

# MADAR Strategic Report 2012

The Israeli Scene 2011

## Executive Summary



**MADAR** The Palestinian Forum for Israeli Studies

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# **The 2011 Israeli Scene**

## **Executive Summary**

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The Strategic Report of the Palestinian Forum for Israeli Studies (MADAR) monitors major developments on the Israeli scene throughout 2011 and explores future developments as well as the course of events over the upcoming period.

In addition to the Executive Summary, the Report addresses in detail developments witnessed on the Israeli scene in seven significant areas: Israeli-Palestinian negotiations; foreign relations; politics; security and military issues; economy; social affairs; and Palestinians in Israel.

A group of specialist researchers have supervised the compilation and editing of the MADAR 2012 Strategic Report. In their analysis, researchers have adopted an objective, scoping perspective of events that characterised 2011. They have also avoided a reportorial narrative of events in favour of a focus on strategic changes.

## 2011 Israel – An Overview

According to the Israeli Central Bureau of Statistics (ICBS), Israel's population was estimated at around 7.836 million<sup>1</sup>, including 5,509 Jews who represented 75.3% of the general population census. The Arab population comprised 1,610,000, or 20.5%, of the total population. Classified as 'Others'<sup>2</sup>, 325,000 residents accounted for 4.25% of the population in Israel. As usual in official Israeli statistics, the general population census included approximately 290,000 Palestinian residents in East Jerusalem and Arab Syrians in the Golan Heights.<sup>3</sup>

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1 These statistics do not include foreign workers.

2 According to the Israeli Ministry of Interior records, these included non-Arab Christians and others of unidentified religions.

3 The Israeli Central Bureau of Statistics (ICBS), 2011, Press Release, 29 December 2011, [http://www.cbs.gov.il/reader/newhodaot/hodaa\\_template.html?hodaa=201111336](http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201111336) (Last accessed, 20 January 2012).

Ashkenazi Jews (of European and American origins) comprised the largest ethnic group in Israel – around 2.2 million, or 36%, of the total Jewish population. In comparison, Jews of oriental origins (descendants from Asia and Africa) include 1.595 million, or 26.01%, of the Jewish residents of Israel.<sup>4</sup> In 2011, around 166,800 infants were born and 17,500 immigrants arrived in Israel.

Compared to 1.8% in 2010, ICBS reported that 2011 marked an average population growth of 1.9%. The growth rate of the Jewish population was 1.7% and of the Arab population 2.5%.<sup>5</sup> The population growth rate of Muslims was the highest (2.7%) and of Christians the lowest (0.9%). The Druze population growth rate registered 1%. In contrast, the ultraorthodox Jews (Haredim) observed the highest rate of population growth, marking 4% according to several sources.<sup>6</sup> Average births among Haredi women is seven.<sup>7</sup> MADAR 2011 Strategic Report addresses future consequences of the high birth rate among the Haredim.<sup>8</sup> According to research estimates, this means that the Haredim group is capable of doubling their number every 18 years, compared to 46 years for the rest of the population in Israel.<sup>9</sup>

Approximately 40% of Israel's population live in the centre of the country, including around 17% in the Tel Aviv district. The population density in Israel was approximately 334 persons per square kilometre. Tel Aviv is the most densely populated district, with almost 7,470 persons per square kilometre. The most densely populated city in Israel is the religiously dominated Bnei Brak, in which the population density is 21,636 persons per square kilometre.<sup>10</sup>

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4 ICBS, 2012, Selected Data from the New Statistical Abstract of Israel No. 62 - 2011, [http://www.cbs.gov.il/hodaot2011n/11\\_11\\_240e.pdf](http://www.cbs.gov.il/hodaot2011n/11_11_240e.pdf) (Last accessed, 20 January 2012).

5 Ibid.

6 Pissarov, Yevgenia, and Arnon Soffer, *Israel Demographics 20102030: On the Path to a Religious State*, Israeli Papers, Issue 55, Translated by Salim Salamah (In Arabic).

7 Quoted from a lecture presented by Elyahu Ben Moshe, "Demographic Trends among the Haredim", presented in the Conference on *Employment among the Haredim*, 7 June 2010: <http://www.tamas.gov.il/NR/exeres/9E3E5ECF-D2B14-F218-ACF-79921ACE21FC.htm> (Last accessed, 20 January 2012).

8 MADAR, 2011 *Strategic Report: 2010 Israeli Scene*, "Executive Summary", p. 12.

9 Elyahn Ben Moshe.

10 ICBS, 2012, *ibid.*

The life expectancy at birth is 79.7 years for men and 83.4 years for women.

