

The Economic Club of New York

291st Meeting

The Honorable Edmund S. Muskie
United States Secretary of State

The Honorable Sol M. Linowitz
Special Ambassador for Middle East Negotiations

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New York City

Questioners: Peter G. Peterson
Chairman and President
Lehman Brothers, Kuhn, Loeb, Inc.

Robert Roosa, Partner
Brown Brothers Harriman & Co.

Introduction

Chairman Edmund T. Pratt, Jr.

Good evening once again ladies and gentlemen, and welcome to this, the 291st dinner meeting of the Economic Club of New York. This is our second dinner meeting in as many months for the 1980-'81 Season. We are, of course, delighted to have as our speakers tonight two most distinguished public servants – Secretary of State Edmund S. Muskie and President Carter's Special Ambassador for the Middle East Negotiations, Sol M. Linowitz.

As questioners representing you, the audience, we are fortunate to have two outstanding men. Like our speakers, they both have considerable experience in international affairs which will make; I'm sure, for a stimulating discussion this evening. For our first questioner we have Pete Peterson, Chairman and President of Lehman Brothers, Kuhn, Loeb, Inc. Our second questioner will be Robert Roosa of Brown Brothers Harriman & Co.

We all, of course, know our first speaker, Secretary of State Muskie, from his long and honorable career in the United States Senate where he was serving his fourth term from Maine when President Carter asked him to become the 58th Secretary of State. His career of public service extends from his election to the Maine House of Representatives in 1946 and from there he was elected to two terms as Governor of Maine beginning in 1954 and then to the Senate in 1958.

In the Senate, Senator Muskie has served his state and the country well on foreign relations and environment and public works committees and notably as Chairman of the Senate Budget Committee. As the first chairman of this committee after its creation in 1974, Senator Muskie guided it from its initially rough beginnings to its acceptance as one of the Senate's major committees. Both in terms of protocol as well as accomplishment, it now ranks at the level normally reserved for the older Foreign Relations Appropriations and Finance Committees.

Bringing the Budget Committee to its present stature was a remarkable feat, but one which is equaled by what Senator Muskie also helped to accomplish for the Congressional budget process itself. That budget process now is on a level with that of its counterpart in the Executive Branch. Senator Muskie's success here can be considered as an important step in ensuring the durability of our system of checks and balances. It is a significant contribution to the strength and values of our democratic system. He has, of course, assumed his current responsibilities at a time of unprecedented complexity and challenge. Ladies and gentlemen, the Honorable Edmund S. Muskie, Secretary of State of the United States. (Applause)

The Honorable Edmund S. Muskie
United States Secretary of State

Mr. Chairman, my colleague and law school buddy – he was an upperclassmen so he was a little older than I – Sol Linowitz, distinguished questioners Pete Peterson and Bob Roosa, ladies and

gentlemen, after that excellent speech by the chairman, it seems to me the speaking program could be terminated at this point. But in any case, I appreciate the introduction. I appreciate the opportunity to be here to speak to this distinguished audience.

Tonight you will have the pleasure of listening to two speeches, and then the president in his debate with Governor Reagan. Should you perceive any slight variance in what we and the president say, and I trust you will not, let me remind you of what Harry Truman once said. When asked if he supported the State Department's policy on some issue, he replied that the State Department doesn't have a policy unless I support it. (Laughter)

Any occasion with more than one speaker reminds me of the skillful remarks of a local county chairman who had to introduce two candidates for the Senate in a race that threatened to tear his local party apart. The county chairman began by saying that the first speaker of the evening was a man of extraordinary intelligence, a man who was as much a statesman as a politician, a man who would make a tremendous senator, representative of their state. And then turning to the rivals seated behind him, he said, and now which of you gentlemen would like to speak first? (Laughter)

Well, I'm speaking first.

It's a special pleasure to share this platform with a uniquely gifted American diplomat, Sol Linowitz. In the Panama Canal negotiations, controversial as they were, he took on an assignment of vast complexity, guaranteed controversy. He succeeded and in the process enormously

advanced our credibility in the southern half of this hemisphere. In the Middle East, the issues he must address, still more difficult, the stakes still higher, and I believe he will succeed again.

Tonight I will make some general observations about our broad interests in the Middle East. He will discuss the status of the autonomy talks between Israel and Egypt. That's our division of labor for tonight. It is not a distinction of issues. These topics, our interest in the quest for peace, are inseparable.

Let me begin with a partial listing of Middle East challenges during the years of this administration. A peace between Israel and Egypt has been agreed and a framework for the next stage is in place, but the task of building a comprehensive peace between Israel and all of her neighbors lies ahead. Today Lebanon is caught up in a web of violence, struggling to escape the ravages of a Civil War. In Iran, social and political upheaval has created a stark, new reality with global implications, and an affront to law and decency in the captivity of American citizens. We are pursuing every avenue to achieve their release. I hope we will not raise our expectations prematurely.

Hostilities along the border between North and South Yemen have threatened the stability of the Arabian Peninsula. They highlight the potential for mischief of a Soviet client state in a vital place. And last month, Iraq and Iran went to war – a classic case of a local conflict harboring danger for nations throughout the world. This brief survey underscores fundamental realities

about the Middle East. One is that the region is a mosaic of many peoples with rivalries reaching back to antiquity. Ethnic and religious divisions in the Middle East long pre-date our own creation as a nation. Indeed, some struggles including that between Arabs and Persians, as well as that of the Jewish people to find a secure existence pre-date the beginning of modern Western civilization.

Another reality is that those ancient animosities now exist in the context of rapid and profound change. The region holds some of the richest nations of the world and some of the poorest, some adaptive cultures, and some deeply traditional. The process of modernization inevitably strains the social order. Often the result is instability and turmoil. And so we have two sets of influences, ancient tensions and new ferment both contending for disorder. These influences are facts. We can neither ignore them nor wish them away. Rather, we must take them fully into account as we design our policies and carry them out.

