaves with Bulgarian cheese filling) runs \$32. On a Monday, the place was jam-packed with wheeler-dealers in open-necked shirts, staid Brooks Brothers-clad business types, college students apparently

fortified with Daddy's credit card, and the wife of the Belgian ambassador.

As religious Jews congregate in and around Jerusalem, hip Israelis flock to Tel Aviv. They joke that it's "the new city that never sleeps." Just ask Baltimore-born black rapper Joel Covington, a self-professed Jew--go figure--who performs under the stage name Rebel Sun: "I can take you out on Monday night at 8 P.M., bring you home at 8 A.M., and you'll never see a dull moment. If you want to party in Tel Aviv, just bring a toothbrush and an extra pair of underwear--you never know what you'll find."

One thing that Tel Aviv residents can't find is a cheap place to live. Forget about popping over to Israel to find a bargain apartment. There aren't any. A 3-bedroom flat in a classy high-rise like the Alrov Tower in Tel Aviv will set you back \$2 million. What's the asking price for a 1,200-square-foot villa, with pool, on nearby Rehov David Smilansky--roughly akin to Bethesda, but with a shorter commute downtown? Try \$4 million. The upside, of course: Buy the villa, and you can walk to the Gucci and Armani shops on nearby Kikar Hamedina Square. Israeli residential real estate prices are off a modest 5-10 percent since the global downturn hit, reports Adina Haham, CEO of Anglo-Saxon Real Estate in Tel Aviv. And prices are already inching back up.

High-tech millionaires own a lot of these homes. "The Israelis you find on the slopes of Aspen, those are mostly high-tech guys," explains Bar-Ilan University's Zilberfarb. How has Israel managed to do so well in high-tech? Every Israeli high-tech player can recite the national data like a bleacher bum spitting out baseball statistics:

Israel produces more science papers per capita than any other country.

Israel lags behind only the United States in number of companies listed on NASDAQ.

Twenty-four percent of Israel's workforce has a university degree; only the United States and Holland have a higher number.

Israel leads the world in scientists and technicians per capita.

Why has this produced a tech boom? There are as many theories as there are Israelis, it seems, but the most cogent is put forward by Haim Harari, retired president of the Weizmann Institute of Science:

If the science Olympics were held in Europe, we'd be second to none. I claim our success has to do with the national character of Israelis. The Israeli--or Jewish--character--is ambitious, chaotic, undisciplined, unorganized (we don't have a pope), often brilliant, and we think we know better than everybody else all the answers. These are the exact same skills you need in a high-tech start-up, but, of

course, we have none of the skills to run a big company.

An alternative theory, espoused by many serious Israelis, is that the prototypical pushy Jewish mother is driving the high-tech boom. Study hard! Make something of your life!

Israeli technology has certainly been a big part of the Internet age. The cell phone? Developed in Israel. Ditto for most of the Windows NT operating system and for voice mail technology. Pentium MMX Chip technology? Designed in Israel. AOL Instant Messenger? Developed in Israel. The list goes on. Firewall security software originated in Israel. The latest breakthrough is the "PillCam," a video camera that can be swallowed and aids physicians in diagnosing intestinal cancer.

"There was a suicide bomber in this very café during the Intifada," says Jonathan Medved over thick coffee at Caffit Café in Jerusalem. He's a transplanted American, prone to loud Hawaiian shirts, and one of Israel's leading venture capitalists. "They managed to get him over there, across the street, and he didn't detonate. That's how we live. And here we are today. Improvisation is our national plan. We are a nation of risk takers." Successful risk takers, by and large, and not just in high-tech.

Take the case of Eli Ben-Zaken. Twenty years ago, he was a smalltime farmer in charge of a chicken shed. He dabbled in wine, then risked all. Today, he's the proud owner of Domaine du Castel, a winery nestled on a gorgeous mountaintop in the rolling Judean Hills. His wine is sold from Hong Kong to Brazil. Walk into Zachys in Scarsdale and a bottle of his 2006 Grand Vin Kosher will set you back \$89.99. "I always say, thank God for the snobs," says the understated Ben-Zaken. "They started drinking wine for the wrong reasons, but stayed because they learned to appreciate good wine."

