Thank you for the opportunity to address you this evening. And congratulations for putting on such a successful function. It is a testimony to the work of the United Israel Appeal and to your support of Israel generally that we have such a tremendous function here tonight with other 1000 people in attendance.

I salute the work of United Israel Appeal and the Jewish community generally.

I know from my visits to Israel over the years and my meetings with Israeli leaders that there is both deep respect and gratitude in Israel for the generous and unstinting support provided by the Jewish community in this country over many years. Tonight is another example of this.

I also note the enormous contribution that the Jewish community makes to Australia in all walks of life. This is a community that has preserved its distinctive Jewish characteristics, while at the same time making a remarkable contribution to Australian life.

Late last year, I addressed the New South Wales branch of the United Israel Appeal. I talked about the strength of the Australian-Israel relationship and how it has substantially evolved over the last ten years, particularly in regards to the position that Australia takes on United Nations resolutions.

In my remarks tonight, I’d like to take you through my thoughts on current events in the Middle East (which obviously directly impact upon Israel) and Australia's position on these issues.
I will briefly touch on the Australia-Israel relationship towards the end of my remarks.

It's never a quiet time in the Middle East, and the past few months have been no exception. Some say there is simply too much history in the region which means we can not expect anything but tumultuous times. After all, the Middle East is a region where three of the great world religions - Judaism, Islam and Christianity - have their holiest sites and where great empires and movements over history have met and overlapped.

But I am more optimistic. History is important, of course, but I am not one who believes that the past inevitably determines the future. One observation that I can make from my many visits to the countries of the region is that there is widespread hope and expectation for a better and more peaceful future.

Israel has shown that the liberal democratic model of society and government can be applied successfully in this part of the world, just as it has been applied in every other region. In my view, other countries in the Middle East would do well to look closely at the secret of Israel's success. The secret of her success is not material support from the Jewish diaspora - though it is undoubtedly appreciated.

Rather, in my view, it is the combination of a number of crucial elements:

- a democratic system of government
- a very high quality of leadership
- a market-based economy, and
- and strong civil society involving a vibrant national culture, that has a remarkable ability to cope with the stresses and strains of a society as diverse as Israel.

From an outsider's perspective, I see the story of Israel as a story that proves the need for these elements for national success. This small country, born with enemies on all sides and with barely any resources except the determination of its people, has built a powerful nation with these elements.

Democracy has ensured the smooth transfer of power and an approach to Israel's security and national development that has kept faith with the majority of its people. Democracy has over the years provided Israel with the quality of leaders to tackle its immense national challenges. Towering figures such as David Ben-Gurion and Yitzak Rabin.

The Israel elections last week were a further reminder of the remarkable success of Israeli democracy. Let me take this opportunity to congratulate Ehud Olmert and the Kadima party on their election victory.
For Israel's friends, these are remarkable times - a centrist government emerging after thirty years of left or right politics. This may prove to be the most significant election in Israel since Likud came to power in 1977.

Of course, now comes the coalition negotiations. An intimate of David Ben-Gurion, in commenting about the Old Man remarked:

"The Messiah arrived, he gathered in Israel's exiles, he triumphed over peoples around, he conquered the Land of Israel - and then he had to take his seat in a coalition."

Australia will therefore watch with great interest and hope as Mr Olmert forms his government - as is our expectation - and as he works to take the peace process forward. Mr Olmert has said he is willing to return to the negotiation table but he cannot do so, of course, without a partner for peace. I shall return to this point in a moment.

First, however, let me pay tribute to Ariel Sharon, whose brave and no doubt painful decision to withdraw from the Gaza strip deserves our recognition. He has shown remarkable courage, first as a soldier on the battlefield, and later as a political leader. And his leadership is still being felt in the victory of the party he created.

It was with the deepest sadness that we learnt of Prime Minister Sharon’s incapacitation on the eve of what is arguably his greatest political victory. My heart goes out to his family.

It is remarkable that such a small nation of only seven million people has thrown up so many leaders of distinction. Perhaps this reflects the intensity of the challenges faced and the vibrant civil and political culture from which they emerged. Democracy and strong leadership are necessary but not sufficient conditions for national success. A liberal market economy is important because it provides the best mechanism for allocating resources and creating wealth. And a country’s civil society and national culture also plays a strong role in its success. The national project has to be a positive one; its culture has to be one of building, not tearing down.

