

The Economic Club of New York

340<sup>th</sup> Meeting  
86<sup>th</sup> Year

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The Honorable Yitzhak Rabin  
Prime Minister of Israel

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November 19, 1993

New York Hilton  
New York City

Questioners: David Tendler  
Tendler Beretz Associates

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## Introduction

Chairman Donald B. Marron

Ladies and gentlemen, welcome to the 340<sup>th</sup> meeting in the 86<sup>th</sup> year of the Economic Club of New York. As is our custom at luncheon meetings, we are going to have our speaker address us before the meal and also take our questions.

Our guest of honor has been a leader in Israel's political life since 1968 when he retired from military service and became Israeli Ambassador to the United States, and as we all know, in 1974, became the Prime Minister succeeding Golda Meir. After his Labour Party lost its parliamentary majority in 1977, Mr. Rabin became a leader of the opposition. He became Defense Minister in the national unity government in 1984 and in 1992 he led the Labour Party back to power and returned as Prime Minister.

He has an extraordinary career in a number of areas. He's a general, he's a political leader, he's a hero, and of course he is best known as Chief of Staff and the leader of the Six-Day War in 1967. When Prime Minister Rabin was elected last year, he campaigned on the platform to bring peace back to the Middle East, a conviction which cumulated in a simple handshake as President Clinton expressed just two short months ago on the South Lawn of the White House. At that moment, the world's hopes and dreams for peace in the Middle East crystallized as Prime Minister Rabin and PLO Chairman Yasser Arafat signed an agreement that they hoped would

lead to peace. Negotiations continue up to the December 13<sup>th</sup> deadline for agreeing on how to establish self-rule in the Gaza Strip and the city of Jericho.

Prime Minister Rabin is reputed not to be a sentimental man, but I think we can safely say this is his finest hour. Please join me in welcoming our guest, Prime Minister Yitzhak Rabin.

(Applause)

The Honorable Yitzhak Rabin

Prime Minister of Israel

Mr. President of the Economic Club of New York, distinguished guests on the dais, among them representatives of Israel to the United Nations, to New York, ladies and gentlemen, first, thank you very much for having me here with you this Friday lunch.

I would like to share with you the way that I, my government, see the situation in the Middle East, in which direction we try within the limits of our powers, to bring about future development. When we took over, we committed ourselves to two main lines of activities. One, to achieve peace, peace that will give security to Israel and to other Arab countries, Arab partners, for their negotiations. And second, to bring about a change in the order of our national priorities on the domestic policies. We want to bring about a change in the region as well as within ourselves.

Our commitment is to try to achieve peace that will give us security and peacefully, as a major element of security. I've served my country for 27 years as a soldier. I know the real faces of war. I know that beyond the stories, the films about war, also the ugly face of the war, the painful, losing life, people wounded, and even also the tragedy of civilians who are caught between the fighting forces. Therefore, we believe that peace in the region cannot be achieved without compromises, painful compromises on both sides.

I will not deny what happened on the 13<sup>th</sup> of September on the lawns of the White House. It was not a historic breakthrough. The historic breakthrough took place also on the lawns of the White House in 1979 when Egypt, under the leadership of President Sadat, Israel under the leadership of Prime Minister Begin, decided to sign the peace treaty between Egypt and Israel. And I admired and supported Prime Minister Begin's decision to pay a painful price for peace, to vacate the whole Sinai, to eliminate Israeli presence, to uproot settlements, to destroy \_\_\_\_\_. In the long run, no doubt, he was right and his actions were justified.

Unfortunately, over 14 years passed, until Arab countries were ready to follow the footsteps of President Sadat of Egypt. No doubt, dramatic changes on the international scene, the bankruptcy of Communism, the collapse of the Soviet Empire, the disintegration of what used to be the Soviet Union, and the end of the Cold War had their implications not all over the world, but especially in the Middle East. Many extreme Arab countries' leaders realized that they lost the Soviet umbrella – the umbrella under which they could elude themselves that through the use of

force they would achieve their ultimate goal, destroy Israel. And no doubt in my mind that the crisis in the Gulf, the way that the United States stood firm and prevented aggression, sent half a million soldiers that deliberately got message to tyrants, dictators, that aggressions will never pay. No doubt that the combination of this allowed the United States, and I stress the United States, to bring about the Madrid Peace Conference and the Washington peace negotiations that followed.