With this as background, let us examine the nature of our interests in the region. First, we want to see local disputes in the region confined to avoid wider threats to peace. The regions' tangle of internal tensions makes it all the more vulnerable to outside powers seeking to exploit local disputes. The same characteristics that make the region a challenge to peacemakers make it a magnet for troublemakers. The Soviet Union has a tradition of ambition in the Middle East. Now its effort to crush a sovereign neighbor, Afghanistan, has added a grave, new dimension.

Facing these circumstances, our best course is to work tirelessly for peace and steadily to build our strength. We will play whatever role we can to resolve local conflicts peacefully. Thus, we have remained impartial in the hostilities between Iraq and Iran. We have supported the United Nations and the Islamic Conference in their efforts to end the fighting. But there must be no mistake on another count, we are prepared to do all that is necessary, together with other nations of similar purpose, to assure that this conflict does not disrupt the flow of petroleum from the Persian Gulf and thereby rupture economies all over the world.

A second overriding American interest is in the security, the strength, and the well-being of the state of Israel. The commitment of the United States to Israel is irrevocable. It has been sustained and intensified by President Carter. Let me express that commitment in a personal way. With so many Americans, I have found inspiration in the vision, the energy, the boundless courage of the people who endured the pogroms, who suffered the darkest episodes in human experience in the Holocaust, who then came to found a nation and make it prosper.

I recall the sense of awe and the sense of history I felt in 1971 in the presence of David Ben-Gurion in his kibbutz in the desert. I remember vividly my conversations in Jerusalem with Prime Minister Golda Meir on Israel's security needs. I remember then going to the Soviet Union and pressing on Soviet leaders the case for free emigration. And I recall in 1975 joining in the Senate effort that effectively put a stop to the so-called reassessment of our policy toward Israel during the negotiations underway half a decade ago.

A commitment to Israel has been a part of my public life for 35 years. And it is from that perspective that I say America has a president deeply committed to the security and the prosperity of Israel. That is not only my opinion; it is something I know to be true. I know it in the surest possible way. Not because I have heard it pledged, but because I have seen it happen time and time again, both before and after I became Secretary of State.

As a Senator and as Chairman of the Budget Committee, I saw President Carter seek from the Congress over \$10 billion in economic and military assistance to Israel. In the past four years, we have provided almost half of the American aid Israel has received in all of her 32 years. I saw an administration insist that Israel should have the most advanced and effective defenses we could supply, including modern surface to air missiles, the —60 tank, the F-15 and F-16 aircraft. And I was there when President Carter returned from his trip to Israel and Egypt, a mission that many thought was far too risky, far too difficult. Yet we saw him devote himself day after day to the painstaking search for peace.

At Camp David with President Sadat, Prime Minister Begin, he labored to hammer out an agreement once thought impossible to achieve. As a result, there is a first peace – a treaty between Israel and Egypt, a treaty which would have been thought inconceivable when I visited those two countries in 1971. And that treaty means that Israel today knows more real security than ever before.

As Moshe Dayan has said, President Carter has done more and gone farther to bring peace than any other president. That may be the clearest demonstration for the president's commitment. We intend to help maintain Israel's strength. We intend, as Sol will discuss in a few minutes, to persevere in the Camp David process, to seek a broader peace that will provide a greater measure of long-term security for Israel and for her Arab neighbors. And we are determined to stop the abuse of international bodies from UNESCO to the United Nations General Assembly itself as forums for unjustified attacks upon Israel.

All the world must know our position on such issues. We will veto any attempt to impose sanctions upon Israel. We will veto any change in Resolution 242. By all available means, we will reject any effort to deny Israel its place in the United Nations. As the president has said, such action would raise the gravest doubts about the future of the General Assembly itself and our own participation in it. And I pledge here today, on behalf of the president, that whenever in the future the United Nations is misused and abused on Arab-Israeli issues with malicious, unfair, or one-sided resolutions, we will oppose them, and in the Security Council veto them.

Our support for Israel is founded most of all on this truth. Israel's security is a matter of America's national interest. We know that no great power can long retain greatness if it deals loosely with its closest friends. Israel's security is essential to us because it is indispensable to the achievement of a comprehensive Middle East peace, for Israel must have confidence that

agreements made will be kept. Such a peace, in turn, is central to all of our interests in the region and many beyond so there is the most direct relationship between Israel's strength and our ability to pursue our most basic interests. Third, we also have a vital interest in sound relation to the peoples of the Arab world.

The Arab nations include more than 150 million people. They live along the shores of crucial waterways – the Strait of Gibraltar, the Mediterranean Sea, the Suez Canal, the Red Sea, and the Persian Gulf. We have long shared and supported their aspirations for independence and progress. We have an abiding interest in assuring that the balance of power and influence in the Gulf region and the Indian Ocean does not turn against the West. The ability of the United States and its Western allies to defend our interests in that area will depend greatly on the quality of our relationships with the Arab states in the region.

The vast majority of Arab states share our interests in the stability of the region. They share our desire for a comprehensive peace. Thus far, the United States and most of the Arab countries have differed on how best to achieve that goal. Nevertheless, it is important to have the kind of relations within the Arab world which allow us to discuss the quest for peace in an atmosphere of common purpose rather than in one of hostility. In the final analysis, an agreement which is unable to achieve widespread support in the Arab world is an agreement which cannot endure.

In recent years the energy issue has made Americans more sensitive to our relationship with Arab

countries. But even if that issue could be resolved overnight, and it cannot be, the quality of our relations with the Arab world would still be of critical importance to us, to them, and to international peace.

