When I accepted your invitation to speak tonight, I had only just returned from my trip to the Middle East in May. A lot has happened since then. The Government's policies toward Israel and this whole sensitive and complex region have been subjected, to put it gently, to rigorous public scrutiny and vigorous public debate. I do not think anybody should be in any doubt, as a result of that debate, as to where we stand - and that is just where we have consistently stood throughout the life of this Government.

We support, passionately, as we always have, the right of Israel and Israelis to exist in peace and safety behind secure and recognised boundaries; at the same time we support the Palestinians' own right to self-determination, including the right to establish, if they so choose, a state of their own; we support the peace process now under way as the only way in sight to sensibly accommodate both Israeli and Arab aspirations; we are forthright, as occasion demands, in our criticism of those who act in any way to put that peace process at risk; and we support to the hilt those who look constructively to the future rather than destructively to the past.

We are optimistic that the conditions are now ripe for the achievement, at last, of a genuinely lasting peace between Israel and its Palestinian and Arab neighbours. And it is on the future of the peace process, in that more optimistic environment that has been created by the election of the new Israeli Government under Yitzhak Rabin, that I would like to concentrate tonight.

Context and Commitment

The present peace process initiated in Madrid in October 1991, under the co-sponsorship of the United States and the (then) Soviet Union is, with its combination of bilateral and multilateral negotiating streams, more complex and
ambitious than any of its predecessors.

Those who initiated it were, despite all the prevailing cynicism and doubts that it would ever get off the ground, hard-headed realists. They knew the old bipolar world order had crumbled: that the strategic rivalry between the United States and the Soviet Union was weakening as the Soviet economy slid into decay and Soviet ideology, with all its despotic trappings, into eternal discredit. Soviet support - moral and economic - for the rejectionist camp among the Arabs was rapidly drying up: state sponsorship of terrorism - a favourite tool of the rejectionists - was, quite apart from its moral heinousness, increasingly perceived as being practically ineffective.

The defeat of Saddam Hussein in the Gulf War, and the unprecedented composition of the alliance which defeated him, confirmed that Middle East politics had fundamentally changed. Some on the Arab side, such as Yasser Arafat, were slow at first to grasp the significance of what was happening. Others, like President Assad of Syria, were much quicker. Strategically and economically weakened by Soviet decline, Syria moved to avoid international isolation and economic collapse by seeking to improve its relations with the West. Its participation in the alliance against Saddam brought substantial financial reward from the Arab Gulf states. Syria's willingness to participate in peace talks with Israel - and to continue that participation despite its discontent with the rate of progress - signals a major shift in Syrian perceptions, a clear appreciation of the implications of the politico-strategic changes which have affected the region.

Israel's own record in handling the new post-Cold War realities was, under its previous Government, somewhat mixed. Certainly the response to the Gulf crisis was admirable. Notwithstanding the fearful provocation of the SCUD attacks (not to mention the intense emotional provocation of Palestinians being seen cheering the missiles on), Israel held its hand. In doing so, it not only avoided the risk of breaking apart the always vulnerable Arab coalition against Iraq, but won the respect of the region and the wider international community for the intelligence and moderation of its stance.

But the Likud Government seemed less quick to appreciate that the international response to Iraq was itself part of a set of changes giving rise to accelerated shifts in global patterns of strategic thinking, and demanding a new flexibility in
Israel's own response. Changes in the international climate were generating new opportunities to move the regional peace process forward, and at the same time ensuring that Israel would necessarily come under scrutiny and pressure to a much greater extent than previously if it were seen to be not responding positively. Washington's withholding of loan guarantees because of differences over the question of settlement construction in the Occupied Territories, came as a shock to many Israelis including those in the Likud Government. But it should not have.

After the Gulf War, Mr Baker's peace bus developed a momentum that the Shamir Government could not resist. But Mr Shamir's admission after his electoral defeat that he was prepared to string out the autonomy talks with the Palestinians for ten years, while populating the Occupied Territories with half a million settlers, revealed that - at least so far as he personally was concerned - his Government's commitment to that peace process was never more than tenuous.