I believe that there was, and there is, a realization in the Middle East, in most of the countries, Israel and Arab countries, that the period, the world has changed, and we have to look to different ways, how to find a solution to our conflicts, our differences. And they have to be done by peaceful means, by negotiations.

My government decided that even though we were used to taking risks only at war, we have to take risks for peace. And we are ready to take calculated risks for peace. And in realizing, there are two key issues that can bring about the breakthrough through the stalemate since the peace between Egypt and Israel, were Syria or the Palestinians. I've said time and again, with friends there is no need to sign peace treaties. They are friends.

Peace treaties have to be achieved between enemies – some of them very bitter enemies. And we have decided to take a strategic decision that was expressed itself in the handshaking, to reach the first agreement between Israel since it was created over 45 years and the Palestinians. Many

people all over the world used to say, used to think, rightly or wrongly, that the Palestinian-Jewish, the Palestinian-Israeli conflict is the heart, the crux of the old Arab-Israeli conflict. We decided to tackle the center, the key issue, if it's true, to reach as it is agreed in the Letter of Invitation to the Madrid Peace Conference, to move in two phases towards the solution between the Palestinian and us.

First, let them run their affairs, as an Israeli, realizing they are entirely different entities – politically, religiously, nationally. I don't see any reason, any justification, that I'll run the life of 1.8 million Palestinians in the territories. Let them run it while we maintain our vital security interests. Settlements must remain where they are and they agreed to. Israel will carry overall responsibility to the life of the Israelis in the territories and external security. We are ready to this division as an interim agreement for five years. Two and a half years from now, we start negotiating permanent solution with all the options open to the two sides.

I believe that the developments on the international scene, what took place during the crisis in the Gulf, and our decision opened, or at least created great opportunities to our region. In accordance to the Bible, the cradle of civilization was the Middle East wherefrom emerged the three monolithic religions, Judaism, Christianity, and Islam. There is no reason why the Middle East will not be returned to be, not exactly as it was two, three, four thousand years ago, but no doubt there are ample resources, great potentiality. If regional developments will be created, it can be entirely different part of the world.

We have seen that as a result of what we have agreed on, based on the change on the international scene, there is more openness, openness between some of the Arab countries and Israel, and no doubt with many countries that in the past would not dare to have any relations with us. My trip to China, on the way I stopped in Jakarta, Indonesia, met the president, President Suharto, who is also the Chairman of the Non-Aligned States, a group of 108 countries. It is the largest Islamic country. In the past, six, eight months ago, no one would have dared to think that the President of Indonesia would receive the Prime Minister of Israel in Jakarta.

We want that in the process, even at the beginning of the negotiations of the interim agreement between us and the Palestinians, the Gaza - Jericho phase, we see contribution by the world to the Palestinians. It's in our interest that what the donor's meeting that took place in Washington will not remain, forgive me to say, in comparison to my experience with the United Jewish Appeal here, not the pledges but also cash. (Laughter)

And it will be directed to projects I would like as an Israeli to see that the Palestinians, as a result of peace, will not only wave flags, but that three-quarter million Palestinians in Gaza Strip and over a million in the West Bank, will see the light at the end of the tunnel from their misery, poverty. The income per capita in the Gaza Strip is \$800 per annum. In the West Bank, \$1,500 to \$1,800 per annum. In Israel, it's between to \$12,000 to \$13,000. In the Jewish community in Israel it's over \$15,000. Even the Palestinians who are Israeli citizens, who are living with us, their per annum is \$8,000 to \$10,000 – ten times more than in the Gaza Strip – six times more

than in the West Bank.

