

Honored guests, citizens of Israel.

Peace was always the desire of our people. Our prophets had a vision of peace, we greet each other with peace, our prayers end with the word peace. This evening we are in the center named for two leaders who were groundbreakers for peace -Menachem Begin and Anwar Sadat - and we share their vision.

Two and a half months ago, I was sworn in at the Knesset as the Prime Minister of Israel. I promised that I would establish a unity government, and did so. I believed, and still believe, that we need unity now more than ever before.

We are currently facing three tremendous challenges: The Iranian threat, the financial crisis, and the promotion of peace.

The Iranian threat still is before us in full force, as it became quite clear yesterday. The greatest danger to Israel, to the Middle East, and to all of humanity, is the encounter between extremist Islam and nuclear weapons. I discussed this with President Obama on my visit to Washington, and will be discussing it next week on my visit with European leaders. I have been working tirelessly for many years to form an international front against Iran arming itself with nuclear armaments.

With the world financial crisis, we acted immediately to bring about stability to the Israeli economy. We passed a two-year budget in the government and will pass it through the Knesset very soon. The second challenge, rather, the third, so very important challenge, facing us today, is promoting peace. I discussed this also with President Obama. I strongly support the idea of regional peace that he is advancing. I share the President of the U.S.A's desire to bring about a new era of reconciliation in our region.

I discussed this in my meetings with President Mubarak in Egypt and with King Abdullah in Jordan to obtain the assistance of these leaders in the effort to expand the circle of peace in our region.

I appeal tonight to the leaders of the Arab countries and say: Let us meet. Let us talk about peace. Let us make peace. I am willing to meet at any time, at any place, in Damascus, in Riyadh, in Beirut, and in Jerusalem as well.  
(Applause)

I call upon the leaders of the Arab countries to join together with the Palestinians and with us to promote economic peace. Economic peace is not a substitute for peace, but it is a very important component in achieving it. Together we can advance projects that can overcome the problems facing our region. For example, water desalinization. And we can utilize the advantages of our region, such as maximizing the use of solar energy, or utilizing its geographical advantages to lay pipelines, pipelines to Africa and Europe.

Together we can realize the initiatives that I see in the Persian Gulf, which amaze the entire world, and also amaze me. I call upon the talented entrepreneurs of the Arab world, to come and invest here, to assist the Palestinians and us, to give the economy a jump-start. Together we can develop industrial zones, we can create thousands of jobs, and foster tourism that will draw millions, people who want to walk in the footsteps of history, in Nazareth and Bethlehem, in the heights of Jericho and on the walls of Jerusalem, on the shore of the Sea of Galilee, and at the baptismal site of the Jordan. There is a huge potential for the development of tourism potential here. If you only agree to work together.

I appeal to you, our Palestinian neighbors, and to the leadership of the Palestinian Authority. Let us begin peace negotiations immediately without prior conditions. Israel is committed to international agreements, and expects all sides to fulfill their obligations. I say to the Palestinians: We want to live with you in peace, quiet, and good neighborly relations. We want our children and your children to 'know war no more.'

We do not want parents and wives, sons and daughters, brothers and sisters, to know the sorrow of bereavement. We want our children to dream of a better future for humankind. We want us and our neighbors to devote our efforts to 'plowshares and pruning hooks' and not to "swords and spears"? I know the terror of war, I participated in battles, I lost good friends who fell [in battle], I lost a brother. I saw the pain of bereaved families from up close - very many times. I do not want war. No one in Israel wants war. (Applause)

Let us join hands and work together in peace, together with our neighbors. There is no limit to the flourishing growth that we can achieve for both peoples - in the economy, in agriculture, in commerce, tourism, education - but, above all, in the ability to give our younger generation hope to live in a place that's good to live in, a life of creative work, a peaceful life with much of interest, with opportunity and hope.

Friends, with the advantages of peace so clear, so obvious, we must ask ourselves why is peace still so far from us, even though our hands are extended for peace? Why has the conflict going on for over 60 years? To bring an end to it, there must be a sincere, genuine answer to the question: what is the root of the conflict? In his speech at the Zionist Congress in Basel, in speaking of his grand vision of a Jewish homeland for the Jewish People, Theodor Herzl, the visionary of the State of Israel, said: This is so big, we must talk about it only in the simplest words possible.

