

**The Institute for National Security Studies (INSS) in an urgent alert:**

**The model of the IDF as the "people's army" is at risk of dissolution. This can result in a weakened military and lead Israel toward a precarious reality that jeopardizes the regional deterrence equation. Current developments coincide with escalating threats on various fronts. We call urgently for an immediate cessation of unilateral legislation, and urge that changes be pursued through a broad consensus.**

The Institute for National Security Studies (INSS) published a strategic alert four months ago, the first of its kind for INSS, detailing what might happen if the judicial overhaul efforts continued and the protests against the overhaul intensified. Unfortunately, our warning has been largely realized, and Israel's damaged national security has become a reality, marked by the intense upheaval underway in the IDF, which undermines the foundations of the "people's army"; the erosion of Israel's deterrence against its enemies; the undermined special relations with the US; the weakening of the economy and in particular the hi-tech industry; deepening societal divisions; and weakened national resilience as a whole. The damage to these elements will only be aggravated further if one side overpowers the other. Therefore, the only way out is an immediate and complete halt to the judicial overhaul, followed by a cessation of the protests, and an act of political leadership that will reflect the will of the vast majority: a genuine debate on the constitutional foundations of the State of Israel. In tandem, most of the government's efforts and resources must be channeled toward the urgent critical problems related to Israel's national security, Israeli society, and the Israeli economy.

**1. The Internal Crisis**

Israel's internal crisis, which erupted following the announcement of the government's judicial initiative (January 4), is the most serious that the country has experienced since its establishment. For some time the crisis has ceased to focus only on the various elements of the judicial overhaul and has spilled over into much broader and deeper areas, against a background of the unsettling encounter between an acute political crisis of leadership, now in its fourth year, and a profound social crisis that has continued in various forms for decades. The judicial initiative served largely as a trigger for the outburst of an unprecedented, multidimensional crisis involving basic aspects of the country's character, identity, and conduct. It quickly deteriorated into a fierce struggle between elements of the old and new elites over the structure of political power in Israel, between governmental and parliamentary power and extra-parliamentary power based on the singular phenomenon of a broad-based public protest.

So far the struggle between the hawkish camps has managed to avoid physical violence, in spite of the extreme violent rhetoric accompanying the crisis and growing ever more severe. The police have also managed to control events in a reasonable way. This is an important ray of light. However, the potential for further deterioration remains. We cannot rule out local or even widespread cases of violence, and there has even been talk of a civil war. God forbid. We must do everything to prevent such a scenario.

The ongoing crisis poses a huge challenge to the country's stability and the essential elements for maintaining national security. Israel's societal resilience has already suffered severe damage. This has serious implications for the country's ability to deal with various disturbances, both external and internal, be they natural or of human origin. The damage puts a heavy burden on all the systems required to run the country, and makes it harder to recover from expected future disturbances. In the current situation, questions are already rising about the state's ability to conduct itself "normally" throughout the crisis (assuming that the crisis continues for a long period), and even more so, about its ability to find ways of ending the crisis, and once the crisis is over, will it have the strength to recover and perhaps even grow from it.

For many decades Israel has been defined as a heterogenous, divided, and polarized country. The judicial initiative ignited these characteristics, causing an existential threat to national resilience and thus the essential solidarity that is the minimum basis for functional capability. The crisis continues to evolve, and no one element is fully in control. It has already reached the dimensions of a disaster in itself. Everything must be done to stop it.

## **2. Damage to IDF Fitness and Other Security Systems**

In recent months military service has become the frontline of Israel's internal fracture. This trend could intensify if the focus of the next Knesset session is on legislation that for the first time exempts the ultra-Orthodox sector from mandatory military service. Preparation of the current legislation has already driven thousands of reservists in critical positions to announce an end to volunteering for service; the planned legislation could inflict serious damage on the entire reserves system (see below), while affecting overall enlistment and willingness to remain in the IDF, and perhaps even threaten its existence as "the people's army."

In the short term the situation is expected to affect the fitness of critical systems in the air force, intelligence, special operations, and elite units. Meanwhile the danger of multi-faceted hostilities is rising, Israel's enemies on all fronts are more confident in view of what they see as its internal weakness, and the government is failing to deal with basic problems, including issues vital to strengthening the IDF. The economic and social crisis will make it harder to solve these problems.

The IDF General Staff cannot deal with these problems, which are for the most part in the civilian realm, and so far has not received proper political support or attention to the warnings issued by the Chief of Staff and his generals. Even if the reservists do report for service in an emergency, the damage to their fitness, unity, and legitimacy for action will be irreparable.

The security threats facing Israel have heightened recently: along with the threat from Iran, which is the most significant threat, there is much tension in the north, Hezbollah challenges and provokes Israel, and in the West Bank and in the center of Israel there are repeated attacks followed by military operations. The IDF is stretched to the limit in operations, which in turn affects its ability to train its ground units, and consequently, their operational fitness.