2011 saw a drop in the unemployment rate, declining from 6.7% in late 2010 to 5.6% towards the end of 2011. In contrast, the real wage rate per worker rose to ILS 8,555<sup>11</sup> (US\$ 2,343) in 2011 compared to ILS 8,340 and ILS 7,463 in late 2010 and 2009 respectively. It should be noted that income significantly varies between various economic sectors. According to indicators released by the ICBS and Ministry of Finance, the average monthly income in the industry sector is higher by 40% than the general income. It currently comprises ILS 11,800 (US\$ 3,240). This discrepancy is also visible within the industry sector itself. The average monthly income in the High-Tech sector was over ILS 20,000 (US\$ 5,586) and exceeded ILS 15,000 (US\$ 4,189) in hybrid technology. Close to the average general income, the average monthly income in traditional industries amounted to ILS 8,000.<sup>12</sup>

## Paradigmatic Events and Anticipated Scenarios

2011 witnessed innumerable dramatic strategic events that have influenced, and will continue to influence, the trends and developments of the Israeli scene over years to come. First and foremost are regional changes generated by the Arab Spring, which will reformulate the regional scene and respective map of alliances. **The Israeli Military Intelligence agency described 2011 as a “transitional period towards reproducing a different strategic environment with a plethora of threats to the Israeli national security.”** The global financial crisis, which has hit the Euro Zone, will introduce potential changes to the map of future powers. Israel has continued to transform into a more rightist and a more secluded state. Having altered the map of regional alliances, the regional turmoil resulting from the Arab Spring has exerted a special impact on Israel. The demise of Mubarak’s regime can be seen as an end of Israel’s *exiting seclusion phase*; Israel has lost the last of its allies after it had already lost the Shah’s regime and Turkey. Today, Israel has practically ended up without an important regional ally.

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<sup>11</sup> Documented at the ICBS until 31 December 2012.

<sup>12</sup> For further information, see the Economic Scene in this Report.

In addition to these paradigmatic events, the local and international arenas have seen other significant events that have affected, and will affect, the course and developments of the Israeli scene on the short run. These include start of the US presidential elections, Palestinian statehood bid at the UN (September UN initiative), inflaming the Iranian file, and frequent implications to launch a military strike against Iranian nuclear installations.

Against this background, Israel seems to be an *isolated* state more than any time before. It is in constant fear of what the future could bear in relation to its neighbours. This is more so with the outbreak of the Syrian uprising, which marks an unclear and obscure horizon. In contrast to these external changes, Israel is increasingly aligning with the national right-wing. According to relevant analyses and studies, Israel is now undergoing internal structural transformations, with which it is shifting to a more rightist and a more religious state. On the other hand, secular and left-wing powers are declining. Whilst the two-state solution is increasingly coming to an impasse, civil society and human rights organisations are also being constrained and besieged by Israeli right-wing powers, including the *Im Tirtzu* – an extra-parliamentary movement that works to strengthen and advance the values of Zionism in Israel. In this vein, the Israeli protest movement, which raised social justice slogans, unveils internal conflicts that torment Israel between two poles: one attempting to restore the old values of “socialist Zionism”, previously represented by the Labour Party and left-wing factions, and another seeking to reproduce a “new right-wing”, liberal, nationalistic and Jewish Zionism, represented by the Yishay-Netanyahu-Lieberman axis.

## Strategic Changes

### The Arab Spring and Reformulating the Map of Regional Alliances:

The fall of Mubarak’s regime and rise of Islamists on the one hand, and the Syrian uprising marked by a dim future of Syria on the other, are two dramatic regional events. Though it is early to infer definitive conclusions about prospective impacts of these events in view of their continued interplay and speedy fluctuation, the certain conclusion is that the map Israel’s alliances and regional balances is never as before. Any planning of future Israeli policies will have to take into account that peoples, who had been

absented for decades, should be included as an influential, decisive factor. Israel has used to formulate its policies *vis-a-vis regimes* and presidents only. Whereas Mubarak's fall threatens to transform Egypt in general, and the Sinai Peninsula in particular, into a source of *danger*, the demise of the Syrian regime may allow Israel to balance this loss by *deconstructing* the Hezbollah-Iran-Syria-Hamas axis. Though Israel is afraid of it, this scenario is probable if a Western-approved, "*pragmatic*" regime ascends to power and if Syria does not turn into a new, chaotic Iraq, which provides a fertile soil for *hostile* organisations to operate.

### **Egypt: Sinai Turns into a Source of Strategic Threat**

The fall of Mubarak's regime has dealt a severe blow to the Egyptian-Israeli relations, created by the Camp David Peace Treaty. Even in the most critical situations, Egypt was devoted a great deal to these relations. Under Mubarak, the Egyptian-Israeli front was stable. In spite of the relative quietude, however, the Sinai Peninsula was progressively changing into a stronghold of *organised crime* and an asylum for Islamic Jihadist organisations in the absence of a proper Egyptian security presence and limited capacity to use arms (as is prescribed by the Egyptian-Israeli peace agreement). Frequent reports from Egypt stated that certain areas in the Sinai Peninsula, which measures triple the area of Israel and is inhabited by some 200,000 predominantly Bedouin Egyptians, harboured spots for smuggling weapons and narcotic drugs. The provisions Camp David Peace Accords were purposefully designed to ensure *Israel's security* by restricting the official Egyptian military and security presence in Sinai. Strategically, this means that these terms furnished excellent conditions for the growth of a different, *informal* "threat".