Some Israelis point to the country's unresolved tensions with its Arab neighbors as a factor in its success. "Conflict is also a very strong source of artistic creation," reports Hanan Pomagrin, a well-regarded Israeli architect. "An area in conflict is not always negative; it keeps people alert. I'm not saying that I would not want to see resolution to this conflict, but it also contributes to the huge energy felt when visiting Israel."

That self-same energy has pushed Israelis of all stripes onto the world stage. One is Bar Rafaeli, the shapely Israeli model who appeared on the cover of the latest Sports Illustrated swimsuit issue and who's been romantically linked to Leonardo DiCaprio. Another is Michael Arad, a former soldier in the elite Golani Brigade; in 2004, he won the design competition for the World Trade Center Memorial. And there's Ronen Chen, the Tel Aviv-based designer, whose high-end women's clothes at prices

secretaries can afford are found in chic boutiques all around the United States. Then there's the Batsheva Dance Company, an Israeli cultural icon that performs to packed audiences around the globe. And you can't wander into the faculty lounge at an Ivy League school without bumping into a transplanted Israeli.

But Israelis love their home, and with good reason. "You try to find someplace in Tuscany that's as nice as the Galilee," says the Bank of Israel's Eckstein. Wake up in Tel Aviv, and you can be skiing down the slopes at Mt. Hermon after a lovely, if winding, three-hour drive. That's a far sight easier than the haul from the Upper West Side to Stowe. Finish the workday in Jerusalem, and you can be scuba diving in Eilat, on the Red Sea, after a quick flight.

Of course, not all Israelis can afford weekend getaways. There are sordid slums in the country. Among those still struggling mightily: Palestinians and the recent waves of immigrants from Russia and Ethiopia. Even successful Israelis have their issues. Forget about a service industry; Israelis proudly jest that their nation produced the cell phone but not a

single decent waiter. It's a nation where rudeness, reckless driving, cheating on your tax returns, and cutting in line are national art forms.

Yet none of this is evident at the beautiful spa at Mizpe Hayamim. The resort may have no bigger fan than Dita Kohl-Roman, who's been vacationing there for more than two decades—since her mother-in-law first took her. "My daughter—a student in physics and Latin at Hebrew University—continues the tradition today," says Kohl-Roman, a director of resource development at Kishorit, a community for those with special needs. "She goes with her boyfriend!"

Anita Blum, the ever-gracious spa owner, is vigilant about the confidentiality of her guests, but her employees can't help but boast about two of the many goats at Blum's magnificent organic farm. One is named "Sharon." The other is named "Stone." Yes, it seems the other Israel—the land not of terrorists but of milk and honey and goats—may finally be being discovered.

Willy Stern, a Nashville-based writer, has reported from six continents.

An Unworkable Compromise

By Elliott Abrams The National Review

The Palestinians lose on a 'settlement freeze' too. Everyone knows that the Obama administration's demands for a settlement freeze are a huge problem for Israeli prime minister Benjamin Netanyahu's coalition in Jerusalem. But they are also a great problem for the Abbas/Fayyad government of the Palestinian Authority in Ramallah.

Why? Because the United States is now seeking some form of compromise, while the Palestinians are seeking a true, unalloyed, immediate, total freeze.

Having failed to bully Netanyahu into a total freeze, U.S. negotiator George Mitchell is said to be asking for a moratorium that would allow completion of all projects already underway, perhaps 2,500–3,000 units. Moreover, that moratorium is said to apply to the West Bank but to be silent about construction in Jerusalem, which would be handled separately. (News reports inform us that the new Israeli ambassador to the United States, Michael Oren, was called to the State Department on July 18 to be browbeaten over new Israeli construction in East Jerusalem. The demand that it cease was promptly rejected by Prime Minister Netanyahu the next day.)

Now, for George Mitchell this may appear to be a decent compromise. For however long the "freeze" lasts, there are no new units started. If the "freeze" lasts long enough — say, six months or a year — there will be a significant and visible reduction in Israeli construction in the West Bank. Mitchell, who is reported to want to leave his

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negotiator position at the end of 2009, would be able to quit while this "freeze" is in place. As to Jerusalem, he might just say "too hard for now" and tell Arab governments privately that U.S. pressure to stop Israel from building in East Jerusalem will continue.

