Strategic Survey for Israel 2014-2015

Anat Kurz and **Shlomo Brom**, Editors

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THE INSTITUTE FOR NATIONAL SECURITY STUDIES

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Preface

Strategic Survey for Israel 2014-2015 is the latest volume in the series published annually by the Institute for National Security Studies. Taken together, the chapters comprise a review and analysis of the principal events and developments of 2014 relating to Israel's national security, while placing emphasis on the challenges they pose to Israel's internal, regional, and international environment.

This year's survey is the fourth since the onset of the upheaval in the Arab world initially called the "Arab Spring." Trends that marked the Middle East in the preceding years that were joined in 2014 by new developments are analyzed in this volume, as well as the response of regional and international actors to these processes of change. Measures taken by regional actors and by leading states in the international arena in response to emergent crises reflected their drive to contain to the greatest extent possible any negative effects of unfolding developments and to limit the fallout from the lack of progress toward resolutions or understandings that could protect their respective vested interests. However, no political or military response has been found to contain the threat inherent in the crises occupying the regional and international communities in recent years, let alone resolve them. It is therefore likely that these crises will maintain their central position on the international agenda both during 2015 and beyond.

As in previous years, the Iranian nuclear question stood out this past year as one of the main unresolved issues. The fact that the period of time allotted to negotiations between the major powers and Iran to reach an agreement that would substantially restrict Tehran's ability to complete its military nuclear program was extended twice demonstrated the difficulty in moving Iran to abandon its nuclear goals and its desire to maintain its status as a nuclear threshold state. The extensions also highlighted the difficulty among the Western countries of reaching an agreement on a policy that will compel

Iran to forego its nuclear ambitions, which enhance its regional aspirations. In addition, the Iranian nuclear issue remains a focus of intensive dialogue between Israel and the United States, and has become a point of contention between the administration and Congress over the measures that should be taken in order to reduce the potential threat emanating from the crisis.

Another crisis that emerged in full force during 2014 that has influenced the approach of the major powers and Middle East states to developments in the region was the rise of Islamic State, originally known as ISIS (the Islamic State in Iraq and Syria) or ISIL (the Islamic State in Iraq and the Levant). The organization's momentum is inherently associated with the dissolution of state political structures, caused in Syria by the prolonged civil war and in Iraq by the weakness of the central government that became fully apparent after the withdrawal of US forces from the country. Islamic State's territorial gains prompted the formation of a broad Western and Arab coalition, led by the US, to fight the organization. The tensions between the leading powers – the US and Russia over distribution of influence in the Middle East and beyond, as well as between the major regional powers, mainly Iran, Saudi Arabia, and Turkey – were reflected in both the dialogue with Iran and the struggle against Islamic State. The prolonged war in Syria has already created an acute refugee problem, with a humanitarian calamity that incurs a risk of upheaval in the neighboring countries, principally Jordan and Lebanon, where millions of Syrians forced to leave their homes have taken refuge. Furthermore, the civil war in Syria has enabled the fortification of armed jihadi militias in the Golan Heights near the border with Israel. Hizbollah forces engaged in defending the Syrian regime have also been deployed in the area in response. Concomitantly, Hizbollah has continued to accelerate the intensive rearmament that it began after the 2006 Second Lebanon War. The organization thus poses a much more severe threat to Israel today than it did eight years ago, because the range of its weapons now covers all of Israel.

A subject that in contrast to predictions retained its relatively high priority on the regional and international agenda was the Israeli-Palestinian conflict. During the year under review, another unsuccessful effort at progress toward a negotiated settlement between the parties joined the series of failed attempts of the past two decades. A major military conflict between Israel and Hamas

occurred in the summer of 2014, and Palestinian terrorist activity, mostly unorganized, increased, inspired by the call for jihad resounding throughout the Levant as well as in Europe. For its part, the Palestinian Authority continued to pursue the diplomatic-legal track in the international arena as a means of enlisting support for progress toward Palestinian independence not through negotiations, and in response to the political stalemate.

The choice of this route by the Palestinian Authority has earned broad and growing European support. The US administration's traditional identification with the Israeli position continued, and continued to play the key role in the efforts to halt the Palestinian diplomatic initiatives. Nonetheless, this was not enough to mask the differences of opinion between the Israeli government and the US administration on measures that should be taken in order to advance a settlement of the Israeli-Palestinian conflict. Another core of tension between the Israeli government and the administration was the differences of opinion regarding what should be done to resolve the Iranian nuclear crisis.

In the Israeli arena, the political instability increased. The coalition government was dissolved, and the date for new general elections was set for March 17, 2015. While the saying that these elections will be decisive is a recurrent mantra in every election campaign, it appears that this time the refrain has more validity, given the need to make decisions about important, substantive issues, and the risks incurred should these decisions be postponed.

Analysis of the events that occurred in Israel's strategic environment during 2014 constitutes a basis for proposals and recommendations regarding the policy that Israel's forthcoming government should formulate in order to best meet the challenges before it. One conclusion running consistently throughout the chapters in this volume is that postponing substantive political decisions and ignoring the opportunities for regional and international coordination with the goal of defending common interests will exacerbate the threats posed to Israel by the dynamic Middle East.