Combined, the fall of Mubarak's regime, instable security situation in Egypt, rise of Islamic and Salafist currents and the Israeli Embassy events that proved an *inimical* Egyptian street against Israel have changed the public Israeli view. To this effect, Israeli sources have expressed concerns that the Sinai Peninsula might transform into a source of strategic threat to Israel. Ehud Yaari, an Israeli military analyst, says that not only did the Sinai Peninsula has emerged as a new hotspot, but also as a semiautonomous player in the complex Arab-Israeli conflict: "The danger of a flare-up on the

240-kilometer border [with Egypt] has become a constant concern, with the added risk that local developments in the Sinai could break a fragile bilateral peace... Moreover, parts of the Sinai are beginning to resemble an extension of the Palestinian arena, as certain groups forge close military, political, ideological, and economic ties with the neighbouring Gaza Strip.”<sup>13</sup>

Israel’s fears are not exclusive to the changing situation in Egypt, but also stem from the future of Sinai and Egyptians’ capability of imposing control over the area. The demise of Mubarak’s regime practically means a loss of an “appreciative, mediatory leader who was capable of playing a role in resolving problems with Palestinians.” More importantly, Israel has been deprived of calm that distinguished the Egyptian front. In this vein, Israel’s concern that Egypt could progressively transform into a hostile entity can be pinpointed. Should the Camp David Peace Accords be annulled, Israel will practically end up with the security situation that prevailed before the 1967 War.

## **Syria: Potential Scenarios**

Compared to loss of the Egyptian friend, the Syrian front seems to be turbulent and generates concerns about future developments. Whereas many politicians and analysts agree that the Assad regime will definitely fall, a few believe that it could pass the current crisis. Still, Israeli strategic assessments exclude a foreign military intervention in Syria. In light of the Russian and Chinese positions, an international coalition is hard to establish with the aim to overthrow Assad. Analyses vary in assessing the future path of Syria following potential fall of Assad’s regime. In this context, several Israeli scenarios can be overviewed:

1. **The “Yemeni” scenario and the opportunity to dismantle the Iran-Syria-Hezbollah-Hamas axis:** Israeli strategic assessments are in favour of this scenario, anticipating the collapse of the Syrian regime

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<sup>13</sup> Ehud Yaari, 2012, “Sinai: A New Front”, Policy Notes, The Washington Institute for Near East Policy • No. 9 • January 2012. Also see Ehud Yaari, 2012, “Sinai: A New Front in the Arab-Israeli Conflict”, Al Ayyam, p. 19 (In Arabic).

as a result of ongoing deterioration and attrition. These assessments are based on the 2012 estimations of the Israeli Military Intelligence Directorate (AMAN), which consider more probable that the current turmoil across Arab states will continue towards at least the end of 2013. Some Israeli experts believe that if this scenario materialises, a *moderate Sunnite*, not *extremist*, Islamic regime will rise to power, as has been the case in Egypt. Accordingly, it is anticipated that a Sunnite majority that represents middle classes and wins minorities' support could ascend to power.<sup>14</sup> If this scenario is realised, the fall of the Baath Party-based regime will undermine Iran's influence in the region and progressively debilitate its capability of manoeuvring, particularly on the *Lebanese front*. Assad's fall will disrupt arms supplies from Iran to Hezbollah. Should this be the case, Syria will be *neutralised*, danger posed by Hezbollah minimised, and Iranian hegemony weakened. In practice, this scenario – if it comes true – means that Israel will, to some extent, strike a *balance* between its strategic loss and the *blow* it sustained after Mubarak regime was overthrown.

2. **The scenario of chaos and transformation of the Syrian front into a source of security hazard:** If efforts fail to devise a formula (similar to that of Yemen) to end the Syrian uprising, the probable scenario is that Syria would witness a state of chaos and/or civil war. In this case, even if the Syrian regime remains in power, Syria will be structurally and strategically weak as a state.

From an Israeli perspective, the fact that Syria transforms into a zone of instability or civil war implies a *threat* to Israel's national security. A *slackening* Syrian state means possible infiltration of *Jihadist organisations* from Iraq or other regions into the Syrian territory, threatening to convert the Syrian border with Israel into an active front that allows the launch of attacks on the Israeli territory.

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14 Zisser, Eyal. *The Syria of Bashar al-Asad: At a Crossroads*. INSS Insight. No. 249, April 5, 2011.