I see Israel as a shining example of a positive national culture, built around the Zionist dream and open to positive interaction with the rest of the world.

**Hamas**

Democracy has also started to come to the wider Middle East and it has been a long time coming. There are a number of landmarks we could point to.

The recent Palestinian Parliamentary elections were major milestones on the road to true democracy in that they were free and fair, reflected the will of the people, the results were
accepted by the participants and led to a transfer of power.

While there is a debate underway on both the applicability and appropriate pace of implementation of democracy in the Middle East, I remain of the view that democracy will ultimately be a very positive influence. But it is clear that there will be some major bumps on the way, as the Palestinians find their way along the democratic road.

I don't know too many people who were not taken aback by the strong showing of Hamas in the Palestinian Legislative Council elections. The result surprised even Hamas itself, which is clearly ill-prepared for the rigours of government.

There is a strong case to be made that the election was not in fact a vote for extremism, but reflected Palestinian frustration with the incompetence and corruption within the Palestinian Authority - its failure to deliver services and improve the daily lives of Palestinians.

Now that it has the responsibilities of government, the message to Hamas from the international community, including Australia, is quite clear:

- renounce violence;
- formally recognise Israel; and
- recognise the agreements previously entered into by the Palestinian leadership.

Hamas' involvement in terrorism is now a rod for its own back. It must choose between the bullet and the ballot because the two are incompatible.

As the new Palestinian government settles in, the international community will be looking for movement on these fundamental points. The ball is in the Hamas court - the international response will depend on their attitudes and actions.

Remember, as a listed entity under the Charter of the United Nations Act 1945, it is illegal for Australians to provide assistance to Hamas. This will constrain any Australian support to the PA as long as Hamas retains its current charter.

However, it is in no one's interests to set up a situation that by implication seeks to punish the Palestinian people for their democratic choice. Moreover, we must take care not to get into a situation where Hamas can seek to credibly blame the international community for the consequences of its own actions.

No one, Israel included, wants a humanitarian disaster in the Palestinian Territories. The international community will be looking for ways to isolate Hamas, while it refuses to change, but continue to deliver humanitarian support the Palestinian people.
Australia for its part, does not provide assistance direct to the PA - we work through the UN and NGOs. It's clear many others will be looking to do the same.

If there is one ray of light in the situation it is this. Some of the more optimistic analysts of Palestinian politics argue that Hamas' participation in electoral politics will lead to its moderation. And there are examples in history of militant movements being co-opted by political participation.

To maintain its support from voters, a radical movement will tend to moderate its positions and become more pragmatic once it faces the realities of office. But I cannot say that I see great cause for optimism at this stage.

I remain a sceptic on Hamas, while keeping an open mind. Hamas, like Hezbollah in Lebanon, will no doubt seek to use its new political power to continue to reserve the right to pursue its objectives through violence.

The international community must make it very clear that this is unacceptable.

**Iran**

I am also deeply concerned about the nuclear issue in Iran.

The path being chosen by Iranian President Mahmoud Ahmadinejad - presumably with the backing of other regime elements - is a most dangerous one.

When the President of one country talks of wiping another country off the map, history tells us to take notice. And when that country fails to comply with its obligations under the Nuclear Non-Proliferation Treaty - the cornerstone of the world's nuclear security order - then the region and the world must be resolute.

Iran claims its nuclear activities are for peaceful purposes, but there are serious grounds to doubt this. I like the principle of "trust but verify". But how can we trust a country which kept key elements of its nuclear program secret for almost 20 years and - which since its program was exposed - has failed to satisfactorily explain its activities to the IAEA.

Confidence in Iran's intentions have been eroded further by its rejection of proposals by the Europeans which guaranteed supply of nuclear fuel, obviating the need for the sensitive process of enrichment. Nor has Iran taken up the Russian proposal to enrich uranium in Russia to fuel Iran's nuclear power program.

