



# STRATEGIC SURVEY FOR ISRAEL

2022

# A Time for Decisions

Dror Shalom and Anat Kurz, Editors

# Strategic Survey for Israel 2022

Dror Shalom and Anat Kurz, Editors

## הערכה אסטרטגית לישראל 2022

עורכים: דרור שלום וענת קורץ

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# Strategic Overview of Israel's National Security in 2022: A Time for Critical Decisions

Manuel Trajtenberg and Dror Shalom



Photo: Ilia Yefimovich – DPA

At the outset of 2022, Israel is beset by the incongruity between its military might, economic dynamism, and technological prowess, and the severity of the political, security, and internal challenges that it faces. These challenges pose an exceedingly intricate and worrying strategic threat to Israel, exacerbated by the lack of a comprehensive and farsighted strategic outlook to address them.

The key challenges are threefold: First Iran, which relentlessly pursues nuclear capabilities, while steadily strengthening its ability to threaten Israel with massive and precision fire from several fronts at once. Second, significant risks of escalation on the Palestinian front, including the disintegration of the PA, a lack of governance in the territories, and the dangerous slide into a bi-national state, which would undermine Israel's identity as a Jewish and democratic state and its international legitimacy. Third, within Israel, where inter-sectoral rifts, political polarization, and loss of trust in state and democratic institutions pose a serious threat to Israel's social resilience and long-term security.

Tackling this combination of challenges requires abandoning obsolete paradigms from the past decade, and formulating instead an updated and bold strategy that would require mounting initiatives and willingness to make strong and even harsh decisions. In doing so, Israel must rely not only on its military might, but also on soft power, using its proven strengths in science and technology, as well as in fields particularly relevant to the region, such as water desalination and smart agriculture. These are particularly valuable assets in the face of seismic changes in the global agenda, such as climate change, the quest for a green economy, and the COVID-19 pandemic.

This overview aims to contribute to the public debate of these challenges and their potential resolutions, while helping decision makers formulate a sound and informed strategic approach.

Apart from the rounds of confrontation with Hamas, Israel has enjoyed relative calm for quite some time. This calm has enabled development and advances in security, technology, and the economy, which are the foundation of Israel's deterrence against its enemies. While some countries in the Middle East that are caught up in a cycle of conflict face internal instability and a shaky economy, a number of Arab countries have reconciled with the existence

of Israel and even strive to enjoy normalized relations and mutual cooperation. The resilience of the Abraham Accords in the face of Operation Guardian of the Walls is a clear reflection of this trend, which provides Israel with considerable strategic space for increasing its regional influence. Moreover, the formation of a government in Israel and the approval of a budget after a long period of political instability, as well as the Biden administration's interest in supporting this government, affords Jerusalem an auspicious opportunity to address the strategic challenges before it, notwithstanding the complex and delicate composition of the current coalition.

At the same time, while Israel faces a strategic situation marked by complex challenges, the strategy it pursues toward three particularly serious challenges is lacking, and to a certain extent does not even meet the interests of the state:

- Iran poses the most serious external threat to Israel, both in its pursuit of military nuclear capability and in its regional subversion that includes, inter alia, an effort to threaten Israel with comprehensive fire and the promotion of a precision missile project for Hezbollah in Lebanon. Israel is hard pressed to grapple with these challenges alone and has a growing need to deepen coordination and special relations with the United States, whether or not an agreement on the nuclear issue is reached.
- The Palestinian arena poses a serious threat to Israel regarding its identity as a Jewish and democratic state and its legitimacy in the international arena. In the West Bank, the security situation is volatile although currently under control, thanks to intensive activity by the IDF and the Israel Security Agency and security coordination with the Palestinian Authority. However, the PA is weakening and may disintegrate, and the growing frustration of the younger generation there encourages the idea of one state; in the international arena, the threat of legal action against Israel and its branding as an apartheid state has intensified. In the Gaza Strip, Israel continues to face the same dilemma that has confronted it for years: how to address the urgent need to stabilize the humanitarian situation, prevent escalation, and promote the return of prisoners and missing persons, while at the same time preventing the strengthening of Hamas rule and its further military buildup.
- In the internal arena, Israel faces a particularly serious threat in the face of polarization, rifts, tensions, and extremism (ideological, verbal, and physical); erosion of trust in government institutions and an undermined commitment to the state; and gaps in readiness for multi-theater war scenarios and other mass-casualty events. This arena is particularly challenging, in part due to the lack of mechanisms at the national level for integrative



**Coordination with the US should be heightened, while maintaining discretion and mutual confidence.** Meeting of Prime Minister Bennett and President Biden

Photo: REUTERS/Jonathan Ernst

While Israel faces a strategic situation marked by complex challenges, the strategy it pursues toward three particularly serious challenges is lacking.

thinking on a range of issues and the interrelationships between them and other national security challenges.

In tandem, Israel is required to deal with a changing and complex global and regional reality, marked by: the growing great power competition between the United States and China, the proliferation of extreme weather events due to climate change, frequent economic crises, shifting norms stemming from the pandemic, and growing concern about the resilience of liberal democracies. In addition, internal polarization in the United States and diversion of attention to China narrows the US' attention to the Middle East and reduces its attentiveness to Israel's interests and concerns, both vis-à-vis Iran and in the Palestinian context. It is also evident that many countries are losing patience with Israel's positions and policies, especially on the Palestinian issue.

In response to these challenges, it is imperative that Israel formulate a strategy that includes the following essential components, which move beyond rhetoric and are translated into action:

- On Iran: Increase coordination and strengthen special relations with the United States while maintaining discretion and establishing mutual trust with two goals in mind: to maximize the discourse on the political moves regarding a nuclear agreement acceptable to Israel, and to build a credible military option vis-à-vis Iran, coordinated as much as possible between the two countries. This option should derive from a modular and diverse outlook and not from an "all or nothing" approach, so that it includes not only the nuclear project but also weaknesses in Iran such as national infrastructure and institutions of government. The campaign between wars must be harnessed both to this end and to halt the precision missile project in Lebanon. At the same time, cognitive, political, and economic tools must be developed and activated that contribute to the effort to slow Iran's subversion in all arenas.
- On the Palestinian arena: Promote policy moves combined with significant economic measures to strengthen the Palestinian Authority and improve the conditions of the population in the West Bank, while halting the slide into a one-state reality and creating a horizon of future separation. In the Gaza Strip, attempts must be made to formulate moves in the spirit of "economy for security" while recruiting Egypt, the international community, and regional elements to the effort, even if prospects for success are not high at the moment. Inter alia, the goal is to establish a foundation of goodwill in the international arena in case the effort fails and Israel is again required to take military action in Gaza, in which case it will have to give operational expression to a clear purpose, to be determined in advance.
- In the internal arena, Israel must address issues that undermine social resilience but have been neglected for a long time, and do so in a comprehensive and determined manner. These include crime, economic, and employment barriers in the Arab sector, particularly among the younger population; the controversial issues with the Bedouin population in the Negev; the development of a variety of national and military service channels for different groups in the population in order to encourage sharing the burden more equally. Attempts should also be made to infuse new content into the shared platform of values for Israeli society, which must be adapted in particular to the younger generation. At the same time, the readiness for mass-casualty events must be improved, both in the context of a multi-theater war and severe natural disasters.

In a broad and long-term perspective, Israel must formulate a strategy that focuses on the following challenges:

- The need to develop integrative learning, thinking, and planning capabilities in the face of in-depth processes in the geostrategic international, regional, and internal Israeli arenas. This joins the need to strengthen the soft power components that can help Israel advance its policies, especially those related to cognitive influence through social networks and the cyber realm. Regional and international cooperation in the fields of water, energy, the economy, and the fight against climate change can help achieve this.
- The need to deepen the strategic alliance and special relations with the United States while highlighting Israel's assets in the fields of technology, science, entrepreneurship, and culture. In this context, a bold, renewed relationship with the younger generation of the United States Jewish community and elsewhere in the diaspora should be forged that includes all streams and denominations of Judaism, to strengthen their connection to Israel.



- The need to deepen and strengthen ties with Jordan and Egypt, as well as with other moderate and pragmatic countries in the region, using the platform of the Abraham Accords to strive for extensive cooperation with them (in the spirit of MESA – the Middle East Strategic Alliance). This will rely on a variety of areas, including intelligence, air defense, agriculture, water, and health. Economic ties with the Mediterranean countries must also be deepened, while easing tensions with Turkey.
- On the military level – the continued strengthening of the IDF should be encouraged in the spirit of the multi-year “Tnufa” program, particularly its adaptation to the age of information, autonomous systems, and cyber. Political-security dialogue should be promoted to formulate up-to-date strategic objectives for battle days and other limited conflict scenarios, including targets for war in the northern arena and the Gaza Strip, as well as a multi-arena conflict on the one hand and the disintegration of the Palestinian Authority on the other.



This publication, the product of extensive research and analysis by the research team at the Institute for National Security Studies (INSS), aims to contribute to the public debate of Israel’s national security challenges and their potential resolutions, while helping decision makers formulate a sound strategic outlook. Our thanks to all the partners in this mission; we hope that this joint effort will bear fruit.



## Ten Principal Policy Recommendations

- 1** Formulate an up-to-date, proactive, and comprehensive strategy that is adapted to the changing strategic and operational environment, while developing the readiness to face three leading challenges simultaneously – Iran, the Palestinian issue, and the Israeli domestic arena.
- 2** Establish integrative governmental planning and operational mechanisms for restoring law and order and governance in uncontrolled enclaves in Israel. Eradicate crime in Arab society. Work to reduce tension, hostility, and inequality between groups and communities in Israel.
- 3** The Iranian challenge: Prepare for the consequences of a nuclear agreement between Iran and the great powers, as well as for a scenario in which there is no agreement. This requires developing a credible military option to block Iran from attaining a nuclear capability, preferably in coordination with the United States.
- 4** Maintain and update the campaign between wars against Iran's entrenchment and buildup of its proxy armies along Israel's borders. In tandem, address all components of the Iranian regional challenge, with an emphasis on curbing the precision missile project in Lebanon.
- 5** The Palestinian arena: Advance political and economic-infrastructure measures to strengthen the functioning of the Palestinian Authority and improve the population's fabric of life. Refrain from steps that accelerate a slide into a one-state reality, and create conditions for separation and pursuit of additional options in the future.
- 6** The Gaza Strip: Continue the attempt to formulate measures based on the "economy for security" principle while enlisting Egypt, international, and regional partners, as well as the Palestinian Authority in the effort. The calm depends on advancing an arrangement on the issue of the captured and missing Israelis and extensive easing of the closure.
- 7** Increase coordination with the United States on the bipartisan level, focusing on the special relations and strengthened trust between the countries. Emphasize that Israel is a responsible actor and an asset for the United States, and contributes to the development of technology, science, entrepreneurship, and culture.
- 8** Expand the Abraham Accords and strengthen the relations with Jordan and Egypt, and strive for regional partnerships that rely on a variety of fields, including intelligence, air defense, energy, agriculture, water, and healthcare. In addition, Israel should deepen its economic relations with Eastern Mediterranean countries and lessen the tension with Turkey.
- 9** The technological revolution and the cybernetic realm accelerate the "learning competition," which means that Israel must invest in the development of science, technology, and technological studies in order to maintain and increase its comparative edge, which is an asset for its national security and its global standing.
- 10** Continue military force buildup according to the multi-year Tnufa plan, to maintain operational and technological superiority in the era of information, autonomous systems, and cyber. Adapt operational plans and improve home front preparedness for limited conflicts as well as a multi-arena war.

# The International System: One World, Two Worldviews, and Greater Divisiveness

Assaf Orion, Shahar Eilam, Tomer Fadlon, Oded Eran, Eldad Shavit, Daniel Rakov, and Shira Efron



## Trends

Economic recovery from COVID-19 disruptions

- Great power competition widens divisiveness
- Potential for cooperation on the climate issue
- US looks inward, with less attention to the Middle East and more emphasis on human rights



## Recommendations

Increase coordination with the US • Maximize technology assets to advance regional and international initiatives • Maintain economic relations with China and dialogue with Russia

- Improve ties with Europe
- Cultivate ties with Jewish communities

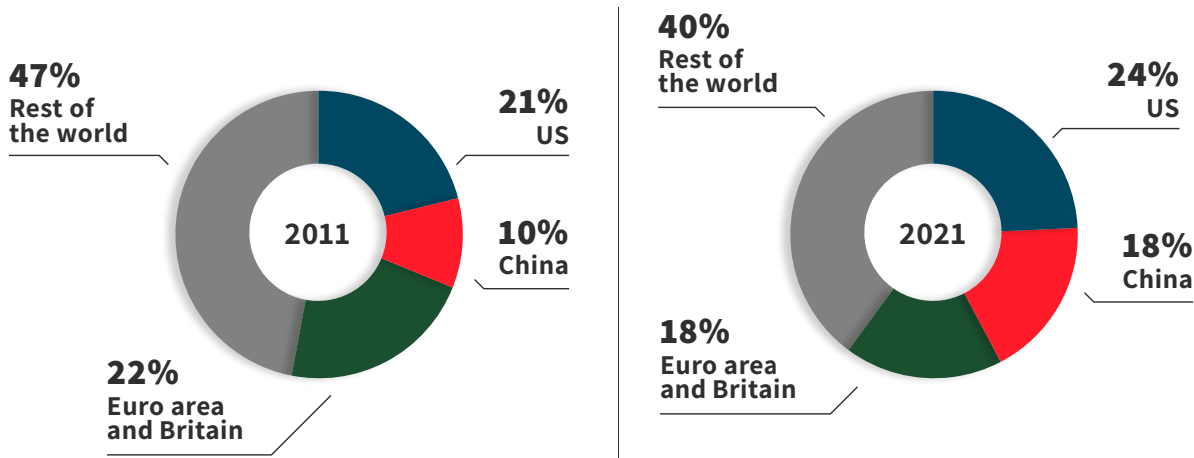
The international system is struggling with many crises and challenges, led by the continued efforts at economic recovery from the COVID-19 crisis while coping with the pandemic itself; the intensifying competition between the United States and China, which heightens the divisiveness in the international dynamic; and the climate crisis, which tests the ability to cooperate despite disagreements. The US administration has less attention for the Middle East, and is restoring human rights considerations to a central place in its policy, against the backdrop of the mid-term elections and deep political polarization in the United States. All these issues underline the need to update Israel's policy regarding the international arena, especially: deepening the coordination with the US administration and key actors in the international community, and enlisting their support for advancing Israel's objectives. Chief among them are preventing Iran from acquiring nuclear weapons, and maximizing Israel's comparative advantages, particularly in the fields of science and technology, to advance initiatives to help stabilize the Middle East and cope with the global climate crisis.

Researchers from the INSS international research programs helped formulate and write this assessment.

## Overview

2021 was marked by the global efforts to recover from the turmoil of the COVID-19 crisis, and in particular, its severe economic impacts. The focus of the global economy continued to move eastward, while the strategic competition between the United States and China deepened. The Biden administration is engaged in reorganization and adaptation, and attempting to restore the United States' standing at the head of the camp of democratic countries. The climate crisis is high on the global agenda, alongside other urgent issues, including the Russia-Ukraine tension and the Iranian nuclear program.

## World GDP



Based on IMF data

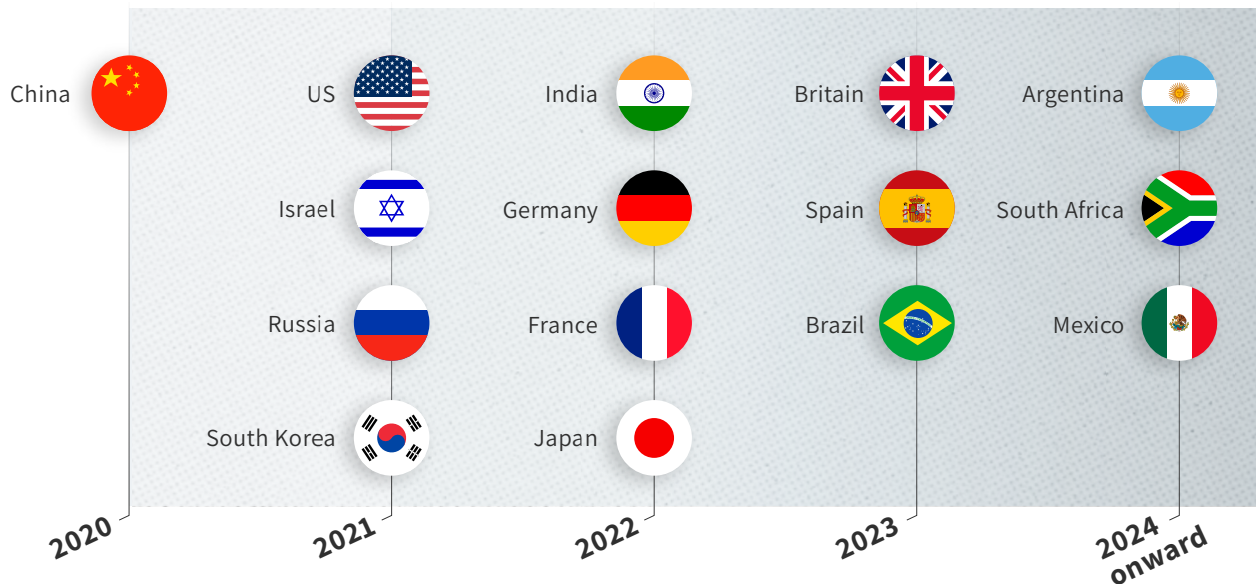
It is likely that in 2022 as well, the world will experience additional waves of COVID-19, vaccination disparities, and differences in ways to cope with the pandemic. These will continue to disrupt production and supply chains, and perhaps cause an inflation crisis. Asia's economic standing will continue to rise, and in tandem, the importance of the Middle East and the global attention it commands will continue to decline. Internal stability (political-economic-social) will continue to be a top priority for most countries in the world. Great power competition is expected to intensify, and in turn, heighten divisiveness and sharpen the lines between competing camps. The US administration will try to strengthen its relations with allies around the world and in tandem, form a coalition of democratic countries as a counterweight to the autocratic regimes, chiefly China and Russia. In this context, the issue of human rights is recapturing a central place in international relations. The climate crisis is expected to be at the top of the global agenda as the great challenge facing humanity in the current generation, a barometer of norms in the international arena, and a central basis for both cooperation and competition.

Over the course of 2021 the global economy recovered quickly to exceed the early poor forecasts. The global economy is projected to grow by 5.9 percent in 2021, following a contraction of 3 percent in 2020. According to a forecast by the International Monetary Fund, the recovery trend will continue in 2022 with close to 5 percent growth rate in global GDP. However, the crisis greatly expanded the gaps between wealthy and vaccinated countries, whose economic recovery rate is generally high, and poor and less vaccinated countries, which have been left behind.

In 2022 the global economy will likely face continued formidable challenges, including supply chain disruptions, ongoing since January 2020; the struggle between the United States and China, whose combined contribution to global production stands at 42 percent; increased prices of goods and the danger of inflation returning to center stage after a 35-year absence; and the threat posed by offensive cyber activity toward businesses in an age of increased digitization. In addition, the lack of vaccines in the less wealthy countries endangers the global recovery, as will new vaccine-resistant strains. Thus, the past year has witnessed attempts by some countries and industrial sectors to reduce dependence on global chains and even return a small portion of production to the developed world. The phenomenon is not yet widespread, but if it grows it will impact greatly on the global economy in the coming years.

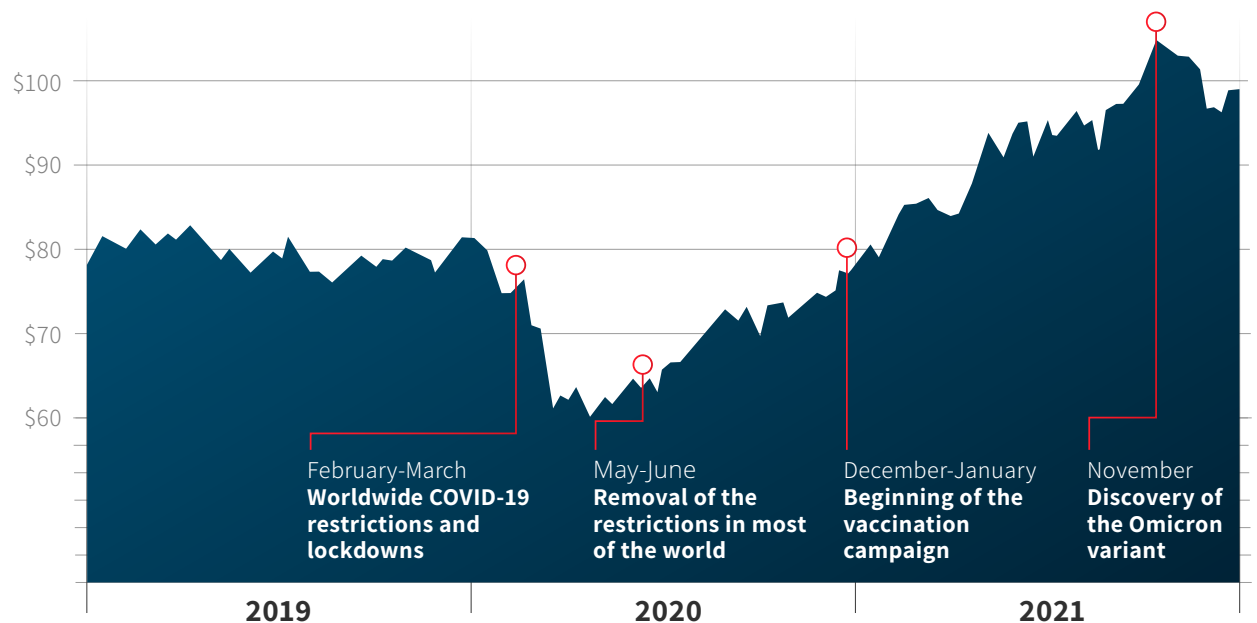
The policies of the world's governments and central banks during the pandemic, joined by the need for digitization services, created considerable demand for Israeli technology services, which in turn benefited the Israeli economy both in increasing growth and in moderating inflationary pressures. The flow of foreign capital to Israel strengthens the shekel and makes importing to Israel cheaper. However, the economic boom in Israel will be influenced by global processes and requires more investments in technological human capital and in communications infrastructure in order to answer the growing local needs.

### Recovery to Pre-Pandemic Levels (2019) of GDP per Capita by Country



Analysis of OECD forecasts (Economic Outlook 110, December 2021)

### Bloomberg Commodity Index, 2019-2021



The Bloomberg Commodity Index (BCOM) is composed of a wide variety of commodities, including energy products, industrial goods, and food, and reliably reflects the commodities market as a whole.

The strategic competition between the United States and China will continue to be the most important element shaping the international system. This is a multi-faceted competition over values and ideology and over economic, technological, and military superiority.

In the United States, the first year of the Biden administration was dedicated to reorganization, first and foremost for advancing the domestic agenda, centered on upgrading infrastructure and the economy while eradicating COVID-19. The administration aspires to complete its main measures in the domestic arena soon, out of concern that it will lose the Democratic majority in both houses of Congress in the midterm elections (November 2022). In foreign policy, the “pivot to Asia” trend has strengthened, with attention and resources focused on the challenges posed by China, and an emphasis on developing capabilities and strengthening partnerships with allies in Europe and Asia. Other leading issues include climate change and controlled confrontation with Russia.

The strategic competition between the United States and China will continue to be the most important element shaping the international system. This competition is over the structure of the system, its rules, norms, and underlying content. This is a multi-faceted competition over values and ideology and over economic, technological, and military superiority. It is waged in geostrategic loci of friction, including Taiwan, the South China Sea, and the Arctic region. The competition intensified over the past year, especially against the backdrop of the Biden administration’s increased pressure on China regarding its conduct on human rights, Taiwan, bilateral trade, and its efforts at political influence via economic activity throughout the world, including in strategic and sensitive fields. This trend will continue in the coming years, with additional partners expected to heighten the American pressure – the European Union, the UK, Australia, Canada, Japan, and South Korea. China for its part will try to continue to leverage its quick recovery from the COVID-19 crisis, but will also be forced to cope with vulnerabilities in its economy, including the insolvency of the Chinese real estate giants.

In January 2021 the climate crisis resumed a leading role on the global agenda, with President Biden’s assignment of the issue to the top of the United States national security priorities and the US return to the Paris Accords, after the withdrawal from the agreement by President Trump. The Climate Change Conference was held in Glasgow in November, and countries presented their plans for addressing the crisis and their commitments to reduce greenhouse gas emissions in the current decade; several important agreements were signed. The main keys to progress are China’s level of cooperation with the global process that the United States is spearheading, despite the rivalry between them, and the scope of the economic aid to developing countries in order for them to advance to green economies. In 2022 another international conference will be held in Sharm el-Sheikh, and in 2023 in Abu Dhabi, and they are expected to focus, inter alia, on the implications of the climate crisis for the Middle East and North Africa.



The competition between the US and China will continue to be of major influence. President Biden and President Xi in their virtual meeting

Photo: REUTERS/Jonathan Ernst



**The United States is reducing its involvement in the Middle East. Withdrawal of US forces from Afghanistan**

Photo: Latin America News Agency via REUTERS

Europe was hit with a new serious wave of COVID-19 at the end of 2021, exacerbating the economic sluggishness on the continent and emphasizing the reduced cohesion and weakened leadership in the European Union. These developments will test the new liberal-democratic government in Germany, the economic and diplomatic engine of Europe, which replaced the conservative government of Angela Merkel. In 2022 Europe is expected to continue to cope with the problem of migrants and refugees from areas stricken with political conflicts and economic crises in Africa and Asia.

Russia has identified the current period as an opportunity to formulate new rules of the game in its relations with the West, given relative quiet at home alongside the high energy prices boosting its economy, the Biden administration's focus on its domestic arena and on China, and the many internal challenges facing the countries of Europe. On the other hand, the coming years could be more challenging for Moscow, with increasing pressure for generational change in the leadership (2024 presidential elections) and the need to adapt its economy, which relies on the export of hydrocarbons, to the green agenda. The deployment of Russian forces on the Ukraine border in late 2021 is aimed at testing the West and forcing it to engage in dialogue with Moscow beyond the issues of arms control and cyber, and to recognize Russian interests in the post-Soviet world. Despite the risks of escalation, it seems that Russia is not interested in large-scale military conflict in Ukraine, which would lead to further deterioration of its relations with the West.

## The Middle East and Israel

Against the backdrop of global trends, it is clear that the international community is eager to pay less attention to the Middle East, and strives to contain crises and lessen involvement in the region as much as possible, particularly military involvement that exacts a high toll. The hasty withdrawal of the forces of the United States and its partners from Afghanistan strengthened the assessment in the region that the US is reducing its involvement and commitments, even though at this stage it does not intend to change its military deployment in the Gulf, Iraq, and Syria.

The focus of global attention in the region is Iran. The US administration's overall policy in the region will be affected by the progress of the Iranian nuclear program and by developments in the talks on returning to the agreement, underway in close cooperation with its European partners. With the crossroads for making a decision on the Iranian issue approaching, there are substantial gaps between Israel and the rest of the relevant countries regarding the urgency of the issue, definition of the threat, and ways to address it, and the international community could accept foot-dragging and containment as a convenient alternative. Developments in the conflict of the US and Europe vis-



Test of the Western states. Russian soldiers near the Ukraine border

Photo: REUTERS/Sergey Pivovarov

à-vis Russia could also influence the ability to formulate joint action on Middle East issues, chiefly the Iranian nuclear program and the settlement process in Syria.

The Biden administration is taking a positive approach to the Abraham Accords and is interested in continuing to strengthen Israel's relations with the region's countries, while demonstrating limited attention to the Palestinian issue in light of its assessment that the chances of progress at this time are very low. However, the sense of relief in the United States and Europe at the change of government in Israel will not lower expectations that Israel implement a restrained policy when it comes to the settlements and human rights issues, particularly in the West Bank. Criticism of Israel on the Palestinian issue could continue to prevent the convening of the EU-Israel Association Council and impede the advancement of relations between Israel and the EU.

Against the backdrop of global trends, it is clear that the international community is eager to pay less attention to the Middle East, and strives to contain crises and lessen involvement in the region as much as possible.

