

Strategic ASSESSMENT

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Strategic ASSESSMENT

The purpose of *Strategic Assessment* is to stimulate and enrich the public debate on issues that are, or should be, on Israel's national security agenda.

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Abstracts

Israel and the Pragmatic Sunni Camp: A Historic Opportunity

Moshe Ya'alon and Leehe Friedman

In recent years the scope of common interests shared by Israel and the Sunni Arab camp has expanded significantly. A number of successful cooperative efforts undertaken against this background have restored the vision of normalization with the Arab world to the headlines in Israel, and have sparked public debate regarding the feasibility of this prospect. This article surveys the opportunity currently facing Israel and the pragmatic Arab states, and examines it in the broader historical context of the Arab-Israeli conflict as well as in the current context of the Israeli-Palestinian conflict and developments in the region.

Keywords: Israeli-Palestinian conflict, Arab Peace Initiative, political process, Israel, Sunni camp, normalization

The Response to the Iranian Proxy War: Jerusalem's Power vs. the Quds Force

Assaf Orion

This article takes a systemic look at Iran's proxy war as a component of its strategic threat to Israel. It examines how Israel has met the challenge, considers the gaps in its approach, describes the development of its concept during the confrontation in Syria since the end of 2017, and proposes a strategic framework and guiding principles for the ongoing campaign against Iran. It focuses on a holistic view of Iran's threats – nuclear and conventional; the need for an integrative and comprehensive Israeli policy against them; new rules of the game defined by Israel to replace those that Iran shaped for its own benefit; and full use of Israel's capabilities to limit the threat, not only in wars, but mainly in the ongoing campaign between them. This article suggests a response that seeks to unhinge the logic of the enemy system structure and disrupt its operation by undermining its essential centers of gravity, above all the Quds Force. Such a response will undercut the processes of the proxies' force buildup, armament, and force

employment, as well as the ability of the proxies to regroup after fighting against Israel.

Keywords: Iran, Quds Force, Hezbollah, strategy, inter-war campaign

Restoring Economic Sanctions: The Impact on Iran

Nizan Feldman and Raz Zimmt

The announcement by US President Donald Trump regarding the United States' withdrawal from the nuclear agreement prompted a host of predictions regarding the anticipated effects of the renewal of American sanctions on Iran. Various attempts to examine the effectiveness of the sanctions have tended to relate to the anticipated impact on the Iranian economy and on the policy of the regime in the same breath, particularly regarding the nuclear issue. However, these are two separate phenomena. Analysis reveals that the US economic campaign can be expected in upcoming quarters to intensify the foreign currency crisis in Iran, increase inflation, and reduce the scope of local and foreign investments. Within a few quarters, this could lead the Iranian economy to a situation similar to the one it faced on the eve of the nuclear agreement in 2015. In terms of the political implications of the renewal of sanctions, however, it is too early to assess whether the pressure in itself will serve to moderate the regime's policies. It is also difficult to predict how the economic pressure will affect public opinion. Heightened pressure could serve to intensify popular protest in Iran, but it could also help the regime mobilize public support against the West.

Keywords: Iran, economy, sanctions, nuclear agreement

The Role of the IAEA in the Iran Nuclear Deal: Recommendations for Improving Performance

Ephraim Asculai and Emily B. Landau

The International Atomic Energy Agency (IAEA) is the organization entrusted with verifying that Iran is observing the requirements of the nuclear deal (JCPOA) to the letter. Its quarterly reports to the Security Council are, at present, the basis for the determination by many nations that Iran is complying with the deal. However, a closer look at the performance of the IAEA and the issued reports reveals that not all is well in areas such as verification of the absence of activities in the development of the nuclear explosive mechanism; the search for undeclared nuclear-related activities;

and the necessary transparency in IAEA reports regarding Iran's nuclear activities and plans. It is essential that the parties to the deal recognize these shortcomings, and impress upon the IAEA the imperative to change its implementation of its mandate.

Keywords: Iran, JCPOA, IAEA, verification, transparency

Why Has Bashar Won the War in Syria?

Eyal Zisser

The war in Syria is nearly over. While the restoration of stability and peacemaking in the country remain remote – if at all viable – objectives, the fighting on the battlefield has been decided and Bashar al-Assad has ended with the upper hand. This victory was handed to Bashar thanks to the recruitment of Tehran and Moscow to fight alongside him, coupled with the inertia to the point of inaction demonstrated by the West, primarily the United States, regarding the crisis in Syria. At the same time, this victory is also an outcome of the domestic reality in Syria – on the one hand, the failure of the rebels in combating the Syrian regime, and on the other hand, Bashar's political acumen and survival skills, and the support that the regime and the country's institutions received from the broad coalition of social and economic powers from within the Syrian population. Bashar did not wage this battle for survival only in order to become a puppet ruler manipulated by others, and one can assume that to the extent that he can control matters, he will strive to once again become the sole decision maker regarding the future of his regime and his country.

Keywords: Bashar al-Assad, Russia, Syria, Iran, Alawites

Saudi Arabia: Walking the Nuclear Path

Yoel Guzansky

In response to the development of the Iranian nuclear program and considerations of prestige and energy needs, Saudi Arabia began examining the nuclear route, with the intention of leaving as many options as possible open to it in the nuclear realm. The Saudi kingdom has already declared its intention to develop a nuclear program for the purposes of electricity production and water desalination, and is in the midst of feverish preparations to achieve this goal. In this context, it has been conducting negotiations with the United States for assistance in the realm of civilian nuclear development, while working to puncture the taboo on uranium

enrichment. Along with these developments, senior Saudi officials have threatened publicly and explicitly that if Iran acquires nuclear weapons, Saudi Arabia will immediately follow suit.

Keywords: Saudi Arabia, nuclear proliferation, nuclear fuel cycle, Iran, United States, Israel

Egyptian Soccer in the el-Sisi era: A Political Double-Edged Sword Ofir Winter and Ezzat Hamed

Soccer is the most popular sport in Egypt and draws tens of millions of fans. Over the years the various Egyptian regimes have understood the game's enormous attraction, and tried to exploit it for their political needs. This article analyzes the dual attitude of the regime of President Abdel Fattah el-Sisi to the historic participation of the Egyptian national team in the World Cup in Russia, and the emergence of its forward Mohamed Salah as a global soccer superstar. On the one hand, the unprecedented interest aroused in Egypt by the national team and Salah provides the Egyptian President with an effective lever to strengthen his public status, particularly among the younger generation; on the other hand, both the role played by soccer in the arena of political protest since the 2011 revolution and the emergence of a popular national hero like Salah challenge his regime.

Keywords: Egypt, soccer, sport, Abdel Fattah el-Sisi, Mohamed Salah

Decisions from China's National People's Congress: Significance for Israel Doron Ella

At the National People's Congress of March 2018, far reaching structural changes were made in China's governmental institutions. This essay reviews the political declarations and structural changes approved at the Congress, and analyzes their political significance for Israel. China's economic objectives create new horizons for Israel regarding commercial cooperation with China on the one hand, yet pose possible risks if China becomes a future competitor. From a defense perspective, the upgrading of China's army and expansion of Chinese military exports constitute an indirect risk to Israel through sales of advanced Chinese weapons to Israel's adversaries and China's gradual transformation into a competitor of Israel in defense exports. And from a political perspective, the extension

of Chinese President Xi Jinping's term in office and the structural changes in the Chinese government require a remapping of China's power centers and authority in the various Chinese governmental bodies.

Keywords: China, Xi Jinping, National People's Congress, term extension

It's All about the Numbers: Involving Rating Agencies in the Fight against Terrorism

Melanie Goldberg

The banking industry has long decried overregulation, and in particular, its ineffectiveness. To a degree, the banks have been right, as shown most significantly by the increase in terrorist financing through traditional banking channels, despite regulations and lawsuits attempting to stop it. However, there are alternatives to lawsuits and regulations to force banks into compliance. The most potentially effective alternative mandates that rating agencies lower a bank's rating for financing terrorism. This can work because rating agencies hold significant influence over banks. Therefore, forcing credit agencies to consider a bank's OFAC violations and pending ATA lawsuits when calculating their rating is the preferred option for effectively stopping the financing of terror.

Keywords: terrorist financing, OFAC, rating agencies, ATA

Loss of Precious Faith: The Deep Rift between the State of Israel and American Jewry

Amit Efrati

While heralding the flourishing political relations between the United States and Israel, American media channels over the last six months have also reported that recent measures taken by the Israeli government, such as the passage of the National Conversion Law and the freeze on the pluralistic Western Wall plan, have significantly exacerbated the crisis of faith in the State of Israel among extensive segments of the American Jewish population. It was further reported that this old-new crisis, which is reflected in unprecedented media rhetoric and protests, may jeopardize the continued economic support of Israel by American Jewry and upset their motivation to wield their influence and pressure the American administration to provide aid to Israel in many spheres. This article reviews the causes of the steady dwindling of the support for Israel by the American Jewish

community and assesses the main repercussions of the deepening rift between the communities at the long range strategic level. Finally, it proposes a number of constructive measures to improve the situation, such as effecting a fundamental change in the mindset of the Israeli population and its representatives so that they recognize the importance of the American Jewish community to the Jewish people and to the State of Israel; developing a mechanism whereby Jews from all over the world can voice their opinions to the Israeli establishment; and increasing Israel's involvement in Jewish and Zionist education in the United States.

Keywords: American Jewry, US-Israel relations, Jewish peoplehood

Israel and the Pragmatic Sunni Camp: A Historic Opportunity

Moshe Ya'alon and Leehe Friedman

The Palestinian Issue and Arab-Israel Relations: An Inverted Dynamic

Until the establishment of the Palestine Liberation Organization (PLO) in the 1960s, the Palestinian issue was no more than a single element in the broader conflict between Israel and the Arab states, which had not come to terms with the establishment of a Jewish state in a region characterized by Arab-Muslim dominance. The Arab states' resolute opposition to the partition plan proposed in the United Nations General Assembly in 1947, which was accepted by the Jewish leadership in Mandatory Palestine, indicated that the interest of preventing the establishment of a Jewish state prevailed over any commitment to the self-determination of the local Arab population. This is the origin of the Arab states' role in the creation of the Palestinian problem.

After their defeat in Israel's War of Independence, the Arab states continued to view Israel as a foreign, temporary intruder that had to be ousted. The Palestinian issue became their primary means of attacking Israel and they took care to demonstrate a commitment to it, while at the same time perpetuating it in order to maximize the double benefit they derived. First, this was a means of weakening Israel and promoting an explicitly anti-Israel foreign policy. Second, the issue elicited a sense of identification in the Arab street, and was therefore exploited by the authoritarian Arab regimes to deflect domestic discontent and rally public criticism around the issue of the Zionist enemy. The regimes, which from time to time have had to contend with internal unrest, took full advantage of the opportunity

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to institutionalize a pan-Arab consensus against an external enemy that appeared to threaten the Arab *umma*. In addition to enabling a release of steam in respective states, this approach helped create a strong sense of unity in an Arab world characterized by numerous contradictions among its constituent identities (e.g., religious, ethnic, tribal) and that has been hard pressed to rally around any other issue.

Over the years the Arab states' demonstrated commitment to the Palestinian issue has always been prominent among various issues that have served Arab but not necessarily Palestinian interests, and have been advocated at the expense of the State of Israel while exacting little from the Arab states themselves – for example, the refugee issue. Following Israel's War of Independence, some 700,000 Palestinians left the area – some to the West Bank and the Gaza Strip, and others to the neighboring Arab states, which refused to absorb them within their territory and insisted that they be repatriated to Israel. Although this policy harmed the Palestinians, who were forced to live in difficult conditions in the refugee camps, it served the interests of the Arab states in two ways. First, actualization of the "return" would result in the destruction of the Zionist project from a demographic perspective; and second, until then, as long as the refugees remained within their borders, these states would be the recipients of economic aid and compensation.

This is also reflected in the distortion of the role of the UNRWA, whose original mandate was to provide temporary aid to the refugees¹ (until the end of 1950) for rehabilitation and integration in the Middle East states where they were living. Under the pressure of the Arab states, which refused to resettle the refugees within their borders and at the same time sought to exploit and increase the aid they were receiving in order to maintain them, UNRWA became a massive bureaucratic welfare system perpetuating the very problem it was mandated to solve.² Today, the humanitarian hardship facing the refugees' descendants (who do not meet UN criteria for refugee status) is also perpetuated out of political considerations.

The double standard of Arab commitment to the Palestinian issue can likewise be observed in the context of living conditions of Palestinians in Arab countries, such as with problems acquiring work permits, discrimination with regard to social welfare rights, and the like. In recent years, profound criticism has been voiced regarding the Arab states' failure to deal with these issues, which directly affect large Palestinian populations, and these

states' insistence on dealing only with issues that are perceived as a potential platform for the denunciation of Israel.³

Over the years, the Arab world has begun to understand that Israel is not a passing episode. Egypt was the first Arab country to recognize Israel when the two countries signed a peace treaty in 1979. Egypt demonstrated its commitment to the Palestinian cause by insisting that the Camp David Accords, which preceded the treaty, refer to future Palestinian autonomy in the West Bank and the Gaza Strip.⁴ Nonetheless, Egypt itself completely washed its hands of Gaza, despite the fact that until the Six Day War this territory was under Egyptian rule. In doing so, Egypt shifted full responsibility to Israel, indicating that its commitment to the Palestinian issue remained in force as long as Israel bore the burden.

Jordan, which was the first Arab state to establish a secret strategic alliance with Israel in 1970, abandoned all claims of representing the Palestinians when in 1988 it withdrew all claims to sovereignty in the West Bank. At that point, as part of its recognition of the Palestinian right to conduct independent negotiations, King Hussein severed all administrative and judicial ties with the West Bank (with the exception of custody of the Muslim holy sites in Jerusalem).⁵ Consequently, responsibility was shifted to Israel in a manner that for the first time defined the Israeli-Palestinian conflict as a bilateral conflict, whose resolution would be within the borders of what had been Mandatory Palestine. The Madrid Conference was thus the last framework in which an effort was made to discuss the Israeli-Palestinian conflict in a multilateral framework, before the shift during the Oslo process to bilateral contacts with the PLO as the representative of the Palestinians.

Yet even after the conflict was defined as bilateral, efforts to intervene were made by different Arab states in pursuit of their own internal interests, and objective issues that require coordination with Israel remained, e.g., the situation on the borders. Furthermore, as the conflict has always been characterized by involvement on the part of the Arab states, it is reasonable to mobilize their involvement, existing in any event, in the attempt to move forward on the regional track, especially after such a long period in which the bilateral Israeli-Palestinian track has been deadlocked.

The Arab Initiative as a Potential Basis for Regional Negotiations

The origins of the Arab initiative lie in a plan that was advanced by then-Saudi Crown Prince and later King Abdullah bin Abdulaziz al-Saud. The timing of its publication in the *New York Times* in February 2002 by

journalist Thomas Friedman was no coincidence. Approximately half a year after September 11, 2001, in which 15 of the 19 terrorists who took part in the attacks were Saudi citizens, Saudi Arabia found itself in United States crosshairs. It urgently needed to repair its image as an “exporter of terrorism” in order to preserve its strategic alliance with the United States that from a security perspective is critical to Riyadh. At the same time, the wave of Palestinian terrorism raging since September 2000 had sparked demonstrations in the Arab world and undermined regional stability, and with it the energy market, which constitutes the foundation of the Saudi economy and regime. Promoting regional conciliation and peace even only for the sake of appearance now became a Saudi interest, and the Arab initiative was born to serve this interest.

In March 2002, the initiative was presented at the Arab League summit in Beirut, and after pressure by Syria and Lebanon prompted a new clause in support of the right of return, it was adopted unanimously by the League’s 22 members and became the “Arab Peace Initiative.” The initiative was ratified by the Arab League on a number of occasions, and the Organization of Islamic States – 57 in number – also announced its support of the plan, and with the exception of Iran has renewed it in its annual conferences. Beyond the timing, the firm demand to accept the initiative as is, despite the fact that that Israel would clearly reject it, raised doubts as to the sincerity of the initiative from the outset. Now, however, in light of the profound changes in the region over the past 16 years, the most relevant question appears to be: Are the shared interests between Israel and the pragmatic Arab world sufficient to leverage the initiative’s underlying ideas into an updated framework that will facilitate their implementation?

The initiative calls for an end to the Arab-Israeli conflict based on recognition that it is a conflict that has no military solution. It presents Israel with demands; if met, the Arab states commit to proclaim an end to the conflict and to reach a comprehensive peace agreement that includes, for the first time ever, the normalization of relations with Israel for the security, stability, and prosperity of future generations. These demands can be summarized as follows: first, an Israeli withdrawal to Israel’s pre-1967 Israeli borders, including a full withdrawal from the Golan Heights, the Gaza Strip, and the West Bank, including East Jerusalem; second, achievement of a just and agreed solution for the refugee problem, in accordance with UN General Assembly Resolution 194, while assuring “the rejection of all forms of Palestinian patriation which conflict with the

special circumstances of the Arab host countries” (although the right of return is not explicitly mentioned, it is implied by the Arab states’ refusal to recognize those refugees who do not wish to leave the host territories); and third, agreement to the establishment of an independent and sovereign Palestinian state in the territories from which Israel would withdraw (with the exception of the Golan Heights), with its capital in East Jerusalem.

The advantages of the initiative lay first and foremost in the proposal of normalization, which holds historical significance for Israel due to its aspiration, since its establishment, to achieve peace and good neighborly relations with the Arab states.⁶ There is also a logic behind discussing the issues that influence the entire Arab world (such as Jerusalem and the refugees) with other parties, as opposed to the Palestinians alone, who over the years have sought the support of the Arab world regarding these issues and have refrained from deciding them on their own. At the same time, the dictated package deal in exchange for normalization was problematic, to say the least, and Israel rejected the initiative.⁷ Even if some in Israel welcomed the Arab willingness it reflected, it was always consistently stressed that the initiative would not be accepted as long as it came in the form of a dictate. Over the years, the Arab states have repeatedly reaffirmed their support of the initiative in a manner that won them international credit, but enabled them to do the minimal for the Palestinians while in practice distancing themselves from the conflict. Yet in order for a framework for future discussion to be relevant as far as Israel is concerned, it must change the approach of the dictated equation and openly discuss both the demands and the essence of the normalization in question; promote gradual steps of normalization during the negotiations and not only at their conclusion, in order to build trust and win over the hearts and minds of the public on all sides; and remove the Golan Heights from the equation, in light of the situation currently prevailing in Syria.

New Priorities in a New Geopolitical Reality

The geopolitical changes that have occurred in the region and the world over the past decade have changed the priorities of the pragmatic Sunni states and in tandem influenced their perception of Israel. The fact that they find themselves in the same boat with Israel regarding most of the regional challenges is a factor that encourages closer relations and the attempt to find a framework for cooperation. These challenges’ relegation of the Palestinian issue to the bottom of regional priorities, and the growing

frustration with the current Palestinian leadership in contexts that are broader than the conflict with Israel, has allowed the pragmatic Sunni states to consider closer relations with Israel as a realistic option.

Since early in the current decade, the Middle East has experienced ongoing upheaval that has sprouted and fueled significant regional challenges, including:

- a. Shiite Iran, which, as the leader of the radical axis, is working tirelessly to undermine the Sunni regimes and to divide the Arab world. Bloody civil wars in Syria and Yemen are microcosms of the tensions and regional struggles over control.
- b. The growing number and buildup of terrorist elements, including both Salafi jihadist groups like the Islamic State and non-Salafi extremists such as the Muslim Brotherhood movement, which today is advancing largely under Turkish patronage.
- c. The neo-Ottoman buildup efforts of Erdogan, who will use all means necessary to position Turkey as a regional Islamic hegemonic power and broaden the territory under its influence.
- d. Internal unrest and tensions against a primarily economic background, which have beset all the governments of the Sunni states. The regional upheaval has made it clear that unrest in one country can have far reaching regional implications, such as the extreme scenarios in Syria, Iraq, Libya, and Yemen.

The Arab states, which have found themselves contending with these challenges on multiple fronts, openly acknowledge today that it can no longer be seriously argued that the Israeli-Palestinian conflict is the most burning issue.⁸ They also acknowledge that those who maintain that it is the source of regional instability are motivated by foreign interests and are cynically exploiting the Palestinians.⁹

Today, Saudi Arabia is troubled by an Iran that strives to achieve military nuclear capacity and regional hegemony. In the local arena Riyadh is engaged in a struggle against Iran in Yemen, and in the international arena, it is part of the effort to bring about the renewal of the sanctions regime against Iran and establish closer ties with the American administration. Egypt is fighting an ongoing war with the Islamic State in Sinai and is troubled by the organization's spread within the borders of its neighbor Libya. In Jordan, the country's Palestinian majority and its historic role as custodian of the holy sites in Jerusalem imbues the Palestinian issue and the question of the status quo in Jerusalem with special sensitivity. Still,

the threat that these factors pose to the stability of the kingdom and the Hashemite regime is marginal compared to the threat posed by the Islamic State, both on the Syrian-Iraqi border and from sleeper cells among more than one million Syrian refugees, which today constitute more than 15 percent of the population of Jordan.¹⁰

Another manifestation of the decreasing weight and attention that Arab states ascribe to the Palestinian issue can be seen in the steady downward trend in these states' contributions to the Palestinian Authority since 2012. According to the Palestinian Authority's Ministry of Finance¹¹ and the budget of 2017,¹² external aid to the PA, which stood at approximately \$1.2 billion between 2007 and 2012, totaled less than \$700 million in 2017, with only one quarter provided by the Arab world.¹³ Former PA Minister of Planning and Labor Samir Abdullah noted that the \$500 million that the Arab states used to transfer to the PA each year has dwindled to some \$150 million.¹⁴

The reduced prominence of the Palestinian issue in recent years has also been evident among segments of the Arab population. According to an annual survey conducted among young adults in the Arab world by ASDA's Burson-Marsteller, the Islamic State and high unemployment (which is also perceived as a motivation for joining the Islamic State) were ranked as the top threats in the Middle East in 2017, with the threat of terrorism close behind at one percentage point lower. In comparison, the Israeli-Palestinian conflict was relegated from seventh place in 2016 to eighth place in the 2017 survey.

These trends are complemented by the charged debate in the social media regarding the importance of the Palestinian issue, its rightful place on the Arab agenda, and the performance of the Palestinian leadership. Under the hashtag "Riyadh is more important than Jerusalem," tens of thousands of Arab internet users, especially Saudis, denounced Palestinian conduct in general and the conduct of Hamas in particular, and called to stop dealings with the Palestinians and instead to focus on internal affairs, with statements such as: "Please, they should turn to Iran for it to liberate them and make their lives a paradise, as it has done [for those who live] in Syria and Lebanon"; "All the Arab peoples liberated themselves without assistance. Why does this [Palestinian] issue continue without a solution?"; "We, as Saudis, are asked to be more Palestinian than the Palestinians"; and others.¹⁵

Unrelated to Israel, also emphasized was the disproportionate attention that the Palestinians command from the Arab world, in comparison to the

Syrian refugees, for example, who are double in number of the Palestinian refugees and face greater hardship. In addition, the crisis in leadership and the ongoing unsuccessful efforts to reconcile between Fatah and Hamas have aroused much frustration among the states most involved in mediation efforts, led by Egypt and Saudi Arabia. The signs of this frustration remained visible even after the signing of the reconciliation agreement of October 2017. Overall, the pragmatic Sunni camp still regards Hamas as part of the radical axis, reflected in the public discourse and the contemptuous responses to the political document that Hamas issued in May 2017, replete with vague wording and contradictions. A significant portion of the criticism focused on the unrealistic refusal to recognize Israel, which relegates Hamas to an isolated position running counter to all the Arab countries that accepted the Arab initiative.¹⁶ With regard to the disturbances on the border of the Gaza Strip in recent months, voices in Saudi Arabia lay blame for the dead on Hamas in the service of Iran, and expressions of support for the Israeli response have increased.¹⁷ On the other hand, Mahmoud Abbas, as the leader of Fatah and the Palestinian Authority, has come under harsh criticism from leaders and public opinion shapers in the Arab world, some of whom have expressed open and active support for his rivals in Fatah. Finally, accusations are growing stronger against the Palestinian leadership for missing many opportunities over the generations to solve the conflict with Israel, and voices maintaining that the time has come for internal reconciliation and peace with Israel are growing louder.¹⁸

Nonetheless, and despite its decline as a priority, the Palestinian issue still enjoys a special status as a unique issue that gives the impression of Arab unity. For years, the 22 members of the Arab League have been unable to reach agreement on the truly burning issues in the Arab world due to their various interests. Therefore, in order to present a united front, the Palestinian issue receives extensive attention in summit discussions and in the decisions issued at the end of summits. In this way, the issue has traditionally served as the fig leaf for the Arab League to cover up its lack of agreement on other subjects.¹⁹ As evidence, Morocco refused to host the summit in 2016 on the grounds that it was not willing to cooperate with the false demonstration of unity.²⁰ In doing so, it was presumably referring, at least in part, to the Palestinian issue.

The Regional Interest: Release from Artificial Restrictions

It is hard to imagine that anyone would volunteer for a decisive multi-front battle against determined and dangerous enemies with one arm intentionally tied behind his or her back. Since the beginning of the current decade, many of the pragmatic Sunni states have been engaged in an existential struggle against a host of threats in the realms of ideology and security, climate and sanitation, economics and infrastructure, and more. Israel, which has been forced since its establishment to contend alone with simultaneous threats, has developed capabilities and expertise that have transformed it into a potential force multiplier to the campaign in question. Despite Israel's willingness to cooperate with the Arab states, and despite their recognition of the advantages of cooperation, obstacles that are no longer relevant yet have become fixed through the power of inertia are forcing all the involved parties to engage in the joint regional campaign with one arm tied behind their backs.

As noted, the Arab states have come to recognize their increasingly overlapping interests with Israel. In the security realm, there has been close cooperation with Jordan and Egypt, as well as with more distant parties. For example, as part of the joint war against the Islamic State, since 2013 Israel has allowed Egypt to bolster its forces in the Sinai Peninsula, despite the demilitarization restrictions specified in the military annex to the peace treaty. Israel was also incorporated into the Egyptian strategic measure of returning the Tiran and Sanafir islands to Saudi Arabia. Remarks in January 2017 by IDF Chief of Staff Lt. Gen. Gadi Eisenkot to the Saudi media regarding Israel's willingness to "exchange information with the moderate Arab countries, including intelligence," and his assertion that with regard to certain issues, "there is complete agreement between us and Saudi Arabia,"²¹ would have been unthinkable a few years ago. These remarks illustrate the change in Israel's position in the region and the extent of the shared interests, which are turning the developing relationships into a strategic layer of the national security of the states involved.

Progress has also been visible in the economic realm. 2016 witnessed the signing of a \$10 billion agreement whereby Israel is to supply Jordan with natural gas for 15 years, and in February 2018, a 10-year deal was signed with the Egyptians in the realm of trade, transportation, and energy. For countries like Saudi Arabia, which seek to transition from an oil-based economy to a modern and diversified economy based on knowledge, services, and advanced products, Israel, as the closest technological superpower,

is a natural partner in the process. Finally, beyond the expected direct benefits of cooperation, it can be assumed that their contribution to the stabilization and development of the region (not to mention tourism) will attract foreign investments that will serve as incentives for the promotion of regional normalization.

