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Foreword

The Sixth Herzliya Conference on the Balance of Israel's National Security was held on January 21-24, 2006. The Conference's deliberations reflected the major issues and dilemmas on Israel's national agenda in the fields of foreign policy, defense, economics, social policy, governance and Jewish peoplehood. The Conference took place during the period prior to the general elections. The traditional Herzliya Address was delivered by Acting Prime Minister Ehud Olmert, and he, like the other prime ministerial candidates, highlighted the principles that would govern his policy.

The Conference also took place on the eve of the Palestinian elections that won Hamas the majority needed to establish a Hamas government. This development, along with others, led to the assessment that arose from the sessions on national security and foreign policy that 2006 would be a year of significant developments and critical decisions regarding the strategic threats facing Israel – the strengthening of Hamas and the looming confrontation with Iran over its nuclearization. Much of the rest of the Conference was devoted to the key domestic issues in Israel, particularly the maintenance of economic growth, welfare policy and the rule of law in the present political system. As always, the Herzliya Conference program emphasized issues pertaining to Israel's Jewish character, its sense of national purpose and its relations with Jewish communities worldwide. In this context, the presentation of the first survey on patriotism in Israel has elicited lively debate.

This executive summary, written by Dr. Israel Elad-Altman with the help of Gal Alon, Ory Slonim, Efrat Peleg, and for the English text Ariel Rodal, presents the main findings, conclusions and policy recommendations raised during the Conference. Clearly, it does not include all of them; what it does provide, in a concise form, is a sense of the Conference. Therefore, participants bear no responsibility for its contents. The document is presented here for your perusal.

Prof. Uzi Arad
Conference Chair

Herzliya, April 2006

Main Points

An examination of Israel's national resilience and security shows that:

- While Israel's resilience regarding **security** matters is presently strong, strategic threats are developing for the short and long term, requiring Israel to prepare for confrontations.
- **Economic** resilience is also strong; however, continued growth cannot be taken for granted, and further reforms and investments are necessary in order to sustain it.
- **Morale** is strong, but the public's trust in state institutions and its patriotic spirit are on the decline, calling for improvements in leadership and education.
- **Governmental-democratic** resilience continues to decline, necessitating steps to reverse this trend and strengthen the rule of law.
- **Social** resilience is also weakening, given the problems of poverty and inequality, demanding that measures be taken to remedy the situation.

Resilience regarding security matters and economic resilience are strong, while governmental and social resilience and the patriotic spirit are on the decline.

National security officials conclude that at present, Israel finds itself in one of the best strategic, security and political situations it has ever known. Nevertheless, the country faces a number of challenges and threats to its security:

- **Iran**, which calls for the destruction of Israel, is developing nuclear military capabilities, and provides funding, supplies and training for terror against Israel.
- The strengthening of **Hamas** in the Palestinian Authority, and with it the closing of a window of opportunity for an agreed Israeli-Palestinian political settlement, create a complex strategic and political challenge for Israel's national agenda.
- The **threat of terror** continues, and is even growing: global Islamic Jihad is drawing nearer to Israel; the threat of regional terror from Hezbollah continues; and Palestinian terror is expected to escalate. Despite successes in countering terror, a major attack either in Israel or abroad is still a possibility.
- The strengthening of **political Islam** in Middle Eastern states, and the momentum it has gained among those in influential positions and even in government in some countries, create a new and dangerous reality for Israel and the Western world.
- The continuing disintegration of the **Syrian** regime and its path towards a confrontation with the United States hold potential risks for Israel.

The Iranian threat, terror and the rise of Hamas put a complex strategic threat on Israel's national agenda.

The rise of Hamas presents a strategic challenge: the organization was able to reach a position of power without having to change its stances. Without Palestinian

political powers demanding that it do so, Hamas will not become moderate, and cannot be expected to surrender its weapons and use of terrorism.

Israeli political discourse is still host to a multitude of approaches, principles and formulae for an Israeli-Palestinian settlement. Central to these are the issues of future borders, possible deployment lines and the establishment of a Palestinian state with temporary borders. The basic concept prior to the upheaval in the Palestinian camp was that an agreed settlement to the Israeli-Palestinian conflict, which would swiftly bring the establishment of a Palestinian nation-state alongside Israel, is in the interest of anyone who envisions Israel as a Jewish and democratic state that enjoys international legitimacy. This is also the view of the international community, which even regards Israel as responsible for the creation and vitality of the Palestinian state.

The Road Map to a negotiated agreement, however, led toward a dead end even before the rise of Hamas, as a result of conflicting positions regarding the process:

- **Israel** demanded a solution to the security problems and the dismantling of terrorist infrastructures by the Palestinian Authority as a precondition to negotiations.
- The **Palestinians** claimed that they were not capable of solving the security problems before they had received commitments in the framework of an agreed settlement, including an Israeli withdrawal from the territories and complete Palestinian independence.

The dead end met by the Road Map process has intensified the disagreement between those who support unilateral action and those who oppose it.

In this year's **Herzliya Address**, the Acting Prime Minister stated that:

- The existence of two nation-states is the full realization of both peoples' aspirations.
- Israel's permanent borders must be determined in a way that ensures the preservation of its Jewish majority.
- The Road Map remains the only path for a two-state solution, and Israel will uphold all obligations taken within its framework. If the Palestinians, however, do not fulfill their commitments, Israel will preserve its interests in any way necessary (thereby hinting at possible unilateral action in the future).

Another approach, propounded by the Chairman of the Likud Party, opposes the policy of unilateral withdrawal, claiming that **security** concerns – and not just demography – should be the most important consideration in any new territorial

arrangement. Israel's secure boundaries should include the Jordan Valley, Greater Jerusalem and the areas in the West Bank that constitute the strategic core of Israel. The 1967 lines are not defensible borders, and the security fence is not able to protect Israeli citizens from high-trajectory weapons and shoulder-launched missiles against civilian aircraft.

According to the Chairman of the Labor Party, in the absence of a negotiating partner, Israel must move toward physical, political and security separation while continuing to strive for peace. The construction of the security fence should be concluded immediately, based on accepted criteria of the defense and legal systems. He emphasized that unilateral action should not preclude the option of returning to the bilateral track and final status negotiations.

Even though final status negotiations are not currently on Israel's national agenda, there exists a lively public discourse on the considerations and principles of the determination of **future permanent borders**. One of the ideas that is being debated is that of **land swaps** of populated territories between Israel and the future Palestinian state – principally, the handing over of the areas of Umm-al-Fahm and the Triangle to Palestinian sovereignty. Arab Israeli representatives have rejected this idea.

Another idea involves **multilateral** land swaps in the framework of a general Arab-Israeli settlement, which would include Egypt, Jordan and Syria. This idea stems from the assessment that even if a final status settlement were reached that established two states between the Jordan River and the Mediterranean Sea, territorial pressures versus the size of the population in this area would render the settlement unstable, creating the need for additional territories.

The discussion on the future of **Jerusalem** and the **Galilee** focused on development concerns as well as aspects of Israeli-Arab relations. Both considerations require a national strategy, from which detailed planning in the areas of economy, education, development and budgeting can be derived. The economic and social development of the **Galilee** is an essential goal, but the gap between the vision and the reality is wide, in comparison to the Negev, for example, which has been the focus of much investment of both effort and financial resources. Some claim that neglecting the Galilee is liable to bring about the implementation of the 1947 Partition Plan, whereas investing in its development would serve the goals of its Arab and Jewish

Neglecting the Galilee is liable to bring about the de facto implementation of the 1947 Partition Plan.

citizens alike. Among the possible engines of growth for the development of the Galilee are:

- Development of local and international tourism, by focusing on the multitude of ethnic groups that live in the region.
- Academic development, which will attract a new population to the Galilee and enrich the existing population.
- Making investments in advanced industries in the Galilee as valuable to the investor as possible, also relative to the country's central region.

Regarding Jerusalem, Israel must also formulate a strategy for the city's development, which should encompass the desired character for the capital. There is a pressing need for action, as currently Jerusalem does not have a Zionist majority. Moreover, Jewish emigration from the city is continuing as a result of a lack of employment opportunities, a lower standard of living and a high cost of living. The Arab/Palestinian public, on the other hand, recognizes the capital's relative advantages and is immigrating to it.

There is not a Zionist majority in Jerusalem, and a strategy for the development of the capital is needed.

An analysis of future alternatives for Jerusalem's Historic Basin in the framework of a political settlement shows that there is no one clearly preferable solution as far as Israel is concerned. The possibility of Israeli sovereignty and rule over the entire Basin is not likely to be granted legitimacy by the Palestinians or by the international community. Conversely, the alternative of joint administration of the Historic Basin by Israel and the Palestinians, which would likely be accepted by the Palestinians and the international community, would grant Israel only limited rule in the area.

The other fundamental challenge on Israel's strategic agenda is **Iran's** aim to acquire military nuclear capability. The intensifying confrontation between Iran and the international community over the issue of Iran's military nuclearization makes the Iranian threat more acute and raises the question of what can and should be done about it at present. Many believe that it is impossible to destroy Iran's capability to develop nuclear weapons without deploying ground forces, but that it is possible to **delay** and **make development more difficult** by way of diplomatic actions and sanctions. Others claim that the negotiations between Iran and the EU-3 over the last two and a half years delayed the advancement of Iran's nuclear program, increased the amount of information known about it, contributed to the Western consensus on Iran and increased the chances that the UN will enact sanctions against it.

It is not possible to destroy Iran's capability of developing nuclear weapons; however, it is possible to delay development.

Sanctions can be enacted, for example, on foreign investments in Iran’s energy industry. If these do not succeed in deterring Iran, some believe that there will be no choice but to use force, that is, to attack its nuclear facilities from the air in order to set back the project for a continued period of time. This may trigger an Iranian reaction that could take the shape of global terrorist attacks.

To encourage other states in the region to refrain from being prompted into an unconventional arms race as a result of Iran’s nuclearization, the idea of security **guarantees**, in which the major powers would commit to stand by these countries if threatened by Iran, could be considered.

The use of military force corresponds with a strategy of **preemption** in dealing with the threats of terror and new unconventional weapons. This strategy, adopted by the United States in the framework of the Bush Doctrine (and by Israel in its targeted killings of terrorist leaders), presents a challenge for international law. Currently, there is no jurisprudence or legal mechanism that can determine how to pass laws that would give states the tools to ensure the safety of their citizens, while at the same time placing limitations on the use of force and protecting basic human rights. At the Conference, a call was made for Israel to lead the way in empowering the legal system to deal with targeted assassinations and preemptive attacks through the creation of ad-hoc judicial mechanisms that would allow judgment for rulings on whether or not such an attack is justified.

Jurisprudence and legal mechanisms should be developed to provide a basis for the strategy of preemption.

An additional danger to Israel stems from the fact that, while continuing to fight against Islamic terror, the West is adapting to and gradually moving toward “engagement” with the “moderate” **organizations of political Islam**, such as the Muslim Brotherhood, in the hope that they will act as a counter-balance to the more radical Jihadist tendencies. These organizations gain legitimacy by projecting a pro-democratic, moderate image that will help them gain power in their countries; however, they are not required to renounce their hostility toward Israel. From this perspective, the rise of Hamas sets a dangerous precedent.

The American strategy of striving for democratization enables terrorist groups to use the tools of democracy to gain influence and power.

Other potential risks facing Israel come from the direction of **Syria**. At loggerheads with the United States, the Syrian regime is falling apart at the seams. The domestic perception of the regime’s resilience, viability and deterrent image has eroded, and it is likely to collapse even if the international community may not currently have an appetite for regime change in Syria. Some possible scenarios that are undesirable

from an Israeli perspective include: a regime based on the Muslim Brotherhood; regime disintegration and “black holes” in which terrorist groups will flourish; a threat of **terror directly from Syrian territory**; Western engagement with an alternative regime that may be no less hostile to Israel; and a Libya style “**grand deal**” between Syria and the West in which Syria will receive international rehabilitation without having to engage in a peace process with Israel.

The impact of **Iraq** as a center of regional instability and the possible American withdrawal from the country over the course of the next year were not discussed at the Conference, but these issues will undoubtedly be included on Israel’s national agenda.

From a global viewpoint, some argue that the most effective **strategy in the war against terror** and against hostility toward the West in Middle Eastern and Third World countries is **investment in scientific and technological education** in these countries. The fact that these populations are not a part of the modern scientific revolution has made them victims of poverty and the absence of democracy – conditions that provide a breeding ground for hatred of the wealthy and developed West.

Investment in scientific and technological education in Third World countries is a possible strategy in the war against terror and animosity toward the West.

In light of the threats and dangers facing Israel, questions arise regarding the degree of support the country receives from its **partners and allies** and about how to enhance their support and cooperation.

It appears that Israel’s standing in **European** public opinion and media is improving, partly due to Iran’s radicalization, the challenge of radical Islam and Europe’s disappointment with the Palestinians, and partly due to Israel’s implementation of the Disengagement Plan, which was perceived as a step toward ending the occupation. There is a new **confluence of interests** between Israel and Europe, and a new path is being forged for strategic realignment. Israel should be examining ways to take advantage of this window of opportunity: to formulate a strategy, objectives and direction for the future of its relations with Europe; to understand the significance of Europe’s growing involvement in the Israeli-Palestinian question; and to determine Israel’s stance regarding this involvement.

Israel should take advantage of the window of opportunity that has opened to improve its relations with Europe.

In focusing on these opportunities, the question arises: To what degree does NATO constitute a relevant framework for Israel? Its ties to the Alliance have recently

deepened, and there has been increased appreciation of Israel's potential for contributing to NATO. Some maintain that given the Alliance's new perceptual strategic framework regarding the war on terror, NATO should include **Israel as a member**. Others believe that the best option would be for Israel to continue working in close cooperation with NATO **without actually becoming a member**.

