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Address by Acting Prime Minister Ehud Olmert to the Herzliya Conference

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(Translated from Hebrew)

Distinguished Guests,

Unfortunate circumstances have led to my appearance before you here this evening in place of Prime Minister Ariel Sharon. Two years ago, at this Conference, Prime Minister Ariel Sharon delivered his speech later known as the "Herzliya Speech", the speech in which he announced the Disengagement Plan. From this place, one of our greatest commanders embarked on the most dramatic and significant, campaign of his life, the diplomatic, public and political campaign of the Disengagement Plan. That speech, and the Disengagement Plan which followed, are milestones in the history of the State of Israel.

I had the honor working beside Ariel Sharon throughout this bold political process. I accompanied him during the long months of internal conflict and confrontation. I witnessed how he withstood the supreme test faced by every leader: the temptation to preserve the status quo and not take the risks even if these could ensure a better future. Ariel Sharon did not act in this manner. His policy always prioritized initiative over inaction, breakthrough over the monotonous route. He knew it was better for Israel to initiate political steps, and not be dragged into dangerous moves forced on it by others.

The State of Israel is still a young nation. There are many more steps we must take in order to build a ethical society with strong values: building a value-based education system, infusing our lives with Jewish content, strengthening our connection to the Jews of the Diaspora, shaping a system of equal opportunities with the Arab minority, based on rights and responsibilities, and developing a strong, just, compassionate and reactive economy. However, there is no doubt that the most important and dramatic step we face is the determination of permanent borders of the State of Israel, to ensure the Jewish majority in the country.

Zeev Jabotinsky defined the importance of a Jewish majority in his insightful and keen way: "The term 'Jewish nation' is absolutely clear: it means a Jewish majority. With this, Zionism began, and it is the basis of its existence, it will continue to work towards its fulfillment or it will be lost."

The existence of a Jewish majority in the State of Israel cannot be maintained with the continued control over the Palestinian population in Judea, Samaria and the Gaza Strip. We firmly stand by the historic right of the people of Israel to the entire Land of Israel. Every hill in Samaria and

every valley in Judea is part of our historic homeland. We do not forget this, not even for one moment. However, the choice between the desire to allow every Jew to live anywhere in the Land of Israel to the existence of the State of Israel as a Jewish country - obligates relinquishing parts of the Land of Israel. This is not a relinquishing of the Zionist idea, rather the essential realization of the Zionist goal - ensuring the existence of a Jewish and democratic state in the Land of Israel.

In order to ensure the existence of a Jewish national homeland, we will not be able to continue ruling over the territories in which the majority of the Palestinian population lives. We must create a clear boundary as soon as possible, one which will reflect the demographic reality on the ground. Israel will maintain control over the security zones, the Jewish settlement blocs, and those places which have supreme national importance to the Jewish people, first and foremost a united Jerusalem under Israeli sovereignty. There can be no Jewish state without the capital of Jerusalem at its center.

This is the path Prime Minister Ariel Sharon announced several years ago. We - who were his partners in its formation - worked with him in order to establish a new public movement, which will determine our path in the coming years, and which will propel Israel forward.

The existence of two nations, one Jewish and one Palestinian, is the full solution to all the national aspirations and problems of each of the peoples, including the issue of refugees who will be absorbed solely in a Palestinian state. We will not allow the entry of Palestinian refugees into the State of Israel. This is our clear stance, which is backed by the unequivocal American position expressed in the United States President's letter of April 2004, to the Prime Minister. The only way to achieve this goal is the full implementation of the Roadmap, and of President Bush's vision of June 2004 (2002).

The Roadmap is based on a simple and just idea: if the Palestinians abandon the path of terror, and stop their war against the citizens of Israel, they can receive national independence in a Palestinian state with temporary borders, even before all the complicated issues connected to a final agreement are resolved. All these issues will be resolved later during negotiations between the two countries, in the accepted manner in which countries resolve their differences.

On the eve of elections in the institutions of the Palestinian Authority, I say here, on behalf of the Government of Israel, that we will uphold all the obligations we have taken upon ourselves in the framework of the Roadmap, and we demand that the leadership in Ramallah do likewise.

Israel has already proven, including through the Disengagement, that it is prepared to advance peace. It will continue to act so in relation to the commitments it has taken upon itself, in exchange for Palestinian commitments. This includes: limiting construction in the settlements, improving the quality of life of the Palestinian population, and dismantling unauthorized outposts.

The Government of Israel will not be deterred by the threats of a minority of lawbreakers. The unauthorized outposts will be dismantled, and I have already given the appropriate instructions in this regard to our security forces and those entrusted with upholding the law. We will forcefully defend the values of the rule of law, even when attacked from within.

We have begun fulfilling our commitments, which are not easy to implement given the internal disagreements in our country, and the disengagement from the land of our ancestors. Loyal to the path of Sharon, we prefer the wisdom of compromise to emotion, and we demand that the Chairman of the Palestinian Authority and his government act similarly.

The Palestinians, headed by Chairman Mahmoud Abbas have committed themselves to implementing a series of concrete steps, which will abrogate the capability to threaten Israel and the political process with terror. Among them is the dismantling of all terror organizations starting with the Hamas, confiscating illegal weapons, enforcing law and order in their territory, implementing government, security and financial reforms, and ceasing the incitement and education of hatred against Israel.

The key to moving the political process forward is for the Palestinians to abandon the path of terror. This is not a matter for words, statements and empty promises - we had our fill of these in the past.