Another issue that is not assigned the importance it merits in the regional discourse is the need to contend with the intensifying water shortage. The repeated droughts, desertification, and intensifying water problems constitute an existential threat that engages all regimes in the region. Egypt is immersed in the African struggle revolving around the distribution of the water of the Nile River, and disturbances have broken out in Syria against the background of water shortage. Israel's expertise in water-related issues, desert agriculture, and food security could help all the countries in the region and contribute to their stability. Thanks to its advanced desalination capabilities, Israel supplies a substantial amount of water to Jordan and to the Palestinians in the Gaza Strip and the West Bank. In Section 6 of the peace treaty between Israel and Jordan, the countries committed to work together to preserve and develop water sources. As a result of the severe water shortage in the kingdom, Israel doubled the amount of water it transported to Jordan in 2014. In addition, the new desalination facility that is to be established in Aqaba, which will supply 80-100 million m³ of water, to be divided equally between Israel and Jordan, will be the first stage of the regional strategic Water Canal project, which is intended

to provide potable water, help preserve the Dead Sea, and produce electricity. Along with the realm of water, cooperative efforts are underway in the realm of agriculture.

These and other examples from more distant countries, which need not be revealed here, are indicative of a trend of change on the map of regional interests, in which Israel is gradually changing from a "problem" into a major part of the solution to the challenges of the region. As a result, the Arab interest in perpetuating the Palestinian issue as a means

of attacking Israel and an obstacle to establishing relations is becoming superfluous. Indeed, conditioning progress in the establishment of closer relations between the Arab states and Israel on a solution to the Israeli-Palestinian conflict is an artificial obstacle that allows the Arab states and

Recent years are witness to a new trend on the map of regional interests, in which Israel is gradually changing from a "problem" to a major part of the solution to the challenges of the region.

Israel to be held hostage to the Israeli-Palestinian conflict, whose resolution appears nowhere on the horizon. This raises the question of whether the Arab states, which are intensifying their cooperation with Israel behind the scenes, will be convinced of the advantages of closer relations with Israel on a public level.

The geopolitical changes in the past decade have led large parts of the Arab world to come to terms in practice with a number of Israel's reservations regarding the Arab Peace Initiative. All claims regarding the Golan Heights hold no relevance in light of the situation in Syria due to clear security reasons. With regard to the refugees, although they have continued to fan the flames on this issue publicly for political reasons, Arab and even Palestinian leaders have, behind the scenes, recognized that Israel will not accept a "right of return" or any other demographic change that will threaten its continued existence as a Jewish state. Moreover, it is becoming increasingly clear, from a sober and balanced historical perspective, that the demand of a right of return fails to take into account the 850,000 Jewish refugees who were forced to flee Arab countries after Israel's War of Independence and who have yet to receive compensation from them.

On these bases, the Arab initiative has, over the years, been updated in ways that though too minor to transform it into a realistic platform from Israel's perspective, proved that it can be modified under circumstances that justify doing so in the eyes of the Arab states. At the Arab League summit in 2017, the Egyptian delegation proposed replacing the words "reaffirming the Arab Peace Initiative" in the concluding declaration of the summit with the words "taking note of the Arab Peace Initiative."²² The measure, which recognizes the limitations of the initiative and suggests a willingness to promote relevant and effective discourse, was supported by the Egyptian foreign minister and the secretary general of the Arab League, who argued that "the Middle East peace process is stuck," and that new ideas for solving the crisis in the region were necessary. However, the Palestinian delegation, which resolutely opposed the "sudden" change, thwarted the measure in a manner that the Arab League's secretary general described as "extremely unyielding."²³

Conditioning progress in the establishment of closer relations between the Arab states and Israel on a solution to the Israeli-Palestinian conflict is an artificial obstacle that allows the Arab states and Israel to be held hostage to the Israeli-Palestinian conflict, whose resolution appears nowhere on the horizon.

Approximately one month later, the Egyptian newspaper *al-Masry al-Youm* published a debate on the possibility of adding Israel to the Arab League following the resolution of its conflict with the Palestinians.²⁴ In addition, in May 2017, the *Wall Street Journal* reported that the Gulf states, under the leadership of Saudi Arabia and the United Arab Emirates, were discussing a proposal to implement normalization measures in various realms, in exchange for measures that reflect Israel's commitment to advance the process vis-à-vis the Palestinians, with an emphasis on freezing construction in the West Bank (outside the settlement blocs) and easing the restrictions on trade with the Gaza Strip.²⁵ In April, on the eve of the Arab League summit in Dhahran, an establishment-affiliated Saudi daily published an article calling for the Arab countries at the summit to proclaim the establishment of peace and normalization with Israel as part of the reorganization of the regional array of forces and the struggle against Iran.²⁶ These are just a few examples of the attempts to promote closer relations that illustrate the momentum that has recently emerged. If in the past the Arab interest lay in demonstrating its commitment to the Palestinian issue and encouraging Israel to conclude the conflict, and to do so the Arab states were willing to offer Israel normalization, today the tables are turned, and normalization with Israel in itself serves major genuine interests in the pragmatic Arab world, while the Palestinian issue is standing in the way.

The Aversion to Closer Public Relations with Israel

Despite the closer relations behind the scenes, the pragmatic regimes have been extremely careful not to appear overly enthusiastic about normalization. This has stemmed from the broad, powerful public resistance in these countries to normalization prior to a resolution of the Israeli-Palestinian conflict, which would be perceived as neglect and betrayal of the Palestinian cause. Even Egypt and Jordan, which enjoy diplomatic relations with Israel and engage in extensive security and intelligence cooperation with it behind the scenes, have been careful to avoid displaying too conciliatory a posture. This explains King Abdullah's resolute declarations that there can be no peace or stability in the region without a just and sustainable resolution to the Palestinian issue by means of a two-state solution. Saudi Crown Prince Mohammad bin Salman, who is regarded as a reformer and whose unprecedented statements regarding Israel are revolutionary, noted – in March 2018 during a closed meeting with the leaders of Jewish

organizations in New York, in itself, a noteworthy event – that normalization could not move forward without significance progress with the Palestinians. In this context, the crown prince expressed sorrow and great frustration with the Palestinian leadership, which, he maintained, had missed one opportunity after another by rejecting all the peace proposals it received. His fundamental message was that “it is about time the Palestinians take the proposals and agree to come to the negotiations table or shut up and stop complaining”; his assertion that the Palestinian issue is not a high priority for Saudi Arabia²⁷ is indicative of frustration that can be ascribed in part to an understanding that the Palestinian issue is an obstacle preventing Saudi Arabia from achieving other interests that are higher priorities.

This deep gap between the strategic interests of the pragmatic regimes and public opinion within their borders means that every step toward closer relations with Israel comes at an internal and regional political price. In the internal arena, the governments of the pragmatic states face challenges threatening their stability, be they hostile internal elements fomenting against them, economic tensions stemming from the reliance on oil, or rapid social and technological changes that create new demands. In a political arena that is already replete with challenges, few leaders are anxious to risk expending the political capital involved in publicly establishing closer ties with Israel. In the regional arena, the competition with Iran over Islamic hegemony in the Middle East, and Iran’s cynical use of the Palestinian issue, assures that all efforts to establish closer relations with Israel will be exploited by Iran to damage the legitimacy of the Sunni states and blame them for abandoning the Palestinians and for heresy against Islam, in cooperation with the United States and Israel. The Sunni states in general and Saudi Arabia in particular cannot allow themselves to provide Iran or Turkey with ammunition that will enable them to accrue regional political capital at their expense.

Given the political price involved with publicly establishing closer relations with Israel and the benefit that the Arab states derive from their secret relations with Israel in any event, it is important to also consider the potential profits that will make the price of normalization worthwhile in the long term.

The Advantages of Public Relations with Israel

First, although the benefits of secret cooperation are opportune, they are also limited. Why should the Gulf states, which seek development in hi-

tech and the cyber realm, exclude themselves from some of the world's leading conferences in these fields only because they are held in Israel? Why should they make due with foreign coverage of Israeli industry instead of receiving their own unmediated impressions and developing trade relations with it? To maximize the strategic, security-related, and economic benefits enjoyed by both sides, the closer relations must be public. This would allow the pragmatic camp to enjoy a trustworthy ally that will provide it with substantial assistance in developing the region and contending with its array of challenges, as well as with international prestige. For its part, the State of Israel would benefit from widespread recognition and legitimacy as an integral and contributing part of the Middle East. Moreover, the establishment of closer relations with additional Arab states would strengthen Israel's relations with its older allies – Egypt and Jordan – and increase its status in the Arab world. Finally, the Middle East as a whole will benefit from an important reinforcement of regional security, which, in addition to the inherent advantage of improved security, is a precondition for improvement of the regional economy through expanding the scope of trade and attracting foreign investors. Economic prosperity, as a stabilizing force in itself, is another incentive for intensified cooperation between Israel and the pragmatic camp.

In addition to limited effectiveness, another significant disadvantage of clandestine cooperation is the expenditure that goes along with maintaining secrecy. The very act of concealing cooperation creates an added cost for every action, from compartmentalization mechanisms and cover stories, to complex systems for coordination, to increased concrete security risks. Of course, in some areas secrecy is essential and must be maintained. However, in other areas, in which secrecy stems from fear of the public's reaction, it is an immense waste of time, energy, and resources that would be better off invested in a constructive process aimed at changing the public mood, or invested directly in shared aims that will convince the public that relations are worthwhile.

Despite cautionary measures, there is always an element of danger in revealing secret relationships. Indeed, revealing a covert measure can be expected to create a commotion that is many times more severe than the original opposition to the measure itself, due only to the deception involved in concealing it. However, delaying normalization is not bringing the parties any closer to an end to the Israeli-Palestinian conflict. The aim of establishing closer relations with the Arab states is not to achieve a peace treaty that

is forced on the Palestinians, as such an agreement would clearly have no chance of success. Israel needs to channel its national energy and resources into the issues where the parties involved have demonstrated a sincere willingness to advance, in order to derive mutual benefit. Unfortunately, the conflict with the Palestinians under their current leadership does not meet these criteria. Hopefully, the welfare that the entire region is likely to enjoy following improved relations between Israel and the Arab states will make the fruits of peace more concrete and turn them into an incentive for the Palestinians and Israel to emerge from the current deadlock and resume genuine negotiations for an end to the conflict and an end of claims. Finally, if Israel's closer relations with the pragmatic camp results in a breakthrough in the Israeli-Palestinian conflict, the achievement would provide the pragmatic camp and its members with credit and international prestige, as well as a resounding victory over Iran and the radical camp, which are cynically exploiting the Palestinian issue as a tool for attacking the secular Arab regimes and for splitting the Arab world.

Opportunities and Implications: The Next Step

The main obstacle in the Arab world standing in the way of normalization is public opinion, which "obligates" the Arab regimes to precede normalization with a solution to the Israeli-Palestinian conflict. It is an obstacle that can be overcome by means of a solution to the conflict with the Palestinians or by persuading the Arab world that it makes sense to sever the artificial dependence of one on the other. Due to the complexity of the Israeli-Palestinian conflict, the sense of a dead end, and especially the profound gaps between the sides, it would be an illusion to think that the momentum created between Israel and the Arab states is enough to bring the conflict to an end. Moreover, almost paradoxically, making normalization conditional upon a solution to the Israeli-Palestinian conflict only pushes off its conclusion: it directs the bulk of pressure toward Israel in a manner that relieves the Palestinians (for whom normalization is not an incentive) of responsibility, and encourages them to entrench themselves in hardened positions on the assumption that time is on their side. This is also the reason for the heavy pressure against normalization that the Palestinians are exerting on the Arab states, out of fear of losing a significant bargaining chip in the struggle against Israel. Since 2002, the approach of making normalization conditional upon a solution to the conflict has not brought its resolution any closer, and has only constituted an obstacle to other processes that

would benefit the entire region. It therefore makes sense to pause and “to recalculate the route” for each of the issues separately. A turn toward the Arab states will not exempt Israel from the need to contend with the Palestinian issue, as it is an issue that neither can nor should be evaded. However, positioning it as a structural obstacle to all efforts to achieve closer relations is not productive and endangers interests of the entire pragmatic camp in the Middle East.

This article seeks to persuade readers of the existence in the current geopolitical environment of a critical mass of common interests shared by Israel and the Arab countries that is capable of breaking the artificial glass ceiling preventing normalization that the Palestinian issue constitutes. The current period offers a historic opportunity to move forward in a complex process that, if managed correctly, will to a certain extent serve the advancement of the region as a whole.

The optimistic picture painted above does not need to remain a dream. However, it is contingent upon a profound change in consciousness with regard to the image of the State of Israel in the Arab world in general, and to the glass ceiling that the Palestinian issue poses for closer relations in particular. The pragmatic Arab states and some segments in Israel, which have grown accustomed to thinking that the path to relations with the Arab states will remain blocked as long as the Israeli-Palestinian conflict is unresolved, need to free themselves from this conception and to separate the two issues. Doing so will require leadership with vision and political courage. The Arab regimes that have fixed the dependence in question will need to start the long, slow process of ending the demonization of the State of Israel and winning over hearts and minds toward closer relations. This can be enhanced by symbolic and gradual gestures between the sides, such as establishing the infrastructure for direct communications, opening airspace to commercial flights, and promoting direct frameworks and contacts that will help dismantle the psychological blocks throughout the communities, for example, by issuing visas to athletes, artists, and businesspeople as a first step. Above all else, it is necessary to promote the required changes in the education systems. For its part, the State of Israel can promote economic and infrastructure projects for the Palestinian population in the West Bank, including projects in construction, plans for Area C, industrial zones, and the establishment of a new city.

It is a profound, difficult, and complex process, but also one that is certainly possible, and whose seeds can already be discerned. For example,

the textbooks in Jordan have been updated to include maps of Israel. Responses from Syria recognize the provision of Israeli medical treatment and aid, both on the part of the state through Operation Good Neighbor and many private civilian elements.²⁸ The social media have reflected growing interest and sympathetic reactions among Saudi citizens to official Israeli positions, particularly regarding the Iranian issue.²⁹ In addition, discourse in the Saudi media has emerged that is favorable to Israel and supports an agreement with Israel, along with calls for opening an Israeli embassy in Riyadh.³⁰ The importance of the civilian activity lies in its ability to crack the walls. However, it is essential that brave leaderships on both sides adopt an explicit policy of responsibility and commitment to a constructive and consistent process. In this context, encouragement can be drawn from the recent statements of Saudi Crown Prince Bin Salman, including his interview with the *Atlantic* in early April, in which he recognized the Jewish people's right to live in its state.³¹ In addition to the historic importance of these statements, they also appear to have provided inspiration to former Qatari Prime Minister Hamad bin Jassim bin Jaber al-Thani, who issued a similar statement on his Twitter account just a few days later.³²

In conclusion, despite the increasing interest in the Arab states in establishing relations with Israel, for internal political and regional reasons, they continue to regard the Palestinian issue as an obstacle to public closer relations. If the Palestinian leadership manages to identify the regional momentum, recognizes Israel, and agrees to resume genuine negotiations for an end to the conflict, Israel will welcome such a development. Until then, however, the artificial mutual dependence between normalization and the Palestinian issue has not brought it any closer to a solution. Instead, it has enabled the pragmatic Arab camp and Israel to be taken hostage by a conflict whose end is nowhere on the horizon, contravening their own strategic interests. Therefore, the time has come to abandon the equation that perpetuates deadlock and to begin a sober and practical examination of initiatives for gradual mutual steps of normalization that will benefit and advance the region as a whole.

Notes

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The Response to the Iranian Proxy War: Jerusalem's Power vs. the Quds Force

Assaf Orion

Background

In 1979, the regime of the ayatollahs, led by Ayatollah Ruhollah Khomeini, came to power in Tehran, instantly converting Iran from Israel's strategic partner to its bitter enemy. The struggle against Israel and the call to destroy it are an important objective for the current regime, both ideologically and geo-strategically. To this end, Iranian strategy combines two main efforts: first, the drive to acquire nuclear weapons, whereby the regime and its policies would enjoy immunity, prestige, and growing regional influence, as well as the tangible ability to inflict serious damage on its enemies and impose its will on others; and second, an ongoing, patient, and widespread effort to recruit support, build militias, and foster elements of power to operate as proxies against its enemies, among them Israel. These two parallel processes are mutually reinforcing: the conventional military power of Iran and its proxies is intended to deter attacks by its enemies against it and distract them while it develops nuclear capability, while its nuclear status is intended eventually to enable Iran to spread a strategic deterrent umbrella over the activities of its proxies and conventional forces.

For many years, policymakers in Israel and around the world focused on the Iranian nuclear issue and how to contain it, while the challenge posed by the proxies did not receive a proper, systematic response. However, for the last four decades Israel has fought largely against military enemies built by Iran that were financed, equipped, and trained by it from afar, and served as its proxies to harass Israel and wear it down from up close. As such, Israel has fought against Hezbollah in Lebanon and elsewhere, against Hamas and Islamic Jihad on the Palestinian front, and in the last

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few years, against Iranian proxies operating against Israel from Syria. Recent months have seen a significant development in this proxy campaign, against the backdrop of Israel's clash with Iran in Syria. At this phase of the campaign, while Iran has indeed deviated slightly from its familiar indirect approach, the main change was actually in Israel's conduct, reflecting its improved understanding of the strategic problem and the emergence of its response concept to the challenge.

Beyond an analysis of Iran's proxy war challenge and Israel's response policy, this article proposes the main principles for a future strategy, which can be epitomized through a continuous, deep, and parallel campaign (CDP, in Hebrew *ra'am*, meaning "thunder") against the Iranian proxy war, and focusing efforts against its most important long term enabler: the Quds Force of the Revolutionary Guards, under the command of General Qasem Soleimani.

Iran vs. Israel: An Indirect War of Attrition by Proxies

The strategy of indirect war waged by Iran through its proxies includes the patient, steady construction of a political and military power base among Shiites or radical Sunni communities, while uniting them under the banner of "resistance" (*muqawama*, in Arabic) against Israel, the West, and other regimes in the area. In general, Iran links up with an authentic local movement, and supports it for long periods based on certain common interests. Extensive funding, military training, and advanced equipment and arms, as well as religious, ideological, and military instruction and guidance have gradually created considerable political and military power bases across the Middle East and on Israel's borders. The proxies, promoting their own agendas yet with Iran's encouragement, strike at Israel and attack its citizens and its forces. Consequently, for decades they have commanded Israel's security attention and resources and steered them to the current security challenges on its closest fronts. Iran has used a similar method against the United States and coalition forces in Afghanistan and Iraq, and against Saudi Arabia by means of the Houthis in Yemen.

This campaign of attrition is founded on a sophisticated structure that integrates essential functional components in various theaters, with local adaptations. From an Israeli perspective, from nearest to furthest, the enemy system is built as follows:

- a. *The military proxies* are the direct force employers in the theaters of operations adjacent to Israel. As the system's forward military element,

- they threaten Israel, tie up its resources, and attack it in order to erode its strength, distract it, and deter it from operating directly against Iran. This category includes Hezbollah, Hamas, Palestinian Islamic Jihad, the as-Sabiroom organization, and other Shiite militias. Many of them brandish insignias inspired by a common graphic “brand”: the insignia of the Iranian Revolutionary Guards.
- b. *The near logistics rear areas*, such as weapons factories, transitional facilities, depots, and warehouses, enabling the proxies to arm and rearm between wars.
 - c. *Host regimes*, which sometimes (e.g., Syria, Lebanon) enjoy international sovereign status. The proxies build their forces within their territory and sometimes employ force from their front, while in their depth are the near logistics areas.
 - d. *The proxy force buildup mechanisms* operate by funding, arming, training and equipping, consulting, engaging in instruction and guidance, and funneling resources from the strategic hinterland and the near rear areas to the theaters of operation. The most prominent of these mechanisms is the Quds Force, which is responsible for equipping the proxies, building their forces, arming them, supporting their recovery, and rearming between hostilities and in the long run. The Quds Force, one of the five arms of the Iranian Revolutionary Guards, is in charge of operations outside Iran, including building proxies and terror organizations, collecting intelligence, engaging in covert diplomacy and logistics, and launching direct attacks. Its operational activity stretches from the strategic hinterland in Iran, through the intermediary spaces and the near logistics areas, to the proxies’ theaters of operations. While the Quds Force command is subordinate to the Revolutionary Guards command, General Qasem Soleimani personally enjoys direct access to the Iranian leadership, wide public prestige, considerable freedom of action, and significant influence on decisions affecting Iranian policy in the region and beyond.
 - e. *The strategic hinterland*: A resource-rich country, Iran’s political, scientific, industrial, and military depth provides the system as a whole with the material and planning resources needed for its campaign: funds, scientific infrastructure, military infrastructure, civilian and tailored transportation infrastructures by sea, land and air, commercial infrastructure and business facades, military training facilities, and a religious-spiritual infrastructure to rally hearts and minds.

The system's underlying logic stems from its ability to harness, channel, and impart the resources of a rich, populous regional power to local organizations whose material ability is limited but that enjoy popular and political local support and geographical proximity to Iran's enemies. Through ongoing activity Iran successfully casts these local elements into effective military organizations on its enemies' borders, supports them in the local political arena, and employs them against its rivals. Iran is focused on building and directing its proxy forces, while the latter bear the brunt and burden, paying the price of operations. In this way, for many years Iran has conducted indirect, one-way warfare against its enemies, at a negligible cost to itself, but at a high cost in lives to its proxies. During actual hostilities, the proxies' force is eroded and their battlespace ravaged, but the mechanism for their arming and recovery is left unscathed, and thus well prepared to regenerate them after the fighting.

The success of the Iranian system is also based on rules of the game dictated by Iran, whereby it avoids direct conflict with its enemies, who are focused on its proxies: Saudi Arabia is fighting the Houthis in Yemen but not Iran; the coalition forces and the United States have suffered heavy losses at the hands of Iranian proxies in Iraq and Afghanistan, but as a rule have avoided reacting against Iran. In the early decades of Iran's attrition campaign against it, Israel conducted campaigns, battles, and wars against Iranian proxies: Hezbollah, Hamas, and Palestinian Islamic Jihad. After suffering heavy losses in their ranks and their environments, and fearing broad escalation, they gradually decreased the continuous military friction with Israel. Over the last decade, Israel has operated in the near logistics areas and the intermediary spaces against weapons shipments from the strategic hinterland in Iran to the operational theaters in Gaza and Lebanon. Israel has also expanded its activity to include the assets of hosts, such as the Hamas regime in Gaza (a host of PIJ and simultaneously a proxy through its own military arm) and the Syrian army. In January 2015, in a highly unusual and singular case until this year, Israel directly attacked an Iranian general on a joint patrol with Hezbollah on the Golan Heights front.

In response to the combined Iranian challenge (nuclear and proxy war), over the years Israeli policy has been expressed in separate efforts: a clandestine and political campaign against Iranian nuclear weapons; strikes on advanced weapons shipments to Hezbollah and Hamas; operations to foil terror attacks and target key personnel in the fields of nuclear weapons, terror, and buildup; and direct fighting against Iranian proxies, including

major operations every few years. The deterrence following hostilities has contributed to fairly lengthy periods of calm, but has not stopped the enemy becoming more powerful and not solved the ongoing, growing threats on Israel's border.

In retrospect, lending top priority to countering Iran's nuclear ambitions was a wise choice, and fighting Iranian proxies who attacked Israel was essential. However, the proxies' rearming and force buildup between conflicts revealed the gaps in this response to the challenge. Israel's current policy in Syria shows that its leaders have recognized these gaps and identified the special surrounding circumstances, allowing it greater freedom of action than in the past.

2017-2018: What Has Changed?

Iran has invested considerable forces and resources in the civil war in Syria, and played a central role in the survival of the Assad regime. From the start of the war, Israel adopted a policy of non-intervention, while enforcing three red lines: attacks on Israel, transfer of chemical weapons to terrorist elements, and transfer of advanced weapons to Hezbollah.

Since the end of 2017, the regime and its supporters have focused on moves intended to impose "reconciliation" agreements on pockets of resistance. At the same time there are signs of a new trend in Iranian policy, which has accelerated its efforts to establish itself militarily in Syria, by means of Shiite militias, logistical infrastructures, and Iranian operational military assets, as future potential. In light of this development, the threat perception in Israel has changed as well.

Underlying Israel's updated concept are its lessons from the struggles with Hezbollah and Hamas, and especially lapses in counter-buildup response. Such a lapse regarding Hezbollah's years-long buildup was a contributing factor to the creation in Lebanon of the main conventional military threat to Israel today. This threat constrains Israel's freedom of action against further buildup in Lebanese territory, and also plays a role in its calculus of action against the Iranian nuclear threat.

Israel subsequently identified Iran's intention to create another theater of operations on its northern border in Syria, from where it could employ its proxies of Syrian, Iraqi, Afghan, and Pakistani militias, and of course, the Lebanese Hezbollah, under the auspices of the Assad regime. Senior Israelis began to stress a new red line in its policy, "prevention of Iran's entrenchment in Syria," and also turned to the United States and Russia

to prevent this and distance Iran and its proxies from its Golan Heights border. When these appeals went unacknowledged, articles sprouted in the international media about Iran's military infrastructures in Syria, and Israel began to strike Iranian facilities in Syria. On February 10, 2018, the Quds Force launched a drone from Syria to Israel, and Israel struck Iranian and Syrian targets. Since that "battle day," Israel has repeatedly attacked Iranian weapon systems and military personnel in Syria, and Iran has repeatedly sought to pay back with its own attacks. On May 10, Iran fired rockets toward Israel, which responded by attacking dozens of Iranian targets in Syria. Israel's Prime Minister expressed a commitment to continue and prevent Iran from establishing itself in Syria and from sending advanced weapons to Hezbollah. In late May there were reports of a possible arrangement sponsored by Russia to remove the forces of Iran and its proxies from the Israeli border, even if not from all of Syria. Although much still lies ahead, it is already possible to discern a change in Israel's policy toward the Iranian proxy war: growing willingness on Israel's part to strike preemptively at Iranian capabilities as they emerge in the theater, before they ripen as a significant threat, and no less than that, its readiness to strike directly at Iranian forces in the theater and expose Iran's involvement and modus operandi. There is no doubt that the support of the American administration and the understandings with Russia are an

There is growing willingness on Israel's part to strike preemptively at Iranian capabilities as they emerge in the theater and before they ripen as a significant threat, and readiness to strike directly at Iranian forces in the theater and expose Iran's involvement and modus operandi.

important component in the considerable operational space that Israel has identified at this time.

The unfolding events on the proxy war front in Syria occurred against the background of the United States withdrawal in mid-May from the nuclear agreement with Iran, and the dozen demands made of the Iranian regime in the fields of nuclear activity, missiles, terror, and regional influence. After decades of a bifurcated policy that isolated the nuclear issue from all other issues, there are signs of a potential comprehensive policy. This may be found in a US policy defining the Iranian threat as the sum of all its parts, in the high level of coordination between the administration and the Israeli government, and in the

coincidence of the US withdrawal from the JCPOA and Israel's clashes with Iran in Syria. From this potential to a designed coherent, integrated policy, with other partners and Israel, the distance is still great. The complexity of

the challenge, the multiplicity of actors, the singular nature of the Trump administration, and the many pressing issues it faces are all obstacles in the way of this desired outcome, and it is still too early to judge how the situation will play out.

