

# **MADAR 2013 Strategic Report**

## **The 2012 Israeli Scene**

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The 2013 Strategic Report of the Palestinian Forum for Israeli Studies (MADAR) covers major developments on the Israeli scene throughout 2012 and explores future trends and scenarios for the upcoming period. The Report addresses seven significant areas in Israel's political sphere: Israeli-Palestinian relations; internal politics; foreign relations; security-military issues; national economy; social affairs; and Palestinians in Israel. The Executive Summary provides an overview of major events and strategic changes to have impacted Israel's internal and regional standing.

As in previous years, a group of specialised researchers supervised the monitoring and compilation of data as well as the drafting and editing of the Report. Their analysis followed a clear objective: to avoid a reportorial narrative of all events in favour of a strategically relevant narrative focusing on events that yielded a change in policy or approach, effectively shaping the year of 2012.

## The General Scene

According to the Israeli Central Bureau of Statistics (ICBS), Israel's population by the end of 2012 was estimated to be around 8 million (7,980.9) people. Of these, 6,015,000 were identified as Jews, amounting to 75.4% of the overall population. The population identified as Arab accounted for 20.6% of the overall population, or 1,648,000 people. The census also accounted for approximately 300,000 Palestinian residents of East Jerusalem and 319,000 residents classified as others. It did not include approximately 200,000 foreign workers. Of the new migrant population, 16,500 were Jews making "*aliyah*" (the process for becoming a citizen of Israel based on the

Law of Return, a route available exclusively to Jews).<sup>1</sup>

According to official Israeli data, the city of Jerusalem (including East Jerusalem) is the country's most populous city with 804,355 people, 497,000 of them identified as Jews. Of these, approximately 225,000 are settlers living in East Jerusalem. Tel Aviv has about half the size of Jerusalem with 404,750 people, and Haifa comes in third place with a population of 270,348 people.

The largest community of ultraorthodox *Haredi* Jews is in Bene Beraq with 163,301 people, and the second largest in the Beit Shemesh with 84,209 people. For the first time, the settlement of Modi'in Ilit, in the vicinity of Ramallah, houses the third largest *Haredi* community with 52,060 people.

In 2012, the growth rate of the Jewish population was 1.8% while that of the Arab population was 2.6%. The growth rate among secular Jews is 1.4% while that of the *Haredim* is over 3%. Natural population growth for the overall population arose from about 170,000 births. The settlement of Modi'in Ilit registered the highest fertility rate with an average of 5.64 births per woman of childbearing age.<sup>2</sup> The fertility rate among the Arab population has steadily decreased since 1948. By the end of 2012, Arab fertility rate was 3.51 births per woman of childbearing age, compared to 4.75 births in 2000, 7.25 births in 1979, and 9.2 births in 1948. In contrast, the fertility rate among the Jewish population has not dramatically changed. It has dropped from 3.8 births per woman of childbearing age in 1948, to 3.0 births in 2012.

Significantly, the birth rate among the *Haredi* community has not been affected by social variables. It has continuously increased, at least in part, due to Haredi Jewish religious beliefs prohibiting the use of birth control methods.<sup>3</sup> Also, by the end of 2012, the life expectancy at birth of Jewish Israelis is 80.7 years for men and 83.9 years for women – each marking one the highest life expectancies in their respective gender categories by international standards.<sup>4</sup> By contrast, the Arab life expectancy at birth is 76 years for men and 80 years for women.<sup>5</sup>

## Paradigmatic Events and Anticipated Scenarios

In 2012, Israel was impacted by a number of significant internal, regional and international events. At a regional level, 2012 saw the continuation of an unstable, vague and obscure geopolitical situation, particularly in Egypt and Syria. Israel also continued to be engrossed by the Iranian “nuclear threat”. On the international arena, the re-election of Barack Obama for a second presidential term in the US was an important marker regarding the political process and Palestinian-Israeli conflict. Domestically, the Israeli elections and the formulation of a new government marked deep changes in the Israeli socio-political landscape. The ultraorthodox Jewish parties, *Shas* and *Yahadut HaTorah* (‘United Torah Judaism’) incurred losses, while *Yesh Atid* (‘There is a Future’), *Habayet Hayehudi* (‘The Jewish Home’), *Hatnua* (‘The Movement’) and *Likud-Beiteinu*, formed the new government headed by Benjamin Netanyahu. Such a change in the Israeli political scene was possible by virtue of the electoral battle being centred on internal issues and not the Palestinian-Israeli conflict.

On the other hand, the admission of Palestine as a non-member observer state at the United Nations and the new dynamics between Israel, Hamas and Egypt resulting from the Operation Pillar of Cloud, mark new grounds for future confrontations and or Israel’s international standing.