At the same time, there are signs of factors of deterioration that may impact **Israel's standing in the United States**. Some surmise that future support for Israel by the U.S. government and American Jews is threatened, on the one hand, by leftist anti-Zionist trends, primarily on university campuses, and on the other, by the likely shattering of the fundamentalist right's dream, which clings to the idea of a Greater Israel and perceives Israel as a religious society. Thus, Israel must act to recruit the support of secular Americans and reduce its dependence on the support of the U.S. government and American Jews. Conversely, there are those who see the Evangelical community's support of Israel as being very positive, and reject any doubts about its benefits.

All agree that Israel must invest in strengthening its relationships with the American government, the general public and the Jewish communities, while putting an emphasis on educating the younger generation. Steps must also be taken to improve Israel's image in the eyes of the American public, which tends to see Israel as an extremist militaristic society identified with conflict and religion.

The process of globalization is eroding traditional patterns of **Jewish solidarity and identity**, while at the same time religious sentiment is diminishing. The strengthening of Jewish culture could generate a possible alternative foundation for the development of Jewish affinity. However, the study and education of Judaism as culture has been neglected until now, despite the wealth and scope of Jewish creative works. New initiatives, such as the "Anthology of Jewish Culture and Civilization," which examines the full range of Jewish works, contribute to the strengthening of Jewish affinity and identity beyond rituals and religious content.

Strengthening Jewish culture could generate a possible alternative foundation for the development of Jewish affinity.

The **objective** quantitative **indices** of national resilience show that:

- The **improvement** in Israel's **economic** situation continued throughout 2004 and even appears to have increased in 2005: foreign investors have returned to Israel; the unemployment rate has gone down, though it remains high; and there has been an increase in the per capita income and a decrease in the public debt.

- At the same time, the social situation in Israel continues to decline. In comparison with Europe and other developed countries, Israel shows negative trends with regard to poverty, inequality, chronic unemployment and human development.
- The governmental-political indices also show a continued decline, and Israel's international image with regard to issues such as political stability, upholding of the law and monitoring of corruption is cause for concern.

The **subjective** indices of national resilience reveal that the public's fear of terror continues to decrease gradually, and the level of national optimism remains stable. Thus, the efforts of terrorist organizations to damage the morale and spirit of Israeli society have not succeeded. However, the public's trust in state institutions continues to decline.

In the first survey of its kind, an analysis was carried out of **Israeli patriotic affinity** and its various dimensions (willingness to sacrifice, rootedness, national pride and attitudes toward symbols). The survey showed a diminution in patriotism among the younger generation and alienation among those earning lower incomes. Although Israelis' willingness to fight to protect their country was higher than that found in other countries, their pride in their country is relatively low, especially regarding the functioning of democracy and the social welfare system in Israel.

Long-term planning is required for the strengthening of **Israel's social and governmental resilience**, alongside programs for economic recovery. The state of the patriotic context – identification with the country (“the patriotic spirit”) – necessitates measures in the field of education to prevent potential risks to Israel's internal strength.

Indeed, the results produced by the Israeli **education** system are far from satisfactory. Statistics show that 40 percent of Israeli students demonstrate substandard performance characteristic of some developing nations. In addition to the harm this will cause to future economic growth, these gaps also damage social cohesion and national resilience. Since Israel's investment in education relative to GDP is one of the highest in the world, changes must be made to the education system's organization and allocation of resources. Among other things, teachers' status must be improved, decision-making authority should be delegated to a larger

The decline in the social and governmental dimensions and in patriotism among the younger generation requires long-term planning for the strengthening of Israel's social and governmental resilience.

In order to improve the results produced by the education system, teachers' status must be improved, and the roles of the principal and the parent must be enhanced.

extent to the principal's level, and the role of the parent in the educational process should be enhanced.

To restore the public's **trust in political institutions** and the democratic regime, the severe problem of corruption, which also pervades the top levels of leadership, must be dealt with. In this context:

- Some assert that reforms are required to end the involvement of the Knesset in lifting the procedural immunity of members of Knesset whom the prosecution seeks to indict.
- Others maintain that the need for politicians to raise funds in order to be elected to the Knesset should be minimized -- for example, by slapping a total prohibition on spending in internal party elections.

The Israeli **economy** has been functioning for years as a dual economy, in which the elite technological sectors are growing rapidly, while the traditional industries, from which most of the labor force earns its livelihood, are growing exceptionally slowly. If the Israeli economy continues along this path, with a growth rate of 4 percent, the burden on the entire population will become heavier, the income gap between the two economies will widen and inequality will grow.

The narrowing of these gaps in the long term requires an **annual growth rate of 6 percent** in GDP. To achieve this, the **market investments must increase** from \$21 billion to \$31 billion within three years. The establishment of a committee to encourage investment, which would include representatives from the private sector and investors, should therefore be considered; this committee would examine possible courses of action such as increasing grants, cutting taxes and recognizing accelerated amortization. Increased investment is likely to result in higher productivity rates among workers in the traditional industries, which will, in turn, lead to a rise in their income. The risk of higher unemployment as a result of increased efficiency can be neutralized by stopping the employment of foreign workers.

Market investments and production in the traditional sectors must be increased in order to promote growth.

In addition to narrowing the socio-economic gaps by increasing investment, the problem of the working poor must be dealt with urgently, keeping in mind the fact that poverty affects 22 percent of families with one wage earner. Therefore:

- Efforts should be made to remove existing obstacles - in professional training, child care and transportation - and toward integration in the job market.
- Work should carry with it benefits, either through instituting negative income tax or raising the minimum wage.

The Israeli government must navigate its way through the risks, opportunities and threats that stand before the country. This requires the ability to prioritize and distinguish levels of risk and degrees of urgency in an environment of uncertainty.

This reality calls for thinking in terms of risk management. The foundations of risk management are currently being applied in the field of security; however, there is still a lack of a sophisticated methodology for managing risk on various levels of national security policy. Applying the tools derived from this approach could provide policy planners with a comparative and systematic outlook on security threats and dangers of various types and origins, thereby allowing for the formation of a coherent and inclusive policy for dealing with risks and opportunities.

The removal of obstacles to integration in the work force, the institution of negative income tax and the raising of the minimum wage are possible ways to reduce poverty among the employed.

Strategic and Political Challenges for Israel

General Points

In 2006, Israel finds itself – according to the assessment of senior members of its defense establishment – in one of the best strategic situations the country has ever known. It faces no existential threat, and its strength stems from its deterrent capabilities, the improvement in its international standing as a result of the disengagement, the dominance of the United States in the Middle East and that country's support for Israel, the absence of the potential for an Arab coalition against Israel, and the strength of Israel's peace agreements with Egypt and Jordan. The year 2006 will be characterized by the **development of strategic alternatives**, among which the choice will be made in the coming years.

The year 2006 will be characterized by the development of strategic alternatives.

Nonetheless, **fundamental strategic threats** are looming on the horizon. Calling for the destruction of Israel, the Iranian government is developing military nuclear capabilities; training, supplying and financing terror against Israel; and moving closer to Israel's borders by way of Syria and Lebanon. This compels Israel to develop the ability to protect itself in every possible way. Iranian nuclear capability poses a relatively long-term threat, whereas the threat of terror, in its three tiers, is immediate: global terror (Al-Qaeda and "global Jihad") is gradually making its way closer to Israel; regional terror (Hezbollah) continues to threaten Israel; and Palestinian terror (Hamas, Islamic Jihad and the Al-Aqsa Martyrs' Brigades) has the potential for escalation and the outbreak of another round of violence.

On the positive side is the fact that the two leading countries in the hostility and terror against Israel – Iran and Syria – have reduced themselves to rogue states against which an international consensus has developed. However, the continued **deterioration** of the **Syrian regime**, which is on a collision course toward a confrontation with the United States, holds potential risks for Israel, including: an alternate regime based on radical Islamic factions; Western legitimization of an alternate regime that may be no less hostile to Israel; and the threat of terror directly from Syrian territory, be it with the support of the current failing regime or following its disintegration. Furthermore, the continuing crisis in **Iraq** and the possible American withdrawal from that country also pose potential risks for Israel.

The deterioration of the Syrian regime holds potential risks for Israel.

Beyond these considerations, the Hamas victories in the Palestinian elections (first the municipal elections and then those for parliament) and the subsequent closing of

the window of opportunity for an agreed Israeli-Palestinian political settlement place a complex political strategic challenge on Israel's national agenda for the year 2006.

Israel and the Palestinian Challenge

Israel's maneuvering ability on the Palestinian issue is limited. The small, weak and divided Palestinian entity is dependent on Israel, and the world sees Israel as responsible for the establishment and vitality of a Palestinian state. The international community also demands that Israel put an end to the conflict swiftly, partly because an apparent formula exists for the resolution of the conflict: the Clinton parameters, which are considered by most world leaders as the optimal balancing point between Israel and the Palestinians. Other reasons behind this expectation are: the fact that the conflict costs the international community vast financial resources; the fact that the continuation of the conflict serves the interests of radical factions and is used as an excuse for global terror; and the impossibility of continuing to keep three million Palestinians under occupation.

The world sees Israel as responsible for the establishment of a Palestinian state, and demands an end to the occupation as soon as possible.

Even before Hamas' rise to power, there were signs of a **dead end** in the process that was intended to lead to a settlement, given the fact that Israel's approach to the process stood opposed to that of the Palestinians. Israel demanded, according to the Road Map, that the Palestinians dismantle terrorist organizations as a precondition to negotiations on a possible agreement, whereas the Palestinians claim they are unable to solve security problems in the absence of a political agreement that would include a clear timetable for Israeli withdrawals from territories, as well as full Palestinian independence.

Dilemmas and Alternatives

Given this dead end, three different Israeli positions were presented, deriving from various perceptions regarding the **existence of a credible Palestinian interlocutor**:

- Those who maintain that a partner likely to follow through on promises and commitments exists advocate an immediate return to final status negotiations – the Oslo approach.
- Those who doubt the ability of the Palestinian Authority or of PA Chairman Mahmoud Abbas (Abu Mazen) to act as an interlocutor claim that no final status talks should take place until the security requirements outlined in the first stage of the Road Map are fulfilled.

- Those who believe that the chances of finding an interlocutor in the foreseeable future are nil conclude that an agreement is unattainable, that expectations of the Palestinians fulfilling the Road Map's security requirements are misplaced, and that because of this a unilateral approach should be taken.

Alongside the dilemma between the bilateral and unilateral approaches is a dilemma concerning the contradiction between the two **main objectives** of the State of Israel:

- The need to protect the physical existence of the Jews in the land of Israel, from which prioritization of security concerns is derived.
- The desire for a Jewish and democratic state, which requires a Jewish majority, along with concessions of parts of the Land of Israel and the creation of a Palestinian state.

This dilemma also influences the approaches regarding the urgency of a settlement, be it through negotiations or through unilateral action.

The **time factor** is working against the fulfillment of the second objective, because of demographic processes and also because the narrative of Israel as a Jewish state is gradually losing support in the global community and the idea of a two-state solution is slowly being replaced by the notion of a binational state. Thus, the establishment of Palestinian state in the shortest time possible is in the interest of anyone who envisions Israel as a Jewish and democratic state enjoying broad international legitimacy. The establishment of a Palestinian state would also remove the responsibility of Israel for solving the **Palestinian refugee** problem: on this issue, a broad consensus exists among Israeli policy makers that the future Palestinian state would take it upon itself to find a solution to the refugee problem, and that no other solution based on a return to Israel, even if it were only partial, is viable.

The time factor is working against the fulfillment of the objective of Israel as a Jewish and democratic state as well as against the notion of a two-state solution.

There is broad support in Israel for the notion of two states for two peoples, however, there are differences of opinion regarding how to realize this notion. In the Herzliya Address, the Acting Prime Minister asserted that the existence of two nations, one Jewish and one Palestinian, is the full solution to all the national aspirations and problems of each of the peoples, including the issue of refugees, who will be absorbed solely in a Palestinian state. He also stated that the permanent borders of the State of Israel should be determined in such a way to assure the country a Jewish majority. Such a majority cannot exist if Israel continues to rule over the Palestinian population in Judea and Samaria. The determination of

There is a consensus in Israel that the establishment of a Palestinian state constitutes a solution to the Palestinian refugee problem.

permanent borders, he said, is the most important step for Israel to take. These borders must reflect the demographic reality on the ground and include Israeli sovereignty over the security zones, the Jewish settlements and a united Jerusalem.

The only way to establish two nation-states, according to the Acting Prime Minister, is through the implementation of the Road Map, according to which the Palestinians can receive national independence in a state with temporary borders in exchange for the abandonment of the path of terror, leaving all the complex issues connected to a final agreement to be resolved later during negotiations between the two countries. Israel will fulfill all the obligations it took upon itself in the framework of the Road Map. Israel prefers a negotiated agreement to further unilateral action; however, if the Palestinians do not uphold their commitments as outlined in the Road Map, Israel will preserve its interests in **any way necessary** (thereby hinting at future possible unilateral action).¹

Another approach, expressed by the Chairman of the Likud Party, rejects the idea that demography should be the most important consideration in determining permanent borders. The central question is whether to create secure boundaries or return to the 1967 lines, and the decision facing Israel is the **determination of secure borders**, which should include the Jordan Valley, Greater Jerusalem and the areas in the West Bank that constitute the strategic core of Israel.

According to this approach, negotiations should be sought only with a Palestinian partner that denounces terror and makes efforts to fight it. These negotiations should be carried out on the basis of the principle of reciprocity. Even without a Palestinian partner, unilateral action without compensation should be rejected, as it only encourages terror, strengthens Hamas and weakens Palestinian actors who are interested in pursuing negotiations. Swift action should be taken to fortify Israel's borders and protect its strategic assets, while striving to separate between the Israeli and Palestinian populations, minimize roadblocks and enable more freedom of movement for the Palestinians, and prevent a return to control over Palestinian population centers.

A Jewish majority in Israel cannot exist if Israel continues to rule over the Palestinian population in Judea and Samaria.

¹ Olmert unveiled his "convergence plan: several weeks after the Conference.

