

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

Israeli Prime Minister Benjamin Netanyahu discusses the Middle East, the Iran nuclear deal and Israel's growing economy.

**His Excellency Benjamin Netanyahu,
Prime Minister of the State of Israel
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DAVID RUBENSTEIN: Thank you very much for coming, Mr. Prime Minister. I know you have a busy schedule and you're flying to New York afterwards. The weather's not good. When you have problems with weather, do you ever communicate directly with God about the weather – [laughter] – or how do you deal with that?

PRIME MIN. NETANYAHU: All the time. [Laughter.] And we used to say it's a local call but, you know, the Internet changed all that. [Laughter, applause.]

MR. RUBENSTEIN: So, thank you for –

PRIME MIN. NETANYAHU: Are you – are you in the authority of God here, because could you get me a pillow? Do you have connections here?

MR. RUBENSTEIN: I have some connections. But is there a pillow somewhere? [Laughter.]

PRIME MIN. NETANYAHU: Let's go on. Maybe God will show his hand – her hand.

MR. RUBENSTEIN: Well, you know, if you're – if you're Jewish sometimes you have a weak back, my experience is. And I could use a pillow too, but OK.

PRIME MIN. NETANYAHU: Well, I have a strong backbone. I have a lousy back, but a strong backbone.

MR. RUBENSTEIN: All right. No doubt. OK, so I'd like to ask you about some things you're not asked about very often. One is the economy in Israel. The Israeli economy is doing quite well by almost any standards. Why is that, when you have so many people around you who are threatening your existence? Why do people want to invest in Israel? And why should people invest in Israel?

PRIME MIN. NETANYAHU: Because it's a combination of free markets and incredible technology. Technology without free markets doesn't take you very far. And free markets without technology do take you quite a distance. But Israel has the combination because we deliberately – I deliberately moved it that way. And so that withstands a lot of stuff. Also, it gives you the technology to maintain your security. So Israel may be living in a very tough neighborhood, but we protect the country very, very well. And we enable the markets, the innovation, the genius of our people to flourish in thousands and thousands of startups. If you're not investing in Israel – anyone here not investing in Israel? [Laughter.] Invest in Israel. You should.

MR. RUBENSTEIN: So, now a lot of Israeli companies are well-known startup companies. But very often after they start up in Israel for one or two years, because the market is small in Israel, they move to the United States. Is that a problem, that you're now losing engineers and some of your best companies, or not?

PRIME MIN. NETANYAHU: It's always a problem. There's always a challenge with the United States. But we have this perpetual machine – perpetual motion machine that is called the

military. We have a very large – I mean, very, very large collection intelligence service. I mean, the biggest one in the Western world is the United States, you know, right? So what's the second biggest one? Absolute size, not relative size. It's Israel, OK? So, the NSA is 42 – America is 42 times the size of Israel. The NSA is not 42 times the size of Israel's collection agency. It's not even 10 times bigger. Israel is bigger than Britain. It's bigger than others. So, we have this sum cost, right, of people who we have to put in there to protect ourselves to have superb intelligence.

And what we do is convert that sum cost into thousands of VCs that – I'm sorry – thousands of startups that enjoy VCs and so on. And that creates this perpetual production of innovation. Companies grow. Some of them grow. They're sold for nothing. I mean, like, Google bought – could you imagine – Google bought Waze for a billion dollars. That's a pittance. Eric Schmidt¹ told me, that was a good deal. [Laughter.] Yeah, I think it's worth a lot more. And so, yes, the exit is always there, but the entry is always there – more and more entry – because we just keep on producing this – these very, very able young men and women.

MR. RUBENSTEIN: So you could have been in this industry yourself. Think about your background. You grew up – you were the first Israeli prime minister to be born in Israel. But you moved to the United States when you were initially eight years old. Is that right?

PRIME MIN. NETANYAHU: Yeah, I came here for a year.

MR. RUBENSTEIN: Came for a year. And then you didn't like it and you went back, or? [Laughter.]

PRIME MIN. NETANYAHU: I was eight years old. [Laughter.] I mean, I was an independent kid, but not that independent. [Laughter.]

MR. RUBENSTEIN: So you moved back and then –

PRIME MIN. NETANYAHU: My father came here to do some work on the Encyclopedia Judaica. He was the general editor. And after here he left and went back to edit the Hebrew version, the Israeli Hebraica. Anyway, so I was here for a year. You know, I came here. To Manhattan, actually.

MR. RUBENSTEIN: But when you came to New York, Manhattan, did you speak English at that time?

PRIME MIN. NETANYAHU: Not a syllable.

MR. RUBENSTEIN: So how did you learn to speak such fluent English?

¹ Eric Schmidt, an American businessman and software engineer who served as the Executive Chairman of Google from 2001 to 2017 and Alphabet Inc. from 2015 to 2017.

PRIME MIN. NETANYAHU: First of all, it was horrible. I remember. If you can imagine, you can – you go among the natives, you can't speak the tongue, and you're stuck. They put me in a class. And there was a little girl. I think she was a little Jewish girl called Judy. We have to track her down. [Laughter.] Judy sat next to me. And every day she'd take out this book with pictures. And there was a picture of a dog: See Spot. See Spot run. Run, Spot, run. [Laughter.] And that's how I learned English, because Judy taught me English. [Laughter.]