## Israel’s Regional Circle: An Environment Saturated with Threats

According to Israeli analysis, 2012 saw a transformation in its strategic environment harbouring a plethora of threats. Also, 2013 was foreseen as a year when more imminent threats, especially from Syria, would materialise. In light of ongoing reverberations and shifts in Israel’s geographical sphere, security think tanks advised Israel to build strategies based on a continuous state of “uncertainty and obscurity”. They advised that Israel should take into account the increased risks posed by the increasingly consolidated Islamic currents in the region. These become more apparent the more they profit and gain from the deposition of regimes which have historically allied themselves with Israel.

Amos Yadlin<sup>6</sup> names five primary challenges to Israel's national security in 2012: (1) The continued transformation of Iran into an nuclear state; (2) The maintenance of peace with Egypt and Jordan in light of regional changes; (3) The Syrian civil war and the fear of it destabilising the northern front; (4) The twofold relationship with Palestinians, namely the political dimension of renewed negotiations with Hamas in Gaza and its security-military dimensions; and (5) The upkeep of Israel's status on the international scene. Yadlin concludes that on balance, the pros have outweighed cons on Israel's national security matters.

In 2012, Israel's geopolitical status did not suffer a substantial change. Israel has managed to maintain peace with Egypt and Jordan. Israel has not incurred any serious consequences regarding its occupation of the West Bank. The settlement enterprise continued unabated.

Compared to 2011, Israel's settlement expansion quadrupled, effectively making 2012 the year of Israel's "settlement spring". In the aftermath of Operation Pillar of Cloud, Israel attained an armistice deal with Hamas, holding the latter responsible for keeping things calm on the southern front. On the northern front, the Syrian border remained generally calm throughout 2012. Syria's ongoing internal war has exhausted the technical and human resources of the Syrian army. It has effectively dismantled the "Syrian threat" and minimized probability of a sudden attack to restore the Golan Heights.

Accordingly, Israel has managed to break down "two threats" to its national security over the past two decades. These were; the threat posed by Iraq under Saddam Hussein, and the threat of Syria. More importantly, according to Israeli sources, Syria's submersion in its own internal crisis has dealt a severe blow to the Iran's position, furnishing a chance to undermine the Iranian axis by disrupting Iran-Hezbollah relations once the Syrian regime falls.

However, despite the Israeli position that 2012 saw favourable developments to Israel's national security, there are a host of possible events and developments which seemed to not have been accounted for and which imply an increasing threat to Israel's international status.

On the northern front, three possible developments may to transform it into a hot front:

1. Syria's battlefield attracts anti-Israel Jihadist fighters and other expiatory movements. These groups could launch operations against Israel from the Golan Heights.
2. Iran organises loyal militias in Syria (as has already been reported). These may be activated once the Syrian regime collapses, constituting an executive arm of the Iranian will. In other words, a 'twin' movement to the Lebanon-based Hezbollah might be enacted.
3. Weapons that disrupt the strategic balance between Israel and Hezbollah may be relocated. Israel fears that the dismantling of the Syrian regime would encourage it to transfer its arsenal to Hezbollah, generating a structural "disruption" of the military balance and threaten Israel's superiority. Launched in May 2012, the Israeli military strike on Syria provided a warning that Israel will not accept such a transformation. As in Lebanon, Israel will not hesitate to delve into the "Syrian swamp".

In relation to Egypt, Israel remains concerned that the country's internal situation may change and lead it to revoke the Camp David Treaty. For Israel, Camp David is an irreplaceable "strategic treasure." Under certain circumstances, Egypt could shift to being a hostile state. In this vein, Israeli security sources highlight the possibility of security threats originating from the Sinai Peninsula, and seriously consider the risk of an alliance between Jihadist groups in Sinai, Gaza and Syria.

Israel continues to see the "Iranian threat" as an existential, strategic one. Prime Minister Benjamin Netanyahu made this clear in his address to the United Nations General Assembly on 28 September 2012. According to Israeli sources, the Iranian threat is imbricated in two ways: Firstly, Iran is the spearhead of anti-Israel sentiment in the Middle East as well as a source of support to anti-Israel organisations. Secondly, Iran is turning into a nuclear state. Once this happens, a nuclear Iran would not allow the restoration of strategic balance in favor of Israel, as it is the case today. This would constitute a permanent strategic change in the regional geopolitical atlas. Following Netanyahu's address, the Iranian file has somewhat receded in Israeli public discourse. Israeli threats against Iran have also subsided. How-

ever, the Iranian file will certainly continue to preoccupy the Israeli scene throughout 2013, especially as it can provide a security-related excuse to evade any obligations to end the occupation of Palestinian territories.

### **Israel's International Sphere: Re-election of Obama for a Second Presidential Term between Effective Intervention and Receding European Role and Prospects**

Barack Obama's re-election to a second presidential term on 7 October 2012 was of particular significance to Israel. Many analysts and commentators expect that Obama's re-election will impact Israel's approach to the Palestinian and Iranian files. It will also shape its formulas for dealing with the Syrian crisis.

In relation to the Question of Palestine, some commentators believe that Obama's re-election will furnish an opportunity to rejuvenate the long-stalled political process. Obama's return to the White House is now free from concerns of securing further re-election, as well as from restraints limiting his political approach towards Israel. In particular, Obama is free from the "blackmailing" of Netanyahu, who intervened in the 2012 electoral battle in favor the Republican rival, Mitt Romney.