Clearly, there are few areas in the world where so many American interests intersect. Because each of our interests in the Middle East is important, the only sensible national policy is one which enables us to pursue all of those interests at once and to neglect none. This explains why no prudent Middle East policy can be proclaimed in a single ringing phrase, but must attend to a range of challenges. That is the character of our strategy now. It must remain so.

We must work to help our friends in the Middle East build their strength in ways that do not threaten other friends. We must work to advance the cause of human development in ways that are sensitive to cultural realities and respectful of tradition. We must reflect the concerns of other nations with similar interests in the region, including our European and Asian allies. But always recognizing that the American role is unique and that we have a particular responsibility for leadership. And above all, we must continue to sustain, as the centerpiece of our policy, the search for a comprehensive peace, for it is this element of our policy which most clearly serves every one of our interests. The surest test of our strategy is how it serves our interests in times of rising uncertainty such as the present.

The war between Iran and Iraq deeply concerns us. But imagine how much greater the peril would

be if there were no Treaty of Peace between Israel and Egypt. Clearly, when progress is being made toward achieving agreement, Israel enjoys greater security. At the same time, such progress enhances our ability to build our relations with other key states in the region and reduces the pressure on them to look elsewhere for support. With each practical step toward peace, moderate forces are strengthened, the momentum toward peace grows, and our vital interests reinforce each other more.

At the beginning of my remarks, I listed sources of uncertainty and turmoil in the Middle East. The region fully reflects Whitehead's phrase, "it is the business of the future to be dangerous." But these are also times of opportunity in the region. That is true in major part because of the courage of three national leaders, President Sadat, Prime Minister Begin, President Carter, and the hopeful new reality they have created. Our task for the future is clear. We must resist impatience. We must not give way to the lure of simple answers, to those who think slogans are solutions. We must hold to the course we are on. As we do, we will help define the fate of the Middle East, our role there, and the well-being of much of the world for the rest of this century and beyond. Thank you. (Applause)

Chairman Edmund T. Pratt, Jr.: Thank you so much Mr. Secretary. Our second speaker tonight is Sol M. Linowitz, President Carter's Ambassador and Special Representative for the Middle East Peace Negotiations. Ambassador Linowitz has served in that capacity for about a year and a half, almost immediately upon his completion of the negotiations for the Panama Canal Treaties in

1978. Mr Linowitz certainly seems to have a flare for taking on the most difficult tasks. But his distinguished and admirable career, in and out of government, has given him the expertise to perform with excellence.

When Ambassador Linowitz is not negotiating, he practices law in the international law firm of Coudert Brothers where he is a senior partner. He is a lawyer by training having graduated from Cornell's Law School, and as we heard earlier, about the same time as Secretary Muskie. To his career, however, Ambassador Linowitz has also brought considerable experience from business. Most of us in the business community remember Sol Linowitz when he was with Xerox from 1955 to 1966 as General Counsel, Chairman of the Executive Committee, and then Chairman of the Board.

His service over the years as an outstanding on-call diplomat for critical situations for a number of administrations is certainly one of the finest examples of the strength of our system of government and the dedication of our citizens. Ladies and gentlemen, Ambassador Sol M. Linowitz. (Applause)

The Honorable Sol M. Linowitz

Special Ambassador for Middle East Negotiations

Thank you very much, Ed Pratt. Mr. Secretary, Pete Peterson Bob Roosa, distinguished guests,

ladies and gentlemen, first let me tell you how pleased I am to be back here at the Economic Club of New York and how honored I am to be sharing this platform with my very good friend, the distinguished Secretary of State of the United States, Ed Muskie, one of America's great public servants.

I ought to tell you that I'm grateful for the very generous introduction I got from Ed Pratt. It compares very well with one I had very recently at another gathering where the chairperson – I think that's the word I'm supposed to use – the chairperson introduced me by saying, our speaker tonight is Sol Linowitz. Some of us have heard him before, some have not. Those who have not are looking forward to hearing him. (Laughter) So let me simply say to you, and I'm sure the Secretary would want to join me, that in the heartfelt words of that great American semanticist, Mr. Yogi Berra, thank you very much for having made this evening necessary. (Laughter)

Against the backdrop of Secretary Muskie's overall picture of the Middle East and its instability, its uncertainty, and its conflict, I want to talk with you about the negotiations in which we are now engaged with Egypt and Israel trying to fashion an autonomy arrangement for the West Bank and Gaza. The Secretary mentioned toward the end of his speech that these are times of opportunity in the Middle East. And I want to start by giving you my own deep conviction that despite the complexities and the frustrations, the United States has a real opportunity in these negotiations – an opportunity for enhanced American influence in the region, the opportunity to achieve lasting peace for Israel and her Arab neighbors, the opportunity to move forward the

whole peace process in the Middle East. And I submit to you that despite the frequent premature obituaries of the Camp David process, the prospects for achieving a just, lasting, and comprehensive peace between the Israelis and the Arabs are still better today than they have been for 30 years. And I want to talk with you about why that is so.

Two weeks ago I met in Washington with representatives of Egypt and Israel for formal resumption of the autonomy negotiations after a troublesome suspension of several months. I am pleased to be able to tell you that these talks were both satisfying and constructive. We made progress in the search for mutually acceptable answers to some of the difficult issues we are now confronting and we discussed preparations for the Summit to be held between the President, President Sadat, and Prime Minister Begin sometime during the next several months.

These discussions made unmistakably clear, as did my earlier talks last month with Prime Minister Begin and President Sadat, that Israel and Egypt are indeed deeply committed to these negotiations as, in their own words, the only viable path toward comprehensive peace in the Middle East. And for its part, the United States is committed to play its role as a full partner in these negotiations. Now in order to make clear what we conceive that role to be and how we hope to proceed, let me focus on a few basic questions.