Why Netanyahu and his government loathe this entire Obama project is clear. Morally, it accepts the argument that Israelis have no right to live in the West Bank (or even some parts of Jerusalem). Politically, agreeing to any sort of "freeze" threatens the governing coalition. And how does Bibi Netanyahu get out of the "freeze"? What's the exit strategy when the agreed time (Three months? Six? Nine or twelve?) ends — and Obama says, "I just need a bit more time to bring peace and freedom to the Middle East."

All this is familiar — but look at what the Obama administration has done to its friends in Ramallah as well. Palestinian Authority president Mahmoud Abbas and his negotiator Saeb Erekat are on record demanding a total freeze — including in Jerusalem, without a time limit, all over the West Bank, every settlement, all sorts of buildings. No exceptions for construction now under way, for kindergartens, not even (or, perhaps, especially?) for synagogues. Where do they stand when the United States government announces its deal — allowing several thousand units to be completed and remaining silent on Jerusalem? Compared with the current situation — daily denunciations of

settlements by Washington, while Palestinians are asked to do nothing — all of a sudden the U.S. will seem to have switched sides. All of a sudden the actual construction work you see before you is okay, Washington blesses it; and as to Jerusalem there will be no stated limits at all. “There are no middle-ground solutions for the settlement issue: Either settlement activity stops or it doesn’t stop,” Erekat told Voice of Palestine radio last week. Under all the possible compromises, it doesn’t stop — or so it will seem to Erekat and his boss Abbas, and to any Palestinian listening to Hamas’s radio and TV denunciations of such a deal.

Which is why the actual Palestinian position is to pray for Mitchell to fail. If he fails and there is no compromise deal, they are sitting pretty. Washington denounces Jerusalem, bad feeling between them continues, and Obama effectively demands nothing of the Palestinians. Of course, settlement construction continues as well, but the Palestinian leaders aren’t stupid; they know it’s a made-up issue. They know that life in the West Bank is getting better, the economy is improving, the Israelis are removing roadblocks and obstacles to movement — and they know that settlement construction provides

badly needed employment for Palestinian construction workers. So, Mitchell’s failure would be sheer heaven for them, while a compromise — well, Erekat said it. Bad news.

Abbas has said a hundred times in the last few months that he will not agree to resume negotiations with Israel unless there is a settlement freeze. The United States will call whatever compromise Mitchell reaches a “settlement freeze” and will then turn the pressure on Abbas to go back to the table — forcing him to eat his words. Either he, too, will have to call any partial moratorium a real freeze, returning to the table while Hamas happily explains that he has once again given away Palestinian rights — or he’ll have to refuse to negotiate, which would anger Obama. Lose-lose.

So, this Obama settlement mania will end up damaging not only Netanyahu but Abbas as well. What a triumph of American diplomacy.

Elliott Abrams, a senior fellow at the Council on Foreign Relations, was the deputy national security adviser handling the Middle East in the George W. Bush administration.

Obama and the Jewish World

By Anne Bayefsky Eye On The UN.org

President Barack Obama last Monday met for the first time with leaders of selected Jewish organizations and leaks from the meeting now make one thing very clear. The only free country in the Middle East no longer has a friend in the leader of the free world. Obama is the most hostile sitting American President in the history of the state of Israel.

This was the very first meeting with Jewish community’s leaders. Earlier requests for an audience with major Jewish organizations had reportedly been ignored. Six months after taking office the President finally got around to issuing an invitation – to stop the bleeding. Increasing numbers of Jews – even among the overwhelming number who voted for Obama – have been voicing serious concern about his real agenda.

The meeting, however, did not showcase the President’s trademark engagement and dialogue routine. Instead, he decided to cherry pick his Jewish audience to include pro-Obama newcomers with little support in the mainstream Jewish world, such as J Street, while blackballing the Zionist Organization of America. The oldest pro-Israel group in the United States, with a Washington office second in size only to the American Israel Public Affairs Committee (AIPAC), was not a voice Obama wanted to hear. This leaves the President willing to engage Iranian President Mahmoud Ahmadinejad but not ZOA President Mort Klein.

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The growing alarm in the Jewish community was also something the White House was bent on covering up. They refused to put the meeting on the President’s public schedule until it was outed. The White House demanded strict confidentiality and issued a terse couple of lines that it occurred when it was all over.

But there is no papering over the distressing reality that emerged. The President told his listeners that he preferred putting daylight between the United States and Israel. His reported justification: “there was no light between the U.S. and Israeli positions for the last eight years, and no progress was made.”