Jews in communities worldwide are experiencing increased personal and community security challenges given continued processes of social upheaval, polarization, and political radicalization, and the concomitant continued rise in antisemitic and anti-Israel incidents, which increased in the past year, especially following Operation Guardian of the Walls. The core issues – Jewish continuity and the connection to Israel – will also be top priorities for the communities. The midterm election year in the United States is expected to be characterized by increasing politicization of support for Israel, in a way that will also affect the Jewish community. In Israel, the issue of relations with diaspora Jewry could become a political dispute, given the Israeli government's welcome attempt to turn over a new leaf, particularly with the liberal streams, by establishing channels of dialogue and pursuing confidence building measures, including implementation of the Western Wall compromise.

## Policy Recommendations: Heightening the Sense of Israel as an Asset to the International System

Efforts to recover from the COVID-19 crisis will continue to be at the top of the global agenda in 2022. The strategic competition between the United States and China will accelerate the increasing divisiveness into competing camps and will project onto the entire international dynamic. Coping with the climate crisis will become the main test of the international community's ability to cooperate, despite the disagreements and conflicting interests. As part of the United States' measures as the head of the camp of democratic countries, the issue of human rights is returning as

a central consideration in international policy and relations. In the absence of a flare-up that requires intervention and the investment of resources, the Middle East is expected to be caught in the tension between its low place among the priorities of the global system and its ability to draw attention through crises and threats. Developments regarding the Iranian nuclear issue and the results of the negotiations on the return of Iran and the United States to the agreement will shape the interactions of the great powers with the region considerably. The deep polarization in the United States and the midterm elections there could limit its support for Israel and reduce its leeway on issues that the countries disagree on.

Given these trends, there is clearly a large gap between the potential inherent in Israel's collective assets – in economics, technology, cyber, energy, water, medicine, defense, and regional relations – and its ability to advance its essential political and military objectives, most of which are less important to the rest of the world. This gap requires heightening the sense of Israel's value as an asset in the region and in the international arena:

- In the Middle East, Israel must highlight its assets and increase its activity as a stabilizing force that plays a larger role in regional responses to destabilizers and to the vacuum left by the decreasing international involvement in the region.
- In the world at large, Israel should develop its comparative advantages in order to situate itself as a central partner on global issues, chiefly climate and technology.

Realizing these assets requires a strong buildup process, centered on strategic, long-term government investment that involves systemic changes and the investment of considerable resources in the economy, technological innovation, communications and information infrastructure, science education, foreign relations, and defense systems. Improved performance requires strengthening the governmental mechanisms that deal with understanding the complexity of the international system – the multiplicity of players, frameworks, and issues on the agenda – and formulating suitable differential policy.

In addition, it is recommended that Israel:

- Maintain political leeway vis-à-vis the leading actors in the international system, without undermining its special relations with the United States.
- Strengthen the dialogue and coordination with Washington on the main issues that are important to both parties – Iran, China, normalization in the Middle East and regional development, the Palestinian issue, human rights, and the future of US involvement in the region.
- Strengthen the US administration's attentiveness to Israel's positions through continued discreet dialogue; refrain from publicizing disagreements and from defiant actions; take the administration's interests into consideration, while emphasizing Israel's political, military, and economic needs and its ability to contribute to the advancement of US objectives in the region and beyond.
- Increase the value of its assets to the United States, in particular by deepening cooperation in the fields of cyber and technology.
- Strive to maintain bipartisan American support (public and political) for Israel, and to expand the efforts to improve relations with the American Jewish community.
- Continue to develop productive and safe economic relations with China (on the 30<sup>th</sup> anniversary of bilateral relations), while mindful of the US sensitivity on this issue and its demands. Maintain open channels of dialogue with Moscow, in particular with regard to Iran and the northern arena, while maintaining transparency and close coordination with Washington.
- Strengthen the political dialogue with the institutions of the European Union and expand cooperation with Brussels on the issues of climate, cyber, and counterterrorism, alongside dialogue on the issue of economic development in the region and in the Palestinian arena.
- Consider the issue of world Jewry in decision making processes, and in this context establish a central body and mechanisms of dialogue and consulting. Define Israel-diaspora relations as a national mission, centered on education, encounters, and dialogue, alongside a joint address to challenges (identity, continuity, connection to Israel, and the fight against antisemitism).

# The Regional Arena: Friction and Divides alongside Detente and Cooperation

Eldad Shavit, Ofir Winter, Yoel Guzansky, Oded Eran, Gallia Lindenstrauss, Remi Daniel, Yaron Schneider, Yoram Schweitzer, and Kobi Michael



## Trends

Regional detente and pursuit of cooperation • Less US involvement in the region • The impacts of climate change and the global economic crisis are evident • Improved economic relations between the region's countries and Israel



## Recommendations

Regional changes offer Israel opportunities to leverage its assets • Expand the security dialogue on Iran, without conditioning it on increased cooperation • Focus the dialogue on issues central to the global agenda, particularly climate

The main trend in the Middle East arena is regional detente. Following the competition for hegemony between the various camps (Shiite, Sunni pragmatic, the Muslim Brotherhood, and jihadist) that dominated events in recent years, the patterns in the Middle East shifted in 2021. Especially prominent was a tendency absent in the region for many years in favor of cooperation, departing from the reigning divisiveness. Saudi Arabia and Iran are engaged in dialogue, in part through the mediation of Iraq; the United Arab Emirates terminated its involvement in the wars in Yemen and Libya, and improved its relations with Iran, Syria, and Turkey; after three years of boycott, the dispute between Qatar on one side and the UAE, Saudi Arabia, Bahrain, and Egypt on the other has ended; Jordan is engaged in dialogue with Iran and Syrian President Bashar al-Assad; and Turkey has shown interest in improving its relations with the UAE, Egypt, Saudi Arabia, and Israel. Furthermore, the UAE and Bahrain cultivated their public ties with Israel in the framework of the Abraham Accords, while Egypt seemed intent on strengthening its economic relations with Israel, and is working with Jordan to solve the energy crisis in Lebanon. Israel should give thorough consideration to the significance of the new regional dynamics, and take advantage of the emerging regional openness to expand relations that began in the framework of the Abraham Accords and forge relations with additional countries.

## Principal Influences

*Scaled back United States involvement in the region:* The chief catalyst behind the regional detente is the understanding that the United States is realizing the policy pursued by recent presidents, and translating the change in its priorities and the need to focus on China into concrete measures. The US withdrawal from Afghanistan constituted decisive proof for Middle East countries that President Joe Biden is implementing a policy of United States withdrawal from “unnecessary wars,” and does not intend to invest attention and resources in conflicts that are not part of the core American interest. It is clear that leaders in the region are now aware that even if they still rely on the United States, they must regroup – preferably in mutual cooperation – in order to deal on their own with external and internal challenges.

The strategic dialogue at the highest political level between Israel and Jordan is essential, in order to cement an understanding of Jordan's needs and attempt to include it in positive initiatives toward the Palestinians, and to reduce the official and public internal criticism of Israel.

## Principal Influences



**Diminishing involvement by the United States and a change in its priorities in the region**



**Putting content into the Abraham Accords**



**Developing a discourse of reconciliation with Iran in attempt to ease tensions**



**Economic and environmental challenges created by climate change and the COVID-19 crisis require cooperation**



Will Afghanistan continue to be a training basis for terror? Taliban operatives after takeover of Afghanistan  
Photo: REUTERS/Stringer

The normalization between Israel and the UAE and Bahrain extends beyond the economic and trade sphere, although challenges and controversies remain. Saudi Arabia continues to accustom its public to the possibility of greater openness toward Israel.

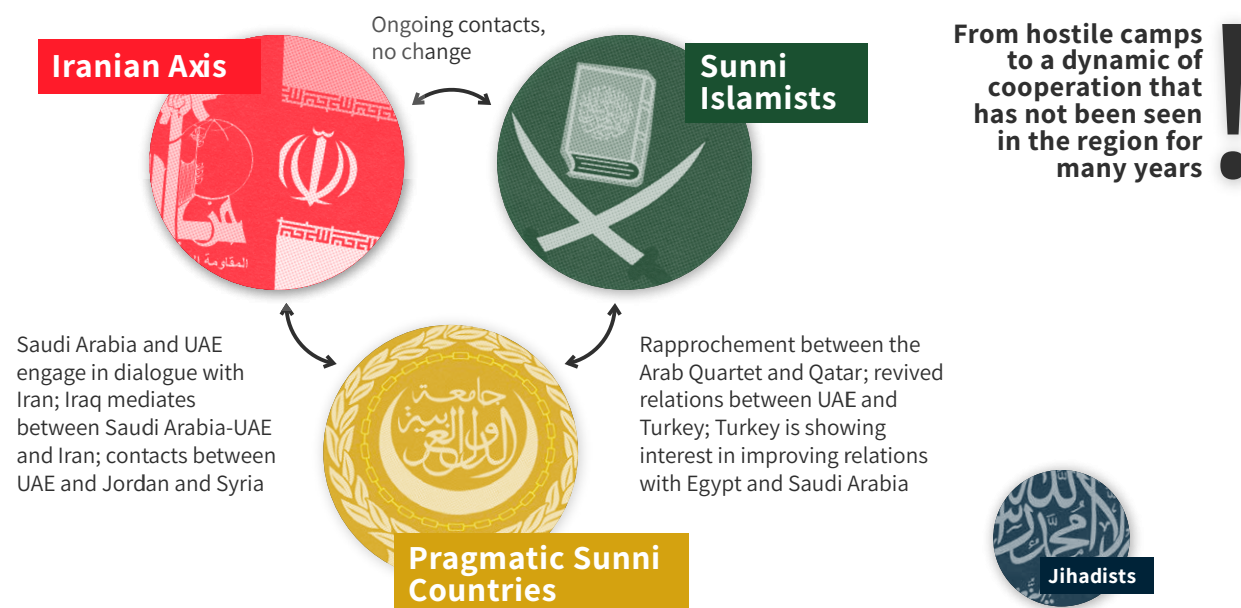
The change in American policy affects the perception of the Iranian threat. Countries of the region have considered a possible return by Iran and the United States to the nuclear agreement, or alternatively, that negotiations may collapse, and Iran will continue developing its nuclear capabilities. Furthermore, given the assessment that the US administration will not defend the interests of its allies in the Middle East, these countries find it increasingly necessary, very likely with encouragement from the United States, to consider whether a friendly dialogue with Iran could alleviate tensions with Tehran, even if it is still premature to predict whether the talks with Iran will help resolve longstanding disputes.

Cooperation between the Sunni countries, despite the disputes between them, is likely to improve their ability to confront the challenges posed

by Iran. The rapprochement between countries in the Islamist camp and the pragmatic camp can also be viewed in light of the erosion over the past year in the power of political Islam as an alternative to the prevailing regional order, following a growing split in the Egyptian Muslim Brotherhood movement and the electoral failure of the Islamist political parties in Tunisia and Morocco.

*Economic-climate influences:* The region is increasingly aware that coping with economic and environmental challenges requires expanded cooperation. Population growth; rising unemployment, especially among the younger generation; and the effects of climate change play a key role. The failure of certain countries, headed by Lebanon, and to a certain extent Iraq, underscores the need to build capabilities that will help countries handle environmental catastrophes, such as drought, which are projected to increase in the coming years.

## Trend toward Regional Detente



## State-by-State Review

Lebanon, Syria, and Iran are discussed elsewhere in the *Strategic Survey*.

### Egypt



Egyptian foreign policy in 2021 was influenced by several factors. The first was enhancement of its image as an asset to the Biden administration, highlighted by Egyptian mediation and involvement in the process of reaching an arrangement and reconstruction in the Gaza Strip; actions aimed at stabilizing the situations in Libya, Sudan, and Lebanon; and participation in efforts to deal with the global climate and energy crises. These measures were intended to convince Washington to take Egypt's side in the crisis with Ethiopia over the Grand Ethiopian Renaissance Dam, and to soften the US administration's criticism of Egypt on human rights matters. The second was the subsiding of the disputes between Egypt on the one hand and Turkey and Qatar on the other, with Cairo and Doha exchanging ambassadors. The third was promotion of regional economic cooperation, including the "New Levant" alliance with Jordan and Iraq, which focuses on development in economics, transportation, and energy, with the aim of possibly expanding it to Lebanon and Syria.

Cairo's agenda had a positive effect on its ties with Israel and their public visibility. The rapprochement between both countries was evident in the September summit meeting between President Abdel Fattah el-Sisi and Prime Minister Naftali Bennett in Sharm al-Sheikh during the first public visit to Egypt by an Israeli prime minister in a decade, and in visits by ministers on both sides (ministers of foreign affairs, intelligence, and energy). These were designed to promote relations between the two countries in matters pertaining to natural gas, trade, tourism, and civil aviation. Furthermore, Israel and Egypt agreed to revise the military appendix to their 1979 peace treaty in order to allow Egypt to station permanent border police forces in Rafah.

### Jordan



Internal criticism of the regime has increased over the past year. Incidents, including the "conspiracy" by Prince Hamzah against King Abdullah, his half-brother; a personal attack on the king in parliament; and the exposure of the king's wealth, bore a personal character, but criticism also extended to the government's failure in handling the COVID-19 pandemic and its economic consequences and the proposed reform in the electoral system, which the tribes perceive as aimed at reducing their power. Jordan's economic situation is extremely alarming. Even before new waves of COVID-19, international institutions forecast economic growth in the country of less than 2 percent in



Israel and Egypt drawing closer. Prime Minister Bennett and President el-Sisi in Sharm el-Sheikh

Photo: Kobi Gideon, GPO

## The change in US policy affects the perception of the Iranian threat. Vienna talks between Iran and the world powers

Photo: EU Delegation in Vienna/Handout via REUTERS



2022. The water shortage will continue, and is liable to aggravate the criticism of the government (which will almost certainly seek to renew the memorandum of understanding with Israel in this context as soon as possible).

In foreign affairs, King Abdullah will continue to pursue all paths, i.e., adhere to high-profile coordination with the Palestinians, including an effort to institutionalize relations with the Gaza Strip, while at the same time maintaining constructive cooperation with Israel, strengthening political and economic cooperation with Iraq and Egypt, and continuing the dialogue with Bashar al-Assad in Syria and Iran that he began in 2021. The strategic dialogue at the highest political level between Israel and Jordan is essential, in order to cement an understanding of Jordan's needs and attempt to include it in positive initiatives toward the Palestinians, and to reduce the official and public internal criticism of Israel, which fans hostile activity against Israel in Jerusalem, as well as in the West Bank.

## Saudi Arabia and the Gulf States



The Gulf states continue to be a regional economic and political hub enjoying relative stability. Last year featured a turn toward the Biden administration and an effort to win points in Washington in a variety of ways, including the environmental issue. From the perspective of the Gulf states, the United States is actively seeking to reduce its involvement in the Middle East. Strategic hedging with China and Russia therefore continued, including in aspects liable to challenge Israel.

From the perspective of the Gulf states, the possibility that the major powers and Iran will sign an agreement in 2022 requires preparation for a regional diplomatic effort to soothe tensions, focusing on a dialogue with Iran, even though the reasons for the hostility between the two sides remain. The fear of a stronger Iran and its emergence as a nuclear threshold state on the one hand – with or without an agreement – and the disengagement of the United States from the region on the other are liable to induce Riyadh to consider the nuclear option. A further rise in oil prices will make it possible to relieve the economic burden in those countries in 2022, and provide foreign aid elsewhere.

The normalization between the United Arab Emirates and Bahrain with Israel extends beyond the economic and trade sphere. Challenges remain, however, among them the Palestinian issue and relations with Iran. Saudi Arabia, which is sensitive to public disclosure of its relations with Israel, continues to accustom its public to the possibility of greater openness toward Israel. The improvement in the global standing of Crown Prince Mohammed bin Salman is expected to continue in 2022, although there is still internal opposition to his rule. His control over all of the security agencies will help him suppress opposition, and perhaps also to rule as king even before his father's death. He is expected to show greater pragmatism on the question of relations with Israel.

## Iraq



The most significant development in Iraq in 2021 was the upset in the parliamentary elections: the defeat of the pro-Iranian candidates (who lost two thirds of their power in parliament). The pro-Iranian militias refused to accept the defeat, and the result was escalation in the internal crisis between the militias and the government in Baghdad. This was reflected in violent clashes between the militias' supporters and the security agencies, and an attempted assassination (using explosive drones) of Iraqi Prime Minister Mustafa al-Kadhimi, who has taken action to halt the militias' activity since he took office. Following the assassination attempt, the Iranian regime took strong action to restrain the militias operating under its patronage, and intervene in the negotiations for assembling the new coalition. Two years after the wave of protest against Iranian intervention in Iraq began, Tehran's ability to dictate what happens in Baghdad is in doubt. For its part, the US administration has no desire to become involved in shaping the situation in Iraq and wants to divest itself of any direct involvement, an assessment compounded by the negative impression left by the hasty American withdrawal from Afghanistan.

## Turkey



The leading developments in Turkey in 2021 were primarily in the internal arena, in particular the sharp depreciation of the Turkish lira, which increased inflation. The government's opposition to formal interest rate hikes exacerbates the economic problems, which in turn has caused a decline in support for President Recep Tayyip Erdogan and his Justice and Development Party. Consequently, his ability and that of his party's bloc to win the presidential and parliamentary elections scheduled for 2023 are in doubt. While 2020 featured an assertive foreign policy by Ankara, 2021 saw noticeable efforts to improve relations with a number of countries in the region, among them the United Arab Emirates, Egypt, Saudi Arabia, and Israel. Turkey's drive to normalize its relations with countries in the region is attributed to the effort to escape its isolation and weaken the opposing axis that arose in response to the government's provocative policy, and to Turkey's growing need for foreign investment – a result of the country's declining economic situation.

The signals from Ankara to Jerusalem about improved relations continued, together with absolute support for Palestinian views. The most objectionable element for Israel is Turkish support for Hamas and the permission to



**US distance from the region may encourage Saudi Arabia to pursue a nuclear option.** Saudi Crown Prince Mohammed bin Salman

Photo: Bandar Al Jaloud – Royal Palace / ABACAPRESS.COM

the organization to orchestrate logistic and military activity on Turkish soil. Given the makeup of Israel's current government, however, it is doubtful whether it can promote an initiative in the Palestinian context that would be sufficient for the Turks. A return to negotiations with the Palestinians, should it occur, could help move Israeli-Turkish relations in a more positive direction.

## Non-State Organizations

The decline in activity by ISIS, al-Qaeda, and their affiliates since the military defeat of the Islamic State in 2019 continued in 2021. The most significant event, which is expected to influence terrorism in the coming years, was the US military withdrawal from Afghanistan. It is unclear whether Afghanistan will resume its role as a training base for the export of terrorism to countries in the region and the West, or whether the Taliban has learned from the severe blow dealt to it by the United States in late 2001, and will no longer allow such activity.

## Policy Recommendations

The Middle East of 2022 will continue to feature unstable regimes confronted with fundamental problems (economics, demography) and an unemployed and frustrated young population (exacerbated, inter alia, by the discourse on social media) oppressed by governmental tyranny. The challenge posed by global jihad and radicalism to countries in the region, Iran's progress in its nuclear program and its regional subversion, and the loss of confidence created by the perceived United States exit from the region are all destabilizing elements.

These problems, together with familiar conflicts between rival camps (Shiites against Sunnis, for example), have altered the nature of the discourse and conduct of the actors in the region. 2022 has the potential to be a year in which the changed regional dynamic takes root. Even if the basic hostility between the various camps remains, the changes in the global theater, headed by Biden's presidency, combined with domestic dangers, dictate a different agenda than in the past. At the same time, caution and more time are needed to determine where the region is headed, and to test to what extent unanticipated developments will affect the emerging trends in the region.

- The fundamental problems and the changes in the regional architecture give Israel an opportunity, not to mention a growing need, to deepen its regional involvement, and to strengthen its influence in order to advance its security. Israel can leverage its relative advantages in science and technology, as well as its proactive image and its status in the United States. Israel should take advantage of the dynamics of regional openness in the past year to expand the relations developed in the framework of the Abraham Accords, and initiate additional relations. Supplementary to closer economic relations, the dialogue with these countries must focus on furthering cooperation in matters at the heart of the global agenda, with an emphasis on water, environment, and energy, both through governmental channels and with non-governmental entities. Cooperation in regional frameworks, based on the Abraham Accords and beyond, should be promoted, for example, the East Mediterranean Gas Forum (EMGF), as well as in the Union for the Mediterranean (UfM), in which Israel has not invested resources in recent years, despite its involvement in aspects that are at the heart of the global agenda. Israel and its friends in the region should continue their security dialogue in the context of Iran, but without making other fields of cooperation and dialogue contingent on this aspect.
- Israel must keep close track of developments and the possibility of negative changes in the Afghan theater and the activities of ISIS and other groups wherever ISIS, al-Qaeda, and their affiliates are active, with an emphasis on Africa. In this context, Israel should continue leveraging its capabilities in intelligence and preemptive action against global jihad infrastructure and organization to extend its relations with countries in the region and worldwide.
- Special attention should be invested to continue the positive trend that emerged in 2021 in relations between Israel and the pioneers of peace: Egypt and Jordan. The positive change in the circumstances and regional priorities are likely to enable the parties to promote ventures that would previously have encountered formidable obstacles. In the Palestinian aspect, an effort should be made to achieve understandings with Egypt and Jordan on the containment of Hamas and strengthening of the Palestinian Authority.

# The Middle East Economies: The Pandemic and the Gaps between the Regional States

Haggay Etkes, Tomer Fadlon, and Esteban Klor



12.00	72,900	110	13.30	5,149	13.24
20.08	161,767	680	32.75	140	32.70
27.50	86,183	1,007	33.90	318	33.70
8.20	3,966,330	4,831	8.97	31,309	8.96
7.73	153,520	2,237	8.10	1	8.07
13.50	78,636	20	15.56	730	15.54
18.64	3,066,081		18.68	8,730	18.64
7.47	101,016		99	1,559	7.96
9.33	106,036		2	3,149	10.08
6.43	758,515			162	6.49
9.42	35,857			329	11.00
7.27	104,835			1,600	8.20
				3,501	8.54



## Trends

The COVID-19 crisis has deepened existing gaps between wealthy and developing countries • Alongside the crisis: a rise in unemployment, higher prices, and increased budget deficits – and in the developing countries, political crises



## Recommendations

Expand economic relations, using Israel's economic power for regional influence • Strengthen the Abraham Accords • Pursue economic initiatives for development in the West Bank and Jordan, and in Gaza, Lebanon, and Syria, to reduce Iran's influence

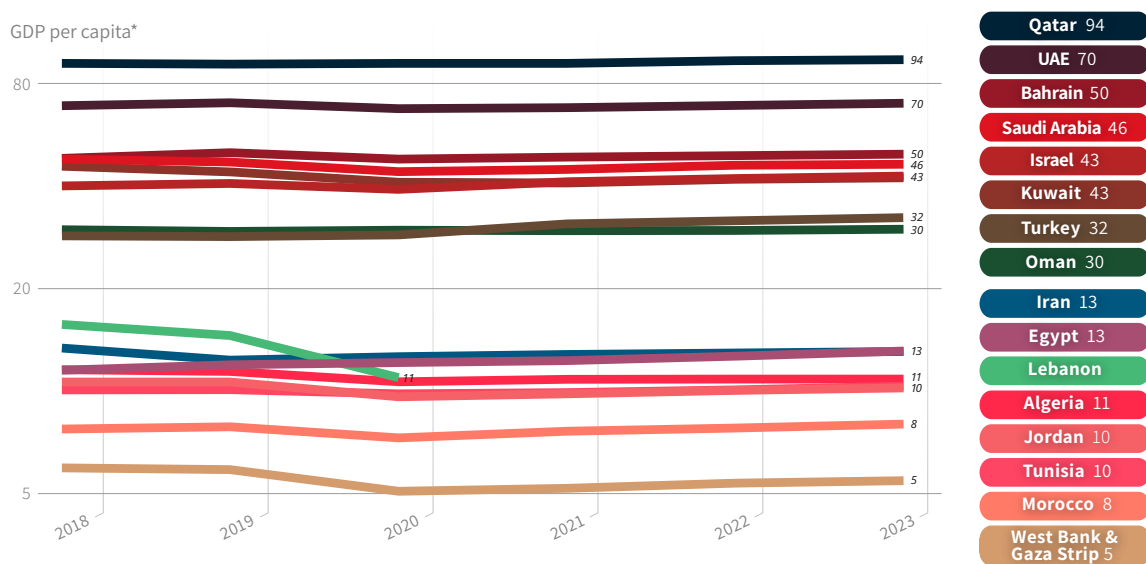
The economies of the Middle East are divided into high-income economies – those of Israel and the Gulf states – and poor/developing economies, with some states – Lebanon, Syria, and Yemen – suffering deep economic and political crises. The wealthy economies responded to the COVID-19 crisis with vaccinations for the majority of their populations and fiscal expansions, and global price increases are expected to lead to a moderate increase in inflation in these economies. The developing economies, however, have had difficulty vaccinating their populations and expanding their budgets, and some – including Iran, Lebanon, and Turkey – are also suffering from high inflation. Given the Middle East economic reality and Israel's relative economic strength, there is great importance for Israel to develop a comprehensive strategy and policy as part of the soft power at its disposal and utilize it to deepen its regional influence (alongside the use of hard/security power). There are many opportunities at hand, first and foremost the Abraham Accords, which could strengthen economic relations in the Gulf, and Turkey's increasing economic difficulties, which could make Ankara more interested in deepening connections with Israel. At the same time, it is essential to examine direct and indirect initiatives for improving the economic situation in Gaza (a humanitarian time bomb), the West Bank, Jordan, Syria, and Lebanon, which is collapsing, including utilizing international and regional aid programs to limit the influence of Iran and Hezbollah in Lebanon.

## Economic Clubs

Viewed through the economic prism, the Middle East is characterized by differences between groups of countries in terms of how they have coped economically with the crisis brought on by the COVID-19 pandemic, and in terms of economic forecasts for the next few years, when the world will move to a more steady routine of living with COVID-19.

The central characteristic of the regional economy is the divide between the club of economies with high incomes (GDP per capita above \$40,000, based on purchasing power parity), which includes Israel and the Gulf states, and a club of developing economies with low-medium income (less than \$15,000, per capita based on purchasing power parity), which includes the oil importers – Egypt, Jordan, Lebanon, and Syria. A significant portion of the developing countries suffer from political instability, which in the cases of Syria, Lebanon, and Yemen is manifested in the collapse of the state. Turkey is an intermediate case of an economy with medium income (\$32,000) that is expected to continue to grow in the next few years despite an unusual monetary policy that leads to high inflation and devaluation of the local currency (Figure 1).

**Figure 1: GDP per Capita based on PPP, at Fixed Prices**



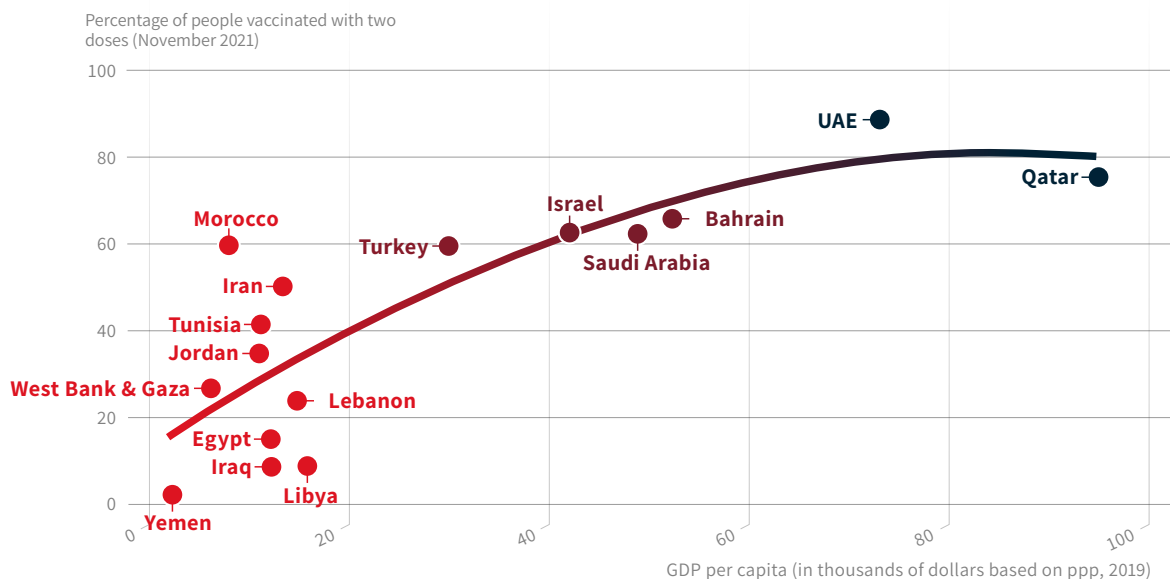
\* In thousands of dollars at 2017 prices (PPP), logarithmic scale

Source: IMF growth forecast (October 2019)

## The COVID-19 Pandemic

The differential impact of the pandemic on the region's countries is reflected in the supply of vaccinations to the respective populations: the wealthy countries succeeded in vaccinating over 60 percent of their populations with two doses by November 2021. In contrast, the rate of vaccination in the medium-low income countries ranges from about 50-60 percent in Turkey, Morocco, and Iran, to countries that have vaccinated less than a fifth of their populations – Egypt, Iraq, Libya, and Yemen. There are indications that mortality from COVID-19 also varies across the economic clubs: by the end of 2021 the excess mortality and the reported mortality during the pandemic in Israel, Oman, and Qatar were less than 100 per 100,000 people, while in the developing economies such as Iran, Lebanon, and Egypt, excess mortality was more than 200 per 100,000 people. These disparities probably reflect the difference between the wealthy and vaccinated countries, with low mortality from COVID-19, and the developing countries, which have suffered high excess mortality (Figure 2).