Of course the views of the Shamir Government on the peace process and related issues never went without debate and opposition, often very lively, within Israel itself. For decades, Israel has stood out in the Middle East as the country with the strongest commitment to the democratic process: that has always been a source of moral strength for Israel internationally. The degree of vitality of political debate in Israel has always been a source of inspiration to Israel's friends, including Australia - and no doubt a source of concern to its enemies. Strange as the process may appear to new immigrants who have never before experienced life under a democratic system, Israel's democracy plays a pivotal role in nurturing among all Israelis a sense of commitment to the nation and a desire to participate in and influence public issues.

Perhaps Mr Rabin's most important achievement in his election campaign was to convince Israelis that the time had come to throw off once and for all Israel's siege mentality - a national state of mind which has, for many Israelis, made thoughts of a negotiated settlement with the Palestinians and the conclusion of peace treaties with Israel's Arab neighbours an unpalatable and unsafe proposition. Mr Rabin's achievement has been to convey the message that Israel's longer term security is likely to be put more at risk by trying to digest the indigestible - the Palestinians of the Occupied Territories - than by accepting the principle of land for peace.
No doubt a siege mentality would have been less omnipresent in Israel had any Arab state other than Egypt contributed in any way towards removing the sense of insecurity that Israel has felt since its foundation. Even now, the Arab League continues to apply its unprincipled economic boycott against Israel - and has shown no signs to date of acceding to President Mubarak's sensible call (most recently renewed only two weeks ago when Secretary of State Baker was in Cairo) for an end to the boycott in exchange for a halt to settlements construction.

But the peace process now under way is premised on the acceptance by all parties of UN Security Council Resolutions 242 and 338, which acknowledge the right of each and every state in the region - including, necessarily, Israel itself - to be respected in its sovereignty and territorial integrity. The political and military environment in which talks are now proceeding - and this cannot be repeated too often - is a very different one from that which had prevailed for the whole of the post-World War II period.

In a number of ways Israel has been responding creatively to this new environment. Despite the downturn - temporary as it may be - in Israel's relations with Washington, Israel has scored significant diplomatic successes in recent months. It now has diplomatic relations with no fewer than 18 African countries at last count, a range of central European states which in former times were hostile to Israel and did much to reinforce in Israel a sense that the country was under siege, and with important countries including Russia, China and India. It is vigorously working to open diplomatic ties with other developing countries, including, with some success, in Central Asia. This process of normalisation of Israel's relations with the rest of the world will do much to dispel further Israel's sense that much of the world is against it. But as Israel is drawn more into the international community, the greater will be the pressure upon it to abide by its obligations under international law: it is often easier for perennial outsiders to resist these kinds of pressures. The Rabin Government seems to understand this.

More generally, and more fundamentally, the Rabin Government seems to understand the force of David Ben Gurion's statement of the dilemma facing Israel, as wise an utterance now as it was 45 years ago. You will recall that Ben
Gurion said, in effect, that Israel could be a Jewish state; it could be a
democratic state; it could be a state occupying the whole of the historical Israel;
but it could not be all three. He persuaded his fledgling nation in 1947 to accept
two-and-a-half of the objectives: a Jewish and democratic state occupying part
of Eretz Israel. And it is the task of the present generation of leaders to persuade
Israelis to make the same choice now. By 2015, or maybe 2025 if Russian and
other immigration resumes and maintains its peak, the Arab population of Israel
and the Occupied Territories will outnumber the Jewish. The situation in the
territories has shown how hard it is now to maintain just and democratic
standards when confronted by a largely hostile population. Without territorial
compromise, unless Israel is prepared to relinquish its Jewish identity, its claims
to be a democracy will be sorely eroded. Mr Rabin - I would like to think
because of the social democratic values he and so many of his generation of
Labour Party leaders share - seems less prepared than his predecessor to
contemplate the fundamental character of Israel changing in this respect.

The Negotiating Stakes

Against all this background, can the peace process now succeed? To attempt an
answer to that question, we need to look at what the principal parties want to get
out of it, and how much common ground that allows.