A third approach, expressed by the Chairman of the Labor Party, seeks an end to the conflict and separation from the Palestinians by way of a **just peace** between two states for two peoples, in which the existence of one does not endanger the other. The goal is to reach an agreement through direct negotiations by the end of the decade. According to this approach, negotiations should not be pursued with an organization that calls for the destruction of Israel; however, getting mired in a political stalemate should be avoided. In the absence of a negotiating partner, Israel must move toward physical, political and security separation while continuing to strive for peace.

According to this approach, the need to complete the security fence (which has also become a consensus among Israeli policy makers) should be done according to criteria acceptable to the defense establishment and the legal system. Large settlement blocs should remain a part of Israel, and Jerusalem's borders should be determined in a way that will ensure a Jewish majority and character, security and international recognition. Israel should refrain from annexing the nearly a quarter of a million Palestinians who live in the Jerusalem area and enjoy the status of city residents.

In the wide spectrum of opinions ranging from support of Israeli unilateralism to espousal of reciprocity, it appears that the Israeli political center is moving toward **unilateralism**. This comes partly as a result of the consensus that has formed determining that the current Palestinian leadership is not likely to serve as a partner nor is it likely to fulfill commitments as part of an agreement; thus, to preserve its security and borders, Israel must act unilaterally. The approach espousing **unilateral withdrawals** has clear advantages:

- It frees responsibility for the future of Israel from the hands of the Palestinians.
- It allows Israel to preserve its security and demographic interests.
- Israel's withdrawal from occupied territories improves its moral standing in the eyes of the international community.

However, this approach also holds disadvantages:

- It perpetuates the Palestinians' perception of themselves as victims who are not responsible for their actions and who are incapable of determining their own future.

- If a Palestinian state is established after a renewal of terror, it will lend justification to the claim that terrorism pays off, because it leads to Israeli withdrawals.

Thus, given the possibility that the sense of security felt by Israelis provided by the security fence will lead them to cease striving for a peace agreement, thus burying that option, Israel should plan its unilateral actions to **keep alive the possibility** of returning to the reciprocity model and final status negotiations in the future. Another possibility is that the United States would apply pressure on the Palestinian Authority to actively fight terror, while at the same time encouraging Israel to carry out any unilateral steps in a way that causes no harm to the PA and to the chances of reaching a negotiated settlement. This assumes that the Palestinian leadership has an interest in keeping this option open as well. However, in light of the victory of the Hamas, which does not seem to share this interest, this scenario becomes impractical.

Unilateral steps should be carried out in a way that causes no harm to the chances of reaching a negotiated settlement in the future.

The Rise of Hamas: Will it Lead to the Organization's Moderation?

The rise of Hamas in the Palestinian Authority is a major strategic challenge for Israel, with ramifications for the entire region. By using its organizational capabilities and its ability to control local and national governing bodies, Hamas will educate youth to hate Israel and will channel funds to finance terror. Similar to Hezbollah in Lebanon, even when Hamas becomes part of the government, **it will neither surrender its weapons** nor disavow its terrorist activity. This is because it is, in fact, not required to do so; before the signing of the Oslo Accords in 1993, the PLO was required to renounce terror, as well as to recognize UN Security Council Resolution 242 and Israel's right to exist, as a precondition to legitimacy in the eyes of the United States and Israel. Hamas, on the other hand, was permitted by the world to participate in a political democratic process without being required to fulfill any of these demands. Paradoxically, the reforms and democratization process that the U.S. has been leading in the Palestinian Authority since June 2002, which were intended to cleanse the PA of terror, have now brought the terrorist leaders to power.

The world failed by not requiring that Hamas recognize Israel as a precondition to its taking part in elections.

The very processes that were intended to cleanse the Palestinian Authority of terror have now brought the terrorist leaders to power.

Some have claimed, most notably adherents of "Democratization Now" in the U.S. administration, that Hamas will become more **moderate** following its participation in a political process and democratic elections. Indeed, there are examples of non-democratic and violent movements whose participation in democratic processes

compelled them to become moderate so that they could attract voters and provide them with practical results. However, history teaches that for an extremist organization to become more moderate during its integration in democratic processes, three conditions must be present:

- A strong political system must exist into which the organization can integrate.
- The political balance of power should be against the organization and demand that it play by the moderates' rules.
- The time period must be long enough to allow for a process of adjustment.

These three conditions do not currently exist in the Palestinian arena. Furthermore, because Hamas does not have its own religious authority, it is influenced ideologically by Egyptian and Saudi spiritual leaders, who are not necessarily attentive to the feelings of the Palestinian voters; nor are the members of Hamas's foreign leadership. In any case, Hamas rose to power without having to change its status.

A Palestinian State with Temporary Borders, to be Established by Unilateral Israeli Recognition

In light of the situation in the Palestinian Authority, the alternative of a Palestinian state with temporary borders was suggested in 2005, to be recognized at first unilaterally by Israel and then, over time, to receive international legitimacy. According to phase 2 of the Road Map, a Palestinian state with temporary borders was meant to be established as part of an agreement between the two sides. For Israel, such a state would hold important advantages:

- The lessening of the threat of a bi-national state, a process that has already begun with the Gaza disengagement.
- Division of the final status agreement – Israel would negotiate a series of agreements with a Palestinian state with temporary borders, each of which would constitute a section of the final agreement, rather than entering into negotiations for an entire package, that is, an all-or-nothing option.
- A reduction of the refugee problem – for example, by transferring the responsibilities of UNRWA to the Palestinian government, or by opening a direct channel for compensation of refugees' property claims.
- The potential of support from the Israeli political system.

At the same time, however, there are disadvantages to a Palestinian state with temporary borders: The state would be granted sovereignty rights in accordance to international law; the IDF's freedom of movement in the territories would be limited; and the establishment of such a state would not bring closure to the conflict or to the Palestinians' claims against Israel.

Given the Palestinian Authority/Fatah's opposition to this idea, which stems from a fear that a state with temporary borders would negatively influence the shaping of a final status agreement, an alternative suggestion was raised: the establishment of a Palestinian state with temporary borders to be recognized unilaterally by Israel, and later by the United States, as part of a general process of the transfer of powers, responsibilities and territories to the PA, which would receive international legitimacy. However, this scenario is very unlikely to occur if the PA was governed by Hamas, whose power would thereby be reinforced.

The rise of Hamas makes the possibility of the establishment of a Palestinian state with temporary borders even more difficult.

Considerations in the Determination of Borders

Negotiations for a final status agreement seem farther away than ever, but one of the central issues – the question of borders - is very pertinent now, as intentions for unilateral steps toward separation and permanent border determination are being discussed. The same guidelines that Israel would follow in the framework of negotiations should be applied to the determination of unilateral separation lines.

One method for demarcating the border is based on the **geographic approach**, which identifies three basic possibilities:

- Demarcation along the Green Line, with only minor adjustments.
- Demarcation along the Green Line, but with adjustments to include settlement blocs that are not on the Israeli side of the Green Line and to transfer unpopulated territories from Israel to the territory of the Palestinian state.
- The drawing of an entirely new border, which will reflect geographic and demographic realities, so that in addition to including Jewish settlement blocs in Israeli territory, settlements with Israeli Arab populations will be included in the territory of the future Palestinian state.

Land swaps of unpopulated territories and swaps of populated lands, in accordance with demographic considerations, could be carried out bilaterally, between Israel and the Palestinian state. Some suggest, for example, transferring the areas of Umm-

al Fahm and the Triangle (northwest of the Green Line) to the sovereignty of the Palestinian state, a proposal that has given rise to controversy.

Representatives of the Arab Israeli population strongly object to any proposal to transfer Arab Israeli areas to Palestinian sovereignty. They reject the treatment of the Arab citizens of Israel as a “demographic problem” or as “conditional” citizens who will soon be moved to another country, and demand recognition as a **national collective enjoying equal rights**, a national minority in a “state for all its nationalities.” They seek to integrate into Israel on the basis of faith and respect – not assimilation or separatism but recognition on an equal basis.

Some, however, claim that even if a final status agreement based on the establishment of two states between the Jordan River and the Mediterranean Sea were to be reached, it is doubtful that this agreement would be **stable and viable** in light of the demographic reality: this area is presently populated by 11 million people; in the year 2020, this number will reach an estimated 16 million, and in the year 2050, 30 million. The area from Be'er Sheva up to Israel's northern border, including the Gaza Strip and the West Bank, is the most densely populated in the world. Because of the shortage of territory relative to the size of the area's population, some propose **multilateral land swaps** that would be carried out in the framework of a general Israeli-Arab agreement to include Egypt, Jordan and Syria.

Given the population density in the territory between the Jordan and the sea, the idea of multilateral land swaps should be examined.

Another approach to the demarcation of permanent borders, while not ignoring demographic, political and historical considerations, emphasizes the need for **defensible borders** as an Israeli objective. According to this approach, Israel's strategic outlook cannot be based on an evaluation of the current situation, whose circumstances were created as a result of the 2003 Iraq War. Rather, it should take into consideration situations of uncertainty and possible changes in regional stability in general, and in the stability of the regimes of Israel's neighbors in particular.

Israel's right to defensible borders is anchored in international diplomacy.

From this perspective, the 1967 borders are not defensible for Israel, as an adequate defense allows for sufficient **depth** to enable the deployment of defensive forces and to preserve a suitable distance between the front and the country's strategic interior. Within the 1967 lines, Israel does not possess this depth, and most of its national infrastructures are vulnerable to hostile fire from military forces deployed along the adjacent West Bank hill terrain, which serves as an ideal platform of attack for regional military forces. The **security fence** cannot become a future eastern border

Israel cannot defend itself within the 1967 lines, and must strive for defensible borders.

for Israel: While it can neutralize the threat of infiltration by suicide bombers, it does not affect the threat from long-range sniper fire, high-trajectory weapons, or shoulder-fired anti-aircraft missiles that could pose a threat to commercial aviation.

Defensible borders must include:

- Control of the **Jordan Valley** as a buffer zone both to hold off conventional attacks and to prevent terror infiltration, and as a buffer against smuggling of weapons into the West Bank.
- Broadening the narrow corridor connecting Jerusalem with Tel Aviv, as well as establishing a defensive perimeter protecting Israel's capital from the east.
- Shifting Israel's boundary eastward so that militarily vital territory does not end up under Palestinian control (e.g., the hills overlooking Ben-Gurion International Airport and areas adjacent to Israel's former narrow waist along the coastal plain between Tel Aviv and Netanya).

According to this approach, Israel's **right** to have defensible borders and not to withdraw from all the territories captured in 1967 is enshrined in UN Security Council Resolution 242 and in President Bush's letter to Prime Minister Ariel Sharon dated April 14, 2004.

Alternatives for a Settlement in Jerusalem

The question of the future of Jerusalem's **Historic Basin** –also one of the core issues of a final status agreement - is less pressing than the issue of borders, but is nevertheless the subject of much public discussion. Choosing the best option for Israel from the range of existing alternatives is not a simple task, as any decision involves a number of considerations, making it difficult to reach a single conclusion.

The main considerations are:

- The scope and degree of control in the Historic Basin that would be given to Israel.
- The likelihood that the parties will reach an agreed settlement on the basis of a given alternative.
- The likelihood of the success of a given arrangement, which would depend on the number of parties involved in managing the basin, the clarity and simplicity of the arrangement, and the administration of the basin as one territorial entity.

There is no one alternative that will grant Israel control over the Historical Basin and that will be accepted by the Palestinians and the international community.

An analysis of the main alternatives for the Historic Basin according to these considerations yields **no one alternative** that is clearly preferable over the others:

- Full **Israeli sovereignty** and control over the Historic Basin, while granting the Arab population a degree of autonomy and/or granting special status to Muslim and Christian holy places. The obvious advantage to this option is that it gives Israel full control over the basin. On the other hand, the Palestinians and the international community are not likely to agree to such a solution.
- Full **Palestinian sovereignty** and control over the Historic Basin, while granting the Jewish population autonomy and awarding special status to Jewish holy places. This solution is likely to be rejected by Israel.
- Territorial **division** of the basin between the **two sides**, with international supervision to help monitor and settle disputes. The advantage to this alternative is that it is relatively likely to be accepted by the two sides; however, the downside is that the basin will not be administered as one territorial entity.
- **Joint management** of the basin and a distribution of powers between Israel and the Palestinians, with international backing. Although it is possible that the two sides would agree to such an arrangement, the multitude of actors that would be involved in managing the basin and of disputes that would surely arise make it unlikely that this arrangement would ultimately succeed. Furthermore, it grants Israel only relatively limited control over the basin.
- Administration of the Historic Basin by an **international body**, which could delegate authority to both Israel and the Palestinians in certain aspects. This alternative, which gives Israel limited control of the basin, has a low chance of success, given the large number of actors involved in managing the area.

Jerusalem's Social and Economic Situation and Strategies for its Improvement

In addition to examining the various alternatives for Jerusalem's Historic Basin, the discussion on the city's decline and on the gap between the actual Jerusalem and the visionary Jerusalem must be expanded. **At present there is not a Zionist majority in Jerusalem.** The demographic gap, which is mainly caused by the emigration of the Jewish population, is widening. Over the last 20 years, Jerusalem lost more than 100,000 of its Jewish residents to emigration, mainly of economically established families and young people. Estimates show that if this trend continues, in 2020, the Jewish majority will decrease to 61 percent and in 2035, Jerusalem will lose its Jewish majority. This projection is cause for worry, especially in consideration of the fact that the Israeli government's objective was to maintain a Jewish majority of at least 70 percent.

Among the reasons for Jewish emigration are the lack of employment opportunities, the lower standard of living and the high cost of living in the western areas of the capital. Among the reasons for Arab immigration to East Jerusalem and the Old City is the higher standard of living in East Jerusalem compared to the rest of the territories under the control of the Palestinian Authority.