**Figure 2: Percentage of People Vaccinated with Two Doses and GDP per Capita**



Source: IMF and Our World in Data

## Inflation and Monetary Policy

The inflation rate in the region's countries is expected to rise in 2021-2022 relative to the levels that existed before the COVID-19 pandemic, as a result of the rise in food and energy prices. Increases in global demand for products and supply chain problems related to the global recovery from the pandemic will increase the inflationary pressures. These pressures will be especially high in countries with low/medium incomes that do not export oil. In some of these countries, the price increases will be accompanied by significant devaluation of the local currency. For example, in Lebanon there is three-digit annual inflation approaching 200 percent, along with a collapse in the value of the Lebanese pound. In Turkey, the inflation rate rose to over 20 percent with an almost 50 percent devaluation of the



The central characteristic of the regional economy is the divide between the club of economies with high incomes, which includes Israel and the Gulf states, and a club of developing economies with low-medium income, which includes the oil importers.

Turkish lira in 2021. High inflation rates will cause a decline in the real income of the lower strata. Higher increases in local and global food prices could lead to food insecurity for a significant portion of the population and perhaps also political instability (such as the situation in Syria, Yemen, and Lebanon). In addition, these processes could place a burden on the budgets of countries that subsidize essential goods.

The monetary situation in the wealthy oil-exporting countries and in Israel is expected to remain stable. They will enjoy relatively low inflation rates (under 3 percent), stability in the value of their currencies (in most of these countries the local currency is pegged to the dollar), and a rise in revenues as a result of the rise in oil prices.

## Fiscal Policy

The fiscal policies of the wealthy countries were counter-cyclical: the deficit grew in 2020 and is expected to shrink in 2021, and as such, the budget supports the stabilization of growth, consumption, and employment in these economies during the crisis. The counter-cyclical policy in the Gulf countries also stemmed from a decline in oil prices that affected their revenues. In contrast, the budgets of most of the developing countries in the region were non-cyclical and did not support growth and employment during the cycle. The exception was Lebanon, which experienced fiscal contraction in 2020 both in absolute terms and as a percentage of GDP (Figures 3a and 3b).

The fiscal distress led several countries in the region to sell SDR (Special Drawing Rights) reserves, with allotments expanded by the International Monetary Fund during the COVID-19 crisis: Lebanon sold reserves amounting to about 6 percent of GDP (about \$870 million), Iraq amounting to 1.1 percent of GDP (\$2.1 billion), and Jordan amounting to 0.5 percent of GDP (about \$460 million). As of October 2021, Iran, Syria, and Venezuela (which are subject to currency crises) had not yet sold their reserves, apparently due to American sanctions imposed on them.

The expansionary fiscal policy on the one hand and the growth slowdown due to COVID-19 on the other hand in the vast majority of the region's countries led to increases in debt-to-GDP ratios, which are expected to remain at high

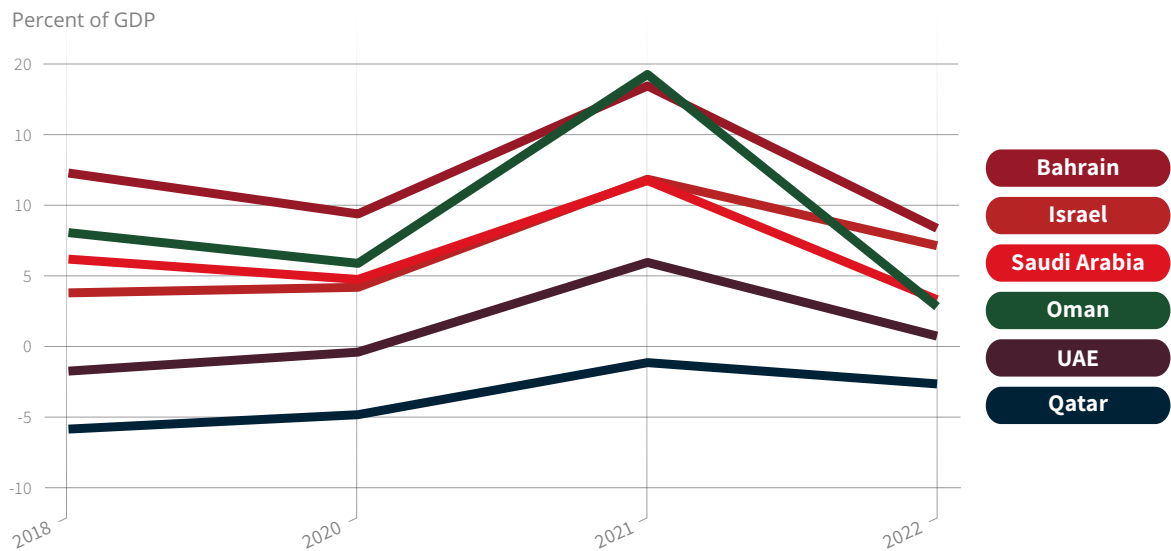


Slow recovery from the sanctions and the pandemic.  
Street in Iran, 2021

Photo: Majid Asgaripour/WANA (West Asia News Agency) via REUTERS

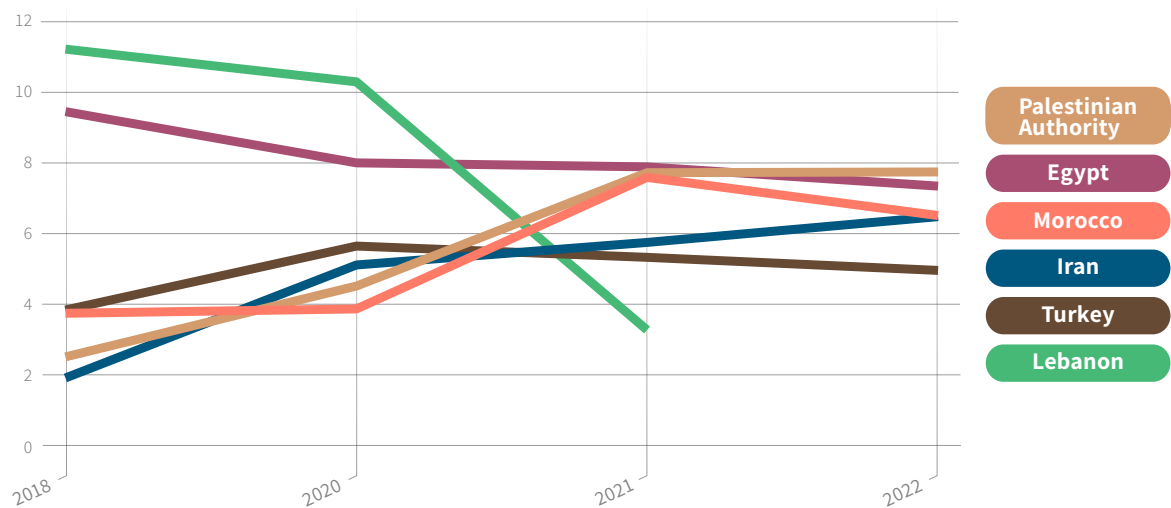
levels in the coming years. The expected rise in interest rates in the West with the renewal of inflation is expected to increase the debt-service burden of the majority of the countries in the region and in particular the poor/developing countries.

**Figure 3a: General Government Net Lending, Percentage of GDP, Gulf Economies and Israel**



Source: IMF

**Figure 3b: General Government Net Lending, Percentage of GDP, Developing Economies**



Source: IMF

## The External Sector, Tourism, and Transfers

The wealthy oil-exporting countries experienced increased deficits in current accounts (exports minus imports including tourism services, labor, and more). Israel, however, enjoyed an increased surplus in its current account due to growth in hi-tech exports and the decline in imports as a result of lower prices of fuel and goods and also of a drop in Israeli tourism abroad. In contrast, the majority of the poor/developing countries did not experience a worsening of their current account deficits, in part due to lower prices of oil and goods in 2020 and the stability of remittances transferred by their citizens working abroad, and despite the decline in tourism.

Tourism to the region is expected to increase by only 27 percent in 2021, and in the most optimistic scenario, the countries of the region will only return to the numbers prior to the crisis in 2025.

During the COVID-19 crisis, the export of tourism services declined dramatically in the region, similar to global tourism trends. In the past few years, some countries of the Middle East, both wealthy and poor, have developed the tourism industry as an important source of income. Wealthy countries, including Saudi Arabia and the United Arab Emirates, hoped that the investment in tourism would diversify the local economy. In poor countries, especially Jordan and Lebanon, the tourism industry contributed about 15 percent of GDP before the crisis and was a central source of foreign currency. In 2020 the MENA countries experienced a 70 percent drop in the number of incoming tourists. According to the World Tourism Council, tourism to the region is expected to increase by only 27 percent in 2021. This is a relatively low percentage that is explained in part by the low vaccination rate. In the absence of new COVID-19 variants and in the most optimistic

scenario, the countries of the region will only return to the numbers prior to the crisis in 2025. The sharp decline in the number of incoming tourists is accompanied by the ongoing decline in direct foreign investment in the region since the 2008 financial crisis and the Arab Spring.

As a result of these processes, there is increased importance of remittances from family members abroad as a significant source of income for developing countries in the region. With the COVID-19 pandemic, there has been a decline in these transfers, although to a lesser extent than in early forecasts. This is the result of the economic recovery of the wealthy countries from which the workers transfer their money. For example, the Gulf oil-exporting economies are the source of a quarter of all transfers from family members in the world. The rise in the price of oil in 2021 improved the employment status of these workers, who transferred money to the developing countries – including in the Middle East region. This income source emphasizes the gaps between the countries in the Middle East: foreign workers send money from wealthy countries to poor countries that are in need of these transfers.

## Growth and Employment

The growth patterns of the region's economies during the COVID-19 crisis maintained the gaps between the developed economies and the poor/developing economies, and in certain cases, such as Lebanon, even expanded them. Over the last two years, the majority of the region's countries experienced a decline in GDP due to the outbreak of the pandemic, and enjoyed only a partial recovery in 2021. They are expected to converge to a lower growth trajectory in comparison to the trajectory that was anticipated prior to the pandemic's outbreak. The negative growth in 2020 stemmed from the suspension of economic activity due to the pandemic, and the Gulf countries also suffered from lower oil prices. The positive exceptions are Israel, which partly closed the GDP gaps with the Gulf countries, and two developing countries, Turkey and Egypt. The negative exceptions are the economies of Lebanon, which is suffering from a collapse and a failure of the state's institutions, and Iran, which is slowly recovering from the impact of the sanctions imposed on it and from the COVID-19 pandemic but has not yet returned to the GDP per capita that it had in 2017. The lack of data on Syria, whose economy has been severely damaged in the past decade, makes it difficult to analyze the impact of the crisis there.

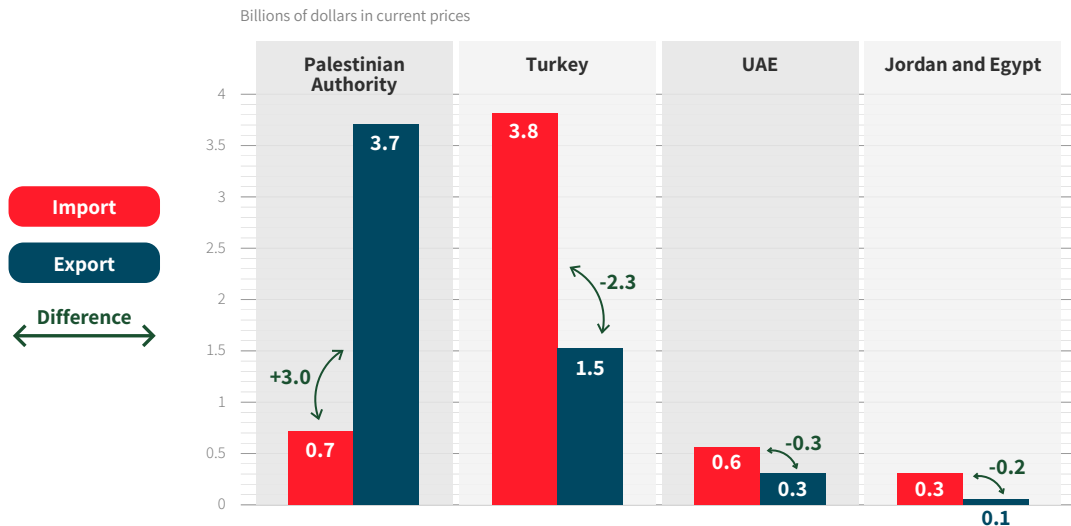
Similar to growth, the employment rate (above age 15) in most of the countries about which there is public information shrank after the outbreak of the pandemic in the second quarter of 2020 and recovered after a few months (Egypt and the West Bank) or gradually over the course of a year and a half (Israel, Turkey, Morocco, and foreign workers in Saudi Arabia). Employment in the Gaza Strip has not yet recovered from the decline following the outbreak of COVID-19, and employment in Jordan, which has suffered ongoing decline in recent years, has reached a very low level. In contrast, the employment of Saudi citizens has continued to rise during the last few years, and was not affected by the outbreak of COVID-19.

## The Digital Economy in the Middle East

One of the factors contributing to the widening gap between wealthy and developing countries in the region during the COVID-19 crisis is the digital gap. Digital infrastructure enables economies to function even when restrictions are imposed on the movement of residents, and enables students to continue to learn remotely. According to a UNICEF report, only half of students in the Middle East had access to remote learning during the crisis. The region's countries

are now trying to overcome the gaps that have developed in the past decade through investments and digitization processes. According to studies published in the past year, even for countries that did invest in digitization (such as the United Arab Emirates), gaps still remained, and they are ranked very low when it comes to cyber security. According to these studies, the rest of the countries among low-income economies are also ranked very low in other digital categories.

**Figure 4: Israeli Commerce in Commodities with Economies in the Region**



Source: Central Bureau of Statistics

## Policy Recommendations

- Developing economic relations with economies in the Middle East could strengthen the importance of relations with Israel for the region's wealthy and developing countries. Cooperation in fields related to water, healthcare, and desert agriculture technologies is relevant for most countries in the region. Wealthy countries could attach special importance to cooperation in the field of cyber security, while developing economies could attach special importance to cooperation in the fields of energy and employment. That said, maintaining and expanding employment in Israel of workers from the West Bank, Gaza Strip, and Jordan could adversely affect employment of Israelis. This is a particular concern for Israel's Arab sector, which has suffered a sharp decline in employment in recent years. Military exports to countries in the region could also strengthen Israel's importance to the purchasing countries.
- Growth and employment in the Israeli economy can be promoted primarily through relations with the region's wealthy countries and with Turkey. Israeli trade with economies in the region still focuses on trade with Turkey and the Palestinian Authority, and trade with the United Arab Emirates reached about \$1 billion within a year of signing the Abraham Accords. Trade with the rest of the region's countries is limited (Figure 4). Promoting trade with the Gulf states could not only expand Israeli exports to them and through them, but also lead to real growth in Israel by lowering the cost of living, by importing from the East through the UAE. In addition, expanding the financial integration between Israel and the Gulf countries would partially protect these economies from the impacts of oil price volatility.
- The COVID-19 pandemic also illustrates the diplomatic importance of the international financial institutions. For example, the allocation of SDR by the International Monetary Fund helped Lebanon, Jordan, and Iraq, but not countries under American sanctions such as Iran, Syria, and Venezuela. Similarly, the international institutions are helping the developing economies, such as Jordan and Egypt, whose stability is an Israeli interest. The continued American influence on these institutions generally also serves Israeli interests.

# Iran: Toward a Nuclear Crisis or a Nuclear Threshold

Sima Shine, Raz Zimmt, and Ephraim Asculai



Photo: Shutterstock



## Trends

The nuclear program is very close to a possible breakout, subject to Tehran's decision • It is uncertain under what conditions the JCPOA might be renewed • Iran's new conservative president, Raisi, continues to pursue regional entrenchment



## Recommendations

Prepare for the lack of a nuclear deal, Iran reaching the nuclear threshold, and perhaps a breakout • Maintain regional freedom of operation, and the campaign between wars • Continue to obstruct the nuclear program and coordinate with the US

In 2021 Iran saw a change of president and government; rounds of talks that did not produce a return to the nuclear deal; an intensified confrontation with the IAEA; strengthened relations with China and Russia; and initial talks to improve relations with the Gulf states. At the same time, Iran experienced increasing difficulties in Iraq and Lebanon; and continued activities attributed to Israel against the nuclear program and against the transfer of weapons to Syria and Hezbollah, as well as at sea and in the cyber realm.

In the coming year Iran could face a strategic decision – a return to the nuclear deal while arresting progress on the program, or alternatively, tension and conflict with some in the international arena and progress toward becoming a “nuclear threshold state.” Facing Iran's nuclear program, Israel is in a strategic quandary: the various possible scenarios, whether a partial agreement or continued foot-dragging or a breakdown in the negotiations, are negative for Israel. This backdrop highlights the need to maintain an intimate dialogue with the United States administration and formulate a comprehensive strategy for the coming years that includes a credible military threat and multi-faceted pressure on Iran; elimination of the advanced components of the nuclear program, if necessary; an extensive campaign between wars to curb Iran's regional entrenchment, and not only in the Syrian realm; and use of the Abraham Accords to create a regional and international alliance to restrain Iran and strengthen deterrence against it. Conversely, a public conflict with Washington would weaken Israel and

play into Iran's hands: the statements about preparing a military option would not appear credible, might erode deterrence, and could push Washington to pursue an even worse agreement.

From Israel's perspective, the following are preferable: a return to the agreement that buys Israel time to prepare an alternative; maintained freedom of operation in the regional arena; continued obstruction of aspects of the nuclear program; and coordination with the United States on future developments.

## The Domestic Arena

**The political system:** The June 2021 election of hardliner cleric Ebrahim Raisi as president marked the completion of the conservative camp's takeover of the country's political institutions. The regime's blatant intervention in the election process – the disqualification of candidates and steps to guarantee a clear achievement in the first round – were another expression of the continued autocratization of the regime and its determination to keep out any element that could threaten conservative hegemony, especially in advance of the succession struggle over Iran's leadership. The makeup of Raisi's government, some of whose ministers tout a radical and anti-Western ideological line, attests to the president's intention to adopt a stricter stance in domestic and foreign affairs than that of the preceding Rouhani government, in accordance with the strategy set out by the Supreme Leader.

**The economic sphere:** After over two years of an ongoing and intensified economic crisis against the backdrop of economic sanctions, the COVID-19 pandemic, and the drop in oil prices, a mixed trend was evident last year in Iran's economic situation. On the one hand, there were initial signs of economic stabilization and even recovery, reflected in light economic growth (2.5 to 3 percent, according to World Bank and International Monetary Fund estimates), a decline in the unemployment rate (close to 9 percent), and a significant rise in foreign currency reserves (from \$12.4 billion in 2020 to \$31.4 billion, according to an IMF estimate). The recovery stems primarily from success in exporting oil (mainly to China) at a rate of over a million barrels a day; a gradual exit from the COVID-19 crisis; and a rise in oil prices. On the other hand, Iran faces a worsening inflation crisis (between 45 and 50 percent annual inflation), an increasing budget deficit, increased poverty, and capital flight.



Signs of economic recovery despite severe inflation. Crowded market in Iran

Photo: Morteza Nikoubazi/NurPhoto

The June 2021 election of hardliner cleric Ebrahim Raisi as president marked the completion of the conservative camp's takeover of the country's political institutions.

In the coming year, even if the nuclear deal is restored and the sanctions are removed, a significant economic improvement is unlikely due to the uncertainty regarding the policy of the next administration in Washington, the fact that most European companies do not intend to return to do business with Iran, and the structural problems that plague the Iranian economy (corruption, Revolutionary Guards involvement in the economy, and the continued Iranian refusal to implement the FATF regulations). In a scenario of continued and increased sanctions, the economic crisis is expected to worsen, although it seems that the regime is capable of weathering it by circumventing the sanctions, relying increasingly on China, and continuing to adapt the economy to the sanctions regime ("resistance economy").

The social arena: Most of the past year was characterized by relative calm compared to the waves of protests that swept Iran from late 2017 until early 2020. This is mainly due to the COVID-19 pandemic, which inhibited gatherings, and increased efforts at control and suppression by the authorities. However, the waves of protest in the summer of 2021 against the backdrop of water and electricity shortages indicated that the lack of an infrastructural solution to civilian hardships and the economic crisis continue to provide fertile ground for renewed protests in the coming year as well.

## The Regional Arena

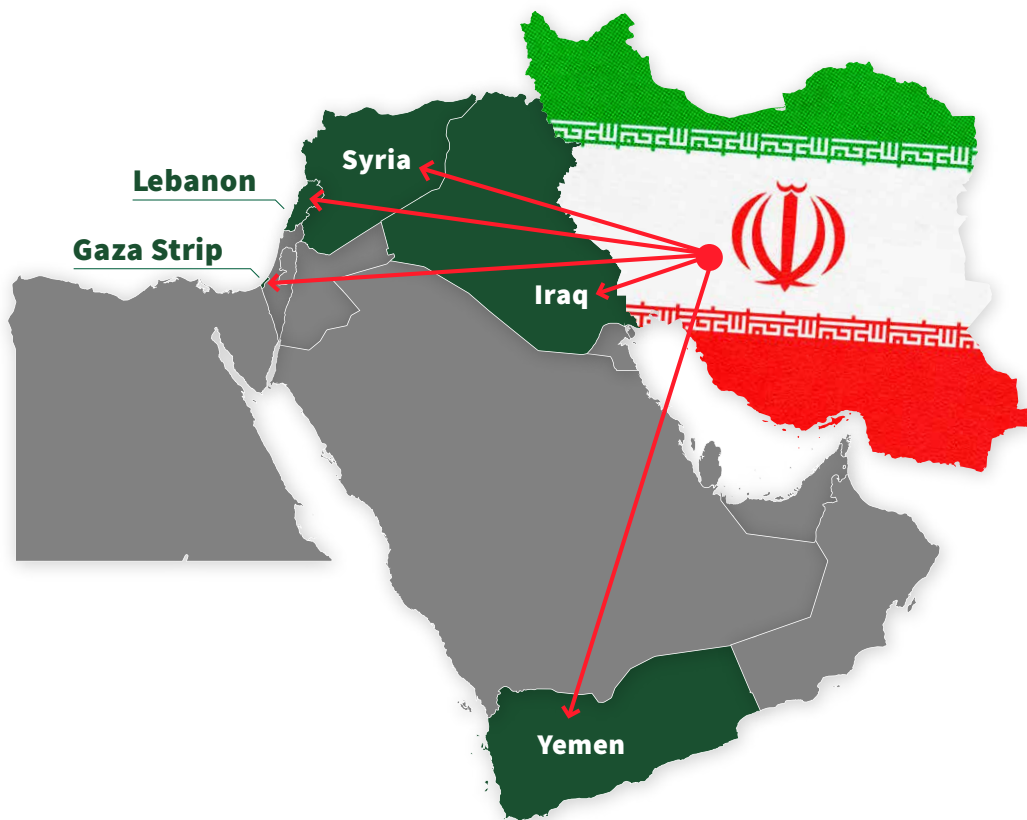
Over the past year Iran faced increasing difficulties in the regional arena. While the withdrawal of the US forces from Afghanistan was presented as a positive strategic development, the Taliban's renewed takeover poses a significant challenge to essential Iranian military and economic interests. In Iraq the pro-Iranian Shiite militias suffered a serious defeat in the parliamentary elections, and there is a growing impression that the Revolutionary Guards' control over the militias has weakened. This development, in addition to Baghdad's efforts to improve relations with the Sunni Arab countries, is a sign of the challenges facing Iran and its proxies in the country. In Lebanon, Hezbollah is confronted with criticism of its performance and Iran's increasing influence in the country, even as Tehran continues to provide



Significant progress in the Iranian nuclear program. Former Iranian President Rouhani inspects centrifuges on National Nuclear Day  
Photo: Iranian Presidency Office/WANA (West Asia News Agency)/Handout via REUTERS

supplies and oil through the organization. In Syria the attacks conducted overtly by Israel (and those attributed to it) have posed a significant challenge for Iran, although they have not led it to halt its efforts to transfer advanced weapons to Hezbollah. Given the ongoing efforts toward an arrangement in Syria, the process of reducing the Iranian and foreign Shiite forces in Syria also continues, alongside the increasing entrenchment of Syrian fighters who are recruited to militias supported by Iran. Meanwhile, there seems to be slow progress in economic projects in Syria and continued isolated efforts by Iran to expand its social, cultural, and educational influence in the country. In Yemen the military aid to the Houthis continues, as part of the war waged against Saudi Arabia, which has been attacked by missiles and UAVs. In the Caucasus too, Iran has faced significant challenges against the backdrop of Azerbaijan's victory in the military conflict with Armenia in the Nagorno-Karabakh region, Azerbaijan's strengthening relations with Israel, and the increasing Turkish influence in the region. All these challenges notwithstanding, Iran continues its efforts to advance its long-term interests in the region, while adapting its policy to the changing circumstances.

## Iranian Regional Influence







Meanwhile there is an unfolding process, begun during Rouhani's term, to reduce tension and improve relations between Iran and its Gulf neighbors. This process reflects the Gulf countries' understanding that the United States continues its disengagement from the Middle East as it negotiates with Iran on returning to the nuclear deal, which, if achieved, will strengthen Iran politically and economically. In parallel, the process reflects the Iranian desire to reduce tension with its neighbors as part of a policy of striving for regional dialogue without Washington's participation and as a response to the demand to connect the discussions on the nuclear issue with Iran's regional policy. The United Arab Emirates plays a major role in this context, as it constitutes an important trade route for Iran. Notable in this context was the visit to Tehran by the Emirati National Security Advisor and brother of the Crown Prince. A fourth round of talks with Saudi Arabia, Iran's main rival, also took place in Iraq and with Iraq's mediation, but at present there is no breakthrough in relations between the countries.

The conflict between Israel and Iran continues and has intensified in the past year, expressed in preventive activity attributed to Israel against the nuclear program; the Israeli strikes in Syria, which have increased as part of the ongoing effort to thwart the Iranian military entrenchment and weapons transfers to Hezbollah; the struggle in the naval realm, with some 12 Iranian vessels reportedly damaged, and the publicity surrounding these attacks, which

led to Iranian attacks on merchant ships connected to Israel; mutual cyberattacks – from the Iranian side, attacks on civilian companies while publicizing the information as part of cognitive operations (at this stage at a relatively low level), and disruptions, attributed to Israel, at the port of Bandar Abbas, of flight schedules and of smart cards for purchasing gasoline. Concurrently, lacking the ability to strike Israel directly and significantly, in the past year several attempts to carry out terrorist actions against Israeli figures in the international arena were exposed and thwarted. In addition to the regional activity, increasing trends are prominent in Iran's global foreign policy, chiefly a strategic decision to rely politically, militarily, and economically on Russia and China. In this framework, a 25-year strategic partnership agreement was signed with China (March 2021) and a strategic partnership agreement with Russia was renewed; in September 2021 Iran was accepted as a member of the Shanghai Cooperation Organization (SCO); and several joint naval exercises with Russia and China were held. These measures strengthen the conservative camp led by the Revolutionary Guards, which consistently supported this direction, over the Rouhani camp, which preferred to strengthen relations with the West. They help Iran cope with the sanctions and strengthen its international standing, including with respect to future IAEA measures and at the UN Security Council.