First, what is it we are trying to achieve in these negotiations? Well, the answer to that question arises directly from the Camp David meetings held a little over two years ago. You will remember

that in September 1978 President Carter invited Prime Minister Begin and President Sadat to Camp David and what happened there became one of the dramatic stories of our century. As a result of 13 days of intensive and difficult negotiations, the two most powerful states in the Middle East agreed to make peace after decades of hostility and flashes of outright war. Beyond that, the two nations with the United States as a full partner pledged themselves to the achievement of a broader peace that would extend throughout the region.

The Camp David Agreement was in itself a momentous achievement, but it was only a beginning. What was more important than the meeting itself was the process it set in motion. At Camp David, the parties agreed upon three clear and specific goals. First, they sought to achieve peace between Egypt and Israel and a productive working relationship between the two countries.

Second, they set as their goal the provision of full autonomy for the inhabitants of the West Bank and Gaza under a transitional arrangement which would not exceed five years and which would involve the election of a self-governing authority by the Palestinians themselves. Both parties believed then and believe today that such an autonomy arrangement would provide the next logical step in that quest for a broader peace. And the parties explicitly agreed that this transitional arrangement must respect the security concerns of all the parties, notably the security of Israel. In addition, it was agreed that Jordan would be invited to attend the autonomy discussions and participate and that the Palestinian inhabitants of the West Bank and Gaza could join the delegations of Egypt and Jordan.

The third and by far the most ambitious goal set at Camp David was a comprehensive peace among all the parties of the region. Now this, as we well remember, was a dramatic agenda. It was one that electrified the world and it rightly brought the Nobel Peace Prize, you will recall, to President Sadat and Prime Minister Begin.

Now some two years after Camp David, it is timely, it is appropriate that we ask, how well have we done in the achievement of these goals? Well, at the outset we could observe with satisfaction that the first goal, peace between Egypt and Israel, has been achieved to a remarkable degree. A formal peace treaty was signed a year ago last March. And this treaty, let me remind you, marks a peace without victor or vanquished, entered into by two nations determined to reject a legacy of hostility and warfare.

Since the treaty came into effect, both nations have scrupulously adhered to their commitments. Israel has turned over to Egypt on schedule, not only most of the Sinai but the Alba oil fields at a tremendous cost to Israel's economy. For its own part, Egypt has proceeded diligently to normalize relations with Israel in the face of strong, even fierce opposition from its Arab neighbors and former allies. Now embassies have been opened and ambassadors have been exchanged. In civil aviation and in agriculture and in tourism and in other areas, Egypt and Israel are working together in order to enable their relations to move forward in defiance of their history of antagonism. So today the flag of Israel flies in Egypt and the flag of Egypt flies in Israel. And

at this very moment, the President of Israel is in Egypt as the guest of the President of Egypt.

Beyond these tangible achievements, there have been intangible ones which I think are of even greater importance – achievements in spirit. In that regard, I am reminded of the words of Macaulay. “It is not the machinery we employ but the spirit we are of that binds men together.” Today an atmosphere of cooperation and trust prevails where only hatred and suspicion and bitterness once reigned. Each time I sit down with President Sadat and Prime Minister Begin and my colleagues in these negotiations, I am reminded that these shifts in perception are deep and genuine. These changes reflect the steadily evolving attitude of the people of both countries because both Egypt and Israel have set their feet on the road to peace and cooperation. Both understand that there can be no turning back and both are determined that there will be no turning back.

As to the second goal, the effort to achieve full autonomy for the people of the West Bank and Gaza, Israel, Egypt, and the United States are now engaged in trying to reach an agreement that will accommodate the principle of full autonomy for the Palestinians with the parties’ legitimate and vital security interests. From the beginning, we had known that this was going to be a very tough undertaking. The Camp David Accords specifically called upon the parties to define the powers and responsibilities to make up the so-called full autonomy for the Palestinians to which both Egypt and Israel are committed.

It's important to understand that that term, full autonomy, has never been defined before under similar circumstances. So we are now engaged in a grappling with this very difficult question and trying to find practical solutions to the complex and emotion-laden problems involved. We've already made considerable and satisfying progress in agreeing upon a substantial number of such powers and responsibilities. And both Egypt and Israel agree that they ought to be transferred to the self-governing authority. We've also made substantial progress in connection with the modalities, the mechanisms for a free election in which the Palestinians will be able to participate in order to choose their own self-governing authority.

Now in recent weeks and months, the negotiations have been disturbed by external disruptions which have diverted attention from the issues we are actually trying to negotiate. Such developments as violence on the West Bank, the seemingly endless stream of United Nations resolutions, and the various statements and actions touching on the status of Jerusalem all have buffeted the negotiating process at the very moment the parties were trying to focus their attention on the most difficult and complex issues.

For example, the deeply insensitive issue of Jerusalem was suddenly pushed from the wings into center stage bringing with it predictable storm clouds and thunder claps. The leaders at Camp David knew that the problem of Jerusalem would need time for solution, and they agreed not to try to solve it in the current negotiations. They understood that Jerusalem touches the very souls of hundreds of millions of people – Christian, Jew, and Arab alike. This is the reason for our

belief that Jerusalem must remain undivided and that in the city there must be free access to the holy places for the believers of all faiths. But the final status of Jerusalem can only be resolved at the right moment and in an atmosphere of trust and cooperation and understanding. And that moment has not yet come. Until it does, there are other very important issues to be dealt with and we are focusing on those issues, the several remaining critical decisive issues in these negotiations. And here they are.