Objective data and surveys show that Jerusalem's resilience as a capital city has declined severely over the past decade, in a number of areas:

- Indicators of workforce participation and the level of per capita income are lower in Jerusalem than in other cities, and the rate of employment in the public sector, where earnings are generally low, is disproportionately large compared to other cities.
- In recent years, Jerusalem has become the poorest among Israel's major cities. An index measuring Jerusalem's economic decline showed a drop of 40 points, with more than half of the city's children considered poor.
- The feeling of personal security in the city has been damaged: one out of every six Israelis considers the capital a dangerous place to visit, and the city suffers from a continuing decrease in tourism.
- Jerusalem is perceived by two out of every three Israelis as an increasingly ultra-Orthodox city.

It is likely than some of these perceptions, particularly those regarding the image of the city as increasingly elderly and ultra-Orthodox, are based more on myth than on reality. However, even when misguided, public perception influences the desire to immigrate to and visit the capital, thus affecting the city's future economic situation.

Despite the importance of this topic, the government of Israel has yet to formulate a strategic vision regarding the **desired character** of the capital, from which concrete policies could be derived for economic activity, local government, higher education and the city's cultural institutions. Perceptions of the nature of a capital city differ, as for example, between the United States, which sees its capital mainly as the center of government, and Britain, which sees its capital as principally an economic center.

The formulation of a strategy would allow for the clear definition of **priorities** and for the selection of necessary national reforms. In this context, Jerusalem's relative advantages should be utilized; these include its centrality to the Jewish world, its

Jerusalem's resilience is declining in a number of dimensions, most notably the demographic dimension.

The government of Israel should formulate a strategic vision regarding the desired character of its capital, from which the necessary strategies and policies should be derived.

tourist attractions and its role as a religious, cultural, medical and academic center. Utilization of these advantages is a parameter for the examination of the necessity and efficiency of the various options that stand before decision-makers. Among these options are:

- A new demarcation of the city's borders from east and west.
- Decentralization of power by way of an internal division of the city into quarters.
- Formulation of a general development plan for Jerusalem's metropolis.
- Greater incentives for students as a resource for future growth.
- Investment in "soft industries" and support for the development of employment clusters.

The main objective is to prevent the cyclical process of the "immigration trap": as the standard of living drops and Jerusalem's economy becomes less competitive, the middle class leaves the city, which in turn becomes poorer. The city's ability to serve its residents is thus impaired, and the cycle repeats itself.

The Future of the Galilee

The Israeli public and its leaders have many expectations regarding the future of the Galilee, but the **gap** between the **vision** and **actual investment** in development of the area is great. To realize these expectations, a national strategy is needed, as well as an examination of ways to advance the area, detailed economic, educational and urban planning, and adequate budgeting.

A national strategy is required for the Galilee in order to allocate resources and identify clear objectives.

Some claim that in recent years, priority has been given to **development of villages** in such a way that weakens the cities, as this leads to a decrease in the number of city dwellers and affects the quality of services given to them. The villages attract wealthier populations that sometimes live in the area only part-time. An inclusive and balanced view of the relationship between city and village, which integrates the strengths and weaknesses of each population, is likely to bring about a more positive internal synergy.

The Ministry for the Development of the Negev and Galilee is trying to promote planning for the northern part of Israel, similar to the "Daroma" strategy, through which the Negev received significant investments of both effort and financial resources. However, the differences between the two areas must be taken into

account, as the Galilee requires a different sort of planning. For example, the number of municipalities in the Galilee is five times greater than in the Negev (approximately 100 in the Galilee as opposed to 20 in the Negev). This makes it difficult to formulate and present common objectives that would contribute to the building of an effective Galilee lobby. Another of the Galilee's unique characteristics is the **diversity of ethnic groups** living in the area: the number of such groups is, relative to the size of the territory, among the highest in the world.

A number of **engines for growth** can be identified, which, if utilized correctly and efficiently, are likely to advance the region while using a relatively small amount of resources. They include the following:

- The ethnic diversity could be highlighted to encourage regional tourism, whose profits could then be used for the benefit of the area's weaker populations. Although efforts have been made to encourage local tourism initiatives, with a focus on the Druze to increase ethnic tourism, the region's full potential for local and international tourism has not been exploited.
- The formation of a strategy for the region's **educational** development is likely to attract new people to the Galilee and enrich the existing population. Although the establishment of a university in the Galilee would make a significant contribution, no government decision has been made on the subject. Six academic colleges with separate administrations currently operate in the Galilee, and there is no certainty that a future academic institution would create a critical mass, academically and intellectually, that would lead toward development of the region.
- Encouraging **investment in advanced technologies** – While some technology companies chose to build offices and factories in northern Israel, some claim that the generous tax exemptions given by the state to high-tech start-up companies do not encourage them to focus their activities in the peripheral areas.

The Galilee possesses engines of growth in the fields of education, tourism and technology which have not been fully exploited.

The impending ceasing of regular flights to Kiryat Shmona, combined with the delays in the construction of the northern section of Highway 6, makes investing in the region less attractive. While obstacles such as these do not prevent investment, they do make maximum utilization of the area's assets difficult, as well as harm its unique landscape and high quality of life. The removal of these obstacles is likely to advance the region, which currently falls **below the national average** in nearly every parameter (standard of living, education, employment and income).

Jews make up less than half of the Galilee's population, mainly as a result of the difference in birth rates. The most recent initiative to encourage settlement in the Galilee garnered much interest but was ultimately unsuccessful, perhaps because of the lack of vocational benefits offered. Against this background, some warn that insufficient development of the region is liable to bring about the de facto implementation in practice of the Partition Plan of 1947 and to the creation of a contiguous connection from Lebanon through the Galilee to Judea and Samaria. This is not in the interest of the Jewish population, seeking to live in its national home, nor is it in the interest of the Arab population, or at least most of it, which is seeking advancement and employment opportunities. The way to integrate these interests is by guaranteeing the **prosperity of both populations**.

Negligence of the Galilee is liable to bring about the de facto implementation of the 1947 Partition Plan; development of the region is likely to prevent the widening of the gap between Arabs and Jews and will serve both groups' interests and goals.

The two principal models for the structure of future Arab-Israeli relations in the Galilee are:

- The present model, which strives for “**separate coexistence**,” has been prevalent since the establishment of the state. It is based on the belief that resources should be invested in the development of the entire region while, at the same time, preserving the separation between the lives of the Arab public and the Jewish public. Proponents of this model would not encourage the establishment of bi-national settlements, for example, in an effort to preserve the unique characteristics of each group.
- An alternative model, which strives toward “**common living**”, aims for integration in every area of life, based on the idea that this integration will lead to equality between the two populations. Those who support this model would be in favor of the establishment of common Arab-Jewish academic colleges, for example, to bring the two groups closer and encourage their similarities.

The Nuclearization of Iran and its Implications

The military nuclearization of Iran holds a wide range of negative implications:

- Iran's nuclear umbrella greatly intensifies its threat to Israel, its influence in Iraq and Lebanon, its influence in the Gulf and its support of terror.
- Under this umbrella, the chances of a conventional war become likelier.
- Iran is liable to use the nuclear threat to pressure its neighbors and other countries in the region to accept policies that may counter their own interests, particularly in the areas of oil production and relations with the United States

and Israel. Iran may even use nuclear weapons against its neighbors, although this is unlikely unless Iran is attacked.

- Iran is liable to provide nuclear weapons, materials or know-how to other states and terrorist organizations.
- Other states in the region, such as Egypt, Saudi Arabia or Turkey, may begin to act to acquire nuclear, biological or chemical weapons, whether out of fear or for reasons of national prestige.
- The Non-Proliferation Treaty would receive a major blow.

It is highly unlikely that Israel could accept a situation in which Iran, with its present regime, would possess nuclear weapons and the means to launch them. It is difficult to trust a regime whose rationale is tethered to religious principles, and certainly not a regime that openly announces its intentions to erase Israel from the map. The question is whether it is **possible to prevent** Iran from acquiring nuclear weapons, or alternatively, whether it is possible to significantly delay the pace of development, and **how** this can be done.

As in the case of Iraq, it is impossible to completely destroy Tehran's capability of developing nuclear weapons **without occupying** Iran. This is unlikely to actually occur unless it is in reaction to Iran's use of nuclear weapons, as a means of preventing an actual and immediate Iranian intention to attack using nuclear weapons, or in reaction to a major military attack from Iran. It is important that Iran take into account that the international community will indeed act in any of these extreme scenarios. At the same time, it is possible to significantly delay development and make it more difficult for Iran through the use of diplomatic means and sanctions.

The negotiations of the past two and a half years between the EU-3 and Iran represented the first time that Europe has taken upon itself a global security issue, and it put the strategy of "effective multilateralism," which was conceived as the European defense strategy in 2003, to the test. The goal of persuading Iran to show the world that it has stopped developing nuclear weapons was obviously not achieved, but the process had some positive results:

- The two-year suspension prevented continued progress on the Iranian nuclear project.

It is impossible to absolutely prevent Iran from developing nuclear weapons without occupying the country, but it is possible to delay development by way of diplomacy and sanctions.

The negotiations between Europe and Iran delayed the Iranian nuclear project and contributed to the building of an international coalition against Iran.

- It gave a more comprehensive picture of the Iranian nuclear program. Evidence was gathered that allowed EU inspectors better knowledge of what to ask and how to build the case against Iran.
- The fact that a great deal of information on the project came from the activities of the International Atomic Energy Agency, which is a UN body, contributed to the building of an international coalition against Iran. As opposed to the Iraqi case, this represents a conflict between Iran and the rest of the world. Building multilateral consensus is indispensable. The reference to the Security Council must be backed up with sufficient evidence to take action.
- During the negotiation period, the West managed to shut down the Libyan nuclear program and to cause the collapse of Pakistani nuclear scientist Abd al-Qadir Khan's network, thereby making things more difficult for Iran.
- The cooperation between China and Russia and Iran has been reduced, and Russia has now admitted that Iran's goal is military nuclear capability.

The **Security Council** should now become involved, as it possesses a number of effective tools for leverage against Iran. In the first stage, limitations could be placed on Iranian students living abroad and on Iranian participation in cultural and sporting events; Iran could be suspended from participation in UN bodies, and trade sanctions and limitations on freedom of movement around the world could be enacted. It should be taken into account that Iran's largest industry is the export of oil and gas, and that without foreign investment, its oil industry will decline and its gas industry will simply disappear. Moreover, Iran's import of oil distillates constitutes 40 percent of its consumption. Thus, Iran cannot function as an autarky, and diplomatic isolation would cost it heavily. It should also be taken into account that President Ahmadinejad does not represent all of Iran. Sanctions can also be enacted against **states that provide help to Iran.**

The obstinacy of the Iranian regime and the pride of the Iranian public are liable to motivate Iran to continue determinedly with its nuclear project, despite sanctions. Therefore, the time frame for the project's completion, as well as for the expiration of sanctions and diplomatic efforts, should be examined. If no sanctions are enacted, Iran is likely to be able to produce a bomb in a matter of years. It is almost certain that Iran will have the ability to continue the project **completely independently in one year.**

The Security Council possesses a number of effective tools for leverage against Iran.

If no sanctions are enacted, Iran will be able to produce a bomb in a matter of years, and possess the ability for independent development in one year.

According to this assessment, the diplomatic route should be pursued for a short time, and if these efforts fail, economic and diplomatic sanctions should be enacted. If these are also unsuccessful, the use of force should be considered in order to cause a delay of several years in the project's advancement. This should be considered while weighing the **expected cost** of the use of military force, a price that includes, of course, Iranian-backed global **terror**.

In discussing the use of force, it is not realistic to speak in terms of occupying Iran, but rather in terms of an air strike against existing facilities. Some have opined that a regime change in Iran via a revolution by young liberals is about to take place, and thus the use of military force should be delayed, but this does not appear likely to occur in the near future.

The enactment of sanctions against Iran would also deter other countries in the **Middle East** that might be prompted to follow in Iran's footsteps and break the non-proliferation regime. Additionally, the idea of security **guarantees** to countries such as Iraq and Saudi Arabia should be considered, pledging that if these countries continue to comply with the NPT, the major powers would commit to stand by them if threatened by Iranian nuclear weapons.

From Deterrence to Preemption: The Need for Codification

During much of the Cold War, the prevalent doctrine of the West was based on **deterrence**. This doctrine is insufficient in face of the new global threat – terrorism – as suicide bombers are difficult to deter. Thus, a new approach, which constitutes a major element of the Bush Doctrine, has been developed – military preventative measures that range from limited operations to total occupation. However, this strategy of **preemption** presents a complex challenge for international law: How can laws be passed that give states the tools to ensure the safety of their citizens, while at the same time placing limitations on the use of force and protecting basic human rights? Currently, there is no jurisprudence or legal mechanism that can respond to this need.

At present, the creation of jurisprudence for preemption is not to be found within the UN, as only democracies try to follow international law, while rogue states ignore its essence and purpose. **Israel** should lead the way in creating the jurisprudence to handle targeted killings and preemptive attacks through the creation of ad hoc

A legal basis for the strategy of preemption and targeted killings should be codified.

jurisprudence mechanisms, such as a court of jurists, philosophers and scholars that would rule on whether or not a preemptive attack is justified.

Additional Potential Risks

Regardless of what the United States or Israel do, Israel is likely to find itself facing a new strategic situation in Syria. The Syrian regime itself is falling apart at the seams. The domestic perception of the regime's resilience, viability and deterrent image has eroded and there are signs of loss of control in the periphery. While the international community may not have an appetite for regime change in Syria while it is embroiled in Iraq, Bashar al-Assad remains on an erratic collision course with the U.S. that may force the Syrian issue onto the international agenda. Possible scenarios include changes from within the regime itself; a regime based on the Muslim Brotherhood, and regime **disintegration** and the creation of "black holes" in which **terrorist groups** will flourish. For Israel, this may mean a **threat of terror directly from Syrian territory** (and not just by proxy through Lebanon); military adventurism to drum up domestic and Arab support; and Western engagement with an alternative regime that may be no less hostile to Israel.

The instability of the Syrian regime holds potential risks for Israel.