So, on 4 February Australia supported the IAEA board of governors resolution to report Iran's
non-compliance with the UN Security Council - as we have done since 2003. This non-compliance is not new, by any means, and we have reached the time when the Security Council must respond firmly, holding Iran accountable for its actions.

I welcome the UN Security Council's firm statement on Iran's nuclear program.

This statement is a clear message that Iran must comply with the steps set out in IAEA Board of Governors resolutions including re-instating a full suspension on all uranium enrichment activities.

What further action the Security Council takes depends on Iran's response to the 29 March statement. Allowing Iran to develop a nuclear weapons capability would have global ramifications.

It would seriously undermine the credibility of international non-proliferation efforts. Others who feel threatened by Iran's actions may be tempted to follow its lead. And Iran has a terrible track record of supporting terrorist organisations in the region and in upholding universal human rights.

I cannot pretend that turning Iran from its current course will be easy. The actions of the Iranian government over the years have meant it is no stranger to international isolation. The key elements of the regime appear united behind Iran's defiance of the international community. And simplistic notions of the 'right' to nuclear technology appears to resonate with the Iranian people.

There is simply no easy policy option for the international community. But the stakes are too high for us to do nothing. The international community's best hope is to remain united and to deliver a strong and clear message that Iran's current course is unacceptable - that Iran faces a choice between being an outcast, or a respected member of the international community.

The statement by the UN Security Council is a first step in this process.

**Iraq, Afghanistan**

I cannot discuss the Middle East without touching quickly upon Iraq, Afghanistan and the war on terror. In the past few weeks, the Government has had some high-level discussions on Iraq and Afghanistan, among other issues, with our friends and allies.

Condoleezza Rice - the US Secretary of State - and Prime Minister Tony Blair of the United Kingdom have all been here recently and talked about the central importance of Iraq and Afghanistan to the war on terror. We are agreed that we need to stay the course - to "tough it
out" in Tony Blair's words. Iraq and Afghanistan are both crucial fronts in the war on terror.

There is also a consensus that there is another front in this war - the battle of ideas, a battle of ideologies.

Whether or not you agree with the decision to topple the regime of Saddam Hussein, it is clear that to withdraw early from Iraq (and this applies equally to Afghanistan) would send a strong signal to the opponents of democracy and modernity that the vision of civilisation that we all share is on the retreat. And the fundamentalism and totalitarianism pursued by the terrorists would be given an enormous fillip.

Amid all the negative press about Iraq, it is worth bearing in mind the views of Iraqi's themselves. Polling from earlier in the year showed that 64% of Iraqis think that Iraq is heading in the right direction - this is up from 49% from just last November. Further, 77% of Iraqis said that despite the hardships, ousting Saddam was worth it. The figures were in the 90s amongst Kurds and Shias.

Australia will not be cutting and running and we will not be abandoning the Iraqi people.

Ladies and Gentlemen, I'd like to end my remarks today by returning to bilateral relations between Australia and Israel and to the peace process.

The Australia-Israel relationship has never been stronger.

While Australia has many friends in Israel, I understand that Acting Prime Minister Ehud Olmert, a past welcome visitor to our shores on numerous occasions, has a particular affection for Australia...... even sometimes being referred to as the Australian representative in the Knesset.

This affection is mutual, and the Government continues to support Israel and its right to defend itself in international forums.

Like Israelis, Australians prefer to speak plainly. So we will continue to reject any inflammatory and unbalanced resolutions in sterile debates at the United Nations which pay no attention to developments on the ground and which condemn Israel for defending itself against terrorist attacks. We will urge others to do likewise.

We remain keenly interested in progress towards peace between Israel and the Palestinians, based on the two-state solution and consistent with the road map. And although we will never be a big player in the Middle East, we stand with the United States, Great Britain and other allies, who continue to work towards a vision of peaceful and democratic Middle East - a vision...
shared of course by Israel.

Australia acknowledges that there are more difficult times and more difficult choices ahead for Israel. The qualities and values I spoke of earlier in this speech - democracy, leadership, a market economy, a strong civil society and national culture - will sustain Israel through these trials. And, as a friend, Australia will continue to give its support to the people of Israel.

Thank you

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