Contrary to the scenario of affirmative US intervention, some researchers indicate that it is likely the US will distance itself from playing an effective and efficient role in the Middle East. The US might adopt a policy of introversion, or at least suffice with a policy of 'putting-out fires,' rather than one of conflict or crisis resolution. This means that Obama, despite his announced visit to the region in March 2013, will not make a "maximum effort" to push forward the peace process given the current circumstances of his country. To his avail, researches claim that during his second presidential term the US President will most probably give priority to domestic issues, notably the economy. He needs the Republican dominated Congress to pass his domestic policies, and for the sake of fruitful cooperation with the House, Obama must abandon his aspirations of contributing to the resolution of the Palestinian-Israeli conflict. Reflections on this tendency allow for other international actors to play an effective role in the Middle East.

Other commentators hypothesise that the appointments of John Kerry as Secretary of State and Chuck Hagel as Secretary of Defense are signifi-

cant indicators of prospective US foreign policy. Pro-Israel sources believe that Hagel is hostile towards Israel, or at least “not a friend of Israel,”<sup>7</sup> voicing concerns over his abstention from supporting military intervention in Iran. Still, Hagel adopts a conservative approach, calling on the US to not play an active role in international conflicts. Potentially, this could result in the US continuing to object to military action against Iran and focus on exhausting diplomatic channels instead.<sup>8</sup>

If materialized, Obama’s introversion policy opens a window for the EU to play a greater role in the Middle East. The EU is expected to maximize efforts and advocate for, and even exert, pressure on Israel. This is in light of increasing popular support for Palestinians across Europe and the continued questioning of the popular position towards Israel across Europe.<sup>9</sup> It is unexpected, however, that such an escalation be translated into “strategic” steps that put real pressure on Israel in light of Europe’s caution against anti-Semitic allegations.

However, the majority of EU-member states voted in favor of upgrading the status of Palestine to a non-member observer state at the United Nations. Europe has increasingly voiced concerns over Israel’s conduct, particularly over the Netanyahu government’s plan to construct 3,000 settlement housing units in Jerusalem’s so-called E1 Area.<sup>10</sup> In their annual report released in February 2013, EU Consuls in Jerusalem adopted an unprecedented recommendation of imposing sanctions on Israeli settlements.

Intersecting with a European climate that favours Palestinians, these efforts were paralleled with a US “policy of introversion.” Combined, these measures have created an appropriate international environment that is conducive to pro-Palestinian diplomatic action. This endeavour diminishes the “space of manoeuvre. Israel can benefit from” and by the same token, expands the space of manoeuvre available to Palestinians. It could also entrench Israel’s isolation. To this effect, Yehuda Ben Meir, researcher at the Institute of National Security Studies in Tel Aviv University, asserted that “the General Assembly vote making the Palestinians a non-member observer state put Israel’s stark isolation on display – isolation we haven’t experienced since the Sinai Campaign of 1956.”

In this light, the new Israeli government which is reliant on the settler

bloc for its existence, represented by the Naftali Bennett of the 'Jewish Home' party, could end up promoting policies which increasingly isolate Israel on the international stage. Meanwhile, any real abandonment of settlement activity on the part of Netanyahu will result in a collapse of his government, something which he is expected to vehemently avoid.

### **Internal Politics: The 33<sup>rd</sup> Government, Fragmentation of the Political Scene, and Settlers Success in the Israeli Consensus.**

The results of the Israeli elections and the coalition structure, especially the exclusion of *Shas* and the inclusion of *Yesh Atid* and *Habayet Hayehudi*, provide a significant indicator of political developments within the underlying components of Israeli society. These include:

**1. Dispersed partisan space and multiple centres of power:** The final results of the Israeli elections, held on 22 January 2013, show a fragmented political power divided along several central issues and party lines. The *Likud-Beiteinu* alliance lost a quarter of its weight in the Knesset, ending up with only 31 seats (20 for the Likud and 11 for *Yisrael Beiteinu*). Chaired by the well-known journalist Yair Lapid, the *Yesh Atid* party won 19 seats. *Haredi* parties *Shas* and *Yahadut HaTorah* ('United Torah Judaism') earned 11 and 7 seats respectively. The Labour party won 15 seats and the *Habayet Hayehudi* ('Jewish Home') won 12 seats. In practice, these results mean that the political map is divided between several weak and dispersed centres. The largest of these blocs, *Likud-Beiteinu*, will have an increasingly limited capacity to effect political manoeuvres. In the new government, *Likud-Beiteinu* became a minority with just 31 out of 68 Knesset seats which, in this context, presents a real possibility for a "short-lived" government and early elections.