We would like also to prove to our people, the Israelis, and believe me I have a strong opposition – they believe that I have given up too much, that I'm ready to sell out the interests of Israel which I don't believe so. I believe that what I'm doing is for the sake of Israel, for the sake of Israel as a Jewish state and not a bi-national state. I don't believe that Zionism represents today territorial expansionism, but building Jewish life in the Jewish state in which 17% of its population are not Jewish but should entertain full political and civilian rights as they entertain. But I have to prove to the people of Israel that we are not only mobilizing money for the Palestinians, that Israel can entertain it.

Therefore, we changed the policy of the government of Israel. First, we stopped giving priority to investing in the territories. For me, the settlements in the territories are not by any means high priority on the national agenda. My priorities, first, education. For 15 years, education budget of government of Israel was either cut or froze. In less than one and a half years we increased the education budget from 7 billion shekels to next year almost 10 billion shekels. We would like our young generation to be prepared for the year 2000. I learned today from statistics that in 53% of our families' homes, kids play with computers. But we want to introduce it to our schools, to increase our learning, to have laboratories.

And a second priority was we are 25 years behind modern Western democracy in railways,

transportation, infrastructure. In '86, the national budget was 200 billion shekels. We increased it this year to 1.6 billion and will increase it next year to 1.8 billion shekels. Education, infrastructure of transportation is essential for our future, to our development – socially and economically.

And the third, to fight unemployment. I belong to the Labour Party. Last year, former government \_\_\_\_\_ succeeded to privatize for 1 billion shekels. This year it will be at least 3 billion shekels which means more than over a billion dollars in selling government companies, in selling government shares to the public. We devised, in this purpose, special committee of ministers. I am the chairman as the prime minister, two ministers, Justice and Finance – what you call Treasury – are entitled in the name of the government to take decisions, and believe me, I'm ready, I'm committed to get rid of government running businesses.

Government has to devise policies to give priorities, to give incentives, but let businesses run by public, private, multinational companies. I said publicly, and therefore I am attacked by many, that I am ready to give free the defense industries to whoever will take over and will take responsibility of them, with responsibility to develop them. I believe that we are going to continue in our privatization and liberalization. I hope by the end of this year we'll open a celluloid telephone system even though it's against an American company interest, Motorola. We are going to open it for competition, not one monopoly.

I believe that today Israel has great opportunities. We have free trade zone, not NAFTA, but free trade zone agreement with the United States. We have it with Europe. I discussed the day before yesterday with the Prime Minister of Canada to have the same kind of an agreement. We have a problem with Europe. On the first of December, I'm going to deliver a speech to the European Parliament about changing, bringing modification to our agreement with Europe. We buy from Europe from \$8.5 billion a year. We sell \$4.5 billion. And I'm going to make it clear that this imbalance in trade will not be tolerated. Thanks God with the United States we have equal, \$4 billion to each on both sides.

I believe that Israel today, having this free trade zone agreements with the United States, with Europe, serves some of the multinational American companies, Intel International, Motorola, Semiconductor, and others. And they are very happy. I met vice president, CEOs of Motorola last year at the plant in Israel was the first in efficiency in sales per worker that any Motorola installations all over the world. Intel International has big investment, and a successful plant in Jerusalem.

Allow me to say, we are indeed going to continue this policy. I just got off the phone from Israel that some of the labor unions, that they consider me to be their Party, are going to make a strike against the dangerous intention of the prime minister to continue with full force in the privatization of government companies. I'm not worried about it as I'm not worried about the attempts of extreme Islamic terrorist groups, by terror activities, and by reaction of Israelis to

undermine the road to peace. I will not allow by any means any change in our policy of privatization being responsible to set order of national priorities.

I believe I'm not objective. March 1<sup>st</sup>, it will be that 72 years ago I was born in Jerusalem. I fought for my country; I served my country all my life in various capacities. I believe that as a result of all the events, the way they coincided today, Israel is a story of success – a success story. Not from the Jewish point of view, not from our military capabilities, but I believe also from our economic capabilities, and even more so potentialities for the future.