Evidently, unilateral disengagement from the Gaza Strip, 21 settlements and 9,000 residents counts for nothing. The Palestinian terrorist leadership and street have refused to accept a Jewish state for the past eight years (and the previous fifty-three) because the United States did not add sufficiently to Israel’s isolation. Palestinians are more likely to end terrorism, incitement to violence and rampant antisemitism if the United States applies more pressure on their victims.

Even if Obama doesn’t get it, Mahmoud Abbas does. He is now refusing to negotiate anything with the new Israeli government until President Obama’s settlement conditions are met.

During the meeting the President repeatedly described his new policy in terms of one of Yasser

Arafat's favorite mantras, "even-handedness." That's diplotalk for a moral equivalence between an Arab war against Jewish self-determination launched from the day of Israel's birth – decades before any "occupation" – and the conditions of third-generation Palestinian "refugees" kept in limbo pending Israel's destruction. But Obama's even-handedness was no slip of the tongue. In his Cairo speech, the President equated the Holocaust to Palestinian "dislocation."

The President promoted his strategy of putting hard public "pressure" on Israel as a means to build more credibility with Arab states. He must have meant the kind of credibility that comes from his policy of leaving an "open door" to Iran after its discredited election.

Obama then claimed that the widespread perception of an anti-Israel agenda was all the media's fault because the media is only interested in a "man-bites-dog" story. When an administration sends a U.S. ambassador back to Syria though it is still listed as a key state sponsor of terrorism, hosts terrorist kingpins pursuing Israel's annihilation, and was caught trying to acquire weapons of mass

destruction, the story is far-fetched story alright – but true.

The president joked that Al-Jazeera often airs pictures of him wearing a yarmulke at the Western Wall. Except the photo-op during the election campaign had been intended to fool a Jewish audience that is no longer amused.

Reports also quote the President as claiming Israel has yet to "engage in serious self-reflection." Considering Israel is a democratic country forced to send its children into the armed forces for two to three years and its men into reserve duty for another twenty-five, that isn't the audacity of hope. It's just plain audacity.

There is no doubt that the pressure on Israel from the Obama administration is going to get a lot worse, as the President told the group "there is a narrow window of opportunity for advancing the peace process." Everyone understood the threat. The narrow window is Obama's self-defined political ambitions bearing no relationship to the realities of the Middle East – or the welfare of either Israel or the United States.

Israel's new national consensus

By Barry Rubin The Jerusalem Post July 19, 2009

This could be the most important article I write this year. Israel has entered a new era of thinking and policy in which old categories of Left or Right, hawk or dove are irrelevant under a national unity government bringing together the two main ruling parties.

How did this new paradigm arise? Between 1948 and 1992, the consensus was that the PLO and most Arab states want to destroy Israel. When - or if - the day comes that they're ready to negotiate seriously we'll see what happens.

Then came the Oslo agreement and a huge shift. The governing view was that maybe the Palestinians and Arab states learned the cost of their intransigence enough to make peace possible. The Left thought a deal could bring real peace; the Right thought it was a trick leading to another stage of conflict on terms less favorable to Israel. But both expected a deal to materialize.

The year 2000, the Camp David failure, the Syrian and Palestinian rejection of generous offers and the second intifada destroyed illusions.

Since then, the country has groped for a new paradigm. Prime minister Ariel Sharon offered unilateralism; prime minister Ehud Olmert and foreign minister Tzipi Livni constantly offered more in exchange for nothing. But the more they did so, the more international abuse Israel received.

Now a new approach has finally emerged capable of reversing this situation. It goes like this: Israel wants peace but doesn't hesitate to express not

only what it wants and needs but also what's required to create a stable and better situation. To ensure that violence and instability really ceases requires:

- Recognition of Israel as a Jewish state. Without this step, the aftermath of any "peace" agreement would be additional decades of Arab effort to destroy Israel in all but - temporarily - name.

- Absolute clarity that a peace agreement ends the conflict and all claims on Israel. Otherwise, the Palestinian leadership and much of the Arab world would regard any "peace" agreement as a license for a new stage of battle, using Palestine as a base for renewed attacks and demands.

- Strong security arrangements and serious international guarantees for them. Have no doubt, these will be tested by cross-border attacks from Palestine.