And my mother – my dear, late mother. She had been born in Israel, in Palestine, and had spent five years of her childhood in Minnesota. And so she always taught me how to pronounce things. She said – you know, usually Israelis would say the apple, they'd say zhe apple, zhe apple. She said, no, no. You've got to put your tongue right up to your front teeth. It's the, the, the. That took about three months too. So, between my mother and Judy, I sort of made it.

MR. RUBENSTEIN: All right. So you're back in Israel. You were bar mitzvahed in Israel?

PRIME MIN. NETANYAHU: Yeah, of course.

MR. RUBENSTEIN: And then you came back to the United States as a teenager?

PRIME MIN. NETANYAHU: Yeah. Then my father came back again to do research on his lifetime's work on the Spanish Inquisition. There was a great Spanish library in Philadelphia, of all places. So we went there. And I went to Cheltenham High School.

MR. RUBENSTEIN: Which was famous for Reggie Jackson also being a graduate, I guess.

PRIME MIN. NETANYAHU: Yeah, well.

MR. RUBENSTEIN: But you weren't an athlete then, or were you an athlete?

PRIME MIN. NETANYAHU: Are you comparing a politician to an athlete? Come on. [Laughter.] The athlete always wins – always wins.

MR. RUBENSTEIN: OK. So you applied to college and you applied to many Ivy League schools, and only one accepted you.

PRIME MIN. NETANYAHU: Yeah, well, I said: I'm going into the army in three years. I'll be back. And could you accept me in advance for three years? And they all said no. Can't do that. Never done that and will not do it. You know, all of them. And so one did. Only one did. They said OK. It was Yale University. And Yale said: It's OK. Go to the army. And you are accepted now three years in advance. I go into the army, to this special commander unit. And they ask me to go to be an officer, which you need to sign more time for. So I write Yale, very deferentially. And I said, could you, Yale, accept me after four years? And they said, yes. Then I send them another letter. [Laughter.] Could you accept me after five years – because I added a year. I had some missions that I took on. And they said yes. Then you know what I did? I went to MIT. [Laughter.] I can't show up in – I can't show up in New Haven. I just avoid the place.

MR. RUBENSTEIN: So, well, I assume Yale did this because the Yale emblem has Hebrew in it. So maybe that's why they accepted you.

PRIME MIN. NETANYAHU: Maybe. I don't know.

MR. RUBENSTEIN: But you went to MIT². And you majored in architecture. Did you want to be an architect?

PRIME MIN. NETANYAHU: Yeah, at the time I did. I mean, I went through undergraduate school, got an undergraduate degree in architecture. And, you know, MIT is a very funny place. I mean, it's – you don't have to go to classes. At least, 50 years ago you didn't have to go to classes – a little less than 50 years ago. And so, you know, you had this stuff that you have to do – physics, math. And that's sort of common stuff that you have to do for any degree. And I did that. But I came in very – I came in very – an old man. I was 23 years old after five years in the military. And, you know, there were all these hotshot kids there.

And I said, boy, I better brush up on my math. So, I studied math in the summer before the school year began. And then I learned that if you take a test and you pass the test, then you don't have to take the course. Well, I took a test. Passed that one. I decided, what the hell, I'll do a little more. OK, I did these tests. And I basically did four years in two years. So after two years, I got my undergraduate degree. And then I decided I'd go to the Sloan School³, and got my master's degree in – an MBA, essentially, from the Sloan School.

MR. RUBENSTEIN: MBA. And then you went to BCG⁴?

PRIME MIN. NETANYAHU: Yeah.

MR. RUBENSTEIN: All right. So you're in a business career. You're in a great firm, BCG. What propelled you to get out of that, possibly getting into private equity even, and going to something else?

PRIME MIN. NETANYAHU: What? [Laughter.]

MR. RUBENSTEIN: Why did you abandon that and go back to Israel? What happened?

PRIME MIN. NETANYAHU: Man's greatest calling.

MR. RUBENSTEIN: Private equity, yes.

PRIME MIN. NETANYAHU: I was derailed. [Laughter.] I was derailed. That's – you know, I was derailed into a lesser direction. What changed my life was about a month after I got into BCG my brother fell leading the rescue force in Entebbe.

² Massachusetts Institute of Technology in Cambridge, Massachusetts

³ The Sloan School of Management is the business school of the Massachusetts Institute of Technology.

⁴ The Boston Consulting Group is a worldwide management consulting firm.

MR. RUBENSTEIN: So your oldest brother, in Entebbe, he was the only Israeli soldier that was killed then. That was July 4th of 1976, right?

PRIME MIN. NETANYAHU: Right.

MR. RUBENSTEIN: And so you decided to go back and honor him in some way?

PRIME MIN. NETANYAHU: Yes, I did. Not right away. It took me about a year or two. And I was working to set up a foundation to carry the political battle against terrorism in his name. But at the same time I continued my work in the Boston Consulting Group. And BCG had a tremendous – I mean, those two things had a tremendous impact on me. Yoni's death steered me ultimately into politics, in an unintended way really. But the short time that I spent at BCG is the place where I really understood the fundamentals of competition and competitive advantage. And once you understand that, you know, it's like a secret that we share. And I don't know, did any of you know Bruce Henderson⁵? He was a genius.

MR. RUBENSTEIN: He was the founder of BCG.

