For decades, the conflict between Israelis and Arabs has cast a shadow over the region. For Israelis, it has meant living with the fear that their children could get blown up on a bus or by rockets fired at their homes, as well as the pain of knowing that other children in the region are taught to hate them. For Palestinians, it has meant suffering the humiliation of occupation, and never living in a nation of their own. Moreover, this conflict has come with a larger cost the Middle East, as it impedes partnerships that could bring greater security, prosperity, and empowerment to ordinary people.

My Administration has worked with the parties and the international community for over two years to end this conflict, yet expectations have gone unmet. Israeli settlement activity continues. Palestinians have walked away from talks. The world looks at a conflict that has grinded on for decades, and sees a stalemate. Indeed, there are those who argue that with all the change and uncertainty in the region, it is simply not possible to move forward.

I disagree. At a time when the people of the <u>Middle East</u> and <u>North Africa</u> are casting off the burdens of the past, the drive for a lasting peace that ends the conflict and resolves all claims is more urgent than ever.

For the Palestinians, efforts to delegitimize <u>Israel</u> will end in failure. Symbolic actions to isolate <u>Israel</u> at the <u>United Nations</u> in September won't create an independent state. Palestinian leaders will not achieve peace or prosperity if <u>Hamas</u> insists on a path of terror and rejection. And Palestinians will never realize their independence by denying the right of <u>Israel</u> to exist.

As for <u>Israel</u>, our friendship is rooted deeply in a shared history and shared values. Our commitment to <u>Israel</u>'s security is unshakeable. And we will stand against attempts to single it out for criticism in international forums. But precisely because of our friendship, it is important that we tell the truth: the status quo is unsustainable, and <u>Israel</u> too must act boldly to advance a lasting peace.

The fact is, a growing number of Palestinians live west of the <u>Jordan</u> River. Technology will make it harder for <u>Israel</u> to defend itself. A region undergoing profound change will lead to populism in which millions of people - not just a few leaders - must believe peace is possible. The international community is tired of an endless process that never produces an outcome. The dream of a Jewish and democratic state cannot be fulfilled with permanent occupation.

Ultimately, it is up to Israelis and Palestinians to take action. No peace can be imposed upon them, nor can endless delay make the problem go away. But what <u>America</u> and the international community can do is state frankly what everyone knows: a lasting peace will involve two states for two peoples. <u>Israel</u> as a Jewish state and the homeland for the Jewish people, and the state of Palestine as the homeland for the Palestinian people;

each state enjoying self-determination, mutual recognition, and peace.

So while the core issues of the conflict must be negotiated, the basis of those negotiations is clear: a viable Palestine, and a secure <u>Israel</u>. The <u>United States</u> believes that negotiations should result in two states, with permanent Palestinian borders with <u>Israel</u>, <u>Jordan</u>, and <u>Egypt</u>, and permanent Israeli borders with Palestine. The borders of <u>Israel</u> and Palestine should be based on the 1967 lines with mutually agreed swaps, so that secure and recognized borders are established for both states. The Palestinian people must have the right to govern themselves, and reach their potential, in a sovereign and contiguous state.

As for security, every state has the right to self-defense, and <u>Israel</u> must be able to defend itself - by itself - against any threat. Provisions must also be robust enough to prevent a resurgence of terrorism; to stop the infiltration of weapons; and to provide effective border security. The full and phased withdrawal of Israeli military forces should be coordinated with the assumption of Palestinian security responsibility in a sovereign, non-militarized state. The duration of this transition period must be agreed, and the effectiveness of security arrangements must be demonstrated.

These principles provide a foundation for negotiations. Palestinians should know the territorial outlines of their state; Israelis should know that their basic security concerns will be met. I know that these steps alone will not resolve this conflict. Two wrenching and emotional issues remain: the future of <u>Jerusalem</u>, and the fate of Palestinian refugees. But moving forward now on the basis of territory and security provides a foundation to resolve those two issues in a way that is just and fair, and that respects the rights and aspirations of Israelis and Palestinians.

Recognizing that negotiations need to begin with the issues of territory and security does not mean that it will be easy to come back to the table. In particular, the recent announcement of an agreement between Fatah and Hamas raises profound and legitimate questions for Israel - how can one negotiate with a party that has shown itself unwilling to recognize your right to exist. In the weeks and months to come, Palestinian leaders will have to provide a credible answer to that question. Meanwhile, the United States, our Quartet partners, and the Arab states will need to continue every effort to get beyond the current impasse.

I recognize how hard this will be. Suspicion and hostility has been passed on for generations, and at times it has hardened. But I'm convinced that the majority of Israelis and Palestinians would rather look to the future than be trapped in the past. We see that spirit in the Israeli father whose son was killed by <u>Hamas</u>, who helped start an organization that brought together Israelis and Palestinians who had lost loved ones. He said, "I gradually realized that the only hope for progress was to recognize the face of the conflict." And we see it in the actions of a Palestinian who lost three daughters to Israeli shells in <u>Gaza</u>. "I have the right to feel angry," he said. "So many people were expecting me to hate. My answer to them is I shall not hateLet us hope," he said, "for

tomorrow".

That is the choice that must be made - not simply in this conflict, but across the entire region - a choice between hate and hope; between the shackles of the past, and the promise of the future. It's a choice that must be made by leaders and by people, and it's a choice that will define the future of a region that served as the cradle of civilization and a crucible of strife.

For all the challenges that lie ahead, we see many reasons to be hopeful. In <u>Egypt</u>, we see it in the efforts of young people who led protests. In <u>Syria</u>, we see it in the courage of those who brave bullets while chanting, 'peaceful,' 'peaceful.' In Benghazi, a city threatened with destruction, we see it in the courthouse square where people gather to celebrate the freedoms that they had never known. Across the region, those rights that we take for granted are being claimed with joy by those who are prying lose the grip of an iron fist.

For the American people, the scenes of upheaval in the region may be unsettling, but the forces driving it are not unfamiliar. Our own nation was founded through a rebellion against an empire. Our people fought a painful civil war that extended freedom and dignity to those who were enslaved. And I would not be standing here today unless past generations turned to the moral force of non-violence as a way to perfect our union organizing, marching, and protesting peacefully together to make real those words that declared our nation: "We hold these truths to be self evident, that all men are created equal."

Those words must guide our response to the change that is transforming the <u>Middle East</u> and <u>North Africa</u> - words which tell us that repression will fail, that tyrants will fall, and that every man and woman is endowed with certain inalienable rights. It will not be easy. There is no straight line to progress, and hardship always accompanies a season of hope. But the <u>United States</u> of <u>America</u> was founded on the belief that people should govern themselves. Now, we cannot hesitate to stand squarely on the side of those who are reaching for their rights, knowing that their success will bring about a world that is more peaceful, more stable, and more just."