Israel itself seeks individual peace treaties with its Arab neighbours, and knows
that to achieve this it needs to withdraw from territory it has occupied through
conquest. Yitzhak Rabin has confirmed publicly he is prepared to do that,
although he has expressed a number of qualifications and limitations which will
be very hard fought in negotiation. The principle of land for peace, shunned for
so long by Likud, now promises to achieve the recognition it deserves from all
sides as a central key to securing agreement. Paradoxically, the experience of
the Gulf war may have contributed to the growth of public support in Israel for
territorial compromise. Saddam Hussein's SCUD missiles underlined, albeit
brutally, that in the age of missile technology, security simply could not be
guaranteed by territorial depth alone. One of the most

fascinating recent polls in Israel has been that of retired IDF generals - 75
percent of whom would be prepared to return to Jordan or to the Palestinians
most of the West Bank, 70 percent of whom believe that a land for peace deal
could be struck with Syria on the Golan, and more than half of whom are
prepared to accept a Palestinian state if security and economic guarantees were provided.

The Palestinians, of course, want autonomy and ultimately their own state. Mr Rabin remains on record as opposing the creation of a Palestinian state. But there is agreement at least to work within the terms of reference of the peace process - that is, to negotiate a form of autonomy for the Palestinians in the occupied territories to cover a period of five years, and to negotiate in the third year the territories' final status. Extremely sensitive issues, including the status of Jerusalem, can await discussion until the process of confidence-building and mutual accommodation is much further advanced.

The Rabin government has already made an important gesture to the Palestinians by freezing construction on nearly 7,000 new housing units in the territories. At the same time it has publicly announced its commitment to continue settlement expansion in the environs of Jerusalem, and to allow continued development of settlements in areas of strategic significance to Israel. And it has approved completion of some 10,000 units presently under construction (part of the problem here being that contractual conditions are attached in many cases requiring large compensation payouts by the government if construction were to be stopped).

The Palestinians have said, hardly unexpectedly, that they want a total freeze on all settlements. Certainly Australia, like most of the international community, would like to see a freeze on all settlements as the best way of making what has been a confidence-destroying policy a confidence-building one. But Mr Rabin's gestures on this subject to date are at least significant enough to create a very much more positive environment for negotiations, and we hope they will draw a constructive response from the Palestinian side.

The Palestinians have in fact, with the endorsement of the PLO, adopted positions which give substance to the hope that the current peace process will succeed where its predecessors have failed. The PLO has made significant compromises on the question of Palestinian representation - without which the process would not have begun. And the acceptance by the Palestinians of a formula for the talks in which final status negotiations were designated to follow an earlier phase of negotiations on interim self-governing arrangements, represents a major turn-around by the Palestinians who rejected a similar
formula under negotiating arrangements for the Camp David Accords.

As much as many might wish it otherwise, one cannot talk of the Palestinian position on any of these issues without talking about the Palestine Liberation Organisation. Let me again make clear, as I did in my speech to the Zionist Federation of Australia on 12 July, the considerations which are currently informing the Australian Government's policy towards the PLO. No-one can condone the PLO for its past behaviour. Nor are we seeking to ignore the fact that the PLO is an organisation whose constituent membership still includes extremist elements unwilling to accept the policy directions of the ascendant moderate factions. Nor has the PLO Covenant yet been formally amended to reflect the crucial change of policy - the recognition of Israel's right to exist - that was accomplished, albeit decades too late, in 1988. And it is the case that the Palestinians are now being represented by spokespersons from within the Occupied Territories who are more consistently moderate in their utterances, and more consistently attractive to the international community, than the PLO leadership ever has been.

But the truth of the matter is that, whatever our attitude to the PLO's past behaviour, present charter and leadership may be, it does command the support of most Palestinians, and is playing an important role, albeit behind the scenes, in the peace process. There is regular and direct contact between the Palestinian delegation to the peace talks and the PLO leadership. Under such circumstances it is important that a dialogue be maintained by the rest of the world with the PLO. Isolation and ostracism rarely foster flexibility and responsiveness. We will continue to deal with the PLO to the extent that we can encourage the forces of relative moderation that we know to exist within that organisation; we will engage in dialogue with it, at both ministerial and official levels, if that dialogue seems likely to be productive. Our policy is firmly placed in the mainstream of Western practice. We do not recognise any existing state of Palestine and we do not recognise the PLO as the government of such a state. As I said to the ZFA meeting in Melbourne, we have no plans to give the PLO any more formal recognition, and no plans to change the current level or intensity of contacts with it.

Syria, of course, wants above all else the return of the Golan Heights, taken by Israel in the 1967 war. It has demanded that Israel indicate its willingness to withdraw before other issues can be discussed. There has been little, if any,
progress to date in the bilateral Israeli-Syrian talks. But an arrangement over the Golan need not ultimately be a complicated issue, provided guarantees for the area's demilitarisation could be developed.

