Good morning. During the course of one week, the situation in the Middle East has deteriorated dramatically. Last Wednesday, my special envoy, Anthony Zinni, reported to me that we were on the verge of a cease-fire agreement that would have spared Palestinian and Israeli lives. That hope fell away when a terrorist attacked a group of innocent people at a Netanya hotel, killing many men and women in what is a mounting toll of terror.

In the days since, the world has watched with growing concern the horror of bombings and burials and the stark picture of tanks in the street. Across the world, people are grieving for Israelis and Palestinians who have lost their lives. When an 18-year-old Palestinian girl is induced to blow herself up, and in the process kills a 17-year-old Israeli girl, the future itself is dying, the future of the Palestinian people and the future of the Israeli people. We mourn the dead, and we mourn the damage done to the hope of peace, the hope of Israelis and the Israelis' desire for a Jewish state at peace with its neighbors, the hope of the Palestinian people to build their own independent state. Terror must be stopped. No nation can negotiate with terrorists, for there is no way to make peace with those whose only goal is death.

This could be a hopeful moment in the Middle East. The proposal of Crown Prince Abdullah of Saudi Arabia, supported by the Arab League, has put a number of countries in the Arab world closer than ever to recognizing Israel's right to exist. The United States is on record supporting the legitimate aspirations of the Palestinian people for a Palestinian state. Israel has recognized the goal of a Palestinian state. The outlines of a just settlement are clear: two states, Israel and Palestine, living side by side in peace and security. This can be a time for hope, but it calls for leadership, not for terror.

Since September 11, I've delivered this message: Everyone must choose. You're either with the civilized world or you're with the terrorists. All in the Middle East also must choose and must move decisively in word and deed against terrorist acts. The chairman of the Palestinian Authority has not consistently opposed or confronted terrorists. At Oslo and elsewhere, Chairman Arafat renounced terror as an instrument of his cause, and he agreed to control it. He's not done so. The situation in which he finds himself today is largely of his own making. He's missed his opportunities and thereby betrayed the hopes of the people he's supposed to lead. Given his failure, the Israeli government feels it must strike at terrorist networks that are killing its citizens. Yet, Israel must understand that its response to these recent attacks is only a temporary measure. All parties have their own responsibilities, and all parties owe it to their own people to act.

We all know today's situation runs the risk of aggravating long-term bitterness and undermining relationships that are critical to any hope of peace. I call on the Palestinian people and the Palestinian Authority and our friends in the Arab world to join us in delivering a clear message to terrorists: Blowing yourself up does not help the Palestinian cause. To the contrary, suicide-bombing missions could well blow up the best and only hope for a Palestinian state. All states must keep their promise, made in a vote in the United Nations, to actively oppose terror in all its forms. No nation can pick and choose its terrorist friends. I call on the Palestinian Authority and all governments in the region to do everything in their power to stop terrorist
activities, to disrupt terrorist financing, and to stop inciting violence by glorifying terror in state-owned media or telling suicide bombers they are martyrs. They're not martyrs. They're murderers. And they undermine the cause of the Palestinian people. Those governments, like Iraq, that reward parents for the sacrifice of their children are guilty of soliciting murder of the worst kind. All who care about the Palestinian people should join in condemning and acting against groups like Al-Aqsa, Hezbollah, Hamas, Islamic Jihad, and all groups which oppose the peace process and seek the destruction of Israel.

The recent Arab League support of Crown Prince Abdullah's initiative for peace is promising, is hopeful because it acknowledges Israel's right to exist. And it raises the hope of sustained, constructive Arab involvement in the search for peace. This builds on a tradition of visionary leadership begun by President Sadat and King Hussein and carried forward by President Mubarak and King Abdullah. Now other Arab states must rise to this occasion and accept Israel as a nation and as a neighbor. Peace with Israel is the only avenue to prosperity and success for a new Palestinian state. The Palestinian people deserve peace and an opportunity to better their lives. They need their closest neighbor, Israel, to be an economic partner, not a mortal enemy. They deserve a government that respects human rights and a government that focuses on their needs, education and health care, rather than feeding their resentments. It is not enough for Arab nations to defend the Palestinian cause. They must truly help the Palestinian people by seeking peace and fighting terror and promoting development.