## Iranian Violations of the Nuclear Agreement (JCPOA)

	Obligations under the Agreement	Current Situation: According to a November 2021 IAEA Report	Significance
 <b>Level of uranium enrichment</b>	Up to 3.67%	Enrichment to 20% and to 60%	Progress towards military-level enrichment
<b>Stock of enriched uranium</b>	Up to 300 kg at a low enrichment level	<ul style="list-style-type: none"> <li>• About 3 tons at low enrichment</li> <li>• 113 kg enriched to 20%</li> <li>• 17.7 kg enriched to 60%</li> </ul>	<ul style="list-style-type: none"> <li>• High-level enrichment enough for a first device within 3 weeks</li> <li>• Material with low-level enrichment enough for two devices within 2 months and for three devices within 4 months</li> </ul>
<b>Uranium enrichment site in Fordow</b>	Enrichment is forbidden, permitted use only as a center for research and production of stable isotopes	<ul style="list-style-type: none"> <li>• Enrichment in 1,000 centrifuges that were installed</li> <li>• Enrichment to 20% in advanced IR-6 centrifuges</li> </ul>	Enrichment in a protected site, including to high levels
 <b>Stock of heavy water</b>	Up to 130 tons	Unknown – Iran does not allow IAEA inspection	<ul style="list-style-type: none"> <li>• Iran is likely to have large quantities</li> <li>• Will be used for a research reactor in the future</li> </ul>
 <b>Research and development</b>	In the first decade – tests on individual advanced centrifuges	Installed and fed with gas: <ul style="list-style-type: none"> <li>• 1 IR-1 cascade in excess of the agreement</li> <li>• 6 IR-2m cascades</li> <li>• 2 IR-4 cascades</li> </ul>	Significant technological progress
 <b>Inspection</b>	Extensive inspection in accordance with the nuclear agreement	<ul style="list-style-type: none"> <li>• A significant reduction in IAEA inspection</li> <li>• Non-implementation of the Additional Protocol</li> <li>• Previous violations of the NPT with no response</li> </ul>	Inability to ensure that fissile material is not diverted

## The Nuclear Program and Negotiations on Returning to the JCPOA

Iran began violating the nuclear deal in May 2019, in response to the United States' withdrawal from the agreement. Since then, according to the most recent IAEA report, the most significant and unprecedented progress in the program occurred in the past year. The amounts of uranium enriched to 20 and 60 percent are sufficient for high-level enrichment of fissile material for a first nuclear device within three weeks; if Iran also decides to enrich the material enriched to approximately 5 percent to a military level, it will take two months to amass enough fissile material for a second nuclear device, and three and a half months for fissile material for a third nuclear device. Meanwhile, the production of 20 percent uranium metal (a critical component of nuclear weapons) is underway; the enrichment of uranium to 20 percent using advanced centrifuges at the Fordow site has begun; and IAEA supervision has been drastically reduced – both according to the Additional Protocol and according to the nuclear deal. These figures led the IAEA Director General to declare that “the lack of progress in clarifying the Agency's questions concerning the correctness and completeness of Iran's safeguards declarations seriously affects the ability of the Agency to provide assurance of the peaceful nature of Iran's nuclear programme.” All this compounds the continued lack of Iranian cooperation on questions related to undeclared uranium found at four undeclared sites (a violation of the inspection agreements). It appears that the explosive device (the second principal component in the development of a nuclear weapon) is under development at these sites. According to estimates, Iran will be able to conduct a nuclear test within six months from the moment it takes a decision to do so. However, the third stage of the project, fitting the explosive device for launch (by plane or missile) will take another few years.

In the past year Iran also suffered significant blows: first and foremost, the assassination of Mohsen Fakhri-zadeh (in late 2020), who was the leading figure and organizer of the nuclear program and controlled all its components and enjoyed a direct and intimate connection with the Supreme Leader; and while less significant, damage to the centrifuges at the Natanz enrichment site (April 2021), and damage to the centrifuge production site at Karaj (June 2021).

Aside from repairing the damage and transferring the damaged facilities underground, Tehran chose to respond through a series of measures regarding the nuclear program, chiefly the Majlis bill that in effect “requires” that the state move forward with high-level enrichment and take all necessary steps to progress with the program, as well as reduce IAEA supervision. Thus, in responding to the damage at Karaj, Iran prevented inspectors from entering the site and from accessing camera footage. After a hiatus, the talks between the partners in the nuclear agreement and Iran and the United States were renewed under President Raisi, but in different conditions and with stringent positions and demands that at this stage are not acceptable to Washington and the European partners.

The conflict between Israel and Iran has intensified in the past year, reflected in preventive activity attributed to Israel against the nuclear program; the Israeli strikes in Syria; the struggle in the naval realm; and mutual cyberattacks.

Four possible scenarios in the coming year: reaching an agreement to return to the JCPOA within a short time frame – low probability; continued discussions and foot-dragging for many months, but without admitting failure – medium probability; or an interim agreement – less for less – at present Iran refuses, but there is some probability that the sides would agree; or not reaching an agreement, ceasing meetings, and beginning to implement steps against Iran (even if in practice the sides continue to present an open diplomatic path) – medium probability.

Among the four possible scenarios, none of which are good for Israel, the worst is the lack of an agreement and Iran progressing in its nuclear program. The US administration (like Israel) does not have a political alternative, other than sanctions, which Iran has learned to cope with; the gaps between the red lines of Israel and the United States, which stem from the differences in perceptions of the threat as well as capabilities, heighten the tension between Jerusalem and Washington. There is no American willingness for military action, except perhaps in the scenario of a clear Iranian nuclear breakout; Israel could be left alone against an intensifying threat that is too great for it.

Under these complex circumstances, a return to the nuclear deal is preferable for Israel, on the condition that it does not permit Iran’s technological violations since the May 2018 withdrawal, and that despite the knowledge and experience that Iran has accumulated, will provide a few years to prepare an alternative. Israel must take into consideration that its friends in the Gulf will toe the line with the US administration, and they have indeed expressed support for a return to the nuclear deal, while also pursuing dialogue with Iran. Considering that returning or not returning to the agreement currently depends mainly on Iran, and the chances of not returning are similar to and perhaps greater than the chances of reaching understandings that would enable returning to the agreement, it is preferable for Israel to reach understandings with the United States on its essential interests – freedom of operation in the region, continued preventive action against the nuclear program, albeit sparingly and pursuing only high priority actions, and understandings regarding possible developments in the future.

The bottom line: the nuclear program’s progress gives Iran the shortest nuclear breakout time in recent years, if it decides to pursue this option. From Iran’s perspective, the more it progresses, the greater the temptation is not to return to the agreement without more significant compensation, which is doubtful whether Washington has the ability/desire to provide.

Against this backdrop, Israel is in a strategic quandary. The various possible scenarios, whether a partial agreement or continued foot-dragging or a breakdown of the negotiations, are negative for Israel. This situation highlights the need to maintain an intimate dialogue with the US administration that enables formulating a comprehensive strategy that includes a credible military threat for the coming years and pursuing multi-dimensional pressure on Iran; thwarting advanced program components if necessary; waging an extensive campaign between wars to curb Iranian entrenchment, and not only in the Syrian realm; and, making use of the Abraham Accords, forging a broad regional and international alliance to restrain Iran and strengthen deterrence against it.

# The Northern Arena: The Need to Revitalize Israeli Policy

Udi Dekel, Carmit Valensi, and Orna Mizrahi



Photo: Tal Lissos & Ben Ram David, IDF Spokesperson's Unit



## Trends

- Iran's entrenchment efforts continue
- Development of capabilities to attack Israel from Lebanon, Syria, and western Iraq
- Strengthened air defense systems in Syria and Lebanon
- Assad regime is in partial control of Syria
- Economic crisis in Lebanon



## Recommendations

- Continue the campaign between wars
- Coordinate with Russia
- Cultivate ties with elements that oppose Assad and Iran
- Launch an international plan to rebuild Lebanon, reduce Hezbollah influence, and block the precision missile project
- Prepare for a multi-arena war

The changes on the northern front, particularly the ongoing Iranian efforts to consolidate its presence there (even though this has been obstructed to some extent), the precision missiles and rockets project in Lebanon, and the worsening economic crisis in Lebanon and Syria highlight Israel's need to adjust its policy to address the unfolding challenges more effectively. Israel's campaign between wars continues to lead the efforts to stop Iran, but clearly this policy does not provide a full response to the challenges, particularly the growing threat of the precision missiles project in Lebanon. Consequently, this policy is both increasingly tenuous and volatile, and may well lead to escalation and expansion of the conflict to additional fronts. As part of an updated response, Israel must integrate both hard and soft power efforts, including a more active role by the United States and regional players in the effort to achieve an arrangement for the Syrian theater. The Biden administration should be encouraged to coordinate both efforts with Russia regarding the Iranian threat from Syria, and efforts with France and Saudi Arabia to formulate a recovery plan for Lebanon to help stabilize the country, while reducing Hezbollah's influence there. Beyond this, it is essential for Israel to devise operational capability against the precision project in Lebanon, and from a broader perspective, to formulate a revised strategic objective for scenarios of a future large-scale war against the Iranian-Shiite axis on the northern front – Lebanon, Syria, and western Iraq.

## Syria

Following years of a military and diplomatic stalemate in the Syrian crisis, a significant change in the regional status of Syrian President Bashar al-Assad emerged in 2021, featuring his renewed recognition as ruler of Syria by a number of Arab countries. The United Arab Emirates, Bahrain, and recently Jordan and Egypt seek to return the Syrian president to the fold of the Arab world and bring Syria back into the Arab League, from which it was expelled at the outset of the Syrian civil war. These developments are a consequence of regional recognition that the diplomatic effort to force Assad to adopt political and civil reforms as a condition for accepting him has failed. The result is the growing awareness that Assad is here to stay, and there is no viable alternative. Arab countries, especially the pragmatic ones, are striving to rein in Iranian influence in the region. As they see it, normalizing relations with Assad (opening diplomatic representations, expanding trade and economic investments) will reduce the vacuum in Syria that Iran is now filling, and drive a wedge between the regime and Tehran that can be widened gradually.

### Syria in 2021

**18 million**  
residents



**11 million**  
under Assad's rule



Over **90%**  
live below the  
poverty line



**13 million**  
need humanitarian aid



**6.7 million**  
internally displaced  
persons



**1:3,000**  
1 USD = 3000  
Syrian pounds



**6.6 million**  
Syrian refugees outside  
the country



Over **250%**  
rise in price of basic  
commodities



Israel should engage in dialogue with local allies in Syria.  
Evacuation of Druze from Beit Jann at the foot of the Syrian Hermon  
Photo: REUTERS/Omar Sanadik

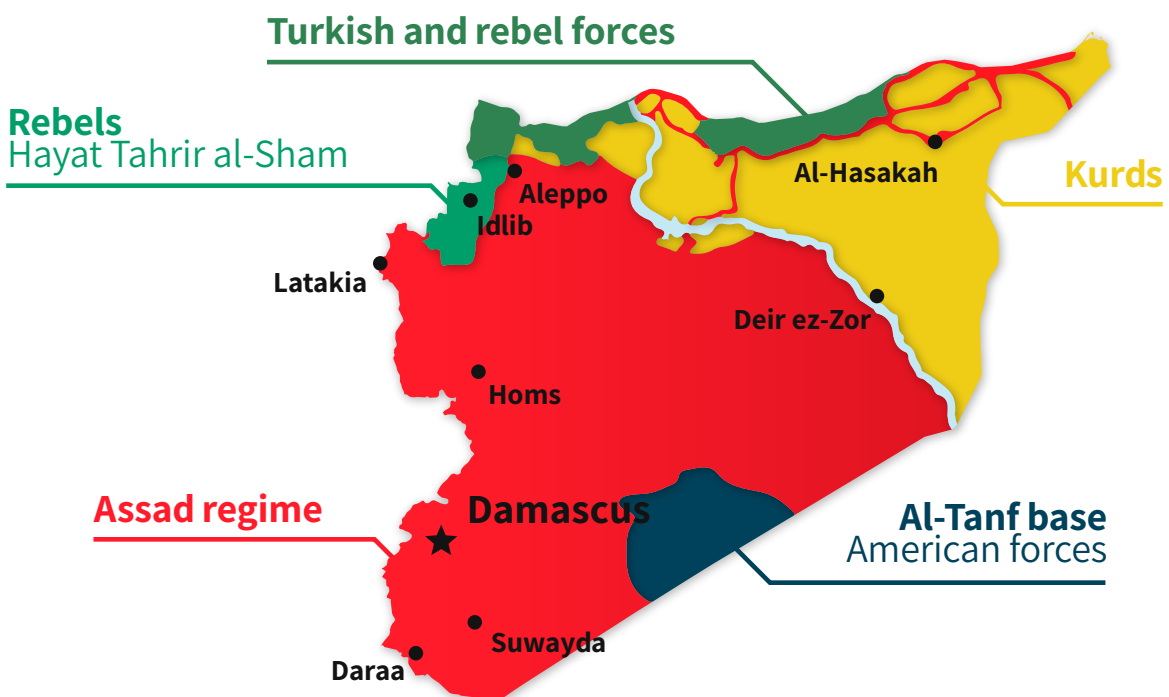


Sunni states are renewing their ties with Assad. Syria's president meets with the UAE foreign minister, November 2021  
Photo: SANA/Handout via REUTERS

Despite the improvement in Assad's regional status and his image as a functioning president, his actual control and governance over Syria are partial and limited. His dependence on external support – from Russia and Iran – remains high, and the economic state of the country is declining. Contrary to expectations, Assad is not likely to sever Syria from Iran, but on the other hand, he is not putting his full weight behind an effort to ensure the Iranian presence in his country.

Assad is currently focusing on maintaining his control over the two thirds of Syrian territory, covering the Daraa-Damascus-Homs-Hama-Aleppo axis, and the Alawite coastal strip in the west. The northeastern and northwestern parts of the country are still under the control of external groups – Kurds, United States, rebels, and Turkey. The Assad regime has no independent capability to regain full control of Syria.

## Map of Control in Syria



## Continued Foreign Intervention

Russia maintains its dominant military and diplomatic role in Syria and is determined to reposition Assad's status, while stabilizing the country and rebuilding the army. Moscow has an advantage in its economic projects and agreements in Syria involving oil, gas, and phosphate resources. The competition between Russia and Iran for military and economic influence in Syria exists, but has not reached a point that will threaten the strategic relations between them in the coming year. Other than the dispute over recognition of Assad, relations and communication between Russia and the United States in the Syrian context have clearly improved. The strategic coordination with Israel has been preserved; despite periodic Russian statements about aid for the Syrian air defense system against Israeli air attacks, it is evident that Russia accepts the offensive activity by the IDF (the campaign between wars), as

long as it is focused on attacking the military capabilities of Iran and its proxies in Syria, as well as neutralizing the Assad regime's ability to develop weapons of mass destruction.

Notwithstanding its commitment to keep American forces in Syria and the lesson that it learned from its hasty exit from Afghanistan, the Biden administration has shown limited interest in the Syrian theater, and has yet to formulate a comprehensive strategy for dealing with the crisis in the country. At this stage, the administration is focused on four goals: easing the violence and improving the humanitarian situation; continuing the fight against ISIS; opposing official recognition of Assad; and demanding implementation of UN Security Council Resolution 2254 in any arrangement in Syria. In the coming year, the administration will have to maneuver between two sources of tension:

one, the conflict between its determination to maintain the sanctions against the regime and its associates, and its desire to relieve the humanitarian situation and allow a free flow of money for reconstruction of infrastructure; and two, the US commitment to aid the democratic Kurdish forces in northeastern Syria, which requires the deployment of US forces in the area, thereby exposing these forces to attacks by Iranian proxies aiming for the departure of American forces from Iraq and Syria. The Israeli challenge is to convince the administration that expelling Iranian capabilities from Syria is a key element in the strategic campaign against Iran, even in a scenario of a return to the nuclear agreement, after which Iran will be able to allocate additional resources to the consolidation of its presence on Israel's northern front.

Iran's military and civilian entrenchment in Syria continues, but reflects an adjustment to the changing circumstances, and is on a more reduced scale than in the original Iranian plan. Israel's stepped-up campaign between wars, the economic challenge, and pressure from Russia all hinder the full realization of Iran's military buildup and enhancement of its sphere of influence as a platform against Israel. In tandem, the transfer of weapons and the improvement of local production capabilities in Lebanon for Syria and for Hezbollah continue. Iran is consolidating and reinforcing its influence in Syria through Hezbollah and local militias that it founded. It holds over 100 military sites throughout the country, controls about 20 percent of Syria's borders, transfers Iranian-made air defense systems aimed at protecting its military bases and assets in Syria and Lebanon, and smuggles attack UAVs to Syria.

Turkey controls strips of territory in northern Syria along its border, including three million Syrians. Ankara is troubled by the emergence of Kurdish autonomy, and fears that another wave of refugees will enter its territory. It therefore intends to design a security zone stretching from Jarabulus to Qamishli, where it plans to settle refugees. The Islamist rebel enclaves in Idlib, led by the Hayat Tahrir al-Sham organization, which is under Turkish influence and direction, has remained the main area of fighting against the Assad regime. In the coming years, the Turkish presence will remain an important barrier to realization of the Syrian-Russian objective of gaining control of the area by force.

Arab countries, especially the pragmatic ones, are striving to rein in Iranian influence in the region. As they see it, normalizing relations with Assad will reduce the vacuum in Syria that Iran is now filling, and drive a wedge between the regime and Tehran that can be widened gradually.

## Iranian Entrenchment in Syria

### Limited Military Presence

Limited ability to penetrate the Syrian army and a focus on selected units

Reduction in Iranian personnel and reliance on foreign militias

Concealed launching facilities for missiles, rockets, and drones



### Growing Influence Efforts

Consolidation of "soft power" – cultural centers, mosques, Shiite educational institutions, medical services, and humanitarian aid

Efforts to recruit local Syrian personnel in exchange for monetary reward









Concentration of effort on specific areas in southern Syria, in the east (on the border with Iraq), and Aleppo in the north

## Lebanon

The main development in Lebanon in 2021 was the country's ongoing rapid internal breakdown, in particular, the complete collapse of its economic and financial system, the ongoing paralysis of its political system (including after the formation of the new government headed by Najib Mikati in September 2021), and the nonfunctioning infrastructure, especially in the areas of electricity and energy, healthcare, and food and water services. This compounded the large number of violent incidents and loss of control by the Lebanese army, which suffers from an inadequate budget and large-scale desertion. The population in Lebanon is absolutely helpless, with no hope on the horizon. More than three quarters of the population live below the poverty line. The background to the severe crisis, described by the World Bank as one of the three worst in the world since the mid-19<sup>th</sup> century, is the chronic diseases that have afflicted Lebanon in recent decades. The country's ensuing decline has accelerated since mid-2019, following the outbreak of widespread popular protests in October 2019, the COVID-19 pandemic (since February 2019), and the horrific explosion in Beirut Port in August 2020. Lebanon suffered another severe blow in late 2021, when the Gulf states, led by Saudi Arabia, decided to step up their pressure on Lebanon, due to Hezbollah's major role in management of the country.

Lebanon in 2021 was marked by the country's ongoing rapid internal breakdown, in particular, the complete collapse of its economic and financial system, the ongoing paralysis of its political system, and the nonfunctioning infrastructure.

### Collapse of the Lebanese Economy

			
<b>Huge external debt</b> Lack of reserves for infrastructure and funding subsidies	<b>Hyperinflation</b> Lebanese currency has lost 90% of its value	<b>Shortage of basic commodities</b> No electricity, food, fuel, water, or internet	<b>Over 75% live below poverty line</b> according to the World Bank
			
<b>Negative growth</b> <b>21.4%</b> in 2020 <b>10.5%</b> forecast for 2021	<b>Mounting unemployment</b> Over 50% of the labor force is unemployed	<b>Collapse of the health system</b> 40% have left; shortage of equipment and medicine	<b>Emigration</b> mainly Christians, educated people, and young people

Hezbollah maintains its status and major influence in the decision making process in Lebanon. Some refer to the new government formed in September as a "Hezbollah government," because Hezbollah influences or paralyzes its decisions, depending on its interests. Its demands for the dismissal of the judge investigating the explosion in Beirut Port and its position on the crisis with Saudi Arabia and the Gulf states prevented the government's formation for a prolonged period. At the same time, Hezbollah maintains its independent activity, allegedly for the benefit of Lebanon. This detracts from Lebanese sovereignty, for example, by taking advantage of the energy crisis to bring diesel fuel into Lebanon from Iran (starting in mid-September 2021), especially when Hezbollah decides who will receive the fuel, and at what price. At the same time, together with the continued pressure on Hezbollah in the international theater, criticism of Hezbollah in Lebanon has recently mounted, including regarding its activity against Israel. There is also a clear increase in violent clashes between members of Hezbollah and its opponents in Lebanon, as evidenced by the violent clash between Hezbollah operatives and members of the Lebanese forces in Beirut in mid-October.

Hezbollah persists in its efforts to build up its military forces, with assistance from Iran – particularly continuation of the precision missiles project and procurement of air defense systems, while trying to maintain its deterrence equation with the IDF. At the same time, it is clear that the crisis in Lebanon and the criticism of Hezbollah in its home territory constitute a restraining factor in its activity against Israel. Hamas's efforts to operate from the Lebanese border according to the precedent set in Operation Guardian of the Walls pose another challenge to both Israel and Hezbollah itself.

For Israel, the crisis in Lebanon poses a dilemma: whether and how to help alleviate the plight of the population in Lebanon without indirectly strengthening Hezbollah; how to prevent an absolute takeover of the Lebanese state by Hezbollah and Iran; and in the military sphere, whether Israel should change the way it operates against Hezbollah, and especially under what conditions Israel would have to attack Hezbollah's precision missiles project in Lebanon directly.

## Possible Developments in Lebanon



## Policy Recommendations: Syria and Lebanon

The Assad regime will likely not succeed in gaining control of all parts of Syria in 2022, and will not expel Iran and its proxies from the country. Iran will persist in its multidimensional efforts to consolidate its presence in the country and preserve its influence there; transfer weapons to Hezbollah in Lebanon, with an emphasis on precision components for missiles and rockets and attack unmanned aerial vehicle in Syria and Lebanon; and build offensive capabilities against Israel from Lebanon, Syria, and western Iraq. Hezbollah will maintain its growing influence in Lebanon in all dimensions – political, military, economic, and social – despite the growing internal and external pressure on it. The chances of a significant change in the political order in Lebanon following the parliamentary elections scheduled for 2022 are slim, at best.

*The response – implementation of a dual policy – emphasis on independent actions by Israel, along with willingness to cooperate with regional allies and positive local groups.*

### The Self-Reliance Approach

- Given the situation in what is in effect a divided Syria, with the Assad regime unable to take control of the entire country, it is important to identify local allies – local communities in southern Syria, leaders of the Druze community in the Suwayda district, Kurds in eastern Syria – open a dialogue with them, and provide them with direct and indirect humanitarian aid. It is also recommended, in cooperation with local power groups, to encourage efforts to oppose the consolidation of the Iranian presence and that of its proxies and Hezbollah's freedom of action in Syria. In order to win their confidence, it is important for Israel to refrain from officially recognizing the Assad regime, even implicitly.
- Israel should persist in its prolonged campaign between wars to push Iran and its proxies out of Syria, with an emphasis on southern Syria. This requires adapting the campaign to the unfolding challenges and expanding the special and clandestine operations against Iranian strongholds in Syria and against groups cooperating with Iran and Hezbollah, including in the Syrian army and among the Syrian intelligence agencies. The Assad regime should be prevented from rebuilding its chemical weapons and transferring them to Hezbollah in Lebanon. At

the same time, air defense systems liable to restrict the Israel Air Force's freedom of action in the airspace of Syria and Lebanon should be neutralized.

- Strategic and military coordination with Russia, a leading power in Syria capable of limiting both the IDF's freedom of action in the Syrian airspace and the extent of Iranian military consolidation, should be maintained. This will require expansion of the strategic dialogue with Moscow, while deepening operational coordination in order to prevent friction with Russian military forces.
- It is necessary to prepare operational options for attacking the precision missiles project in Lebanon, among them an outline for a preemptive strike – taking advantage of an escalation event with Hezbollah to attack the precision infrastructure and air defense batteries in Lebanon. At the same time, it is necessary to improve readiness and preparedness for a dynamic of escalation in developments that are liable to lead to war on the northern front, despite the mutual interest in keeping such events below the war threshold.
- It is recommended to devise a channel for exchanging messages with the Assad regime, in parallel with the coordination mechanism with Russia, in order to facilitate control of the war arena in accordance with Israel's needs – confining it exclusively to the Lebanese front or expanding it to Syria and western Iraq.

### **A Multilateral Cooperative Approach**

- An effort should be made to induce the Gulf states, Jordan, and Egypt to make normalization with the Assad regime contingent on reducing the influence of Iran and Hezbollah, with an emphasis on preventing their deployment in southern Syria. Cooperation with Jordan should be strengthened in supporting groups in southern Syria opposed to Iranian entrenchment and Hezbollah operations in the area.
- The tripartite coordination between the United States, Russia, and Israel should be strengthened, in the realization that Syria's future depends on agreements and coordination between Russia and the United States. Israel should encourage the Biden administration to be more flexible toward Russia in order to achieve mutual understandings on thwarting Iran's negative influence in the region. At the same time, it is necessary to promote an understanding in the region and throughout the world of the negative consequences of the activity by Iran and its proxies, which destabilize this theater. Intelligence connections, diplomatic dialogue, and influence efforts should be employed in this campaign. The objective is to encourage international coordination, with a focus on weakening Iran and Hezbollah and limiting subversion by the Shiite axis. Special emphasis lies on a possible return to the nuclear agreement and the removal of the sanctions against Iran, which will enable it to devote large resources to support its proxies and rogue actors throughout the region. It is recommended to establish a mechanism for consulting with the United States, the Gulf states, Jordan, and Egypt on restraining the negative Iranian influence and formulating alternatives to Iranian support in Syria and Lebanon.
- With respect to the failing Lebanese state, there is a clear preference for preserving the country, in other words, not remaining indifferent, and taking action to delay/prevent its collapse. The existing situation of multiple ruling centers in Lebanon and the system of balances between them (though flawed), based on the Taif Agreement, is preferable to a complete takeover of the country by Hezbollah in the service of Iran. For this purpose, a broad-based coalition of countries should be formed, led by the United States, France, and Saudi Arabia, to send humanitarian aid directly to the Lebanese population and aid in the restoration of functioning state systems. At the same time, an international coalition should be formed in an effort to restrict the influence of Iran and Hezbollah, and to strengthen Hezbollah's opponents in Lebanon. For its part, Israel can demonstrate flexibility in the discussion of the maritime border, including arrangements on the supply of energy, inter alia, from the disputed maritime areas.

# The Palestinian Arena: The Need to Arrest the Slide into a One-State Reality

Udi Dekel and Noa Shusterman



Photo: REUTERS — Mussa Qawasma



## Trends

Core challenge to national security • The PA is weakened, in advance of Abbas's exit • Israel buys time while sliding toward a one-state reality • Hamas consolidates its rule in Gaza and sets the tone in the Palestinian arena



## Recommendations

Curb the slide into a one-state reality • Seek transitional agreements and separation moves in the West Bank • Strengthen the PA • With Egyptian mediation, seek understandings with Hamas for military quiet • Prepare for terrorism and a military campaign in Gaza

The Palestinian arena presents a core challenge to Israel's national security. The current government, like its predecessor, seeks to buy time and to postpone weighty strategic decisions on the Palestinian issue. This conflict management strategy has four consequences. One: Increased potential for weakening the Palestinian Authority's governance and legitimacy, which could intensify in advance of "the day after Mahmoud Abbas," thus leading to a rise in terrorism and the lack of a responsible Palestinian leadership. The background to this situation is the absence of a political horizon, the disruption of agreement-based dynamics, and the growing complexity given the entanglement of the Palestinian and Jewish populations in the West Bank and the steep slide toward a one-state reality. Two: Ongoing Hamas efforts to consolidate its rule in the Gaza Strip, while challenging the Palestinian Authority's leadership and striving to undermine PA control in the West Bank. Three: The relative indifference in the international and regional systems to the Palestinian issue and the lack of pressure to induce political progress enhance the frustration of those in the Palestinian camp who adhere to the path of political solutions and increase the motivation to choose the path of "resistance" – terrorism and violence. Four: Despite

Anat Kurz, Pnina Sharvit Baruch, Kobi Michael, Oded Eran, Yohanan Tzoreff, and Haggay Etkes participated in the preparation of the situation assessment.

the prevailing sense that there is no feasible political solution in the short and medium terms, the Palestinian issue continues to be at the core of the political divide in Israel, heightening the tension between Jews and Arabs in Israel and Arab residents of East Jerusalem, and could damage relations with the Democratic administration in the United States. Consequently, in 2022 the Palestinian arena will likely demand military and political attention, compounding the challenges of a nuclear-driven Iran and those in the northern arena.