**2. Rebuilding the hegemony of Ashkenazi Jews on transideological grounds:** Established after the elections, and disregarding differences and affiliations, the Lapid-Bennett alliance reflects an effort made by middle class Ashkenazi elites to control the political spectrum once more. In practice, this alliance allows for the assembly of seemingly contradictory groups, including secular, national and religious actors, as well as groups with centrist, extremist right-wing and sometimes left-wing political tendencies. These are interconnected by their common white-European

ethnicity, their status as the Ashkenazi bourgeois class, and their enmity towards non-Zionist groups such as the *Haredim* and Arabs, though they are opposing segments to each other. In this context, Aviad Kleinberg, who writes for the daily newspaper *Yediot Aharonot*, remarked that “elites on both sides of the Green Line tend to deal with disdain those who do not share the Zionist dream with them; i.e. the Arabs and *Haredim*,” he continued, “The elites on both sides of the Line feel that ‘their’ State is at risk of coming under hostile control.”

### **3. Re-delineating boundaries of legitimacy/ Settlers annex Israel:**

The latest electoral battle and subsequent Bennett-Lapid alliance, show that settlers have managed to redraw the boundaries of Zionist-Israeli legitimacy, in that it places the settlers of Ariel settlement on the same plane as the middle classes of Tel Aviv, effectively ‘annexing’ them into the mainstream of Israeli society. This is a strategic success for the settler movement. Settler elites were capable of transforming the settler population into a component of national consensus. Previously, settlers have been the subject of domestic dispute and international criticism. An example of this can be seen in the settler journalist Yair Lapid who launched his electoral campaigns from the grounds of the Ariel’s University Centre.<sup>11</sup> Another indication of this tendency is Netanyahu’s kick-starting of his campaign from Rechelim, a right-wing settlement outpost which has since been “legalized.”<sup>12</sup> In other words, Netanyahu had to look over Lapid’s right shoulder and come up with a more rightist position, symbolised by his choice in locale to launch his campaign.

Hoping to win the votes of those who participated in the socio-economic protest movement, the Labour party launched its electoral battle by focusing on the social agenda. Of particular notice was the absence of Yitzhak Rabin from the party’s campaign. This was perhaps a prelude to the “dismantling” of his relationship with what has come to represent the “left-wing” of Israeli politics. In addition, Shelly Yachimovich (chairwoman of the Labour party) voiced compassion for settlers and refrained from denouncing settlement activity. This position is consistent with settlers accessing the strongholds of Israeli elites, including the High Court of Justice, the Government, and the military and security establishments. As aptly de-

scribed by Israeli researcher, Oren Yiftachel, this was Israel's annexation of settlements, not the other way round. Today, settlers no longer claim to be part of Israel; Israel has become to be a part of settlements.

In light of the political implications and features of the new Israeli government, it is likely that Netanyahu will distance himself from the Palestinian file, focusing instead on domestic policies, particularly, the recruitment of Haredi Jews in the Israeli army and of Arabs in the civil service. A decision by the Israeli High Court of Justice has already bound Netanyahu to do so, and effectively fixed the Lapid-Bennett demand for a change in the division of Jewish labour on to the new government's agenda.

On the other hand, some commentators emphasise the pressure Netanyahu will face from the US and EU to make headway in the Palestinian-Israeli political process. However, the very structure and formulation of the new government indicates that no decisive moves regarding Palestinian statehood will be made. The prospective internal political struggle will not allow long-term decision-making. The new Prime Minister will have to choose between the stability of his government and maintaining Israel's international status.

Apart from these major changes in the local and international arenas, the Israeli scene witnessed a set of other pivotal shifts and developments. As in previous MADAR Strategic Reports, these are reviewed through seven main categories:

## **Palestinian-Israeli Relations**

Throughout 2012, the Israeli Government maintained a policy of managing the conflict rather than resolving it. The most notable characteristic of Israeli political discourse was a shift from the 'no-partner' to the 'no-solution' discourse. A set of factors contributed to this transformation, including a deadlock in the political process, the hegemony of right-wing in Israeli society, and structural transformations affecting the elites who shifted to a "neoconservative Zionist" position.<sup>13</sup> Conditions in the international sphere promoted Israel's ability to sustain a conflict-management policy and create facts on the ground. In this vein, 2012 saw a clear decline in

international intervention in Palestinian-Israeli relations. It was effectively the year with the lowest number of interventions since the Madrid Conference, over two decades ago.

Concurrently, the Arab World has been preoccupied with various internal crises, the US was busy with presidential elections and the Palestinian internal political division has become a monotonous process. Combined, these regional and international conditions allowed Israel to further settlement expansion throughout 2012 and effectively turn the two-state solution into an unattainable prospect. Settlement activity intensified in 2012 reached unparalleled levels. The Israeli government endorsed the construction of thousands of settlement housing units and confiscated thousands of dunums of Palestinian land. Israel also forcibly transferred a significant number of Palestinian Bedouin communities, continued to isolate Jerusalem from central and southern West Bank, and separated the Jordan Valley from the West Bank. In 2012, Netanyahu's government also earmarked over ILS 1 billion in support of settlements and established a Ministerial Committee for Settlements. The Israeli Immigration Authority's powers have also been extended to cover settlers in the West Bank.