Another possibility to be considered is that of a Libya-style "**grand deal**" between Syria and the United States on the basis of any of seven major issues: Lebanon, Iraq, Palestinian terror, the peace process, WMD, Iran and democratization. Syria will likely offer those elements that are more critical to the U.S. If the U.S. engages Syria in this sort of a dialogue, Israel may be forced to relate to it and may even find itself part of a package deal in which Syria will enjoy international rehabilitation, including the ability to buy conventional arms, without having to engage in a peace process with Israel.

In light of these possibilities, Israel should prepare for possible regime change in Syria with all its potential consequences; reexamine the rules of the game, price tags and "red lines" for Syria in Lebanon; and define Israeli interests vis-à-vis the elements that Syria may try to sell the West in return for rehabilitation.

Regarding the **war on radical Islamic terrorism**, important developments have occurred on both sides of the global war on terror:

- Al-Qaeda has undergone a process of decentralization since 9/11, along with devolution of authority from the organization's old guard to young commanders

in field (like Zarqawi). In addition, the Islamist ideology has gained more and more acceptance among Muslims, including in the West. The war in Iraq ignites the imaginations of Muslims more than any previous jihad. There has also been a shift from a defensive ideology of evicting the infidels from occupied Muslim lands to an eschatological goal of reviving the Caliphate and renewing the jihad for the Islamization of the world.

- While the **West** continues to fight against Islamic terror, it is adopting an increasingly placatory approach toward the movement's political-ideological front. Thus, some in the West demand the establishment of a dialogue with the Muslim Brotherhood organizations in Egypt, Syria and Palestine (Hamas), as a counter-balance to the more radical jihadist tendencies. These organizations feel that they can gain legitimacy by projecting a pro-democratic image, which will make them appear to the West as an **alternative to the existing regimes**. Such legitimization, without demanding that these groups renounce their hostility toward Israel, would be reminiscent of the dilemma that Israel faced regarding international recognition of the PLO in the 1970s. Western legitimization of the Muslim Brotherhood in its various national manifestations may also influence its attitude toward Hamas.

Political Islamic organizations are perceived in the West as being an alternative to existing Arab regimes, which presents a danger for Israel.

This conciliatory approach is liable to spill over into the war against Islamic terror. The claim that the cause of Islamic terrorism is the Western presence in Muslim lands gave rise to bin Laden's recent offer of a *hudna* – cease-fire – in return for a withdrawal from Iraq and Afghanistan. A hasty withdrawal from either country would probably galvanize the radical Islamist movement in much the same way as the “achievements” of the Soviet withdrawal from Afghanistan and 9/11 did. Furthermore, a change in the Western approach to the war on terror could harm the common ground that Israel has gained with other countries since September 11, and could once again leave Israel virtually alone in the fight against Islamic terror.

The Security Ethos in Light of Changes in National Priorities

As a result of the State of Israel's relatively comfortable strategic situation, the fear of a looming existential threat is waning. Rather, debates about the military – namely, how big it must be and how much must be invested in it, in comparison with social needs – are increasing. There is a perception that the security ethos is no longer as important in Israel as the economy and society, and that Israeli society has lost its commitment to the state. In fact, the **willingness of youth to be drafted** into

the army has actually increased. Some 82 percent of today's youth want to be drafted, and 83 percent are proud to be drafted (in comparison to 79 percent in 2004). The motivation to enlist in combat units has not eroded at all in the past 14 years.

At a time when the national order of priorities is being reevaluated, the following two points should be taken into account:

- The **defense budget** has **decreased** over the past few years. In 1990, 23 percent of the national budget was allocated to defense, compared to 17-18 percent today. The defense budget decreased over the past five years by NIS 17 billion. The IDF cut its staff by 5,300 career officers, a reduction of 13 percent. This downsizing is unparalleled in any other public institution.
- The army plays a hugely important **social role** – in education, financial assistance to soldiers and even in the conversion to Judaism of many soldiers.

Regarding the defense budget, the recent cuts made, as well as the army's important social role, should be taken into account.

One question that has arisen is whether the IDF should remain an army of the people. There is no way to have non-compulsory military service in Israel; a volunteer army would be inefficient and unsuited to the Israeli reality.

Advancing Women to Leading Roles in Defense and Foreign Affairs

One of the implications of the rapidly changing world of the new global era and its challenges is the **need for new leadership**: the outdated existing leadership, especially in the fields of defense and foreign affairs, is not equipped to create the new ways of thinking that are required to deal with these challenges.

In building this new leadership, women must be more fully integrated in prominent roles in defense and foreign affairs, thus allowing the potential of half of the population to be fulfilled. If women do think differently from men, then this step is even more justified, as it will lead to a diversification of ideas and approaches and will possibly enable better handling of complex issues. **Affirmative action must be instituted** in the various paths for advancement, so that women can evolve into leaders from inside the system.

Greater integration of women in leading roles in defense and foreign affairs will improve the quality of leadership.

National Security Policy as Risk Management

Risk management is the last of the planning disciplines to be developed, and it deals with the future results and implications of decisions made in the present. From this perspective, risk management represents a continuation of the theories emphasizing optimal utilization in an environment of uncertainty and limited resources. Operations research, which has become a major part of modern decision-making systems, is an example of a tool derived from these theories. Risk management complements operations research by focusing on dealing with risks that are likely to interfere with organizational activities and processes. We are now working to develop tools that incorporate the principles formed and the experience gained in the field of risk management in order to **improve planning and management in the field of national security**.

The methodologies of risk management have the potential to improve planning and management in the field of national security.

Applying the components of risk management to the area of security has already been done to a large degree, particularly the parts of risk management theory that deal with the analysis of risks and the assessment of their probability. However, **a methodology is still lacking** that would enable general management of risks related to national security. A full application of the approach is likely to provide planners and policy makers with a comparative view of different security risks and threats coming from various directions, thus enabling the formation of a coherent policy regarding opportunities and risk.

Some experience has already been gained, mainly in the United States, which allows for an initial assessment of the use of risk management in policy management on the national level, including in the area of defense. This experience and the relevant research projects that have been carried out show that the contribution of Enterprise Risk Management (ERM) has been outstanding. Dealing with general management of risks throughout a process, ERM has made significant contributions both in strategic planning and management and in the everyday management of organizations with complex supply chains, often multinational and multifaceted.

The ERM system allows for a better understanding of processes by emphasizing the direct and indirect relations between different factors in the system, while linking and weighing qualitative and quantitative components. Lessons from the ERM system are already being applied in certain sectors of the defense system, including intelligence, planning and management of defense systems and disaster recovery.

Some claim that this methodology is applicable only to an unknown “adversary,” such as economic trends or natural disasters, and not to security problems, which stem from an adversary that plans its moves to intentionally cause harm and adapts itself to its enemy's behavior. Thus, in security planning, the focus should be on **game theory** more than on methods of risk management.

Some claim that in security planning the focus should be on game theory more than on methods of risk management.

Israel’s Standing in the International Arena and its Relations with its Partners - Risks and Opportunities

International relations are undergoing significant changes that affect Israel, which the country must deal with in the best way possible. The 9/11 attacks illustrated that globalization brings with it new threats, which some say have caused the United States to shift its national security strategy from one of **deterrence and containment** to **prevention and initiative**. It also moved from a realist approach, aiming toward stability, to an idealist approach, striving to change and reshape reality according to the principles of democracy and accountability.

This change in the American defense doctrine has implications for all the actors on the international stage, including Israel. For Israel the change is embedded in new potential risks, stemming mainly from instability among its neighbors, as well as the opportunity given to totalitarian and terrorist organizations, such as Hamas and Hezbollah, to use democratic tools as a means of gaining influence and even power.

In addition, international relations are witnessing the further development and moving toward **multinational action** as well as the increasing preference for the use of "**soft**" **power** rather than hard – mainly military – power.

Israeli diplomacy has also shifted from a basic defensive strategy to more proactive diplomacy that initiates the formation of coalitions and attempts to influence decision-making in international institutions. Israeli diplomacy focuses on diplomatic means of thwarting threats such as terrorism and a nuclear Iran; creating a network of relations with Arab and Muslim states; harnessing the positive potential inherent in the international arena; and developing Israel’s soft power. In this context, the question arises of whether Israel has **fully exploited the potential** of its relations and its standing in important international frameworks – such as the European Union and NATO – whose interest and involvement in the Middle East are growing.

Israel, Europe and NATO

It appears that Israel's standing in **European** media and public opinion is improving. Among the reasons for this are:

- The **Palestinians**, who in the past were the “favorites” of Europeans, have **disappointed** them by not making efforts to establish a state and because of the way the Palestinian Authority has been managed.
- Since the 9/11 attacks, the West has been focused on the global threats of **radical Islam** and terrorism, and the Europeans are also beginning to recognize the similarities between Hamas and Hezbollah. Their sense of threat intensified in the wake of the turmoil surrounding the publication of the cartoons depicting the prophet Mohammed, which demonstrated that Islamic organizations do not restrict their demands from the West to the borders of the Muslim world, but seek to enforce their values on Western societies as well.
- **Iran** is perceived as a terrorist state marching toward nuclear military capability and calling for the destruction of Israel.
- The historical friendship between France and the regimes in Lebanon and Syria has deteriorated considerably since the assassination of Lebanon's former Prime Minister Hariri.
- The **Disengagement Plan**, which was perceived as a step toward ending the occupation, brought Israel back within the Western fold and garnered praise from around the world for Prime Minister Sharon.
- The political right in Europe is becoming more pro-Israeli. The new political leaders, who represent the center, are motivated by economic considerations and are interested in improving relations with Israel. The European left, on the other hand, is under pressure from the hard left to continue its anti-Israel sentiment.

As a result of this change of circumstances, there is a new **confluence of interests** between Israel and Europe, and a new path is being forged for strategic reorganization. Germany's willingness to give Israel two submarines is a demonstration of this. Israel should take advantage of this window of opportunity and consolidate the achievements of the past year through more institutionalized cooperation with the European Union. The EU is emerging on the world stage as a global power, despite its difficulties in passing the European constitution; its international involvement is growing, including in the Israeli-Palestinian conflict; and in the absence of a political process between Israel and the Palestinians, the EU is more active in connection to the conflict than the United States.

Israel's standing in Europe is improving, and the European Union is more involved in the Israeli-Palestinian conflict than the United States.

Against this backdrop, Israel's traditional approach toward Europe, which has been cold, distant and sometimes even hostile, must change. An **in-depth discussion should be held with the objective of formulating a strategy**, goals and policy directions for Israeli-European relations. In the framework of this discussion, the significance of Europe's growing involvement in the Israeli-Palestinian domain and Israel's position toward this involvement should be examined.

Israel must formulate a strategy for the improvement of its relations with Europe.

Israel's bilateral and multilateral relations with **NATO** have deepened over the last two years, partly due to Israel's efforts, but mostly due to NATO's increasing interest in the Middle East. The understanding of Israel's potential contribution to the organization is growing, and this is being expressed on the practical level, for example, with Israel's participation in three NATO exercises during 2005, as well as in intelligence sharing with the organization. Thus, the question arises: To what degree does **Israel need and want** to be involved in NATO?

Following the improvement in relations between Israel and NATO, some call for Israel to join the organization while others support Israel's retaining its independence.

Some claim that NATO should formulate a new strategic doctrine for the war on terror, and while doing so, enlarge – not only in Europe, but also beyond its borders. According to them, among the states that should be included in NATO's enlargement are Japan, Australia and Israel. Others argue that Israel should seek close cooperation with the organization **without becoming a full member**, thus preserving its independence to act freely.

Israel and the United States

Some assess that support for Israel by the **United States** and by American Jews is being threatened by two long-term processes*:

- **Anti-Zionism**, led by the hard left, is present on college campuses, and brainwashes the future leaders of America who are taught to have negative opinions of Israel.
- On the other end of the spectrum, criticism against Israel from the **extreme right** is growing. The more that Israel moves toward peace with the Arabs, the more the attacks on Israel actually increase because this alienates far right-wing evangelical fundamentalists, who cling to the idea of Greater Israel and believe that Israel is a religious society. Evangelicals will become disillusioned upon realizing that the dream of Israel is not what they believed it to be; their conditional support will end and religious tensions will increase.

* This subject will be discussed in greater detail further on.

Two main practical conclusions can be drawn from this assessment:

- Israel must try to gain the support of **secular** Americans.
- Israel will have to **reduce its dependence** on the support of the United States government and American Jewry.

An opposite approach sees the support of the American evangelical community as **extremely positive**. Between 60 to 70 million people, including President Bush, are part of this community, which supports the government's pro-Israel policies and donates generously to Jews in Israel and around the world. There is no justification for opposing relations with this community, or for the doubts that have been expressed regarding evangelical Christians. The relationship with them should be strengthened and they should be **made to feel appreciated and welcome**.

There is broad agreement that in order to preserve its partnership with the United States, Israel must invest in its relationship with the government, the general public and the Jewish community, while placing an emphasis on **youth**. Israel must engage in public diplomacy to influence public opinion in the United States, whose support for Israel is not something that can be taken for granted. The Gaza disengagement was greatly admired by three-fourths of the American population, and the exemplary manner in which the IDF acted throughout the process, in accordance with the rule of law, contributed to U.S.-Israel relations.

Nevertheless, the anti-Semitic activities that have spread across American college campuses cannot be ignored. The younger generation is unfamiliar with the history of Israel and the Arab-Israeli conflict, and it often appears to them that Israel is the source of the conflict. Israel should **contribute to the education of the young generation** of Diaspora Jews and invest in the preservation of its connection to Israel. Moreover, the general public in the United States identifies Israel with two main concepts: **conflict and religion**. Israel's image is one of a militaristic, male-dominated, alien country where the atmosphere is harsh and the people are extreme. Action must be taken to change this image by promoting more attractive and personal aspects of Israel and its inhabitants, in order to create identification with and support for Israel.

Questions remaining open are how (if at all) the rise in energy prices will affect U.S. policy in the Middle East and whether Israel's solid standing with the U.S. administration will weaken in the wake of Ariel Sharon's descent from the political stage.