The central challenge: Restoring agreement-based dynamics and curbing the continued descent into a one-state reality. To this end, it is necessary to formulate an up-to-date strategy for the Palestinian arena that should be centered on a political, civil, and economic foundation of transitional agreements to strengthen the legitimacy and performance of the Palestinian Authority. In addition, Israel should consider a civil-economic plan for the Gaza Strip with the aid of the Gulf states and Egypt, and condition it on both a halt to Hamas's military buildup and gradual strengthening involvement of the Palestinian Authority.

## Political Stagnation and Outbreaks of Violence and Terrorism

Several events in 2021 turned the spotlight back toward the Palestinian arena, reflecting a growing distance from agreement-based dynamics; turbulence in the Palestinian Authority's governance system; instability; and an increase in terrorism and violence.

The inauguration of US President Joe Biden breathed new hope into the Palestinian Authority leadership, which supports a political process with Israel. For the PA, the end of President Trump's term removed the "deal of the century" from the agenda, given that the Biden administration supports the traditional positions favoring a two-state solution. However, the basic guidelines of the Israeli government formed in May 2021 include maintaining the status quo in the Palestinian arena, meaning postponing political progress but also postponing unilateral annexation, and at most implementing economic development measures. Gaps between the White House and the Israeli government emerged following the Biden administration's demand that Israel refrain from taking steps on the ground that would obstruct a two-state solution – in particular, continued construction in the West Bank and East Jerusalem – and Israel's opposition to an American consulate for Palestinians in Jerusalem (East or West). Nonetheless, the administration, in contrast to Palestinian expectations, does not intend, at least at this stage, to use its weight to launch a political process.

**Protests in the PA suppressed with an iron fist.** Protest following the death of human rights activist Nizar Banat

Photo: REUTERS/Mohamad Torokman



## The Formative Events of 2021 in the Palestinian Arena



### Cancellation of the Palestinian elections

- Continued erosion of the PA's legitimacy and the status of Abbas
- Growing competition in preparation for when Abbas departs the scene



### Change of government in Israel

- A settlement with the PA is not on the agenda, and there is no political horizon
- Willingness to take economic measures to strengthen the PA
- Declared intention by the Foreign Minister to reach an arrangement in the Gaza Strip



### Biden administration takes office

- Gaps between Israel and the US on construction in the settlements, opening of an American consulate, and commitment to a two-state solution
- The administration is not committed to advance an Israeli-Palestinian political process



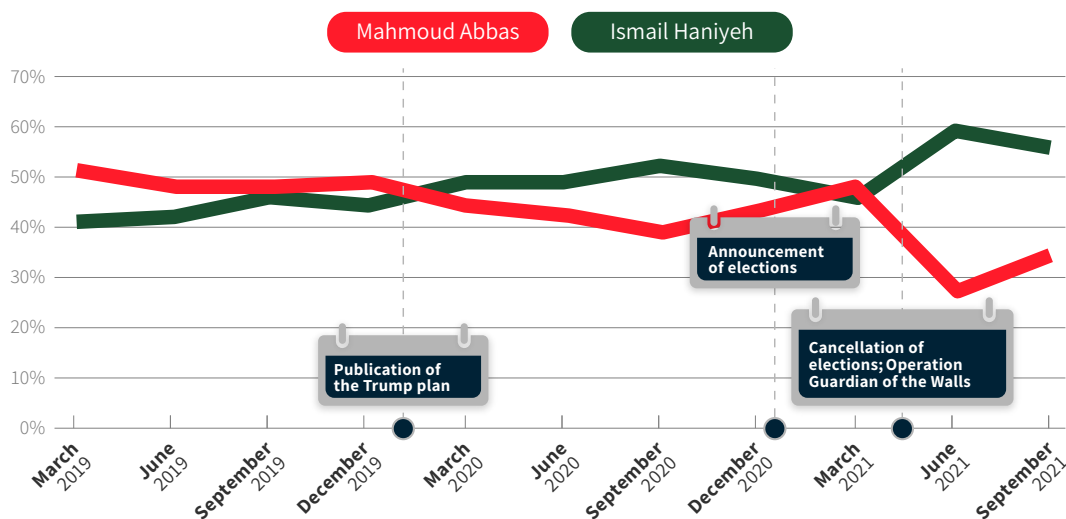
### Operation Guardian of the Walls

- Hamas sets the tone in the Palestinian system
- Linkage between fronts (Lebanon, West Bank, Gaza, Jerusalem, and cities in Israel with both Jewish and Arab populations)

In early 2021 Palestinian Authority President Mahmoud Abbas declared that elections to the Palestinian parliament would be held in May, in accordance with a plan agreed upon with Hamas. The idea of elections arose in reconciliation talks between Fatah and Hamas, which were accelerated by the isolation imposed on them by the Trump administration, the “deal of the century,” and the Abraham Accords. Abbas sought to demonstrate a positive approach toward the Biden administration and the European countries, which have long demanded that elections be held within the PA as a condition for continued economic support. When it became clear to Abbas in April that his movement, Fatah, faced a downfall, he canceled the elections, claiming that Israel did not allow them to be held in East Jerusalem.

The cancellation of the elections joined a series of violent events in Jerusalem that prompted Hamas to launch rockets toward Jerusalem, having identified an opportunity to achieve a leading status in the Palestinian camp. The rocket fire led to another round of conflict between Israel and Hamas, Operation Guardian of the Walls in May 2021. The military campaign took place in two parallel spheres. While Israel focused on the kinetic dimension to attain tactical military achievements, and mainly to strike and destroy Hamas military infrastructure and demand “quiet in return for quiet,” Hamas focused on the cognitive dimension and scored a strategic achievement: it positioned itself as the defender of al-Aqsa and Jerusalem; demonstrated that it leads the Palestinian camp – “if there are no elections then we’ll set the street on fire”; launched barrages of rockets deep into Israeli territory without the IDF succeeding in stopping them; stirred up Arab residents in cities in Israel with mixed Arab and Jewish populations; provoked riots in the West Bank; and succeeded in encouraging the launching of rockets at Israel from South Lebanon.

## Support for Ismail Haniyeh Increasing at the Expense of Support for Abbas



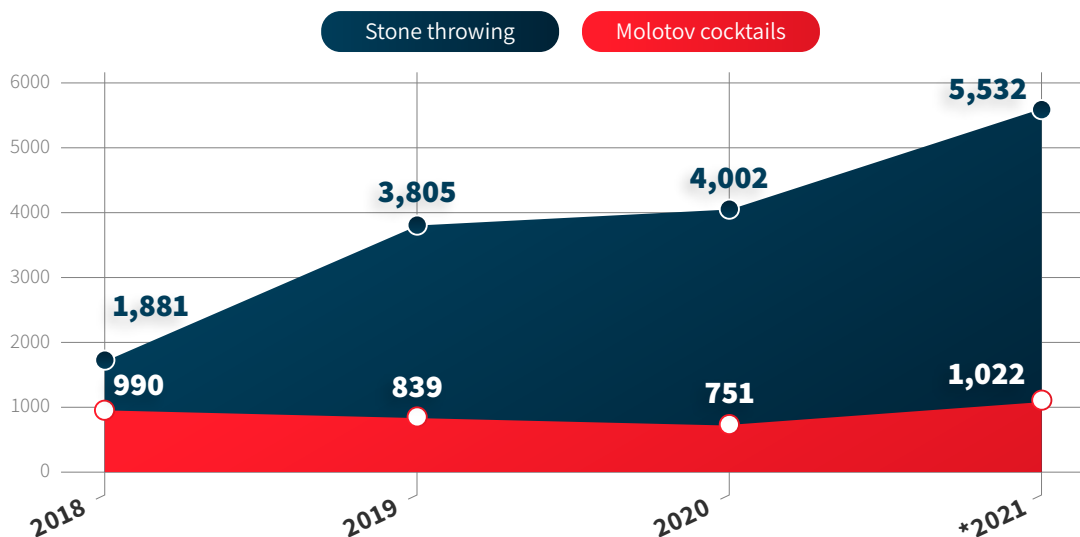
The figures are taken from a public opinion survey by the Palestinian Center for Policy and Survey Research (PCPSR), headed by Dr. Khalil Shikaki

Above all hovers the question of "the day after Abbas." Coalitions and alliances of potential successors form and unravel, each backed by armed militias and preparing themselves for Abbas's departure from the scene.

By six months after the campaign, Hamas succeeded in restoring the situation in Gaza to its former state and even improving it – the movement of goods into Gaza has been eased, work in Israel is permitted (for 10,000 workers/merchants), the Qatari bankroll has been restored, including to Hamas employees, and a plan has been formulated for reconstructing the Gaza Strip. In a poll conducted among the Palestinian public in June 2021 by the Palestinian Center for Policy and Survey Research (PCPSR), 59 percent stated that they would vote for Ismail Haniyeh if he ran against Mahmoud Abbas, who received only 27 percent support. Fifty-three percent thought that Hamas should represent and lead the Palestinian camp, and only 13 percent responded that Fatah should continue in this role. In a poll conducted by the Institute for National Security Studies (INSS), in response to the question "Who won in Operation Guardian of the Walls?" a minority of the Israeli public, 32 percent, answered that it was an Israeli victory; 44 percent that it was a "tie"; 15 percent said that both sides lost; and 8 percent thought that Hamas had won.

East Jerusalem continues to evolve as the epicenter of the conflict. Toward the end of the year, a wave of attacks by individuals hit Jerusalem and the West Bank. These included a shooting attack in the Old City (one Israeli was killed), a shooting attack at a vehicle close to Homesh in northern Samaria (one Israeli was killed), a car-ramming attack at the Te'enim checkpoint, and five stabbing attacks in Jerusalem. Palestinian elements relate to the attackers as "martyrs executed by Israel." Hamas is exploiting the atmosphere of escalation and fomenting continued and increased attacks. Meanwhile, there have been more incidents of stone throwing and Molotov cocktails thrown at vehicles traveling on roads in the West Bank and violent incidents between Palestinians and residents of the settlements.

## Terrorist Attacks in the West Bank



\* Figures are taken from the IDF end of the year report; updated to December 10, 2021

## The Palestinian Authority: Weakened but Surviving

Concomitant with the strengthening of Hamas, the crisis of the Palestinian Authority's stature and its ability to function has deteriorated. Compounding the cancellation of the elections and Operation Guardian of the Walls was the death of human rights activist Nizar Banat in June, which sparked a wave of demonstrations within PA territory; these in turn were forcefully suppressed by the Palestinian security forces, which inflamed the riots. Clearly the Palestinian public, and in particular young people, are tired of the dictatorial rule of Abbas and the corrupt PA, which in their view collaborates with Israel. Hamas and other actors have identified this PA weakness and are working to take control of

the Palestinian street. Consequently, the PA's forces began a campaign to restore governance, but this requires a prolonged and persistent effort and it is not clear whether the PA is fully committed to it. The increasing friction and tension are heightened by actions, sometimes violent, between extremist Jewish groups and Palestinians in Area C under the banner of "the struggle over Area C," as well as an increasing effort by the Civil Administration at monitoring and demolishing illegal Palestinian edifices.

Above all hovers the question of "the day after Abbas." Coalitions and alliances of potential successors form and unravel, each backed by armed militias and preparing themselves for Abbas's departure from the scene. Abbas himself is aware of his weakness and is increasing the antagonistic political campaign against Israel, accusing it of war crimes on numerous international stages and hinting that the PLO will withdraw from the Oslo Accords, thereby ending its recognition of the State of Israel within the pre-1967 borders, and will seek to realize the idea of "Greater Palestine." In addition, Abbas has rejected any initiative to integrate the Palestinian Authority in economic, technological, and energy projects. In his view, the purpose of the initiatives – in particular those emerging from the Abraham Accords, which the Palestinians vehemently oppose – is to replace the political process. The PA accuses the Gulf states of enabling Israel to advance a strategy of "economic peace" without a political horizon, and thereby help perpetuate the occupation and remove responsibility for the situation from Israel's shoulders.

The current Israeli policy appears to return the situation in Gaza to the days before Operation Guardian of the Walls, yet Hamas is even stronger and more dominant, and Israel does not have tools to obstruct its military buildup.

Despite its deteriorating situation, the PA is not collapsing, as there are many people within and outside its ranks with vested interests who benefit from it and are committed to its existence, including hundreds of thousands of Palestinians and their families who work in Israel or in the Palestinian public sector. The relative stability in the West Bank is helped by the security coordination between the PA's security forces and the IDF, the ongoing campaign to dismantle terrorist infrastructure ("mowing the lawn"), and maintenance of the fabric of Palestinian life. In addition, despite its problems and failings, the PA is the only Palestinian body that has international recognition. That said, the more the Palestinian Authority's standing continues to erode, its status as a future partner for an agreement is undermined, and its ability to implement agreements and understandings and maintain security calm becomes more tenuous.

**The need to improve preparedness for a military campaign.** IDF deployment on the Gaza border during Operation Guardian of the Walls  
Photo: IDF Spokesperson's Unit (CC BY-SA 2.0)



## Israel's Focus on the Gaza Strip

After Operation Guardian of the Walls, the change of government in Israel, and the completion of the security barrier around the Gaza Strip, Foreign Minister Yair Lapid unveiled his “economy for security” plan, thus signaling Israel’s willingness to advance toward an arrangement in the Gaza Strip. While the government has declared that the reconstruction of Gaza will be conditioned on halting Hamas’s military buildup and resolving the issue of the captured and missing Israelis, it is evident that the Israeli leadership understands that insisting on these conditions would tie its hands in a way that harms its own interests, which center on stabilizing Gaza. Egypt for its part sees achieving understandings for a five-year ceasefire between Hamas and Israel and the integration of Egyptian companies in projects to reconstruct the Gaza Strip as a way to underscore its potential as an asset in the eyes of the Biden administration and the international community, and as leverage to improve its influence to restrain Hamas.

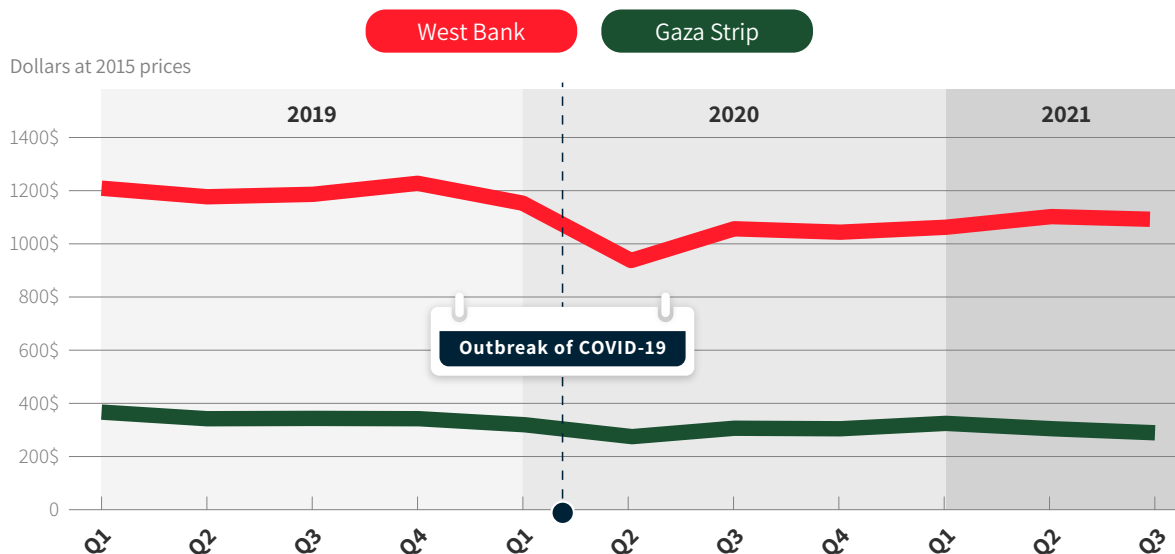
The current Israeli policy appears to return the situation in Gaza to the days before Operation Guardian of the Walls, yet Hamas is even stronger and more dominant, and Israel does not have tools to obstruct its military buildup. Furthermore, since the operation Hamas has implemented a dual resistance strategy – calm in the Gaza Strip alongside development of terrorist infrastructure and incitement in Jerusalem, in the West Bank, and South Lebanon. Hamas is expected to continue to balance between the various identities – religious, national, civil, and resistance – as long as these serve its various goals. Any process toward an arrangement in the Gaza Strip thus recognizes Hamas’s legitimacy and strengthens it, including acceptance of the dual resistance strategy. A necessary corollary is the weakening of the Palestinian Authority, its standing, and its political course.

## Deepening Economic Crisis

The PA territory has experienced a gradual recovery from the economic crisis caused by the COVID-19 pandemic, but the PA government is confronted with a serious deficit as a result of a decline in foreign aid and the devaluation of the dollar relative to the shekel, which increases the Palestinian dependence on tax transfers from Israel. It is possible that a strengthened shekel will have a positive impact on the Palestinian cost of living, as reforms implemented recently on imports increase the purchasing power of the shekel and enable the import of products from abroad at reduced prices. However, rising prices of fuel and food and global supply chain disruptions could reduce the positive impact. In addition, in 2021 there was a significant increase in the number of Palestinians employed in Israel, but the total income of the employees, which amounts to 21 percent of the PA’s GDP, is barely taxed. This employment has a negative impact on the employment of Arab men who are citizens of Israel, which has already declined in recent years. In addition, corruption is a significant growth inhibitor in the PA, e.g., illegal sales of permits to work in Israel, the lack of competition stemming from the coupling between those with financial interests and their connections to the PA leadership, and the lack of a functioning judicial system.

The Gaza Strip economy has not yet recovered from the COVID-19 pandemic and GDP is even lower than before the crisis. The international community’s reconstruction efforts led by Egypt have advanced, but the economy itself is meager with low added value and a shortage of capital due to years of low investment. There are few manufacturing industries in the Gaza Strip, and hence an expansion of permits to export from Gaza to Israel or to other economies is not expected to lead to a considerable increase in exports. Israel recently approved “merchant permits” from Gaza for work in Israel and later raised the number of work permits from 7,000 to 10,000, with most Gazans in Israel working unofficially as day laborers, not merchants. From the perspective of the security establishment, the entry permits to Israel are a tool for stabilizing the military situation between Israel and the Gaza Strip, but economically they have only a slight effect on Gaza’s economy. Despite the attractiveness of working in Israel in terms of the level of income, this is not a reality-changing tool; it has a marginal impact on employment and unemployment rates due to the size of Gaza’s work force.

## GDP per Capita in the Palestinian Economies



Source: Palestinian Central Bureau of Statistics

## Conclusion and Recommendations

A central strategic problem for Israel is that conditions on the ground are moving away from those that enable a political solution to the Israeli-Palestinian conflict. The current government, like its predecessor, seeks to buy time and postpone strategic decisions on the Palestinian issue. The implication is a slow, almost unfelt, slide into a one-state reality, despite the widespread understanding among the public and the majority of political elements that this reality endangers the Zionist idea and the ultimate aim of a Jewish, democratic, secure, and moral state. Findings from an Institute for National Security Studies (INSS) survey show that about 60 percent of the public thinks that the State of Israel should take steps now to separate from the Palestinians in order to prevent a reality of a single binational state.

The main factors leading toward a one-state reality are: the lack of a political horizon; “deals” with Hamas above the head of the Palestinian Authority, thereby weakening it as a partner for a future agreement; construction in settlements outside of the settlement blocs and east of the security barrier, and the legitimization of unauthorized outposts, which will make separation between the populations much more difficult; a significant increase in work permits in Israel for Palestinian workers, their direct employment by Israeli employers, and their integration within the Israeli economy; connection and unification of water, electricity, communication, and transportation grids, which increase mutual dependence; prevention of open transit between the PA and Jordan; perception of all of the territory west of Jordan as a unified security zone under Israel’s control.

The basic premise underlying Israel’s policy in the Palestinian arena should be the need to confront two separate and competing Palestinian entities.

- With respect to Hamas, Israel currently aspires to formulate understandings for a prolonged period of calm in return for the reconstruction of Gaza and lightened closure, while encouraging increased Egyptian involvement. This alternative is not stable because it does not address the problem of Hamas’s military buildup, an agreement on the captured and missing Israelis is not in the realm of attainment, and it is subject to Hamas’s whims, which vacillate between pragmatism and resistance. Consequently, Israel and the IDF must improve preparedness for a military operation that aims to dismantle Hamas’s military capabilities and ongoing conflict management, because the vectors are pointing in these directions. At the same time, in order to restrain Hamas, Israel should make efforts to involve the Gulf states (the United Arab Emirates and Saudi Arabia) in projects to rebuild Gaza – natural gas supply as a green energy source, desalination of sea water, sewage infrastructure, and the establishment of employment centers – that will be run under Egyptian leadership and reduce the senior standing of Qatar.

- With respect to the Palestinian Authority, there should be an effort to strengthen it in order to maintain stability in the West Bank and as part of a strategic plan to maintain the dominance of agreement-based dynamics and stop the slide into a one-state reality. To this end, Israel should work in four spheres:
  - a. Transitional arrangements for a period of 3-5 years, or understandings (without written agreements) on cooperation with the Palestinian Authority. The aim: a gradual and developing process of improving the law and order, economic, and civil situation and the PA's governance capability. To that end: maintain ongoing discourse with PA representatives; expand the realm of arrangements on a wide variety of issues, big and small, and implement them on the ground immediately; recognize the PA as a legitimate partner and prefer it over the nationalist Islamic stream that is not oriented toward peace; strengthen the standing of the Palestinian security apparatuses in enforcing law and order in Areas B and C; establish a designated dock for the PA at the Ashdod Port with train tracks to the crossings at Tarqumiya and Erez; approve the placement of Palestinian customs agents at the ports and at the Allenby Crossing for Palestinian goods; increase the operating hours and the capacity of goods transfers at the Allenby Crossing; advance green energy, environmental, water, and climate projects; aid in recruiting international support for the PA; evince willingness to reopen discussion of some of the articles of the Paris Protocol; take decisive action to prevent violence between Jews and Palestinians.
  - b. Start to implement steps toward separation, with a preference for coordination with the Palestinian Authority, but also possibly independently. In this context: refrain from building outside of the blocs and especially in areas that prevent separation; upgrade Palestinian status at the crossings (including Allenby); issue permits for building economic infrastructure for Palestinians in Area C; legalize Palestinian construction that spills over into Area C and change its status to B (such that 99 percent of the Palestinian population will live under the responsibility of the PA); rebuild and complete the security barrier to close breaches.
  - c. Maintain the “keys” to security in the hands of the IDF, with continued freedom of operation throughout the West Bank to the Jordan River, as an ongoing campaign to prevent attacks and dismantle terrorist infrastructure, while maintaining cooperation with the PA's security apparatuses. Agree with the PA that the more its security forces operate with determination to dismantle terrorist infrastructure and prevent attacks, the more Israel will be able to reduce the profile of its activity on the ground.
  - d. Recruit the support of the Gulf countries, Egypt, and Jordan to provide guarantees to the Palestinian Authority for its willingness to cooperate and to help build infrastructure for an independent Palestinian state, and initiate joint regional projects of the PA with Israel, Egypt, Jordan and the Gulf countries in the fields of green energy, water, technology, and climate.
- Special attention is required for the issue of Jerusalem, a sensitive point where all of the conflict's components – national, religious, historical, emotional, symbolic, security, and civil – converge. It is important to continue to develop East Jerusalem, including with improved infrastructure, more schools and preschools, and more places of employment for the local population. Construction in E1 and Atarot should be postponed, while opposing the opening of an American consulate in West Jerusalem; on the Temple Mount, the status quo should be maintained and the standing of Jordan as a restraining element should be strengthened; it is recommended to examine the establishment of an Arab Muslim advisory committee led by Jordan. In Sheikh Jarrah and Silwan, Israel should strive for solutions that enable the Palestinian residents to remain in their homes.

# The Technology Arena: Maintaining the Regional Qualitative Edge

Liran Antebi



## Trends

Israeli technological superiority is not free of weakness • Operation Guardian of the Walls demonstrated use of AI • Israel also leads in civilian technology fields • Many unicorns with positive economic and international influence



## Recommendations

Maintain technological-military superiority • Improve the air defense system as per changing threats • Launch governmental activity to formulate and implement a national strategy on AI

Israel's military technological superiority was demonstrated in Operation Guardian of the Walls, highlighted by air defense systems, artificial intelligence applications, and precision strike capabilities. In addition, despite the effects of the COVID-19 pandemic, Israel has maintained its economic strength, particularly thanks to the success of technology companies that issued public offerings or were sold for major sums. However, Israel also has weaknesses in the technology realm. For example, it is evident that the aerial threat is changing due to new advanced offensive and defensive technologies. In addition, Israel suffered from successful cyberattacks against civilian companies and from the negative publicity and diplomatic fallout of controversial activity by Israeli companies in the offensive cyber domain. Israel is not sufficiently prepared for emerging digital threats such as "deep fake" and "fake news" attacks; it lacks a national strategy and orderly management for leadership in fields marked by an international struggle for superiority, such as artificial intelligence. These weaknesses must be addressed due to the importance of technology leadership for Israel, both in terms of the military and in terms of the economy and international influence.

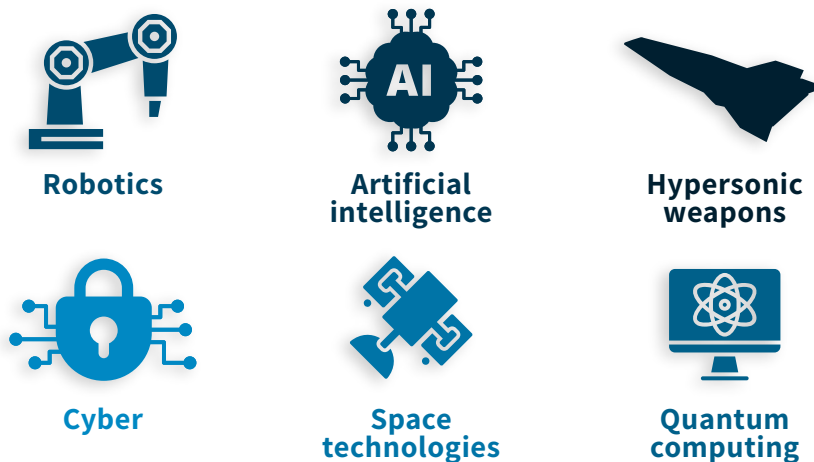
Technology is of decisive importance to Israeli security, ever since the days when Israel's first prime minister, David Ben-Gurion, shaped the foundations of the country's security concept. Today technology affects all areas of life, beyond security and military issues; moreover, it impacts on security through economic, social, and international issues, given that Israel's economy and military strength rely considerably on its technological edge and technological leadership.

Israel is influenced by the "competition for superiority" underway in the past decade among great powers and countries regarding leadership in technological fields, including artificial intelligence, quantum computing, cyber, robotics, and space technologies. This competition affects the global balance of power, countries' standing, and their ability to operate in the international arena. Israel is affected by this competition both in "hard" military aspects such as military force buildup, abilities to apply its force on the battlefield, and its ability to fight against terrorism; and in "soft" aspects such as the export of civilian and military technologies that affect the economy, jobs in the economy, and the ability to employ soft power in the international arena.

In May 2021, Israel demonstrated its military technological superiority in battle, as part of Operation Guardian of the Walls in Gaza, using advanced technologies, led by artificial intelligence. At the same time it is threatened by advanced technologies, some of them off-the-shelf technologies that have reached the hands of state and non-state enemies, including UAVs (unmanned aerial vehicles) whose use in the Middle East has escalated in the past year.

This chapter examines local and global technological changes of the past year that impact on Israel's security, and points to the technological issues and areas in which Israel has scored significant achievements, as well as those requiring preparations or improvement at the outset of 2022.

### Leading Fields in the Competition for Superiority



### Current Trends

Israel has traditionally been a global military technology leader in fields such as air defense systems, UAVs, cyber, and artificial intelligence. In addition, in the past year Israeli companies have become increasingly dominant in civilian technological fields, including automotive, fintech, and service applications, with many tech companies becoming unicorns – private companies valued at over \$1 billion. Below are the current trends affecting Israel in several prominent technological fields.