As a vivid indication of Israel's future tendency can be taken from a 2012 report written by retired Judge Edmond Levy. The report concludes that settlement activity in the West Bank does not violate international law, rather, it is a legitimate right of the State of Israel. A respective committee recommended, *inter alia*, that all settlement outposts in the West Bank be "legalized" retroactively. Although Netanyahu did not officially adopt the report, his acquiescence and support of facts on the ground suggests a consensus with this position.

However, the admission of Palestine as a non-member observer state to the United Nations indicates Israel's deteriorated status and unprecedented isolation. Even European countries, for whom Israel represented a "moral minority", did not support Israel against the Palestinian statehood bid. The resolution on the upgraded status of Palestine was adopted by a vote of 138 in favor to nine against. The latter included only one European country, US, Canada, Panama, Israel, and four minor ocean islands who rarely vote in discord with the US. .

## Internal Political Scene

The Israeli elections dealt a severe blow to the *Likud-Beiteinu* alliance. Both parties lost a quarter of their weight in the Knesset, winning only a quarter of Knesset seats. Still, Benjamin Netanyahu was the front-runner to form the new government and will serve as Prime Minister for the third time.

The right-wing camp, the *Likud-Beiteinu* alliance and the 'Jewish Home,' won 43 seats in the 19<sup>th</sup> Knesset. The former has 31 seats and the latter 12 seats.

The centrist and left-wing camps, comprised of the Labour party, *Yesh Atid*, *Hatnua*, *Meretz* and *Kadima*, won 48 seats. These were distributed as follows: *Yesh Atid*, 19 seats; Labour party, 15 seats; *Hatnua*, 6 seats; *Meretz*, 6 seats; and *Kadima*, 2 seats.

*Haredi* parties *Shas* and *Yahadut HaTorah* have 11 and 7 seats respectively.

Arab parties won 11 seats in total, broken down into 4 seats for the United Arab List-Arab Movement for Change, 4 seats for the Democratic Front for Peace and Equality, and 3 seats for the National Democratic Assembly.

Chaired by journalist Yair Lapid, the *Yesh Atid* party was the undisputed star and surprise of the 2012 Israeli parliamentary elections. The party came second in the number of seats won in the Knesset. Economic and social welfare was pivotal and had the lion's share in *Yesh Atid's* electoral campaign.

Most Israeli analysts agree that the election results demonstrated a failure of electoral campaigns centred on the "political process." Tzipi Livni, the leader of *Hatnua*, was the only political leader to refer to the political process and she won just six seats. On the other hand, Lapid and Yachimovich did not pay much attention to the political process.

Consequently, successful electoral campaigns were those focused on improving living conditions in Israel and for settlers in the occupied West Bank.

Instead of addressing the future of the West Bank, Lapid focused on the need to reduce the cost of living, lower rents, and create a more equitable state service sector by imposing military service on ultraorthodox *Haredi* Jews and civil service on Arabs. Similarly, Bennett, won 12 seats, doubling the momentum and influence of settler right-wing groups.

The election results showed a consolidation of settler discourse and influence in electoral politics, and will inevitably shape the post-election political agenda.

The increasing influence of settler groups is not only reflected in their expanded popularity and the promotion of the 'Jewish Home' party, but also in their ability to maintain a grip of the Likud party. According to one commentator, Likud became more "settlement-motivated." Settlers have managed to take key positions in the *Likud-Beiteinu* alliance, obliging all Zionist parties to "sympathise" with their agenda.

## Foreign Relations

In 2012, Israel faced a foreign relations crisis that climaxed with the upgrading of the status of Palestine to a non-member observer state at the United Nations. Despite indication that Israel is being increasingly isolated and criticized at the international level, even by friendly states such as EU-member states, the crisis did not cause Israel to alter its policy towards the Palestinian file, particularly with regards to settlement expansion.

In the face of rising criticism with regards to the Palestinian question, Israel has repeatedly invoked the "existential threat" posed by Iran's nuclear programme and its "de-legitimation" campaign.

Israel anxiously awaits signs of US foreign policy positions towards Iran and Palestinian statehood. Even though Obama has already pledged to prevent Iran from acquiring a nuclear bomb, Israel fears that sanctions are inadequate and that a policy of containment rather than hostility will be adopted towards Iran. Israel is also apprehensive about the appointments of John Kerry as Secretary of State and Chuck Hagel as Secretary of Defense. Analysts believe this signifies that Obama will exercise pressure to advance Israeli-Palestinian negotiations and the two-state resolution. They invoke

Obama's visit to Israel as evidence of this approach. Nevertheless, they do not expect Obama to go as far as pressing for a freeze on settlement activity. Other points of view suggest Obama will leave the Palestinian file to the Europeans and focus on internal issues and other international files, such as Afghanistan and North Korea.