PRIME MIN. NETANYAHU: He was the founder. Bruce – you all know Bruce Henderson, except you don't know that it comes from Bruce Henderson. I mean, you know the experience curve. You know dogs, cows, cash cows, you know all that. That's all Bruce. Bruce was a genius. He must have been in his 70s when I went there. And my first day in the Boston Consulting Group, he called me in. And I'm a young recruit. And he says: Come in, shut the door. And he looks at me – this, you know, white-haired Virginian, and he says: Look, I figure you'll go back to your country. Study as much as you can here. It'll help your country one day.

And I was – I thought he was absolutely crazy. But he wasn't. And it's exactly what happened. I mean, I had the opportunity to see the competitive – the question of competition across industries and across countries and understood that you have to let the private sector earn, compete, succeed, and fail. That's the only way that economies grow. And that's what I got there.

MR. RUBENSTEIN: And was Mitt Romney there then? Did you know him?

PRIME MIN. NETANYAHU: Yeah.

MR. RUBENSTEIN: Did you think he might amount to anything, or you weren't sure?
[Laughter.]

PRIME MIN. NETANYAHU: Well, he was already – he was already a star manager. And I always say that the terrible thing about Mitt Romney is he looks exactly the same. [Laughter.] He hasn't changed at all. [Laughs.]

MR. RUBENSTEIN: So you moved back to Israel, and you got involved in politics and obviously rose up and became the youngest prime minister in Israel's history, I think at 47 or so.

⁵ Bruce Henderson was the founder and CEO (1963-1980) of the Boston Consulting Group.

And now you've been the longest-serving prime minister since David Ben-Gurion, is the only one who served longer than you. Is this job as exciting as you once thought? And what's the pleasure of being prime minister?

PRIME MIN. NETANYAHU: Oh, investigations, at the moment. [Laughter, applause.]

MR. RUBENSTEIN: So it – has the job changed in 10 years? You were Prime Minister for three years, then other positions, and then you came back as Prime Minister. So has it changed in the 10 years a great deal?

PRIME MIN. NETANYAHU: Israel is a tough country to govern in a tough neighborhood. But I think what you – the position that you have to understand is that you cannot gripe about the political system – which I tried to change, by the way. But you just do what you can. And the places where you can do the greatest change is crisis. When you have a crisis, that shibboleth is true – don't waste it. And I didn't. When we had an economic crisis, I used it to put in dozens of reforms to carry Israel into a free-market economy. And when we had other crises, I used it to move world opinion against Iran and against its attempts to develop nuclear bombs. And I think the activity that we've done probably – without the activities that we did in many, many areas, I think Iran would have had nuclear weapons long ago.

MR. RUBENSTEIN: So –

PRIME MIN. NETANYAHU: They're not going to get them. We're not going to let them.

MR. RUBENSTEIN: All right. So in terms of the Israeli government, some people have a hard time understanding. Israelis are pretty smart people many people would say. How do you have a government that seems so unusual and doesn't work that way? You've got all these different minority parties. It's hard to govern. Why wouldn't Israeli people, being very smart, come up with a better way of governing? [Laughter.]

PRIME MIN. NETANYAHU: Well, you know, sometimes presidential systems aren't that good to govern. [Laughter, applause.]

MR. RUBENSTEIN: Well, of course, you're right. So let's talk about –

PRIME MIN. NETANYAHU: But I would agree – I actually wanted to change –

MR. RUBENSTEIN: You wanted the Prime Minister to be elected directly.

PRIME MIN. NETANYAHU: Yeah, no, I wanted actually a presidential system. But I said, OK, you won't agree? We'll have direct elections for the Prime Minister. And my party – I was a young parliamentarian at the time. And my party was vehemently opposed to it, the Likud. But I agreed with the late Yitzhak Rabin⁶. I was a member of the Knesset⁷ of the opposition.

⁶ Yitzhak Rabin was the fifth Prime Minister of Israel, serving two terms in office, 1974–77 and 1992 until his assassination in 1995.

⁷ The Knesset is the legislative branch of the Israeli government.

Rabin wanted direct elections, as did I. And my party met and they said: Anybody who votes for that bill, for direct elections of the Prime Minister, is going to be thrown out of the party. You'll not be on the Knesset list if you do that. And the vote was two weeks away.

I voted for it. I was the only one left. I was the swing vote, could you imagine, for something that my party said was – you know, you're going to be thrown out. Anyway, it passed. And I survived it, as you can see. But it turns out that it didn't quite help, because it had unintended consequences. The system was changed back. You know, it's lousy this way. It's lousy that way. Just do your best. And the important thing is if you want reforms, do them right after you're elected. That's rule number one. And that's what I did. And I got rid – you know, I've been elected four times, so that's a lot of reforms. Just do them right after you're elected. Rush them through.

And don't do them one by one, you know? When I came into the finance ministry – I was Prime Minister, lost, came back as Finance Minister, and then Prime Minister. And when I was Finance Minister, you know, they told me: Don't take this job. You know, it was under Sharon⁸. He was the Prime Minister. And he offered me the finance ministry. And all my advisors said: Don't take this job, because every finance – you know, finance ministers are corralled into death – political death. And I said, well, why is it that I want to be – you'll never be Prime Minister, they said. I said, well, why is it that I want to be Prime Minister? Well, one of the two reasons is that I want to reform the Israeli economy. That's why I want to – you know, I want to be there in the first place. So, you know, if we achieve that, that's good enough. And that's what I ended up doing.