#### Technology and Israeli Military Power

In 2021 Israel once again proved that technologically and militarily it is one of the preeminent countries in the Middle East. It surpasses neighbors, adversarial states, and non-state organizations in the fields of advanced defense systems, technological intelligence, advanced airpower, advanced capabilities in defensive and offensive cyber activity, innovation processes in technological naval and ground forces strength (albeit underway at a relatively slow pace), and innovative technologies, including the ability to operate multi-dimensionally and to increase lethality, as defined by Chief of Staff Aviv Kochavi.

In Operation Guardian of the Walls, especially prominent were the increased use of artificial intelligence technologies for the purpose of intelligence and fast and precise strikes on targets, and the advanced use of airpower. The operation highlighted the importance of advanced Israeli air defense technologies, with an emphasis on Iron Dome's improved capabilities, such as intercepting UAVs. The technological aspect of the operation received extensive coverage in the international media, and Guardian of the Walls was called "the first artificial intelligence war," with significant emphasis on the use of these technologies in the operation, as well as the pioneering operational use of a "swarm" (group of UAVs) for the purpose of locating and striking ground targets. On the other hand, the fact that the power of the IDF's ground forces was not demonstrated in the operation was highly noticeable. The value of ground forces maneuver has been questioned since the Second Lebanon War, and it has been argued that this erodes Israeli deterrence; this is also true of ground technologies.

If what stood out in recent years was terrorist organizations' use of mainly primitive means and the difficulty of providing a technological solution, in the past year what stood out was the impact of advanced technologies, some of which are off-the-shelf, simple to operate, and inexpensive.

### The Changing Aerial Threat to Israel

The past year saw changes in the aerial threat to Israel. If what stood out in recent years was terrorist organizations' use of mainly primitive means (e.g., incendiary kites and balloons) and the difficulty of providing a technological solution, in the past year what stood out was the impact of advanced technologies, some of which are off-the-shelf, simple to operate, and inexpensive, which enable various countries and terrorist organizations to operate armed UAVs, for example, or drones for intelligence gathering. These compound the proven threat of statistical attacks via rockets, as well as the threat of precision strikes via Hezbollah's precision missile project and by means of Iranian-produced explosive UAVs operated throughout the Middle East against various targets.

**Importance of technology to air defense. Interceptions over Ashkelon during Operation Guardian of the Walls**  
Photo: REUTERS/Amir Cohen



## Digital Threats and the Cyber Realm as a Continued Growth Engine

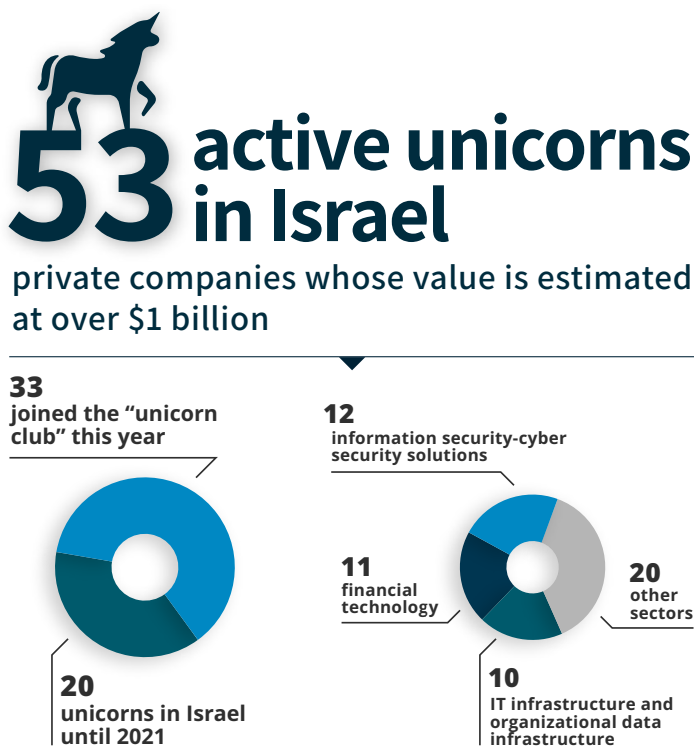
During the past year Israel suffered many cyberattacks, mainly against civilian companies that are inadequately protected. A large portion of this technological threat comes from the direction of Iran, which the October 2021 Microsoft Digital Defense Report defines as the only state actor regularly engaging in destructive cyberattacks, including ransomware attacks, most of them against Israeli targets. In addition, Israel is clearly not sufficiently prepared to cope with emerging digital threats, such as deep fake attacks (fakes produced using artificial intelligence) and influence attempts using the dissemination of fake news through bot networks.

On the other hand, Israel is still a world leader in defensive and offensive cyber activity. Alongside the military advantage that this leadership grants, it creates an export field with international influence and a domestic impact on the Israeli economy via 500 cyber companies, with annual sales estimated at \$10 billion. Not to its credit, however, the Israeli cyber field stood out in the past year due to the negative exposure of the use of offensive cyber products of the Israeli company NSO by regimes that violate human rights, and against official elements in friendly countries (even including against French President Emmanuel Macron). These exposures embarrassed Israel and forced the Ministry of Defense to reevaluate its policy regarding the supervision of defense exports.

## The Impacts of Technology on the Economy and Israel's International Image

The past year saw positive changes in the Israeli economy, unlike most economies in the world, which have been negatively affected by the COVID-19 pandemic. Aside from the familiar economic indices, Israel demonstrated impressive technological advances, for example in the field of drone deliveries (including via the NAAMA Initiative) and through the activity of companies such as ORCAM, whose product, which helps people with reading difficulties, was selected by *TIME* magazine as one of the 100 best inventions of 2021.

## Israel's Leap Forward in Unicorns in 2021



From the annual report by Start-Up Nation Central

Israel also continued its transition from "start-up nation" (the country with the most start-up companies per capita) to "scale-up nation" (the country with the most unicorns per capita – private companies whose value is estimated at over \$1 billion). Along with the variety of unicorn IPOs that took place this year and venture capital fund investments, there were also private deals totaling \$10 billion, with a significant portion of the acquisitions of Israeli companies for

the first time carried out by Israeli companies themselves, which emphasizes the strengthening of Israel's economic-technological power.

In addition, over the past year there were reports of major deals signed for acquisitions from Israeli defense industries, including cooperation agreements with new allies such as the United Arab Emirates, or weapons deals with Morocco. Reports on developments in the realm of space for civilian and military needs, including by companies supported by the Israel Space Agency, also paint Israel in a positive light. At the same time, it is evident that in various civilian and military technological fields such as UAVs and artificial intelligence, Israel's dominance continued to erode, mainly due to serious competition presented by the great powers and other countries.

## Insights, Forecast, Challenges, and Opportunities

While Israel clearly maintained its technological edge in the past year, there were evident changes in elements that create this strength. Consequently, it is worth considering these changes and adapting Israel's policy to them, in order not to decline in critical areas, and meanwhile to try to optimize the situation in fields with potential for improvement.

A central field that requires improved preparedness due to technological changes is the evolving aerial threat to Israel. In this context, there is a consistent need to examine big and small threats and the ability to exert airpower, and to adjust the responses as necessary. While the countries bordering Israel lag in terms of independent technological development that poses a real threat, Iran, despite the sanctions and its difficult economic situation, invests in research and development, and in the past year the bulk of its military investment was in the aerial realm. This trend is expected to continue and even to escalate, as there is a concern that Iran will succeed in developing and exporting stealth technologies and "swarms." These will join the precision technologies with which it seeks to arm Hezbollah.

Consequently, it is imperative to address the fact that Israel's air defense potential has not been fully realized, including in the fields of defense against various kinds of UAVs (among them, drones) – according to two State Comptroller reports on the issue (2017, 2021). This is in contrast with Israel's technological and export capabilities in these very fields. Several new systems were revealed in this domain this year; that said, even improving the technological response does not ensure the ability to cope with an attack by means of barrages and saturation – when the enemy simultaneously operates a large quantity of air weapons that challenge the identification and interception systems beyond the level they were challenged in Operation Guardian of the Walls. One of the means discussed is reliance on more artificial intelligence-based identification systems that can also cope with swarms and weapons that do not operate statistically, and with laser-based interception systems that will enable reducing the dependence on



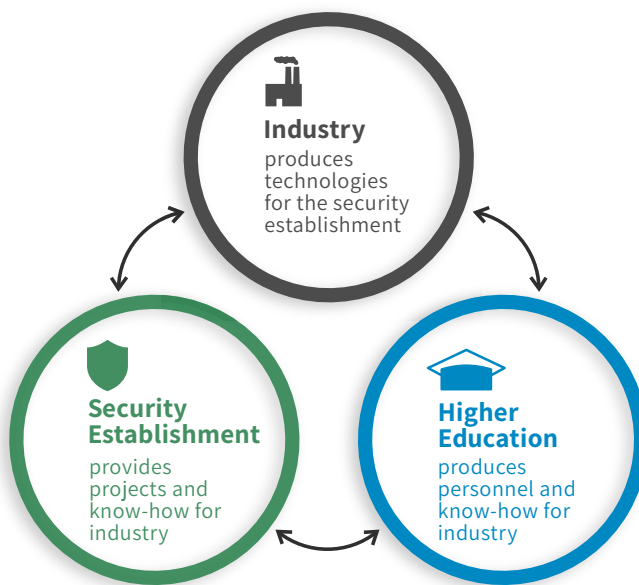
Iranian-made explosive drones throughout the Middle East. Hamas cell during launch of an Iranian-made explosive UAV



interception missiles. Thus, it is recommended that Israel continue to carry out preventive strikes and assume that the defense, as good as it may be, is not hermetic, and to prepare for sustaining attacks and protecting the home front.

A change in government policy is also necessary regarding technologies that are part of the “competition for superiority,” with an emphasis on artificial intelligence and information technologies. The State of Israel is one of the world leaders in developing artificial intelligence. Its standing is reflected in several start-up companies active in Israel in the field and the establishment of development centers of international companies in Israel. Furthermore, Israel is considered a leader in developing and implementing artificial intelligence-based military applications, as demonstrated in Guardian of the Walls. The Israeli edge has been supported for years by a defense industry ecosystem that integrates industry, academia, and military bodies that in concert push the field forward. Inter alia, this edge has been made possible by the unique characteristics of the Israeli defense industry ecosystem related to mandatory service and reserve duty in the army that affect manpower quality and experience and the transfer of knowledge among its various parts, as well as the geographic and cultural proximity and sense of shared destiny that help advance issues and achieve goals quickly and at relatively low prices.

## Uniqueness of the Israeli Technology-Security Ecosystem



After serving in military units, qualified and expert personnel pursue higher education or go directly into industry. Some join existing industries, and some found start-ups.



Academic-scientific projects in cooperation with or budgeted by the security establishment.



Physical proximity between industry, the security establishment, the consumers themselves, and the battlefield. Personnel with experience and know-how relevant to the security establishment are integrated in industry after demobilization from the army, and preserve current know-how through service in the reserves.

There is a concern that this edge will erode, undermining Israel's economic strength and its defense and military aspects. This is due to aggressive global competition in all coveted areas of superiority, with many countries managing them in a deliberate and even centralized manner. Israel, however, tends to enable their management by market forces, without government management and sometimes also without sufficient government support. For example, while Israel was ranked six in the Global Artificial Intelligence Index, it is ranked 51 (eleven from the last place place) when it comes to governmental strategy in this field. In this context, it is worth learning from the field of UAVs over the past few years, regarding the negative effects (economic and military) of aggressive global competition in a realm dominated by Israel.

There is a concern that aggressive global competition in all coveted areas of superiority will offset Israel's technological edge and undermine the country's economic and military strength. Israel tends to enable market forces to lead, without government management and support.

Over the past year Israel attempted somewhat to rectify the situation, in part by funding the implementation of some of the conclusions of the expert committee appointed by the TELEM Forum (National Infrastructure for Research and Development) as well as through Israel's success in being admitted to the GPAI (Global Partnership on Artificial Intelligence), the exclusive association of countries in the field. However, at the outset of 2022 Israel clearly lacks a national strategy and central management of the field of artificial intelligence, except via the Ministry of Science and Technology, which does not have sufficient powers to lead the field nationally, as is the case in the United States, China, and elsewhere. In addition, Israel should increase its international involvement in shaping treaties and in setting standards in order to preserve its unique status in the field, which is necessary for maintaining its national security.

In conclusion, it is evident that Israel's technological situation is relatively good, but it must improve its preparedness for coping with emerging challenges and changes, especially but not only in the aerial domain. In addition, a main part of the challenge in technology is related to national management of various issues. Positive change will help preserve and perhaps even enable improving national leadership in technological fields that are important to Israel, as well as setting and achieving its objectives for the coming decades.



# The Operational Environment: Superiority Challenged by More<sup>3</sup> – Operational Arenas, Weapons, and Actors

Dror Shalom



Photo: IDF spokesperson's unit (CC BY-NC 2.0)



## Trends

- Clear but challenged Israeli superiority
- Significant improvement in enemy firepower capabilities, in quantity, lethality, and precision
- Israel faces more arenas of operation, more enemies, and more advanced weapons



## Recommendations

- Implement the Tnuva multi-year plan
- Strengthen military capabilities for action against Iran
- Adapt the campaign between wars to the regional campaign against Iran
- Prepare for battle days and a multi-arena war
- Improve home front defense and preparedness

Overall, Israel is a strong regional power that enjoys clear operational superiority over its enemies due to its strength in intelligence, airpower, and active defense. This was manifested clearly in 2021 in Operation Guardian of the Walls (attacks on Hamas's underground and active defense), in the campaign between the wars (reducing the Iranian entrenchment in Syria), and in routine security measures in the West Bank. The Tnuva multi-year plan is also meant to improve the IDF's operational capabilities for war scenarios, along with neutralization of the threat of attack tunnels, identification of more potential targets, and intelligence and firepower adapted to the information and artificial intelligence era.

However, force buildup among Israel's enemies reflects a clear learning curve, which in turn offsets Israel's strength based on their improved defensive capabilities – advanced anti-aircraft systems, disruptors, underground spaces, and integration into the urban environment. Even more so are the enemies' improved offensive capabilities – more operational dimensions and arenas, and better firepower: in quantity, quality, lethality, and especially precision. With the potential for a turning point in the nature of the confrontation, there is a need for a mental leap (from knowledge to awareness) regarding the intensity of the threat, to the point of examining the possibility of future preemptive action.

Consequently, it is essential to continue to invest in upgrading the capabilities of the IDF and the other security forces through a systemic perspective that is customized to changes in the strategic and operational environment. The immediate focus should be on creating a credible military threat vis-à-vis Iran, not only as to the nuclear program but also regarding a large-scale war in the north. In tandem, the campaign between wars should be continued, expanded, and adapted to the entirety of the Iranian threat, while deepening defensive and offensive cooperation with other actors in the region. In addition, Israel should launch a campaign between wars vis-à-vis the military buildup in the Gaza Strip; prepare for scenarios of deterioration or collapse of the Palestinian Authority in the West Bank particularly once Abu Mazen departs the stage; strengthen the 360° defense of the home front, in light of the potential of a “counter campaign between wars” and a prolonged multi-arena war; engage in political-military discussion to plan maximization and priorities in the case of battle days in the north; formulate an up-to-date strategic objective for the scenario of a war in the north; create mechanisms for controlling the Gaza Strip in a scenario where Hamas is toppled, the organization collapses, or there is a severe humanitarian crisis; and consider how to gain legitimacy and maximize achievements given an accelerated international stopwatch in the case of massive IDF strikes in the urban environment.

Significant processes of change are underway in Israel’s operational environment, in part due to the dynamics and consequences of changes in the strategic environment. Foremost among the shifts in the strategic environment are: regional upheaval, and an erosion of the image of American power alongside the Russian presence in the region; the information revolution and developments in the field of missile precision, miniaturization of computing and technological components and unmanned vehicles; and the regional field of struggle, which enables a learning curve and experience using new weapons in the kinetic and cybernetic dimensions for offense and defense.

Overall, Israel is perceived as a strong regional power, especially due to its operational strengths – its clear superiority in intelligence and cyber tools, airpower, and active defense (Iron Dome). These were also evident in 2021:

- In Operation Guardian of the Walls, despite the complex balance sheet on the strategic level, on the battlefield Israel again demonstrated unique attack capabilities in Hamas’s underground medium (even if the achievement was less than expected), and succeeded in thwarting all of the ground initiatives from within the territory of Gaza while Iron Dome provided significant protection, despite the many barrages of rockets.
- In the campaign between wars, Israel continued to score many achievements in curbing the Iranian entrenchment in the Syrian theater (and certainly in relation to Iranian intentions), while demonstrating, as in the past, the ability to carry out precision strikes on Iranian infrastructure and advanced weapons brought to the region. The implementation of the campaign between wars is possible due to a combination of political activity (dialogue with Russia) and military activity that manifests advanced intelligence and air force capabilities.



Capability to strike Hamas underground.  
Underground tunnel exposed in Gaza Strip

In many senses, Iran is the element leading the operational learning curve with Israel. It enjoys advanced capabilities in research and development, and its outstretched tentacles elsewhere in the Middle East earn it experience and knowledge.

- In routine security measures, the IDF continues to demonstrate high-level capabilities to thwart distant threats and border threats in a variety of dimensions (in the air, at sea, and in cyberspace), all while continuing the joint activity of the IDF and the Israeli Security Agency to prevent terrorism in the West Bank.

From a broader perspective, the Tnufa multi-year plan stands to improve the IDF's operational capabilities for war scenarios, with the need to neutralize the threat of offensive tunnels (in the Gaza Strip and Lebanon), identify enhanced targets in both quantitative and qualitative terms, and improve intelligence and firepower capabilities toward significant damage to Hezbollah's capabilities in Lebanon. There is also a need to sharpen capabilities for striking Iran (and not only nuclear sites); continued upgrade of intelligence capabilities in the information,

artificial intelligence, and cyber era; enhancements of active defense; and continued acquisition of interceptors and honing offensive capabilities, particularly when it comes to connectivity between command and control, intelligence, and all components of firepower.

At the same time, there is an ongoing trend in which Israel's operational superiority is offset. In the background are the technological revolution, which allows for easier access to knowledge for developing advanced weapons (copying and reverse engineering); the miniaturization and "civilianization" of computing capabilities, detection, disruption, and lethality; and the fact that the Middle East is a field of struggle (not just between Israel and its enemies) that enables the accumulation of operational experience and trials that accelerate the mutual learning curve in offense, disruption, defense, and cyber.

In many senses, Iran is the element leading the operational learning curve with Israel. It enjoys advanced capabilities in research and development (human capital and advanced technological capabilities), and its outstretched tentacles elsewhere in the Middle East – Quds Force, proxies, and allies – gain experience and knowledge from the friction with Israel and the Gulf states in routine times and during escalation. In practice, the growing capabilities

**Growing use of explosive UAVs.** Launch of UAV during Iranian army exercise

Photo: Iranian Army/WANA (West Asia News Agency)/Handout via REUTERS



of Iran, Hezbollah, Hamas, and Islamic Jihad reflect accelerated development that strives to offset Israel's sources of strength in several main areas.

### Offensive Capabilities: Firepower<sup>3</sup> – More Quantity, More Quality, More Precision

There are continued efforts toward the accelerated development of capabilities to harm the Israeli home front and the maneuvering forces using advanced firepower capabilities. Thus, alongside the effort to increase the quantity, which in itself is a qualitative development, there is a prominent effort to increase the damage capacity by developing larger warheads with greater destructive capability (including heavy rockets in the hands of the terrorist groups in the Gaza Strip) and above all, to develop precision fire capability. In many senses “the precision is already here,” as for some time Iran has been converting many rockets into precision missiles, and Hezbollah too, with Iran's help, has maintained its determination to develop an independent capability to produce and convert precision missiles in Lebanon, despite Israel's preventive efforts in the campaign between wars. Progress on this in Lebanon, and certainly possible success in converting hundreds of rockets into precision missiles in the future, would pose a serious strategic threat to Israel, which would accentuate the dilemma regarding preemptive action.

The era of unmanned aerial vehicles (UAVs) and drones: There is increasing experience with autonomous weapons, explosive drones, and UAVs. Iran and its proxies have earned much knowledge, capability, and experience in operating low-signature explosive UAVs over long ranges, and these tools are seen by Tehran as a (relatively) precise means of attack that enables operating under the threshold of war.

Challenge to the Iron Dome: Operation Guardian of the Walls provided further evidence that escalation in the Gaza Strip serves as a learning and testing ground for Israel's enemies in a variety of fields, foremost among them the effort to identify vulnerabilities in the Iron Dome system. Hamas continued its attempts to challenge Iron Dome systems by means of timed barrages, swarm barrages to empty out the batteries of interceptors, and fire from a variety of areas directed toward one target. Overall, Hamas failed in practice to cause the damage that it wished, but it is essential to consider the complexity of the challenge to Israel's defensive systems in scenarios of intense and prolonged war in the northern arena or on several fronts simultaneously.

**Deployment in the urban space.** Rockets launched at Israel from a civilian area in southern Lebanon, August 2021

Photo: REUTERS/Karamallah Daher

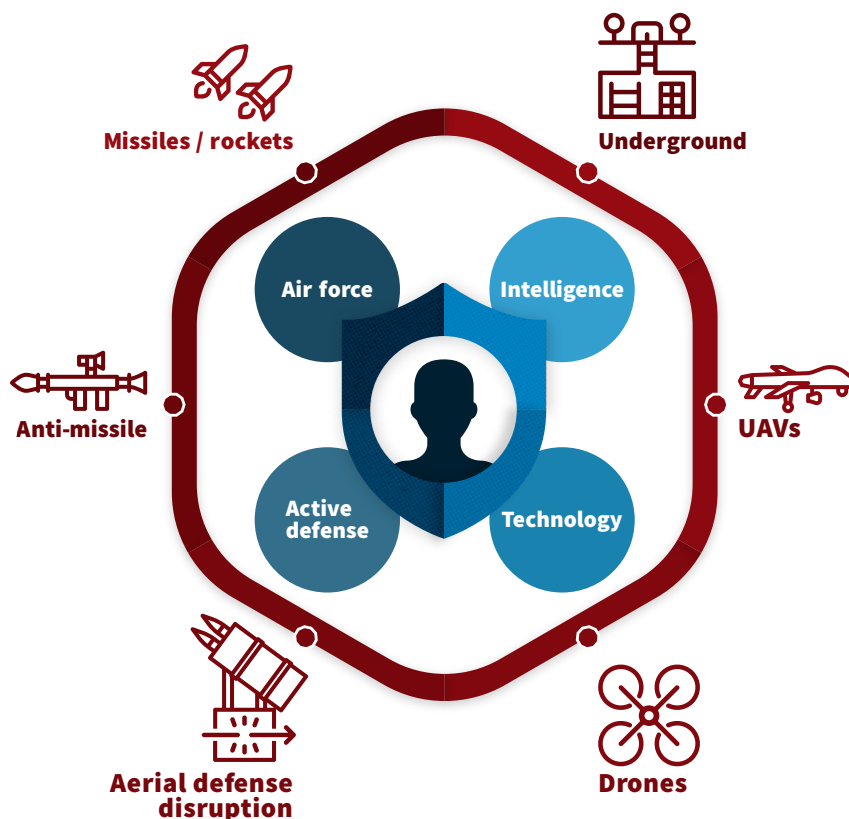


## Defense: Anti-Aircraft Systems, Disruption, Integration into the Urban Environment, and Descent Underground

In the field of defense, the goal is to erode Israel's superiority in the aerial dimension through an effort to introduce advanced anti-aircraft systems to reduce the air force's freedom of operation in the skies above Lebanon – which could also lead to a miscalculation and to escalation; an effort to increase the campaign over the aerial spectrum through disruption efforts and aerial warfare in the Syrian sphere; and the continued development of capabilities in Lebanon and the Gaza Strip to challenge the maneuvering capabilities of the IDF's ground forces by creating a comprehensive threat that includes advanced anti-tank missiles (precision guided and longer range), bouncing bombs, and explosive drones.

Joining these is the ongoing trend of going underground. Despite the capabilities that Israel has demonstrated in locating, neutralizing, and striking the underground medium, this dimension continues to be seen as the optimal way to defend against Israel's precision strike capabilities. The main purpose is protecting high-quality weapons, weapons production facilities, command posts, and in Iran, the operation of advanced centrifuges. All of this is against the backdrop of continued integration into the urban environment while using the population as a human shield, especially in Lebanon and the Gaza Strip.

### Challenged 360° Superiority



360° threat: It appears that under the influence of the campaign between wars against Iran's entrenchment in Syria and the counter-reactions of Iran and its proxies, the IDF, more than in the past, must defend and attack in more arenas and in more dimensions. Thus, alongside the familiar threat from the northern sphere, the Gaza Strip, and the West Bank, Israel must take into consideration intelligence, defense, and attack capabilities in additional arenas, including Iraq (Israel has already thwarted attack attempts from this region), possibly also Yemen (the Houthis' threats against Israel and the weapons transferred there from Iran), in the maritime medium (especially against the backdrop of the series of attacks carried out by Iran against vessels Tehran thought belonged to Israel), and in the cyber realm (used increasingly by Iran against targets in Israel). Meanwhile, Israel must recognize that in the scenario of an all-out war, it might need the capability to attack and defend simultaneously on several fronts, including in Iran itself.

Currently there is no immediate threat of unconventional weapons. Nonetheless, on the agenda is Iran's attempt to achieve nuclear capability, and the possibility of its becoming a "threshold state" already increases the motivation of Sunni countries (Egypt, Saudi Arabia, and Turkey) to achieve such capabilities. Thus in many respects, even if there may not yet be a nuclear arms race in the Middle East, the "nuclear crawl" has presumably already begun, and more in-depth research on the issue is necessary. In the realm of biological and chemical weapons: there is no significant threat at this time, but it is clear that Israel should presume that residual capabilities exist in Syria, and should more closely track the possibility that Hezbollah will arm itself with dangerous substances (anesthetic substances, for example) as part of its experience from fighting alongside the Syrian regime.

It appears that under the influence of the campaign between wars against Iran's entrenchment in Syria and the counter-reactions of Iran and its proxies, the IDF, more than in the past, must defend and attack in more arenas and in more dimensions.

## The Slippery Slope of Perceptions: Campaign between Wars, Battle Days, and War

The many strikes carried out by Israel in the campaign between wars in recent years in the northern arena (alongside neutralization of the Hezbollah and Hamas tunnels) considerably reduced the capabilities of its enemies, without deteriorating to the point of high-intensity war. Furthermore, the campaign between wars in the northern arena also granted Israel strategic leverage for possible influence (at least vis-à-vis Russia) and strengthened its image of deterrence in the region. That said, the campaign between wars accelerates the enemy's learning curve, leads to improvement of its disruption and defense structure, and its response attempts – whether from within the Syrian sphere or from Iraq, by sea or in cyberspace. All these significantly increase volatility, potential for miscalculation, and the risks of the conflict expanding to other sectors (for example, Lebanon).

Furthermore, it appears that in the past few years, Israel's enemies, which on the one hand are deterred from war but on the other hand assess that Israel is also deterred from conflict, have begun to examine responses/proactive measures under the threshold of war (a kind of counter campaign between wars), under the assumption that mutual deterrence will lead to exchanging blows, limited to a few battle days. This possibility requires strengthened deterrence against such an approach or the effort to reach swift achievements (e.g., precision), in the case that such a scenario takes place and Israel still prefers to avoid a large-scale escalation.

It is doubtful that one of Israel's enemies will be interested in initiating a large-scale war in the coming year. Nonetheless, war as a result of a miscalculation remains a possibility. Furthermore, given the increasing connections between the various arenas, one cannot rule out a multi-arena war scenario. For example, unlike in the past, in the north, Iran's entrenchment efforts in Syria (Quds Force, militias, firepower capabilities) increase the likelihood of escalation expanding from Lebanon to the Syrian sphere, including attack attempts from Iraq, Yemen, and Iran itself. Similarly, there is greater likelihood that in the scenario of a war in Lebanon, the Palestinian terrorist organizations in Gaza (especially Islamic Jihad) will also try to challenge Israel; and in scenarios of escalation in Gaza, there will be increased risk of a deterioration in the West Bank and vice versa (especially if the Palestinian Authority continues to weaken). All of this could occur against the backdrop of volatility vis-à-vis extremist elements among the Arabs in Israel in any scenario of war.