First, how can Israel be assured that its security interests will be fully preserved and protected, a matter of life and death to Israel obviously. Second, what arrangements can be worked out to assure that the water resources of the area are fairly and equitably shared among the parties? And there of course we are dealing with water which is life in the Middle East. Third, how should we undertake to deal with the public lands in the West Bank and Gaza and the respective rights and claims involved? And this raises the whole issue of settlements. Fourth, what should be the nature of the powers and responsibilities exercised by the self-governing authority during this transitional period recognizing that the final status of these territories will have to await resolution at the end of five years by agreement among Egypt and Israel and the Palestinians and Jordan. And fifth, the toughest of all, should the Palestinian inhabitants of East Jerusalem participate in the election of a self-governing authority?

As you can see, these are immensely difficult problems – on all of them, there have been and will continue to be intensive and arduous negotiations. But the fundamental point is that both Egypt

and Israel clearly recognized that this self-governing authority must be viable and credible yet it must have real power over the lives of the people in the West Bank and Gaza, that it must give them meaningful participation in the decisions that affect their lives. By the same token, both sides are agreed that Israel's security must be fully preserved and protected and the dangers of attack, terrorism, and disorder must be carefully guarded against.

Admittedly, these unresolved problems are enormous, but we have to look at them in the light of the progress that's already been made remembering that less than two years ago, I dare say no one in this room, perhaps no one elsewhere would have regarded the peace we have now between Egypt and Israel as even thinkable. As you might expect, the difficulties we've had in trying to reach an agreement have been compounded by the fact that the Palestinians, for whom this self-governing authority is intended, have so far been unwilling to participate in our negotiations. I've talked with Palestinian leaders, both on the West Bank and the Gaza as well as in this country in an effort to learn firsthand about their concerns and their aspirations. It is my belief that Palestinian involvement is possible if the parties can make real progress toward autonomy and if they can persuade the Palestinians that the present peace process can indeed assure them a more promising future.

When I first entered these negotiations, I said that if I were a Palestinian, I would not then have wanted to become involved in the negotiations. My point was that at that juncture, the parties had not begun to focus on the substantive aspects of autonomy. Rather they had dealt largely with

procedures and semantics. But now real and substantial progress has been made toward giving the concept of full autonomy significant meaning and content. And I believe we are at a point where the Palestinians should look long and hard at our progress and our process, and I hope they can be persuaded to do so.

Another concern we have had has been the refusal of Jordan to participate in these talks. And we have also missed the support of Saudi Arabia and other moderate Arab states. We have met with King Hussein; have talked with him about the progress of our negotiations. I've talked with Crown Prince Fahd of Saudi Arabia, with King Hassan of Morocco. With all of them I have tried to discuss our objective in the negotiations and the reasons why we believe our course holds out the best promise of a better way of life for the Palestinians. And I can tell you they are watching our negotiations with great interest because when all is said and done, they still recognize it's the only game in town.

For over 30 years, the Arab-Israel confrontation has been a fertile ground for the congenial naysayers and the traditional prophets of doom. Except for such historic moments as the visit of President Sadat to Jerusalem and the signing of the Camp David Accords, the problems always loomed larger than the possibilities. The Camp David process has been and is being criticized today as an inadequate and unpromising process. Some critics point out correctly that the Camp David Accords do not settle the Jerusalem problem. They do not answer Palestinian questions about the final status of the West Bank and Gaza. They do not guarantee permanent Israeli

security. Some outside of the present negotiations, seduced by the illusion of easy answers and quick...(Audio Stops...Then Resumes, No Overlap)....the pace of the negotiations evidences their ineffectiveness and ultimate failure.

I submit that all these arguments miss the central point, because it was the genius of the negotiators at Camp David that they understood that all too many past efforts to achieve peace in the Middle East had failed precisely because they had grasped for too much too soon. They recognized that the issues in this region are so complex, the emotions so deep, the contending forces so many, the stakes so great, that the problems simply defy shortcut solutions. The wisdom of Camp David was to recognize this fact, to understand that bitterness dies hard while trust grows slowly. The key to Camp David was its recognition that the best hope for enduring peace lay in a phased process, one in which agreements achieved at one stage become building blocks for future progress on more difficult issues.

So by foregoing the quest for comprehensive breakthroughs I think Camp David itself became a breakthrough. By deciding to pursue peace in relatively modest steps, the parties at Camp David took a giant step. What was sensible then remains sensible today. Our goal remains not dramatic breakthroughs but steady incremental progress. It was with full awareness of this that President Sadat and Prime Minister Begin last month reaffirmed their belief in the soundness of the Camp David approach and they recommitted their countries to see the process through to success regardless of temporary difficulties that might arise along the way. And I must tell you, I find

cause for hope, even for some optimism in this reaffirmation and in our subsequent negotiations.

Now when I say that, I know that to many people who have been watching the Middle East for years, it seems surprising, even mystifying that a negotiator in the Middle East can be at all hopeful. Often I'm asked how in the light of the history of violence and hostility and deep-seated emotion, how in the light of the difficulty of the issues and the slow pace of the negotiations can I retain hope and even a measure of optimism? Well, there are several reasons for this. To begin with, I'm a negotiator, and negotiators are by definition optimists. They better be, because the job of a negotiator is to try to fashion a workable solution from some rather unworkable, unpromising material.

I must also tell you that I take some comfort from the thoughtful observation of that American philosopher, Casey Stengel. He once said, "They say you can't do it, but sometimes that doesn't always work." (Laughter) But I'm also a realist. And as a realist, I find real reason for hope in the record that has been built since Camp David. Just think of it, we now have a peace treaty and normalized relations between Egypt and Israel. We have the demonstrated commitment of both countries to reach agreement in these negotiations. We have made significant substantive progress even though we still have a long way to go. And the United States is in there as a full partner playing its role as a catalyst and as a constructive spirit of progress. In a world torn by uncertainty and conflict, the continuing hostility between Israel and the Arab states can only be described as a crisis.