Israeli Policy in Hindsight

The balance of Israel's achievements and challenges in its long campaign against the Iranian proxy war demands adaptations, rethinking, and a closing of gaps in the response concept. Most of the lapses stem from deconstructive thinking about the problem, playing on a field shaped by Iran, and an unnecessary choice between two options that in fact are not mutually exclusive. First, Israel has focused almost entirely on the nuclear issue, and devoted insufficient efforts to the proxy challenge. Second, between wars the enemy accrues significant achievements in building the threat to Israel for the next round, while Israel has devoted most of its resources to wars, and far less and apparently insufficient effort to the long inter-war campaign. Third, Israel invested most of its resources in the proxies, the spearhead closest to it, but fell short of matching its response to the enemy system's structure and underlying logic whereby this response would undermine the enemy's essential centers of gravity, weaken the spear, and sever the hand wielding it.

Recommended Security Policy for Israel vis-à-vis the Iranian Threat

In response to the two-pronged Iranian threat, Israel must conduct a multi-dimensional, combined, and ongoing campaign based on the principles of continuity, depth, and parallelism. This campaign has one overarching purpose, and it must be conducted consistently, both in times of intense hostilities ("wars" and major operations) and between them, drawing from all the tools of national power at Israel's disposal. What follows is a proposal for a strategic purpose, principles of the campaign concept, and the ensuing lines of operation.

The Strategic Purpose

The supreme test for Israel in its campaign against Iran and its proxies is to safeguard the State of Israel's survival and ensure its citizens' security and economic, cultural, scientific, and social prosperity, despite enemy efforts. To achieve this it must make its enemies realize that they can never defeat it by force, and that their ongoing efforts to fight and to destroy are

hopeless and will exact an unbearable cost; therefore they had better cease these efforts (“the iron wall”).

If Israel’s enemies reach the conclusion that they had better make peace and coexist alongside it, so much the better. Until then, Israel will settle for non-belligerence, postponement of hostilities, and longer intervals between rounds of fighting, brought about by restraint and deterrence; and for minimizing the cost of hostilities by shortening their duration and impeding advance enemy buildup.

On the nuclear issue, Israel must adhere to the objective of preventing Iran from acquiring nuclear weapons and keeping it as far as possible from such capability.

At the same time, Israel should leave the door open to a second strategic turnaround in its relations with Iran over the long term, surprisingly toward a positive direction, however unthinkable this may seem at present (was it possible to imagine the peace treaty with Egypt?). This notion harkens back to Israel’s strong relations with Iran until the Islamist revolution, and by no means ignores the genuine commitment of the ayatollahs’ regime to Israel’s destruction.

Strategic Principles of the Response: Continuity, Depth, and Parallelism (CDP)

With eyes set on the strategic purpose of the long campaign against Iran, and with the underlying logic of the enemy system and the gaps in Israel’s

Israel should leave the door open to a second strategic turnaround in its relations with Iran over the long term, even toward a positive direction, however unthinkable this may seem at present.

response so far in mind, there emerges the combined campaign strategy needed for Israel in dealing with the two arms of the Iranian threat. The strategy’s three principles are: continuity, depth, and parallelism.

Continuity

The principle of continuity requires understanding the struggle against Iran and its proxies as a single continuous campaign, in which Israel’s efforts should serve one overarching purpose, both in the ongoing campaign (“routine”) and during wars.

In this ongoing campaign, Israel must distance Iran from nuclear capabilities as far as possible, and in parallel disrupt its proxies’ buildup system and impair its efforts while imposing a heavy cost on them, to deter Iran and its proxies from attacking Israel. It must postpone active hostilities as long as possible, but at the same time prepare best conditions for victory

in war. A successful ongoing campaign requires mutual support between political efforts and clandestine, covert, and military efforts, both offensive and defensive; continuous communication with the enemy in a variety of channels, mainly in order to control escalation and prevent miscalculation; synchronization and cooperation between political, defense, and senior military echelons; and the recruitment of political, economic, intelligence, and operational support from partners in the region and in the international community, above all the United States.

In times of war and military hostilities, Israel must focus mainly on causing heavy damage to the military proxies in order to limit their potential threat and deter them from attacking in the future. During wars it must also devote efforts to promote the objectives of the “inter-war campaign” that resumes as soon as fighting stops, and thus defer as much as possible the enemy’s opportunity for military recovery. Israel can achieve this by attacking the enemy’s buildup assets in the theater of battle and in the near logistics zone, and its force buildup mechanisms in the entire theater of war.

Depth

The principle of in-depth operations requires Israel to conduct its efforts against all elements of the enemy system in three dimensions: geographical, functional, and temporal. In the geographical dimension, the campaign of attrition against Israel stretches from Iran, through the intermediary sea, land, air, and cyber spaces, to the fronts nearest Israel, in Lebanon, Gaza, Judea and Samaria, and Syria. It is easier for Israel to take action in the theaters on its borders and in their near logistics areas; in order to provide a holistic response, Israel must build its capability for continuous action in all the spaces described, even if the challenges regarding intelligence, operations, and logistics increase as they move further from Israel toward the more distant intermediary spaces, and certainly within Iran itself.

In the functional dimension, Israel frequently takes action against the military proxies, and even against host regimes, largely in response to attacks from their territory. However, despite its understanding of the enemy’s system, Israel generally avoids taking action against the strategic hinterland in Iran, to avoid wider escalation, and until recently it also avoided taking direct action against the proxy building mechanism. The first steps largely involved attacking expendable assets, while willingness to attack Iranian personnel emerged increasingly since February 2018. Israel must adjust the guiding logic of its campaign to the structure of the

enemy system and its strategy, and deal with all its components, from the strategic hinterland, through the proxy building mechanisms, to the proxy armies, in their local power bases and the host environment.

In the temporal dimension, Israel must continue working to limit potential threats and work against emerging threats before they are imminent. This leads to the “upstream” operation approach, before threats near Israel’s borders. The logic of this approach involves taking early calculated risks to prevent serious risks from emerging at a later stage, and must be balanced against the risks of escalation, the normal human tendency to postpone difficult decisions, and the conventional political and legal concept in the West, which justifies the use of force only as a last resort and only in the face of clear and present danger. In order to create this kind of space to maneuver, Israel must gain significant political support, making full use of the excellent relations with the Trump administration and Putin on the one hand, and the shared interests in the wider region in view of the Iranian threat, on the other hand.

Parallelism: Both This and That

In view of the serious consequences of the proxy war waged by Iran in parallel to its nuclear project, focusing the response exclusively on the nuclear aspect is a mistake. One explanation derives from an erroneous, binary, and artificial way of framing the struggle against the two threats: “it’s either a struggle against nuclear weapons or against Iran’s malign influence,” sometimes due to a perceived lack of sufficient resources to handle both. The way out of this conceptual dead end is based on an understanding that the long term approach must be “both this and that,” rather than “either this or that.” In view of Iran’s combined efforts (nuclear and proxies) and the synergy between them, it is wrong to combat only the nuclear effort and to neglect the conventional arm that supports it. Iran’s parallel strategy requires Israel to formulate its own parallel strategy, against the nuclear program and against the efforts at its attrition, giving priority to the first, sufficiency to the second, and striving for synergy and mutual contribution between the two.

The CDP Strategy in Practice

At the political-strategic level, when active hostilities (“war”) break out, Israel must strive to end them while in a superior strategic situation, expressed by: significant weakening of its direct enemies and their supporters – in

military, resource, and political terms; deterrence and limitation of their space to operate against it; keeping the cost to Israel in blood and treasure as low as possible during and after the fighting; effecting a swift recovery of the Israeli economy and return to normal life and prosperity; hampering the enemy's recovery and prolonging its military recovery time for as long as possible; recruiting broad regional and political support for joint efforts after the fighting; seeking an advantageous position vis-à-vis the local, regional, and international rivals of the enemies; and preserving Israel's operational space, and if possible, even extending it.

In future conflicts, and in view of the structure of the enemy system fighting against it, Israel must consider widening the campaign boundaries beyond the immediate theaters of operation by attacking not only the fighting proxies, but also the host regimes, the adjacent logistical zones, the mechanisms for proxy buildup, and if necessary, the strategic hinterland in Iran. Thus, when fighting Hezbollah, Israel could also attack the Lebanese government, the Assad regime, Iranian force elements and assets in the near theater, weapons factories and repositories, and even targets in Iran itself. This strategy involves significant challenges and risks, but it also has considerable potential benefits:

- a. *Before the war*, Iran must consider that proxy wars against Israel, which were previously localized and far from its own borders, can also exact of it severe and direct costs. Similar considerations could be in the minds of host regimes in Damascus and Beirut, with a chilling and restraining effect, which would help Israel expand its sphere of deterrence and distance wars from its borders.
- b. *During the war*, expanding the boundaries of the hostilities could encourage regional and international actors to be involved, and thus accelerate the warfighting termination mechanism.
- c. *After the war*, the logic of such action could give Israel a better starting point to impair the enemy's recovery, and help bring about better security regimes.

Naturally, the actual moves in war should be determined in real time, after carefully considering the balance of risks and benefits, and the alternatives available in the particular circumstances.

In the ongoing campaign ("between the wars"), Israel must integrate its political, intelligence, clandestine, covert, and military efforts throughout the enemy system's depth and against all the elements of the Iranian campaign of attrition. The range, continuity, complexity, and cost of the

operations require Israel to work closely with international partners, above all the United States, but also in the region, where there are many who share Israel's concerns over the two arms of the Iranian threat. Pooling resources and cooperation will enable parallel campaigning against its nuclear program and against attrition, terror, and subversion by proxies. A significant challenge for the immediate future is to formulate a coherent, integrated Israeli policy against the two dimensions of the Iranian threat, and coordinate it closely with the US.

Understanding the enemy's logic and the system it operates against Israel highlights the main lapse in what until recently was Israel's response. Israel's acceptance of the Iranian-defined playing field boundaries and rules of the game, whereby the proxies are the disposable cannon fodder while their dispatchers enjoy immunity, was part of the problem. The Iranian system fighting Israel includes a vital center of gravity, namely, building and operating the proxies. Until recently Israel avoided attacking Iran's most precious asset: its people. Long campaigns are a test of resolve for the parties, but they are also a learning competition, and a race of adaptation and updated concept and policy. Iran will not necessarily stop its efforts because of the price it has paid in Syria, and Israel must prepare for the next rounds. A constantly updated and updating policy, outpacing the developing challenge posed by Iran in a changing environment, can shape the contest theater and the rules of the game in Israel's favor.

Finally, the "missing piece" in Israel's defenses against Iran's proxy war is hiding in plain sight, and calls for a crushing response, beyond the borders of Syria alone. Jerusalem's reply to Iran's proxy war must set its sights on the main target: the Quds Force, which borrows the city's name.

Restoring Economic Sanctions: The Impact on Iran

Nizan Feldman and Raz Zimmt

Immediately following President Donald Trump's announcement of the United States' withdrawal from the nuclear agreement, the US Treasury Department posted a document on its website detailing the sanctions on Iran the United States intends to reinstitute. The document indicates that in practice, all the sanctions that the United States had imposed on the eve of the JCPOA are expected to be restored. To enable the business sector in the United States and around the world to adapt to this change in policy, it was stipulated that some of the sanctions would go back into effect within 90 days, and the remaining sanctions would be resumed within 180 days.¹

Although Iran has scored a number of economic goals in the past two years, since the sanctions were lifted in 2015 Iran has not seen the onset of any processes that will spur a fundamental boost to its current economic strength in comparison to its economic strength in 2012. On the contrary, in a number of major realms, its situation has even worsened, in part because large international banks and foreign companies feared the re-imposition of sanctions. Renewed sanctions are expected to exacerbate Iran's already difficult economic situation further, even if the US administration does not receive full international cooperation.

Inflation and the Foreign Currency Market

The sanctions that are expected to enter into force on August 6, 2018 include a ban on selling dollars to the Iranian government and a ban on supplying financial services for the purchase, sale, or substantial holdings of rials.² These measures, which are intended to block the Iranian financial system's access to dollar transactions, will deepen Iran's current foreign currency crisis and accelerate the increase in inflation.

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In the initial months of 2018, public expectations in Iran regarding the re-imposition of sanctions caused the value of the rial to fall sharply in trade on the free market. This sharp dive in the value of the rial resulted in the emergence of a gap of dozens of percent between the market-determined exchange rate and the official exchange rate, indicating a loss of public faith in the local economy. To arrest this trend, on April 11, 2018 the Central Bank of Iran announced the unification of the official rate and the market rate, and set a rate of 42,000 rials to the dollar.³ Since the announcement on the unified exchange rates, the Central Bank of Iran devalued its currency twice during the month of May. It also instituted a series of restrictions on movements.⁴ The re-imposition of sanctions will obligate the Central Bank to continue updating the exchange rate quickly and tighten the restrictions on the movement of capital even further. The expected continuation of the rial's downward spiral will result in increased prices for imports and, as a result, a rise in inflation.

Inflation is one of the Iranian economy's structural problems. Except for two years, the country experienced double-digit inflation every year between the Islamic Revolution in 1979 and 2015. In 2013, during Mahmoud Ahmadinejad's presidency, Iran's annual inflation rate rose to 34.7 percent, in part due to the sanctions on the Iranian financial system that resulted in an increase in the cost of imports. President Hassan Rouhani succeeded in lowering inflation to 9.1 percent in 2016 and to 9.7 percent in 2017.⁵ The trend of decreasing inflation that began in 2014, even before the sanctions were lifted, is to a significant extent the product of a restrained monetary policy. The lifting of sanctions helped lower inflation due to the immediate reduction of import prices and the creation of budgetary space, which allowed the government to slow the pace of loans from the Central Bank (financing the debt using loans from the Central Bank is one of the structural factors causing inflation in Iran).

The sanctions that will go into effect in August also include a list of bans on the provision of financial services to the government bond market, which Iran recently began to develop in an effort to reduce the linkage between debt and inflation. The Iranian government hoped to implement various reforms that would enable it to continue to lower inflation and at the same time encourage local and foreign investment. The re-imposition of sanctions will prevent the government from realizing this goal.

Unemployment and Local and Foreign Investments

Although the Iranian economy grew by 12.5 percent in 2016 and 4.3 percent in 2017, the past two years did not witness a steady, meaningful decline in unemployment, which in 2017 stood at just under 12 percent.⁶ The government's failure to create new jobs, despite economic growth, can be explained in part by the energy sector's centrality to the economy. The Iranian government hoped that in parallel to the attraction of foreign direct investments (FDI), which would enable it to introduce efficiency enhancing measures to oil and natural gas production, the lifting of sanctions would lead to growth in FDI in non-energy related sectors, and in turn, lower unemployment.

Nonetheless, and even prior to President Trump's decision to withdraw from the agreement, concerns among foreign companies regarding investment in Iran – against the background of political and economic uncertainty, the impact of US sanctions that had not been lifted, and structural economic failings – prevented rehabilitation of the labor market by means of FDI. Although the lifting of sanctions resulted in a 66 percent jump in investments between 2015 and 2016, the scope of the investments totaled less than \$4 billion.⁷ This amount is the equivalent of less than one percent of the Iranian product, and many times lower the scope of the annual foreign investment that Iran set as a major aim for the period 2016-2021 in its sixth five-year development plan.⁸ The re-imposition of sanctions can be expected to delay Western companies' return to the Iranian market further. Many companies that in the past two years decided to invest in Iran are now expected to suspend their business there.

The sanctions that will take effect on November 4, 2018 include a number of sanctions on foreign companies that provide insurance services to Iranian shipping and port companies and Iranian oil companies. The United States also intends to renew sanctions on private and government financial bodies that enter into contractual agreements with the Central Bank of Iran, as well as with certain other Iranian financial institutions that hope to clear payments for transactions in different areas, including oil sales. The prohibition on contractual agreements with such principal entities in the realms of Iranian energy, industry, and banking will make it difficult for foreign companies to invest in Iran without violating the American sanctions.

In May 2018, Total announced that it would be unable to continue its project for the development of Stage 11 of the South Pars gas field, which

it signed in July 2017 – clear evidence of concern regarding the effect of the sanctions over Iran’s efforts to establish relationships with companies exposed to the US financial system. Total’s announcement to the media emphasized that without the receipt of a waiver from the US sanctions, it would encounter economic difficulties, given that American banks are responsible for 90 percent of the financing of its activity.⁹ Similar claims have been advanced by various European companies such as Simmons of Germany, ENI and Danieli of Italy, and PGNiG of Poland, which have already announced their intentions to end their relationships with Iran once the sanctions go into effect.¹⁰ These decisions were taken despite EU leaders’ statements regarding their intention to take measures to reduce the damage to business between European companies and Iran caused by secondary sanctions. Such measures include the reinstatement of a blocking statute prohibiting European companies from abiding by the American sanctions, the financing of business activity in Iran through the European Investment Bank, and financial activity with Iran via a number of financial institutions that have the ability to work around the prohibition on contractual relations with the Iranian Central Bank.¹¹

European companies not involved in direct business activity with the United States have also been concerned by the sanctions, as violating US law could make it difficult for them to enter the American market in the future, and as the very use of the dollar links them to the US financial system. French auto giant PSA, which does not sell automobiles in the United States, announced in June that it has started suspending Peugeot’s investment in the joint venture with Iranian automobile companies, based on its desire to avoid violating the US sanctions.¹² French competitor Renault, which also does not engage in direct activity in the United States, announced that it would remain in Iran and that “we have a future in Iran.” However, it also clarified that it would significantly reduce its activity in Iran, and that it would contact the United States directly in order to examine actions that could entangle it in difficult situations.¹³

The departure of large European companies from Iran could lead to an increase in the activity of companies from Russia and China. However, even if this occurs, Iran will have difficulty compensating for the loss of European investments, which, it hoped, would improve the labor market.

Banking

Since the sanctions were lifted, there has been an increase in the number of connections between Iranian banks and international banks (correspondent banking) and in their willingness to provide letters of credit for export transactions. At the same time, most contractual agreements do not involve the leading banks, and the number of contractual agreements in 2017, which stood at 238, was lower than the 633 concluded in 2006.¹⁴ In 2006, US sanctions on the Iranian banking system were already resulting in a steady decline in the connections between Iranian banks and banks around the world. Presumably increasing the pressure on the financial system will have similar results this time as well.

In 2016, Iran was reconnected to the SWIFT network, making it easier for it to clear international payments. In light of the European opposition to the American measures, it is still unclear how the sanctions will affect Iran's ability to continue clearing payments through SWIFT, which is headquartered in Brussels. The most recent report of the International Monetary Fund, published before it was announced that sanctions would be re-imposed, raised the possibility that Iran would be cut off from the system due to its violation of regulations pertaining to money laundering. In recent months, difficulties were revealed regarding contractual agreements with various international banks, and the collection of payments for exports has also encountered difficulties.¹⁵

Over the past two years, as part of attempts to abide by international regulations pertaining to the prohibition on financing terrorism and money laundering, Iran has started to increase the transparency of its banking system. The increased transparency revealed the depth of the hardship facing the banks in Iran, many of whose balance sheets contain double-digit rates of nonperforming loans.¹⁶ Iran has started to examine the possibility of rehabilitating the banking system by means of debt arrangements, which require significant budgetary outlays. The economic uncertainty will likely prevent the government from committing to unnecessary budgetary expenditures anytime soon, meaning that the weak state of the Iranian banking system will go unrectified in the near future. The flaws in the banking system constitute another obstacle to the attempts to rehabilitate local investment and to encourage employment in the private sector.

Trade and Dependence on Oil Exports

In recent months, Iran has resumed a pace of oil production and export comparable to its pace in 2011, with oil exports reaching approximately 2.5 million barrels per day, in comparison to only 1.4 million barrels per day in 2015. Although Iran has somewhat decreased its dependence on oil in recent years, its economy remains extremely vulnerable to measures that would make energy exports difficult. Oil revenues constitute 35 percent of total government revenues, and the export of oil and natural gas account for some 64 percent of Iran's total exports.¹⁷

The thrust of the US effort to damage Iranian oil exports focuses on the renewal of sanctions on parties that interact with the Central Bank of Iran in order to clear payments for oil transactions. Under the Obama administration, the United States distributed waivers regarding these sanctions to financial institutions of countries that reduced their rate of purchase of oil from Iran by 20 percent every six months. Countries of the European Union did not take advantage of this option in 2012, and the sharp decline in the purchase of Iranian oil on the part of EU member states stemmed from the EU's decision to join in increasing the pressure on Iran.¹⁸

It is still unclear what will be the exemption and waiver policy of the US administration regarding financial interactions pertaining to oil this time around. The Treasury Department recommended that countries considering future relief and exclusions from sanctions pertaining to oil already begin reducing their purchase of oil from Iran within the next 180 days. If the administration does indeed award these waivers, presumably the rate of decline in Iranian oil exports will be less than in 2012. Similarly, the cold shoulder that Europe turned to the latest American action is of clear importance and has the potential to temper one of the measures that during the last round of sanctions did the most damage to Iran. At the same time, it is quite possible that the statement by the Secretary of State regarding the implementation of additional sanctions indicates that the United States will attempt to focus its effort on Iranian oil exports by hardening its policy pertaining to the clearance of oil transactions.

It is difficult to assess the number of barrels that will be subtracted from the world market due to the sanctions on Iran. However, trends indicating anticipated difficulties in exports are already discernible. The Danish company Maersk, which holds the largest fleet of oil tankers in the world, has announced its intention to cease its oil shipments from Iran beginning on November 4, 2018.¹⁹ The difficulty of clearing transactions

in dollars is expected to spur efforts by the Iranian government to carry out transactions in other currencies. Even before Trump's declaration, the Iranian government announced that the euro would replace the dollar as the unit of measure in government reports. The Central Bank of Iran even signed a currency swap deal with the Central Bank of Turkey and declared its intention to sign similar agreements with other central banks.²⁰ The planned sanctions prohibit all significant trade with Iran in gold and rials in a manner that will leave many of Iran's trade partners unenthusiastic about signing currency swap agreements or replacing Iranian oil with gold.

In the past, Iran relied on its connection with financial institutions in a number of countries in the region in order to bypass the ban on purchasing dollars. In 2015, it was reported that more than \$1 billion in cash had been smuggled into Iran using corporate fronts, which purchased dollars in Dubai and Iraq at the encouragement of the Central Bank of Iran.²¹ Although the United States will likely be unable to completely prevent the smuggling of dollars into Iran, increased US pressure on institutions with connections to these fronts could reduce the flow of dollars that will ultimately be smuggled into Iran.

Iran's \$120 billion in foreign currency reserves, enough for 15 months of imports,²² provides it with a degree of room to breathe, which will allow it to engage in imports even in the event of a significant reduction in exports. In the short term, Iran will likely not suffer from a crisis leading to a shortage of basic imported goods. However, the desire to prevent rapid erosion of its foreign currency reserves will lead to increased supervision over imports, which could well be felt in the Tehran markets.

Political Effects

The effects of the sanctions will not be limited to the economic realm, and their effectiveness must also be examined with regard to regime policy and public opinion.

It is difficult to assess the possible effects of the renewed economic sanctions on regime policy. The Iranian regime, under the leadership of Supreme Leader Ali Khamenei, views President Trump's decision to withdraw from the nuclear agreement as proof of its fundamental conviction that the nuclear program was only an excuse for the West to pressure, isolate, and weaken Iran in order to lay the groundwork for regime change in Tehran. In an address marking the thirty-fifth anniversary of the Islamic Revolution, Khamenei maintained that the United States is continuing its

efforts to bring about regime change in Iran: “American officials publicly say they do not seek regime change in Iran. That’s a lie. They wouldn’t hesitate a moment if they could do it.”²³ On another occasion, he emphasized that the West’s efforts to play up the threat of a nuclear Iran are based on a lie, as the West is frightened of an Islamic Iran, not a nuclear Iran.²⁴

However, Iran is not immune to pressure. Its agreement in the past to return to the negotiating table under the influence of the sanctions and to accept restrictions pertaining to its nuclear program are indicative of its willingness to moderate its positions in response to pressure. The sanctions that did serious damage to the Iranian economy and increased frustration among the population also increased the pressure on the regime to agree to concessions, out of fear that a continuation of the economic crisis could undermine its stability over time.

At the same time, the regime’s willingness to deviate from its policy will depend on its subjective assessment regarding the dangers and opportunities it faces. This assessment can change in accordance with the worldviews of the different factions in the Iranian elite. Radical elements are likely to respond to increased external pressure with heightened defiance, in order to neutralize potential threats to the stability of the regime and deter the enemies of the Islamic Republic. On the other hand, more pragmatic elements within the leadership could display a willingness to temper the regime’s positions and adopt a more moderate policy.

At least in the short term, the United States’ withdrawal from the agreement can be expected to strengthen the opponents of President Rouhani, who opposed the nuclear agreement from the outset and argued that the government’s conciliatory policy had resulted in an agreement of surrender, in which Iran agreed to painful concessions without receiving anything in return. The economic sanctions could also further strengthen the Revolutionary Guards, whose involvement in economic projects increased in the past due to the cessation of the activity of Western companies in Iran.

Although the economic pressure is expected to increase, it is still too early to assess whether it will be sufficient to moderate the regime’s policy on issues it perceives as essential to its national security and its very survival. Khamenei, whose approach to the negotiations over the nuclear issue was suspicious from the outset, views the difficulties of implementing the agreement as proof of his claim that the West, and especially the United States, cannot be trusted. He also views it as evidence that economic improvement can be achieved only through an “economy

of resistance,” based primarily on the reduction of Iranian dependence on foreign elements. It is no coincidence that the Supreme Leader declared the new Iranian year (which began on March 21) “the year of support for Iranian products.”²⁵ Moreover, from Khamenei’s perspective, military nuclear threshold capacity is a necessary insurance policy for the regime’s survival. It is therefore possible that under heavy economic pressure, the regime would be willing to conduct renewed negotiations on specific sections of the nuclear agreement (for example, how long the restrictions on Iran’s nuclear program will be in effect) or on certain aspects of its policy (for example, the range of the missiles it can develop, or Iranian involvement in geographical arenas it regards as less important, such as Yemen). However, it is highly doubtful that it will agree to concede assets it regards as essential to its national interests, and especially to its survival, such as the option of a military nuclear program, its long range missile capacity, and its influence in Syria and Iraq.