3. **Hezbollah obtains Syrian strategic weapons and threatens to wage a new war to distract attention from Syria:** Israel fears that the Syrian regime supplies Hezbollah with advanced strategic weapons, particularly new weapons which it recently purchased from Russia, including surface-to-air and surface-to-surface missiles. Also, Israel is concerned that Hezbollah might, in case the Syrian regime falls, gain access to chemical or biological weapons.<sup>15</sup> Apart from the fear that Hezbollah might access advanced and new weapons, various Israeli sources express concerns that Hezbollah might play an effective role in *assisting* the Syrian regime to crackdown the current domestic crisis.
4. **The Syrian regime remains in power, but turns into a weak, self-preoccupied regime:** That the Syrian regime would remain is an almost absent scenario in the Israeli discourse. However, in light of the Syrian army's position, which seems to be unaffected by splits, this scenario is still possible. Contrary to Ehud Barrack's assessment, Lieutenant General Ronald Burgess, Director of the US Defence Intelligence Agency (DIA), stated in mid February 2012 that the Assad regime shows a solid position.<sup>16</sup> Currently, Russian, Chinese and Iranian support helps the Assad regime stand together. However, the current immutability does not necessarily mean that the opposition has been completely eradicated. Conversely, a hybrid situation might be in place; the regime might stay in power, but a possible certain level of domestic instability would preoccupy Syria with its own internal affairs. At least in an early stage, this may devitalise Syria's regional role and turn it into an isolated state, neutralising it from playing a significant role on the regional arena. However, this scenario (if materialised) will be mostly *temporary* and prone to change. Due to support furnished by the aforesaid

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<sup>15</sup> Ibid.

<sup>16</sup> *Haaretz*, 14 February 2012, <http://www.haaretz.co.il/news/world/middle-east/1.1643620>.

actors, Syria will most probably adopt a more radical position that aligns more with Iran once the regime restores *control* over the Syrian territory. In practice, this means that the Syrian and Lebanese fronts will see constant tensions, bringing Israel to the verge of permanent confrontation.

## The Economic Downturn in the Euro Zone: Potential Strategic Impacts

EU member states suffer from a crippling financial crisis. The European Central Bank (ECB) forewarned against a potential sharp economic crisis if the Euro Zone had failed to allocate Euro 200 billion in order to rescue economies of certain EU member states. Several assessments hypothesise that consequences of the current crisis might be severer than the 2008 financial downturn. It will jeopardise many states, including those which sustained partial damage in the earlier crisis. ECB Governor asserted that the crisis virus might affect the rest of the world, especially the United Kingdom and similar countries outside the Euro Zone that completely rejected to contribute to solving the prevalent dilemma. The Economist<sup>17</sup> warned that the European single currency's collapse was looming if Germany, ECB and IMF<sup>18</sup> did not manage to prevent spread of the crisis or were unable to contain it. Consequences will be fatal; many banks and financial institutions will cave in, ending with the collapse of the Euro Zone as a whole.

Nonetheless, such a melancholic assessment remains a prediction. Apart from immediate economic impacts, especially on EU countries, the crisis will enfeeble – according to Israeli assessments – future EU role in the Middle East region in general, and the question of Palestine in particular.

On the near term, the Euro Zone crisis will give Netanyahu more space to manoeuvre, evade any serious negotiations, and persist a policy of man-

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17 On 16 January 2012.

18 IMF offered credit lines, for which countries like Spain and Ireland applied. However, these might be a temporary, not final, remedy.

aging, not resolving, the conflict. On the long term, EU countries' combined failure to devise a substantial solution means that new powers may emerge on the regional arena and attempt to influence its path. It is worth noting, in this context, the rising star of new major economic powers, notably China and India. Even though these countries are not currently interested in playing an active role, matters may well change in the future.

To conclude Israel takes seriously the changing regional map in light of the Arab Spring and EU economic downturn. On the one hand, Israel seeks to build substitute alliances. It tries to use the Greek economic crisis and tense relations with Turkey in order to create an alliance with Greece, Cyprus, and other countries in Eastern Europe, including Poland, as well as former Soviet countries, including Azerbaijan. At the same time, Israel tries to promote cooperation with China and India. However, the issue at hand is that Israel's alliances centre on marginal states on the regional map. These do not constitute a real force that can replace fading alliances which Israel has lost, namely Iran's Shah, Turkey and Egypt's Mubarak successively. In this vein, Israel will continue to implement the policy, which it commenced in the aftermath of the Egyptian revolution, attempting to consolidate its military power and deterrence as well as to promote military alliance with the USA notwithstanding disputes that occasionally rise on the political level.

## **The Israeli Scene: Conflict between Neo- and old Zionism**

Besides regional changes that entrench Israeli's *isolation* in the Middle East region and in light of increasing international boycott campaigns against Israel due to its policies towards Palestinians, Israel is witnessing internal structural transformative processes, impacting on its future path and forewarning against further regional seclusion. This is most noticeable in an increasing Israeli shift towards a more rightist and a more nationalistic and religious state.

The summer 2011 social protest campaign brought up social justice demands and gave rise to a common belief that the Israeli society has started to rally against hegemony of the right-wing and security nationalistic discourse on their life. However, the dwindling of this social movement, combined with an unabated enactment of laws that confirm the "nationalistic

and Jewish” notion of the state, emphasise that Israel is determined to shift to the right wing, which has so far succeeded in overcoming social protests, which call for eliminating the prevalent neoliberal, security discourse.