As I'm sure you know, the Chinese write the crisis by combining the symbols for the word "danger" with the symbol of the word "opportunity." In the Middle East today, the danger is great and we know it. But the opportunity is also great and that too we know. We owe it to ourselves, to our children, to their children, that, that opportunity not be lost. I think the challenge we face was very well put well over 100 years ago by Ralph Waldo Emerson in these words. He said, "If there is a period one would desire to be born in, is it not the age of revolution when the old and new stand side by side, and admit of being compared, when the energies of all men are searched by fear and by hope, when the accomplishments of the past era can be compensated by the rich possibilities of the new? This time, like all times," said Emerson, "is a very good one if we but know what to do with it." Thank you. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN EDMUND T. PRATT, JR.: Thank you Sol Linowitz. And now we come to the questions and in our normal fashion, the questioners will alternate questions and each questioner will have some questions for reach of our speakers. I'll ask the first question to be asked by Robert Roosa.

ROBERT ROOSA: I'm delighted to have this opportunity as a good Democrat of sharing in the nonpartisan presentation of views that we have just enjoyed. (Applause) And I would remind you

that as we appraise every issue that's been discussed here tonight, there's going to be a continuity as there was a continuity from the last administration to this one. And I think, at least in recognizing that most of these developments require a step-by-step process, it's important also to recognize that at times, steps may be backward rather than forward. I think the current hostilities between Iraq and Iran raise that kind of possibility again. And although we may return to this with further questions, the first one, and a very specific one, Mr. Secretary, is in the present circumstances, is it possible for us, the United States, to fulfill whatever commitments we may have for the release of spare parts to Iran without at the same time triggering an explosive delivery of military supplies, including aircraft, to Iraq, by France, the USSR, or others? Don't we have in this new tinderbox, a potential for exploding what has step-by-step been progress in associating many of our allies and in a limited degree in terms of neutralizing some of their influence on the Soviet Union in the developments that we've been encouraging and that Ambassador Linowitz has been so nobly furthering?

THE HONORABLE EDMUND S. MUSKIE: Well, like all questioners, you make assumptions designed to make your question valid. And one of the assumptions in your question is that somehow the hostage crisis which predated by many months the Iraq-Iran War is a determining influence in the Iraq-Iran War. Let's look at that a moment. Had it not been for the hostage crisis, Iran would not now be subject to trade sanctions invoked by us and our allies which puts Iran at a disadvantage in this war with Iraq. So that if a resolution of the hostage crisis were to result in a lifting of those trade sanctions, that action would be not un-neutral with respect to Iraq but rather

neutral with respect to Iraq. So I think to try to tangle the two...(Laughter), you know, creates obvious difficulties. Iraq decided to launch its attack upon Iran in full knowledge that we were faced with a hostage crisis in Iran. But with unsuitable lack of delicacy with respect to our problem, it did not seek our advice as to the timing of its attack, nor consider our interests in doing so. And so I think that the two problems are separable, hopefully can be resolved without impacting upon each other. On the question of spare parts, let me put that in context. When the Iranians seized our hostages, we took several actions. We froze their assets in banks and other institutions. We withheld certain properties including spare parts which had been bought and paid for but not yet delivered to Iran. We persuaded our allies to impose sanctions upon Iran. And we would assume that at such time as we enter into negotiations with Iran, a posture we are not yet in, that all of these actions we took will be on the table, as well as the action they took. And I would think that in order to persuade them to undo the action they took, they might reasonably be expected to ask us to undo the actions we took in retaliation. To expect anything else is to ignore all we've learned about Iranian reactions over the last 11 months and I think we've got to take that into account. Now with respect to the spare parts, one further point. Iraq has a \$2 billion arms supply agreement with Iraq and made it clear from the outset that whatever was in the pipeline would be delivered. Well, these spare parts that Iran purchased from us and paid for in a sense are in the pipeline undelivered only because of the hostage crisis. One could also make the argument that if the hostage crisis had not intervened to disrupt Iran's normal trading relationships with their own trading partners, including ourselves, the attack by Iraq might not have taken place. So you sort it out, Bob. (Laughter)

PETER G. PETERSON: Mr. Ambassador, I am happy to second Secretary Muskie's notion that you're a very gifted negotiator. I also assume, Sol, that you don't really need this job. Why then does the administration appear to discourage a European initiative in trying to bring about an Arab-Israeli settlement particularly in view of the fact that our own diplomacy may be understandably constrained by domestic political factors? If we persist in leaving Europe out of Mideast diplomacy yet do not produce a Palestinian solution, won't we invite serious divisions with our Western allies particularly in view of their much greater dependence on Persian Gulf oil and the view that some have expressed to me that we may be pursuing a course of action that does not and some would say cannot come to grips with the really hard questions?

THE HONORABLE SOL M. LINOWITZ: Pete, the first point I would make is that our European allies have not put forward an alternative route toward the settlement of the Palestinian question in their declaration which they issued. What they did was issue a pronouncement which undertook to say that they thought at some point the PLO would have to be associated with the negotiations and they called for self-determination which has become a code word in Israel for an independent Palestinian state, but at no point do they indicate how they hope to get from here to there. They have very carefully said that they support the Camp David process and don't want to do anything which will cause us difficulty. Since we have the only viable process, since ours is, as I said before the only game in town, it is of concern to us that nothing be done which would suggest to the Palestinians whom we are hoping to attract into the negotiations, that if they wait a while

something better may be coming down the pike. At this moment we have no reason to believe that there will be formulated an alternative approach more promising, more favorable to the Palestinians than the Camp David process. So while we are not saying that we are opposed to the Europeans asserting their interest and giving us the benefit of their judgment and advice, we are pleading with them not to do anything which will derail or even destroy the only ongoing peace process which promises the Palestinians a better way of life.