I now am asking that when we speak of the huge challenge of peace, we must use the simplest words possible, using person to person terms. Even with our eyes on the horizon, we must have our feet on the ground, firmly rooted in truth. The simple truth is that the root of the conflict has been - and remains - the refusal to recognize the right of the Jewish People to its own state in its historical homeland.

In 1947 when the United Nations proposed the Partition Plan for a Jewish state and an Arab state, the entire Arab world rejected the proposal, while the Jewish community accepted it with great rejoicing and dancing. The Arabs refused any Jewish state whatsoever, with any borders whatsoever.

Whoever thinks that the continued hostility to Israel is a result of our forces in Judea, Samaria and Gaza is confusing cause and effect. The attacks on us began in the 1920s, became an overall attack in 1948 when the state was declared, continued in the 1950s with the fedaayyin attacks, and reached their climax in 1967 on the eve of the Six-Day War, with the attempt to strangle Israel. All this happened nearly 50 years before a single Israeli soldier went into Judea and Samaria.

To our joy, Egypt and Jordan left this circle of hostility. They signed peace agreements with us which ended their hostility to Israel. It brought about peace.

To our deep regret, this is not happening with the Palestinians. The closer we get to a peace agreement with them, the more they are distancing themselves from peace. They raise new demands. They are not showing us that they want to end the conflict.

A great many people are telling us that withdrawal is the key to peace with the Palestinians. But the fact is that all our withdrawals were met by huge waves of suicide bombers.

We tried withdrawal by agreement, withdrawal without an agreement, we tried partial withdrawal and full withdrawal. In 2000, and once again last year, the government of Israel, based on good will, tried a nearly complete withdrawal, in exchange for the end of the conflict, and were twice refused.

We withdrew from the Gaza Strip to the last centimeter, we uprooted dozens of settlements and turned thousands of Israelis out of their homes. In exchange, what we received were missiles raining down on our cities, our towns and our children. The argument that withdrawal would bring peace closer did not stand up to the test of reality.

With Hamas in the south and Hezbollah in the north, they keep on saying that they want to 'liberate' Ashkelon in the south and Haifa and Tiberias. Even the moderates among the Palestinians are not ready to say the most simplest things: The State of Israel is the national homeland of the Jewish People and will remain so. (Applause)

Friends, in order to achieve peace, we need courage and integrity on the part of the leaders of both sides. I am speaking today with courage and honesty. We need courage and sincerity not only on the Israeli side: we need the Palestinian leadership to rise and say, simply "We have had enough of this conflict. We recognize the right of the Jewish People to a state its own in this Land. We will live side by side in true peace." I am looking forward to this moment.

We want them to say the simplest things, to our people and to their people. This will then open the door to solving other problems, no matter how difficult. The fundamental condition for ending the conflict is the public, binding and sincere Palestinian recognition of Israel as the national homeland of the Jewish People. (Applause)

For this to have practical meaning, we need a clear agreement to solve the Palestinian refugee problem outside of the borders of the State of Israel. For it is clear to all that the demand to settle the Palestinian refugees inside of Israel, contradicts the continued existence of the State of Israel as the state of the Jewish People. We must solve the problem of the Arab refugees. And I believe that it is possible to solve it. Because we have proven that we ourselves solved a similar problem. Tiny Israel took in the hundreds of thousands of Jewish refugees from Arab countries who were uprooted from their homes.

Therefore, justice and logic dictates that the problem of the Palestinian refugees must be solved outside the borders of the State of Israel. There is broad national agreement on this. (Applause)

I believe that with good will and international investment of we can solve this humanitarian problem once and for all.

Friends, up to now, I have been talking about the need for the Palestinians to recognize our rights. Now I will talk about the need for us to recognize their rights.

The connection of the Jewish People to the Land has been in existence for more than 3,500 years. Judea and Samaria, the places where our forefathers Abraham, Isaac and Jacob walked, our forefathers David, Solomon, Isaiah and Jeremiah - this is not a foreign land, this is the Land of our Forefathers. (Applause)

The right of the Jewish People to a state in the Land of Israel does not arise from the series of disasters that befell the Jewish People over 2,000 years - persecutions, expulsions, pogroms, blood libels, murders, which reached its climax in the Holocaust, an unprecedented tragedy in the history of nations. There are those who say that without the Holocaust the State would not have

been established, but I say that if the State of Israel had been established in time, the Holocaust would not have taken place. (Applause) The tragedies that arose from the Jewish People's helplessness show very sharply that we need a protective state. The right to establish our sovereign state here, in the Land of Israel, arises from one simple fact: Eretz Israel is the birthplace of the Jewish People. (Applause)

As the first PM David Ben Gurion in the declaration of the State, the State of Israel was established here in Eretz Israel, where the People of Israel created the Book of Books, and gave it to the world.