MR. RUBENSTEIN: So –

PRIME MIN. NETANYAHU: But when I came into the finance ministry – this is just a tip for any of you who want to be Israeli Finance Minister, something I don't recommend – [laughter] – but when I came in, the – you know, I said, well, we're going to do this, we're going to do that. We're going to make all these reforms. And the staff at the Finance Ministry – and they were very able people – they said: Mr. Minister, you can't do that. And I said, why not? They said, because this reform will get you a three-months general strike. And that reform will get you a three-months general strike, and so on and so on.

I said, could you say that again? Every one of these reforms will get you a three-months general strike. I said, good. We can maximize the number of reforms per strike. [Laughter.] And that's exactly what we did. And we just did them in batches. And as a result, Israel grew after that at 5 percent. Basically, since then, has grown at between 4 and 5 percent a year. And I think it will take us a couple years, we're going to catch up to Japan in per capita income. Did you know that?

MR. RUBENSTEIN: So –

PRIME MIN. NETANYAHU: You should invest in Israel. [Laughter.]

⁸ Ariel Sharon was an Israeli general and politician who served as the 11th Prime Minister of Israel from March 2001 until April 2006.

MR. RUBENSTEIN: OK. Any specific tips you have?

PRIME MIN. NETANYAHU: Oh, somebody asked me that. You know, I was – right after I came into the finance ministry, and we were in a big crisis because of the Intifada⁹. We had violence, the NASDAQ had burst. And, you know, obviously it hurt. And our economy was actually shrinking. This is 2003. And I certainly thought that was a contributing factor, but I didn't think it was the factor because I thought – I thought it was a statist bureaucratic and centralized control over our economy that was preventing its growth. So I met with a group of investors. And this was about two weeks into my term as Finance Minister. And they said – and that's all I could get, about six or seven investors, first in Jerusalem and then in London.

And they said: Why should we invest here? Everything shrinking, collapsing. And I said, well, here's what I'm going to do. And I described to them all these reforms, basically cutting the public sector, reducing the tax rates, reducing the hurdles of competition and so on, just everything – reforming welfare, the lot. And they hear this. And about 10 minutes into my soliloquy, you know, they said: Well, maybe this guy is meshuggana¹⁰ enough – crazy enough – to do this. And so they said, so, what we should – if you're going to really do this, what should we invest in? And I said to them, I'm not a stockbroker, but if you want a tip I'll give you a tip. Invest in anything. Invest in a parking space in Tel Aviv. It's going to be worth a lot more. Anything you invest in will be worth a lot more.

Take a look at the numbers. Take a look at the curves. You'll see that those who listened to me did very well. And today I tell you the same thing, it's only the beginning. Invest in anything. But invest in technology. Invest in real estate. Invest in infrastructure. You're going to do very, very well. Israel is an innovation nation. And it's not a slogan. It's very powerful. And the future belongs to those who innovate. We innovate.

MR. RUBENSTEIN: So, you've been in the United States for a few days. You'll be here a little bit longer. You have met with President Trump while you were here. How would you compare President Trump with President Obama with President Clinton? You served as Prime Minister when all three of them were Presidents? How would you compare the three individuals?

PRIME MIN. NETANYAHU: Well, actually, contrary to the, you know, the general press feed – BuzzFeed – I actually had very good personal relations with all three of them. But I had disagreements with them. I had agreements and disagreements with them. For example, with President Obama we signed an MOU, memorandum of understanding, for a 10-year military aid package to Israel, which I deeply appreciate. I think it's great. It follows, by the way, the 10-year package that we signed with – earlier with President George Bush, W. And people probably don't know that, but it's important.

But I had disagreements. The important thing was I could – you know, we were quite clear about that. I didn't hide it. I'd say with President Trump I have fewer disagreements.

⁹ The Palestinian uprising against Israeli occupation of the West Bank and Gaza Strip.

¹⁰ *Informal*, mad or idiotic

MR. RUBENSTEIN: So –

PRIME MIN. NETANYAHU: In fact, I hadn't found yet any disagreements. But – and I don't expect there to be.

MR. RUBENSTEIN: So, with President Trump, he obviously is skeptical about the Iranian agreement. You are, I think it's fair to say, skeptical of that agreement.

PRIME MIN. NETANYAHU: Now you're a diplomat.

MR. RUBENSTEIN: OK. [Laughter.] So if he says we're going to pull out – the United States is going to pull out of that agreement, would you be pleased or would you be upset if he says we're going to stay in? What would –

PRIME MIN. NETANYAHU: Well, he asked me that question. And I said, look, you either fully fix this deal or you fully nix it, because right now it's a highway with international approval for Iran to get to massive, unlimited enrichment, within a few years. Because what the deal says is that the constraints, the limitations on Iran's nuclear program, are automatically removed by a change of date. I argued before the U.S. Congress that those constraints should be lifted only by change of behavior. And Iran, since the deal has been signed, has been like a tiger unleashed from its cage. The deal emboldened it, enriched it. And instead of joining the community of nations, they're just devouring the nations one after the other.