The impact of sanctions on Iranian public opinion is mixed. The increased economic pressure resulting from stronger sanctions could intensify the ongoing popular protest that has been underway in Iran in recent months, and it could strengthen the public criticism of the regime’s policy. At the same time, it is also likely to make it easier for the regime to mobilize public support against the West. The Iranian public is not monolithic and does not espouse a uniform view on the issues that are currently on the national agenda. Despite the mounting alienation between different segments of the population and the regime, the Iranian public often expresses its willingness to fall into line behind the regime in the event of cases that it believes could harm essential interests or national dignity, such as, for example, challenges to Iran’s territorial integrity or threats of a military attack. Many citizens harbor a hostile attitude toward all expressions of Western condescension and pressure exerted in an effort to force it to come to terms with Western dictates. The economic sanctions that the international community imposed on Iran have already been used by Tehran to mobilize public support against the West with a degree of success. Although Iranians have objected to the high price of continued sanctions, many have adopted a critical approach toward the West, which is perceived largely as responsible for their difficult situation. A Gallup poll in December 2012 indicated that 47 percent of Iranian citizens blamed the United States for their difficult economic situation, whereas only 10 percent believed that their own government was responsible.²⁶ A poll published

in July 2017 by the University of Maryland found that the Iranian public continued to oppose giving in to the dictates of the West. The results of the poll also indicated that a clear majority of the Iranian public supports Iranian retaliatory measures in the event of violation of the nuclear agreement on the part of the United States. Fifty-five percent of respondents said that if the United States annuls the agreement, Iran should resume its nuclear program and not limit itself to an appeal to the United Nations, although the decisive majority of Iranian citizens (76 percent) continue to support the agreement.²⁷

Furthermore, despite the sanctions' potential as a means of pressuring the Iranian regime, they might also delay the advancement of significant political changes. This is the result of the severely detrimental impact they have on civil society and the Iranian middle class, which is considered one of the main agents of change in Iranian society. Erosion of the Iranian middle class under the sanctions regime did serious injury to one of the main power centers of the reformist camp. The economic crisis has forced the middle class to focus on the struggle for everyday survival and has kept it too busy to continue the struggle to promote political liberties and political change. Moreover, the economic crisis has intensified middle class dependence on the government, as most middle class Iranians are employed by the public sector. As a result, there is a less of a chance that they will endanger their economic and employment security through political and civil involvement.²⁸

Conclusion

The initial demands on Iran, as well as the fact that within a relatively short time the United States intends to reinstitute all the sanctions that were gradually imposed on Iran in the past and is also threatening to impose more severe sanctions, suggests that even without international cooperation, the economic damage of the sanctions will already be felt in the short term. Even before the sanctions go into effect, they are expected to intensify Iran's foreign currency crisis, accelerate inflation, and damage the scope of foreign investment. The need to prepare for the sanctions will force the Iranian government to deviate from necessary reforms that have already achieved early signs of success and impose a restrained fiscal and monetary policy.

The anticipated decline in the flow of foreign investments will make it difficult to create new jobs. However, it will not result in a rapid rise in

unemployment or an immediate decline in the scope of energy production. On the other hand, the success of measures meant to do damage to the banking system and strike at Iranian oil exports could find quick expression in increased unemployment, a sharp decline in government income, and additional inflationary pressures. American resolve remains the most important variable that will determine the extent to which these measures are successful. Although European Union and other countries will be able to delay the sanctions' impact, increased efforts to bypass the sanctions will actually result in their intensification on the part of the United States, as well as a rescinding of the possibility of waivers, including waivers for the ban on contractual engagements with the Central Bank of Iran for the clearance of oil transactions. Intensified measures on the part of the United States could cause considerable shocks and propel the Iranian economy back to the position it was in on the eve of the nuclear agreement. However, even under the current sanctions, the Iranian government will be forced to revert to the restrained policy it implemented between 2013 and 2015. In the past, this policy helped curb inflation to some extent, and maintain a reasonable budgetary framework. However, it required the leadership to take unpopular measures and had a detrimental impact on economic activity. Beyond the political difficulties posed by such a policy, its success in preventing a slide into hyperinflation and detrimental impact on budgetary stability will depend on the intensity of the shock produced by the sanctions.

In conclusion, Iran has faced significant economic challenges in the past. Moreover, over the years the Iranian public has developed the ability to adapt to the economic crisis, and the regime still possesses many means of suppression in the event that the protests spread. The sanctions' impact on the political and public realms will depend not only on the intensity of the sanctions but also on the success aimed for: the lower the aspirations, the greater the chances of achievement. If the US administration strives to topple the Iranian regime, the likelihood of this happening will be weak even under heavy economic pressure. Regime change will depend on a large number of factors that are not necessarily influenced by external intervention, such as the interaction between centers of political and security power in Iran, the regime's willingness to use means of suppression against acts of protest, and the public's ability to organize itself for effective protest. On the other hand, if the achievement aimed for is limited to an Iranian agreement to conduct negotiations regarding specific issues that do not

require it to concede its strategic assets or essential interests – such as the nuclear option and the development of surface-to-surface missiles – it is more likely to be realized, even if only due to the fact that Iran appears to aspire to bide its time, through negotiations, until, inter alia, there is a new president in Washington.

Notes

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The Role of the IAEA in the Iran Nuclear Deal: Recommendations for Improving Performance

Ephraim Asculai and Emily B. Landau

The role of the International Atomic Energy Agency (IAEA, or the “Agency”) in the Joint Comprehensive Plan of Action (JCPOA) agreed to by the five permanent Security Council members plus Germany (E3/EU+3) and Iran in July 2015, is “to monitor and verify the voluntary nuclear-related measures as detailed in this JCPOA...All relevant rules and regulations of the IAEA with regard to the protection of information will be fully observed by all parties involved.”¹ The opening statement of the JCPOA declares that the agreement “reflects mutually determined parameters, consistent with practical needs, with agreed limits on the scope of Iran’s nuclear program, including enrichment activities and R&D. The JCPOA addresses the E3/EU+3’s concerns, including through comprehensive measures providing for transparency and verification.” As such, transparency and verification are the two mainstays of the technical provisions entrusted to the IAEA in the agreement. The following discussion will center on these two main topics, while also addressing some other urgent issues.

The IAEA Role

On May 9, 2018, IAEA Director General Yukiya Amano issued the latest in a string of statements regarding verification in Iran: “As of today, the IAEA can confirm that the nuclear-related commitments are being implemented by Iran.”² However, the actual situation regarding IAEA verification in Iran suggests that Amano’s statement contains more than a modicum of wishful thinking. One example of the discrepancy between the aims of the JCPOA

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and realities on the ground is Paragraph 16 of the Preamble and General Provisions of the deal: “Iran will not engage in activities, including at the R&D level, that could contribute to the development of a nuclear explosive device, including uranium or plutonium metallurgy activities, as specified in Annex I.” But while the IAEA has visited declared nuclear facilities, it was consistently prohibited from verifying any activities related to the development of a nuclear explosive device.

Looking back at the years since the implementation of the JCPOA, the discrepancy between the IAEA mandate as specified in the deal and its actual performance necessitates review and analysis so that future verification according to the JCPOA – for as long as it remains in its current format – can fulfill its mandate. The more idealistic wishes of those who gave in to Iran’s strong-headed behavior during the negotiations and following implementation of the deal should not be allowed to determine the breadth and depth of IAEA inspections in a lenient manner. Rather, they must insist on proper implementation.

The issues that must be considered and reassessed include the failure to verify the complete range of Iran’s nuclear-related activities; the failure to search for and identify any undeclared nuclear-related facilities, activities, and materials; and the lack of transparency in the IAEA’s quarterly reports on Iran’s nuclear plans and activities since the deal was implemented (in January 2016), which hide behind vague and self-defined rules and regulations. The less than satisfactory situation regarding inspections was underscored on May 8, 2018, when in his statement explaining the US withdrawal from the JCPOA, President Trump noted: “Making matters worse, the deal’s inspection provisions lack adequate mechanisms to prevent, detect, and punish cheating and don’t even have the unqualified right to inspect many important locations, including military facilities.”³

Furthermore, there are problems related to the lack of transparency regarding Iran’s secret deals with the IAEA. This troubling situation is barely mentioned by officials, although Iran’s partners to the deal should be making the case for ending the confidentiality that Iran currently enjoys in its dealings with the IAEA. Full information regarding Iran’s nuclear activities and plans must be made available to the IAEA member states and to the public at large by means of the IAEA quarterly reports, as was the case before the JCPOA. The absence of this information from the public discourse on the effectiveness of the JCPOA casts serious doubts over any conclusions reported by the Director General.

Verification

The problems regarding IAEA inspections of “non-nuclear” (including military) facilities in Iran are manifest in at least three contexts: as a function of Iran’s expressed adherence to the terms of the Additional Protocol; with regard to possible work on an explosive mechanism; and with regard to the provisions laid out in Annex I of the JCPOA for inspecting a facility if there is a strong suspicion (based on intelligence) that Iran is advancing activities related to a nuclear weapons capability.

The Additional Protocol

Within the terms of the JCPOA, Iran agreed to apply the Additional Protocol (AP) provisionally to the IAEA verification mechanism until it is finally ratified by Iranian authorities. While the IAEA is tasked with the application of the verification mechanism, Iran is obligated to facilitate the inspections fully. The term “provisional,” as defined in the AP, does not diminish Iran’s responsibilities in this respect.

The AP was devised in the mid-1990s in order to address and amend two major shortcomings of the Full Scope safeguards agreement (for verification purposes) that every NPT member state signs with the IAEA. It is meant to ensure the possibility of inspecting *any* facility located at a declared nuclear site (not only the declared facilities), and to provide some means for uncovering *undeclared* facilities, activities, or materials on the inspected state’s territory. The IAEA can request that it perform environmental sampling at any location deemed necessary by the Agency.⁴ A state can only suggest an alternative location if sampling at the requested location is not possible.

As far as is known, the IAEA requested and carried out such environmental sampling in Iran only at the suspected nuclear explosive development site at Parchin, in September 2015, and this episode proved to be entirely unsatisfactory.⁵ Iran has since refused any additional sampling at that site. This clearly contradicts Iran’s obligations according to the AP, and in any event, AP provisions do not constrain the methods of sampling in any way.

The Additional Protocol has another provision for searching and uncovering concealed, undeclared, and illicit activities. Wide Area Environmental Sampling permits the IAEA to install and operate a network of sampling stations over a wide area, which could detect nuclear and nuclear-related activities, and facilitate further investigations clarifying the locations and the characteristics of the activities. However, the IAEA

did not use its authority to seek the Board of Governors' approval for Wide Area Environmental Sampling and the arrangements for use of this option.⁶

Since the AP falls within the provisions of the JCPOA, it is imperative that the IAEA utilize its entire technical means to ascertain compliance with its terms.

Development of the Explosive Mechanism in Iran

As noted, the JCPOA specifically forbids Iran to engage in the development of a nuclear explosive mechanism. This is an integral part of the agreement, and as such is subject to verification activities designated to assure that this activity is not underway in Iran.

The issue of access to sites is general and in no way limited to the explosive mechanism development. The latter, however, is of critical importance, since Iran denies access to sites suspected of hosting such activities, under the pretext that these are military sites. An additional hindrance is that the IAEA is requested to provide proof of allegations of explosives development. If the indicative information was not obtained by what is called "national technical means" (e.g., satellite photography) the only remaining means would be the utilization of the AP provision for environmental sampling. Otherwise, this would be a near impossibility, since intelligence-based information cannot always be made available to adversaries.

If one takes the periodic IAEA reports as representative of its activities in Iran, it appears that the IAEA has intentionally ignored or was compelled by Iran to ignore its duties regarding verification of the absence of activities in the area of the development of the nuclear explosive device. The IAEA has ample evidence that Iran worked on this in the past, and should at least have confirmed that these activities were no longer underway in Iran. Only beginning in August 2017 did the IAEA Director General include in his periodic reports the enigmatic statement: "The Agency's verification and monitoring of Iran's other JCPOA nuclear-related commitments continues, including those set out in Sections D, E, S and T of Annex I of the JCPOA."⁷ Section T deals with the development of nuclear explosive mechanisms. How the IAEA verifies and monitors Iran's activities in this respect remains an unanswered question, leaving in doubt the veracity of the IAEA statement.

This issue takes on added importance in the context of the single inspection of Parchin, which was conducted in a manner that contradicts all IAEA good inspection practices. Parchin is a site where explosive mechanism experiments were carried out – and where some evidence of

this was uncovered. This site could not be revisited, and the IAEA refrained from requesting access according to the procedure outlined in section Q of Annex I to the JCPOA. As such, outstanding uncertainties remain unresolved to this date.

Even if the rather complex procedure for gaining access to undeclared sites is followed, it is still uncertain that Iran would enable access to suspect sites. The non-confrontational IAEA attitude in this matter does not bode well for many other issues that remain obscure because of the IAEA's non-transparent method of reporting.

Dealing with Suspicions according to Annex I of the JCPOA

One of the recognized limitations of the NPT is that it mandates the IAEA to inspect only declared nuclear sites in a member state. But it is also well known that Iran exploited this loophole and advanced its military nuclear program at a military site that was off limits to the IAEA – Parchin. It was this loophole in the NPT provisions and IAEA safeguard agreements that the JCPOA was supposed to close. As such, up until April 2015, US officials were still insisting that they would settle for nothing less than anytime/anyplace inspections in Iran, that is, that wherever a suspicion arose, the IAEA could demand immediate access.

What was later formulated in the JCPOA is a far cry from that goal. The provisions in Annex I are vague and open to interpretation and abuse by Iran. In the best case scenario, Iran can delay an inspection for 24 days, but upon closer scrutiny of paragraphs 75-76 of Annex I,⁸ it is clear that there is room for Iran to play for time in providing its initial response to IAEA suspicions, which could significantly lengthen the time between when a suspicion arises and when the actual inspection is carried out. Meanwhile Iran insists that it will never allow IAEA inspectors entry to its military facilities. Finally, due to lack of transparency, there is confusion in the public domain about whether any inspections have taken place at military facilities; about why there was not a follow-up inspection at Parchin after suspicious particles were found in the September 2015 inspection; and about whether, as has been reported in the media, the IAEA has at times indeed refrained from even requesting access, in anticipation of a negative response from Iran.⁹

All this could change drastically because of the immense cache of intelligence material that was uncovered in the Israeli intelligence coup – the archives of the Iranian nuclear weapons development project. First, it

showed that Iran had lied (and is continuing with its lies) when it denied that it ever had a nuclear weapons development program. Second, it is evidence of Iran's immense knowledge base that is still relevant today. Although very little of the information contained therein has been released to the public, it is certain that it contains data in the following categories: sites where R&D work in all aspects of nuclear weapons development was carried out; personnel involved; facilities and material inventories; and the achievements up to 2003. The IAEA must now utilize this data in order to gain access to all sites and facilities, take inventories, interview personnel, and assess how far Iran was from achieving its aims. Even if Iran had ordered a full stop to further development, which is highly doubtful, this could be the starting point for the project's renewal. It is doubtful because Iran refused to come clean and disclose this information, and since then it has proceeded with its development of the warhead delivery systems – namely, its missile capabilities – despite the relevant Security Council demands to the contrary.

Disregarding this new information by the IAEA would be a major breach of its duties. The IAEA Board of Governors must instruct the Secretariat to take action in this regard, immediately.

Transparency

Although the JCPOA that was presented to the public in 2015 was hailed as the most transparent arms control agreement ever reached, as far as the public domain is concerned, the JCPOA in reality signaled the start of a problematic and puzzling reduction in transparency as to Iran's nuclear activities and plans for the future. This stems from the confidentiality that Iran was granted per the JCPOA in its dealings with the IAEA. The P5+1 agreed to this Iranian demand for confidentiality despite the fact that as a violator of the NPT – as established by the IAEA in its December 2015 report, and as strongly corroborated by the new evidence revealed by Israel – Iran had lost the trust of the international community and should not have been granted this privilege. Indeed, curiously, the P5+1 accepted the Iranian demand to treat it as a “normal” member of the NPT.

In light of this, the first step to be taken is to reaffirm clearly that Iran is a violator of the NPT – that for decades Iran worked on a military program while deceiving the international community, and that the act of agreeing to the JCPOA was probably only a temporary setback. It certainly does not erase the legacy of Iran as a state prone to violations and duplicity. Nor

should it serve as a platform for immediately granting Iran the trust of the international community or the standing of a so-called normal member of the NPT. Indeed, the years since the JCPOA was introduced have demonstrated Iran's ongoing provocations and aggressions, including threats to return immediately to previous nuclear activities if the US or European states do not adhere to its demands.

Following this clarification – which was absent from the JCPOA – the grounds for Iran's confidentiality rights must be reconsidered, and indeed, removed. As such:

- a. The IAEA reports on Iran must return to their previous format, including full information regarding Iran's nuclear activities and plans for the future, and full reports, including results, on all the inspections that were carried out at military facilities. Since January 2016 (Implementation Day), the reports have excluded all of this information.
- b. All the deals that were concluded between the IAEA and Iran must be made public. It is unacceptable, for example, that the public only learned through investigative reporting over the course of 2016 that Iran has plans to install and operate thousands of advanced centrifuges from year 11 of the deal. This kind of information is crucial for informed debate about the value of the JCPOA and for informed assessments of Iran's intentions in the nuclear realm.
- c. Reports on deliberations in the context of the Joint Commission (that oversees the JCPOA) and the Procurement Working Group (that is meant to discuss intelligence regarding Iran's efforts to illicitly procure technologies and components relevant to a weapons program) must be made public.
- d. Key understandings from the secret US-Iran negotiations in Oman (that preceded the P5+1-Iran negotiations in 2013) must also be disclosed to the public. Now that the JCPOA has been achieved, there is no justification for keeping the results of those talks under wraps.

Conclusion

One can only speculate about the reasons for the IAEA's behavior described above. The most obvious rationale is that the Director General wants to adhere to the spirit in which the JCPOA was conceived – the spirit of compromise. Moreover, admitting officially that the IAEA cannot really fulfill all the requirements of the deal would be damaging both to the deal's application and to the IAEA itself. It would affect the ability of some to

insist that the deal is working, and could bring about an early crisis that the remaining partners to the deal have an interest to avoid, or at least to postpone. Thus, the motivation behind the IAEA's vague, partial, and opaque execution and reporting is most likely political.

The IAEA has proven its technical capabilities in many instances in the past, most notably in Iraq following the 1991 Gulf War. But completely fulfilling its mandate in the case of Iran might well lead to findings that would prompt a crisis that could disrupt the delicate status of the JCPOA. Clearly those who want to continue with the present political and economic situation with Iran rely on the vague, amorphous, and at times misleading periodic reports of the IAEA Director General to the Security Council to do the work for them, and declare that the deal "is working." For those who subscribe to this view, there is no need to take any further action to repair the deal or to pressure Iran with a renewed and strengthened sanctions regime. The non-transparent behavior of the IAEA Director General only strengthens the position of those who do not want to acknowledge that something is amiss in the original setup.

But even if we assume that the JCPOA is being fulfilled, it is nevertheless an incomplete deal: it does not cover all aspects of a nuclear weapons development project; it does not facilitate the search for undeclared, concealed facilities, activities, and materials; and as many agree, it is deficient in having ignored the nuclear weapons delivery systems, including ballistic and cruise missiles of all ranges that can carry a nuclear warhead. These problems are compounded by the fact that important provisions of the deal are not being implemented by the IAEA. In short, not only does the deal suffer from weak and inadequate provisions; the IAEA has not fulfilled its duties to the letter.

Following the US withdrawal from the JCPOA in May 2018, the future of the nuclear deal is unclear. However, one of the more important effects of the US decision should be a reassessment by the other partners that the current flaws of the deal and its implementation must be remedied if it is to remain, and thereby become more effective.

The recommendations offered here for improving the situation are directed at the strong powers – and first and foremost at the United States, which is the only power clearly focused on the problems in the JCPOA and on the need to remedy them. These powers must ensure that the IAEA does its job. At the end of the day, as is evident also with regard to the NPT itself, the effectiveness of the IAEA and the nonproliferation agreements

it serves depends on the willingness of states to ensure that the provisions of these agreements are upheld.¹⁰

Notes

- 1 The catch in the first sentence is the word “voluntary,” which was problematic in the past, and is likely to be so in the future.
- 2 “Statement by IAEA Director General Yukiya Amano,” IAEA, May 9, 2018, <https://www.iaea.org/newscenter/statements/statement-by-iaea-director-general-yukiya-amano-9-may-2018>.
- 3 “Remarks by President Trump on the Joint Comprehensive Plan of Action,” The White House, Office of the Press Secretary, May 8, 2018, <https://bit.ly/2IMsZsn>.
- 4 “Additional Protocol” (the full title is “Model Protocol Additional to the Agreement(s) between State(s) and the International Atomic Energy Agency for the Application of Safeguards”), Article 5, <https://www.iaea.org/sites/default/files/infocirc540c.pdf>.
- 5 Contrary to all mandatory procedures, the IAEA Director General permitted the all-important taking of samples to be performed by the Iranians and not by qualified and certified IAEA inspectors. Despite the cleanup activities carried out by the Iranians prior to the visit, there were nevertheless some suspicious findings, but the Iranians refused any further clarification of the issue. See “IAEA Director General’s Remarks to the Press on Visit to Iran,” IAEA, September 21, 2015, <https://www.iaea.org/newscenter/statements/iaea-director-generals-remarks-to-the-press-on-visit-to-iran>.
- 6 Additional Protocol, Article 9.
- 7 See IAEA report on Iran from August 31, 2017, <https://www.iaea.org/sites/default/files/gov2017-35.pdf>.
- 8 See JCPOA, <https://www.state.gov/documents/organization/245318.pdf>.
- 9 See Barak Ravid, “Israel: IAEA Received Info about Suspected Iranian Nuclear Sites but Didn’t Inspect Many of Them,” *Haaretz*, September 17, 2017, <https://bit.ly/2tBSilf>.
- 10 The problems regarding the NPT are underscored by the fact that NPT Review Conferences have not been able to garner consensus among the member states to censure Iran for working on a nuclear weapons program, even after key intelligence was revealed in IAEA reports.

Why Has Bashar Won the War in Syria?

Eyal Zisser

“Without us, Bashar would not have survived,” claimed Ali Akbar Velayati, the advisor of Iranian Supreme Leader Ali Khamenei on international affairs, in November 2017.¹ In January 2018, Hezbollah Secretary-General Hassan Nasrallah said:

There is a president in Damascus. One could have assumed, when it all began, that he would become frightened, would pack his suitcases and move to Latakia, and from there, would seek refuge in Moscow or in some other country...but the man did not become frightened...he stayed strong and determined. He remained in Damascus and did not leave. And a cadre of state and security forces remained with him...the country did not collapse...and no company or even a squad deserted the Syrian army. The army remained intact and so did the security mechanisms and the state institutions. They remained intact because there was someone to look after them. And it is clear that they would not have succeeded in standing steadfast and surviving over the last seven years were it not for the broad grassroots support.²

The war in Syria is nearly over. To be sure, the restoration of calm and stability throughout the country, and even more so, peacemaking or national reconciliation among the segments of Syrian society, are still remote objectives, if they are even viable. But the fighting on the battlefield has been decided, and Bashar al-Assad, the reason for the war and to many, its “hero,” is the one who ended with the upper hand: he, and with him, all those whom he represented and fought for – the family and the dynasty, the Alawite community, and finally, the coalition of social and economic forces that underlay his Syrian Ba’ath regime.

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Bashar al-Assad's victory was handed to him thanks to his allies, but also thanks to his enemies and rivals, i.e., thanks to the recruitment of Tehran and Moscow to fight for him and subdue his enemies, but also thanks to the inertia to the point of inaction demonstrated by the West, primarily the United States, toward the crisis in Syria. However, at the same time, and perhaps most of all, his victory is an outcome of the domestic reality in Syria: on the one hand, the failure of the rebels to consolidate ranks, to cultivate a political and military leadership, and to shed the radical Salafi jihadist image plastered on them; and on the other hand, the political acumen and survival skills that Bashar demonstrated, along with the support that he and the Syrian state received, from extensive segments of the population.

This is an insight that is critical to any discussion of the future of Syria, and particularly, to any discussion of the future of the foreign presence in Syria, both Russian and Iranian, i.e., the attempts by Moscow and Tehran to impose their wills on this country – either together or through tension, competition, or rivalry between them. Such a discussion should take into account that Bashar did not wage this battle of life or death, from which he emerged victorious, only to become a puppet ruler manipulated by others, even they are Russian President Vladimir Putin, or Iranian Revolutionary Guards Quds Force Commander General Qasem Soleimani. To the extent that he can control matters, Bashar will presumably strive to become once again an independent agent who makes all decisions regarding the future of his regime and his country.

The Initial Stages

The bloody civil war waged in Syria over the last seven years has brought the country to the brink of dissolution and even collapse, and also led to the decomposition of Syrian society into its basic elements (religious and ethnic groups, tribes, clans, and families). By early 2018, it was estimated that close to half a million people had been killed and more than two million wounded during the fighting. Another ten million Syrians, about half of the population in the country, lost their homes, and between five to eight million of them fled across the border and became refugees.³ Furthermore, about three quarters of the Syrian economy has been destroyed, including national and economic infrastructure – the education and health systems, the transportation networks, electricity and water systems, the oil and gas fields, and crops and granaries.⁴

The catalyst of the war was protest – protests, initially local, limited, and mainly nonviolent, of peasants from rural and peripheral regions who were hungry both for bread and for change – that erupted in March 2011 as part of the events of the Arab Spring. Within a few months, this protest escalated into a wide scale grassroots uprising that eventually developed into a bloody civil war that has dragged on for more than seven years. After the initial weeks and months, this war also took on communal and ethnic tones and even religious connotations in the form of a religious war (jihad) against the “heretical Alawite regime” of Bashar al-Assad, the ally of the Shia camp in the Middle East led by Iran and Hezbollah.⁵

While Syria became a battlefield, it also became a regional and international arena in which Bashar al-Assad and his domestic rivals were pawns in a chess game played by the world powers, primarily Russia, but also the United States, and the competing regional powers, including Iran, Turkey, Saudi Arabia, and Qatar. This involvement only exacerbated the crisis in Syria, fed the fighting waged on its soil, and prolonged the war that is not in the Syrian national interest, and certainly not in the interests of the Syrian people, who were the ones affected by these foreign powers attacking their country and seeking to reap personal gain from its destruction.⁶

During the initial years of the war, the scales were tipped in favor of the rebels. The rebels were supported by substantial segments of Syrian society, particularly the Sunnis living in the rural and peripheral regions who constitute at least one third of the residents of Syria, but they failed in their attempts to cultivate any legitimate and effective political and military leadership that could steer the rebellion to victory. In fact, hundreds of armed groups fought in the arena without any unity or joint command, and some eventually took on more Islamic colors, especially the longer the war dragged on. Nevertheless, the rebels succeeded in dealing a blow to the Syrian regime, which demonstrated helplessness and inaction against them. Although the regime in Damascus managed to survive the onslaught, it demonstrated low morale, exhaustion, and fatigue in light of the prolonged campaign that steadily eroded its assets, manpower, and territory, mainly in the northern and eastern regions of Syria, but also in rural and peripheral regions in the center and southern regions of the country. In fact, Bashar’s regime was left controlling less than one quarter of Syrian territory. This was a narrow strip of land that extended from the capital city, Damascus, southward to the cities of Daraa, the capital of the Hauran, and as-Suwayda, the capital of Jabal al-Druze; and

northwards to the cities of Homs and Hama in central Syria and to Aleppo, the second largest city in Syria, and extending to the Alawite territory on the Syrian coast. More than half of the original population of the country (some 13 million, out of 25 million) reside in this strip of land. The Syrian institutions continued functioning and providing basic services to civilians, including the supply of electricity and water, food supply, welfare, health, and educational services, and more.⁷

The rebels, for their part, continued advancing one step at a time – village, town, and provincial city, one after the other – on the way to achieving their objective, the collapse of Bashar al-Assad’s regime. At times, it appeared that their victory was just a matter of time, and that the Syrian state could not survive. Indeed, this was the picture in July 2012 after the assassination of the Syrian security elite during a terrorist attack in the heart of Damascus; so it appeared in March 2013, with the occupation of ar-Raqqah, the capital of the ar-Raqqah province; and so it appeared in the spring of 2015, following the rebels’ success in seizing control over the Idlib province, as well as the success of the Islamic State in breaking through into the heart of Syria (with its occupation of the city of Tadmor) and into the south (beginning with a few suburbs of Damascus and ending at the foot of Jabal al-Druze).