The Roadmap determines that, only after all these steps are fully completed, will they be entitled to the status of national independence and equal rights and obligations in the international community. This is not solely an Israeli demand. This is a general international prerequisite required of them. Led by the United States, the countries of the European Union, Russia, the UN and the moderate Arab states, led by Egypt and Jordan.

The Government of Israel, under my leadership, will insist on the full implementation of the Roadmap, and of all its phases, exactly as was agreed, because this is the only way to preserve security and bring about peace. It would be a serious, historic mistake to allow the Palestinians to avoid the fulfillment of their commitment to dismantle terror organizations. We must adhere to the Roadmap, conduct negotiations on its implementation, and act to create massive international pressure on the Palestinians to fight terror.

Those who are in a rush have asked whether, because of the elections, the present Government has already committed to another disengagement if future contacts with the Palestinians are not successful. We would prefer an agreement. If our expected partners in the negotiations in the framework of the Roadmap do not uphold their commitments, we will preserve the Israeli interest in every way.

The elections taking place tomorrow in the Palestinian Authority are an historic opportunity for the Palestinians to take a giant step towards realizing their goal - to achieve national independence in a country of their own.

In 1947, the Palestinians rejected the offer to establish a country. History has provided them with another opportunity to establish an independent state. The actualization of this opportunity involves relinquishing some of their national dreams, just as we have relinquished some of our national dreams.

In the elections tomorrow, and in the steps which will follow, they will have to decide: whether to take their fate into their hands or to again leave the key in the hands of the extremists, those who led them from bad to worse and condemned them to a life of misery and suffering.

It is important to be clear: we are interested in neighborly relations which are good, productive and progressive. We support the establishment of a modern, democratic Palestinian state which respects civil rights, and is economically prosperous. Their welfare is our welfare, their well-being is our well-being, their stability is our stability.

I am following the Palestinian elections closely. We have made important decisions whose purpose is to allow the existence of free and orderly elections. I hope that the results will allow the elected government under the leadership of Mahmoud Abbas to move forward towards a settlement.

I am not a partner to all the doomsayers who are already telling us how hard and horrible it will be here after the elections in the Authority. Israel will know how to operate and act in any circumstance, faced with any scenario, in order to preserve its security and political horizons, and advance the hopes for a changed reality.

Backed by broad international support, Israel will continue to demand that all the phases of the Roadmap be carried out. If the Palestinians continue to evade their commitments, we have the ability to defend Israel and strike back at terror and those who carry it out, as we have until today, and even with more intensity.

The difficult war against terror has not stopped, and will not stop as long as there is a threat to the security of the citizens of Israel. Acceleration of the construction of the security fence, together with the improved ability of the IDF and other security forces, as well as Israel's increased latitude - will be our answer to terror.

Ladies and Gentlemen,

Alongside our significant effort to realize our dream of tranquility, peace and security, we cannot ignore what is occurring within us, the quality of life within our home - our commitment to building a strong, value-based society is complete and unequivocal.

For several years, the State of Israel suffered a severe economic recession, which threatened its social stability. We began taking significant steps to pull out of the recession. The Government steps jumpstarted economic growth. We achieved a growth rate of 5.2% in 2005, higher than that which exists in Europe and the United States. We stabilized employment and lowered the

unemployment rate from 11% to approximately 9%. We encouraged foreign investors to invest unprecedented sums in Israeli industry and the Israeli financial system. The amount of direct foreign investment in the Israeli economy reached more than \$6 billion in 2005. All the economic indicators point to a strong Israeli economy, which serves as an attractive target for foreign investors. These steps were taken by the Government, headed by Ariel Sharon, with his full and unprecedented backing, and under the leadership of then-Minister of Finance Benjamin Netanyahu.

Nevertheless, we have still not done enough to narrow the gaps in society. We have not done enough to defend those sectors of the public which are in dire need. We have not shown enough compassion towards those who have nothing. Since I took upon myself the responsibility of shaping the State of Israel's economic and social policy, we have decided to change our emphasis, and determine a new set of priorities.

Achieving this goal will not be realized through a return to the regime of distributing allowances and support, rather by determining clear goals in the two central spheres of modern society: education and employment. We must allow equal opportunities for every citizen of Israel, and achieve equality in the possibility to realize these opportunities. Every Israeli citizen deserves the best education, and a supportive and stimulating environment in which to earn an honorable living. Combining these two components is the key to growth and narrowing the social gaps.

Before his hospitalization, the Prime Minister directed that work plans be prepared, which would include clear goals and detailed paths of action in those spheres. These plans will be presented to the public shortly, and will constitute the core building blocks of the Government's policy.

Ladies and Gentlemen,

Allow me to end on a personal note. For 32 years, I have served the State of Israel. From the position I have assumed due to Prime Minister Sharon's illness, I see an Israel fighting difficulties and great hardships, but I also see the glimmer of hope in the eyes of many Israelis, for the first time in many years. And as Ariel Sharon said: "We must not let this new spirit, which grants our peoples hope, pass us by and leave us empty-handed - I have no intention of missing this opportunity."

From here, from this podium, I declare: I believe in the people of Israel and in the State of Israel. I believe in the genuine will of the citizens of Israel to live in peace, security and tranquility, and I believe in our ability to achieve this goal when we are united. From here, I send my wishes for a speedy recovery to the man who, over the past five years, has led us into a reality in which there is a chance for a better future. I hope that we will soon be able to stand before him and tell him: we have walked in your light.

Thank you.