Israel faces hard choices of its own. Its government has supported the creation of a Palestinian state that is not a haven for terrorism. Yet, Israel also must recognize that such a state needs to be politically and economically viable. Consistent with the Mitchell plan, Israeli settlement activity in occupied territories must stop, and the occupation must end through withdrawal to secure and recognize boundaries consistent with United Nations Resolutions 242 and 338. Ultimately, this approach should be the basis of agreements between Israel and Syria and Israel and Lebanon. Israel should also show a respect -- a respect for and concern about the dignity of the Palestinian people who are and will be their neighbors. It is crucial to distinguish between the terrorists and ordinary Palestinians seeking to provide for their own families. The Israeli government should be compassionate at checkpoints and border crossings, sparing innocent Palestinians daily humiliation. Israel should take immediate action to ease closures and allow peaceful people to go back to work. Israel is facing a terrible and serious challenge. For seven days, it has acted to rout out terrorists' nests. America recognizes Israel's right to defend itself from terror. Yet, to lay the foundations of future peace, I ask Israel to halt incursions into Palestinian-controlled areas and begin the withdrawal from those cities it has recently occupied. I speak as a committed friend of Israel. I speak out of a concern for its long-term security, the security that will come with a genuine peace.

As Israel steps back, responsible Palestinian leaders and Israel's Arab neighbors must step forward and show the world that they are truly on the side of peace. The choice and the burden will be theirs. The world expects an immediate cease-fire, immediate resumption of security cooperation with Israel against terrorism, and an immediate order to crack down on terrorist networks. I expect better leadership, and I expect results. These are the elements of peace in the Middle East, and now we must build the road to those goals. Decades of bitter experience teach a clear lesson: Progress is impossible when nations emphasize their grievances and ignore their opportunities. The storms of violence cannot go on. Enough is enough.

And to those who would try to use the current crisis as an opportunity to widen the conflict, stay out. Iran's arms shipments and support for terror fuel the fire of conflict in the
Middle East, and it must stop. Syria has spoken out against al Qaeda. We expect it to act against Hamas and Hezbollah, as well. It's time for Iran to focus on meeting its own people's aspirations for freedom and for Syria to decide which side of the war against terror it is on.

The world finds itself at a critical moment. This is a conflict that can widen or an opportunity we can seize. And so, I've decided to send Secretary of State Powell to the region next week, to seek broad international support for the vision I've outlined today. As a step in this process, he will work to implement United Nations Resolution 1402 -- an immediate and meaningful cease-fire, an end to terror and violence and incitement; withdrawal of Israeli troops from Palestinian cities, including Ramallah; implementation of the already agreed-upon Tenet and Mitchell plans, which will lead to a political settlement.

I have no illusions -- we have no illusions -- about the difficulty of the issues that lay ahead. Yet our nation's resolve is strong. America is committed to ending this conflict and beginning an era of peace. We know this is possible, because in our lifetimes, we have seen an end to conflicts that no one thought could end. We've seen fierce enemies let go of long histories of strife and anger. America itself counts former adversaries as trusted friends -- Germany and Japan and now Russia. Conflict is not inevitable. Distrust need not be permanent. Peace is possible when we break free of old patterns and habits of hatred. The violence and grief that trouble the Holy Land have been among the great tragedies of our time. The Middle East has often been left behind in the political and economic advancement of the world. That is the history of the region, but it need not -- and must not -- be its fate.

The Middle East could write a new story of trade and development and democracy. And we stand ready to help. Yet this progress can only come in an atmosphere of peace. And the United States will work for all the children of Abraham to know the benefits of peace. Thank you very much.