- An unmilitarized Palestinian state (a better description than "demilitarized"), with the large security forces they already have, enough for internal security and legitimate defense but not aggression.

- Palestinian refugees resettled in Palestine. The demand for a "right of return" is just a rationale for wiping Israel off the map through internal subversion and civil war.

If Israel gets what it requires - and what successful peace requires - it will accept a two-state solution, a Palestinian Arab Muslim state (the

Palestinian Authority's own definition) alongside a Jewish state, living in peace.

Part of the new thinking is to understand that precise borders and east Jerusalem's status, while important, are secondary to these basic issues. If those principles are resolved, all else can follow.

This new posture is not one of desperately asserting Israel's yearning for peace but rather saying: We're serious, we're ready, we're not suckers but we're not unreasonable either. We want peace on real terms, not just more unilateral concessions and higher risk without reward. Not experimenting with our survival to please others. Not some illusory celebration of a two-state solution for a week and then watching it produce another century of violence.

Is it really such a brilliant idea to rush into giving a state without serious conditions to a Palestinian regime which has failed to govern competently what it already has, daily broadcasts incitement to murder Israelis, is profoundly corrupt, has already lost half its patrimony to a rival whose goal is a new genocide but whose own most fervent wish is to merge with that rival, and whose program is merely for the world to pressure Israel into handing it everything? The best outcome would be if this program was met by Palestinian cooperation. If they are suffering so under alleged occupation, if so desperate for their own state, there's nothing in this offer they can't accept.

If, however, they prefer rejectionism, exposing their claims as false, that too is acceptable. The truth would be known: The Palestinians and much of the Arab world can't make peace with Israel because

they don't want peace with Israel. And that is because they don't want Israel to exist. Period.

Around this program, Jews outside Israel should rally, putting aside old conflicts about who's more passionate about peace, who more concerned about security. The same applies to other countries and those well-intended who want to see a strategic situation more in accord with both their interests and humanitarian considerations.

In this context, there is no more puerile and misleading notion than that Israel's government has put forth a program encompassing a two-state solution because of US demands or pressures. This is a plan that organically grew out of the country's situation, experience and a broad national consensus.

A second notion this new paradigm rejects is the argument that either Israel is so strong that it can give without receiving or so weak that it must do so. Equally wrong is the notion that time is against Israel, a strong and vibrant society surrounded by weak and disorganized neighbors. The strategic situation has dramatically improved over the decades. It is a strong, confident society visibly meeting the challenge of the modern economic and technical environment.

Finally, this new policy merges both the conservative approach - proper suspicions and demands for security and reciprocity - and the liberal approach - a proper readiness to compromise and desire for true peace - into one package.

Both elements are now blended in the thinking of the overwhelming majority of Israelis. A new national consensus has emerged, strong and durable.

Jerusalem Heartburn By David Hazony Commentary July 22, 2009

We knew it would come to this. Over the weekend, the Obama administration showed just how radical the shift in U.S. policy toward Israel has been. It has demanded that the Israeli government withdraw the municipal approval of a building project in the Eastern Jerusalem neighborhood of Sheikh Jarrah. The land that houses the old, run-down Shepherd Hotel, which is to be replaced by an apartment building, was lawfully purchased by Jews. No matter: That part of town is seen by Washington as a "settlement."

Today, U.S. officials made it even clearer when they reportedly told both sides that they see no difference between Eastern Jerusalem and rogue settler outposts in the middle of the West Bank. Understandably, the Israeli government has rejected the directive, and some reports suggest that the Israelis may have deliberately leaked the demand, for it plays to Netanyahu's image as standing tall against American pressure.

Washington has a longstanding tradition of doublespeak when dealing with Jerusalem. On the

one hand, Obama himself couldn't help but declare his commitment (subsequently retracted) to a unified Jerusalem under Israeli sovereignty while campaigning for office — and he even promised to move the U.S. embassy from Tel Aviv, which is not the capital by any definition of the term, to Jerusalem.

At the same time, he is not the first presidential candidate to make that promise, nor the first one to forget about it when in office, in the process ignoring the express will of Congress. It's those pesky State Department folks, you see, who keep advising successive presidents that now is not the right time. For 60 years, Israel's executive, legislative, and judicial branches of government have found their seat in Jerusalem, and Israel's "closest ally" still keeps its embassy by the beach. At least we Jerusalemites don't have to worry about all those diplomat vehicles taking our precious parking spots.