But, friends, we must state the whole truth here. The truth is that in the area of our homeland, in the heart of our Jewish Homeland, now lives a large population of Palestinians. We do not want to rule over them. We do not want to run their lives. We do not want to force our flag and our culture on them. In my vision of peace, there are two free peoples living side by side in this small land, with good neighborly relations and mutual respect, each with its flag, anthem and government, with neither one threatening its neighbor's security and existence.

These two facts - our link to the Land of Israel, and the Palestinian population who live here, have created deep disagreements within Israeli society. But the truth is that we have much more unity than disagreement.

I came here tonight to talk about the agreement and security that are broad consensus within Israeli society. This is what guides our policy. This policy must take into account the international situation. We have to recognize international agreements but also principles important to the State of Israel. I spoke tonight about the first principle - recognition. Palestinians must truly recognize Israel as the state of the Jewish people. The second principle is demilitarization. Any area in Palestinian hands has to be demilitarization, with solid security measures. Without this condition, there is a real fear that there will be an armed Palestinian state which will become a terrorist base against Israel, as happened in Gaza. We do not want missiles on Petah Tikva, or Grads on the Ben-Gurion international airport. We want peace. (Applause) And, to ensure peace we don't want them to bring in missiles or rockets or have an army, or control of airspace, or make treaties with countries like Iran, or Hezbollah. There is broad agreement on this in Israel. We cannot be expected to agree to a Palestinian state without ensuring that it is

demilitarized. This is crucial to the existence of Israel - we must provide for our security needs.

This is why we are now asking our friends in the international community, headed by the USA, for what is necessary for our security, that in any peace agreement, the Palestinian area must be demilitarized. No army, no control of air space. Real effective measures to prevent arms coming in, not what's going on now in Gaza. The Palestinians cannot make military treaties.

Without this, sooner or later, we will have another Hamastan. We can't agree to this. Israel must govern its own fate and security. I told President Obama in Washington, if we get a guarantee of demilitarization, and if the Palestinians recognize Israel as the Jewish state, we are ready to agree to a real peace agreement, a demilitarized Palestinian state side by side with the Jewish state. (Applause)

Whenever we discuss a permanent arrangement, Israel needs defensible borders with Jerusalem remaining the united capital of Israel. (Applause)

The territorial issues will be discussed in a permanent agreement. Till then we have no intention to build new settlements or set aside land for new settlements. But there is a need to have people live normal lives and let mothers and fathers raise their children like everyone in the world. The settlers are not enemies of peace. They are our brothers and sisters. (Applause)

Friends, unity among us is, to my view, vital, and unity will help with reconciliation with our neighbors. Reconciliation must begin now. A strong Palestinian government will strengthen peace. If they truly want peace, and educate their children for peace and stop incitement, we for our part will make every effort, allow them freedom of movement and accessibility, making their lives easier and this will help bring peace. But above all, they must decide: the Palestinians must decide between path of peace and path of Hamas. They must overcome Hamas. Israel will not sit down at conference table with terrorist who seek to destroy it. (Applause)

Hamas are not willing to even let the Red Cross visit our abducted soldier Gilad Shalit who has been in captivity three years, cut off from his family and his country. We want to bring him back whole and well. With help of the international community, there is no reason why we can't have peace. With help of USA, we can do we can do the unbelievable. In 61 years, with constant threats to our existence we have achieved so much. Our microchips power the worlds computers unbelievable, we have found cures for incurable diseases. Israeli drip irrigation waters barren lands throughout the world. Israeli researchers are making worldwide breakthroughs. If our neighbors only work for peace, we can achieve peace. (Applause)

I call upon Arab leaders and Palestinian leaders: Let's go in the path of Menachem Begin and Anwar Sadat, Yitzhak Rabin and King Hussein. Let's go in the path of Prophet Isaiah, who spoke thousands of years ago, they shall beat their swords into plowshares and know war no more. Let us know war no more. Let us know peace.