Lebanon is seeking Israel's withdrawal from its self-proclaimed security zone in southern Lebanon in compliance with UN Security Council Resolution 425. But, bearing in mind the provisions of the Lebanese-Syrian "Brotherhood" treaty, one has to acknowledge the improbability that an Israeli-Lebanese agreement could be reached independently of an Israeli-Syrian agreement on the Golan. Moreover, Israel's insistence that it will not withdraw from southern Lebanon until Syrian troops are withdrawn and the militias are disbanded and disarmed, offers little scope for optimism that any side is prepared to take the first bold step to break the deadlock. But progress in other areas, and a general improvement in the atmospherics of Arab-Israeli relations may well unlock the door to a settlement. That there are no competing territorial claims suggests that, if the political will exists, a settlement between Israel and Lebanon could be achieved, taking into account the security concerns of Israel, Lebanon and Syria. And a reconciliation of the differences between Israel and Lebanon would bring so much closer the national revival for which Lebanon's long-suffering and capable people have yearned.

Jordan wants a peace treaty with Israel. That has been a longstanding Jordanian objective. King Hussein knows that he cannot sign a separate peace with Israel, and he has been waiting patiently for conditions which may bring about a comprehensive Arab-Israeli settlement. Although Jordan's stance during the Gulf War did not win it many friends, by any standards it has played a helpful role in the peace process, not least in facilitating Palestinian attendance by agreeing to a joint Jordanian-Palestinian delegation. I was impressed during my recent visit to Jordan by the extent to which the Jordanian leaders are trying to think creatively about ways of resolving the interrelated issues of security, demographic factors, access to resources and economic development.

Egypt, as might be expected, has played a particularly positive and helpful role in the negotiations. At peace with Israel now since 1979, Egypt has attended the bilateral sessions as an observer. Egypt would benefit from an overall settlement which would reduce or remove tensions in the area - tensions which continue to
be reflected within Egyptian society. It would be considerably more comfortable in the company of other Arab countries which have made peace with Israel. It is encouraging that Mr Rabin, undoubtedly aware of the influence that Egyptians have traditionally had and can once again bring to bear within the Arab world of the nineties, paid a visit to Cairo so soon after assuming office as Prime Minister.

The Negotiating Process

The Rabin Government has already done a great deal to get the peace process moving strongly forward. It has called for a faster pace in the autonomy negotiations, and for them to proceed on a continuous rather than stop-start basis. Some steps have been taken towards lifting the prohibition on association with the PLO - recognising the present reality of the Palestinian negotiating process - provided that national security is not endangered by such contacts. And a significant gesture has been made towards redressing the effects of the Likud government's settlements legacy.

But more could certainly be done, including in particular the taking of early measures to alleviate the conditions of the Palestinian population of the Occupied Territories, and to end the cycle of violence and reprisals. This is particularly important because of the continuing fragility of the Palestinian commitment to the peace process. Unless there is a marked and early improvement in the human rights situation - unless Israel adopts confidence-building measures which would lead them to draw back from such practices as collective punishments, deportations, administrative detentions, and excessive use of force both non-fatal and fatal - Palestinians will continue to be further alienated and in some cases brutalised, and there can certainly be expected to be a major growth in support for fundamentalist and extremist groups such as Hamas. If that is allowed to happen, we may lose what is possibly the last chance to negotiate a peaceful settlement.

In return for an improvement in conditions in the territories, Israel will have the right to expect a rapid phasing out of the intifada, although clearly that is not going to happen overnight. Such confidence building measures are crucial to the next stage of the peace process. They should be complemented by reciprocal measures between Israel and the Arab states with which it is negotiating. For
example, Syria and Lebanon could and should drop their objections to attending the multilateral working groups. Israel should agree to join those working groups in which diaspora Palestinians participate. And the Arab League should, as a minimum step, suspend the economic boycott of Israel. All of these measures require sacrificing what are seen by their adherents as points of principle. But without them, progress on issues of substance will surely be retarded.