The Foundations of Bashar’s Victory

Yet anyone who had already eulogized Bashar al-Assad was taken by surprise when Moscow and Tehran were recruited in September 2015 to help him remain in office and subdue his enemies. Russian combat planes and helicopters, Quds Force ground forces, and combatants from Hezbollah and Shia militias from across the Middle East that were established and trained by Iran came to Syrian soil and tipped the scales in Bashar’s favor. The Russian air strikes on rebel targets, or more precisely, on civilian regions where the rebels operated, dealt a mortal blow to the rebels’ unity and fighting spirit and even their fighting power, while leading primarily to casualties among the civilian population that had granted them shelter. These strikes enabled the Syrian army, and mainly the Iranian forces, Hezbollah forces, and Shia militias that Iran deployed in Syria to seize the initiative and take control over a majority – about three quarters – of the territory of Syria.⁸ In tandem, Washington formed an international coalition, comprising mainly Shia forces in Iraq and Kurds in Syria, which led to the collapse of the Islamic State, despite the fact that the Syrian regime, and mainly Iran, rushed to fill the void that the Islamic State left behind it in

eastern Syria, the Syrian desert, and the Deir ez-Zor province.⁹ However, Washington has had no overall policy with regard to the Syrian question, and its policy – under both the Obama and Trump administrations – is essentially a focus on the battle against the Islamic State and willingness to leave the task of ending the war in Syria to Moscow, even at the price of leaving the Russians’ protégé, Bashar al-Assad, in the presidential seat in Damascus.

Yet besides reliance on Russia and Iran for the turning point in the war, and apart from Washington’s inactivity and its aversion to any involvement in this war, domestic circumstances enabled the regime’s victory. True, the rebels failed to consolidate ranks, cultivate a legitimate agreed leadership, and achieve domestic and international support for their plight, but the regime’s strengths were also critical. Over the long years of the war, Bashar and the Assad dynasty that he headed, along with the Syrian state and its institutions – mainly the army and the government and security mechanisms – endured and demonstrated unity and power that surprised many who had repeatedly predicted their demise. The state and military institutions did not implode, as occurred in Libya and in Yemen, but rather, continued to function, even if often in a partial and limited way. The Syrian army, for example, contended with waves of desertions that amounted to about one third of its standing army, but this still did not result in its collapse, and the desertions remained limited to small groups of soldiers and their commanders (no military unit the size of a regiment or larger defected to the ranks of the rebels). The senior military leadership and the state and political leadership also remained loyal to the President and his regime. The government in Damascus continued to maintain a functional framework – even if fragmented and partial – of education, health, and welfare systems, and most importantly, the supply of food and critical basic necessities, which preserved the population’s support for the state and its institutions.¹⁰ All of these enabled Bashar and his regime to rise up like a phoenix and spread its wings, once Russia and Iran succeeded in tipping the military campaign in its favor. Indeed, as Nasrallah stated: “We came to Syria and, after us, the Iranians came and, after them, groups of combatants came from Iraq...and, over the last two years, the Russians also joined all of these. But if the Syrian army had not been there throughout that entire time, all of these foreign forces that arrived on Syrian soil would have been considered (and mainly perceived by the Syrians) as an army of occupation; but this is not what has happened.”¹¹

This victory by Bashar was, rather, the culmination of four separate victories:

The first victory was the victory of the man, Bashar al-Assad, who demonstrated self-control, determination, and adherence to his objective, and a calculated, cold-blooded, apathetic, not to mention, merciless, willingness to sacrifice millions of his own people for the sake of ensuring his personal survival and the survival of his regime. Beyond this, Bashar also demonstrated political acumen and manipulative capabilities, such as his success in hooking Russia and Iran – two rivals with little ties between them – and recruiting them to his aid, while achieving maneuvering room for himself (albeit limited), and freedom of action opposite them by exploiting the tension and rivalries between the two countries.¹²

The second victory was the victory of the Alawite community, which had solidly positioned itself behind Bashar and sent its sons to battle for him and, essentially, for the “Alawite Project” – the hegemony that the Alawites achieved over Syria. Consequently, the Alawites continued to be inducted in droves into the standing army and in the armed militias – nearly the only community from among the mosaic of Syrian religious and ethnic communities – to fight Bashar’s war, which was synonymous with their war.¹³ One symbol is Brigadier General Suheil al-Hassan, nicknamed “the Tiger,” who led many of the battles waged by the Syrian regime and who became one of the symbols of victory by the regime in Damascus. He was invited to meet with Putin during the Russian President’s visit to Syria in December 2017, and he was also mentioned as Russia’s choice as a replacement for Bashar, insofar as it might become necessary.¹⁴

The third victory was the survival of the social coalition underpinning the Syrian regime – that coalition of social forces that stood behind him, either by actively fighting alongside him, or by supporting him from the sidelines, or by sitting on the fence and abstaining from coming out against him. Heading this coalition were the members of the Alawite community, but there were also members from other minorities, as well as members of the Sunni middle and upper classes living in the major cities.

The Syrian Ba’ath party began its regime representing a broad social coalition deeply rooted in the Syrian populace. Although this coalition was led by the Alawite community, its partners included members of the other minority communities in the country, such as the Druze, the Isma’ili communities, the Christians, and more importantly, members of the Sunni

community, initially in rural and peripheral regions, and in recent decades, also the middle and upper classes in the major cities.¹⁵

The cracks that were discovered in the foundation of this coalition in recent decades, or more accurately, the abyss that grew between the rural Sunni segment and the regime in Damascus, are what led to the outbreak of the Syrian revolution. It was the rural Sunni segment – about one third of the entire population in Syria and about half of the Sunni community in the country – that turned its back on Bashar’s regime, and feeling betrayed and neglected by the regime, launched an all-out war against it in March 2011. Extensive segments of the population in Syria – members of all religious and ethnic communities and economic classes – were initially enthusiastic about the Syrian revolution. However, after the revolution turned into a bloody civil war, and mainly, a jihad – a religious war led by Salafī jihadist groups originating mostly from rural and peripheral regions – the minority communities and the middle and upper class Sunnis living in the major cities lost their enthusiasm for the revolution, its instigators and leaders, and the combat forces that operated throughout Syria. To be sure, the fault lines in Syria have always been socio-economic and not necessarily religious or ethnic. Moreover, the Sunni middle and upper classes in the major cities have always tended – and certainly since the outbreak of the revolution in Syria – to consider the affiliations between rural population segments and radical Islamic segments as a danger to the social, economic, and political order maintained in Syria headed by the Assad dynasty and supported by the Alawite community, but in which the Sunni urban population also finally found its place (this, thanks to the long years of stability in Syria since the early 1970s and especially since the government in Damascus adopted a policy of economic openness and encouragement of the private sector). This urban Sunni foundation was and has remained an essentially secular Arab nationalist community.¹⁶

The fourth victory was the victory of the Syrian state, as Bashar and his domestic and foreign partners sought to present their victory as a victory for the idea and institution of the Syrian state. This is how Bashar himself boasted during his victory campaign in March 2018 in the Ghouta region east of Damascus, after it was seized by his army, when he announced: “The ace in our hands is the support of the Syrian people, since without such support, our actions would have been illegitimate. The Syrian people want the [Syrian] state, and therefore, they are returning to it.”¹⁷

One can argue about the significance of this victory, particularly considering the horrific human and material price that the Syrian regime paid for its achievement. But the fact is that many of Syria's residents preferred to be loyal to the state institution or, at the very least, not to come out against it and face the "unknown." During the initial decades of the state, the elite population segments in Syria were hard pressed to accept it and even opted, as one may recall, to disavow it, when they decided in a self-destructive act in February 1958 to form the United Arab Republic with its Arab big sister, Egypt. However, as the years passed, it seemed that the Syrians changed their mind and, considering the years of stability and empowerment that Syria demonstrated to its residents, and certainly to those who benefited from the fruits of this stability under the Assad dynasty, these citizens refrained from renouncing the state and its institutions.

Nonetheless, the years of the war were destructive to the country and to the society in Syria. The demographic upheaval was immense, an outcome of the ethnic cleansing of millions of Syrians, who became exiled refugees against their will. In recent years, Bashar has declared on numerous occasions that he will not call for the refugees to return to their homeland,¹⁸ and further boasted that the Syrian population has become more harmonious¹⁹ now that Syria is rid of its surplus populations, an outcome of natural increase that grew out of control, mainly during the 1980s and 1990s. These surplus populations were the underlying cause of the communal and ethnic tension felt in the country and were a burden on its resources.

Conclusion

There is little doubt that an end to the travails and the arrival at a state of tranquility or, at the very least, to political stability that will enable Syria to return to its days of greatness or at the very least to the golden era that had existed during the reign of Bashar's father, Hafez al-Assad, is a long way off. After all, Syria has been destroyed and its social fabric shattered. Consequently, it is easy to understand the contention, both within Syria and internationally, that Bashar's victory is an "empty victory" and that he will have a hard time regaining control over the entire country and rehabilitating the state's institutions and mechanisms in a way that will enable him to rule over the country effectively, and help him to cement the pieces of the Syrian social mosaic that were shattered.²⁰

The course of events in Syria over recent years has demonstrated that Bashar al-Assad is a determined ruler willing to sacrifice millions of his

own people in order to achieve his objectives and his own survival. In the Middle East, uncontrolled blood-soaked tyranny, such as Saddam Hussein demonstrated in Iraq, is a despot's key survival strategy that posits that instilling abject fear guarantees popular submissiveness. Coupled with this, Bashar continues, to a great extent, to benefit from support from an important segment of the Syrian population, which remains loyal to this ruler and to his regime as well as to the Syrian state as an organizing idea for their lives and their existence. This support enabled him to survive the long years of the war and, with the assistance of Russia and Iran, to regain control over most of the territory of Syria. Bashar did not wage this battle for survival merely in order to become a captive or a puppet ruler to be manipulated by Tehran or by Moscow, and therefore, to the extent that matters are under his control, Bashar will presumably strive to take control over the future of his country. This fact should be taken into account in any forecast that attempts to predict the future in Syria.

Notes

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Saudi Arabia: Walking the Nuclear Path

Yoel Guzansky

In recent years, Saudi Arabia has experienced seminal changes in the social, economic, political, and military realms. Together, these changes constitute a major top-down revolution that is likely to have an impact on the entire Middle East.¹ Within this framework, a long term plan is taking shape, intended to reorganize the kingdom's energy production means to meet internal needs. This change is justified in principle by the fact that approximately one third of the kingdom's current internal energy consumption is based on carbon fuels, which could generate profit if exported, or constitute important reserves for future use.²

Some of the generated energy will be renewable natural energy, such as sun and wind-based energy. Another portion will be supplied by nuclear energy, which is expected to generate approximately one fifth of the kingdom's energy consumption by the year 2040. A nuclear program was considered by Saudi Arabia years ago, but the 2015 JCPOA agreement between the world powers and Iran, which provides Iran with future benefits and unprecedented privileges, provided Saudi Arabia with a tailwind to advance a full spectrum nuclear program. While publicly supporting the nuclear agreement with Iran, Saudi Arabia had serious reservations about the agreement, which gave international legitimacy to Iran's status as a nuclear threshold state. In May 2018, Saudi Arabia joined Israel and the United Arab Emirates in expressing its support for the United States' withdrawal from the agreement, as in its eyes, the agreement only intensified Iran's regional appetite without terminating its long term aspirations in the nuclear realm. In response to the development of the Iranian nuclear program and out of considerations of prestige and mounting energy needs,

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the kingdom has, in recent years, begun examining the nuclear path with the aim of leaving itself with as many options as possible.

Background

Saudi Arabia first announced its nuclear program in 2006 at the annual summit of the Gulf Cooperation Council (GCC), and later declared its intentions to build 16 nuclear reactors at an estimated total cost of \$100 billion.³ To this end, Riyadh signed a series of agreements for nuclear cooperation and received proposals from companies in the United States, China, Russia, France, and South Korea for the construction of the first two nuclear reactors, which are expected to be operational toward the end of the coming decade at one of the two proposed sites – either Umm Huwayd or Khor Duweihin on the Gulf coast.

At the same time, the rhetoric surrounding the issue changed when Riyadh began linking what Iran received under the nuclear agreement to what, in its view, it deserves. In reference to the conditions of the deal struck with Iran, former Saudi intelligence chief Turki al-Faisal has said that Riyadh needs to demand “equal rights for everybody.”⁴ Following the achievement of the JCPOA, senior Saudi officials heightened their rhetoric on the issue. During his visit to the United States in the spring of 2018, Saudi Crown Prince Mohammad bin Salman declared: “Saudi Arabia does not want to acquire any nuclear bomb. But without a doubt, if Iran developed a nuclear bomb, we will follow suit, as soon as possible.”⁵ Such statements make it difficult for Saudi Arabia to assuage concerns regarding its possible future military intentions or to emphasize the civilian aspects of its program.

“The Gold Standard”

Saudi-US negotiations for civilian nuclear cooperation resumed in 2018. The issue was deadlocked since 2012 due to the kingdom’s refusal to renounce “its right” to enrich uranium and reprocess plutonium (in other words, to work on the nuclear fuel cycle), as well as the Obama administration’s insistence on not permitting this measure, in order to avoid further nuclear proliferation. Reports have emerged, however, indicating that the Trump administration is now considering changing the approach and permitting uranium enrichment in Saudi Arabia under certain limitations, as part of the agreement, subject to the approval of Congress.

With the aim of limiting nuclear activity to peaceful purposes, the Nuclear Non-Proliferation Treaty (NPT) was enacted to restrict military nuclear programs to five states. Other states are entitled to work on the nuclear fuel cycle as part of a civilian nuclear program and maintain an independent program for the production of reactor fuel, but are required to limit themselves to energy production, medical products, and other civilian goals. The problem, however, is that the technology in question is “dual-use,” and by misusing this right, can also be used to produce fissile material for a nuclear bomb.

The United States has therefore limited the civilian nuclear programs with which it has partnered, and does not permit the states it assists in the nuclear realm to enrich uranium itself and/or to produce plutonium from irradiated fuel in its reactors. This was the arrangement with the United Arab Emirates in 2009, establishing the “Gold Standard” of civilian nuclear programs.⁶ The UAE is expected to be the first Arab country to operate a sustainable civilian nuclear program (in spring of 2018 construction was completed by a South Korean company on the first of four reactors in its territory).

The roots of Saudi Arabia’s interest in nuclear technology for civilian use first emerged in the 1970s. The Saudis failed in their attempts to advance the construction of a joint reactor with Kuwait and Qatar (1978) and made due with the establishment of a nuclear research institute some ten years later. At approximately the same time, the kingdom began monitoring seismic activity in an effort to identify sites suitable for a nuclear reactor that could both desalinate water and generate electricity. Motivations for these initial steps included Iraq’s efforts in the nuclear realm, the desire to increase nuclear cooperation between the Gulf states, and steep oil prices. In any event, no additional steps were taken beyond this point, and the subsequent delays were likely related to the 1979 nuclear accident at Three Mile Island, the Chernobyl accident in 1986, and perhaps the Israeli attack on the Iraqi reactor in 1981.⁷

A failure by Saudi Arabia to develop alternative energy sources has serious implications, and if the situation continues, the country would become an oil importer in the foreseeable future.

Although Saudi Arabia concluded an agreement with the International Atomic Energy Agency (IAEA) in 2009, it signed – despite the requests of the United States – a previous version of the Small Quantity Protocol (SQP), which limits the IAEA’s scope of inspection. The original SQP contains a

number of weak points, such as the IAEA's inability to conduct verification measures to confirm that the country in question meets the suitability criteria, and the fact that the country is not required to provide the IAEA with an initial report on the inventory of nuclear materials at its disposal.⁸ Beyond its failure to sign the comprehensive supervisory agreement, Saudi Arabia has likewise not signed the Additional Protocol, which allows for stricter inspections. Nor has it signed the Comprehensive Nuclear Test Ban Treaty, though it has consistently supported the establishment of a nuclear weapons-free zone in the Middle East.⁹ These signs may signal that Saudi Arabia is leaving the nuclear door open for possible future nuclear endeavors.

In recent years, the kingdom has begun preparations for the development of nuclear energy for electricity production and water desalination, and has expanded its efforts to solidify its knowledge in this field. The most prominent milestone thus far is the establishment in 2010 of King Abdullah City for Atomic and Renewable Energy (K.A. CARE), which is responsible for the coordination of nuclear policy issues, legislation, and research.¹⁰ As in the case of the United Arab Emirates, Saudi Arabia's work on nuclear technology was aided by substantial financial resources, the absence of environmental or political opposition, and the vast unsettled areas of land that are available for the construction of nuclear facilities and the burying of nuclear waste, if such a need arises.

Nuclear energy is attractive for Saudi Arabia for a number of reasons. The first is water desalination. Most of the kingdom's drinking water is desalinated water, and in the long term the use of nuclear energy to fuel the desalination process is cheaper than oil. In addition, Saudi Arabia regularly issues statements and information regarding its increasing energy needs, apparently as a means of justifying development of its nuclear program and emphasizing its non-military attributes.¹¹ The demand stems from a variety of factors, including population growth; the need to expand the industrial sector; high energy consumption by air conditioning, primarily in the summer months; and subsidized energy prices. In addition, there is the desire for an alternative energy source as a means of protecting the kingdom's oil and saving it for export. The implications of the failure to develop these sources are serious. If the situation were to remain one of "business as usual," Saudi Arabia would become an oil importer in the foreseeable future.¹²

US-Saudi Cooperation in the Nuclear Realm

President Trump, interested in strengthening relations with Saudi Arabia and mindful of the interests of the US nuclear industry, seeks to reach a nuclear cooperation agreement with the kingdom. In 2008, in the course of the visit by then-President George Bush to Riyadh, Saudi Arabia signed a memorandum of understanding with the United States that stipulated that the US would assist Saudi Arabia in developing nuclear capabilities for the purposes of medicine, industry, and energy production. On this occasion, the US State Department noted that “Saudi Arabia has stated its intent to rely on international markets for nuclear fuel and to not pursue sensitive nuclear technologies, which stands in direct contrast to the actions of Iran.”¹³

Saudi Arabia’s subsequent statements, which refer to “its right” to enrich uranium, appear to contradict this assessment. According to Gary Samore, formerly the senior White House official working on arms control, the Obama administration pressed “them to agree not to pursue a civilian fuel cycle,” but the Saudis refused.¹⁴ Members of the Obama administration had previously encouraged nuclear cooperation with Saudi Arabia, even at the cost of less stringent nonproliferation conditions, in order to avoid leaving the nuclear industry at a disadvantage. However, these contacts were suspended due to the kingdom’s refusal to accept the Obama administration’s conditions.

Saudi aspirations make it one of the largest potential nuclear markets and constitute an important consideration for the US administration. In this context, Thomas Countryman, former US Assistant Secretary of State for international security and nonproliferation, explained that he was “confident that any civil nuclear cooperation” between the United States and Saudi Arabia “would not in any way contribute” to a military nuclear capacity.¹⁵ Since the United Arab Emirates signed the 123 Agreement,¹⁶ the US has insisted that the “Gold Standard” serve as a model for nuclear cooperation with other countries. It now seems that the delays in cooperation between Saudi Arabia and the United States are gradually easing. While Saudi Arabia still asserts “its right” to enrich uranium based on the legitimacy Iran has received, it appears actually to be the US administration that is willing to moderate its position on the matter.

The Iranian Threat and a Military Track

The possibility that the Saudi civilian nuclear program, which is currently in its infancy, will serve as a cover for or the preliminary phase of a military

nuclear program cannot be ruled out: by its very nature, the dual-use technology required for peaceful purposes eases the armament process. In addition, the expertise required for a civilian nuclear program will expand the general knowledge that can be used in efforts in the nuclear realm. These two factors decrease the anticipated costs of a military nuclear program. Other motivations for the development of nuclear weapons include the symbolism of progress and the technological achievement, as well as enhancement of national prestige and identity.¹⁷ Given the history of Saudi Arabia, including the secret purchase of Chinese surface-to-surface missiles in the late 1980s (and possibly also later)¹⁸ and the extensive financial aid for the Pakistani nuclear program, Israel must undertake a closer examination of the Saudi motivations in the nuclear realm.

A nuclear program would provide the kingdom with a number of achievements. First, the desired prestige that accompanies such technological accomplishments would place Saudi Arabia not only alongside Iran, but also all its Arab neighbors in the “race” for nuclear capacity. Although such accomplishments are typically in the context of a military nuclear program, an effective civilian nuclear program could serve similar aims. Moreover, a civilian nuclear program could ensure Saudi Arabia’s economic goals, particularly those related to increased electricity production and the desire to decrease its reliance on oil as a chief source of energy.

Still, Saudi Arabia faces a number of significant obstacles should it pursue the military nuclear track. First, the kingdom suffers from significant technological limitations. These make it difficult to launch even a civilian nuclear program, as reflected in the fact that the kingdom was in need of

Saudi Arabia still asserts “its right” to enrich uranium based on the legitimacy Iran has received, and it appears to be the US administration that is willing to moderate its position on the matter.

the nuclear agreements with a third party to train the relevant human resources, as well as secure the supply and transport of the required equipment and technology. Also relevant is the kingdom’s underdeveloped education system, a deficient research infrastructure in the nuclear realm, and the need for the development of additional regulation and legislation and a suitable safety culture, as one concern in a regional arms race is the potential for accidents.

Riyadh can make a good case regarding its need to produce nuclear energy to meet its growing energy needs, decrease its dependence on oil, and release a greater quantity of oil for export. However, it is also not

concealing another major motivation: the strategic-security factor. From the kingdom's perspective, the Iranian threat is serious and immediate, and the Saudi rationale regarding the nuclear issue must be understood in this context. Moreover, the Saudis regard the JCPOA as actually having increased Iran's conventional aggressiveness without putting an end to its long term aspirations in the nuclear realm.

The security concern remains a major factor that could push Saudi Arabia to try to engage in a military nuclear project. Moreover, the Saudis are not willing to accept the limitation accepted by the UAE and commit to refrain from enriching uranium. As they see it, if it is permissible for Iran, it is also permissible for them. As such, the Saudis may also be attempting to increase the pressure on the international community to deal with Iran with greater resolve and impose additional sanctions on the Islamic Republic's nuclear and missile programs.

Nonetheless, despite the statements of official Saudi parties, there are a number of factors that could prevent it from pursuing a military program, even in a situation of mounting threats or Riyadh's development of a scientific and technological infrastructure. The first is the pressure that the United States is likely to exert on the Saudis. Saudi Arabia will need to decide between insisting on a strategy of self-deterrence and relying on American security guarantees and the US significant contribution to Saudi security. This dilemma is particularly relevant given the perceived devaluation of the US regional status and involvement. In addition, as a signatory of the NPT, Saudi Arabia is subject to all the relevant international norms. Although the kingdom was discovered to have engaged in secret activities in the past (for example, the Chinese missile deal in the 80s), it does not appear to have any interest in brazenly violating international treaties, with the political and economic implications that go along with doing so.

In any event, especially if the American security umbrella is undermined, there will be nothing to prevent Saudi Arabia from attempting to acquire nuclear weapons in the event that Iran succeeds in acquiring military capabilities. If Saudi Arabia feels that its vital security interests and its stability are under threat, it could reach the decision that independent activity is the best way to minimize risk and ensure its regional status. According to a US Congressional report, "Saudi Arabia will not hesitate to aggressively bypass or risk alienating the United States in order to protect Saudi interests."¹⁹ Under the current circumstances, Saudi Arabia still lacks the knowledge and the technological ability required to develop an independent civilian

nuclear program, not to mention a military nuclear program. It remains openly committed to efforts to develop nuclear technology for peaceful purposes, especially as a means of helping its energy production, and continues to emphasize the importance of the NPT and the importance of a nuclear weapons-free zone in the Middle East.

However, none of these factors can guarantee that in the face of mounting security threats from Iran, Saudi Arabia will not attempt to transition to a military nuclear program or purchase a nuclear weapon “off the shelf” as a means of deterrence. Saudi Arabia is interested in positioning itself in a manner that leaves it with the most possible options in the nuclear realm. More than any other actor in the region, it has the strategic motivation and the economic ability to do so. Given the current shortage of technological knowledge at its disposal, Saudi Arabia could be the first member of the nuclear club to purchase its capability, as opposed to developing it.

The development of a civilian nuclear program remains a long term goal for Riyadh. Despite the dangers it poses, the agreement with Iran, if it remains in force, will actually provide Saudi Arabia with a ten-year period during which it could develop a “civilian” nuclear program without withdrawing from the NPT. In the short term, in a scenario in which Iran breaks out to a nuclear weapon during the first years of the JCPOA, Saudi Arabia may already have a response from Pakistan (whose nuclear program was partly financed

Saudi Arabia is interested in positioning itself in a manner that leaves it with the most options in the nuclear realm. More than any other actor in the region, it has the strategic motivation and the economic ability to do so.

by Saudi Arabia). Despite disagreements with Riyadh in recent years, Islamabad still constitutes a strategic pillar for Riyadh, and in certain situations could provide the kingdom with tacit assistance in this realm. Still, it is unclear whether Islamabad has made an explicit commitment to the kingdom in the nuclear realm, and under what circumstances and conditions it would be fulfilled. A civilian nuclear program could give the Saudis prestige, but in terms of an immediate response to Iran, to what extent Pakistan will actually cooperate with and feel obligated to Saudi Arabia is unknown.²⁰

As a result of the energy issue, considerations of prestige and identity, and serious concerns regarding Iran, a civilian nuclear program remains an attractive commodity in the Gulf, despite the Fukushima disaster of 2011, which steered many countries away from this direction. The Gulf is one of the regions that have been assessed as

extremely likely loci of nuclear proliferation. Although previous predictions regarding the nuclearization of the Middle East were proven to be false, the nuclear agreement with Iran, which gave it the right to enrich uranium, means that conjectures that Saudi Arabia will take a similar route cannot be rejected out of hand. Even if the international community manages to amend the JCPOA and close some of its loopholes, prestige and concern in the energy realm remain strong reasons for Saudi Arabia to continue with its plans.