The massive social justice protest movement, which overwhelmed Israeli cities due to an escalated nationalistic, right-wing discourse, is so significant that it unveils a conflict between a neo-Zionism and an old Zionism – a conflict that obsesses the Israeli society and attempts to influence its future path. In this context, the social protest movement – whose substantial cadre and proponents are thought to descend from the middle class, not from economically and socially impoverished and marginalised groups – represented the younger generation’s desire to restore the values of “old Zionism”, which materialised values of the ‘state of welfare’ that their forefathers lived and experienced. According to Lev Grinberg, an Israeli sociologist, Israel has slid into values of neo-liberalism and free market, which Netanyahu implements through the Ministry of Finance staff. These are intellectually concordant with market tycoons, who control the economy.”<sup>19</sup> In light of the hegemony of a new socio-economic system, the social protest movement sought to redeem “Israel of the forefathers”. Social activists believed the new system was a product of a combination of Netanyahu’s neo-liberalism and a right-wing, nationalistic neo-Zionism represented by a coalition of ultraorthodox Jewish (Haredim) parties, religious parties, settlers, *extremist* members of the Knesset in the Likud and Kadima parties, and extremist nationalistic groups in Yisrael Beiteinu, *Im Tirtzu* <sup>20</sup> etc.

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19 Lev Grinberg, “Beware the Whale’s Stomach”. Haokets, 12 December 2011, [http://www.haokets.org/201111/12//%D794%D799%D796%D794%D7%A8%D795-%D79E%D791%D798%D79F-%D794%D79C%D795%D795%D7%99%D799%D7%AA%D79F/\(in Hebrew\)](http://www.haokets.org/201111/12//%D794%D799%D796%D794%D7%A8%D795-%D79E%D791%D798%D79F-%D794%D79C%D795%D795%D7%99%D799%D7%AA%D79F/(in%20Hebrew))

20 *Im Tirtzu* (The Second Zionist Revolution) is a right-wing movement that was established in 2006, after the Second Lebanon War. According to released pamphlets, *Im Tirtzu*’s main objectives focus on working towards a renewal of the Zionist discourse, Zionist thinking and Zionist ideology in Israel. A major portion of *Im Tirtzu*’s efforts is devoted to combating the campaign of de-legitimisation against the State of Israel and to providing responses to Post-Zionist and Anti-Zionist phenomena. The movement resists the shifting of the discourse of non-Zionist scholars and intellectuals from dominating Israeli universities, especially within sociology and political science departments.

Although it is fading, the social justice protest movement did not completely end. It may still restore (partial) momentum. However, the movement seems to have failed to confront the internal transformation within Israel, by which the state is changing into a mixture of alliances between right-wing, nationalistic and religious powers under a neoliberal economic policy.

## **Events with Short- and Medium-term Consequences**

In addition to these strategic events, Israel has been affected by three events that are expected to also continue to impact on the Israeli scene on short and medium terms: US presidential elections, Palestinian statehood bid at the UN, and inflaming the Iranian file.

### **US Presidential Election campaign**

US presidential election campaign has contributed to allowing room for Israel's manoeuvring and evasion on the negotiations track. The US elections' impact can be seen in Obama's views of the Palestinian file and abandoned positions which he adopted earlier. Obama's fallback is most evident in the positions he adopts as the presidential elections battle is *heated up*. Obama's *A New Start* address at the University of Cairo on 4 June 2009 implied glimpses of hope that the US policy towards the Middle East would change. Many observers believed this would have been an important juncture in the relations between the USA and Arab and Islamic countries. However, Obama's speech before the UN General Assembly on 21 September 2011, a large portion of which centred on the *conflict*, destroyed that hope. Obama effectively adopted Israel's position towards negotiations and occupation, stressing that "[p]eace is hard work. Peace will not come through statements and resolutions at the United Nations.... Ultimately, it is the Israelis and the Palestinians who must reach agreement on the issues that divide them". Added to this position is the strenuous effort and pressure the USA exercised on member states at the UN Security Council to reject the Palestinian statehood bid, sparing the USA from using the veto. Indeed, this was the case.

It is expected that 2012 (the year of US presidential elections) would witness more proximity between the US Administration and Israeli Govern-

ment. The White House would refrain from exercising any serious pressure on Israel or attempting to exert influence towards adopting positive positions towards negotiations or freezing settlement activity, particularly under Israel's escalation of the *Iranian file* and implication that it would launch a *military strike* against Iran. The USA, which at least on the short run does not seem to be concerned with this strike, attempts to exercise pressure on Israel to preclude from doing so. This means that the US Administration will not move forward with two hot files at the same time.

**Palestinian Statehood Bid at the UN**, marked An important event. Following extended years of futile negotiations, Palestinians sought to introduce a new formula of conflict resolution mechanisms and to overcome the deadlock in the *peace process*.