I told the president of the Club, we have immigrants from Russia, 9,000 scientists. I went to Beersheba to a consulting company and they showed me the project manager that in the Soviet Union was responsible to put the Sputnik in space. We have absorbed 40,000 to 50,000 engineers. I will not mention the number of doctors of medicine. Israel, even before they came – four years ago started a new wave of immigration – had more doctors per capita than any country in the world. In Jewish life there is a saying that every Jewish mother would like her son to be a doctor. (Laughter) I believe in the meantime she changed her mind and she prefers him to be a lawyer. (Laughter) But the number of doctors of medicine were doubled. It's a real problem.

Among the engineers that came, 3,000 are mining engineers. We have not one mine. A lot of minefields, but not mines. (Laughter). But no doubt, in addition to our own, these half a million Jewish immigrants that came in the last four years from what used to be the Soviet Union created

tremendous potentialities in every field of industry, research and development, and economics. We have with me here two people, Dov Lautman (?), please rise. He was the president of the Industrialists Association. He runs a business himself that exports from Israel in the value of \$200 million a year. I asked him, and he volunteered, to be my special emissary, to help to mobilize investment in Israel, not charity, investment. \_\_\_\_\_ the new Economic Minister. He was Director General of a very successful petrochemical company. He reduced his salary, sees his service now as Economic Minister of Israel to the United States. He came with the desire, as Dov did, to help, to exploit the unique opportunity, not to ask anyone for charity – to look at the investment in the successful story of Israel, as a business.

We are determined to continue with our peace negotiations, to overcome the backlog of hatred, prejudices of the past, but at the same time, trying with other rich Arab countries, European Community, Japan, will assist the Palestinians, what we would like, and we are committed to our people that while we are moving on the track of peace, taking risks, realizing there are dangers, but therein the opportunities are greater than the dangers, we are committed to our people to do the utmost to make Israel stronger economically and better socially. This is what I brought with me as the Prime Minister of Israel representing the policy of the present government of Israel – not to deal with the settlements, to keep them. But these, they are not our goals. The goals are education, transportation, unemployment, strengthening Israel economy, progressing our society. Thank you very much for listening to me. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN DONALD B. MARRON: We will now have questions from two distinguished questioners, David Tendler of Tendler Beretz Associates, and Gershon Kekst of Kekst and Company. Gershon, can we ask you to take on the first question, wherever you may be.

GERSHON KEKST: Mr. Prime Minister, you've preempted almost all of the questions that I was prepared to ask you today, but there were one or two left. And if I may, I'd like to begin by asking the following question. Making the fragile piece that you described secure and permanent inevitably requires in some measure rapid economic development which in turn depends upon foreign investment. What are some of the specific milestones in the peace process that foreign investors should look for in the coming months and years that will increase confidence in the stability of the region and prospects for a lasting peace? If you, Mr. Prime Minister, were a non-Israeli investor, would you jump in now or would you wait? And if you were to wait, what would you wait for?

THE HONORABLE YITZHAK RABIN: Allow me to say before I'll answer more specific, it's true, in accordance with the Bible, all the prophets came from our region. I will not advise anyone to become a prophet nowadays of what will happen there. But I believe that there might be some multinational American companies, Intel International, Motorola, that have invested. I remember talking with many of the vice, CEOs of Motorola before they decided to have a plant