Developments in the IDF as a result of the political-social crisis impact other security organizations, according to their missions and how they are run. This is the case with the Israel Security Agency, the Mossad, and the Atomic Energy Commission: even in the best case, their essential work will suffer when the attention of the leadership and the various units is diverted from their main tasks.

At the same time, the Israel Police has been strongly challenged in recent months. From the outset the Police has been operationally weak in the face of routine and emergency tasks. A particularly serious example is provided by how crime and violence in Arab society has been addressed, in face of the shocking numbers of murders recorded recently in the sector. Police activity in response to the protests, including public disturbances, has been generally praiseworthy. However, the ongoing challenge and developments within the Police and in the relevant Ministry are worrying. Instead of working on restoration and improvement, the Israel Police is fully occupied in trying to maintain public order.

### **3. The Reserves: The Soft Link in the IDF**

The socio-political crisis has a direct effect on the fitness of the reserve system, and on its ability to retain its current model and structure. When numerous officers and combat soldiers, mainly in elite units, announce they will cease volunteering, they undermine the legitimacy of reserve duty. They feel that the contract between themselves and the state has been breached, and they are under threat from the International Court in The Hague.

The damage to the reserve system in the short term could translate into an inability to perform certain missions, particularly in the Air Force. This can be corrected fairly quickly. The bigger danger lies in long term processes that threaten the very existence of the system and what remains of the “people’s army” model. Reserve duty is based on volunteering, on unity, and on operational fitness. On esprit de corps. These are much harder to repair, and will affect the army’s ability in wartime.

The protest of the reservists will likely eventually reach the ranks of the regular army, the permanent army, and candidates for the security services.

The IDF stresses that its relative edge relies on the quality of its personnel, their unity, and the solidarity of its systems. These advantages are now challenged by the introduction of polarized political discourse into its ranks, which undermines the foundations of the army and its ability to fulfill its missions.

#### **4. An Undermined Economic Situation, the Essential Basis for National Security**

There is a clear correlation between the political-social crisis and Israel's weakened economy. In recent years the Israeli economy has demonstrated impressive resilience, but the uncertainty surrounding the judicial overhaul has led to a change in direction. Since January, the Tel Aviv 125 index has recorded relative losses, while its equivalents in the US (S&P 500) and in Europe (Stoxx 600) have shown considerable gains. In early June, the Governor of the Bank of Israel linked the weakness of the shekel in the international foreign currency market to internal events in Israel. A weakened shekel makes imports more expensive and thus contributes to the high cost of living, another issue that is not properly addressed given the ongoing crisis.

These aspects are clearly all related and affect other processes. Uncertainty harms long term economic planning and affects external investment. One of the explanations for the strong shekel in recent years was the rise in foreign investments, particularly in Israeli hi-tech. These have recently declined in a period of political uncertainty.

According to a report from LeumiTech and IVC from July 2023, in the first half of the year hi-tech investments were at their lowest level since 2019. A report from the Innovation Authority in late June 2023 showed that it was no longer possible to blame the global recession. While hi-tech worldwide was recovering, the local market was facing difficulties. This is likely to have extensive long term consequences for the "national engine."

The internal crisis prevents a focus on the struggle against exacerbating economic issues, such as the high cost of living and insufficient employment in weaker sectors. Indeed, the approved budget lacks growth generators, encourages the absence of core studies, and restricts the ability of the national treasury to direct budgets to essential branches.

#### **5. The Damage to Israeli Deterrence: The Heightened Challenge from Hezbollah**

In the INSS alert of four months ago, we pointed to the rise in provocations from Hezbollah since the start of the internal crisis in Israel, and the organization's greater willingness to take risks, which could lead to escalation on the northern border. And indeed, in recent months there has been another leap forward in Hezbollah activity along the border, raising tensions with the IDF and fears of military clashes.



The main change is the increased presence of Hezbollah activists along the border, stationed at multiplying observation posts; Hezbollah activists have also made blatant attempts to cross the Blue Line and sabotage the Israeli barrier. In mid-June two tents with armed Hezbollah fighters were reported near Mt. Dov, over the Blue Line in Israel's sovereign territory. Hezbollah has Likewise stepped up its cognitive campaign, distributing videos showing the capture of areas in northern Israel.

While there are internal Lebanese reasons for Hezbollah's recent provocations near the Blue Line, they are also evidence of the organization's greater self-confidence and willingness to take risks, based on its reading of the severe internal crisis within Israel and the tensions between Israel and the United States, which for them are signs of military weakness. In Hezbollah's view, Israel has no interest in taking military action against it. These developments could adversely affect Israel's deterrent power, as shown by Nasrallah's speech of July 12, in which he maintained that Israeli deterrence has eroded, while Hezbollah is growing stronger. In our assessment, Hezbollah has no interest in war with Israel, but the current tensions increase the risk of deterioration and a military clash.