## Policy Recommendations

Israel still enjoys operational superiority in the Middle East, but this is eroding and requires ongoing updates and an upgraded forward-looking systemic perspective.

- First and foremost, Israel should maintain the Tnuva multi-year plan, build a credible military threat against the Iranian challenge – its nuclear program, entrenchment, and government institutions, and prepare for a large-scale war in the north.
- In addition, Israel should continue with the campaign between wars to offset enemy capabilities; this does not obviate preparedness against Iran. On the contrary, it appears that the campaign between wars strengthens the intelligence and firepower muscle, but it is essential to expand it and to adapt it to the entire Iranian challenge in the Middle East, i.e., to actions under the threshold of war in a wider area against Iran and its proxies, while

deepening the partnerships and coordination for defense and offense with other regional actors (with an emphasis on the Gulf countries).

- There should be a strategic political-military dialogue for optimal utilization of battle days without a war (especially in the context of the missile precision project in Lebanon) and for formulating a fresh strategic objective for war in the north (i.e., the desired security arrangements for Israel in all of Lebanon, in Syria, and on the border between them) and the question of operation in the presence of Russian forces.
- In addition, Israel should broaden the campaign between wars against the military buildup in the Gaza Strip: not only within the territory of Gaza, but also in the supply chain (development and production personnel, shipments, production infrastructure).
- In a related context, Israel should prepare for scenarios of deterioration or collapse of the Palestinian Authority in the West Bank once Abu Mazen departs the scene.
- Furthermore, the 360° defense of the home front must be strengthened in light of the potential for prolonged multi-arena war.
- Mechanisms for maintaining the Gaza Strip must be formulated for a scenario in which Hamas is toppled or it collapses, and in case of a large-scale escalation or a severe humanitarian crisis.
- Finally, Israel should consider how to earn legitimacy and maximize achievements vis-à-vis an accelerated international stopwatch in face of massive IDF strikes in the urban environment, which would inevitably lead to many civilian casualties, especially in Lebanon.



# The Internal Arena: Normalcy Challenged by Inherent Societal Weaknesses

Meir Elran, Ephraim Lavie, Tomer Fadlon, Ofer Shelah, Zipi Israeli, Pnina Sharvit Baruch, and Kobi Michael



## Trends

Challenges to societal resilience: precarious solidarity, inequality, and partial governance • Jewish-Arab relations: the May riots, integration of Arabs in political activity, and efforts against crime in Arab society • Lack of preparedness for serious civilian and military disturbances



## Recommendations

Work toward improved governance, equality, and social solidarity • Pursue broad economic growth • Strengthen Jewish-Arab relations and the fight against violence in the Arab sector • Improve capabilities in face of civilian and military disturbances

Three seminal developments shaped the domestic arena in Israel over the past year. The first was the ongoing COVID-19 pandemic, marked by changing intensities and Israel's successful vaccination campaign. The second was Operation Guardian of the Walls in May 2021, which posed difficult challenges to Israel both militarily vis-à-vis Hamas in Gaza and domestically, with violent clashes between Arabs and Jews in Israel. The third was the formation of the new Israeli government.

## The Domestic Political Scene

As in other Western democracies, a basic feature of Israeli political life is ongoing social and political polarization, reflected in part by conflicting interpretations of the situation among different groups. On the one hand, there is a sense of a “new normalcy” among many Israelis, mainly due to the following developments: a) a functioning new government, particularly in contrast with the recurrent political crises of the prior two years. The new government's effective performance was reflected, above all, in the passing of a state budget after a lapse of more than three years; b) relatively successful handling of the COVID-19 pandemic, despite its ubiquity and the persistent new challenges and uncertainties it poses; c) relative security stability, despite the short fourth round of warfare with Hamas in May

Beyond the conflicting perceptions of the political situation, the emerging picture is one of a relatively strong state framework, especially militarily and economically, masking an internal fabric characterized by critical structural weaknesses.

and the renewal of “lone wolf” terrorism; d) impressive economic recovery following waves of COVID-19; and e) return to normalcy in Jewish-Arab relations following the May riots. This sense of normalcy serves as a stabilizing factor.

At the same time, many have an entirely different perception of the political situation. To them, it is fragile, unstable, and liable to fall apart at any moment. Although following the passage of the budget there seems to be a chance of governmental stability, at least until 2023, they believe there are a number of reasons to doubt this prospect: a) Israel’s delicate coalition framework and practices remain; b) the current government is precarious, primarily due to the wide disparity among its constituent factions; c) the opposition is very active in seeking to delegitimize the government and disrupt the Knesset’s legislative

work; d) fundamental domestic challenges highlighted during the pandemic – lack of solidarity; low level of trust in governmental systems, including the legal system; and grave failures in governance – are still present, and some have even worsened; e) the government has agreed to avoid dealing with critical controversial domestic issues, as well as with the Palestinian issue; and f) Israeli society is more politically, socially, and economically polarized than ever.

Beyond the conflicting perceptions of the political situation, the emerging picture is one of a relatively strong state framework, especially militarily and economically, masking an internal fabric characterized by critical structural weaknesses. Perhaps the most significant weaknesses are gaps in governance, especially regarding critical points of socio-political friction, and the absence of a robust governmental mechanism for formulating and implementing national strategies. These weaknesses impact negatively on national resilience, and are liable to undermine Israel’s ability to deal successfully with potential disasters of various types, such as a severe earthquake, worsening of the pandemic, political and social crises, and perhaps also security challenges from Iran and Hezbollah.

## The Socioeconomic Challenge

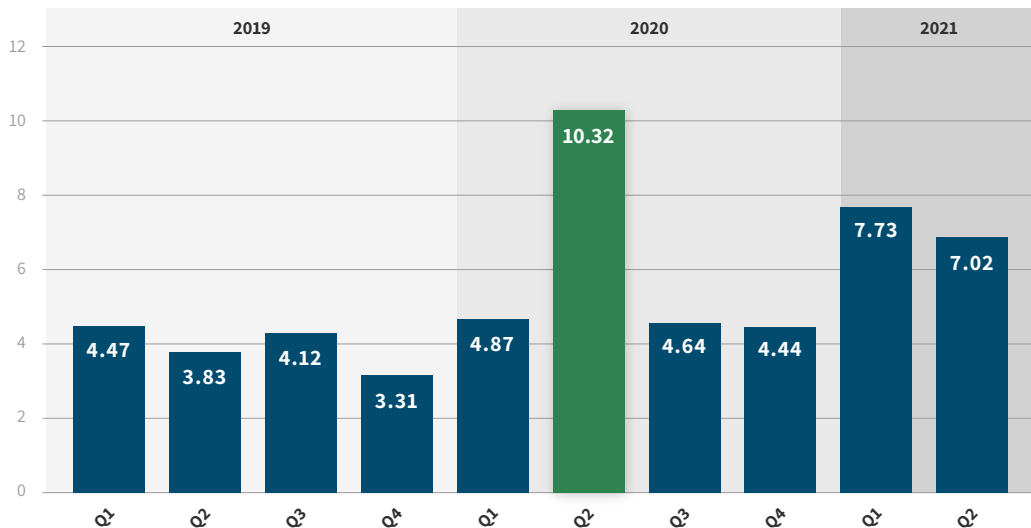
The lack of significant restrictions on the Israeli economy during most of 2021 provided strong starting conditions for a quick economic recovery. This recovery, which is based to a large extent on the average macroeconomic data, clearly represents economic resilience. The significant increase in state tax revenues, the flow of foreign investments into



The new normal, or an unstable political reality?  
Prime Minister Bennett and head of Ra'am Abbas  
Photo: REUTERS/Ronen Zvulun

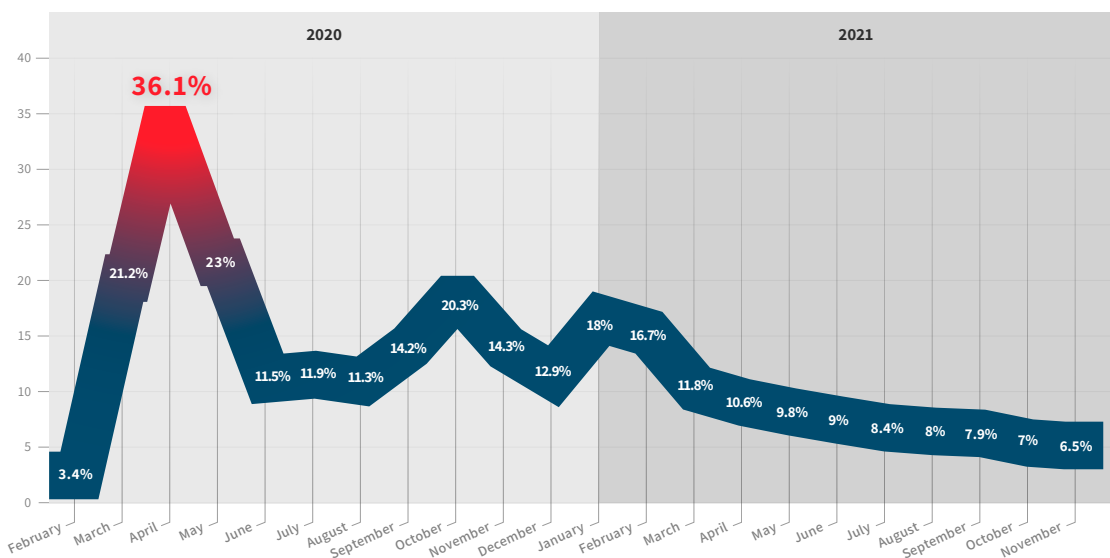
Israel, and the increase in Israeli exports are based definitively on the growth in the hi-tech sector, which represents roughly one tenth of Israel's labor force. The necessary expansion of this sector is not guaranteed, whether in the short or long terms or in the long run. In addition, the gaps between the relatively few who are well-off and other groups in the population are widening, creating a potentially dangerous and volatile situation in the long term. Indeed, the economic crisis stemming from COVID-19 still prevails in many sectors that do not share the impressive 7 percent growth in 2021 and the forecasted 5.5 percent growth in 2022. According to a December 2021 report by the Latet non-profit organization, 2,540,000 people (27.6 percent), among them 1,118,000 children (36.9 percent), live below the poverty line. This formidable social challenge requires a systemic governmental response and a fundamental paradigm shift in a series of critical areas, including infrastructure, education, employment, and housing. This has not happened, and the reforms approved in the 2022 state budget do not change the picture.

### Foreign Direct Investments in Israel by Quarter, in Billions of Dollars



Analysis of OECD figures (Economic Outlook 110, December 2021)

### Unemployment Rate in Israel – Broad Definition



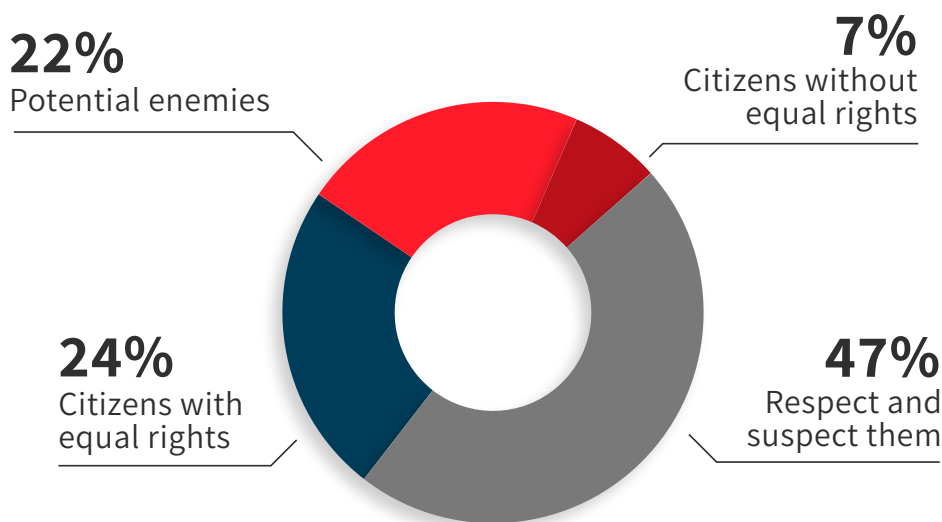
Central Bureau of Statistics data

## Jewish-Arab Relations

A significant positive change during the past year was the political legitimacy gained by the Arab party Ra'am – a first achievement of this sort for Arab parties in Israeli politics. This development is likely to generate an important stabilizing trend, though its viability over time is in question due to the hostility, fear, and marginalization of Arabs by many Israeli Jews. An August 2021 survey by the Hebrew University's aChord Center found that 21 percent of the Jews questioned expressed a high level of hatred toward Arabs, compared with 10 percent of the Arabs who expressed a high level of hatred toward Jews. According to findings from the November 2021 INSS National Security Index, 52 percent of Jewish respondents oppose the inclusion of an Arab party in the governing coalition, compared with 45 percent who regard it as legitimate.

The ambivalent and delicate relations between the Jewish majority and the Arab minority can be assessed in light of this survey. These relations underwent a severe and challenging upheaval during the May 2021 riots, which clearly pointed to the persistence of the Jewish-Palestinian national conflict in Israel's domestic sphere. Although normal life has largely been restored and is seemingly sustainable, its longevity is uncertain due both to the lingering mutual distrust and to efforts by extremist political groups to maintain tensions between the two sides. There is therefore concern over another outbreak of clashes in the future, primarily, but not only, due to external security conflicts. The government and the security agencies are preparing for a recurrence of the riots, which might include disruptions of IDF movement on traffic arteries in the vicinity of Arab communities. The Israel Police (through the Border Police) are anticipating such scenarios, especially in mixed Jewish-Arab towns, in order to quash any such riots quickly if they erupt.

### How do you view Israel's Arab citizens?

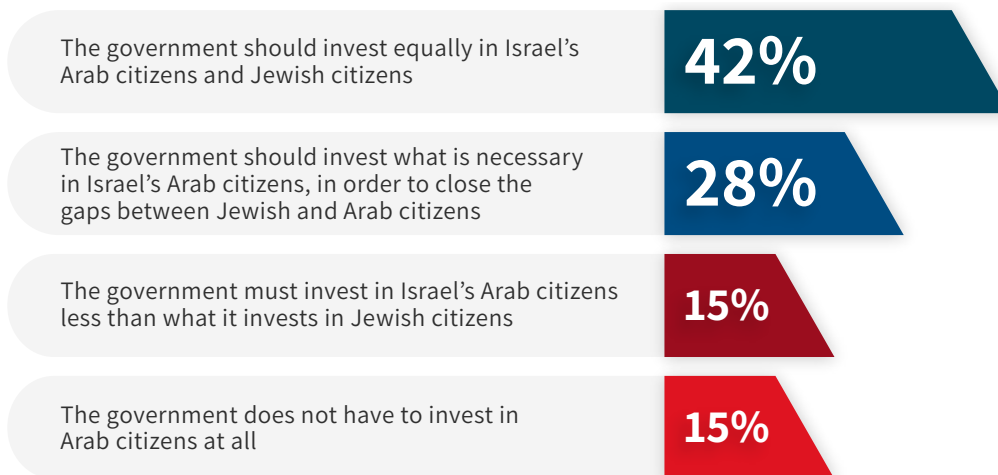


Jews only  
INSS National Security Index, 2021

Concurrently, the government has stepped up efforts to accelerate the advancement of Arab society's socioeconomic status in order to reduce the gaps between Jews and Arabs. These efforts involve the implementation of the second, NIS 9 billion (\$3 billion) five-year plan for the Arab sector, approved as part of the new state budget, and continued collaborative work with Arab leaders and political parties as part of their inclusion in the government.

Radical ultra-nationalist groups in both sectors incite fear and hatred of the other side. According to the INSS National Security Index (based on two surveys, conducted in June and November 2021), 22 percent of Jewish respondents consistently regard Arabs as potential enemies, while 41-47 percent say Arabs should be respected but also suspected. Only 24 percent regard Arab citizens of Israel as deserving equal rights. On the other hand, at the practical level, a 70 percent majority of the Jewish population agree that the government should invest in the Arab sector's economic growth.

## Which of the following is closest to your view?



Jews only

INSS National Security Index, 2021

Relations between the majority and the minority are affected by the burgeoning crime and violence in Arab society. This has resulted to some extent from prolonged social neglect, which now poses an important challenge to the state while also generating serious disruptions within Arab and Jewish sectors alike. However, a convergence of interests and willingness on both sides to seriously address this challenge has created an opportunity to reduce these dangerous processes. Thus, the government has assumed responsibility and initiated budgeted programs (under Cabinet Resolution No. 549 of October 24, 2021), allocating NIS 2.4 billion (nearly \$800 million) over five years for a plan to reduce crime and violence in the Arab sector, of which NIS 1.4 billion (more than \$430 million) is earmarked for direct enforcement and the rest for dealing with deeply rooted underlying social issues. The essential requirements for curbing crime in Arab society in the short term are determination and persistence, combined with more effective coordination within and between the enforcement agencies, primarily within the framework of the six-month Operation Safe Track and a significant reinforcement of police capabilities. In the medium and long terms, extensive and informed investment in addressing the root socioeconomic causes of the violence is necessary.



Crime and violence in Arab society – a leading socio-political challenge. Police activity in Lod

Photo: REUTERS/Amr Awad

The essential requirements for curbing crime in Arab society in the short term are determination and persistence. In the medium and long terms, extensive and informed investment in addressing the root socioeconomic causes of the violence is necessary.

Operation Guardian of the Walls in Gaza had important consequences in other spheres as well. The first was that it once again demonstrated the Israeli public's societal resilience and endurance in the face of Hamas's massive rocket attacks, mostly thanks to Israel's active defense capabilities (Iron Dome). A similar positive outcome, however, would not necessarily be replicated in a future far more devastating war on the northern front against Hezbollah with possible Iranian participation. An effort to improve active and passive defense of the home front is therefore required.

The second consequence concerns possible conceptual stagnation on the role of military force in hybrid conflicts. The major lesson of the four rounds with Hamas, including Operation Guardian of the Walls, is that the IDF lacks a viable operational blueprint for defeating the strategic

challenge posed by Hezbollah, Hamas, and their partners. This is due to geostrategic limitations, and perhaps even more to Israeli society's reluctance to sustain the many casualties that massive ground operations, necessary for a strategic victory, would inevitably entail.

These are related to the uncertainty concerning the degree of commitment and dedication of a divided Israeli society to unite against an external military threat, as occurred during past conflicts. Furthermore, the civilian home front is less than adequately prepared for the threat posed by Hezbollah's massive arsenal of high-trajectory weapons, some of which are equipped with precision guidance systems. The IDF narrative marketed to the Israeli and international publics of a decisive, victorious, and lethal response is often received with skepticism, while concurrently generating potentially unfounded expectations in the Israeli public regarding the IDF's offensive and defensive capacities.

Finally, there is the matter of the IDF's attitude toward socially significant issues within the army that are of interest to civil society as well. The IDF's supreme command could be more receptive and sensitive to criticism of its actions, budgetary demands, and statements by its commanders that quite often resonate negatively among parts of the Israeli population. The issues exposed by the public criticism, as well as the way the IDF handles them, are likely to reduce public trust in the army, and in the longer term, further diminish public support for the traditional and worthy model of the "people's army," which is at the base of the IDF's legitimacy and realization of its force buildup needs.

## Recommendations

Progress in good governance and domestic normalization in order to strengthen national resilience requires the planning and implementation of structural changes in government and society. For this purpose, the government's self-imposed restrictions on addressing the fundamental issues of society and the economy should be removed. In this context, the following is recommended:

- Advance government actions that focus on narrowing socioeconomic gaps in order to promote broad economic growth, thereby enhancing social solidarity. The government should concentrate on measures for strengthening social equality and furthering employment opportunities.
- Reinforce the need for government accountability and promotion of democratic governance; reconstruct effective mechanisms for strategic planning and implementation on key issues such as empowering local government and strengthening enforcement agencies, including police empowerment, in order to curb the ability of extremist groups (both Arab and Jewish) to maintain "social enclaves" that lack adequate governance.
- Assign high priority to improved relations between the Arab minority and the Jewish majority, using the resources that have been allocated to suppress crime and violence in Arab society in the short and medium term, while narrowing deeply rooted gaps that generate crime, especially in cities with mixed Jewish and Arab populations.
- Advance and systematically reorganize the state's capacity to prepare for and manage mass disasters, ranging from security-related calamities to natural disasters such as catastrophic climate change, earthquakes, and pandemics.
- Formulate an expanded national security concept leading to a revised strategic doctrine for the IDF, with emphasis on improving home front preparedness for a future large-scale conflict.

# National Security Index: Public Opinion, 2020-2021

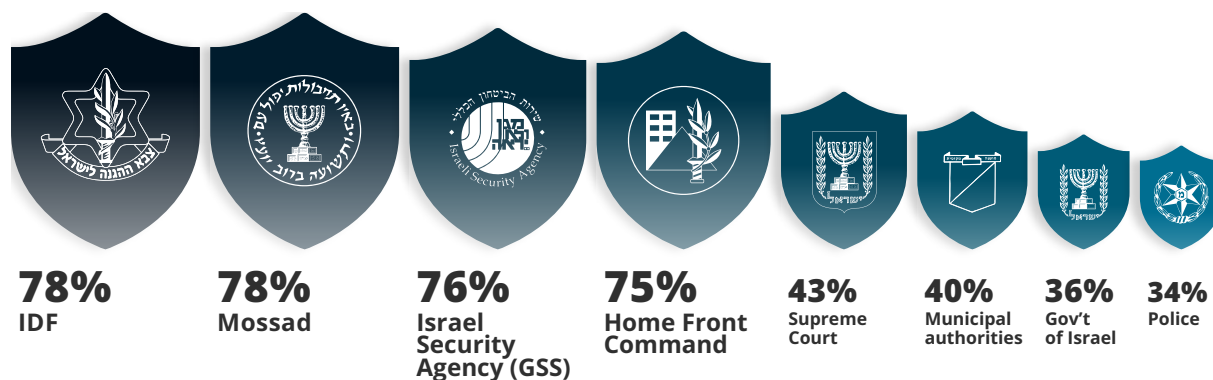
Zipi Israeli and Ruth Pines

The majority of the Israeli public believes that the state's national security is solid. Confidence in state institutions – the government, the police, and the judicial system – is relatively low, while confidence in the security organizations – the IDF, Mossad, and Israel Security Agency – is stable and high. The majority of the public feels that Israel can successfully cope with external military threats and supports military action to tackle these threats. The Israeli-Palestinian conflict and a nuclear Iran are ranked as the most significant external threats. However, the public is concerned about social threats much more than security threats, and most of the public thinks that the economy, society, and law and order should receive priority over the security budget. Regarding values, the public continues to rank “a state with a Jewish majority” as the most important, followed by “a democratic state.”

The National Security Index, compiled by the Institute for National Security Studies (INSS), regularly and systematically tracks trends and opinions in Israeli public opinion on issues of national security.<sup>1</sup> 2021 was marked in Israel by ongoing political instability; the establishment of a new government, and the social and economic implications of the COVID-19 pandemic. These were joined by a rise in security tension, escalation in the Palestinian arena in the Gaza Strip and Jerusalem, the outbreak of riots in cities with mixed Arab and Jewish populations during Operation Guardian of the Walls in May, and reports of Iran's accelerated nuclear activity. The index's findings show that as in the past few years, in 2021 the majority of the public believed that Israel's national security situation is good, but there was a certain decline in this conviction compared to last year.

One of the main issues on the public agenda over the past year was the level of confidence in the state's institutions. The survey's findings show that the public's confidence in some of the state's institutions, especially the Israeli government, the police, and the judicial system, continued to be low, although there was an increase in confidence in the government over the previous year with the formation of the new government: while only 36 percent expressed confidence in the government, this represents a 10 percent increase over last year. Confidence in the Israel Police was also low (34 percent), possibly against the backdrop of claims regarding the way it has dealt with the violence and crime in the Arab community, and following the criticism voiced in the past two years over the enforcement of rules related to the COVID-19 pandemic, and the treatment of participants in popular protests and demonstrations. The public's level of confidence in the security organizations – the IDF, the Mossad, and the Israel Security Agency – was high, remaining stable in comparison to the previous year, with a confidence level of almost 80 percent (Figure 1).

**Figure 1: Confidence in the Security Establishment**

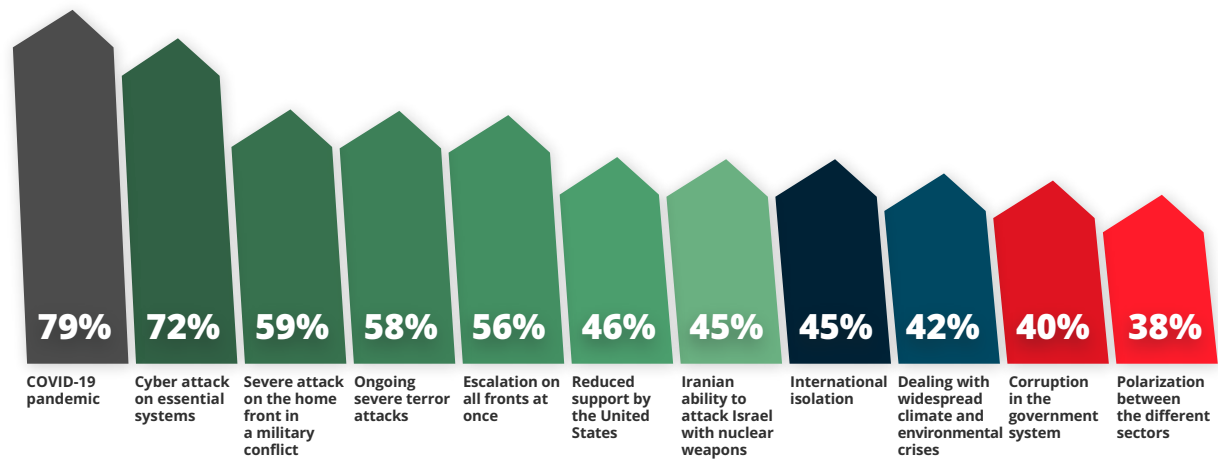


1 The study was conducted by the INSS National Security and Public Opinion research program. The current survey was conducted in November 2021 and included an internet questionnaire and phone interviews among populations that are not accessible via the internet. 1200 respondents were interviewed among the Jewish population and the Arab population, which is a representative national sample of the entire adult population in Israel from the age of 18 and up. The maximum margin of error for the entire sample is  $\pm 3.7\%$  with a 95% confidence interval. The study was conducted in cooperation with Midgam Consulting and Research.

## External (“Security”) Threats and Challenges

Over the years, the majority of the public has consistently felt that the State of Israel can successfully cope with external security threats, including: terrorist attacks (58 percent), serious harm to the home front in the case of a military conflict (59 percent), and simultaneous escalation on the northern front, the south, and the West Bank (56 percent). This confidence declined by 7-10 percent this past year. The confidence in Israel’s ability to cope with external security threats, as appears in the last index, is related to the high level of confidence in the IDF among the public, and its perception that the army is prepared to handle these conflicts successfully: 80 percent responded that the IDF is ready for the next military conflict. However, only 45 percent of the public thought that Israel would be able to cope successfully if Iran has the ability to attack Israel with nuclear weapons (Figure 2).

