

Here they are. First, I think there can be no genuine resolution to the conflict without a sovereign, viable, Palestinian state that accommodates Israeli's security requirements and the demographic realities. That suggests Palestinian sovereignty over Gaza, the vast majority of the West Bank, the incorporation into Israel of settlement blocks, with the goal of maximizing the number of settlers in Israel while minimizing the land annex for Palestine to be viable must be a geographically contiguous state.

Now, the land annexed into Israel into settlement blocks should include as few Palestinians as possible, consistent with the logic of two separate homelands. And to make the agreement durable, I think there will have to be some territorial swaps and other arrangements.

Second, a solution will have to be found for the Palestinian refugees who have suffered a great deal – particularly some of them. A solution that allows them to return to a Palestinian state that will provide all Palestinians with a place they can safely and proudly call home. All Palestinian refugees who wish to live in this homeland should have the right to do so. All others who want to find new homes, whether in their current locations or in third countries, should be able to do so, consistent with those countries' sovereign decisions. And that includes Israel.

All refugees should receive compensation from the international community for their losses, and assistance in building new lives.

Now, you all know what the rub is. That was a lot of artful language for saying that you cannot expect Israel to acknowledge an unlimited right of return to present day Israel, and at the same time, to give up Gaza and the West Bank and have the settlement blocks as compact as possible, because of where a lot of these refugees came from. We cannot expect Israel to make a decision that would threaten the very foundations of the state of Israel, and would undermine the whole logic of peace. And it shouldn't be done.

But I have made it very clear that the refugees will be a high priority, and that the United States will take a lead in raising the money necessary to relocate them in the most appropriate manner. If the government of Israel or a subsequent government of Israel ever – will be in charge of their immigration policy, just as we and the Canadians and the Europeans and others who would offer Palestinians a home would be, they would be obviously free to do that, and I think they've indicated that they would do that, to some extent. But there cannot be an unlimited language in an agreement that would undermine the very foundations of the Israeli state or the whole reason for creating the Palestinian state. So that's what we're working on.

Third, there will be no peace, and no peace agreement, unless the Israeli people have lasting security guarantees. These need not and should not come at the expense of Palestinian sovereignty, or interfere with Palestinian territorial integrity. So my parameters rely on an international presence in Palestine to provide border security along the Jordan Valley and to monitor implementation of the final agreement. They rely on a non-militarized Palestine, a phased Israeli withdrawal, to address Israeli security needs in the Jordan Valley, and other essential arrangements to ensure Israel's ability to defend itself.

Fourth, I come to the issue of Jerusalem, perhaps the most emotional and sensitive of all. It is a historic, cultural and political center for both Israelis and Palestinians, a unique city sacred to all three monotheistic religions. And I believe the parameters I have established flow from four fair and logical propositions.

First, Jerusalem should be an open and undivided city, with assured freedom of access and worship for all. It should encompass the internationally recognized capitals of two states, Israel and Palestine.

Second, what is Arab should be Palestinian, for why would Israel want to govern in perpetuity the lives of hundreds of thousands of Palestinians?

Third, what is Jewish should be Israeli. That would give rise to a Jewish Jerusalem, larger and more vibrant than any in history.

Fourth, what is holy to both requires a special care to meet the needs of all. I was glad to hear what the Speaker said about that. No peace agreement will last if not premised on mutual respect for the religious beliefs and holy shrines of Jews, Muslims and Christians. I have offered formulations on the Haram Ash-Shareef, and the area holy to the Jewish people, an area which for 2,000 years, as I said at Camp David, has been the focus of Jewish yearning, that I believed fairly addressed the concerns of both sides.

Fifth and, finally, any agreement will have to mark the decision to end the conflict, for neither side can afford to make these painful compromises, only to be subjected to further demands. They are both entitled to know that if

they take the last drop of blood out of each other's turnip, that's it. It really will have to be the end of the struggle that has pitted Palestinians and Israelis against one another for too long. And the end of the conflict must manifest itself with concrete acts that demonstrate a new attitude and a new approach by Palestinians and Israelis toward each other, and by other states in the region toward Israel, and by the entire region toward Palestine, to help it get off to a good start. The parties' experience with interim accords has not always been happy – too many deadlines missed, too many commitments unfulfilled on both sides. So for this to signify a real end of the conflict, there must be effective mechanisms to provide guarantees of implementation.

That's a lot of stuff, isn't it ? It's what I think is the outline of a fair agreement. Let me say this, I am well aware that it will entail real pain and sacrifices for both sides. I am well aware that I don't even have to run for reelection in the United States on the basis of these ideas. I have worked for eight years without laying such ideas down. I did it only when both sides asked me to, and when it was obvious that we had come to the end of the road, and somebody had to do something to break out of the impasse.

Now, I still think the benefits of the agreement, based on these parameters, far outweigh the burdens. For the people of Israel, they are an end to conflict, secure and defensible borders, the incorporation of most of the settlers into Israel, and the Jewish capital of Jerusalem, recognized by all, not just the United States, by everybody in the world. It's a big deal, and it needs to be done.