## 6. The Iranian Context

Iran is enjoying a greater sense of achievement than it has experienced for some time, due to several developments that play into its hands: its nuclear program is proceeding without disruption and Iran is accumulating large quantities of enriched uranium, which bring it ever closer to the nuclear threshold. Despite some problems in its relations with Russia, Moscow is still dependent on Iranian arms. In addition, there is a regional trend of restored diplomatic relations, in the Gulf and in a slower dialogue with Egypt; there are also closer relations with Algeria and renewed talks with Sudan. Attempts to reach a settlement with the United States that will release funds and remove some of the sanctions have to date not succeeded, but Iran faces no real threat from the IAEA.

Events in Israel relating to IDF fitness and relations with the US encourage Iran to continue its policy and reinforce its confidence that there is no real threat to the progress of its nuclear program or any of its other subversive activities. The narrative that Israel is sinking while Iran is rising may be perceived as a theological-historical message that could encourage further Iranian initiatives.

## 7. The Palestinian Context

In the Palestinian arena, a revolution parallel to the judicial overhaul is unfolding, focusing on a change in perception and the way Israel rules the West Bank. The revolution is intended to consolidate Israeli control of the region and thwart any possibility of a future settlement between Israel and a Palestinian entity.

This policy in effect is expressed in the adoption of a new strategy, whose core is to crush any Palestinian national aspirations, destroy the option of a political settlement, prepare the conditions for annexation of Area C to Israel, and then create a situation of “one state with Jewish supremacy.” This strategy is expressed by:

- Exploiting the escalation in terror to convey a “suitable Zionist response” – by building settlements, expanding settlements outside the security barrier and in the heart of Palestinian territory, establishing unauthorized outposts, and displaying a forgiving attitude toward acts of settler violence and revenge.
- Transferring civilian powers in the West Bank to Minister Bezalel Smotrich, while reducing the powers of the military command (the acting sovereign in the territory). Changing the rules and the processes for issuing building permits in settlements and transferring the supervisory unit to the control of Minister Smotrich facilitates wider supervision of illegal Palestinian construction while turning a blind eye to illegal Israeli construction. The result is an erosion of security needs and considerations, with priority given to settlement considerations.

## **8. The Arab World: Undermined Trends toward Normalization?**

The Arab world is following carefully the internal crisis in Israel and its implications. They see damage to Israel’s military and economic strength and its international backing, particularly from the United States. This perception of a weakened Israel could have an adverse effect on their relations with Israel. So far, the Arab countries in general have refrained from public references to Israel’s crisis. There have been fairly strong responses in the context of increasing violence by Jews against Palestinian villages. Countries that have peace agreements with Israel wish to maintain them, believing that Israel will at the very least take steps to stabilize its internal situation and revive its economic situation.

The escalation in terror and IDF activity in the Palestinian arena, together with Israeli policy toward the Palestinians, challenges the ability of the pragmatic Arab states to find a balance between the need to maintain an image of concern for the Palestinians and their interest in promoting ties with Israel. As a result, there is greater activism in support of the Palestinians and unusual condemnation of Israel in international forums. These developments could make it harder to promote normalization with the Abraham Accords countries and proceed toward normalization, certainly in public, with Saudi Arabia. To be sure, the Palestinian issue is not central to the expansion of normalization, as long as this arena does not generate headlines that provoke the Arab public. Pictures of settler violence and attacks on holy places are an obstacle to normalizing relations with Israel.

The individual interests of the Arab states still favor the continuation of normalization, as shown by the Western Sahara issue in the Moroccan context, and as may happen with Saudi Arabia, which is in talks with the United States on the conditions for its consent to move toward warmer relations with Israel.

## **9. Implications for Relations with the United States**

Without shared values, the special relations with the United States will suffer. Israel's importance to the US in technology and security is relevant only if Israel remains committed to the shared values that define the relations. If Israel retreats from democratic values, it could find itself in conflict with American interests.

For the first time in the history of their relationship, the US is fearful for Israel's existence as a democracy. Tensions in the "special relations" between the US and Israel are not new, but casting doubt on such a basic anchor of the relationship is unprecedented. The special relations with the US are what spell the difference between Israel as a regional power and Israel as a small country with limited capabilities. Israel can survive a reduction in American support, but this will have an acute effect on its security, economic welfare, and the quality of life of its citizens. We are still far from a situation of total withdrawal of American support for Israel, but the ongoing trend is negative, and not only because of what is happening in Israel.

The US administration is firmly opposed to the judicial overhaul and to Israeli policy in the West Bank. These are familiar positions, but the strong language and severity of the messages are new. The administration is doing everything in its power to highlight its opposition to the government's conduct on the judicial overhaul and policy in the West Bank, which they believe puts the two-state solution at risk.

## **10. Immediate Necessary Steps**

- Stop the judicial overhaul legislation until broad consensus is achieved, and in turn, stop all protest activity. The aim is not to give victory to one side or the other, but to reduce tension by working together.
- The government must lead a wide-ranging and thorough process of dealing with each of the aspects that have been harmed by the crisis, and others that have been neglected – in security, the economy, society, and foreign policy.