Figure 2: The State of Israel can successfully deal with the following challenges



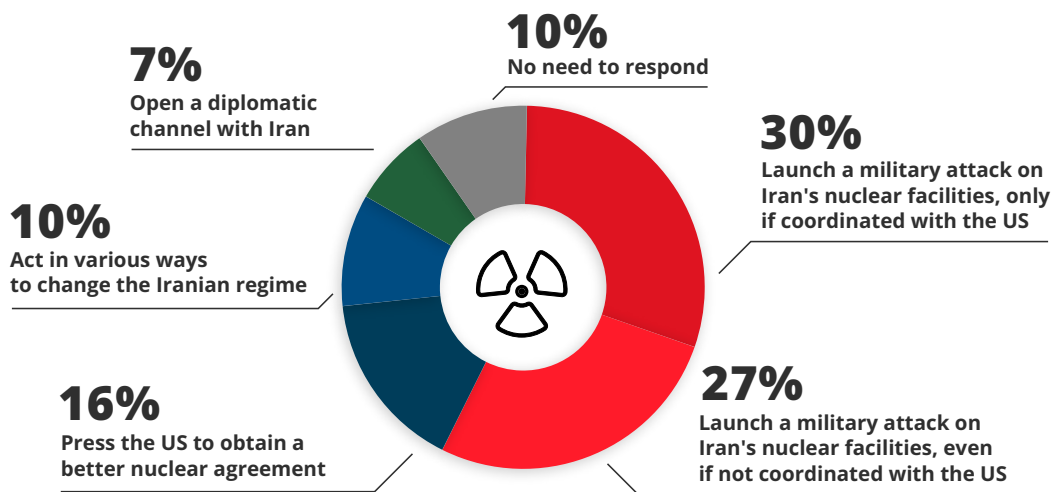
As to external threats, 2021 was not characterized by the same relative quiet as was 2020, and thus the severity of these threats was judged differently. Operation Guardian of the Walls, the riots in the cities with Jewish and Arab populations, the escalation in Jerusalem, and the stabbing attacks in November and December upset the relative calm that prevailed in the Israeli-Palestinian arena in recent years. Thus, unlike the past few years, the majority of the public ranked the threat posed by the Israeli-Palestinian conflict and the threat of a nuclear Iran as the most significant threats (Figure 3). The Israeli-Palestinian conflict, together with the threat of Hamas in Gaza, climbed to the top of the list, with 31 percent of the public defining them *together* as the most significant. In addition, unlike the years after the nuclear deal between Iran and the world powers was reached (i.e., since 2015), when a nuclear Iran was not seen as a severe threat, over the past three years, once the United States withdrew from the agreement and Iran advanced its nuclear program significantly, this threat is once again perceived as the leading threat (23 percent).

Figure 3: What is the most significant external threat to the State of Israel?



This perception likely led a significant portion of the public to support taking military action against the threat (57 percent). Israelis supported taking military action against Iran in coordination with the United States if it became clear that Iran decided to cross the threshold and produce a nuclear weapon, but a considerable portion supported such action even without coordination with the United States. Unlike the previous year and against the backdrop of the renewal of the nuclear talks between the world powers and Iran, less than a fifth of the public (16 percent) supported placing pressure on the United States to achieve an improved nuclear deal. There was also little support for the possibility of working to bring about regime change in Iran (10 percent). Only a negligible minority thought that a diplomatic channel should be opened with Iran (7 percent) (Figure 4). Support for proactive military action, sometimes also at the cost of risking an escalation to war, was also evident regarding Iran's arming of Hezbollah with precision missiles. Perhaps the support for proactive military action is related, even if only in part, to the sense of confidence in the ability to cope with military threats, as well as the high level of confidence in the security organizations.

**Figure 4: What should Israel's response be if it becomes clear that Iran is renewing its nuclear activity?**



## The Internal-Societal Threats

The index's findings in recent years show that the public is much more concerned about internal societal threats in Israel than the external military threats to Israel (66 percent vs. 27 percent) (Figure 5). Furthermore, in contrast with the high level of confidence in the country's ability to cope with external threats successfully, confidence in its ability to cope with internal threats is lower and characterized by a considerable decline over recent years. For example, in 2021 the public was concerned about the country's ability to cope with governmental corruption (40 percent) and with polarization between different sectors (38 percent) (Figure 2). As shown in Figure 6, the internal tension that most worried Israelis was the tension between Arabs and Jews in Israel (43 percent), followed by the tension between the political right and left (24 percent). Class and socioeconomic tension, the tension between ultra-Orthodox and secular Israelis, and tension based on ethnic background within the Jewish community lagged behind. Against this background it is evident why this year again, similar to last year, the majority of the public thought that the country needs to change its priorities, such that economic, societal, and law and order issues receive priority over the defense budget (61 percent) (Figure 7).

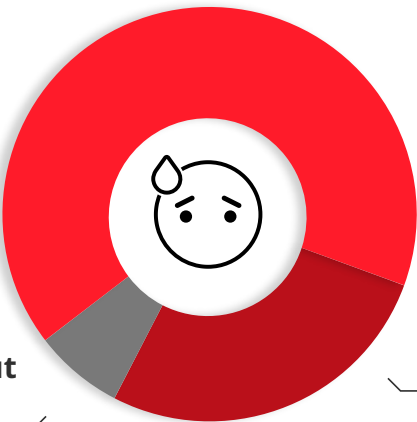
Figure 5: What worries you the most?

**66%**

The internal societal threats to Israel

**7%**

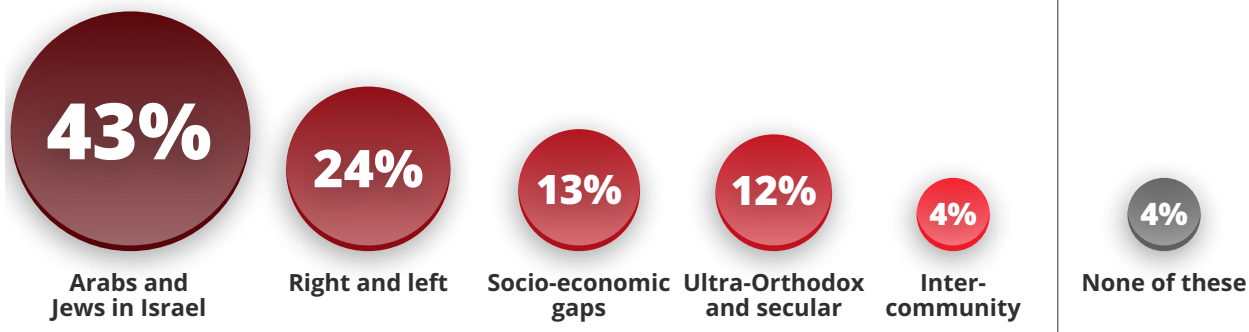
Not worried about either one



**27%**

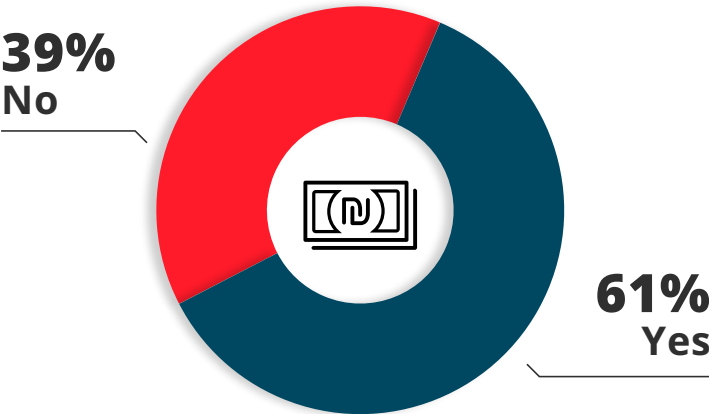
The external security threats to Israel

Figure 6: Which of the following internal tensions worries you the most?



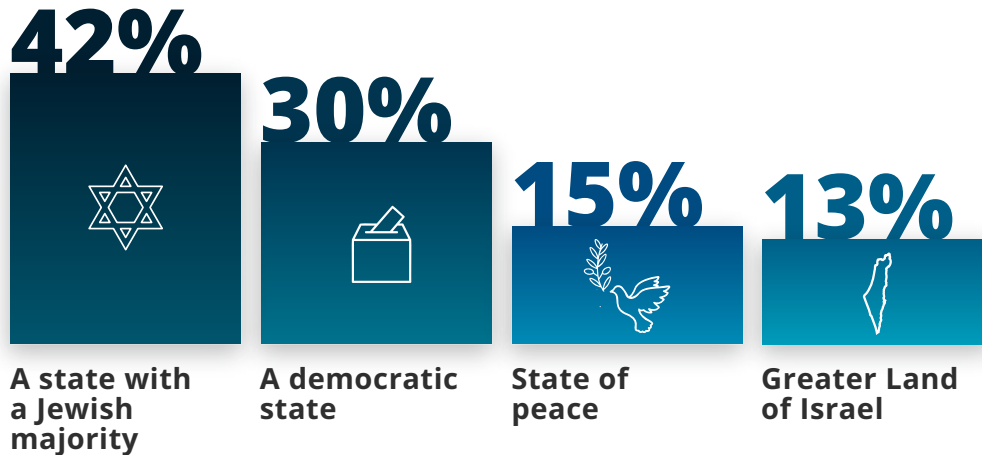
Jews only

Figure 7: Should the nation's priorities be changed so that economic and societal matters are prioritized over the defense budget?



Finally, it is evident that the Jewish and democratic character of the state is important to the public. The public continued to rank the value of “a state with a Jewish majority” as the most important (42 percent), followed by the value of “a democratic state” (30 percent), whose ranking has risen significantly in the past two years. The values “state of peace with our neighbors” and “Greater Land of Israel “ were defined as the most important by less than a fifth of the public, 15 percent and 13 percent, respectively (Figure 8).

**Figure 8: What is the value that is most important to you?**



Jews only



# The Climate Crisis: A Challenge for International Solidarity

Shira Efron



## Trends

Coming decade is critical for human security  
• Great power competition limits potential for cooperation  
• Disappointment with the Glasgow summit alongside important advances  
• Spotlight on the Middle East in 2022  
• Israel joins climate struggle



## Recommendations

Translate words into action  
• Update emissions target for 2030  
• Plan for implementing commitments by 2050  
• Governmental preparedness plans  
• Use assets in water, food, and energy technologies and advance regional environmental cooperation

The year 2021, which began with the change of administration in Washington in January and ended soon after the UN Climate Change Conference in Glasgow in November, was “the year of climate change” in the international arena. Despite disappointment over the failure of the conference to achieve its main objectives, the event did mark important achievements, including the return of the United States to global leadership, the formulation of several international treaties and agreements, and the enlistment of many countries, including Israel, to increase their commitments to reduce greenhouse gas emissions. However, the great power competition, along with the reluctance of leading countries, especially China, Russia, and India, to set ambitious emission targets, undermined the US ability to spearhead significant change that would limit the average rise in temperature to 1.5 degrees Celsius above pre-industrial levels, which is considered the upper limit for ensuring a relatively safe world for the future of humankind. In 2022 the international community will continue to focus on the climate crisis, and the UN conferences expected to be held in Egypt in 2022 and in the United Arab Emirates in 2023 will spotlight the Middle East and North Africa – a region that is especially vulnerable to climate change. Israel declared it is at the beginning of a climate revolution, and began taking important steps in this context. However, to cope with climate change, both in terms of risk preparedness as well as the ability to seize opportunities, the Israeli government must translate their rhetoric into action.

## 2021: “The Year of the Climate Crisis”

The year 2021 will be remembered as “the year of the climate crisis.” While gradual climate change has been ongoing for decades, until now the issue never commanded the international stage. Two formative events – the start of the Biden presidency in January and the UN Climate Change Conference in November in Glasgow (COP26) – represent the issue’s unequivocal importance on the global stage and its implications for Israel.

President Biden advanced the climate crisis to the top of the United States national security agenda, and his first actions included returning to the Paris Agreement after the withdrawal from the agreement by Donald Trump, who denies climate change; appointing former Secretary of State John Kerry as US Special Presidential Envoy for Climate, while upgrading the position; appointing the former Administrator of the Environmental Protection Agency, Gina McCarthy, as head of the new White House Office of Domestic Climate Policy; signing a series of significant executive orders that aimed to cope with “the existential threat of climate change”; and pledging to reduce carbon emissions and invest \$500 billion in clean energy and climate justice. All federal government agencies increased their engagement with climate change, including the Pentagon, which has in fact dealt with the climate crisis for almost two decades; increased efforts include a designated Assistant Secretary of Defense for the issue, and new reports analyzing risk and military preparedness for coping with climate change. The American focus, coupled with the Biden administration’s efforts to restore relations with partners and allies and return to global leadership, have made the climate issue a central one on the international agenda.

The preparations for COP26, which followed an especially hot summer with heat waves, numerous severe wildfires, storms, floods, and other extreme weather events, led many countries, including Israel, to further engage with climate change. In the days leading up to the conference, some 150 countries submitted or renewed their national plans for addressing the crisis, and despite COVID-19 limitations, a record number of participants and leaders were present at the conference itself.

The British hosts hoped that participants would make international commitments that would limit average global warming to 1.5 degrees Celsius above pre-industrial levels – a rise that is considered the upper limit for securing a relatively safe world for humankind, ameliorating climate phenomena, and preventing the collapse of global systems. However, the conference failed to achieve this target. Although many countries committed to 2030 emission targets

The intensifying competition between the United States and China could prevent the cooperation that is essential for addressing the climate crisis. One key to success is economic assistance to developing countries for building green economies.

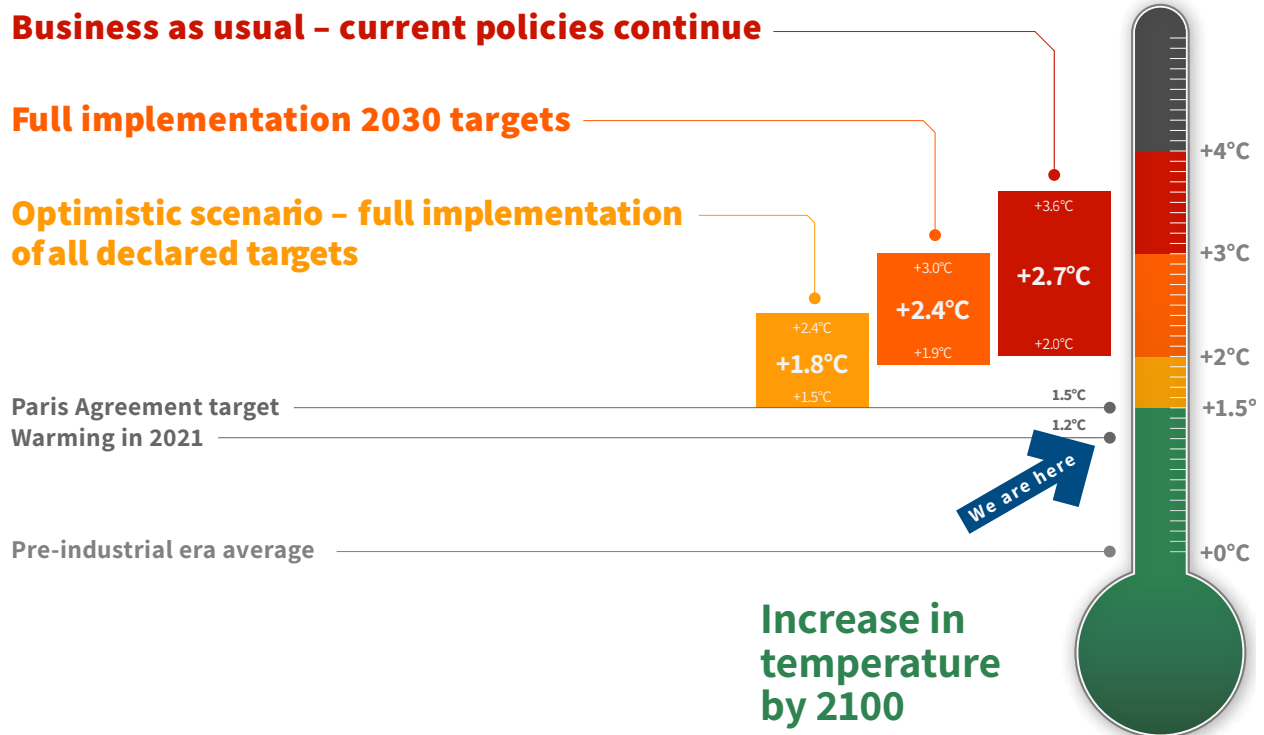
**Israeli policy on climate change: words must be translated into action.** Fire at Haifa oil refinery, December 2016

Photo: REUTERS/Baz Ratner



corresponding to the goal of 1.5 degrees, including the United States, the European Union, the UK, Japan, Canada, and South Korea, implementing these commitments will only moderate the expected rise in average temperature – from 2.7 degrees Celsius in the business-as-usual scenario to 2.4 degrees. The lack of a Chinese commitment to more ambitious goals than those that Beijing presented in Paris in 2015 is especially concerning, as China is responsible for about 27 percent of global carbon emissions (more than all developing countries combined). In addition, the lack of cooperation from China lent legitimacy to other countries, such as India, to lag behind.

## Global Warming Forecast until 2100 based on Commitments to Limit Emissions



Source: Climate Action Trackers

At the same time, the conference saw significant achievements. Beyond the momentum and renewed American leadership, the conference led to important agreements (signed by over 100 countries) to reduce methane emissions and stop deforestation, and to an international agreement on preserving ecosystems in 30 percent of territory by 2030; a commitment by more than 25 countries to end investment in fossil-fuels; an agreement on reducing coal use; the formulation of rules for an international mechanism on carbon pricing; a demand to improve the 2030 targets; and changing the mechanism for tracking and reporting progress on implementation of international targets from every five years, as originally planned in Paris in 2015, to an annual basis, in part by holding another conference in one year in Sharm el-Sheikh, Egypt. In addition, despite the rising competition between the great powers, which limited significant American-Chinese cooperation on the issue, the conference concluded with a joint declaration by John Kerry and his Chinese counterpart, Xie Zhenhua, that the United States and China, the biggest emitters, would work together to reduce their greenhouse gas emissions over the current decade.

## 2022: Critical to Maintaining Momentum

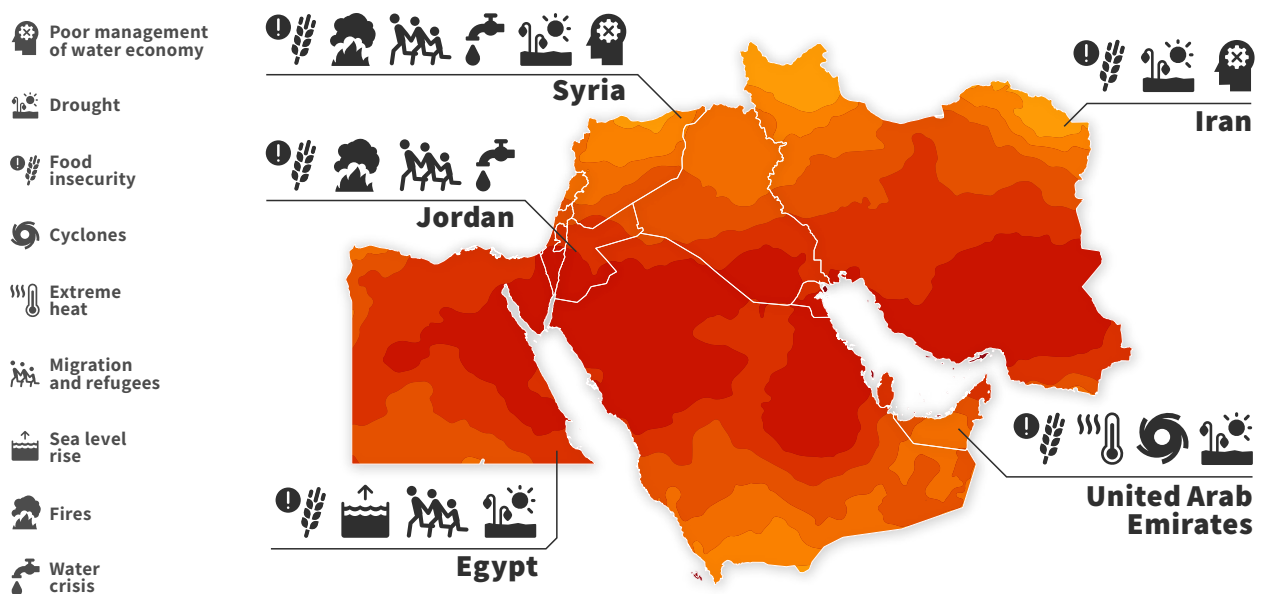
The year 2022 will likely be marked by continuity from the past year and by major efforts on the part of the United States, the UK, and other European countries to keep climate change as a top global priority. Thus, the forthcoming Sharm el-Sheikh conference will function in effect as the second part of the Glasgow conference, providing a second chance for countries to increase their commitments to reduce emissions. If this conference does not achieve its goals, the momentum will likely be lost, along with the chance of securing a rise of only 1.5 degrees. One of the keys to success is China. On the one hand, the joint declaration in Glasgow and the assumption that

China will not want to be seen as a country that might endanger the future of humanity are reasons for optimism. On the other hand, the intensifying competition, on the verge of rivalry, between the United States and China could prevent their cooperation, which is essential for addressing the climate crisis. The second key to success is economic assistance to developing countries for building green economies that are suited for a new world. Donor countries did not meet their Paris commitments, whereby they would provide \$100 billion of aid per year to the developing countries. Instead, this target is expected to be implemented only in 2023. However, the funding levels are much higher and depend on massive private investment, philanthropy, loan mechanisms, and risk reduction instruments, along with regulation and economic development measures that will be required on the part of developing countries themselves – measures that will be difficult to carry out in the short term. Meanwhile, Biden’s staggering efforts to pass his ambitious Build Back Better bill, which includes a plan for investment in domestic green energy will also affect whether the momentum is maintained, as well as US credibility and its ability to lead the international community on this issue.

Although Israel joined the Paris Agreement, has advanced certain measures to adapt the civilian market to the climate crisis, and passed government resolutions on the issue, in practice Israel’s climate policy until the fall of 2021 can be seen mainly as lip service.

The choice of Egypt as the host of the next UN conference and the United Arab Emirates of the one thereafter will shift the spotlight to the Middle East and North Africa, one of the world’s most vulnerable regions to climate change, including temperature rises, food and water shortages, sea level rise, and an increased frequency and intensity of extreme weather events. These changes could further upset regional stability, which is already undermined, lead to mass waves of migration, and create even more favorable conditions for the growth of terrorist organizations. Alongside the challenges, the climate prism has the ability to advance important regional partnerships in the areas of renewable energy, water, and food security, such as the declaration of intent signed by Israel, Jordan, and the United Arab Emirates in late November on regional cooperation in the struggle against the climate crisis, through the construction of solar energy and desalination facilities.

## The MENA Region is a Climate Hotspot





## Implications and Policy Recommendations for Israel

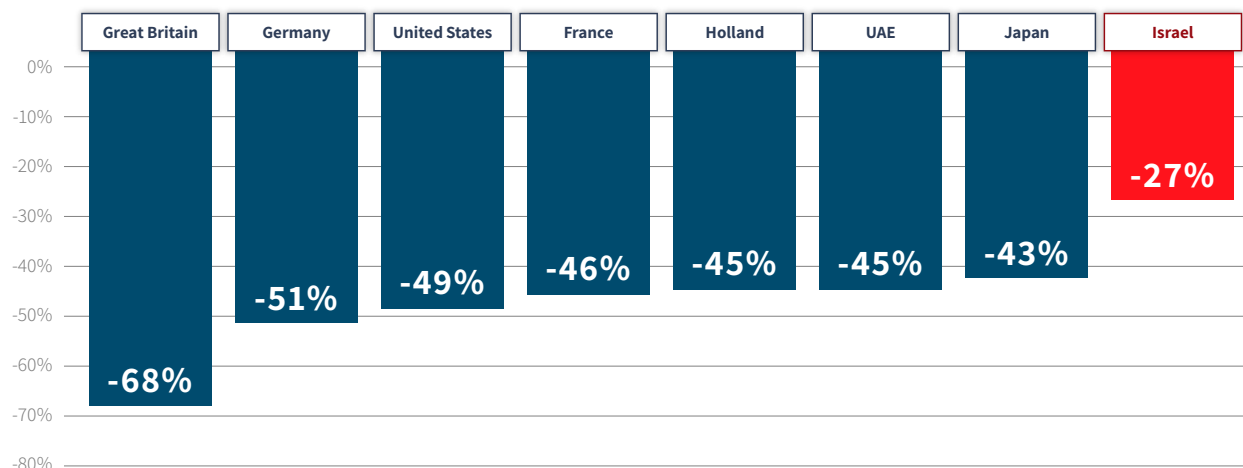
Although Israel joined the Paris Agreement in 2016, has advanced certain measures to adapt the civilian market to the climate crisis, and passed government resolutions on the issue, in practice Israel's climate policy until the fall of 2021 can be seen mainly as lip service. As documented in the last State Comptroller's Report, 84 percent of the public bodies that the Comptroller checked do not have any plan for coping with the climate crisis. The report also stated that out of 278 tasks included in the government decision on adaptation for climate change, only 16 percent appeared in ministerial work plans, and only four designated civil servants (out of 83,000) dealt regularly with climate change. Despite its small size, Israel emits an amount of greenhouse gases similar to a medium-sized country. In addition, Israel did not meet the targets that it set as part of the Paris Agreement, and according to the Comptroller, "progress in achieving all the sectoral targets ranges from lagging to zero."

However, in advance of Prime Minister Naftali Bennett's meeting with President Biden in August and later ahead of COP26, the Israeli government has changed course. It significantly increased Israel's commitments (zero carbon emissions by 2050, ending the use of coal by 2025); joined international agreements on forests and methane emissions; announced that the impacts of the climate crisis will become part of the National Security Council's annual assessment; and approved a plan to accelerate infrastructure projects to help reduce greenhouse gas emissions. The government also approved a plan to support climate innovation and established a climate innovation and technology committee within the Prime Minister's office. President Isaac Herzog has sponsored a climate forum, and the IDF has also begun dealing seriously with the issue. These are important and welcome steps, and the Prime Minister was right when he said in Glasgow that "we're currently doing more to promote clean energy and reduce greenhouse gases, than at any other time in our country's history." However, considering the low bar set by Israel's policy so far, this is insufficient. If the government is indeed serious about beginning a climate revolution, rhetoric must be backed by action, and without delay.

The Climate Law has yet to be approved, even though it was part of the coalition agreement, and neither has a climate emergency been declared. The welcome commitment to end emissions by 2050 is not backed up by a detailed and budgeted action plan. Israel's 2030 commitment target of reducing emissions by 27 percent has not been updated and is considered especially low. The 100 point plan that the Prime Minister announced includes old plans that were already declared and even budgeted, but without metrics, targets, and timelines. Government ministries that were supposed to develop adaptation plans in their areas of responsibility have not yet done so, or are only at the beginning of the process. The Inter-ministerial Administration for Climate Change Adaptation operates without authority, budget, or designated manpower. Even though Israel previously announced that it would establish a

ministerial scientific advisory committee, a science and knowledge center for risk assessment, and a national computation center for climate simulations at the Israel Meteorological Service, these promises have neither been fulfilled nor budgeted thus far.

### Israel relative to the World: Rate of Emission Reduction relative to 2015



Source: UNFCCC

In 2022, Israel's government must ensure the implementation of existing decisions, pass the Climate Law, and enlist the various government ministries in putting together significant climate adaptation plans. The local government level should also be enlisted via these plans, as it is essential for implementing the adaptation effort. Likewise, the Knesset should ensure that government decisions are implemented and back them up with additional legislation as needed.

Considering the impacts of the climate on geopolitical stability in the Middle East and its implications for force buildup and operation (for example, equipment, infrastructure, and the fitness and health of military and security personnel), the security establishment should work quickly and thoroughly to adapt action plans, budgets, and acquisition guidelines to a climate reference scenario, while maintaining ongoing communication between the heads of the security establishment and climate experts. As part of the national effort, the defense echelon should also work to reduce greenhouse gas emissions and pollution. The National Security Council's plan for treating the climate crisis as one of the key five issues on the national security agenda should be backed up with actions and dedicated personnel. In November 2021, for the first time, the Knesset's Foreign Affairs and Defense Committee held a hearing on adaptation of the defense echelon to the climate crisis as part of Environment Day, but such discussions, including in the subcommittees, must become routine, as is the case in the US Congress and in the parliaments of many other countries.

Notwithstanding challenges, the climate crisis creates important opportunities for Israel. Israel is a major potential asset in terms of water and food technologies, and innovation in general. The Prime Minister was right in saying in Glasgow that Israel's impact on climate change could be great despite its small size. This potential, along with access to investment funds and markets in Europe, the United States, and Asia, can position Israel as a global leader in the fight against climate change. The Abraham Accords and the venues chosen for the next two UN climate conferences in the Middle East can help deepen existing collaboration and lead to additional partnerships in this field, and position Israel as a positive force in the region.

However, developments in the fields of energy and other climate technologies require infrastructure, a knowledge base, and creation of an innovation ecosystem, all of which are not possible without significant government support. Along with governmental plans and the climate innovation committee at the Prime Minister's Office, Israel should pursue a similar path as it did in 2010 on the cyber issue, and establish a special team to develop a comprehensive national plan encompassing both the civilian and military sectors, including significant investment in research, to position Israel among the five leading countries in the field of climate technologies. The successful work in the cybernetic field, which continues to bear fruit to this day, serves as a model for the preparation necessary for implementing the climate revolution – both in Israel's domestic policy and in its foreign policy.

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