How significant this initiative is depends on subsequent steps to be taken by the PLO. Apart from the state of security clam across the West Bank, to suspend the **Statehood Bid at the UN** will grant Israel a feeling of triumph. More importantly, Israel will continue to impose a *de facto* situation on the ground, especially in light of the US preoccupation with presidential elections and Arabs with popular uprisings, let alone the financial crisis in the Euro Zone and resultant weaker EU role.

## Escalating the Iranian File

In spite of regional instability, resultant state of obscurity and alertness, and perhaps due to Israel's concerns of instability and growing feeling of *threat* to its national security, the Iranian file has been increasingly spurred in the last quarter of 2011.

Despite this hotly debated issue in the Israeli discourse, it should be noted that a potential military strike against Iran is subject to separate factors:

1. **US presidential elections:** Most assessments indicate that US President Barak Obama, who is running for a second presidential term, will not be inclined to deploy US troops in a new war or be *involved* in the management of a war, the results of which cannot be ascertained.
2. **Instability in Syria:** The fact that the Syrian regime is currently preoccupied with domestic affairs may furnish an *opportunity* to neu-

tralise Syria from any war against what Israel calls an 'existential strategic threat'. However, this factor may play a counteractive role, whereby a military strike might generate solidarity of the Arab street with Iran, and consequently with the Syrian regime, which will necessarily adhere to Iran. This will debilitate US interests as it would undermine the Syrian opposition, strengthen the Assad regime, and generate further intimidation of the USA. Meantime, Islamic forces which do not originally consider the USA as *a friend* are gaining more power and influence. As the region is also facing a profound destabilisation, any *military* action will take popular movements in directions that the USA does not desire and attempts hard to avoid.

3. **Global financial crisis:** The financial crisis that is hitting some European countries has overburdened the EU as a whole. The outbreak of a new war in the region will practically mean a deeper economic downturn across the EU member state, first because they import petroleum from Iran, second because of the potential impact of the war on the closure of the Strait of Hormuz, and third because the duration of the war cannot be estimated.

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Apart from these major changes on international and local arenas, the Israeli scene has witnessed a set of pivotal developments. As usual in previous MADAR Strategic Reports, these are overviewed in seven main categories:

### **Negotiations Scene:**

Israel maintained throughout 2011 a policy of managing, not resolving, the conflict. This conflict management policy is designed to create facts on the ground in order to improve Israel's negotiations position, particularly in relation to Jerusalem. It also aims to retain the *de facto* situation until a political opportunity allows Israel to impose a conducive solution.

Israel further exploited international, regional and domestic circumstances with a view to avoid the Palestinian statehood bid at the UN and intensify settlement activity. The global economic crisis and close US presi-

dential elections have also contributed to alleviating pressure on Israel. Popular uprisings have made the Arab World busy with its own internal affairs, thereby shifting attention from the question of Palestine, albeit with the exception of special circumstances such as the Palestinian statehood bid at the UN . Locally, a feeble political opposition and substitute of the Netanyahu's government have helped the latter impose his political agenda in Israel. Accordingly, Netanyahu's discourse has been subject to a political consensus throughout Israel.

In contrast, Israel maintained its vision of the permanent status solution: a united Jerusalem; Israeli control (or sovereignty) over the Jordan Valley; annexation of settlement blocs as well as more land in Area C; a disarmed Palestinian state; rejection of the right to return or even recognition of Israel's historical responsibility for the refugees' problem; and of course emphasis on the demand to recognise Israel as a Jewish state.

### **Foreign Relations:**

2011 developments have shown that Israel still faced a seclusion crisis in light of disrupted progress in peace negotiations, deteriorating relations with Turkey, and transformative processes generated by popular uprisings across the Arab region.

As the world is preoccupied with Arab revolutions, Israel has managed to exploit the current situation and bring the Iranian nuclear programme up to the front of its concerns. However, ongoing transformations throughout the Arab World, namely success scored by Islamic movements in Tunisian, Egyptian and Moroccan national elections, signs of rising Islamic power in Libya and potential instability in Syria, are major concerns heightened by both the Israeli military command and the political leadership alike. These developments further confirm the Iron Wall policy, based on the hypothesis that Arabs constitute a substantial threat to Israel, will not alter. Accordingly, separation, deterrence and initiative-taking mechanisms are still necessary to deal with this reality. Likewise, foreign policy should be adapted to security intellect and military interests.

2011 marked a proximity in positions between the USA and Israel. This was notably voiced in the US refusal to impose UN resolutions relating to Israeli settlement activity in the occupied Palestinian territory (oPt). On 18 February 2011, the USA vetoed a draft resolution at the UN Security Council, providing that Jewish settlements in the oPt would be illegal.

In contrast, European and global economic downturn has weakened EU and US role in the region, allowing room for new influential actors to enter the scene, including a renewed Russian influence that derives strength from common interests with Iran and Syria.