Overall, Israel seeks to benefit from the regional situation and gain from the Arab World's preoccupation with domestic problems. In addition to preserving relative calm on the Gaza front, Israel will attempt to congeal a new relationship with Egypt based on joint interests in the Sinai Peninsula. Israel is also expected to rejuvenate its relationship with states on the periphery of the Arab World and Iran, such as South Sudan, Greek Cyprus, Greece and the Caucasus countries. Israel also looks to Syria as an opportunity to enhance its strategic regional position. The collapse of the Syrian regime would weaken Iran and Hezbollah and help consolidate Israel's regional position.

## **The Military Scene**

Israeli assessments continue to regard the Arab revolutions as perpetually unstable. Accordingly, the civil war in Syria provides a model of the dim reality of the Arab environs. Both parties to the Syrian conflict have come to equal terms in their confrontation and therefore their capacity to take decisive action has dwindled. Although Israeli intelligence claims the fall of Assad is inevitable, some regard this as a descent into complete chaos. Israeli political and security establishments have summed up their fears into two factors:

The declining stability in the region is like diving into the unknown.

The presence of political Islam in Arab nations will become a central factor in shaping the region's future.

With regards to the Palestinians, Israel launched a war on the Gaza Strip based on the assumption that neither side would want a repeat of Operation Cast Lead and a ground invasion of Gaza. In the past, when Hamas was made to choose between feasible military resistance and staying in power, it chose the latter. The Israeli political leadership then extra-judicially assassinated

sinated Hamas leader\_Ahmed al Ja'bari.

On the northern front, Israel maintained a policy of "forcible quietude" with Hezbollah, while at the same time preventing it from obtaining weapons that would "break up" the balance of power. Israel counts on the fall of the Syrian regime being a tremendous blow to Hezbollah. However, Israel excludes the possibility that Hezbollah will launch an attack on Israel with a view to divert attention from the Syrian scene and alleviate the pressure on Iran.

In relation to Egypt, 2012 Israeli assessments indicate that the reign of President Mohammed Morsi will differ from that of Mubarak's 30 years in power. They also suggest Israel should adopt a flexible policy with neighbouring countries, particularly with Egypt, while at the same time preparing itself for possible confrontation in the future.

Iran is currently the most visible file in Israeli discourse. However, apart from an open threat to launch military action against Iran's nuclear programme, 2012 did not yield any significant shifts in military strategy. Most assessments opine that Israel would not launch a military strike against Iran without US support and the US Administration prefers to exhaust all political and diplomatic means. It is therefore unlikely that Israel will resort to military action.

## The Economic Scene

Indicators suggest that the global financial crisis has started to impact the Israeli economy. Israel's economy is expected to slow down over the next few years and it may even experience a recession.

Israel's GDP was in decline for the 7<sup>th</sup> consecutive quarter. By the end of 2012, Israel's GDP dropped to 3.3% compared to a growth rate of 4.8% in Q3 2010. This decline together with military operations in Gaza, the parliamentary election results, the budget deficit and the resignation of Stanley Fischer, President of Israel's Central Bank, increases the risk of economic instability. Israel may also incur losses due to a downgraded credit rating resulting from an unstable economic environment.

The year 2012 marked a noticeable rise in Israel's unemployment rate

reaching a 7% high compared to 5.4% in 2011. Economic growth dropped from 4.6% in 2011 to 3.3% in 2012. However, when compared with that of other OECD countries, Israel's growth rate is relatively high. Economic growth rates in 2012 registered at 1.4% in OECD member states and 2.2% in the US. In 2012, the budget deficit was ILS 39 billion (over US\$ 10 billion) compared to ILS 21.7 billion in 2011.

Israel's overall imports amounted to ILS 19.9 billion per month (over US\$ 5 billion). One third of imports came from EU member states, 21% came from Asia, 13% from the US, and the rest from other countries around the world. Israeli exports per month totaled ILS 13.7 billion (approximately US\$ 3.5 billion). The trade balance deficit was over US\$ 1.5 billion on a monthly basis. Accordingly, Israel's 2012 accumulative deficit exceeded US\$ 21 billion, amounting to an overall trade deficit of 34.6% of its GDP. This is because the setbacks to Israeli exports were in fact greater than the gains from a decline in imports.

In spite of the global economic crisis, Israel saw a remarkable increase in its arms exports in 2012. According to preliminary estimates, there was a 20% rise in arms exports which totaled US\$ 7 billion. Complete data will be released at the end of the first quarter of 2013. It is worthy of note that Israel is consistently ranked between the fourth to sixth country in the world for arms sales. Most Israeli arms are exported to the US and Europe.

The war on Gaza and the Israeli parliamentary elections entrenched Israel's financial crisis. The Gaza war cost the Israeli economy approximately ILS 3 billion, and the Knesset elections totaled ILS 2.8 billion.

## The Social Scene

The year 2012 marked a setback in the socio-economic protest movement, coming to an almost complete stall. Despite its physical absence, the discourse of the protest movement was integrated into that of various Israeli political parties. It is largely thanks to this movement that the *Yesh Atid* party managed to secure the second largest number of seats in the Knesset. The *Labour* party and *Meretz* also doubled their political weight. In this vein, the socio-economic protest movement was capable of plac-

ing economic concerns and social gaps at the forefront of Israel's public agenda. For decades, these issues were effectively absent or of secondary importance with Israel's security and foreign policy concerns taking clear precedent. In 2012, the public discourse was permeated with social issues such as housing, health, education, employment and poverty.