You know, Iran, Iraq, Syria, Lebanon, Gaza, Yemen, the Straits. I mean, the whole thing is going in a very, very bad direction. And you should not enable this aggressive regime out to conquer the Middle East, out to impose its Shiite version of militant Islam on the world, to have nuclear weapons. You think you have a problem with one country now in Asia. I'm telling you, that's a family business – a peculiar one, but a family business. [Laughter.] This is different. This is – as Kissinger said – this is an ideology. It's a cause. It's not a country. And the cause is a bad one. We're the small Satan, you are the great Satan. You don't want the preeminent terrorist-sponsoring regime in the world to have nuclear weapons and the means to deliver them to Washington, D.C. Don't let it happen.

MR. RUBENSTEIN: So if the United States does withdraw, which is what you're recommending, and Iran continues its terrorist practices, what are you going to do, or what would the United States do about it? What would you be able to do?

PRIME MIN. NETANYAHU: If the United States withdraws, I think the Iranian economy would be in a very, very bad shape. The mere fact that President Trump began to talk about the possibility of withdrawal just stopped – I mean, stopped a lot of investments in Iran. And that created tremors within Iran. You can see that in the periodic eruptions of demonstrations. I mean, I could see that in a very peculiar way. You know, I do these videos for – I speak to the Iranian people, because they're great people. They've just been commandeered, they've been hijacked by some of these people. And I get the response that they – I got a tremendous response with names of Iranians. And I said to my intel people, this is just a few weeks ago, a couple of months ago. I said, how is it possible that they're responding on the 'net with their names.

They're Iranians. They're putting their lives on the line. Iranians are responding positively to a video by an Israeli Prime Minister, identifying themselves? A week later this stuff broke out. So there is – there is underlying tension.

The fact that they're trying – the fact that you're limiting the money is creating tensions for the regime inside. And the regime is very concerned with that, very preoccupied with that, which means that those who said that if you squeeze Iran economically you're going to help the radicals and hurt the moderates, the very opposite is happening. And we should continue to do that. I think Iran should know that it doesn't have a free pass to a nuclear arsenal and to the conquest of the Middle East. And the only way it can do that is either fully fix the deal or fully nix it. And it should be done.

MR. RUBENSTEIN: By the way, I – you met with President Trump. And I notice you're wearing a kind of red tie, that he often wears. Is that something he gave you as a gift, or that was – [laughter] – it looks like – very much like a Trump tie, but I don't know. Very nice.

PRIME MIN. NETANYAHU: That could be investigated too, so I won't – [laughter] – you know.

MR. RUBENSTEIN: All right. So let me ask you about – President Trump moved the – agreed to move the American embassy to Jerusalem. Many presidents have promised that, and presidential candidates have promised that, for 40 years. This is the first president that has taken steps to do that. Did you urge him to do this, or did he do it more or less on his own? And did you talk about the complications of that when you met with him?

PRIME MIN. NETANYAHU: I spoke to him – I spoke to every president and urged every president to move the U.S. embassy to Jerusalem. The difference is, you know, they all said they'd do it. He did it. He did ask me one time what did I think, you know, whether there would be outbreaks of violence and massive – you know, a massive collapse. And I said, look, I can't tell you with 100 percent certainty. But that's not what I'm seeing. And I don't think it's going to happen. But if it does, we're willing to shoulder the risk. And it didn't happen.

MR. RUBENSTEIN: And do you expect he will come in May to – for the moving of the embassy?

PRIME MIN. NETANYAHU: Well, if he wants to, he can. But I mean, I have to tell you, the thrust of our – first of all, I was very grateful for this, because this should be seen in a historic perspective, you know. We – I mentioned the great Persian King Cyrus. We used to have good relations with Persians. That's 2,500 years ago. [Laughter.] He issued the Cyrus Proclamation that said that the exiles – the Jewish exiles in Babylon could come back and build our temple in Jerusalem. I mentioned the Balfour Declaration 100 years ago, recognizing our historic rights in our ancestral homeland. I mentioned Truman, who was the first leader, within eight minutes, to recognize the Jewish state. And we will remember Trump, because he is the president who recognized Jerusalem as Israel's capital and moved the embassy there. This will resonate down the ages for us.

MR. RUBENSTEIN: So one of the debates has been whether Israel should be – have a one-state solution, two-state solution to the Palestinian issue. If you have a one-state solution, it is said by some people, because of demographics, that Israel wouldn't be necessarily a democracy or would be a Jewish state. So do you favor a one-state solution or a two-state solution?

PRIME MIN. NETANYAHU: Well, I think most Israelis would favor a situation where we could separate from the Palestinians. But I don't think people want that. I don't want the Palestinians as citizens of Israel and I don't want them as subjects of Israel. So I want the solution where they have all the powers they need to govern themselves, but none of the powers that would threaten us. What that means is that whatever the solution is, the area west of the Jordan, that includes the Palestinian area, would be militarily under Israel. The security – the overriding security responsibility would be Israel's.

I'll give you an example. How many of you have been to Israel? That's it? That's half. Maybe a little more. OK. When – the other half will come – when you come in and you fly in, OK, you go to Ben Gurion Airport. You cross the Mediterranean. You land in Ben Gurion Airport. That will take you about 45 seconds. Ben Gurion Airport is about 10 seconds away from the West Bank. So obviously if you say, well, Israel's airspace stops there, at Ben Gurion Airport, you know, we're dead. So we need bigger airspace. That's going to go across the Palestinian area. The same thing is true. What is above ground in the air is on the ground too – as it turns out because of "Terror Tunnels," below the ground too. Israel must have the overriding security responsibility for the area west of the Jordan River.