It gets weirder. As I have pointed out before, the United States does not appear to recognize Israeli sovereignty over *any* part of Jerusalem —

West or East. A federal-court ruling earlier this month underscores the simple fact that any American citizen born in Jerusalem, regardless of where he lives, gets a U.S. passport with the country listed as simply “Jerusalem.” U.S. citizens living in Jerusalem cannot get help at the U.S. embassy in Tel Aviv; they are directed to the U.S. consulate in Jerusalem, which answers directly to Washington, rather than to the embassy.

Again, this stuff has been going on for a long time. It begins with a fundamental attitude on the part of successive American administrations, really dating back to the 1947 UN partition plan putting the city under “universal” governance. The point is, the reasoning goes, we don’t fully see the logic in giving Israel full sovereignty of Jerusalem. It’s not just about placating the Arabs, although that’s a big part of it; it is, after all, a city of international importance. Why should only Israel have it?

So in the interest of fostering a constructive dialogue with an American diplomatic universe that seems to have no interest whatever in Israel’s position on the subject, I’d like to toss out a few brief reminders.

1. Israel should have Jerusalem, first of all, because it already does. Jews have been a majority of the city consecutively since the middle of the 19th century. There is no issue here of occupation, of a Jewish minority displacing Palestinians in their land. Over the past century and a half, the city was divided for 19 years by an accident of war, split between Israel and Jordan, neither of which occupations having earned international recognition; and then it was reunited.

Thus was born the infamous and irrelevant “Green Line,” something that today exists on maps only. The Jordanians cleansed the eastern city of its Jews and burned down its synagogues. Then the Jews came back in 1967 and gave the city a greater degree of not only economic success but also religious, cultural, and political freedom than it has ever enjoyed under any of the different Muslim, Christian, and pagan regimes that preceded them. Consider, by contrast, the treatment of Jewish holy sites under Palestinian rule: Joseph’s Tomb, for example, was immediately set on fire, as were all the synagogues of the Gaza Strip. At the risk of “prejudicing” the outcome of negotiations through the employment of argument, why on earth should it not be Israel’s?

2. Israel should have Jerusalem because it is more important to Jews than it is to Muslims (or Christians, or anyone else). This may sound vaguely discriminatory or religionist or unpopularity theological or just unfunny, but the fact is that there is a difference between the “most important” holy

city and the “third most important” city that is far more than quantitative. This is the geographical heart of biblical Israel, the focus of its golden age of David and Solomon, the political-messianic-metahistorical dream focus of three millennia of Jewish prayer. This is the heart of everything, and that heart beats not on Herzl Boulevard or Jaffa Road by the Central Bus Station but in Eastern Jerusalem, at the site where the First and Second Temples stood for about a thousand years before the glorious Romans burned them down.

3. Israel should have Jerusalem because there is no practical way to divide the city that would satisfy both sides. Never mind the bizarre MTA-subway-style map that would ensue, intertwining all the Jewish and Arab neighborhoods in the city. The real problem is that Israelis and Palestinians have totally irreconcilable views as to how such a division would work in practice — a difference so wide as to make the entire endeavor a pipe dream.

Israelis see any separation as similar to the one Israel has with Egypt and Jordan: a full border, with strict crossings and a fundamental divorce of economic life. This is essential to any deal — the entire idea of giving up land in exchange for peace comes with the heavy baggage of decades of terror attacks. But such a separation, we have been told repeatedly, is anathema to the Palestinians themselves, who rely heavily on Israeli jobs for their living and see any real separation a form of “siege” — turning their territory into a “prison.” (If you don’t believe this, ask yourself how the Gazans would react if Israel were to lift the sea and air restrictions on the Strip: Would they say “we are now free” or “we are still under siege”?) This problem is little discussed but will become a deal breaker the moment anyone starts talking seriously about borders or dividing the city.

Jerusalem is not just a consensus issue in Israel but also a deeply personal one. There is no erasing the thousands of years of yearning for Jerusalem in Jewish texts, nor the heart-wrenching failure of Jewish forces to capture East Jerusalem in 1948, nor the national catharsis of its reunification in the Six Day War, nor over four decades of astonishing development and construction and tourism and flourishing of religious life for all faiths since then. The idea that now, suddenly, a new American president, speaking of “settlements,” will change this reality is not simply offensive and alienating to Israelis only but also to Jews the world over. Rather than recognize his failure in the Middle East so far, Obama is exacerbating it. Israelis do not like to be bullied, and this is far more likely to steel the Israeli public’s resolve against American pressure than weaken it.