However, this adoption of the socio-economic movement's agenda was not universal. Some political parties claimed the demands of the movement represented the interests of the middle class rather than those of the lower classes, criticizing the movement as a form of "white domination." In particular, the movement paid special attention to the interests of the Ashkenazi middle class. This is clear when one considers the leadership of the movement (Daphne Leef<sup>14</sup>, Stav Shafir and others) who are white and visibly different from poor Mizrahi Jews of darker complexions, who chose to erect their tents away from the movement's epicentre on Rothschild Street.<sup>15</sup>

Concurrently, poverty and social disparities were on the rise across Israel. Social differences were entrenched and exacerbated as households became increasingly impoverished and the middle class shrunk, along with its share of the GDP. Social conditions declined as the exorbitant cost of housing, remained high, and the cost of water, electricity and other basic commodities rose dramatically, particularly after the summer of 2011. Meanwhile, real wages in the majority of sectors remains the same. It is reasonable to suspect that 2013 will see a surge in socio-economic protests. It is expected that the 2012 ILS 39 billion budget deficit (double that of the previous year) will be bridged by minimizing social expenditure, reducing wages, increasing taxes and raising commodity prices. The government is further expected to cancel or suspend certain projects.

The Ethiopian Jewish population is the most impoverished in Israel. Jews of Ethiopian origin continue to live in secluded neighbourhoods and peripheral cities and towns. They live in the towns and neighbourhoods designated for poor and low-income migrants in the past. Children of Ethiopian Jews are enrolled at exclusive schools. In many cases, non-Ethiopian parents of children at schools in villages and cities with a sizeable Ethiopian community refuse to let Ethiopian children attend the same schools.

According to a 2012 survey, second generation Ethiopian Jews (i.e. the children of Ethiopian Jews, born in Israel), are worse off in terms of their socio-economic indicators, particularly those related to education, than the children of Ethiopian Jews who recently emigrated to Israel.<sup>16</sup> Other researchers claim there is also considerable negligence in the quality of education provided to Ethiopian Jewish migrants compared to that provided to Jewish migrants from the former Soviet Union.

## **Palestinians in Israel**

Four Arab lists participated in the 2012 Israeli parliamentary elections. These were the Democratic Front for Peace and Equality; the National Democratic Assembly; the United Arab List which formed an electoral alliance with the southern faction of the Islamic Movement, the Arab Movement for Change and the Arab Democratic party; and the Da'am Workers party. The elections did not introduce a major change to the total representation of Palestinians in Israel. The Democratic Front for Peace and Equality and the United Arab List won 4 seats, and the National Democratic Assembly won 3 seats. In total, the combined Arab lists won 11 seats. The United Arab List got the highest number of votes with 450,138 votes, marking a remarkable increase of 500,24 votes since the last election. The National Democratic Assembly also scored a noticeable rise in its constituency with a total of 97,030 votes, an increase of over 13,000 votes since the last election. The Democratic Front for Peace and Equality did not win many new voters, reaching a total of 439,113 votes compared to 130,112 votes in the previous election. Also noticeable, was a drop in the number of Jews who voted for the Front.

The participation of Arab women candidates in the 2012 election was also worthy of note. There were three Arab women candidates, namely Hanin Zoabi, Nabilah Isbanioli, and Hiba Yazbak. All lists highlighted their female nominees in their respective electoral campaigns, indicating a concern with women's issues and social issues in general. Undoubtedly, Hanin Zoabi's previous election success motivated more women to participate in the 2012 electoral battle. However, in order to ascertain any significant developments arising from women's participation in these elections, we will

have to wait and see whether their success is reflected in other electoral battles, such as municipal elections, and whether it impacted the broader Palestinian political sphere.

Meanwhile, the Israeli government continued to impose restraints on Palestinians living in Israel throughout 2012, the most significant of which was the Amendment of the Citizenship Law. By a majority of 6 to 5 votes, the Israeli High Court dismissed a petition brought by several human rights organisations requesting that the Court revoke the Citizenship Law's denial of family reunion rights between Palestinians in Israel and Palestinians in the occupied territories. In 2012, the Israeli High Court also rejected a petition filed by the Legal Center for Arab Minority Rights in Israel (Adalah) and the Association for Civil Rights in Israel (ACRI) to repeal the Nakbah Law.

With respect to internal community issues, Palestinians in Israel reported an unprecedented increase of acts of violence against them. Live ammunition was used in 1,100 incidents involving Palestinians in Israel, and 68% of these incidents took place in Palestinian communities. From a total of 141 homicides reported in 2012, 68 were Palestinians in Israel. Over 30% of all detainees held on criminal charges were Palestinians from inside Israel. Also, 45% of all persons killed in road accidents in Israel (excluding the occupied territories) were Palestinians.