in our remote place. Ask them today, seven years after, are they satisfied or not? Did they find the kind of a people that were motivated, diligent, efficient in production? I was \_\_\_\_\_ and I said, you know, I think that in 1992 Motorola was the first on the list of efficiency. And believe me, none of these vice, CEOs that I met were of Jewish origin. All of them were Americans that came to Israel and decided on the merit of the business considerations. And they are more than satisfied, and they consider time and time increasing their investment. Speak to Intel International. They built a beautiful plant that I believe today exports between \$2 - \$250 million electronic chips that, by the way, gain along because they're invented by Israeli professor of The Hebrew University and he started over 13 years ago their plant there. There were ups and downs in the Middle East, no doubt in Jerusalem. They don't hesitate. And to the best of my knowledge, they are going to invest in two places, Arizona and Jerusalem, because of this business success. But I'll add more than that. I believe, and it's my personal belief, and I can advise only in accordance to my belief, and I don't pretend to be objective, I believe that whoever will invest now will be able to participate – once peace will be reached, might it be two years or five years from now – in region projects that can be tremendous in their economic meaning. They are not coming to us for charity, to business, to have business consideration. And I believe that, except during the crisis in the Gulf, there were no holdups or limitations that were caused by security arrangements, either to Intel International, Motorola, Semiconductor – I don't want to repeat all the names of the foreign companies that have invested and are satisfied. I believe the best way is to go there to discuss, to see. Whoever will not invest now might lose if our hopes, our goals of our policy will materialize, integration of the economics of the Middle East, he will lose. I met,

when was it, two months ago, President Mubarak. He said let's discuss a common grid of electricity between Egypt, Israel, hopefully Jordan, maybe other countries. We are today in discussions with Gaza. We supply Gaza all their electricity. Let's have a common grid between Egypt and Israel. We'll decide who will supply. Egypt has agreed to build new modern refineries. The only foreign partner that Egypt agreed to is an Israeli one. I believe there are a lot of opportunities using the fact that Israel has got free trade zone with the two major ones, the United States and Europe.

DAVID TENDLER: Mr. Prime Minister, you've also preempted many of my questions, but just digressing a moment, we've read with interest and heard about your visits to Morocco and Indonesia and apparent high level negotiations with Jordan. Considering that the Saudis are again contributing to the Palestinians, can we assume that there are direct contacts taking place with Saudi Arabia as presumably they ultimately will surely play a financing role in the area?

THE HONORABLE YITZHAK RABIN: To the best of my knowledge, and my information is from my visit to Washington, it's true the Saudis cut any assistance to the PLO and to Jordan as a result of their support of Saddam Hussein, the invasion of Kuwait, and threatening Saudi Arabia. I believe there is a beginning of change and I was told – I will not name the high official of the U.S. government that said it to me – that Saudi Arabia agreed to contribute \$200 million to the Palestinians once the Gaza-Jericho phase will be implemented. I believe they are right, as many other donors, that they want to do it on the basis of projects. It is to say, to design projects that

they will finance. I believe, if I may say, I was five and a half years Minister of Defense in the national unity government, I'm less than one and a half years Prime Minister, Minister of Defense, even before any political agreement, and whenever I go, whenever and wherever I went, I tried to mobilize money for projects of housing in the Gaza Strip, infrastructure, and I very much appreciated the UNDP, United Nations Development Program, that's normally headed by Americans, that did marvelous jobs. The Arab rich countries did not contribute whatsoever. Unfortunately, indirectly, Saudi Arabia contributes more to the extreme Islamic, to the Hamas, and other organizations that oppose the peace, carry out terror, build infrastructure of terror all over the world including in the United States. I hope that once we'll conclude the detailed agreement how to implement Gaza-Jericho phase, there will be a change of attitude on the part of the rich Arab countries to help the Palestinians. I want them to help the Palestinians because I believe the prospects of peace depended not on waving PLO flags, but what will be the standard of living, how they'll view, if there's a light at the end of the tunnel that improves their housing, jobs, education. Without improvement of their life, the peace will not be achieved, or at least there is a danger that it will not bring the kind of results that we all hope. Therefore, I will not say anything. Saudi Arabia is the richest, but very careful to stick its neck out of the inter-Arab consensus. I hope that not only Europeans, Japan, will help Palestinians. In the past, the Arab countries used to call them our buddies, our kin. When they decided to move on the track of reconciliation and negotiations and reaching agreement, why do these Arab countries cannot assist them? It will be another proof that the Arab solidarity is only limited to negative purposes and not for positive ones. I hope and I believe it will be different.