Conclusion: The Israeli Dilemma

The Saudis, encouraged by the discovery of large uranium deposits inside their borders, are adamant on not giving up the option of uranium enrichment. The Saudis certainly have an interest in reaching an agreement with the United States due to their desire for strong connection with the superpower and the international legitimacy that such an agreement would provide vis-à-vis nonproliferation norms. However, if the administration refuses an agreement, someone else may provide the Saudis with the sensitive technology they seek to acquire. Theoretically, Riyadh can turn to Russia or China, which presumably will not be as committed as the United States to the standards of preventing nuclear proliferation.

It is clearly in Israel's interest that Riyadh work with Washington, if only for the fact that by doing so the United States would gain closer access to the Saudi nuclear project. The United States places a greater emphasis on safety and can supervise what goes on in the nuclear realm in the kingdom, thereby acquiring leverage over Riyadh, given the Saudis' dependence on its relationship with the US. This could also serve to decrease Saudi motivation and ability to secretly develop the capacity to enrich uranium with outside assistance, if only because of the attention that doing so would attract to its nuclear program. As a signatory of the NPT, Saudi Arabia would have difficulty striving for an open military nuclear program, and at the very least, will be subject to the same level of inspections in other countries, as well as the same sanctions if it is suspected of moving in the direction of a military program. It will therefore have a very long road to travel if it attempts to build a nuclear bomb on its own.

The chances of the United States succeeding in imposing on Saudi Arabia the same restrictions that are currently imposed on other states are slim, particularly when Iran has received numerous international concessions and will be able to maintain a system, on "standby," to break

out to nuclear weapons in a short period of time. Perhaps the only way Saudi Arabia could be persuaded to adopt some of these restrictions is if Iran agrees to put off the timetable stipulated by the 2015 agreement indefinitely, and to add more thorough inspections, especially regarding the development of the explosion mechanism of the nuclear facility. At the moment, there is little likelihood of such a scenario. The United States, where the administration can be replaced every four years, has also failed to lend stability to the Middle East, and the change in approach to Middle East states and the loss of American support for long term leaderships are still a fresh memory.

Giving authorization to Saudi uranium enrichment could result in a regional spiral in which states such as Egypt and Turkey might also claim this “right.” The negotiations between the United States and Jordan on this issue were halted due to Jordan’s refusal to renounce the right to enrich uranium in its territory, and any agreement with Saudi Arabia would have implications for its neighbor to the north. The United Arab Emirates is also liable to regard itself as no longer obligated to its agreement, and the United States could encounter difficulties justifying the imposition of additional restrictions on the nuclear program in Iran. Moreover, questions exist regarding the future political stability of Saudi Arabia: Crown Prince Mohammad bin Salman has sought to consolidate his power on a rapid and danger-ridden process that is proceeding as the kingdom contends with a host of external challenges related to the struggle against Iran.

During his announcement in May 2018 of the overall new US policy toward Iran, US Secretary of State Mike Pompeo maintained that Iran must halt the enrichment of uranium. He added that US allies, including Saudi Arabia, cannot be expected to renounce their claim to rights granted to Iran under the nuclear agreement (i.e., uranium enrichment).²¹ It will thus be difficult for the United States to grant permission to Saudi Arabia to engage in uranium enrichment while simultaneously demanding that Iran give up the same ability, and Riyadh will likewise have trouble justifying such a demand. However, if Iran also withdraws from the nuclear agreement and resumes enriching uranium of a higher grade than at the present, Saudi pressure on the United States to take the action necessary to put an end to this Iranian activity will increase. One method used by the Saudis thus far has been its reminder of its “right” to enrich uranium within its territory. In general, Israel should not give a green light to the enrichment of uranium in any Arab country. Hopefully the United States can wield enough leverage

to persuade the Saudis to adhere to the “Gold Standard.” A great deal will of course depend on the results of the measures taken vis-à-vis Iran.

Notes

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- 16 This agreement was named after a clause of the Atomic Energy Act, which was changed to the Nuclear Nonproliferation Act in 1978. This legislation made all American aid in the nuclear realm conditional upon strict criteria for the prevention of nuclear proliferation.

- 17 Scott Sagan, "Why Do States Build Nuclear Weapons: Three Models in Search of a Bomb," *International Security* 21, no. 3 (1996/97): 55, 73-76.
- 18 Jeff Stein, "Exclusive: CIA Helped Saudis in Secret Chinese Missile Deal," *Newsweek*, January 29, 2014.
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Egyptian Soccer in the el-Sisi era: A Political Double-Edged Sword

Ofir Winter and Ezzat Hamed

The Egyptian soccer team qualified for the World Cup in 2018 for the first time since 1990, and for the third time in its history. The man who led Egypt to this prestigious position is the talented forward Mohamed Salah, a 26 year-old player for the Liverpool team in England. The team's participation in the tournament in Russia, as well as Salah's personal achievements, has aroused huge waves of social and political interest far beyond the boundaries of sport. The reaction of the Egyptian regime was ambivalent: on the one hand, the enormous support for the national team and Salah was used by President Abdel Fattah el-Sisi as a lever to boost his internal position, and was exploited by his regime to launch an international campaign marketing Egypt as a destination for tourism and investment; on the other hand, the massive crowds assembling in public spaces, the launch of Salah as a hero of popular culture, and finally, the professional and management failure of the team in Russia have all presented the regime with challenges.

Historical Background: Soccer and Politics in Egypt

Soccer is considered the most popular sport in modern Egypt, but its political role has fluctuated under different leaders and in various periods. While Presidents Gamal Abdel Nasser and Anwar el-Sadat did not generally frequent soccer stadiums, President Husni Mubarak managed to leverage the game's popularity in order to seem closer to the masses and deflect their attention away from their daily troubles. Mubarak and his sons, Alaa and Gamal, publicly attended important matches of the national team and of local teams, encouraged the establishment of soccer clubs representing army units and government ministries, and were occasionally photographed with

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local soccer stars. During Mubarak's presidency, Egypt hosted the National Africa Cup twice. In 1986 the President watched Egypt beat Cameroon in the final, where he presented the cup to the captain, Mustafa Abdu, and awarded medals to the players and professional staff. He was present again in the VIP box in 2006 when Egypt beat Ivory Coast in the final. A stamp issued to mark the occasion shows the President brandishing the cup as the crowds cheer, leaving no room for doubt about who was the star (figure 1).¹



Figure 1. First day issue to mark Egypt's victory in the Africa National Cup, February 10, 2006

Egypt's loss to Algeria in the 2010 World Cup playoff led to exchanges of media blows between the two countries and a diplomatic crisis that culminated in the recall of ambassadors. The President, and in particular his son Alaa, whipped up the crisis and used it as a platform to strengthen their public status.²

At the same time, in the final year of the Mubarak presidency, and even more so during the January 2011 revolution that led to his removal from office, the dual nature of the game as a political double-edged sword took shape: a device for uniting the people around the regime, and a platform where opposition forces can come together. In 2007, "ultra" fan groups of the two leading clubs in Cairo, al-Ahly and Zamalek, were established. Belonging to the ultras gave their members, mostly aged 16-25, a sense of pride, comradeship, and loyalty, which compensated for their feelings of alienation and anger against the state and its institutions. Although the ultras defined themselves as apolitical, they used the spectator stands as a stage for protests on subjects with a political hue, found themselves in

violent clashes with the Egyptian security forces, and were sometimes arrested.³ In those days the stadium was almost the only arena where citizens could legitimately assemble, glorify national heroes other than the President, and chant critical slogans against the authorities.⁴

Until the revolution of January 25, 2011, the regime paid little attention to the threat from the soccer fans, and saw their activities as a means of letting off steam. However, during the revolution, the ultras proved to be daring and challenging political players. In retrospect it emerged that the fans' violent clashes with the security forces on the field had trained them to act as the spearhead in Tahrir Square, where they used their bodies to protect the revolutionaries in the "battle of the camels," an incident where regime mercenaries tried to disperse demonstrators. Their experience made them the only organized force that was able to act with coordination, cope with tear gas attacks, identify impersonators, withdraw and regroup, and deal with torture at the police stations.

In general, the ultras did not act out of cohesive ideology, but rather out of anti-establishment awareness based on the sense that "my enemy's enemy is my friend," plus age-based identification with a younger generation trying to shake off the sociopolitical order that was dominated by the older generation and its patriarchal rule. They were also a source of inspiration for opposition organizations such as "April 6" and "Kefaya," as they showed how young people could take to the streets, stand up to the security forces, and undermine the establishment's monopoly of the public space. Their presence in Tahrir Square played an important – and some have even claimed decisive – role in the ability of the demonstrators to maintain their resolve and continue waving the revolutionary flag until the President resigned.⁵

Soccer in Post-Revolutionary Egypt: From the League's Suspension to the Failure in the World Cup

The revolution of January 25, 2011 was a milestone in the relations between the soccer fans and the regime. The role played by the ultras in Tahrir Square helped them accumulate enough confidence to "break through the barrier of fear," spurred them to become more involved in political matters, and strengthened their resolve to stand up to the security forces. At the same time, it demonstrated to the Egyptian authorities that the soccer "coin" had a second, negative side.⁶ After the revolution, the fans continued to struggle against anyone they saw as a remnant of the old, corrupt regime, from officials of the Egyptian Soccer Association to the

Supreme Military Council of the Armed Forces. In a fight that erupted in November 2011 between the fans and the security forces close to the offices of the Ministry of the Interior in Mohammed Mahmoud Street in Cairo, 40 people were killed and some 1,000 wounded. The Association undertook to deal severely with the rioters, who for their part warned against trying to limit their freedom in stadiums.⁷

The Port Said massacre on February 1, 2012, in which 74 al-Ahly fans were killed, dealt a blow to soccer in Egypt from which – more than six years later – it has not yet recovered. The stand of the security forces with respect to the deadly trap set by Masri fans for al-Ahly fans was perceived by many as revenge for the ultras' support of the revolution against Mubarak. The timing, the eve of the first anniversary of the "battle of the camels," was deemed symbolic.⁸ Following the bloody events, League activity was suspended for a year, and then renewed without spectators. Al-Ahly fans were furious at the refusal of General Mohammed Hussein Tantawi, then head of the Military Council, to recognize any responsibility for the massacre in Port Said. The legal proceedings against the accused were perceived more as an attempted whitewash than an unbiased effort to explore the truth.⁹

President Mohamed Morsi, who was elected in June 2012, maintained the restrictions at the soccer fields. His policy angered the ultras and led most of them to support the June 2013 revolution. However, they soon realized that the new government was also afraid of soccer stadiums becoming an arena for political protest and preferred to keep them closed to the public, while tightening the bans on public assembly in general.¹⁰ Throughout the el-Sisi presidency the status quo in soccer stadiums has remained fairly stable, while from time to time the government reconsiders the restrictions on public assembly. An attempt to soften the restrictions in January 2015 ended in a bloodbath of twenty Zamalek supporters. Regulations issued in February 2018 permitted 300 fans to attend League games, although the actual numbers were higher.¹¹

The official explanation for the restrictions was and remains the security threat, but behind it lies a political fear of anti-establishment gatherings led by the ultras. It was not by chance that in May 2015 the Court outlawed the ultra groups, defining them as terror organizations and their members as terrorists. In May 2018 the al-Ahly ultras announced they were dismantling, closed their Facebook group, and undertook not to separate themselves from the other spectators. The announcement following the arrest of some

of their members showed their willingness to lower the profile of their activity in return for an easing of government pressure.¹²

It is hard to ignore the irony in the fact that the Egyptian national team managed to reach the World Cup for the first time since 1990, precisely during a period when the Egyptian League has been somewhat paralyzed, operating without spectators, and the ultras of the top Egyptian clubs are persecuted and kept away from the stands. Soccer – which was kicked out the back door of the Egyptian public space – returned through the front door, onto the most prestigious international stage.

The historic match that took Egypt to the World Cup on October 8, 2017, when it hosted the Congo team, was not just a sporting event. The spontaneous celebrations that broke out in Tahrir Square after the dramatic victory, which was achieved with a goal in extra time, became a founding social-political moment. At the last moment, after many misgivings, President el-Sisi decided not to attend the game in Alexandria, possibly for fear of the public reaction to his presence. His absence from the stadium did not prevent the pro-establishment media from claiming the victory for the regime and directly attributing it to the President.¹³

In contrast, as the event was described by the Egyptian journalist Khaled Youssef, achieving entry to the World Cup was experienced by many citizens as a rare moment of unity for a brutally divided and exhausted society that has difficulty in joining together around positive collective memories. For him, this was the moment when “the list of what was permitted was longer than what was banned,” above all the permission to gather in the city center for the first time since the June 2013 revolution. In an article published in the magazine *Maraya*, Youssef explains: “Egypt’s ascent to the World Cup was a symbolic event, not only because it happened for the first time in 28 years, but also because it occurred in the broader context of stifling public life and absolute control over it, a context that created a link between the January revolution and the phenomena of suffering and anarchy, and between soccer and the sights of tragedies and blood.”¹⁴

The ultimate defeat of the Egyptian team at the World Cup after losing three matches also demonstrated how the political role of soccer in Egypt is unstable and changeable. Before the team players left for Russia, the President arranged a festive reception for them in his office, but on their return there was no official welcome. The establishment media focused on the failure of the foreign professional staff to prepare the team and on the need for an inquiry to examine claims of corruption and flaws in the

conduct of the Soccer Association before and during the tournament.¹⁵ Activists on social media also pointed an accusing finger at President el-Sisi as the person at the top of the pyramid.¹⁶ As a publicist on *al-Ahram* summed up the World Cup experience, “the dream became a nightmare.”¹⁷

The Mohamed Salah Phenomenon: The Political Angle

The person responsible for the greatest achievement of Egyptian soccer in 28 years – and who even scored the winning goal in the 94th minute of the World Cup qualifying match – is Mohamed Salah. For the last few seasons this rising Egyptian star has played in Chelsea, Fiorentina, Rome, and Liverpool and became a sports icon of global stature such as Egypt has never known. He was crowned Soccer Player of the Year in Africa for 2017, and in the 2017-2018 season won the Golden Shoe award of the English Premier League (with an all-time record of 32 goals) and was mentioned as a candidate for the European 2018 Golden Ball award. His injury in the final of the Championship League between Liverpool and Real Madrid, which prevented him from playing in the first World Cup match, won him a personal telephone call from the President. The only two goals that Egypt scored in the World Cup were kicked by none other than Salah.

Before the World Cup, Egyptian citizens began wishing each other good morning with the greeting *'salah al-khayr* (instead of *sabah al-khayr*). Salah's huge popularity among the Egyptian public is seen as an asset by the el-Sisi regime, as long as it can be leveraged for its own ends. El-Sisi sought to use the team's hero as an avenue to the hearts of the people, with special emphasis on the younger generation. In January 2017, the President and Minister for Youth hosted Salah, after the latter donated five million Egyptian pounds to the Tahya Masr Foundation, established by the President for the economic development of Egypt. After the team qualified for the World Cup, el-Sisi greeted Salah personally at a meeting with the Egyptian players. The President also tweets praise of Salah whenever he wins awards. El-Sisi's personal telephone call to Salah after his injury was described by the chairman of the Youth and Sport Committee in the Egyptian Parliament, Hamad Faraj Amar, as “a fitting human gesture on the part of the father of the Egyptian family” that “raised the morale of Salah and contributed to his swift recovery.”¹⁸

Alongside the public “romance” between el-Sisi and Salah, there is hidden tension of the kind that emerges as soon as the hierarchy between the political leader and a sporting hero is undermined. Salah's popularity is

very useful to the head of the regime, up to the point where it overshadows his own popularity or is aimed against him. An example of the challenge posed by the rising status of Salah occurred in the March 2018 presidential elections, when about one million voters (5 percent of the turnout) put Salah's name on their ballot, double the rate received by the fictitious candidate who reached second place. Of course Salah was not running and the votes for him were disqualified, but unlike other soccer stars, he also avoided calling on people to vote for el-Sisi. Voting for Salah was above all a protest vote against the regime's decision to prevent authentic rival candidates from running for the presidency, but it also revealed the genuine affection for Salah among the Egyptian public that could theoretically be translated into political power. While posters with el-Sisi's image filled the streets, Salah's image was in voters' hearts.

Egyptian citizens were inspired to vote for Salah in part by the story of the legendary African soccer player, George Weah, who was a forward for the Italian team Milan in the 1990s and in January 2018 was sworn in as the President of Liberia. In 1995 Weah too was chosen Soccer Player of the Year in Africa. Moreover, both he and Salah are from lower middle class families, and both have donated to philanthropic causes for their fellow countrymen. Weah's election as President of Liberia caused Egyptian citizens to seriously consider the possibility that Salah could follow in his footsteps after retiring from his soccer career,¹⁹ and set up Facebook pages proposing his potential candidacy for president.²⁰

The broad public consensus around Salah does not derive solely from his performance on the field, but also from his image, which integrates five levels:

First, Salah is seen as someone who has not forgotten where he came from before becoming a global star; he remains loyal to his homeland and donates generously to his Egyptian brothers. Apart from his donation to the Tahya Masr Foundation, he set up a charitable association that invests in a range of social ventures, particularly in Nagrig, the village 120 km from Cairo where he was born. Salah has helped village youngsters to renovate the local soccer field, set up a first aid center, funded weddings, and provided monthly pensions for needy families of widows, orphans, and divorcees. He also participated in a national campaign against drugs. These and other actions were done with the regime's consent and even encouragement, although it appears that they also troubled it somewhat. An article in the Egyptian daily *al-Masry al-Youm* criticized the fact that

Salah's family home in Nagrig has become a pilgrimage site for needy Egyptians. The writer points out that Salah is not a "parallel state, a civic society organization, or a charitable association," but "simply a successful soccer player," and called on the Egyptian public to amend its attitude toward him accordingly.²¹

Second, Salah is perceived by both the public and the regime as a source of national pride and an important anchor for improving Egypt's international status. The rise of the Pharaohs team to the World Cup was identified by the Egyptian government as the opportunity for a marketing campaign to put Egypt on the world tourism and investment map,²² and the unofficial role of "presenter" was given to the "Egyptian King" (as Salah is dubbed by Liverpool fans).²³ Salah's name is mentioned in Egyptian public discourse in the same breath as historical cultural heroes such as the writer Naguib Mahfouz, the singer Umm Kulthum, and the scientist Ahmed Zewail, and he is positioned as a national icon alongside the pyramids and the Sphinx.²⁴ Egyptian sports commentator Yasser Ayoub defined Salah as "the most powerful soft weapon that Egypt today has in Europe and the world," and as someone who "surprises us every day with what he can add to Egypt in the sphere of publicity."²⁵

Third, for many people in Egypt, Salah's international success is not only a source of pride, but also an inspiration and example of how young Egyptians can break out of economic distress, and even achieve the dream of many to migrate to the West. In a reality of deep poverty and 30 percent unemployment among the young, Salah's story brings an empowering message that captivates many, stating that the fate of the ordinary Egyptian citizen lies in his own hands. This aspect of his image corresponds to the regime's efforts to bring hope for a better economic future in spite of the difficult circumstances of daily life. The message is also fostered by Salah, who tends to describe himself not as a gifted player with extraordinary talent, but above all as an example of somebody from a small village who has reached the peak of international soccer thanks to hard work and willpower.²⁶

Fourth, Salah has always been a devout Muslim, but in the past year, in the eyes of many Muslims in Egypt and elsewhere, has become an ambassador of sorts for Islam. This image rests in part on the prayer ritual he performs every time he scores and the name he gave his daughter, Mecca, but took off largely due to a humorous chant sung by Liverpool fans ("If he scores another few, then I'll be Muslim too / Sitting in the mosque – that's

where I want to be”).²⁷ In the eyes of Muslim fans, the song positions Salah at the forefront of the global struggle against Islamophobia in the West, and represents the beautiful, moderate side of Islam. Moreover, some Muslims have taken the song literally, and credited Salah with a concrete contribution to the spread of Islam in England, or at least in the religious conversion of Liverpool fans.

The growing dominance of the Islamic-religious dimension of Salah’s image has been received by the ruling Egyptian establishment with mixed feelings: on the one hand, al-Azhar Institute praised Salah as an example of proper conduct and for his contribution to the image of Muslims and Islam;²⁸ on the other hand, there are some who have asked Salah to clarify that his religious fervor does not reflect identification with the Muslim Brotherhood. The veteran publicist Salah Muntasar went even further just before the World Cup, when he asked him to “shave off his full beard, which does not suit his age or his fame and which places him – externally at least – in the same category as extreme fundamentalists, or even worse, as terrorists and their supporters.” He also said that Salah should change his hairstyle, since “his thick hair grows in all directions, as if he hasn’t seen a barber for years.”²⁹ The call to Salah to cut his beard, which aroused controversy in Egypt, reflects the gap between the older, conservative generation represented by Muntasar and Salah’s young, liberated generation. Moreover, it reflects the establishment’s difficulty in imposing discipline on a global soccer star like Salah, and assigning him to the desirable political category of “a clean shaven soldier” who is loyal to the regime and works in its service.

Fifth, so far Salah has managed to foster an apolitical image and protect his status as representative of the “Egyptian consensus.” He has rejected pressure to decide between the regime and its opponents, and has avoided the internal Egyptian minefield by claiming that he is a soccer player and not a politician.³⁰ His position in the spotlight has made this task particularly difficult, as a variety of political forces have tried to exploit him for their purposes. One example is the series of photographs that was forced on Salah during the World Cup with the President of Chechnya, Ramzan Kadyrov, who hosted the Egyptian team in the capital Grozny and took Salah for a tour in his private car. According to media reports, Salah was so angry after this incident that he considered withdrawing from the national team.³¹

And indeed, Salah’s high public status also enables him to set “red lines” for the authorities and sometimes to place himself above the regular limits of “permitted and forbidden” in Egypt. For example, the regime has been

restrained about his public friendship with Mohamed Aboutrika, a former star of the national team whose property was confiscated and who was forced into exile after being accused of ties to the Muslim Brotherhood.³² According to media reports, Salah even asked President el-Sisi to allow Aboutrika to return to his homeland.³³

Conclusion

Soccer arouses major enthusiasm in Egypt, and the team's participation in the 2018 World Cup, together with the rise of a huge Egyptian star like Salah, has turned the game into a hugely powerful sociopolitical phenomenon. The functions performed by soccer in the el-Sisi era vacillate between its two traditional roles: being "the opium of the masses" on the one hand, and acting as the arena for crowd assembly and political protest on the other hand. Rival political forces use soccer to create a discourse that promotes their public agenda and bends public opinion towards them.

The discourse around soccer in Egypt – which receives a broad platform in the official media as well as in coffee shops and on social networks – makes the game a political double-edged sword. The regime uses soccer to distract the public from the difficult economic situation, encourage feelings of national solidarity and pride which are so necessary for a divided country like Egypt, and unite the people round the President and the regime. At the same time, soccer brings together large crowds, which are linked in Egypt's national memory with the revolutions of 2011 and 2013, gives some freedom of expression to the Egyptian collective in the public space, and leaves an opening for the rise of new cultural heroes who challenge the exclusive status of the President.

The battle of images raging round the image of Mohamed Salah is an example of this duality. The Egyptian regime wishes to position him as an "exemplary" soldier in the service of the country and the regime, and as a decent citizen who demonstrates loyalty to his homeland in difficult times, makes sacrifices for the general good, and is happy to work for the country and its leader. The regime's political rivals prefer to paint Salah as an extraordinary success story that does not depict the prevalent situation, an individual case that is the antithesis of the general national failure, and a product of personal effort that can be credited to the sporting climate outside Egypt, which alone enabled Salah to prosper and blossom. The battle around his image does not ignore the role of religion, or the yearning

among many in Egypt for the model of a young, uncorrupted civilian of the kind that Salah seems to represent.

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Decisions from China's National People's Congress: Significance for Israel

Doron Ella

Beginning March 5, 2018, China's National People's Congress (NPC) convened for two weeks and approved a series of new laws and important changes in the Chinese constitution, as well as structural reforms in governmental institutions, thereby shaping China's policy for the coming years. The NPC, along with the National Committee of the Chinese People's Political Consultative Conference, which convened two days earlier, are the most broadly based entities in China holding political discussions on diverse issues to review the government's activity over the past year and hear about new policy objectives.¹ The NPC, which convenes once every five years, is the most important legislative body of the Chinese Communist Party, and is attended by Party representatives from all provinces in China. The Congress has the power to enact laws, supervise the government's actions, and select new government officials, including the president and prime minister. The recent Congress will have a decisive effect on the activity of the Chinese government and its international relations in the coming years, particularly in view of the structural changes in the government and the Party, and the approval of the extension of Chinese President Xi Jinping's term in office beyond two terms. The results of these conferences, especially the changes in the Chinese government and the Communist Party, should therefore be evaluated in the context of China-Israel relations.

The Slowdown in Economic Growth and Foreign Investments

The Congress began with a speech by Prime Minister Li Keqiang, who presented the government's policy report. Li named China's targeted growth in 2018 of "around 6.5 percent," the same target as for 2017, although

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actual growth was higher – 6.9 percent.² This conservative growth target indicates that the Chinese government feels comfortable with the slowdown in economic growth, given its goal of combating financial risks, led by the rising internal debt in China, which certain estimates have placed at 268 percent of China's GDP.³ This slowdown signals the direction in which China is headed – from an economy based on production and exports of various consumer goods to an economy based on services and hi-tech. The slowdown in Chinese growth is also extremely significant for the global economy and can impact negatively on countries that depend on exports of goods, such as Australia, Brazil, Canada, and Indonesia, if there is lower demand from China. On the other hand, countries such as the United States and the European Union are expected to benefit from a drop in commodity prices.⁴

Later in his speech Li Keqiang stated that China would continue opening its market to foreign investors in order to achieve a high level of development, despite the protectionist trends among various countries – a direct hint at Trump's trade policy. Parts of the industrial sector that were previously closed to foreign investments will now be opened completely, and concessions will also be made to foreign investors in the financial sector.⁵ Opening the Chinese market to foreign companies has been a bone of contention between China and the developed Western countries for some time, especially Europe and the United States. An OECD report rating the openness of markets to foreign investors ranked China 59 among the 62 countries reviewed. The European Union Chamber of Commerce in China, for example, frequently criticizes China's policy pertaining to the difficult regulatory and business environment that China presents to foreign investors and companies, which the European Union Chamber of Commerce asserts are unable to compete with local companies; the European Union Chamber of Commerce also alleges that the local companies receive preferential treatment from the Chinese authorities.⁶

Defense Budget Increases, Military Reforms, and Upgrades

Regarding defense and the military, it was announced that the Chinese defense budget would be increased by 8.1 percent over the 2017 budget, which currently stands at \$174.5 billion. The Chinese defense budget is second only to the US defense budget, though trailing far behind it (the proposed budget submitted to the US Congress for 2019 was approximately \$716 billion).⁷ Given the substantial changes in its security environment,

China will work on upgrading its military training and war preparations to maintain its national sovereignty, security, and interests.⁸ The increase in its defense budget may indicate China's strategic goals in the near future. Indeed, following these declarations, some Western analysts claimed that China is set to embark on an arms race against the United States due to the tension between them, especially in the framework of the dispute in the South China Sea and the increased presence of the US fleet in the region.⁹

At the same time, China defended its decision to increase defense spending by claiming that its defense budget was a very small fraction of its GDP in comparison with other countries. China declared that the increase was designed to compensate for its small past investment and would affect mainly the upgrading of military equipment and improvement in living conditions for its soldiers.¹⁰ Furthermore, an editorial appearing in the *Global Times*, which frequently serves as a mouthpiece for the Chinese Communist Party, argued that were China interested in an arms race against the United States, it would have increased its defense budget by more than 10 percent; the current increase is a necessary measure in view of the growing tension in the Taiwan Strait and the formation of the strategic alliances between the United States, Australia, Japan, and India.¹¹ In addition, China already announced in the framework of its 13th five-year plan (2016-2020) that its goal was to make the Chinese military a modern mechanized army that would meet global standards by means of investment in equipment and advanced technology systems, thereby improving its quality at the expense of the number of its soldiers, which was reduced by 300,000 and now stands at two million.