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PM Netanyahu's conference call with the Conference of Presidents

By Benjamin Netanyahu The Israeli Prime Minister's office July 21, 2009

Strengthening the connection of the Jewish communities around the world, especially in the United States, to Israel is something that is important both to my government and to me personally. It's also important for the people of Israel. I look forward to working with all of you and also with Natan Sharansky. Natan is on the line, and will join us after I make a few remarks. I want to work with him and with the Conference of Presidents, with all of you, to advance our common goals. And these are broad, they encompass a lot. They encompass Aliyah and Jewish education and the strengthening of Jewish identity – to the broader and pressing questions of peace and security. And I hope that this will be the first of many conversations that we'll have in the months and years ahead. So, view this as a pioneering effort. Let's do it often.

Now, before I take your questions today, I wanted to focus on two pivotal issues: the situation with Iran and the question of peace with the Palestinians. First on Iran – very simply put, if the Iranian regime acquires nuclear weapons, I think this would be a hinge of history. It would present a grave threat to Israel, to the Middle East and to the world at large. The reason I say that is because the recent elections have unmasked the true character of this regime. This is a regime that brutally represses its own people; it sponsors terrorism – not only sponsors it, it supplies the terrorists, it directs them, it finances them, it gives them missiles, it gives them everything – and it's also determined to acquire nuclear weapons. Understand that a nuclear-armed Iran could provide a nuclear umbrella to terrorists, and it could possibly provide nuclear weapons to terrorists. I think for the sake of the peace of the world and the security of my own country and that of the United States, this must not be allowed to happen. It's important for me to stress to you that the Iranian people are not our enemies. We remember a time when Israel and Iran had an excellent relationship, better than good, and we know that the Iranian people would like nothing better than to rid themselves of this horrible regime.

When I was in Washington a few months ago, President Obama and I had extensive discussions about this threat. The President has repeatedly stated that Iran must not be allowed to acquire nuclear weapons, and that all options must remain on the table in dealing with this threat. And of course this is a position that we support. I also think there's an increasing international understanding about the true nature of this regime and I think there is a growing resolve to thwart the regime's effort to attain a military nuclear capability. I think this is not merely an Israeli interest; I think it is now the stated interest

not merely of our two countries, but I think this is ought to be the interest and is the interest of anyone interested in preserving the peace of the world. Because a nuclear armed Iran threatens the peace of us all.

The second point I wanted to raise is the quest for achieving peace with the Palestinians, a genuine peace. The simplest thing is to begin peace talks, unconditionally. I have offered that, I offer that again. In fact I say that to you tonight. We seek unconditional peace talks with the Palestinians. We're prepared to begin those talks immediately, and I'm prepared to work with the Palestinians, and of course with President Obama, towards advancing peace with the Palestinians, and towards advancing the President's idea of a broader peace in the region.

I think that we have to work on five principles that are not preconditions for beginning peace talks, but I think they are clear foundations for a successful completion of peace talks. The first principle is recognition. We are asked to recognize a nation-state for the Palestinian people. I think that it's necessary and elementary that the Palestinians be asked to recognize the nation-state of the Jewish people. I think that the absence of the recognition of Israel's right or of the Jewish people's right to a state of their own was and remains the source, the root of this conflict. I don't think we should be myopic about this. I think we have to be very, very clear. The Palestinians so far do not say simply, unequivocally and clearly that they recognize Israel as the Jewish state, a Jewish state not in the religious sense, but a Jewish state as the nation-state of the Jewish people. I think this is not a semantic insistence; it's a substantive insistence of which there is an immediate derivative, which is the second principle – and that is that the problem of Palestinian refugees will be resolved outside the State of Israel.

You cannot say that you are prepared to make peace with Israel when you don't recognize Israel as the state of the Jews, and when you insist that this state will be flooded by Palestinian refugees. It just doesn't make sense. So the first principle is recognition. The second principle is that the problem of the refugees will be resolved outside the State of Israel.