To cope with regional challenges and international pressure, five Israeli trends can be highlighted:

1. Emphasising dangers posed by the Iranian threat at a time when the Arab nation is preoccupied with domestic turmoil, and creating a state of constant panic by focusing on the claim that the Iranian nuclear capacity is an exceptional case that necessitates practical measures.
2. Adopting an obscure position towards the "Arab Spring" based on the rule that any Israeli intervention or support of any political power will be a predicament.
3. Upholding the belief that the peace treaty with Egypt is a strategic treasure.
4. Attempting to promote influence on the US foreign policy by reaching understandings with President Obama, given that he is in need of Jewish support in the November 2012 presidential elections.
5. Continuing to expand Israeli influence in new and distant regions and territories, including south-eastern countries that have been on top of leading states in economy and technology, including China, India and others, without compromising traditional relations with Western countries. Oftentimes, Israel confirms that it is an integral part of the West, which has a duty to continue to embrace Israel.

## Internal Politics

During 2011, the Israeli right wing continued to devise more initiatives to entrench its control over the public socio-political sphere and to exploit the existent stable right-wing coalition. Besides obstructing political negotiations with the Palestinian Authority (PA), the Israeli Government continued to implement settlement enterprises, especially those targeting Judaisation of occupied Jerusalem.

On the legislative level, Israel enacted a set of law that further emphasise the right-wing's hegemony, including: *Boycott Law*, *Law on Slander, Libel and Assault on Media Outlets*, *Dichter Draft Law and Assault on the Democratic Nature of the State and Society*.

In addition to this right-wing legislative activity, 2011 registered prominent internal events, notably the attack on the High Court in an attempt to suppress its liberal views. The right wing also attacked left wing organisations, media outlets and representatives, and critical academic circles. In addition, the Israeli right wing escalated attacks on Palestinian citizens, either by enacting legislation or by taking measures designed to restrain their rights and existence, as is the case in the Negev Desert area.

In contrast, many analyses indicate that the Likud party is becoming more rightist – a conclusion corroborated by results of the primary elections held on 13 January 2012 to lead the party.

2011 also saw a partisan mobility. Elections for chairmanship of the Labour party were conducted. In the end of the second round of the election, which took place on 21 September 2011, member of Knesset (MK) Shelly Yachimovich won leadership of the Labour party.

On 8 December 2011, journalist and TV presenter Yair Lapid (son of Yosef Lapid, former minister and chairman of the dissolved Shinui party) resigned from Israel TV Channel 2 in preparation to run in the upcoming national elections of the Knesset. It was announced that Lapid did not intend to join any existing party, but to establish a new one.

On 18 January 2011, Tzepi Livni, head of the Kadima party, announced in a press conference that she would advance the date of primary elections for chairmanship of the party to 27 March 2012. Livni said she was deter-

mined to win the vote, and then work on developing an electoral list that would be devoted to consolidating the state's interest.

Some believe that 2012 will be the year of elections in Israel. Netanyahu and Lieberman have reached this conviction. Netanyahu's popularity among his constituency will grant his party a large-scale support. Given Kadima party's setback and Labour party's present stability, it would be difficult to find a serious substitute of the existent authority.

## **Military Scene**

The Israeli Intelligence agency described 2011 as a "transitional period towards reproducing a different strategic environment that is abundant with threats against the Israeli national security". More important is the concern and fear from the transitional period that separates the first wave of Arab uprisings from the new geopolitical situation, which will be in place several years later. Potential transformations in the Arab World are innumerable and bear various influences and consequence.

Current Israeli strategic assessments coincide that the Arab regime is collapsing and in most Arab countries that saw a change, the political process is still going on. In spite of all problems associated with its tortuous path, Arab countries could not prevent the change.

Strategic assessments indicate that regional developments, including Arab revolutions, subject Israel to a real and permanent danger. In view of all regional transformations, there is a conviction that the Israeli Government will be obliged to reconsider its military programme and devise a plan to further develop and prepare its armed forces.

Two issues disturb the Israeli political and security establishments: (1) destabilisation factors in the region, which have so far taken an unknown path; and (2) formulation of the regional regime will not neglect respective peoples. No matter what the results are, it is highly probable that we will see democratic systems that cannot ignore peoples' choices, particularly the special weight of rising Islamic powers.

2011 developments indicate that tension was heightened in regard of the Iranian nuclear file, reaching a maximum "mutual deterrence" between Iran and Israel.

## Economic Scene

According to the ICBS, Israel's GDP grew by 4.8% by the end of 2011, reaching US\$ 860.7 billion. The wage rate per worker rose to ILS 8,555<sup>21</sup> (US\$ 2,343) in 2011 compared to ILS 8,340 and ILS 7,463 in late 2010 and 2009 respectively. It should be noted that income significantly varies between various economy sectors. According to indicators released by the ICBS and Ministry of Finance, the average monthly income in the industry sector is 40% higher than the general income and currently comprises ILS 11,800 (US\$ 3,240).