Extension of Xi Jinping's Term and Changes in the Chinese Constitution

The most important act by the People's Congress is approval of the changes in the Chinese constitution, above all regarding the limitations on the president's and vice president's tenure to two terms. This amendment will enable Xi Jinping to continue serving after 2023, apparently without any limit. In addition, "Xi Jinping Thought" – Xi's guiding ideology about China's future – was officially inserted into the constitution with his name cited, thereby giving Xi a status similar to that of Mao Zedong and Deng Xiaoping, whose ideologies were previously inserted by name into the constitution.¹² This measure is the most recent in a series of steps taken during Xi's term aimed at consolidating his power in the Chinese Communist Party, while concentrating authority that has traditionally been decentralized

in different power centers in the government. Indeed, the amendments to the constitution clearly indicated changes in the power structure within the Party and are an expression of Xi's growing power as a leader, the strengthening of his associates, and the way that these changes affect the various governmental institutions and those leading them.

As a follow-up to this dramatic development, a number of key offices in the government were assigned to Xi's associates and some structural changes were made in various governmental bodies for the purpose of reducing bureaucracy and improving efficiency.¹³ Wang Qishan, Xi's right-hand man, who managed the campaign against Party and governmental corruption, was appointed Vice President, with no restrictions on the length of his term in office. Wang is likely to receive extensive authority in managing China's foreign policy, and in particular, policy toward the United States in view of the currently emerging trade war and the growing political tension between the two sides.¹⁴ Second, Xi's senior economic advisor, Liu He,¹⁵ was promoted to Vice Premier responsible for China's economic policy. Already in May 2018, senior US officials met with Liu in Washington and Beijing for a number of rounds of trade talks aimed at preventing a trade war between the United States and China.¹⁶ Third, a National Supervisory Commission was established to supervise and coordinate the struggle against corruption and disciplinary offenses. This commission was given the authority to oversee and punish both Party members and government officials.

The establishment of this commission, the most important measure in the campaign against corruption that Xi initiated at the beginning of his term, was aimed at creating effective deterrence among Party members and government officials, lest they adopt an ideological line different from the one formulated by Xi. Indeed, these changes place substantial power in Xi's hands, as he can make decisions on matters of foreign, economic, and commercial policy and military matters by himself. From an economic standpoint, some have asserted that in the short term, Xi's increasing power is likely to benefit the Chinese economy because he has acquired enough influence to implement difficult reforms. Another argument is that the likelihood that Xi will continue as China's leader for at least another decade will give senior officials and defense companies confidence that will facilitate long term planning. On the other hand, others argue that the strengthening of Xi's status will make China's management less efficient and in time will increase the risks. As long as Xi cannot be deposed, a

bureaucrat will have to be especially courageous to take issue with his policy, particularly with the Chinese economy becoming more complex.¹⁷

These changes also show the increased importance of Chinese foreign policy under Xi's rule and his vision of making China a global power by 2049 while taking advantage of the retreat of the United States from its various commitments in the global arena. There are now at least five senior officials responsible for Chinese foreign policy, headed by Chinese Minister for Foreign Affairs Wang Yi, who retained his position and was also promoted to State Councilor responsible for foreign policy. Furthermore, the budget allocated for diplomacy was increased and a new agency was founded to assume responsibility for China's international aid policy, which was hitherto not conducted clearly or transparently and was divided between the Ministry of Foreign Affairs and the Ministry of Commerce. The agency, entitled the China International Development Cooperation Agency, will be responsible for planning aid policy in the form of loans and grants for developing countries, primarily in the framework of the Belt and Road Initiative (BRI), through which China invests in infrastructure construction projects in Asia, Africa, and Eastern Europe.¹⁸ According to a study by the Aid Data research laboratory, China gave \$350 billion in aid to 140 countries in 2000-2014, thereby becoming the world's second largest donor after the United States.¹⁹ Although China claims that it does not make its loans contingent on political demands, the lack of transparency in Chinese policy has led many to believe that China uses aid as a tool for gaining political influence.²⁰ Even before this agency was established, China announced that it was willing to aid in the reconstruction of Syria after the end of the civil war. For their part, Western countries are unwilling to invest in reconstruction in Syria because they oppose the Assad regime. While Iran and Russia lack the economic resources needed for reconstruction on such a scale, China is capable of filling the vacuum. China has now declared that it is willing to invest an initial sum of \$2 billion in reconstruction in Syria, in the framework of the BRI.²¹

A significant step in practical implementation of Israel's relations with China and the positioning of the respective professional echelons on a proper footing is the material weakening of the National Development and Reform Committee (NDRC) and the distribution of its functions among a number of government agencies, some of them new.²² The NDRC operated as China's economic development agency, accumulated great power during the period of rapid economic growth in the country, and was known by its

nickname, the “little cabinet,” in which decisions were taken about various economic projects within China and economic cooperation with countries all over the world. At the same time, following the changes approved at the Congress, it was decided to greatly reduce the NDRC’s power and distribute most of its authority among various government agencies. For example, the NDRC will no longer authorize projects for agricultural investment, and responsibility will be given to a new ministry dealing with agriculture and rural matters. Responsibility for pricing drugs and medical services will be transferred to a newly established National Health Commission, and “supervision of important national projects” will be transferred to the National Audit Office. Senior Chinese officials claim that these changes address criticism that the NDRC dealt too much with development and too little with reform, was fertile ground for corruption, and concentrated too much power and authority in its hands. The main criticism of the NDRC was that despite its responsibility for the country’s industrial policy, it allowed key industries in the Chinese economy, such as the steel industry, to reach a state of overproduction.²³

Significance for Israel

The results of the National People’s Congress and the National Committee of the Chinese People’s Political Consultative Conference invite a conceptual and practical change in approach among decision makers and professionals in Israel. From an economic standpoint, the professional echelons from the Israeli ministries involved should jointly examine the significance of the structural reforms that China has launched in its economy and consider how these will affect bilateral commercial relations and the nature of competition between the two countries. At the same time, the situation whereby the Chinese and Israel economies complement each other is likely to change. Promotion of the Made in China 2025 program, which was assigned greater importance at the NPC, is liable to make China a strategic competitor of Israel as a knowledge-intensive economy in spheres in which Israel currently enjoys a relative advantage. In 2016, China was ranked 25 on the global innovation index (Israel was ranked 21) and rose to 22 place in 2017 (Israel rose to 17).²⁴ Israel should therefore consider how it can maintain its competitive edge over China (and other large developing countries, such as India) in the hi-tech sectors and continue to lead in global innovation, preferably by stepping up state investments in various developing innovative spheres. In this framework, Israel should consider

a more careful examination of acquisitions of local hi-tech companies by private or government Chinese companies through the development of a special balanced regulatory mechanism for overseeing foreign investments in order to retain the know-how amassed in Israel. Such a mechanism will facilitate benefits from commercial relations between Israel and the countries that invest in it, while managing possible risks.

At the same time, Israel should carefully monitor trade relations between the United States and China and establish clear boundaries in the development of triangular relations. In the first half of 2018, tension mounted between the United States and China due to what appeared to be the development of a trade war. As part of that tension, the two countries have imposed quotas on imported goods and restricted foreign investments in their markets. One of the main fears of the United States is China's rapid technological progress, especially in the production of chips – concerns that led the Trump administration to block a number of transactions for investment in American chip companies by Chinese technology companies and venture capital funds. This followed the demand by the acquiring groups *inter alia* for the transfer of the American know-how and technology to the Chinese investors.²⁵ Following the emergence of the US policy and the toughening of regulations governing Chinese investments in American technology companies, China is turning to investment opportunities in other countries, including Israel, which China regards as a leader in global innovation. China has shown growing interest in Israel as a potential trade partner in chip technologies, especially for use in smartphones, mega-computers, and cloud computing services. Israel must therefore be sure that the tightening of commercial ties with China in areas regarded by the United States as strategic assets of critical national security importance does not harm relations between the United States and Israel.

Similarly, in view of the free trade agreement now taking shape between Israel and China and in view of China's declarations during the National People's Congress about the opening of new sectors in the Chinese market to foreign companies, Israel should consider how to assist Israeli companies to successfully penetrate the Chinese market and compete there on fair terms, while cutting down on the transfer of know-how and technology to their Chinese partners. In this context, Israel should expand its accelerator activity for Israeli startups interested in doing business in China. The purpose of this accelerator is to lower various trade and business barriers – unique barriers in the Chinese market, such as cultural and language

barriers, customs in doing business, and legal and regulatory barriers facing Israeli companies, especially new technology companies, trying to succeed in China.²⁶ Israel should also take action through diplomatic channels and in cooperation with the relevant bodies in the Chinese government to consolidate a framework for cooperation between the two governments (G2G) and businesses (B2B) that will provide an anchor for Israeli companies seeking to invest or operate in China in selected sectors. This can be done by providing Israeli government backing and support while conducting an ongoing dialogue with the corresponding ministries in the Chinese government.

Second, from a security standpoint, while Israel is not directly affected by the increase in the Chinese defense budget and the structural reforms in the Chinese army, China's technological and qualitative military progress nevertheless enables it to adopt a more assertive policy in a range of global theaters with major potential for clashes with foreign military forces. Furthermore, this progress enables China to expand its exports of weapons and diverse military equipment to its allies in the Middle East, such as Iran and Syria. Indeed, in recent years, China has become a prominent actor in the world in defense exports. From an exporter of cheap and simple weapons, China has become a country that develops, manufactures, and exports advanced weapon systems such as tanks, warplanes, unmanned aerial vehicles, and submarines. In 2000-2015, Chinese weapons exports to the rest of the world increased by a factor of 6.5. As of 2017, China became the world's third largest weapons exporter, after the United States and Russia.²⁷ Israel must therefore closely follow the volume and types of Chinese weapons sold to countries considered to be enemies of Israel. Similarly, as another exporter of advanced weapon systems, Israel must consider the possibility that China will emerge as a significant strategic competitor in this sphere, because China has proved its effectiveness in taking over market shares from its competitors. What is more, the purposes of Chinese exports are not confined to monetary profits; the ultimate goal is regional and even global geopolitical influence, while strengthening China's allies. Chinese defense exports are part of the economic toolbox used by China to attain political influence and accumulate soft power, together with international aid and economic investments in various countries.²⁸

Regarding China's investment policy in the Middle East, particularly in Syria, potential infrastructure investments can even further restrict Israel's freedom of military action in the region. China believes that the

Assad regime will be responsible for stability in the country and prevent it from becoming a pariah state in which Chinese Uyghurs are trained in warfare and then return to China as opponents of the regime fighting for the secession of Xinjiang autonomous region from China. Israeli intervention and military attacks will therefore be regarded as actions liable to destabilize Syria and increase the risk in economic investments. If China decides to invest in Syrian reconstruction as part of its policy of investment in development countries in the Middle East, Israel will have to try to reach understandings with Beijing about the investments in order to preserve Israel's freedom of action in the country.

Third, following the decision to extend Xi Jinping's term, it is important for Israel to keep close track of Xi's statements and activity in the economic and political theater and attribute greater importance to them than in the past, because Chinese ministries will be more precise in implementing his policy. Furthermore, the extension of Xi's term indicates that Chinese planning, which already extends considerably into the future, will become even more extended, thereby requiring long term and continuous policy planning by Israel, including comprehensive implementation of government decisions over time, despite the differences in the political systems.

Finally, the various government ministries in Israel that deal regularly with China, including the Ministries of Foreign Affairs and Economy and Industry, do so mainly with the NDRC, and the weakening of the NDRC and the redistribution of some of its authority requires a reexamination of inter-ministerial relations. Ministries in Israel must establish (or renew, if necessary) ties with the relevant Chinese government ministries and remap the focuses of power and authority in the Chinese government, due to the structural changes that were made following the National People's Congress. To this end, it is desirable for the relevant departments in the Ministries of Foreign Affairs and Economy and Industry to grow, while acquiring more useful knowledge in Israel about China for purposes of policy and effective supporting and promoting of relations.

In conclusion, Israel should reassess the balance of power in the Chinese Communist Party and create personal diplomatic connections with key personnel in the Party, such as Liu He, and working ties with the relevant ministries dealing with spheres pertaining to various areas of cooperation between Israel and China.

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It's All about the Numbers: Involving Rating Agencies in the Fight against Terrorism

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Since the onset of the financial crisis in 2008, a debate has persisted between policymakers about how best to regulate large financial institutions. By and large, this debate has focused on how to stabilize the American financial industry and economy without sacrificing its dynamism.¹ One growing facet of this debate, however, has little to do with the domestic effects of banking regulation; rather, because “terrorist financing is hitting a new stage...[and because there are] major organizations around the world that want to access the [US] financial system,” banking regulations have become a focal point in the fight against terrorism.²

Since 1985, the US government has attempted to regulate financial institutions to dissuade them from financing terrorism.³ The most significant efforts came first in 1992, when Congress passed the Anti-Terrorism Act (ATA), permitting civilians (or their surviving families) injured by terrorists at home or abroad to sue terrorists, their organizations, and their financiers for civil damages.⁴ Second, in 2001, President Bush created the Office of Foreign Assets Control (OFAC) to stop “the ability of terrorists to finance their operations” through regulatory efforts.⁵ However, as discussed below, both measures have proven ineffective, which raises the question of how to dissuade banks effectively from participating in financing terrorism. This article argues for an alternative: involving rating agencies. Because rating agencies wield significant influence over banks, compelling them to consider a bank’s OFAC violations and pending ATA lawsuits when rating

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a bank could be a powerful tool to stop banks from funding terrorism in the US and abroad.

The Failures of the ATA

In response to the 1985 Palestinian hijacking of the *Achille Lauro* cruise ship, in which a US citizen was murdered, Congress passed the ATA in 1992 as a private civil remedy provision for civilians injured by terrorists.⁶ The ATA allows individual victims of terror or their families to seek triple damages from terrorists.⁷

The ATA was rarely used until after the attacks of September 11, 2001.⁸ In 2002, the US Court of Appeals for the Seventh Circuit heard one of the first cases, and expanded the ATA to allow parents of an American killed in Israel by Hamas to sue two US-based charities that allegedly channeled money to Hamas.⁹ In 2008, Judge Richard Posner also expressed an expansive interpretation of the ATA when he compared donations to Hamas to “giving a loaded gun to a child, (which also is not a violent act), [as both are] act[s] dangerous to human life.”¹⁰

However, on April 24, 2018, in its decision in *Jesner v. Arab Bank*, the Supreme Court possibly limited the reach of the ATA. In *Jesner* the Supreme Court held that foreign corporations, including banks, could not be sued by non-US citizens in US courts under the Alien Tort Statute (ATS) for extraterritorial acts where the law of nations did not impose such liability.¹¹ Enacted in 1789, the ATS originally gave US courts jurisdiction

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over claims against foreign defendants accused of misconduct outside of US borders,¹² and allowed foreign individuals to seek remedies in US courts for human rights violations.¹³ However, in 2013, the Supreme Court limited the reach of the ATS in its decision in *Kiobel v. Royal Dutch Petroleum*,¹⁴ noting that the ATS can be used by foreign entities against foreign entities in US courts *only if* violations “touch and concern the territory of the US.”¹⁵ Although the Supreme Court has yet to decide the jurisdictional reach of the ATA, there are similarities between the

ATS and the ATA, a point that has been used emphatically by defendants in the relevant cases, namely *Freeman v. HSBC* and *Linde v. Arab Bank*.¹⁶

In *Freeman*, 130 families of American victims of terrorism in Iraq between 2004 and 2011 filed suit against HSBC, Credit Suisse, and a number of

other major banks. Commencing in 2014, the suit claims that more than 1,000 US servicemen were killed or injured by Iranian-designed and manufactured IEDs that could not have been made had the banks adhered to OFAC sanctions. The suit alleges conspiracy between the banks and Iran, transferring “billions of...dollars through the United States in a manner designed to circumvent US regulators’ and law enforcement agencies’ ability to monitor the transactions,” and contends that this money went directly to terrorist organizations that maimed and killed US servicemen in Iraq.¹⁷ Although this case is still pending, there is a chance that the Supreme Court may not hold the decision of *Jesner* applicable to *Freeman*, given that it concerns US citizens, and that the defendant banks actually conducted this illegality on US soil, which may be found to “touch and concern” US territory.¹⁸

Linde, which commenced in 2004, was the first ATA lawsuit involving American terror victims suing banks for their deaths and injuries. It sought to hold Arab Bank liable “for deaths and severe injuries resulting from acts of international terrorism that Palestinian terrorist groups perpetrated between 2000-2004.”¹⁹ After over ten years of litigation, a jury found Arab Bank liable, as it

knowingly provided material support to Hamas by illegally maintaining accounts for: Hamas...that accepted multiple checks explicitly made out to ...“Hamas” ...Arab Bank [also] knowingly provided material support to terrorist groups... that facilitated millions of dollars in direct transfers to the families of suicide bombers and other terrorist operatives... [and] knowingly provided material support to Hamas by maintaining accounts for eleven Hamas-controlled organizations.²⁰

In 2015, the US Court of Appeals for the Second Circuit upheld the jury verdict, noting that the Bank’s liability was established “[by] volumes of damning circumstantial evidence that defendant knew its customers were terrorists.”²¹ However, it reversed itself in 2018 when it decided that “material support” may not satisfy the ATA requirement of supporting international terrorism.²² It then proposed a new trial altogether, but the parties settled, forgoing a new trial.²³ However, the Second Circuit’s surprising and fickle change of course should be of concern to those worried about stopping banks from financing terrorism via the ATA, especially in a post-*Jesner* era.

While there are major differences between the facts in *Linde*, *Freeman*, and *Kiobel*, namely, that Arab Bank and HSBC violated OFAC regulations

while on US soil, in contrast to *Jesner*, there is no telling how this limiting trend will now affect the enforcement of the ATA. While Congress passed the ATA “to impose liability ‘at any point along the causal chain of terrorism,’ including the flow of money,”²⁴ the ATA, which in its decades-long history has never permitted a plaintiff to collect,²⁵ may be further defanged by the outcome of *Jesner*, and in any event, reinforces the need to pursue a different path other than lawsuits to combat terrorist financing.

OFAC’s Ineffectiveness

When the 9/11 terrorists spent nearly \$500,000 to conduct their attack and used the anonymity of the financial system to move their money through ordinary transactions, regulators “realized that the financing of terrorism was something the government had to pay attention to.”²⁶ Prior to 9/11, anti-money laundering regulations were “never designed to detect or disrupt transactions of the type that financed 9/11,” just organized crime.²⁷ Therefore, in 2001, President Bush created OFAC to “stop[] the ability of terrorists to finance their operations” through regulatory efforts based on national security goals.²⁸

In administering and enforcing economic sanctions, OFAC identifies persons for terrorist designation, assists banks in complying with sanctions, and assesses monetary penalties against those violating the prohibitions, either through lawsuits or settlements.²⁹ These regulations have expanded significantly over the years, as “nobody wants to be the examiner for the bank where the transactions that finance the next 9/11 goes through.”³⁰ Nevertheless, banks “spend lots and lots of money to show progress that they’re dealing with these issues, but they’re not necessarily dealing with them smartly.”³¹ Financial institutions have already spent billions on compliance efforts, yet they still fall short of meeting regulators’ expectations.³²

When OFAC finds that a bank is violating sanctions, it decides between prosecution and settlement, although in practice it always settles, as evidenced by the fact that OFAC has never prosecuted in its 16-year history.³³ Part of such OFAC settlements include Justice Department deferred prosecution agreements, “which have corporate defendants pay fines, don’t dispute they’ve done wrong, and promise to reform – all with the threat looming of a potential future criminal indictment should they not reform.”³⁴ While offenders of OFAC’s regulations abound, two banks in particular – Credit Suisse and HSBC – show just how ineffective OFAC has been at preventing banks from helping terrorists.³⁵

In 2009, after funneling hundreds of millions of dollars to sanctioned entities,³⁶ Credit Suisse settled its OFAC violations for \$536 million.³⁷ According to the Treasury Department, for more than two decades Credit Suisse had “deliberately removed material information...so that the wire transfers would pass undetected through [OFAC] filters,” and had instructed “clients to falsify wire transfers so that such [payments] would also pass undetected.”³⁸ Furthermore, Credit Suisse assured clients that they would “hand-check” communications to ensure that OFAC wouldn’t catch wind of the illegal transfers. Credit Suisse even gave “clients...a pamphlet entitled, ‘How to transfer USD payments,’ which provided detailed payment instructions on how to avoid triggering U.S. OFAC filters.”³⁹ DOJ’s Assistant Attorney General Lanny A. Breuer of the Criminal Division articulated it bluntly: “In essence, Credit Suisse said to sanctioned entities, ‘We’ve got a service, and that service is helping you evade U.S. banking regulations.’”⁴⁰

However, instead of pursuing legal action, OFAC chose to settle, claiming that Credit Suisse (a) had cooperated with regulators to disclose “data, communications and documentation underlying the misconduct;” (b) had committed to conduct “an extensive internal investigation;” and (c) had “agreed to enhance its sanctions compliance programs to be fully transparent in its international payment operations,”⁴¹ and (d) because OFAC could not pin violations on a specific individual, no such legal action could be commenced.⁴²

In the nearly ten years since the settlement, it is unclear if anyone at OFAC has monitored Credit Suisse to ensure it is now compliant. However, in December 2016, the Financial Industry Regulatory Authority (FINRA) found Credit Suisse to again be in violation of sanctions, and fined it \$16.5 million for failing “to properly implement its automated surveillance system to monitor for potentially suspicious money movements,”⁴³ something Credit Suisse had promised to do as part of the 2009 OFAC settlement.

Additionally, even though Congress had passed new deterrents,⁴⁴ two years after the Credit Suisse settlement, a new offender arose on OFAC’s radar: HSBC. HSBC’s offenses seemed similar to and as egregious as those of Credit Suisse. The offenses stemmed from an April 2001 internal email from HSBC Europe to HSBC US that stated:

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[W]e have instructed Bank Melli to alter the format of [its] payments... to only put 'One of our clients' in field 52, thus removing the chance of them inputting an 'Iranian referenced' customer name, that...[is] a breach of OFAC regulations...The key is...that the outgoing payment instruction from HSBC will not quote 'Bank Melli' as sender – just HSBC."⁴⁵

This email explicitly endorsed the evasion OFAC filters, and allowed close to \$500 million in transfers to Iran⁴⁶ and other OFAC sanctioned entities.⁴⁷

While OFAC was deciding what to do about HSBC's numerous violations, the US Senate published a report that was strongly critical of HSBC's evasion of OFAC filters. The report alleged that

HSBC... [1] had not treated its Mexican affiliate as high risk, despite the country's money laundering and drug trafficking... [2] had transported \$7 billion in US bank notes to [sanctioned entities]...[3] had circumvented US safeguards designed to block transactions involving terrorists, drug lords and rogue states, including allowing 25,000 transactions over seven years without disclosing their links; [4] providing US dollars and banking services to some banks in Saudi Arabia despite their links to terrorist financing; [and 5] in less than four years it had cleared \$290 m[illion] in "obviously suspicious" US travellers' checks.⁴⁸

Despite the Senate report and the ensuing negative publicity, OFAC decided to settle once again, forcing HSBC to pay \$1.9 billion in fines.⁴⁹ "As big as the \$1.9bn penalty looks, it could have been much worse,"⁵⁰ Robert Peston, a *BBC* business editor, commented. Peston further explained that OFAC had essentially put HSBC on probation for funneling billions of dollars to terrorists. This was clearly the preferable option for HSBC, because "if HSBC had been indicted for these offences, that would have meant that the US government and others could no longer have conducted business with it, which would have been humiliating and highly damaging."⁵¹ OFAC explained that this option was also preferable to the US, since the bank "had taken on new senior management," and OFAC again had not "found one bank official or any collection of bank officials acting together that were doing this on purpose."⁵² However, in 2016, the House of Representatives Committee on Financial Services found that OFAC decided to settle *not* because it thought the case would be difficult to win, but rather "because senior DOJ leaders were concerned that prosecuting the bank 'could result in a global financial disaster.'"⁵³

While certainly the government ought to avoid causing a global financial disaster, banks as a result simply have not been held accountable for financially aiding terrorists. This inexcusable lack of government prosecution culminated in the ATA finally being used in civilian suits⁵⁴ against the biggest offenders in the industry, including HSBC and Credit Suisse. Gary Osen, one of the lawyers for the plaintiffs in the *Linde* and *HSBC* cases, explained this need to use the ATA: “The government settlements don’t connect the dots between the evidence of widespread concealment of the defendants’ dealings with [those terrorists] financed by those [] banks. [So our suits are] connecting the dots.”⁵⁵

A Viable Solution

In the 16 years since the establishment of OFAC, and in the 12 years since the first ATA lawsuit was filed, there has not been a significant drop, if any, in terrorists using banks to help finance their activities.⁵⁶ However, there is an alternative way to pressure banks into adhering to sanctions that lies in the greater domain of anti-money laundering, and not just in the domain of counterterrorism financing: involving rating agencies. The most effective measure has rating agencies take into account OFAC violations and pending ATA lawsuits when calculating a bank’s rating.

Rating agencies are some of the most powerful players in finance, giving investors an idea of which investments are safest.⁵⁷ When a rating agency highlights a serious situation, it downgrades a bank’s rating, and this downgrade has a “cooling effect” on investment. For this reason, large financial institutions, like banks, put high stock in their ratings. In the past, such as in the 2008 sub-prime mortgage crisis, rating agencies were “very lax” on financial institutions, leading to disaster:

In the run-up to 2008, a staggering proportion of mortgage-based debts were rated AAA, when in fact they were junk. The same goes for groups such as Enron, Lehman Brothers and AIG. Days before they went bust, [the big three rating agencies] all still rated these failing companies as safe investments.⁵⁸

The ratings agencies have been similarly unresponsive to the allegations of banks financially assisting terrorists: none of the banks looked at thus far⁵⁹ have been downgraded as a result of their OFAC offenses or on account of the ATA lawsuits pending against them,⁶⁰ which suggests the agencies do not think such violations and lawsuits affect a bank’s viability.⁶¹ This consistently lax attitude toward the violations inadvertently encourages

banks to continue their activities that violate OFAC sanctions, knowing that its rating will not be affected.