Of course the process ahead is not without risk. Many of the factors which worked together to create the conditions for Madrid may change. For a start, while the down-sizing of Iraq's military might was an important aspect of the balance of power and contributed to the genesis of the peace process, it is clear that Saddam, who continues to try to evade his responsibility under UN resolutions to dismantle his weapons of mass destruction, remains a potential threat to regional security. An Iraqi military renaissance, under Saddam's leadership, could have grave implications for the peace process. At the other end of the spectrum, the leadership role of the United States will remain crucial to the outcome of the peace process, and changes in key personnel in the months ahead could well significantly impact upon it.

To be blunt, we cannot be certain that the coincidence of factors influencing the present opportunity for peace will remain static for long, and the opportunity which that coincidence has presented is unlikely to be repeated in the foreseeable future. Recognition of these uncertainties will, I hope, implant in the principal participants the determination to proceed to serious negotiations on substantive issues without further delay.

Australia's Role

I referred at the beginning to the recent controversy surrounding aspects of Australia's Middle East policy. In our multicultural society we have learned that many aspects of our foreign policy are subject to sensitivities in the community. That is inevitable, and our Middle East policy is not exempt. Here, as in other areas of foreign policy where community groups forcefully express their views on what Australian policy should be, the Government has weighed these considerations in the context of our overall national interests, and our stance on
issues of basic principle.

Australia, like other Western countries, also has important economic, strategic, as well as political and humanitarian interests in the Middle East region. We share the strong global interest that exists in stability in the Middle East. Despite the decline of superpower rivalry, conflict in the Middle East retains the potential to affect Western access to the region's energy resources and disrupt important supply lines.

Pressures for the proliferation of weapons of mass destruction are high in the region. Such pressures have a destabilising influence both in the region itself and well beyond it, even into our own corner of the world. When I went to the Middle East in May, I took some soundings on whether Australia might play a direct role in the peace process in the multilateral working group on arms control and regional security, drawing on our expertise relevant to the working group's agenda. The responses I received were positive. We are now in contact with the key countries concerning the nature of the contribution we might make.

We also share with like-minded countries humanitarian concerns about the untold suffering which war and conflict bring to innocent populations. The Government takes the view that Australia's broad political interests are served by upholding Australia's image in the region as a well-informed observer with a sympathetic understanding of the complexity of Middle East political issues, and by urging moderation, restraint, and compromise. We recognise that our capacity to influence events is limited, but that should not stop us from seeking to ensure that our voice is heard. In my May visit, I urged the leaders of every country I visited - Israel, Syria, Lebanon, Jordan, Egypt and Iran - to adopt moderate and flexible positions in the interests of securing a lasting and equitable peace.

Foreign policy is about the rational calculation of a country's interests, and about the kind of influence it can exert in advancing them. But there are some areas of foreign policy where not just hard-headed calculations of interest are involved: a little sentiment intrudes as well. And that is certainly true about Australia's, and the Labor Government's, and my attitudes towards Israel. Let me conclude, as I did at the ZFA Public Meeting in Melbourne last month, by saying just this:
There is a special bond between Australia and Israel, and especially between those Israelis and Australians who share the social democratic ideals that so governed the life and intellect of the new nation at the time of its founding and beyond. It has been a bond forged with an acutely keen consciousness on our part of what the founding of Israel meant, and continues to mean, to the Jewish people all over the world.

It has been a bond much reinforced for me personally and my generation by our knowing, as we do so well and so closely from our school and university days, so many of the first post-Holocaust generation of Australian Jews. They were kids, now men and women, whose grandparents and uncles and aunts and cousins and family friends were slaughtered in Hitler's gas chambers and killing fields; who felt the awful emotional weight of this history constantly upon them; who were determined - as Jews are everywhere - to ensure that it never happens again; and who are committed above all else to Israel as the embodiment of that consciousness, that pride, and that determination.

No-one who has had, as I have had, this kind of bonding experience, and no-one who has been moved, as I have been moved, by seeing the images of the Kristallnacht or Warsaw at Yad Vashem, or by standing, as I did last year, outside Kiev by the ravine at Babi Yar, could possibly be indifferent to the fate of this land, this state, created to right centuries of grievous wrong done to the Jewish people.

It is not because of my indifference, let alone my hostility, that my response to what I saw and heard in Israel and the Occupied Territories in my visit in May was critical. It was because of my distress, and my despair, at what seemed then likely to be the imminent collapse of all that mattered about the Jewish dream. Mercifully, I think that time has now passed, and that we can, together, dream again.

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