ROBERT ROOSA: Mr. Ambassador, I think just to follow a little further one of the other points you made stressing that there is now a spirit on which much more depends than any individual specifics, I noticed at least a report recently that President Sadat said he now stands ready to commit his armed forces to the defense of Arab and Muslim interests virtually anywhere in the world. Does that raise any question about the present state of the spirit that you described? Is there any weakening apparent there? Does it foreshadow for the time being any hardening of his attitude toward Israel given the commitment he's apparently made to support the Arab or Muslim cause broadly defined?

THE HONORABLE SOL M. LINOWITZ: I haven't seen that particular quotation from President Sadat. Let me tell you about President Sadat. He's a wonderful man and he makes a lot of statements. He is genuinely concerned about the problems of the Middle East and he not only says what he thinks, he does what he thinks. Now there's not the slightest question in my mind about his own commitment, full commitment, to these negotiations. He believes that this is only process

that can bring us to the resolution of the Palestinian problem in a way that he thinks will avoid any future hostilities on that score in the future. He says that he wants to do everything he can to assure that Israel is reassured about its own security in reaching such an agreement. And he even says that he believes his Arab brethren who did not join with him in Camp David had all made a mistake. He believes that some day they will come to recognize that this course is the best course for all of them. Now having said that, the quotation you just read does seem somewhat at variance, but I think upon further probing we'd find that nothing he would have said, in my judgment, would have intended to be anything less than a total commitment to Camp David and he'd probably explain it if we gave him the chance.

PETER G. PETERSON: Mr. Secretary, I'd like to press you a bit on a point that Ambassador Linowitz touched upon. I find some people wondering whether we can ever come to grips with the hard issues of Palestine and Jerusalem so long as we refuse to deal with the only spokesman that I would think most Palestinians acknowledge, the PLO. Can we expect the PLO to give up their stated intention to destroy Israel so long as the Israelis offer no promise of self-determination at the end of the negotiations? Isn't the important point to get the parties together and to see if they can finally agree? And finally, put another way; was it appropriate for the United States government to agree that we would not talk to the PLO? Should we as a leading sovereign power have committed ourselves not to talk to anyone that we choose?

THE HONORABLE EDMUND S. MUSKIE: Let me make this point first, that we are the only

major power today to which both sides will talk – the Arabs and the Israelis. It's a point that my predecessor, Henry Kissinger, made very persuasively to those of us in the Senate over and over again. Now in order to maintain our credibility with respect to both of those audiences, we have to display some sensitivity to the interests of both. Now it's easy to say why shouldn't Israel move first to speak to the PLO? Well, Israel is interested in speaking to some Palestinians. As a matter of fact, the Camp David process invites Palestinians to become part of it. The PLO hasn't indicated any interest in talking to any Israelis. So you're faced with that age old dilemma of getting together on a talking, negotiating basis, two sides that up to this point have not found a face saving way to do it. So the whole theory of the Camp David process, as Sol has explained it much better than I, having been closer to it, is that we hope that this process in its evolution taught a definition of the autonomy phase of the transition, will demonstrate to the Palestinians that they can, in terms of their own interests as they perceive them, move from the rigid posture they have taken with respect to the survival of Israel toward a more flexible one and that eventually there will be Palestinian participation in the process. But since the process itself is now under concentrated attack from the PLO and from other even more radical Arab groups, I think the important thing to try to sustain at the moment is the viability of the process, prove that it will work by settling some of these very difficult half dozen issues which Sol described and eventually engage the interest of the PLO or whatever other organization may represent the Palestinians or persuade the PLO to abandon what some of them will say is no longer their objective – the destruction of Israel. So there's a rigidity to both sides on that question, Pete, and how you break through it is part of the challenge and we all recognize that we must break through it at some

point. Another point I would make in this Middle East crisis with respect to the Camp David talks is that there is a time urgency about it because attitudes tend to get frozen if they are not moving and changing. And one of Sol's real challenges, and I think he's shown remarkable ingenuity in the approach that he's taken is to keep the thing moving. For example, he's got them moving now around a document that one side calls a Memorandum of Understanding that Sol chooses to call out of his corporate experience, Heads of Agreement, which is a technique to try to get the parties to agree on certain principles, then having agreed on the principles to flesh them out. In other words, it's kind of an evolutionary process in an attempt to bring people together and break through some of the hard-shell rigidities that separate them. But you've touched on a very important problem, and somehow the Palestinians and the Israelis, who in the last analysis must find a way to live together, have got to find a way to break through each other's rigidities.

ROBERT ROOSA: Mr. Secretary, let's move just a little further across the globe to Afghanistan. Pete asked Sol about the way in which we develop our joint relations with our allies in coping with the particular problems of the Israeli development. I'd like to put the same kind of question with respect to the sort of stalemate that seems to have developed with respect to Afghanistan. And I wonder whether there, there isn't a scope for not only a fuller sharing of views with our allies, perhaps even learning something from them, but even for finding ways to rely on them to take a considerable share of the leading role in trying to cope with the implications that Afghanistan has created for the entire Western world. I think we are a bit fragmented. I think there has been some concern that we develop our policies alone and then expect conformity. I

wonder how you see that prospect now.