The third point ought to be obvious too, but I make it here too – it all relates to the question of ending the conflict. And that is that a peace treaty actually ends the conflict. It's not an interim peace treaty from which the conflict is pursued from the Palestinian state that will be established. It's the end of the conflict. That is, the Palestinians upon the signing of a peace treaty have to say unequivocally

that they have no more claims – no more claims either on the question of refugees or on the question of borders or on the question of irredentist claims

So the first three points that I raised relate to legitimacy, to Israel's permanent legitimacy: recognition of a Jewish state, the resolution of the refugee problem outside the borders of the Jewish state and the end of claims, the finality of conflict.

The other two points that I wanted to make relate to security. It's clear that the Palestinian state established should be one that doesn't threaten the State of Israel. The only way that that will be achieved is by effective demilitarization – this is the fourth point. We need effective measures of demilitarization. I'll tell you what ineffective measures of demilitarization are: Gaza is an example; Lebanon is an example. There is no effective demilitarization in either place, and in fact, the arrangements that have been put in place, either in the Philadelphi Corridor or in South Lebanon have produced a highly ineffective arrangement where these two places are used as a launching ground for thousands of missiles that have been hurled against us – now in South Lebanon, tens of thousands of missiles are in place, and in Gaza many, many missiles that are being piled up and smuggled inside that area to be launched again. We want effective means of demilitarization. I think this is the fourth point – absolutely essential.

And the fifth point is that whatever arrangements are undertaken in a peace arrangement, in a peace treaty, have to be guaranteed by the international community, led by the United States. That is, we want to have clear demilitarization means and a clear commitment by the international community about the validity and the robustness of these security arrangements. And I don't seek the international community to actually provide the means of demilitarization. I do seek the international community's support for those arrangements that will be put on the ground, political support that is.

So these are the five points: recognition, the question of refugees, the end of claims, effective demilitarization means and international political guarantees for those arrangements. These are the five points that have a vast consensus in Israel, not broad consensus, not the majority – vast consensus. And the reason they enjoy vast consensus, and I found this out after I spoke in Bar-Ilan – I knew they enjoyed support, but I didn't understand they enjoyed such broad support – is because they're fair and because they're necessary. And because anybody who has a commonsense and decent approach to the question of peace understands that these are the five foundations, the five prerequisite foundations for completing a genuine peace treaty.

I would add one other which is not in the form of a condition that we put for the end of the conflict, for ending the conflict, but one that I think, at least from experience, could help push along a solution and stabilize it – and that is prosperity. Up to now, I spoke about three conditions that relate to legitimacy: recognition, refugees and the end of claims; and two points that relate to security: demilitarization and international guarantees for demilitarization. But there is a third element, and that is what we can do to push forward the spread of prosperity. I'm not merely talking about us. We can do that, and we are doing that in our own economy, but advancing prosperity in the Palestinian economy. We've been doing that. We've taken steps that have begun to be recognized a bit in the international community, actually far-reaching steps of liberalizing movement and enabling movement in the West Bank; removing barriers and checkpoints. I've recently asked our security establishment to open up the Allenby Bridge so that it is opened for additional hours for movement. I personally head a ministerial committee to unblock several economic projects that have been held up that I think could advance the Palestinian economy. I think we can do an enormous amount to advance tourism and investments, and we're prepared to do that. This idea of advancing the economic peace is not a substitute for achieving the political peace that I discussed. It's a way to facilitate it. It helps achieving the peace, and it's something that we are moving along independently, whether or not the Palestinians collaborate on it is, of course, up to them. But if they do join with us and participate with us, we could move the West Bank economy way up very rapidly, and what this does is help peace. Because obviously if young Palestinians have a job, if investments are made in Ramallah, if restaurants open in Jenin, if businesses flourish in Hebron, this makes peace more possible and more worthwhile for the Palestinians, as opposed to the radical Islamist projection of misery and conflict. And so I think that prosperity is the other element.

So I advocate legitimacy, security and prosperity by advancing recognition of the Jewish state, the settlement of the refugees outside Israel, the end of claims and the end of conflict, effective demilitarization measures and political international guarantees for these matters; but in addition to that, also the advancement of prosperity and economic cooperation between Israel and the Palestinians with the support of the United States and others in the international community. I think there is overwhelming consensus in Israel for this, and I am sure that this is something that could be helped by you, all of you, and everyone else interested in achieving peace.

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