For the Palestinian people, it means the freedom to determine their own future on their own land, a new life for the refugees, an independent and sovereign state with al Quds as its capital, recognized by all. And for America, it means that we could have new flags flying over new embassies in both these capitals.

Now that the sides have accepted the parameters with reservations, what's going to happen ? Well, each side will try to do a little better than I did. You know, that's just natural. But a peace viewed as imposed by one party upon the other, that puts one side up and the other down, rather than both ahead, contains the seeds of its own destruction.

Let me say those who believe that my ideas can be altered to one party's exclusive benefit are mistaken. I think to press for more will produce less. There can be no peace without compromise. Now, I don't ask Israelis or Palestinians to agree with everything I said. If they can come up with a completely different agreement, it would suit me just fine. But I doubt it.

I have said what I have out of a profound lifetime commitment to and love for the state of Israel, out of a conviction that the Palestinian people have been ignored or used as political footballs by others for long enough, and they ought to have a chance to make their own life with dignity. And out of a belief that in the homeland of the world's three great religions that believe we are all the creatures of one God, we ought to be able to prove that one person's win is not, by definition, another's loss; that one person's dignity is not, by definition, another's humiliation; that one person's work of God is not, by definition, another's heresy. There has to be a way for us to find a truth we can share.

There has to be a way for us to reach those young Palestinian kids who, unlike the young people in this audience, don't imagine a future in which they would ever put on clothes like this and sit at a dinner like this.

There has to be a way for us to say to them, struggle and pain and destruction and self-destruction are way overrated, and not the only option. There has to be a way for us to reach those people in Israel who have paid such a high price and believe, frankly, that people who embrace the ideas I just outlined are nuts, because Israel is a little country and this agreement would make it smaller ; to understand that the world in which we live and the technology of modern weaponry no longer make defense primarily a matter of geography and of politics and the human feeling and the interdependence and the cooperation and the shared values and the shared interests are more important and worth the considered risk, especially if the United States remains committed to the military capacity of the state of Israel.

So I say to the Palestinians : there will always be those who are sitting outside in the peanut gallery of the Middle East, urging you to hold out for more, or to plant one more bomb. But all the people who do that, they're not the refugees languishing in those camps – you are. They're not the ones with children growing up in poverty whose income is lower today than it was the day we had the signing on the White House Lawn in 1993 – you are.

All the people that are saying to the Palestinian people : Stay on the path of no, are people that have a vested interest in the failure of the peace process that has nothing to do with how those kids in Gaza and the West Bank

are going to grow up and live and raise their own children.

To the citizens of Israel who have returned to an ancient homeland after 2,000 years, whose hopes and dreams almost vanished in the Holocaust, who have hardly had one day of peace and quiet since the state of Israel was created, I understand, I believe, something of the disillusionment, the anger, the frustration that so many feel when, just at the moment peace seemed within reach, all this violence broke out and raised the question of whether it is ever possible.

The fact is that the people of Israel dreamed of a homeland. The dream came through ; but when they came home, the land was not all vacant. Your land is also their land, it is the homeland of two people. And, therefore, there is no choice but to create two states and make the best of it.

If it happens today, it will be better than if it happens tomorrow, because fewer people will die. And after it happens, the motives of those who continue the violence will be clearer to all than they are today.

Today, Israel is closer than ever to ending a 100-year-long era of struggle. It could be Israel's finest hour. And I hope and pray that the people of Israel will not give up the hope of peace.

Now, I've got 13 days and I'll do what I can. We're working with Egypt and the parties to try to end the violence. I'm sending Dennis Ross to the region this week. I met with both sides this week. I hope we can really do something. And I appreciate more than I can say the kind, personal things that you said about me.

But here's what I want you to think about. New York has its own high-tech corridor called "Silicon Alley." The number one foreign recipient of venture capital from Silicon Alley is Israel. Palestinians who have come to the United States, to Chile, to Canada, to Europe, have done fabulously well – in business, in the sciences, in academia.

If we could ever let a lot of this stuff go and realize that a lot of – that the enemies of peace in the Middle East are overlooking not only what the Jewish people have done beyond Israel, but what has happened to the state of Israel since its birth, and how fabulously well the people of Palestinian descent have done everywhere else in the world except in their homeland, where they are in the grip of forces that have not permitted them to reconcile with one another and with the people of Israel – listen, if you guys ever got together, 10 years from now we would all wonder what the heck happened for 30 years before.

And the center of energy and creativity and economic power and political influence in the entire region would be with the Israelis and the Palestinians because of their gifts. It could happen. But somebody has got to take the long leap, and they have to be somebodies on both sides.

All I can tell you is, whether you do it now or whether you do it later, whether I'm the President or just somebody in the peanut gallery, I'll be there, cheering and praying and working along the way. And I think America will be there. I think America will always be there for Israel's security. But Israel's lasting security rests in a just and lasting peace. I pray that the day will come sooner, rather than later, where all the people of the region will see that they can share the wisdom of God in their common humanity and give up their conflict.

Thank you and God bless you.