Israel embraces the support of the American Evangelical community, but some fear that this support will end if Israel adopts policies that it does not identify with.

Israel must take action to improve its image among the general public in the United States, and strengthen its relations with Jewish youth, including those who are secular.

Global Trends and their Implications

The global age is characterized by a new **scientific revolution** that has turned knowledge, and especially scientific and technological knowledge, into the primary resource. Changes in intellectual property affect the global economy more than changes in oil prices. Oil has become a marginal factor: the combined oil sales of the Arab countries and Iran more or less amount to Holland's GNP. However, the scientific revolution has reached only one billion of the world's citizens. The gap between the rich and educated and the poor, who tend to lack this knowledge, is wider today than in the past, and this gives rise to hatred, which in turn gives rise to **terror**.

Most of the world's population – and almost all of the those who have not taken part in scientific and technological development – live in places where democracy, in the true sense of the word, does not exist: They lack freedom of expression, universal education, equal rights for women, the rule of law, the rights of children and equal opportunity for social mobility. These populations grow at a faster rate than the wealthy groups, which are part of the scientific revolution. This creates a serious danger for democracy, which cannot exist in a situation in which the weak are growing continually more numerous and weaker, while the rich are becoming less numerous but stronger. To deal with this danger, the scientific-technological “club” must be expanded through investment in **education** in Third World countries. These people live in a way similar to the pre-scientific revolution period, and the education and lifestyle of their younger generation must be advanced. This is the correct strategy in the war against terror.

Investment in scientific and technological education in the Third World is the right strategy in fighting hatred of the West and terrorism.

The global **economy** reflects a basic imbalance in a number of areas:

- The **growth index** of the East is significantly higher than that of the West, but despite this growth, world inflation is relatively moderate as a result of a flexible economic system and sound economic policy.
- Regarding **unemployment**, we are seeing a drop in the United States and Japan, in contrast with the high unemployment that has plagued Europe for some time.
- The **savings rate** in China is higher than in the U.S., which expresses itself in balance of payments worldwide. In general, Asia saves, Europe balances and the U.S. spends. The financier of U.S. debt is Asia.

Economic growth in **China** continues to be spectacular. Trade-wise, China is becoming the most dominant player in Asia, even exceeding trade from the U.S. As trade increases, so does China's **political** influence and involvement in Asia: Beijing is becoming more active diplomatically and at a higher level, whereas the U.S. is becoming less active and conducting its diplomacy at a lower level, as America reduces its involvement in Asia and focuses on the Middle East.

China's political involvement and influence in Asia is growing, while U.S. involvement in Asia is decreasing.

China-Japan tensions reached a peak in 2005. The Chinese are acting to demonstrate that they are the premier power in the area. And while Japan is trying to catch up to China economically, it also views China as a military threat. While neither side is interested in a war, the probability of an "accident" in which, for instance, Japan fires on a Chinese submarine or aircraft is great.

China-Japan tensions have reached a peak in 2005.

The U.S.-China balance of trade puts Washington in a serious dilemma: Chinese exports to the United States are far larger than its imports from there, but China imports raw materials and inputs from Asia and then markets them to Europe and the United States. The implications of this are that if the U.S. applies pressure on China, it is likely to break the existing world commercial cycle.

An extremely important development is the improvement of relations between **India** and the United States, and the huge expansion in U.S.-India military relations, which is changing the face of Asia. On the economic side, India is seeing high annual growth of about 7 percent (and looking toward a 10-percent growth rate) and is now a major player throughout the Asia-Pacific region. India's industrial growth has increased its need for energy and oil, which strains the global oil supply.

India is becoming a major player in the Asian Pacific region, and its improved relations with the United States are changing the face of Asia.

As for the nuclear military issue in **North Korea**, the multilateral talks will continue even though they are not leading to an agreement. From the North Korean perspective, there is no reason to make an agreement with the United States, and although North Korea is a nuclear power, there is no support in the international community for political sanctions. Iran may interpret this to mean that no sanctions will be enacted against it either, but this would be a mistaken analogy; while the international community does not see North Korea using its nuclear power, it does see Iran doing so. Nonetheless, as North Korea has sold every military system it has produced, there is a good chance that it will sell its nuclear weapons as well.

There are four surprising trends in world **demography**:

- The **rate of global population growth** peaked in the middle of the 20th century, but has been dropping since then; today's rate is half as high as it was 50 years ago. At the same time, the average global fertility rate stands at less than 2.1, resulting in massive aging of the world's population. While countries such as the United States, Japan and the European nations have also experienced an aging population explosion, they were better able to absorb it due to their higher incomes. In China, however, income levels are lower, and the pension system covers only a fifth of the population. This creates an unsustainable situation, and will cause a slow-growing tragedy with economic ramifications.
- **Life expectancy is falling** in dozens of countries due to a decline in the quality of health care services. For example, in Russia, life expectancy is lower now than it was 40 years ago (today it stands at 67 years).
- The birth ratio of males to females has changed partly as a result of **preference for sons** in China and India, among other countries. As modern technology makes sex-specific abortions possible, the gender imbalance increases. In Punjab, India, for example, there are 126 males for every 100 females under the age of 7.
- The **United States** is a demographic exception: in contrast to the trends of population decline in Europe, Russia and Japan, immigration to the U.S. and fertility patterns, which are influenced by cultural aspects, have resulted in **population growth**.

Challenges in Economy, Society and Government

Indices of National Resilience

The Herzliya Indices

The Herzliya Indices measure, on the basis of **objective quantitative** data, Israel's position in the areas of economy, society and governance in comparison with other Western countries as well as neighboring states. The indices show that the **improvement in Israel's economic situation** continued throughout 2004 and, from initial data, even appears to have increased in 2005. An international comparison using the selected indicators – including per capita income, GDP, unemployment rate and relative technological exports – demonstrated that in 2004 Israel managed to regain the level of economic activity it achieved in 2000. Even so, Israel's relative position is in the **bottom third** of the developed countries.

The improvement in the functioning of the Israeli economy has continued.

A number of trends are evident from an analysis of the economic indices:

- **Foreign investors have rediscovered the Israeli market** and large amounts of foreign capital are flowing into Israel. The return of Israel's status as an attractive focus of foreign investment has created a surplus in the balance of payments.
- **Unemployment in Israel has declined** significantly in the last few years, although the unemployment rate is still high. From this we can understand that unemployment is not an untreatable disease: in 1996, for example, the Israeli market nearly reached full employment.
- **Income per capita in Israel rose** in 2004 and 2005, after the relatively sharp decline of 2000 and 2001. This data allows for a wide-range view of what happened in Israel over the last decade: the boom, the crisis and the recovery.
- Since 2000, **public debt in Israel has risen**, but the government managed to reach a turning point in 2004 and returned to the **trend of declining** public debt. The effort to decrease the deficit should be continued in order to further reduce debt and the accompanying interest payments.

While the improvements continue in the economic sphere, the **social** aspect of national resilience is in an especially worrying condition. Since 2000, the social situation in Israel has **deteriorated** along a range of objective measured indices, including the degree of poverty and inequality, the rate of chronic unemployment, and the level of human development. While Europe and the developed countries continue to develop and improve, Israel is on the decline, and the gap between Israel

and the Western world is growing continually. Between the years 1996-2004, Israel's relative ranking in comparison with developed countries dropped from 19th to 24th place, putting it close to countries such as Poland, Italy and Spain. An analysis of this data leads to the following conclusions:

- Since 2000, the number of Israelis whose income falls below the poverty line has climbed sharply, and growth and market forces do not point to an improvement in the short term. **The incidence of poverty is higher** in Israel than in all the rest of the countries sampled, with the exception of Iran and Syria. Treatment of poverty should top the government's list of priorities, and this issue should be tackled without harming the process of economic growth.
- The **level of inequality of income distribution** in Israel is **among the highest in the developed world**. Continuing the downward trend that began in 2000, Israel is currently at the bottom of the list together with the United States, Iran and Turkey. Market forces cannot curb the problem in the short term, and the increasing disparities damage the country's social resilience.
- Government policy in recent years led to a **moderate increase in the rate of participation in the work force**, but Israel is still far from its countries of reference. The rate of participation among the ultra-Orthodox has increased, mainly due to the growth in the number of women joining the work force.

In the **governmental-political** sphere, the situation worsened in 2004, continuing the trend that began in 1996 and deteriorated significantly after the year 2000. In an international comparison, Israel has fallen into 26th place, which ranks it above other countries in the region (including Turkey) but below all the OECD countries. Based on an ongoing measurement of variables conducted by the World Bank – including indices of political stability, democratization, rule of law, political rights and civil liberties – a **worrying picture** emerges regarding how Israel is perceived in the world:

- The World Bank considers Israel a **politically unstable** country, and ranked it very low in comparison to most countries in the world. The chances of an “unconstitutional” or “violent” overthrow in Israel are perceived as being higher than in Iran, Egypt, Syria, Turkey or Jordan.
- In matters related to the **rule of law**, Israel is also ranked low in comparison to its countries of reference. According to World Bank assessments, the level of the rule of law in Israel has **decreased** consistently since 2000.
- Along with Israel's low ranking regarding the rule of law, a continuous **decline in control of corruption** has been noted, starting in 1998. In this context

The social dimension shows continued deterioration, and the gap between Israel and other developed countries is increasing.

The governance dimension shows an additional worsening in Israel's situation, and the manner in which Israel is perceived in the world is cause for concern.

Israel's situation is worse than that of Italy and Greece, but better than that of Jordan, Egypt and Syria.

The **improvement in the economic dimension of national resilience**, demonstrated by the Herzliya Indices, is to a large degree the **fruit of the economic program** implemented in recent years. The deterioration in the social and governmental-political spheres, which has continued over the past year and which distances Israel from its preferred peers (OECD countries), is proof of the **urgent need** for the formulation of a multi-annual government program to deal systematically with these important components of national resilience.

A multi-annual government program to strengthen the social and governmental resilience of Israel is required.

The Haifa Indices

Unlike the Herzliya Indices, which are based on objective data, the Haifa Indices for the evaluation of the social component of national resilience draw from eleven public opinion polls taken over the last five years. The polls are uniform, and are made up of statements that are intended to measure five variables in the Israeli public: militancy, fear, patriotism, optimism and trust in state institutions. An analysis of the responses yielded the following conclusions:

- The level of **fear of terrorism** has been consistently declining since 2003. After five years of *intifada*, it appears that fear among the Israeli public reached its peak in the first and second years of the fighting, when the country was dealing with an especially massive wave of terrorist attacks.
- The level of **militancy** among the Jewish population and the Arab population is found to be moving in opposite directions: while the Jewish public's support for military operations has diminished, compared to the beginning of the *intifada*, among Arabs (particularly the Christians and Druze), there has been a marked rise in support for military attacks and operations throughout this period.
- The level of **patriotism*** among the Arab public is moving upward, while among the Jewish population, the levels of patriotism have remained relatively stable for the last three years. Throughout this period, some degree of decline has been noted in the patriotism of the ultra-Orthodox community.

The indices show relative stability in Israel's social resilience, despite five years of the fighting in the territories.

* It should be noted that the examination of the level of patriotism that has been assessed in the framework of the Haifa Indices over the last five years is different in its methods and objectives from the "Patriotism Survey," whose findings will be presented in the next section. While the goal of the Haifa Indices was to evaluate the level of patriotism and the changes that have occurred to it over the years by using four statements, the Patriotism Survey attempted to map Israeli patriotic affinity in its complexities and various dimensions (willingness to sacrifice, rootedness, pride and attitude toward symbols).

- The level of **national optimism** has remained stable in the Jewish sector, but has significantly risen among the Arab sector over the last year. The degree of optimism among Jews is much higher than among Arabs, but it is similar to figures noted at the beginning of the *intifada*.
- The Jewish public's level of **trust** in Israel's political institutions continues to decline, but there has been a recovery in trust in the Supreme Court, where the decline has been replaced by a slight increase. In 2005, the level of trust in public institutions rose among the Arab sector.

The **settler** population is showing signs of trauma after the disengagement, which caused a decline in all the indices of resilience this last year and a major fall in the optimism index. Their trust in public institutions was severely damaged, especially with regard to the Supreme Court and security institutions, which are perceived by the settlers as having disappointed and failed them.

In general, the most conspicuous finding is that the "Israeli spirit," as it is expressed in subjective indices of resilience, is alive and well even after five years of *intifada*. The disengagement aroused a negative reaction among the settler population, but despite this, a positive reaction was noted among the Arab population. All in all, almost all strata of Israeli society demonstrate stability in most of the indices that were evaluated.

Despite difficulties, the "Israeli spirit" is alive and well.

The Israeli Patriotism Survey

Patriotism is an emotion expressing the bond and identification of citizens with their country and their commitment to it, to the extent of willingness to defend it against an enemy even at the cost of self-sacrifice. Unquestionably, this emotion is essential to any substantive discussion of national resilience. Yet in Israeli public discourse, the topic has been shunted aside, so much so that any direct consideration of patriotism is almost taboo. Those who refrain from discussing patriotism ignore the amount of attention given to the topic by classical philosophers, who were adept at describing the essence of patriotic feeling and distinguishing it from nationality and nationalism, which tend to arouse hostility and separatism. The uniqueness of Israeli society actually **reinforces the need** for a thorough discussion of this phenomenon, which is prevalent among the Israeli public, even if it does not constitute a focus of extensive academic discussion.