THE HONORABLE EDMUND S. MUSKIE: Well, number one, I don't think there is the disarray that, as a matter of fact, I haven't even read or heard that word used for quite some time as a description of our relations with our allies vis-a-vis Afghanistan. So let me tick through what, you know, our shared interests and policies are at this point. Number one, they have never yet disagreed with our perception of the strategic implications of the Soviet invasion of Afghanistan. Never once. They agree with it. Disagreement or differences of opinion – there's a difference between those two, differences of opinion have arisen as to what a viable and necessary policy is with respect to it. Now on the military side, there's been no disagreement. Number one, in response to President Carter's initiative, the alliance has responded to his standard of 3% real growth in defense expenditures, beyond inflation, designed with the objectives of modernization, improved readiness, and modernization particularly of our theater nuclear forces in Europe. Beyond that, they have agreed in principle to the notion that if American forces have to be redeployed outside NATO territory, that they would pick up the load to fill in behind us in the defense of Europe. So on the military side, there's been very good support and very good agreement. Some of the weaker economies, and I'm not going to mention countries, are finding it difficult to meet the 3% standard but the larger ones have, and so we have for the first time in years got a positive ongoing and I think effective defense policy with respect to NATO. Outside the territory of NATO, and including NATO, in addition the allies have moved, the Federal Republic has taken the leadership in mobilizing the economic resources to shore up Turkey as the

southeastern flank of NATO. Turkey, as you know, has had great political instability, a rein of terrorism, and in addition to that, has found its own defense posture deteriorated, its economy particularly. And I think that the alliance with the leadership of Chancellor Schmidt and the German Republic has rallied behind the effort to stabilize Turkey's economy and to push for and to support the re-integration of Greece, those things have been done with the support of our allies. Now with respect to the transfer of technology, we've also had the support of the alliance with some fractionation of it at the edges. But I think that with respect to COCOM which deals with military related technology there have been no exceptions requested by any of our NATO friends since last December. And I don't think there's any indication of a departure from that. We're trying to get, to persuade the alliance to go beyond that with respect to technology that has the effect of strengthening the Soviet economy as a whole to deal with, to get the advantage of higher technology. And that's been, I think, an effective policy. The grain policy has been most effective, a very targeted policy initiated last year because the Soviets last year had a short crop of 170 million metric tons as against a target of 230 million. And so as a result the Soviet Union has had to dip into its grain reserves, has had to cut back on its meat production, and its promises to its consumers, and has not been able to make up the shortfall created by our denial of 17 million metric tons. It has paid a cost. And the reduction in meat reached, I think, as much as 10% in recent months. Then on top of all that, after initially optimistic estimates of the Soviet crop for this year of about 230 million metric tons, the most optimistic estimates now with a large part of the crop in is that it won't go above 180 million. So again, the Soviets face this very considerable cost. Now what's the importance of this? People say to me, well, they haven't withdrawn the

troops from Afghanistan. That's true. But they have paid a price, a price in excess of what they thought they'd have to pay for this departure from international norms. And that, we hope, will do a number of things. One, restrain them from future adventures. One must speculate as to the effect of their miscalculation in Afghanistan upon their attitude toward Poland for example. So that I think these policies have been soundly targeted, has imposed a cost, and hopefully will act as a restraint with respect to future Soviet policy. My own gut instinct, and I can only describe it in that sense, is that the Soviets now are interested in extricating themselves from the dilemma into which that adventure plunged them. They won't say that. They deny indeed that they're bogged down in Afghanistan. But the fact is that our best information is that they are. So I think these have been important policies to put in place. Now where we go from here is important. In my judgment, the central question that we've got to face in the years immediately ahead is how to read the Soviet Union and its intentions because if we misread them, on the pessimistic side, we could find ourselves launched on an arms race that would be terribly costly and provocative and conceivably leading to a consequence that we wouldn't want to foresee. On the other hand, if we are optimistic, we could err on the other side. So I think reading the Soviet Union in the aftermath of its invasion of Afghanistan and what it sets as its priorities – it is now involved in putting in place its next five-year plan, reallocation of resources – those decisions will be made by next February so that what is at stake here is how they read us, how we read them. Very important reading on both sides.

PETER G. PETERSON: Mr. Ambassador, we are told that the Iran-Iraq War may result in a

breakdown of both countries' ability to export oil for as much as a few years. This would result in over 4 million barrels less oil than just prior to the war which was already over 3 million barrels down due to the Iranian revolution. For several months, the world can draw upon its excess stocks, but beyond this, does this not mean that one of the worse cases, worse case oil supply situations that some of us have dreaded, may be upon us. Now since whatever we do can't increase the supply of oil, anything like this over the next few years, is this administration ready to ask Americans to significantly reduce their consumption of oil, as for example, with a major gasoline tax closer to what all of our major allies have instituted? If not this, what are you prepared to do to reduce our vulnerability and to provide for this most unfortunate development? Now Sol, even playing the role of a provocative Economic Club questioner which I realize is a redundancy, even I wouldn't suggest this kind of political medicine before next Tuesday. But after next Tuesday, are we at the point where the political and economic requirements require a closer conversion between rhetoric and reality on reducing oil demand?

THE HONORABLE SOL M. LINOWITZ: Pete, I'm flattered that you asked me that question, and deeply touched. But I'm not the guy to whom you ought to be talking about that. I think the distinguished Secretary of State would probably love to have a chance to deal with it. I can't give you any more an authoritative answer than I did when we talked about it last time.

PETER G. PETERSON: I'd be delighted to hear from the Secretary of State.

CHAIRMAN EDMUND T. PRATT, JR.: I'm going to save the Secretary of State on that one.

We've come to the end of our time, (Laughter and Applause), if we're going to make our schedule to see what some other people have to say about these questions. Let me first, speaking for all of you, thank Robert Roosa and Pete Peterson again for their efforts in making this a more interesting evening. (Applause) This is certainly, and tonight I guess is the best example of it, is a peak of partisanship in our annual calendar. But even at times like this and regardless of the partisanship feelings of any of us in this room, I'm sure there's no one who hasn't been reassured by realizing the caliber of men that we have filling these important positions in our national government. Thank you so much for being with us. (Applause)

You've honored us in little old New York by being here and we'd like to give you a small souvenir of the evening to take with you to think of the Big Apple. We have a Steuben glass apple for each of you, a souvenir of being with the Economic Club. Thank you once again so much for spending the evening with us, Mr. Secretary and Mr. Ambassador. (Applause)