Does that comport with full sovereignty? I don't know. But it's what we need to live. And in this area of the Middle East, full of failed states, states have collapsed, it's very important that Israel be the power responsible for security, because otherwise everyone collapses. The Palestinians collapse. I mean, every area that we left militarily, militant Islam came in. We left Lebanon, Iran came in with Hezbollah. We left Gaza, Iran came in with Hamas. We leave the West Bank militarily, or most of it as people stipulate in their various peace plans, you'll have either Hamas coming in, that's Iran, or you'll have ISIS coming in. And this is a catastrophe for peace.

So, the answer to your question is most people would agree to an arrangement of the kind that you're talking about if they thought that the Palestinians wanted a state next to Israel. But they're convinced more and more that they want a state instead of Israel. And that's not a real peace. People would go for a real peace not a fake one.

MR. RUBENSTEIN: But public opinion is real. The majority of the public – is that in favor of doing a deal of any type, or generally to keeping the status quo is acceptable?

PRIME MIN. NETANYAHU: No, they'd do a deal if they thought – they'd do a deal if they thought it would get them peace. We actually walked out of Gaza unilaterally. And instead of getting peace, what we got was 5,000 rockets and "Terror Tunnels" dug from Gaza. So they say – the reason that people are skeptical is because they've seen it happen once in Gaza, another time in Lebanon. And they say they don't want to do it a third time – a third time. Remember, the West Bank is 20 times the size of Gaza. And it just sits on top of Tel Aviv, sits on top of our

airfields, our airport, and so on. So a real deal for real peace? Yes. Fake deal for a state that would continue to seek to drive us to the sea – which is not very far away – no.

MR. RUBENSTEIN: Do you see any prospect in the next year or two of a deal getting done? I know the Trump administration's working on a plan. Is there something to negotiate with? And what do you think is the prospects for any deal of any type getting done?

PRIME MIN. NETANYAHU: I think there's something – there's a new hope on the horizon that I've never seen in my lifetime. And it's not related to the Palestinians. It's related to the Arab world. Because of the growing danger of Iran, more and more – I would say virtually all the Arab countries no longer see Israel as their enemy, but as their vital ally in countering the threat of militant Islam. First, ISIS. And Israel has demolished ISIS terrorist attacks – dozens of major attacks we foiled with our superb intelligence, including the downing of major – I mean, big airliners. Israel has stopped that. We've shared that – obviously with America, but with dozens of countries.

But the other thing, and with the Arabs – but the other thing that the Arabs see is that we are united in stopping the greatest radical Islamic threat of all, which is Iran. So there has been – out of this curse comes a blessing. The blessing is this extraordinary relationship between us. And I think that ultimately we might be able to shift the ground. I don't think it's readily available right now, but I don't discount that it could happen. We used to say, if we make peace with the Palestinians we'll break out and normalize our relations with the Arab world. I think it actually may work more the other way around. We normalize our relations with the Arab world, to help change the perception of the Palestinians.

MR. RUBENSTEIN: So the relationship that Israel has now with the Sunni Arab world is better than you've ever seen it before. Is that fair?

PRIME MIN. NETANYAHU: Unbelievable. And we work on it.

MR. RUBENSTEIN: OK. So let me talk about antisemitism. It seems to be that antisemitism is rising in Europe. And to some extent in the United States, we see some evidence on college campuses of Israel not being that popular. Does that concern you, about the rise of antisemitism? What do you think people can do about it?

PRIME MIN. NETANYAHU: It's a chronic disease. It's been – my father wrote about it, great books. It's a chronic disease. It's been around a long time – as a theory, probably 2,500 years ago it was created in Egypt, as Mommsen¹¹ said – a great historian too. So it's not easily – and you don't need Jews to have antisemitism, by the way. That's been demonstrated too. Yes, it concerns me. I think that on the campuses we have work to do. One of the things we do – there's a great program that we have which is called Birthright. And we bring hundreds of thousands of young Jews, Jewish men and women, to Israel to see Israel for itself. And that helps.

¹¹ (Christian Matthias) Theodor Mommsen was a German classical scholar, historian, jurist, journalist, politician and archaeologist. He was one of the greatest classicists of the 19th century. *History of Rome* is considered his most famous work. Mommsen was a vigorous opponent of antisemitism.

I think that the best response to antisemitism is the state of Israel. And the reason antisemitism swept away a third of the Jewish people in the Holocaust is because there was no Jewish state. Now we have a Jewish state. The founders of modern Zionism, especially Theodor Herzl, they didn't say necessarily that antisemitism would disappear when the Jews would have a state of their own. They said that the Jews would be able to fight back. That's the great difference. We're able to resist it, to push back.

MR. RUBENSTEIN: Now, as Prime Minister, as you alluded to earlier, there are investigations of you now in Israel. It seems to be a popular sport, a lot going on there. What can you say about it? And is it detracting from your ability to serve as Prime Minister?

PRIME MIN. NETANYAHU: Well, I can't say that I like it. But, no, I can say that it doesn't detract because, you know, I work my 16-hour days, and I just do it. And I'm absolutely committed to defending Israel, liberating its economy. And these twin pursuits and seeking what could lead to peace between our neighbors. And my hands are full. And I'm very, very satisfied with what I'm doing. And the public apparently thinks that, because you can – you can see what the public says.