The basic assumption of the Patriotism Survey is that patriotic affinity to Israeli identity is expressed in at least four dimensions: willingness to sacrifice, rootedness, national pride and attitude toward national symbols. In addition to these is the respondent's subjective perception of his own level of patriotism. The first survey of the series sought to map these dimensions, and its content is based on dozens of surveys conducted by research institutes and organizations that are world leaders in their fields. The interviews were conducted in early December 2005, among a random sample of about 800 people, comprising a representative sample of the adult population in Israel. From the survey's findings a number of insights arise regarding Israel's present and future national resilience:

- The citizens of Israel possess a **high level of patriotism**. Israelis are willing to fight for their country (85 percent) and desire to remain planted on its soil (87 percent). No other developed country in the West surpasses Israel in this declared readiness to fight for one's country. On the other hand, the pride of Israeli citizens in their country (77 percent) is low compared to other countries.
- The main sources of pride for Israelis are their country's **scientific and technological achievements** (97 percent) and its security forces (86 percent), while the lowest levels of pride are related to the way its **democracy** works (38 percent) and its **welfare system** (22 percent).
- There is a noticeable "**patriotic decline**" over the generations. Unlike those born during the years of the state's establishment, among younger people the elements of patriotic sacrifice and rootedness have weakened. While refusal to fight was almost unheard of among older people, one in every seven young Jewish citizens claims that he is not willing to fight to defend his country (14 percent). Two in every five are prepared to **leave the country** if their standard of living would be significantly improved by moving abroad (44 percent).
- **Alienation** is felt among low-wage earners in the Jewish public: They are hesitant in their willingness to fight, and about a tenth of them are not prepared to do so. Although their sense of attachment to the country is high, they are nonetheless reluctant to define themselves as ardent patriots.
- In general, the patriotism of Jewish citizens is stronger among those on the right than those on the left; stronger among the religious and traditional than among the secular; stronger among the more affluent than among the less affluent; stronger among older people than among younger ones; and stronger among those without post-secondary school education than among those with academic degrees. Most Arab Israelis are not ready to fight to defend the state (73 percent). However, the rate of Arab Israelis who believe that Israel is better than

A charting of the dimensions of Israeli patriotism reveals a "patriotic decline" among the younger generation and alienation among low-wage earners.

most other countries (77 percent) is among the highest in the developed world with regard to this measure (see “Arab Israelis – Rhetoric and Reality” for more details).

The findings, especially those that cast a shadow on the future of Israel’s national resilience, **demand action** on the part of the government and of educators. There are opposing views regarding the direction this action should take:

- On the one hand, some claim that the State of Israel failed in courting its citizens, who respond by having a weak affinity. In this context it is claimed that the groups that are “more participatory,” for example, the wealthy and educated, demonstrate a stronger affinity in some of the dimensions of patriotism.
- On the other hand, some claim that it is not the courtship that has failed, but the instilling of a patriotic spirit. It may be that the young Israeli society is not one of noble ideals, but rather an energetic society that fights to defend its homeland. It is difficult, however, to ignore the crisis afflicting the society’s Jewish roots and Zionist ideology, which has implications for the strength of the spirit upon which its existence is based.

The future national resilience of Israel requires that political and educational leaders take action on the subject of patriotism.

While the discussion regarding the courtship of citizens is socioeconomic in its essence, the discussion about strengthening the patriotic spirit falls into the domain of education. It should be asked whether it is better to deal with the weaknesses or to further nurture the strengths. Two different approaches toward the “patriotic deficit” can be identified. One approach accepts the change and suggests adapting the state’s values to the multicultural reality that is developing within it. The second approach advocates weaving a new Zionism that preserves Israel’s formative values as a Jewish state and aspires to adapt them to the agenda of the 21st century.

The objective of the first Patriotism Survey was to chart the present situation. In light of the findings, some of which are worrying, action must be taken, and the decision about which policy directions to derive from the findings and insights of this survey lies with Israel’s leaders.

Education and National Resilience

Education plays a crucial role in the building of patriotic resilience. Moreover, in the age of science and technology, knowledge is as important as natural resources as a source of economic prosperity. This requires investment in education, particularly in scientific and technological education. However, much research and data point to **low achievements in education in Israel**. There is a continuing serious decline in linguistic skills among Israeli-born IDF recruits, to the extent that 40 percent of Israeli students function at a lower level than is characteristic of a developed country. Beyond this substandard performance, economic disparities that are transcribed into educational disparities **damage the feeling of national cohesion**, and cast a shadow on one of the pillars of social justice – equal opportunity for every citizen. This has a direct correlation with future economic growth and current national resilience.

It is difficult to manage consistent and efficient education policy when every high school graduate in Israel has, since the beginning of his or her educational career in kindergarten, been through an average of nine ministers of education. Consistent policy and long-term objectives are necessary. The amount spent on public education in Israel relative to the GDP is among the highest in the world, and yet the results are less than satisfactory. Thus, the problem lies in the education system's organization and allocation of resources.

The Dovrat Commission Report went a long way toward encouraging thinking on the subject, but some **guiding principles** should be emphasized regarding the relations between the education system and three of its main groups:

- **The status of teachers** must be improved. Their starting salaries are disgraceful, and must be raised. Society's attitudes toward teachers must be improved, as well as the working conditions and salaries of teachers. Their knowledge should be expanded and their training improved in accordance with the demands of the globalized world.
- Decision-making must be increasingly delegated to the school **principals'** level. There is no replacement for school principals, and their authority should therefore be expanded, even if some power remains in the hands of the central government. Principals cannot be asked to produce excellent results and carry the burden of responsibility without being granted the appropriate authority.

Educational achievements in Israel are lower than what is required in the information age.

Long term education policy should be developed which will improve the status of teachers, strengthen the role of the principal and encourage parental involvement.

- The **parents'** role in the education process should be enhanced, as society cannot place the entire burden on the school. Teachers should give parents study programs and weekly assignments in advance, information centers with learning material for parents' use should be opened, and parents should receive monthly reports of their child's progress.

Economic Growth, Labor and Welfare

Economic Growth and Social Policy

Academic research does not provide a clear answer to the relationship between economic prosperity, which is measured in terms of GDP, and social spending, which is measured in terms of the budget. As a result, statistical data has led to two contradictory conclusions:

The problem of the **working poor** is cause for concern, especially because it is clear to all that treatment of poverty must be based on the integration of those who are able to work into the labor force. Statistical data from the Bank of Israel shows that among households headed by a middle-aged male, 47 percent have no wage earner at all; 46 percent have one wage earner, and 7 percent have two or more wage earners. Poverty affects 22 percent of families with one wage earner, while among families with no wage earners, the poverty rate stands at 65 percent.

To reduce the number of families with no earners, efforts should be made to **remove existing obstacles that prevent integration in the job market**, by making changes to current policies:

- **Children** – Increased subsidies for day-care centers, government participation in the financing of day-care facilities for children of working mothers, and extension of the hours of daily activity in day-care centers.
- **Women** – Promotion of part-time work to combine work with family life; and incentives for telecommuting, which allows work from home with flexible hours.
- **Transportation** – Reductions in the price of public transport in areas with high rates of unemployment, and even free transportation to areas in which the demand for workers is high.
- **Professional training** – Subsidizing of professional training for certain occupations, adapted and focused training for those who have completed up to twelve years of schooling, and the expansion of work incentive programs.

The removal of obstacles to integration into the work force should be continued, and the phenomenon of the working poor should be dealt with urgently.

To prevent a situation in which workers find themselves below the poverty line, the problem of low wages that is common in some occupational fields should be solved. The two main government plans that enable “work to be worthwhile” are **the institution of negative income tax and raising the minimum wage**.

The **negative income tax plan** is based on giving incrementally decreasing assistance to families that earn up to a certain level of income, according to the number of persons in the household. The plan was examined by the Bank of Israel, relative to alternative ideas – for example, the revocation or reduction of tax on food products, a general tax cut, or the changing of the lowest tax bracket for health and income tax – and it was found that negative income tax was the most efficient plan for focused assistance to low-income earners. One of the plan's disadvantages is the fact that its budget cost would have to be covered by the state; its main advantage is that it is likely to increase the economic incentive to work.

The problem of low wages is the most serious. The institution of negative income tax or the raising of the minimum wage should be considered.

The idea of **raising the minimum wage** is based on the assumption that in certain industries, a surplus in job-seekers leads employers to behave as a sort of monopoly and pay low wages, even though there is no need for this economically. There are, of course, industries in which a mandatory raise of wages will lead to a decrease in the work force. It is also clear that payment of social benefits and the minimum wage is currently not strongly enforced. Nevertheless, it is claimed that the incremental increase of the minimum wage to \$1000 a month will help poor workers and will not cause significant harm to the economy.

Investment, Productivity and Inequality

The Israeli economy has been functioning for years as a **dual economy**: The elite technology sectors are growing rapidly, while the traditional industries, where most workers earn their livelihood, are growing exceptionally slowly. The amalgamation of both economies requires a strategic decision regarding the common denominator toward which Israel should be striving.

If the Israeli economy continues along this path, with a growth rate of 4 percent, it will lead not only to a heavier burden on the entire population, but the differences between the advanced economy and the traditional economy will continue to grow. As a result, the gap between the income level of those working in high-tech and those in the traditional industries, whose wages are currently 2.5 times lower than

the high-tech sector, will grow to 3.5 in the year 2025. The continuation of a dual economy will raise the level of inequality, which is measured by the GINI index, to 41 percent from today's 38 percent. Israel, which currently has one of the highest levels of inequality and poverty among developed countries, cannot allow this to happen. A **growth rate of 4 percent is too slow** for the Israeli economy.

One of the ways to reduce inequality through free market forces, and not by direct government intervention, is by **raising labor productivity** in the traditional sectors, which will in turn raise the wages of its workers. Because achieving this goal involves greater investment in modern production technology, there is a danger that workers will be replaced by machines, thus causing unemployment to grow. The risk of higher unemployment as a result of increased efficiency can be significantly neutralized by stopping the employment of foreign workers and Palestinian workers, whose employment is also an indirect source of lower wages for Israeli workers. At the same time, this process is expected to bring about a larger demand for labor in other market sectors, as a result of increased economic activity.

Raising labor productivity through a massive increase in market investment is expected to lead to a raise in wages in the traditional branches.

Increased investment in all market sectors, with an emphasis on the traditional industries and infrastructure, is likely to advance the entire market. A possible course of action is the **establishment of a committee to encourage investment**, which would include representatives from the private sector and investors, to examine possible courses of action such as increasing grants, cutting taxes and recognizing accelerated amortization. The narrowing of these gaps in the long term requires an **annual growth rate of 6 percent** in GDP, which is equivalent to a per capita growth of 4.5 percent. To achieve this goal, the state must **increase market investments** from \$21 billion to \$31 billion within three years. This level of investment will bring the traditional economy closer to the advanced economy, and will narrow the gaps in income between workers in the two sectors from 2.5 times greater today to 2 times greater in the year 2025. The accelerated growth rate is likely to produce a decline in the level of inequality from 38 percent, according to the GINI index, to 32 percent in 20 years. A massive increase in investment in the traditional industries will lead to increased labor productivity and higher wages, and will make the labor market more attractive for those who now are deterred from joining it.

In addition to encouraging investment as a means of reducing inequality, the **burden of public debt should continue to be reduced**. At present, Israel pays NIS 33 billion a year in interest on its debts. The Bank of Israel estimates that growth in the next year will be 4.3 percent, assuming that the current government policy does not change significantly. Using this period of relative prosperity to reduce the debt will lessen the government's vulnerability to external tremors, and will allow it to follow an anti-cyclical policy that will reduce taxes and increase spending during a period of recession. It cannot be known how many years the Israeli economy will be able to continue growing at a satisfactory rate, and Israel should therefore be prepared for stormier days by strengthening the financial resilience of the Israeli government.

In addition to encouraging investment, public debt should continue to be reduced and preparations should be made for future periods of recession.

Arab Israelis: Rhetoric and Reality

Several findings point to a discrepancy between the rhetoric of Arab Israeli leaders, which often expresses extreme nationalistic tendencies, and the moderate positions espoused by the Arab public and its gradual process of becoming more similar to the Jewish population in terms of education, productivity, lifestyle and employment.

The per capita income of Arab Israelis is currently estimated at \$7,700 a year. This is significantly higher than the per capita income in neighboring Arab states, but low in comparison to the Israeli average of \$18,800. Findings have consistently demonstrated that **low investment in human capital** is the most significant factor in explaining this disparity, along with **ongoing discrimination** that harms the Arab population: the average salary of an Arab worker is 30 percent less than that of a Jewish worker. The employment rate among Arab males over the age of 15 (around 60 percent) is similar to that among the Jewish population, but the employment rate among Arab women (around 17 percent) is three times less than that of Arab males and Jewish women, probably as a result of the **unique characteristics** of Arab society. Despite the gains made by the Arab Israeli public as a result of their participation in an industrialized and productive market, where mobility is high, today approximately 70 percent of Arab households belong to the **three lowest income deciles**.

The per capita income of Arab Israelis is lower than the Israeli average as a result of low investment in human capital, discrimination, and unique social characteristics.

An examination of demographic trends found that **education**, which has expanded in recent years, is the key variable in all that is related to **fertility rates**:

- In addition to the one-year rise that has been noted since 1970 in the average age of marriage among the Arab Israeli population, it has been found that those who

Education is the key variable in explaining fertility rates, and it is the main concern of the Arab Israeli population.

are educated marry later. Today the average age of marriage among Muslim men is 25, while the average Arab woman gets married at age 20.

- In addition to the 50-percent decline over the last three decades in the average Arab birth rate, it was found that the number of children was lower among women with higher education. The average number of births among women with up to 12 years of schooling stands at 6.9, twice the average among women with higher education.

It appears that much of the same issues occupy the minds of both Arab and Jewish citizens, the most notable of these being education, housing, economic development and the treatment of violence.

The findings of the Patriotism Survey show the **conflict in national identity** prevalent among the Arab Israeli public and the moderate positions it seems to be taking:

- The number of Arabs who define themselves as "very patriotic" toward the Palestinian people (48 percent) is twice as high as those that defined themselves as "very patriotic" toward Israel (24 percent). Most Israeli Arabs (73 percent) are not willing to fight to defend the state.
- Despite this, 77 percent of Arab Israeli citizens – Muslim and Christian – agreed that Israel is a better country than most other countries. Seventy percent of Israeli Arabs were more resolute in rejecting the possibility of leaving the state even if their standard of living would significantly improve. 44 percent said they were proud of being Israeli.