The high cost of living in Israel was a major cause of the social justice protest movement. Public complaint has been compounded by reduced expenditure on public service delivery, taxation policy, economic monopoly and cartels, generous government support to settlers, etc. Public protests forced the Israeli Government to establish a committee of experts (Trachtenberg Committee), which recommended that an ILS 30 billion budget be appropriated over the upcoming five years, with education having the lion's share of it. The Trachtenberg Committee's recommendations also included dismantling monopolies, imposing more taxes on individuals with high income, and importing goods with a view to reduce prices and alleviate the high cost of living. In this context, it should be noted that a total of 1,700 persons own 650 large firms and 22 economic groups control 50% of Israel's economy. 10 families in Israel control 30% of the national economy as a whole.

With respect to the Egyptian uprising's impact on the Israeli economy, the military elite, economic experts and owners of significant installations think that the threat posed by "Arab spring" will introduce profound changes to the volume and structure of the security budget. These will also substantially reformulate Israel's scale of priorities. There are concerns that the "Arab spring" contribute to shrinking growth rates and driving economic recession, which has already been translated in a major decline of the Is-

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<sup>21</sup> Documented at the ICBS until 31 December 212.

raeli GDP. Probably, Arab revolutions may impose constraints on Israel's foreign trade; 98% of the Israeli merchandise is transported by sea. The Egyptian revolution has adversely reflected on the Israeli economy on the short and long term. Losses incurred by ceased exportation of the Egyptian gas to Israel, as well as expected annulment of the inequitable gas deal, will reach ILS 4 billion a year. Concluded in 2005, the gas deal secured 40% of Israel's need of natural gas.

A heated debate is also in place about a global financial crisis caused by the Euro Zone. It is worth highlighting that the developing debt crisis in Europe jeopardises the Israeli economy. Reflections of the potential financial crisis in the Euro Zone on the Israeli economy can be felt in declining exports and increasing deficit in Israel's tax income. Other adverse economic phenomena, including rising unemployment, declining production, wage erosion, etc. are also possible.

## **Social Scene**

The social justice protest movement was the most prominent event that shaped the Israeli social scene in 2011. It forced the Government to establish the Trachtenberg Committee in order to address major demands and find ways to solve them. It should be noted that the protest movement dwindled, but has not completely faded. It is still early to announce that it has come to an end.

The movement was started by a small group of young Israelis, who took out to the Rothschild Street in Tel Aviv and erected a permanent sit-in tent, demanding a solution for the housing crisis. Within hours, the movement won support and solidarity of thousands of Israelis, who also erected sit-in tents on the same street as well as in various cities and towns throughout the country. Unlike earlier demonstrations that had taken place in Israel, such as the Black Panthers Movement and Ohalim (Tents) Movement, this social justice protest campaign was homogenous, not only in its leadership or grassroots, but in an overall agreement on the basic goal – demand for social justice.

## Palestinians in Israel

2011 saw continued implementation of policies designed to constrain and marginalise Palestinians in Israel. This was particularly manifested in laws enacted by or presented to the Knesset as well as in implementing policies targeting Palestinians in Israel. Israel also set plans, including the Praver Plan, which specifically targeted Palestinian inhabitants of the Negev Desert area.

In 2011, Israel promulgated a set of laws that immediately impinge on the Arab population and aim to tighten Israel's grip on them. These include:

- **Nakba Law**, officially entitled *Law on the Prevention of Commemorating the Palestinian Nakba*: This Law entitles the Minister of Finance to withdraw budgets appropriated to government-funded local bodies in case they commemorate the Palestinian *Nakba* on Israel's Independence Day. The Law also authorises the Minister to withhold funds earmarked to institutions and bodies that violate "respect of the State's flag or symbols" as well as to revoke government funds of local bodies, organisations and authorities that refused the so-called "basic values of Israel as a Jewish, democratic state". The Law prevents government bodies or agencies receiving government funds, such as local authorities, from organising or financing events that contradict principles or values of the state or deny its character as a Jewish, democratic state.
- **Law on Admission Committees**: This Law requires that any person, who seeks to move to a small town that houses less than 40 households in the Negev and Galilee areas, should obtain approval from Admission Committees, that comprise members from the respective town and a member of the Jewish Agency or World Zionist Organisation. The Law authorises these committees to reject candidates whom they consider as "unfit for the way of community life", or "who harm the social fabric" in the said towns. Accordingly, the Law entitles the said committees to refuse Arab residence in small towns because they are unfit for the "pattern of life".

- **Citizenship Law:** On 29 March 2011, the Knesset approved in a third reading the amendment to the *Citizenship Law*, allowing the Israeli authorities to withdraw the citizenship status from any person convicted with “terrorist violations”, including espionage and infringement on the State’s sovereignty.

In relation to the Arab partisan map in Israel, events associated with the Arab Spring, particularly in Syria, as well as the social movement in Israel and Palestinian statehood bid at the UN unveil a certain discrepancy in positions and internal partisan dichotomy towards regional changes, including proponents of the Syrian regime (the Democratic Front for Peace and Equality) and unabated opponents of Assad (the Islamic Movement).