MR. RUBENSTEIN: Well, some people in Israel say that maybe you should call for a so-called snap election and have an election, and you would be reelected, some people would say.

PRIME MIN. NETANYAHU: You too, David?

MR. RUBENSTEIN: Well, do you have a view on whether you might call a snap election, that you can say?

PRIME MIN. NETANYAHU: I said – and I'm talking to – on and off to my coalition partners from here – what I want is to be able to complete the term of this government, which is in about November 19th. And if that – if all parties of this coalition – we talked about coalitions – agree, that's what we do. And if not, then we'll go to elections now. I hope they'll agree. We'll see.

MR. RUBENSTEIN: OK. Now, as Prime Minister, you said it takes 16-hour days. What do you do, if anything, for relaxation? Or do you have any sports? Do you read books? Do you exercise? What do you actually do to release the tension?

PRIME MIN. NETANYAHU: Yeah, I read, sports. They actually let me walk on the seaside when I'm on the weekends. I do that. And, yeah, I read books a lot.

MR. RUBENSTEIN: And is there any book – what would you say – what book has most influenced you? Is there some book that most influenced –

PRIME MIN. NETANYAHU: Oh, the greatest of them all, you know, the good book. I read it – [laughter] – I read it. My son is a great biblical scholar. He was number three in the world when he was 15. And, you know, there's a Bible contest. It's like a spelling contest, only raised to the "nth" degree. And so, you know, until the age of 12, I was teaching him every Saturday. And

we'd read a portion of the Torah. And from the age of 12, he's been teaching me and is a great study. So we read that. But I read many, many books – history books, books on economics, political philosophy, biographies – a lot of biographies.

MR. RUBENSTEIN: Is there a leader – is there a leader in the world that you have admired during your time or before you became Prime Minister that you really look up to as somebody that was a great leader?

PRIME MIN. NETANYAHU: Oh, yeah. Sure. Many. But I'd say Moses¹². Herzl¹³. Churchill¹⁴.

MR. RUBENSTEIN: And would you say that today –

PRIME MIN. NETANYAHU: I mean, I think about having dinner with them. That would be interesting. Moses, I could get in a word, because he was a stammerer. [Laughter.] Churchill, no way. [Laughter.] And Herzl, he was tremendous. He was like a modern Moses. He was tremendous.

MR. RUBENSTEIN: What would you like to see as your ultimate legacy? I'm not saying you're not going to have many more years as Prime Minister, you may or may not. But if, you know, you had a chance to write your own legacy now and say this is what you accomplished with your life, what would you want people to say about what you've done?

PRIME MIN. NETANYAHU: Defender of Israel, liberator of its economy.

MR. RUBENSTEIN: And is the job as enjoyable as it was before? And you still enjoy what you're doing? And it –

PRIME MIN. NETANYAHU: Yeah, because we're doing things. I mean, I have a very deliberate strategy. It's to develop this modern free-market, high-tech economy, leverage that into very strong military intelligence and a very strong military period, and since countries need both intelligence against terrorism and other security questions, and they all need civilian technologies, marry the two and create a diplomatic flourishing. So we now have 160 countries with whom we have diplomatic relations. When I came to this town to be the number-two in the embassy, it must have been half of that. And the countries that are very left out are very few. You talk about isolating Israel, the countries who are not having – you know, are not with us, they are being isolated. Eric Schmidt laughed when we said, how about the movement to boycott Israel? Boycott Israel, he said? I'd be boycotting myself. I'd never do that.

¹² A prophet in the Abrahamic religions. According to the Hebrew Bible, became the leader of the Israelites and lawgiver, to whom the authorship of the Torah, or acquisition of the Torah from Heaven is traditionally attributed. He is the most important prophet in Judaism.

¹³ Theodor (Binyamin Ze'ev) Herzl was the visionary behind modern Zionism and the reinstitution of a Jewish homeland.

¹⁴ Sir Winston Leonard Spencer-Churchill served as Prime Minister of the United Kingdom from 1940 to 1945 and again from 1951 to 1955. Churchill led Britain to an allied victory in WWII.

So I want to tell you one thing that I think is very important for me to stress, something that you know in the broader context but I want to bring it home in the specific Israeli context. If you look at the 10 largest companies 10 years – in 2006, jump forward to 2016, you see a neat reversal. Five energy companies, one IT, Microsoft, in 2006. Ten years later, five IT companies, one energy company left, Exxon. OK, all the five, OK, IT companies – Google, Amazon, Microsoft, you know, Facebook, so on – they all have major research facilities in Israel, as do hundreds more. The reason this is important is that Israel is right in the center of this revolution. The revolution is the meeting ground between big data, connectivity, and artificial intelligence. This allows us to revolutionize old industries, where we were quite prominent, like agriculture.

For example, we do now precision agriculture. Do you know what that is? So, a drone flies in the sky, it's connected to a database. It's got sensors on the ground and there's drip irrigation. And we target the irrigation and the fertilization down to the individual plant. So you understand the productivity gains in this. I mean, it's wild. Changing the agriculture. But we have new industries. We have a car industry, you know? We don't produce – we don't compete on chassis, on engines. We don't have the scale, that Bruce Henderson explained to me. But since cars are basically becoming – 85 percent of a car's value very soon will be software, 15 percent all the rest, it's basically a computer on wheels. There, we compete. So now we have 500 startups just on that, including this company Mobileye that was bought for \$15 billion now by Intel. And Intel gave them the key to 30 of their worldwide autonomous vehicle businesses. That's in Israel.