A closer look at the question of Israeli pride in different areas reveals that the main sources of pride among Jews and Arabs in Israel are the same: the state's scientific and technological achievements, the security forces, and achievements in the fields of art and literature. The number of Arabs who are proud of Israeli welfare policy (53 percent) is three times higher than the number of Jews who take pride in this (17 percent), and Arabs' pride in the way Israeli democracy functions (43 percent) is higher than that of the Jews (37 percent).

Democratic Resilience

The Connection between Capital and Political Power

Comparative data gathered by the World Bank show a troubling **deterioration** in the problem of **corruption** in Israel. It is argued that as opposed to previous years, corruption pervades not only the lower political echelons, but also the **top levels of leadership**. In a situation in which national leaders are the subject of suspicions and criminal charges, moral difficulties arise in dealing with “small-scale” corruption, which is seen as being marginal in its importance.

There has been an increase in public corruption, which also pervades the top levels of leadership.

Despite the accumulation of evidence and cases, it seems that the majority of **politicians** preferred **not to deal** with this issue. The absence of political discussion on the topic gave free rein to the involvement of voluntary organizations, which in many cases took on the role of the opposition. The ongoing deterioration, along with the growing lack of public trust in the political system, demands an understanding of the source of the problem and a search for appropriate solutions. Several suggestions and ways of thinking have been raised to deal with the subject:

- Some assert that **reforms in the political system** are required to end the Knesset's involvement in lifting the procedural immunity of its own members whom the prosecution seeks to indict. There is no place for a dual system of equality before the law, which on the one hand gives procedural immunity that is unrelated to the position of a Member of Knesset, and on the other hands grants the MKs the authority to determine the validity of the immunity. In response to concerns about bias and external interests, removing this element will not weaken the Knesset and the political system; rather, it will strengthen them.
- Some maintain that politicians should be **exempt** from **raising funds** in order to be elected to the Knesset. Despite the many criminal investigations of prime ministers, Knesset members and mayors, it is difficult to claim that the general level of morality and fairness among public figures in Israel is low. It is not unlikely that the very need to raise funds leads to inevitable slips at some point down the road. A possible solution would be the enforcement of a total prohibition on spending in internal party elections. Such a move would require the state to finance modest advertisements for candidates.
- Some claim that the problem of corruption is present not only among politicians and existing institutional arrangements, but also in the **concentration of wealth** in the hands of the few. They claim that “too much money damages democracy,”

as it leads to a situation in which the wealthy have more power than the politicians. In opposition to this view, some contend that legitimate criticism must be distinguished from the cultivation of hatred against the wealthy, whose role in building the country and concern for its well-being cannot be denied.

The **role of the public** must be emphasized in the struggle against corruption among those in power. In every democracy, there is a gray area between acting according to public ethical principles and delinquency that is treated by the criminal justice system. As a result, the fact that no conviction is handed down does not necessarily prove innocence. It is customary throughout the world for these cases to be dealt with publicly, whether via the public's expression of no confidence or by the candidate's departure as a result of shame or fear of the expected public reaction. In Israel, the feeling that the public is indifferent to corruption is growing, and has not succeeded in creating the deterrence that could protect democratic resilience.

Beyond searching for structural reforms, the public has a role as a deterrent to elected officials who betray the trust that was given to them.

Law Enforcement

Law enforcement is as important to national resilience as the legislation of laws. As opposed to a private citizen, who may act however he wishes as long as it is not forbidden by law, the government is able to do only what it is authorized to do. A situation in which a governing body has difficulty fulfilling its role when it has already been given authority requires immediate attention. The deficiencies in law enforcement demonstrate, among other things, basic weaknesses in the relations between governing bodies.

There is difficulty in enforcing existing laws in Israel, which casts a shadow on its democratic resilience.

Police statistics show that the problems of **overload and bottlenecks** exist in almost every area of the law enforcement system, from investigations to prosecution to the justice system. One of the reasons for this is the lack of adequate budgets. The police claim that even if their operations were more effective, delays would be created in other parts of the law enforcement system. There is, however, a distinction between the possible ramifications of delays in law enforcement and those that stem from a lack of enforcement and a cancellation of proceedings. In this context, there is an urgent need for the definition of national priorities, from which the allocation of resources can be determined.

The escalation of **organized crime** in Israel should be further examined. Organized crime constitutes a serious strategic threat to Israel's national resilience and its basic

values. These groups are gradually adopting characteristics similar to terrorist organizations, in terms of compartmentalization, hierarchy, funding, arms, disregard for human life and international cooperation and connections. The goal of organized crime is to penetrate state institutions and take control of the country's strategic assets. It is possible that the war against organized crime pushes street crime to the sidelines.

Pluralism in the Legal System and in the Media

Plurality of opinions is a necessary condition for the proper functioning of a democracy. In recent years there has been a growing fear of restrictions on freedom of opinion, in public or private, which undermines one of the main pillars of the democratic ideal. A plurality of opinions is especially important in the justice system and the media, and therefore the necessary steps must be taken to prevent an apparent assault on this freedom.

Because of the activist approach of the **Supreme Court**, which is seen as an appeal system for democratic decisions taken in the Knesset, pluralism must be observed in the opinions presented in the court. On many issues there is not just one truth, and therefore only a **free battle of opinions** between ideological poles can bring the required balance to decision-making. The sense of an attempt to reach ideological homogeneity without allowing for a fair competition of viewpoints renders some of the Supreme Court's decisions controversial. This is a troubling phenomenon that is liable to gnaw away at the power of the rule of law.

The continuation of judicial activism requires true pluralism.

The processes that have been occurring in recent years in the **media** have also aroused fears regarding self-censorship, whether conscious or subconscious, that damages the power of the "watchdogs of democracy." The crumbling of the status of the journalist in Israel is expressed in part by the layoffs of senior journalists, and by the worsening of employment conditions for those who remain in the field. These processes are likely to weaken the power and influence of the press, to the point of surrender to financial interests. The reliance on immediately available information, the lack of depth and insight, and economic dependence are liable to bring about the elimination of articles and opinions that are important to hear, and a failure to attain information whose publication is crucial. Because the power and quality of the "watchdogs" is essential to democratic resilience, these processes must not be underestimated.

The journalist's status is essential for effective media analysis.

The Jewish People - Present and Future

Judaism as Culture in the Age of Globalization

One of the main practical manifestations of the era of globalization is the process of making cultural differences between people superficial. As globalization-related processes develop and progress, Judaism is in the midst of the erosion of its traditional patterns of solidarity. **Strengthening of Jewish culture** could provide a foundation for the development of an **alternative model for Jewish affinity**. Raising the awareness of Judaism as culture can serve as an anchor for the positive identification of world Jewry, especially in light of the weakening of religious sentiment and distance from the Holocaust as a unifying trauma.

Jewish culture should be strengthened as an alternative model to religious Jewish affinity.

Despite the wealth and range of Jewish creative works, this field has been neglected in terms of research and public attention. The **study of Jewish culture** is a complex subject, especially because the reciprocal exchange between Jewish culture and world (particularly Western) culture is so intertwined that it is almost impossible to separate between Jewish creativity and that of the general culture. The study of Jewish culture requires an examination of essential questions, the most important of which regard the scope and uniqueness of Jewish culture: Is Jewish culture uniform or is it an amalgamation of cultures in which each one is a unique Jewish culture defined by its relations with the external culture? Are Jewish qualities essential to Jewish culture or is it a dialectic to the non-Jewish outside culture?

The "Anthology of Jewish Culture and Civilization" is a project that seeks to respond to these questions through an examination of the full range of Jewish creative works. This project has both universal and unique Jewish significance: from a universal perspective, beyond opening the eyes of the world to the Jewish contribution to world culture, the project demonstrates the potential, necessity and contribution of subcultures existing alongside and within the mainstream culture. From a Jewish perspective, the anthology is likely to encourage the strengthening of Jewish affinity and identity without being dependent on rituals and religious content, knowledge of the Hebrew language, or dealing with political questions relating to the situation in Israel. Aside from the Anthology, a number of other projects also focus on Jewish culture, such as the translation to English of Israeli works of literature and their distribution in the United States.

An additional initiative that develops awareness of Jewish culture is the President of Israel's proposal to establish a forum that would convene key personalities in the research and creation of Jewish culture. The forum would deal with Jewish education and the development of accessible mechanisms to strengthen Jewish cultural consciousness, including an Internet encyclopedia of Jewish culture and a translation project. The forum would also deal with the strengthening of Israel as the creative center of world Jewry.

Israel's place in relation to Jewish culture is a controversial subject. Contrary to the rest of the Jewish communities in the world, Israel is the only place in which Judaism has a significant role in the national context. These circumstances create a cultural identity in Israel that is separate from the rest of world Jewry, because it incorporates the cultural input of non-Jewish minorities in Israeli society. Some claim that the sharpening awareness of Jewish culture is likely to alienate these minorities and thereby weaken the resilience of Israel to the point of damaging its position as the center of the Jewish people.

Trends in the Relations of the U.S. Jewish Community with American Society and Israel

Political and social developments of recent years have placed before American Jews a new system of factors and balances of power that influences their identification with Judaism and Israel. These developments require new planning for Jewish and Israeli activity in the United States.

In recent years, cultural values with a **right-wing, conservative tendency** have developed in the United States, and they are increasingly becoming mainstream, accepted norms among large portions of American society. The framework of these new values includes approaches with a religious Christian focus, in which terms such as secularism, liberalism, intellectualism and even rationalism have become "dirty" words, perceived to be against the public's interest. This has a direct influence on the place of Jews in society, as secularism and the rest of these concepts are perceived as being perpetrated by Jews. A danger exists here as this new set of values makes the religious gap between Jews and the rest of the population into a major factor in the relations between the two groups, and contributes to the ongoing disappearance of separation of church and state. The level of secularism is much higher among the Jews than among the rest of the population,

A religious-Christian tendency affects the position of Jews in American society.

and this gap is becoming increasingly noticeable in light of the processes described above.

The developments in American society have led to a dangerous two-pronged trend that is emerging against American Jews: anti-Judaism from the extreme right, described above, and anti-Zionism, led by the **hard left**. American Jews find themselves under indirect attack from the left wing's condemnation of Israel. In intellectual circles and on university campuses throughout the United States, anti-Israel hostility reigns. It began with criticism of Israeli government policy toward the Palestinians and developed into an absolute negation of Zionism and the State of Israel. The phenomenon of secular American Jews who support Israel is becoming more and more problematic politically. These developments are likely to have far-reaching practical implications, the most important of which is decreasing support for Israel.

In order to improve this situation it is necessary to:

- Develop an **updated** approach that will deal differentially with the various components of the problem.
- Build a sophisticated mechanism for public diplomacy and the presentation of the Jewish and Israeli standpoint, to be adapted to the specific characteristics of the various target audiences.
- Expand and diversify the circle of those dealing in public diplomacy, incorporating youth, women, Jews from a Sephardic background and homosexual and lesbian Jews.

This change needs to take place not only externally, but also internally, reaching out to Jewish groups and those with a connection to Judaism who have been neglected by the existing framework of activity. An important factor that requires change is the Jewish organizations, which have focused their activities on fundraising. This led them to direct themselves toward the older population, thereby neglecting activities geared toward youth.

The Jewish Communities in Russia

The organization of Jewish federations in Russia does not serve as an overseer for the coordination and direction of the activities of Jewish organizations in the various communities, but rather deals with **assistance and support** in accordance with the

The Jewish community in the United States suffers from anti-Judaism from the right and anti-Zionism from the left.

The treatment of anti-Jewish and anti-Israel sentiment and attacks should be improved by more sophisticated public diplomacy and the integration of Jewish organizations, which until now have focused on fundraising.

make-up, characteristics and needs of each community. The Jewish organizations work with the help of the community's internal resources, as well as with the assistance of the Jewish Agency and American and European Jewish organizations.

Among the important tasks of the Jewish organizations in Russia are providing assistance to the sick and elderly, monitoring anti-Semitism and applying pressure on the government to prevent and punish anti-Semitic incidents. In general, "street" anti-Semitism exists in Russia but state anti-Semitism does not. The Jewish community in Russia is endowed with strength and vitality, and is able to fulfill several roles in the advancement and development of Jewish culture and in the strengthening of the State of Israel.

The Jewish organizations in Russia focus on assistance to the elderly and the monitoring of anti-Semitism.

Anti-Semitism in the World

Since the end of World War II, there have been five unrelated waves of anti-Semitism in the world. The economic factor does not provide a satisfactory explanation for this phenomenon; it appears to stem from deep roots of Christian and Islamic culture, which include anti-Jewish prejudice. We are currently in the midst of a wave of anti-Semitism, but it may have diminished as a result of the disengagement and other political developments.

There are three main types of anti-Semitism:

- Anti-Semitism among **skinheads** – this is relatively unimportant and does not represent a significant threat to Jewish interests.
- Anti-Semitism of the **second generation of Muslim immigrants in Europe** – these youths are developing feelings of alienation from the West as a result of socioeconomic disparities, and they channel this alienation into radical Islamic activities that include anti-Jewish components.
- Anti-Semitism from **intellectual circles, the media and academia** – these are people who once supported the State of Israel but who now view it as a negative symbol inimical to their liberal and democratic views. Some of them see the destruction of the State of Israel as the way to advance their liberal principles and as a solution to the problem that was created in 1948. On this point there is a connection between these Western intellectuals and radical Islamists, both of whom call for the destruction of Israel.

Western anti-Semitism comes mainly from Muslim immigrants and certain liberal circles.

The Israeli and Jewish public has a tendency to focus on Western anti-Semitism; it is easier to tackle since the norm in these countries is condemnation of anti-Jewish activities accompanied by an authentic desire to fight such phenomena. At the same time, Jewish activity neglects to deal with the other type of anti-Semitism, which is coming from the Muslim communities living in the West. Jews should express empathy and identification with those Muslims who seek to integrate into Western, and especially European, culture. The hatred of Islam that is spreading throughout Europe works against Jewish interests.