Most banks care so much about their rating that they pay up to \$2.5 million just to be rated.⁶² “The lack of objective [] sources, as well as falling investment in research, is expected to ensure the agencies play a vital role in global financial markets” even though some bankers are “increasingly asking clients for the flexibility not to peg investments to credit ratings.”⁶³ While this change of heart may come to fruition in a few years, for now investors still do care about a bank’s rating, and, in turn, banks care about their rating. Consequently, rating agencies could effectively pressure banks into changing their behavior, and in turn, cut off terrorism’s cash flow.

One way to ensure rating agencies take OFAC violations and pending ATA lawsuits into account when deciding a bank’s rating is by properly regulating rating agencies’ methodologies. Congress took a step in this direction when in 2006 it passed the Credit Rating Agency Reform Act, allowing the Securities and Exchange Commission (SEC) to regulate certain practices of rating agencies.⁶⁴ Then, in 2010, Congress passed the Dodd-Frank Act, creating the Office of Credit Ratings (OCR) within the SEC to “enhance the regulation, accountability, and transparency of ratings agencies.”⁶⁵ The Dodd-Frank Act required OCR to monitor rating agencies to (a) ensure the protection of users of credit ratings; (b) promote accuracy in credit ratings; (c) ensure that credit ratings were not unduly influenced by conflicts of interest; and (d) guarantee that there was greater transparency and disclosure to investors.⁶⁶ Thus, presently, there is a legal framework

for regulating rating agencies methodologies. Nevertheless, no regulation has targeted the rating agencies’ methodologies specifically,⁶⁷ and so further regulations should encapsulate such guidance.

This new regulatory regime would include a mandate forcing rating agencies to factor OFAC violations and ATA lawsuits into their ratings of banks. When the DOJ commences an investigation into a bank for terrorism financing, or when they settle, a rating agency would be required by law to factor this new information into its rating, likely

downgrading it. While proposing specific legislation is beyond the scope of this paper, the main point is that the government offices that already regulate rating agencies should compel them to define the effect of financing

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terror on a bank's viability. If rating agencies are compelled to take these illegal activities into account, it will provide a strong incentive for banks to stop funneling money to terrorists as their bottom line drops.

Such consideration would be consistent with each rating agency's pledge to rate the quality, or "creditworthiness," of investments.⁶⁸ An OFAC violation can significantly affect a bank's viability, and a bank's rating ought to reflect that. Although OFAC has yet to prosecute a bank, Congress can still increase the fines for those that violate OFAC sanctions at will, as it has done previously,⁶⁹ or compel OFAC to prosecute rather than settle with offending banks. Both of these possibilities significantly threaten the viability of banks, and aside from the moral obligation to obstruct terrorism, rating agencies have a professional obligation to rate these financial institutions fairly.

In addition, it is unclear how the Supreme Court will come out in a post-*Jesner* era regarding the use of the ATA in suits against banks for helping to finance terrorism. If the Court accepts an expansive interpretation of the ATA, it will most certainly affect a bank's viability, as banks will then be subject to countless other suits. Furthermore, banks will have to pay out treble damages under the ATA,⁷⁰ forcing a bank to likely settle many claims. Such hefty payments will certainly impact on a bank's "creditworthiness," and should certainly be reflected in its rating.

In the 16 years since 9/11, the threat of terrorism has not dropped; it has risen, and the War on Terror has yet to produce significant results.⁷¹ Nonetheless, there are battles to be won on other fronts. Properly regulating ratings agencies so that they consider a bank's participation in terrorist acts is one such battle. A rating agency's downgrade of a bank's rating for financing terrorism will effectively dissuade banks from violating sanctions, since banks care a great deal about their rating. This is especially the preferable alternative, since in the close to two decades since the establishment of OFAC and the filing of civilian lawsuits under the ATA, banks seem to be less hindered by such lawsuits, or the increased fines by OFAC. While anti-money laundering and financial counterterrorism are not synonymous, counterterrorism battles can be fought – and won – using the weapons of anti-money laundering.

Notes

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Loss of Precious Faith: The Deep Rift between the State of Israel and American Jewry

Amit Efrati

Background

In June 2017, the Ministerial Committee for Legislation approved the National Conversion Law, which legally anchors the exclusivity of the Chief Rabbinate's control over religious conversions in Israel and prevents any future recognition of Reform and Conservative Jewish conversions conducted within Israel. In tandem, the Western Wall plan was frozen. This plan sought to establish a prayer area for Reform and Conservative Jews at the Western Wall that would be managed by a new public council not subordinate to the Chief Rabbinate. Although the decision regarding the enactment of the Conversion Law was frozen a few days after it was approved, many media items in the United States reported that these decisions substantially widened the rift between the State of Israel and the American Jewish community, which totals about 5.3 million people and comprises mainly Reform Jews (35 percent), Conservative Jews (18 percent), and Jews who do not affiliate with any denomination, but are generally characterized as having liberal values (36 percent). Only about 10 percent of America's Jews identify as Orthodox.¹

This demographic picture of the American Jewish community relies on a traditional research definition, which divides the Jewish population in the United States into two groups: Jews who identify themselves by the Jewish religion (4.2 million people), and secular Jews, who do not identify themselves as having any affiliation with the Jewish religion, but were

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raised as Jews by at least one Jewish parent. In other words, these Jews identify themselves as Jews, but are not religiously observant (1.1 million).

²According to the various reports and based on the demographics, this new-old rift might cause a significant percentage of American Jews to change their feelings of identification with Israel and challenge their continued political and economic support of the state.³

Overall, the governmental approach reflected in the National Conversion Law and the freeze of the Western Wall plan is rooted in the official policy set by the State of Israel when it was established as part of the status quo arrangement that granted preferential institutional status to Orthodoxy, over other Jewish denominations. This policy – which is implemented, inter alia, with the Chief Rabbinate’s monopoly over the kosher dietary laws and all marital affairs – has been preserved over the years as a result of the political clout of the haredi (ultra-Orthodox) and national religious political parties in the Knesset. However, although the relations between the State of Israel and the American Jewish community have remained close and amicable over the years despite this policy, a number of developments suggest that political shifts over the past year might constitute a turning point in the relations between the communities.

First, a few days after the National Conversion Law was approved, the heads of the pro-Israeli lobby AIPAC flew to Israel and met with the Prime Minister in an urgent meeting to advise him of what they consider to be grave repercussions of the law. Second, Israeli diplomats in the United States report that since the freezing of the Western Wall plan, Israeli consulates have been inundated with letters of protest from Jewish communities. In this context, the Israeli Foreign Ministry even instructed the consulates to prepare for the possibility of escalation in the form of demonstrations outside of the buildings. Third, in recent months, the American media has reported many statements by American Jews announcing that they no longer intend to contribute to the State of Israel.⁴ Fourth, in an exceptional show of protest, the director general of the Jewish Federation of Chicago announced that Israeli Knesset members who supported the National Conversion Law would no longer be welcome in Chicago.

The deepening of the rift with American Jewry has two key repercussions for the State of Israel – at both a strategic level and at the level of identity. Regarding identity, due to the fact that the American Jewish community constitutes the highest concentration of Jews outside of the State of Israel and about one third of the global Jewish population, a deep rift with a major

part of it may pose serious questions about Israel's ability to constitute a unifying element in the Jewish world or even to serve as the Jewish homeland, as it was declared to be, *inter alia*, in the declaration of independence. At the strategic level, and due to the fact that Israel's bilateral relations with the United States rely on and are influenced by the nature and quality of Israel's relations with the American Jewish community, deepening the rift is liable to harm Israel's relations with its most important strategic ally: this rift might impel American Jews to refrain from using their influence on the American administration to continue providing aid to Israel in the various spheres.

Apart from relations with the American Jewish community, the ties between the State of Israel and the United States rely on two additional support pillars. First, they rely on the strategic interests shared by both countries. However, and despite the fact that these interests are sometimes a key factor in the varied assistance that the United States provides to Israel, US interests may change over time, depending upon the reality on the ground and upon political changes. Second, the ties rely on the sense of solidarity between the two nations based on shared values, primarily the liberal values of individual liberty and a free market. However, the enactment of the National Conversion Law, the freeze on the Western Wall plan, and additional conservative processes launched recently in the State of Israel, coupled with attempts by pro-Palestinian forces to influence American public opinion, may diminish these feelings of solidarity. To be sure, some say that these processes may actually enhance the support of Israel by American Evangelical Christians, who wield considerable influence over the American administration. However, various studies show that this religious denomination has experienced a dramatic loss in standing and power in recent years, mainly due to accelerated secularization processes underway in American society.⁵

The relations between the State of Israel and the American Jewish community may sooner or later become the only supporting pillar of the countries' bilateral relations.

Consequently, the relations between the State of Israel and the American Jewish community may sooner or later become the only supporting pillar of the countries' bilateral relations. If so, a rift between the two communities could potentially have far reaching negative repercussions for the State of Israel.

Causes for the Decline in Support for Israel by American Jewry

In recent years, there has been a steady decline in American Jews' support for Israel; this is particularly evident among the younger generations. A new study performed by the Brand Israel Group found that in 2016, only about 57 percent of Jewish students at American universities and colleges expressed support for Israel within the context of the Israeli-Palestinian conflict, compared to 84 percent in 2010. Concurrently, the ratio of support for the Palestinians has risen among these students, from 2 percent in 2010 to 13 percent in 2016. Coupled with this, while in 2010 about 95 percent of the Jewish students in the United States held favorable opinions of Israel, by 2016, this ratio had dropped by more than 13 percent, with a vast majority of the Jewish students in the United States believing that the State of Israel is guilty of human rights violations.⁶

The decline in support for Israel by young American Jews derives from a number of factors. First, and contrary to the consensus that prevailed among the older Jewish-American generation, which was considerably influenced by memories of the Holocaust and the Six Day War and by the positive image

that Israel enjoyed in the 1970s, the young generation is not driven by the idea that the State of Israel is critical in the event that the Jewish people might again need a safe haven. These young Jews entrust their safe haven to their American identity, which is often prioritized over their Jewish identity, and they are highly influenced by the negative international criticism that is voiced against the State of Israel.

Second, the growing number of Muslims on campuses in the United States has triggered an increase in public activities against Jewish students who are automatically perceived as identifying with Israel and with Zionism. Concurrently, there has been an increase in the number of lecturers who oppose the current American foreign policy in general and support for Israel in particular. The study by Brand Israel Group found that 62 percent of the Jewish

students on American college and university campuses have encountered anti-Israeli activities during their studies, and another 31 percent have encountered anti-Semitism.⁷ These developments push Jewish students into a corner and prompt some of them to conceal their support of Israel,

Repairing the relations between the State of Israel and American Jewry involves inculcating a fundamental change in the mindset of the Israeli population and its representatives, so that they fully recognize the importance of the Jewish community in the United States to the Jewish people and to the State of Israel.

and in extreme cases, even to join anti-Israeli activities. Ironically, these activities are frequently organized by a variety of Jewish organizations, such as Jewish Voice for Peace, which began leading the BDS campaign against Israel in recent years. These organizations argue that Israel's policy in the West Bank and in the Gaza Strip is what causes young American Jews to become alienated from Israel.⁸

Third, a significant percentage of younger American Jews are children of mixed marriages, and a Pew survey found that this ratio can be expected to rise significantly, considering that 58 percent of married American Jews have a non-Jewish spouse.⁹ The survey found that the children of mixed marriages are increasingly devoid of Jewish childhood memories and of the natural urge to prefer Jewish organizations and Jewish affairs over others, and their support of Israel is correspondingly lower.

In order to contend with these processes, the Israeli government, together with global Jewish institutions, invests huge budgets in stationing Israeli delegates on American campuses, summer camps, and Jewish communities in the United States, as well as in programs such as Birthright and Masa (approximately NIS 200 million and NIS 125 million in 2016, respectively). The objective of these activities is to expose as many young American Jews as possible to the Israeli experience and to cultivate their cognitive identification with Israel.¹⁰ However, and notwithstanding the relative success of these projects, a recent survey conducted by the *Jerusalem Post* (in conjunction with the American Jewish Committee) found that most American Jews believe that there is another major reason for the decline in the support of Israel by American Jewry, namely, the official and intensifying monopoly that Israel's official institutions grant to Orthodox Judaism at the expense of the other Jewish denominations, with which the majority of America's Jews are affiliated.¹¹

In addition to the National Conversion Law and the freeze on the Western Wall Plan, the criticism voiced by American Jewry against these policies relates to the fact that Reform and Conservative rabbis are prevented from serving on religious councils and in the institutions that appoint neighborhood rabbis, municipal rabbis, and chief rabbis, and they are blocked from any possibility of filling these roles or any other public rabbinic role. This ban, which makes it extremely difficult for these rabbis to perform wedding ceremonies in Israel, derives from the fact that the Chief Rabbinate is the only institution empowered to issue the rabbinical ordination certificates needed for the purpose of serving in these positions.

Accordingly, and notwithstanding the fact that the State of Israel recognizes Reform and Conservative conversions for the purposes of the Law of Return or registration as a “Jew” in the population registry, converted Jews who are members of these religious denominations and most of their offspring cannot marry in Israel, since Orthodox rabbis, who do not recognize Conservative and Reform conversions, have a monopoly over marriage rites in Israel. American Jewry’s criticism is also directed to the substantially lower budgets that Israel allocates to develop the domestic educational, cultural, and religious services of the Conservative and Reform denominations, compared to the budgets allocated to their Orthodox counterparts, and to the fact that the state does not officially make room for their customs, such as non-segregated prayers at Jewish holy sites.

Various studies and the public discourse in the United States attest to the fact that this policy has a substantial negative impact on the perception of the State of Israel by many young American Jews, who hold pluralistic and liberal views. Media reports also claim that this institutional policy has begun to infiltrate Israel’s domestic arena.¹² For example, a story on Channel News 10 reported that many hoteliers in Israel tend to prevent American Jewish tourists who identify with Conservative and Reform Judaism from praying women alongside men in hotel lobbies, and from using the hotel’s Torah scrolls – out of fear that the kashrut supervisors, who are employed by the Chief Rabbinate, will revoke the hotel’s kosher certificate. In this reality, the story reports, many American Jews who visit Israel feel like they are being treated like second-class Jews, and consequently, return home with negative opinions about the State of Israel.

Repercussions of the Deepening Rift

Economic Influence

If the National Conversion Law and the freeze on the Western Wall plan indeed constitute a watershed and deepen the rift between the State of Israel and American Jewry, this will have a direct economic impact. This can be expected to be reflected, first and foremost, in a drop in the donations by American Jews to the State of Israel and Israeli organizations. Historically, contributions by American Jewry constituted a substantial portion of the State of Israel’s budget during its initial years, and were a key facilitator of its establishment. These contributions, which focused over the years on absorbing Jewish communities in Israel, were collected until the late

1990s by the American Jewish Joint Distribution Committee (the Joint), the United Jewish Appeal (UJA), and the Jewish Federations, and were transferred to Israel through the Jewish Agency.

A research study conducted by the Cohen Institute at Brandeis University found that between 1975 and 1994, the estimated average annual volume of contributions by American Jewry to the Israeli government, its educational and medical institutions, and Israeli companies and organizations totaled about \$1.08 billion.¹³ The study also found that this sum has doubled over the last two decades, and since 2007, is estimated at about \$2.1 billion per annum. Furthermore, a change occurred in the nature of donations during these years, since due to a decline in contributions from the Jewish Federations of North America, about 90 percent of the contributions from American Jewry are donated directly to the aforesaid organizations through private individuals and some 650 NGOs and friendship organizations.

Notwithstanding these enormous sums, and unlike the situation during Israel's initial years, the Israeli government is no longer dependent upon American Jewry's contributions, which now constitute only about 2.6 percent of its annual budget. Nevertheless, the economic impacts of the dwindling support of Israel by American Jewry are not expected to relate merely to contributions.

For example, data from the Israel Central Bureau of Statistics show that in 2017, the United States was Israel's second most important trade partner (after the European Union), with about 28 percent of the total exports of Israeli goods reaching their final destination in the United States and totaling about \$21.9 billion.¹⁴ Although the empirical data cannot corroborate this, the Jewish community likely purchases a significant ratio of these goods, *inter alia*, out of the ideological motivation of growing closer to Israel and strengthening its economy. An indication may lie in the correlation between the size of a Jewish community in a particular state and the volume of goods imported from Israel by the residents of that state. For example, about 55 percent of the American Jewish population reside in four US states that import about 63.2 percent of the total Israeli exports to the United States (table 1).

Table 1. Israeli exports to the United States, by state and percentage of total Jewish population in the US

State	Percentage of the total Jewish population in the United States ¹⁵	Percentage of total Israeli exports to the United States ¹⁶
New York	25.5 % (1,759,570)	35.2 % (USD 7,726,000,000)
California	17.5 % (1,230,500)	7.5 % (USD 1,658,259,770)
New Jersey	8 % (545,450)	4.3 % (USD 959,846,533)
Pennsylvania	4.5 % (291,140)	16.2 % (USD 3,575,000,000)

Consequently, American Jewry's dwindling support of Israel may lead to a reduction in their purchases of Israeli goods for purely ideological motivations, certainly considering that many of these products are far more expensive than the local products. This dwindling support may also prompt a loss of motivation among American Jewry to use their significant influence in opening doors to local markets for Israeli exports and Israeli companies. These two factors may have a negative impact on the volume of Israeli exports to the United States, which will lead to a loss of billions of dollars of income to the Israeli economy.

The dwindling support may also adversely affect the volume of investments in the Israeli economy by American Jewry. Data from the Israel Central Bureau of Statistics show that the balances of the direct investments in Israel by residents of the United States in late 2015 were higher than investments by residents of all other countries worldwide (15.8 percent of the total balance of direct investments in Israel by foreign residents), and were estimated to total about \$16.5 billion. In 2015 alone, residents of the United States invested more than \$1.5 billion in Israel, constituting 13.5 percent of the total movements of direct investments into Israel by foreign residents in 2015.¹⁷ Although official data cannot corroborate this, according to various assessments, American Jews account for a significant share of these investments.

American Jewry's dwindling support of Israel may also have a negative impact on the Israeli tourism industry. Data from the Israel Central Bureau of Statistics and from the Ministry of Tourism show that in 2016, about 648,300 American tourists visited Israel, which constituted about 23 percent of the total incoming tourists to Israel, with Jews accounting for one third of American tourists.¹⁸ Given that the average expenditure per tourist in Israel is about \$1,565, about 150,000 American Jewish tourists, a large ratio

of whom are Reform and Conservative Jews, spent about \$235 million in Israel in 2016. Consequently, a deepening of the rift between the State of Israel and American Jewry, which is also gradually seeping into the public arena, can be expected to lead to a significant drop in the number of American Jewish tourists visiting Israel, which will cause the Israeli economy to lose tens of millions of dollars in income.

Political and Security Impact

In addition to economic impacts, a deepening of the rift between the State of Israel and American Jewry may be reflected in a reduction of the political and security support that the United States provides to Israel. These repercussions may derive from a significant percentage of American Jews losing their motivation to use their local influence to apply pressure on the American government to continue providing aid to Israel.

The local influence of American Jewry, which accounts for about 2 percent of the entire American population, derives from a number of factors. First, American Jews have the highest average income according to religious affiliation in the US, with about 46 percent earning more than \$100,000 per annum.¹⁹ This statistic is supported, inter alia, by the fact that 59 percent of American Jews have B.A. or M.A. degrees, compared to 27 percent of the total American population. Furthermore, American Jews are considered to have considerable political clout. A recent study found that during the last presidential race in the United States, local Jews contributed about 50 percent of the total funds donated to the Democratic Party, and about 25 percent of the funds donated to the Republican Party.²⁰ Furthermore, in addition to the fact that the voter turnout among the Jewish community is about 35 percent higher than the general voter turnout, there is a high concentration of Jews in key swing states that can decide the outcome of the elections. Finally, a considerable number of Conservative and Reform Jews may be found in the American political landscape, whereby beyond their involvement in presidential candidates' campaigns and their prominent positions in the economic sector, American Jewry is represented by 10 senators, 19 congressmen, and three Supreme Court justices. This representation affords American Jewry diverse forms of leverage, both direct and indirect, on the US government, so that it will continue providing a wide spectrum of assistance to the State of Israel in nearly every field.

In the field of security, for example, the assistance that the United States provides to Israel is reflected in an agreement signed in August 2016, which

ensures that nearly \$3.8 billion will be transferred to Israel per annum over the decade between 2019 and 2028 (\$3.3 billion per annum in military assistance and another \$330 million in assistance in the development of anti-missile defense systems). This sum constitutes 16 percent of Israel's defense budget and 2.6 percent of the state budget. According to assessments, the total American security assistance, which also includes indirect assistance such as intelligence cooperation and investment in research, saves Israeli taxpayers more than \$14 billion per annum.²¹ Within this context, and despite the fact that the dwindling support of Israel by American Jewry is not expected to affect the volume of American assistance by virtue of the agreement, the question is to what extent this trend will affect the willingness of the President of the United States to renew this agreement ten years from now, let alone to increase it. Furthermore, the dwindling support by American Jewry may have a direct, immediate adverse impact on the United States' commitment to preserve Israel's qualitative military edge over its neighbors and not sell more advanced weapon systems to neighboring countries, mainly considering the demand by Gulf states and Saudi Arabia to receive advanced weapon systems to counter Iran's weaponization.

Over the years, the overall volume of foreign aid that the United States provided to Israel, which included civilian assistance (to purchase food and absorb immigrants), exceeded a total of \$130 billion, the highest volume of foreign aid that the United States has ever provided to any country.²²

The dwindling support of Israel by American Jewry may also have an immediate impact on the volume of political assistance that the United States provides to Israel in the international arena. Historically, the United States has used its veto power more than fifty times in the United Nations Security Council to veto resolutions attacking Israel, and it has taken Israel's side in all of the international forums and tribunals. In 2016, for example, the United States voted five times against anti-Israeli resolutions in the United Nations Human Rights Council and opposed 18 resolutions against Israel in the United Nations Plenary Sessions. Consequently, any decline in the extent of the political assistance that the United States provides to Israel, particularly through the use of its veto power, may result in resolutions, such as sanctions, that could cause billions of dollars of damage to the Israeli economy.

Within the context of the local political arena, the influence of the Jewish community in the United States constitutes a key component of

the battle against the BDS campaign, which calls for the imposition of economic, cultural, and academic boycotts on Israel. In recent years, the Jewish community used its influence in the political arena such that more than 20 states in the United States passed anti-boycott legislation that prohibits engaging with and investing in entities calling for a boycott on Israel. Any decline in the American Jewish community's support of Israel may therefore lower the intensity of the battle against BDS and provide it an opportunity to gain power in the local arena. This will have long range repercussions that might also adversely affect Israeli exports to the United States, Israeli academic institutions, and Israeli culture.

What Can be Done?

Repairing the relations between the State of Israel and American Jewry requires a fundamental change in approach. First of all, it involves inculcating a fundamental change in the mindset of the Israeli population and its representatives, so that they fully recognize the importance of the Jewish community in the United States to the Jewish people and to the State of Israel, and listen sincerely to the American Jewish community's needs and sensitivities.

Within this framework, and as stated by the Israeli Prime Minister himself, it would be advisable for Israeli government officials to be careful not to disparage American Jewry. Rather, it is important that these officials serve as a bridge to deepen the understanding and the reciprocal guarantees between the parties, contribute to stirring pluralistic discourse with leaders of the American Jewish community, and take action to highlight the common denominators, such as the fight against anti-Semitism and the BDS campaign. Domestically, it is advisable that these officials leverage their influence in order to convey the unique characteristics of American Jewry to the Israeli public and ensure nationwide internalization of American Jewry's diverse perceptions and viewpoints, and the importance of the American Jewish community to the State of Israel, the national homeland of the Jewish people.

This solidarity needs to be inculcated already at an early age in Israeli elementary and junior high schools, through workshops, interactive lessons, and the creation of interpersonal relations between Israeli and American Jewish students. Today, Israeli students learn about Diaspora Jews mainly in civics classes during high school matriculation studies.

There are those who are calling for enabling American Jewry to express their positions with regard to Israel's domestic affairs, and suggest that

these positions should be considered seriously during decision making. One of the proposals raised in this context, mainly by the former president of the European Jewish Congress, is to give Diaspora Jews the right to vote during Knesset elections or, at the very least, to give them the right to vote on issues of a clearly Jewish nature, such as issues pertaining to the status of Jerusalem and the Western Wall.²³ However, the likelihood of passing this proposal is very low, due to a theoretical opposition by various political factions based on arguments about the extent of Diaspora Jews' familiarity with the social and political system in Israel, and due to the desire to avoid arousing any volatile discussion once again about the question of "who is a Jew." Therefore, Israel should consider developing another type of mechanism of influence, which might be more limited but will allow Jews from all over the world to influence the decision making processes in Israel, or, at the very least, voice their opinions to Israeli officials. Such a platform could include an official advisory body to the Israeli government that would be composed of representatives of Diaspora Jewry and would hold regularly scheduled meetings with it (possibly in the form of a permanent Knesset committee).

Furthermore, there are those who argue that in the final analysis the State of Israel will have to formally consider some demands by American Jewry for Israeli constitutional amendments relating to particular aspects of religion and state, which do not involve intolerable concessions on the part of the Orthodox denomination. Such concessions can relate to issues having mainly symbolic meaning for this denomination and that do not constitute a violation of Jewish law, such as men and women praying together at the Western Wall, recognition of non-Orthodox *mikvaot* (ritual baths), and allocation of government budgets to non-Orthodox Jewish religious activities.

In addition, American Jews and Israelis living in the United States have frequently urged the State of Israel to resume its active involvement in Jewish and Zionist education in the United States, including in Jewish pre-school and elementary schools and in informal education, as it used to do. In the past, for example, many schoolbooks used in the American Jewish educational system were published by the Israeli Ministry of Education. Within the scope of this involvement, they expect the Israeli Ministry of Education and the Ministry of Diaspora Affairs to work together to impart personal and professional tools to Jewish youth in the United States that will focus on developing their personal and collective Jewish identity and

deep solidarity with the people of Israel and the State of Israel. In the reality that has been created, it is highly advisable that Israel not allow the relative vacuum that has opened up to be filled by players having opposing and more complicated interests.

Repairing the relations between Israel and American Jewry also requires a significant change in approach by the American Jewish community. Within this framework, it must be attentive to the changes occurring in Israel and find middle ground between their desire to change and influence processes underway in Israel, and their willingness to understand the complexities in Israel's demographic makeup. Coupled with this, American Jewry might need to be more decisive in its measures and even condition its continued cooperation with the State of Israel in projects such as Birthright and Masa on Israel's official change of approach toward Conservative and Reform Judaism. In the final analysis, just as the State of Israel does not have the luxury of losing its linkage with half of the world's Jewish population, so too the American Jewish community does not have the luxury of waiving its deep affiliation with the only Jewish state. Thus despite the long road ahead in repairing the relations between the State of Israel and American Jewry, initial steps should be taken by both sides. It is important that these steps include dialogue and an attempt to emphasize the unifying common denominators, and promote acceptance of the differences and diversity among the Jewish communities, based on the understanding that the relations between the parties are critical to the continued existence of the Jewish people wherever they live.

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