GERSHON KEKST: Mr. Prime Minister, could you comment on the Arab boycott. To what extent is it an inhibitor to economic development at this point?

THE HONORABLE YITZHAK RABIN: No doubt that the Arab boycott, and when I say Arab boycott, I refer only to the third party boycott. I don't expect that the Arab countries will lift the Arab boycott of making Israel, trading directly with the countries with which we have not yet reached peace treaties. I said the principle that direct exchange can be done when there are peace treaties or something of this kind. We are talking about an attempt to carry out economic war. It's aggression. We have never said to anyone, either you make a deal with us or with the Arab countries. We believe that the right of the world business is to trade regardless to the fact that there are conflicts with the Arab countries and with Israel together. And no one has the right to impose on the business company, either with us or nothing. I don't believe that it was right on the part of the international community not to cope with it more effectively. And if the Arab countries can see that it's effective means against Israel, why they'll not use it? And I refer to Saudi Arabia, to the Arabian peninsula countries. I'm not talking about Iraq. Why should they do it? I believe American, American government knows better than me. I believe it is unjustified, should not be respected, and should be tackled. At least I know, and I have the evidence on Friday after the conclusion of the talks between the president and me, and his public statement. He came up openly and clearly against the Arab boycott. I wish that with the President of the United States position, others will join.

CHAIRMAN DONALD B. MARRON: David, can you ask the last question please.

DAVID TENDLER: Mr. Prime Minister, you referred earlier to the low per capita income in Gaza and in the West Bank. And notwithstanding the need for capital investment to probably raise this low level of income, are you and the Palestinians considering joint efforts to overcome the social problems that already exist there? Since they've gone unresolved, these social problems will surely become breeding grounds for more extremist elements in the future.

THE HONORABLE YITZHAK RABIN: Well, without accusing anyone, the first meeting of the Palestinian-Israeli Committee on Economic Relations took place, I believe on the 15<sup>th</sup>, three days ago, in Paris. It lasted for two days. We don't want to patronize. We don't want to dictate. We would like to talk now to the Palestinians as partners – partners that are committed to implement the agreement of the declaration of principles in every aspect of it. Therefore, we wanted to know for them what kind of relations, economic relations they would like to have with Israel – open or not. I mentioned we supply all the electricity to the territories. We supply to the Gaza Strip water. We supply 50,000 to 60,000 workers that come daily to Israel. They sell their products. We have to keep our standards that we are required by agreement or standards in Europe to export there. But they keep the standards. Otherwise, we'll have to block the lines, to block relations. We didn't get yet answers. I believe the trend among the economists of the Palestinians is for having open economy, at least for the interim period. But what the political industry will decide is left. And it's really; we wanted to complete our negotiations by December

13<sup>th</sup>. Try to imagine, we have not yet started really to negotiate the economic ties. Can it be done in less than one month? It's a problem. If they'll agree on the principle, let's start to implement, continue negotiations later on. But we have to understand the basic perception that they will prefer. We're not going to dictate them. We would like to change the basis of relations with them in every aspect of life. Security is our problem. But otherwise, we would like to deal with them as partners committed as us to the success of the agreement that we signed. Unless they'll start to grasp that this is our approach and this is what is put on them, the awesome responsibility which they have never experienced, to the life of the Palestinians, we will not achieve what can be achieved by the agreement that we signed. Therefore, we expect them to talk to us, to reach understanding acceptable to both of us. I believe it will be done. I'm sorry that it took more than over two months after the signing of the DOP, the Declaration of Principle, on the lawns of the White House, that the first meeting took place. We'll try to compensate the time that was lost, to accelerate activities. Next week three sub-committees on the economic field will meet and they'll try to elaborate and to discuss in details what will be the relations, what are the problems, and to find the solutions to them. (Applause)

CHAIRMAN DONALD B. MARRON: Well, on that optimistic note, Prime Minister, we want to thank you very much for coming to the Economic Club. Everyone enjoy the lunch. (Applause)