A rise in violent incidents is generally associated with a decline in economic conditions and the marginalisation of communities. Other factors have also contributed to the marginalisation of Palestinian communities in Israel, such as the Nakbah and its historical denial, post-Nakbah community transformations, and Israeli state control of basic services especially primary, education. In 2012, the State of Israel continued to tighten its grip on official Palestinian education. Israeli educational authorities have not adequately served or developed Palestinian identity and culture. Instead, official Palestinian education has been used as a tool to maintain Jewish hegemony over the Palestinian national identity, reflecting the majority-minority structural relationship characteristic of the Israeli socio-political system as a whole.

## (Endnotes)

- 1 Israeli Central Bureau of Statistics (ICBS), 2012, Press Release, 30 December 2012, [http://www.cbs.gov.il/reader/newhodaot/hodaa\\_template.html?hodaa=201211356](http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201211356) (Last accessed, 13 January 2013).
- 2 ICBS, 2012, *New Statistical Abstract of Israel 2012*, Natural Movement, p. 98. [http://www.cbs.gov.il/shnaton63/st03\\_13.pdf](http://www.cbs.gov.il/shnaton63/st03_13.pdf) (Last accessed, 2 March 2013).
- 3 For further information, see Palestinian Forum for Israeli Studies (MADAR), *2012 Strategic Report: 2011 Israeli Scene*, "Executive Summary". Also see MADAR, *Israel Demographically 2010:30: Towards a Religious State*, Israeli Papers, Series 55, MADAR, Ramallah.
- 4 ICBS, 2012, *New Statistical Abstract of Israel 2012*, Plate 3.24, p. 211. [http://www1.cbs.gov.il/shnaton63/st03\\_24.pdf](http://www1.cbs.gov.il/shnaton63/st03_24.pdf) (Last accessed, 2 March 2013).
- 5 Ibid.
- 6 Amos Yadlin, 2013, "Israel's National Security Challenges 201213-: The Need for a Proactive Policy", *Strategic Survey for Israel 2012+13*, Eds. Anat Kurz and Shlomo Brom, Tel Aviv: Institute for National Security Studies, p. 277.
- 7 In a statement to the CNN, Republican Senator Lindsey Graham said that Hagel will be the "most hostile defence secretary to Israel in the history of the American nation." Pro-Israel lobby groups organised a campaign against the nomination of Chuck Hagel because he "refused to sign a letter of support to Israel when it launched a military operation against the Gaza Strip back in 2008." The operation resulted in the death of 1,400 Palestinians and 10 Israelis. <http://www.radiosawa.com/content/chuck-hagel-will-face-questions-israel-views/217436.html#ixzz2LtVA9A5v>. Also see Yitzhak Ben Horen, *Israel's Supporters Warn against Upcoming Defence Minister Hagel*, [www.ynet.co.il](http://www.ynet.co.il), 8 December 2012.
- 8 Shlomo Brom and Shimon Stein, "Obama's Victory in the Elections: Reflections on Israel". *Mabat Al*, Issue 384, 2012 (Hebrew).
- 9 As articulated by Swedish Foreign Minister, "In Israel, they do not realise the changing public opinion in Europe." See NRG, 12 December 2012, "The EU Debates Denouncement of the Israeli Settlement Activity in E1 Area", <http://www.nrg.co.il/online/1/ART2389/421/.html> (Last visited on 5 March 2013).
- 10 Ibid.
- 11 This has generated a dispute between left-wing elites and Government. Some left-wing elites are making an effort to prevent an official recognition as well as deny the status of the Ariel University Centre.
- 12 Rechelim is a settlement located between Nablus and Ramallah. As an ideological settlement outpost, it was constructed in 1991 after two Jewish settlers had been killed in the area. Later, a religious school was built and Jewish families moved to the settlement. Currently, 50 settler families live in caravans on the settlement outpost. On 23 April 2012, Benjamin Netanyahu established a committee to organise the settlement outpost, converting it into a legitimate settlement.
- 13 For further information, see Mtanes Shihadeh, *Palestinians in Israel*, MADAR Strategic Report, 2010.
- 14 Asher Schechter, *Rothschild – A Chronicle of Protest* (Hebrew), HaKibbutz HaMeuhad, 2012, p. 1056-. In an interview on the position protest leaders, Ofar, a poor activist who was forbidden from joining forces with Rothschild tents, said: "With all respect, Daphne Leef is a good girl. However, she does not understand life. She did not come from below. She came and made some step, but does she understand housing issues? Does she realise the crisis? She is a young girl. All her life... she was not in a place where she faced a crisis. We do not meet the standards required for Rothschild. They are in another site." (Quoted in Asher Schechter, p. 120).
- 15 Ibid, p. 111.
- 16 Or Kashti, "The Lost Generation of Ethiopian Origin in Israel", *Haaretz*, 15 December 2012, <http://www.haaretz.co.il/magazine/1.1885824> (Last accessed on 20 December 2012).