And last example, to persuade you to invest there, OK. So you all have bank accounts. Yeah, you wouldn't be here without it. OK, you want them protected? You know that you need cyber protection. And the same thing is true of anything else – everything, OK. Israel's population is one-tenth of 1 percent of the world. We receive 20 percent – 20 percent of the global investment in private cybersecurity. We're punching 200 times above our weight. Israel is a mega story for the new world of big data, artificial intelligence, and connectivity. If you're not in Israel, you're falling behind. Don't. Come over, I'll see you there. I'm telling you. I'll buy you dinner. The economy is strong enough. [Laughter.]

MR. RUBENSTEIN: Mr. Prime Minister, I want to thank you very much for your time. I want to give you a gift on behalf of the Club.

PRIME MIN. NETANYAHU: Well, thank you. [Applause.]



His Excellency Benjamin Netanyahu Prime Minister of the State of Israel

Benjamin Netanyahu was born in 1949 in Tel Aviv and grew up in Jerusalem. His high school years were spent in the United States, where his father, the historian Benzion Netanyahu, taught and conducted historical research. Returning to Israel in 1967, Mr. Netanyahu enlisted in the IDF and served in an elite unit of the Israeli army, Sayeret Matkal. He took part in several operations, including the rescue of hostages in a hijacked Sabena airplane in 1972. In the same year, he was cited for outstanding operational command by General Mordechai Gur, Chief of Israel's Northern Command. After his discharge from the IDF in 1972, Mr. Netanyahu served in the Yom Kippur War of 1973 and was promoted after the war to the rank of captain in the Reserves.

Mr. Netanyahu received a B.Sc. degree in Architecture and an M.Sc. in Business Management from MIT. He also studied political science at MIT and at Harvard University.

Between 1976 and 1982 Mr. Netanyahu worked in the private sector, first with the Boston Consulting Group, an international business consultancy, and then as a member of senior management position of Rim Industries in Jerusalem.

In 1979 and 1984 Mr. Netanyahu organized two international conferences that emphasized the need to fight terror groups and the regimes supporting them. US Secretary of State George Schultz has written that Mr. Netanyahu's public advocacy and books had a decisive influence in shaping American policy toward fighting terrorism.

In 1982, Mr. Netanyahu was appointed Deputy Chief of Mission at the Israeli Embassy in Washington, DC. From 1984 to 1988, he served as Israel's Ambassador to the UN, and became renowned for championing Israel's cause in the international arena. He successfully led the effort to declassify the United Nations archives on war crimes committed by Nazi Germany.

Returning to Israel in 1988, Mr. Netanyahu was elected to the Knesset on the Likud party list and was appointed Deputy Minister of Foreign Affairs. During the Gulf War he served as Israel's principal spokesman in the international media. In 1991 he participated in the Israeli delegation

to the Madrid Peace Conference and in the first Strategic Cooperation talks between Israel and the United States.

In 1993 Mr. Netanyahu was elected Likud party chairman and served as Leader of the Opposition until being elected Prime Minister of Israel in 1996.

During his first term as Prime Minister, the number of terror attacks against Israel decreased dramatically. Mr. Netanyahu also advanced the peace process with the Palestinians, signing both the Hebron and Wye Accords. Mr. Netanyahu liberalized foreign currency regulations, accelerated privatization of government-owned companies and reduced the budget deficit. During his term in office, foreign investment reached record highs.

In 2002, after three years in the private sector, Mr. Netanyahu returned to politics, first as Minister of Foreign Affairs and then as Minister of Finance. He enacted sweeping economic reforms that helped pull Israel out of a deep recession and place it on a path of long-term growth. He controlled government spending, reformed the welfare system, cut tax rates, privatized major state-owned industries, reformed the pension and welfare systems and enacted a major capital market reform. Following these reforms, Israel enjoyed robust growth, lower unemployment and rapidly declining debt levels.

In 2005, Mr. Netanyahu assumed the position of leader of the opposition. He led the opposition in a responsible manner and gave support to the government during the Second Lebanon War in 2006 and Operation Cast Lead in 2009.

In 2009, Mr. Netanyahu was elected Prime Minister for the second time,
In 2013, Mr. Netanyahu was elected Prime Minister for the third time.
In 2015, Mr. Netanyahu was elected Prime Minister for the fourth time.

Mr. Netanyahu has written and edited the following books that appeared in Hebrew and English, with some also translated into Chinese, Russian, French, Arabic, Japanese and other languages:

Self-portrait of a Hero: The Letters of Jonathan Netanyahu (1963-1976), co-editor, with Iddo Netanyahu (1978)

International Terrorism: Challenge and Response, editor (1979)

Terrorism: How the West Can Win, editor (1987)

A Place Among the Nations: Israel and the World (1992)

Fighting Terrorism: How Democracies Can Defeat Domestic and International Terrorism (1996)

Mr. Netanyahu is married to Sara, a psychologist, and is the father of three. The Netanyahu family lives in Jerusalem.