This book covers five key subject areas, each one focusing on a particular challenge that has weighty implications for Israel and the region. Naturally many of the topics recur in more than one chapter, insofar as Israel's strategic environment is a complex arena in which events have intertwined links, both regional and international.

"The Israeli-Palestinian Arena" includes two chapters. The first, written by Shlomo Brom, Udi Dekel, and Anat Kurz, discusses the connection between the two major developments of 2014 in the Israeli-Palestinian arena: the failure to progress toward a negotiated settlement of the Israeli-Palestinian conflict and the military confrontation that took place in the summer of 2014 between Israel and Hamas. These two developments demonstrated the political and security dilemmas inherent in the deadlock in the Palestinian arena, and the problems emanating from opting for conflict management over conflict resolution. The chapter contends that Israel must choose between two alternatives. One is adherence to the status quo, based on the assumption that in the current Middle East, with its many elements of uncertainty, any movement or political initiative incurs too many risks. The second is an effort to take advantage of opportunities to escape the deadlock and progress toward a new reality that will serve Israel's strategic interests. The authors conclude that the latter alternative can help Israel shape a more manageable and containable regional and international environment than what it currently enjoys.

The analysis of the circumstances in the Israeli-Palestinian arena and Israel's standing at this time in the regional and international arenas, presented by Udi Dekel in the chapter that follows, leads to the conclusion that an Israeli government formed after the March 2015 elections should present a dynamic political initiative. This initiative would include a number of routes toward the reality of two states for two peoples, with the dynamic possibility of route changes – according to emerging constraints and the progress along the respective alternative tracks – toward the desired destination.

The second topic of the book, "The Iranian Challenge," opens with a chapter by Emily Landau and Shimon Stein on the nuclear talks and the implications of the various crises in the Middle East and the international arena on the prolonged dialogue. The central question explored is what influences the ability of the major powers to reach an agreement: the dynamics of the negotiations themselves, or the connection between the nuclear crisis and the dynamics surrounding other international issues. The analysis leads to the conclusion that an agreement with Iran, even if it is considered a "good agreement," will focus on keeping Iran from a nuclear breakthrough but will not be able to change its nuclear aspirations, and it is therefore only a

matter of time before Tehran renews its efforts to acquire nuclear weapons capability.

The chapter that follows, written by Ephraim Kam and Yoel Guzansky, focuses on the effects of the upheaval in the Middle East in recent years on Iran, and Tehran's efforts to manage the turbulent surroundings. Key among these challenges is the rise of the Islamic State organization and the military struggle against it by the US-led coalition. The picture that emerges underscores that these developments, in addition to weakening the Bashar al-Assad regime in Syria, also threaten Iran's position. The regional and international recognition of Iran's ability to help stabilize the situation in Iraq and Syria, and the direct dialogue between it and the US administration on the nuclear question, constitute a counterweight to these challenges.

The next topic, "The Turmoil in the Middle East," focuses on the disintegration of state frameworks and the rise of non-state actors in the region, as well as the efforts made to stop the forces challenging the existing formal state order. The section was written and coordinated by Ephraim Kam, joined by Benedetta Berti, Udi Dekel, Mark Heller, and Yoram Schweitzer. The chapter discusses the complicated circumstances and consequences of the developments that highlighted and exacerbated the weakness of the Arab world, and the circumstances under which the influence of the non-Arab countries – Turkey, Iran, and to some extent Israel as well – have exerted greater influence on the regional agenda. The US military involvement in the region is also surveyed, together with that of other countries from the region and beyond, which as of now has recorded only limited successes in matters pertaining to the effort to halt and reverse the campaign of territorial expansion by the Islamic State organization. The chapter concludes that instability in the region, which worsened during the past year, is liable to continue for many years. Conditions that will support stability have not yet been created in Iraq and Syria. The struggle between Shiites and Sunnis, and the struggles for independence by various ethnic groups in the region are far from being decided. The rising momentum of jihad militias is nowhere near petering out. There is no single influential and powerful player in the Arab world that can lead it to stability. This composite, highly problematic situation does not bode well for Israel, in part because of the danger that in the long term, it will be the target of the jihadi organizations. On the other

hand, this very threat, which is shared by Israel and other countries in the region, can constitute the basis for tightening cooperation in focusing on the effort to counter Iran and radical Islam.

The topic that follows, "International Involvement in the Middle East," also features an integrated chapter, written and coordinated by Oded Eran, joined by Zvi Magen and Shimon Stein. This section focuses on the processes that led the main international actors – the United States, Russia, and to some extent the European Union – to intervene in Middle Eastern regional issues and crises. First and foremost, the Islamic State organization gained control over considerable territory in the heart of the Middle East, and its intention to expand the region under its control to countries that have so far remained stable forced the US and a number of its allies to revise their policy of refraining from military involvement in regional events. The developing trends, headed by the collapse of the state frameworks, give rise to the questions about the ability to devise solutions for the ensuing risks without political, economic, and military cooperation between international actors. As for Israel, it will be difficult to dissociate its responses to questions involving the Iranian nuclear crisis and the Palestinian issue from other trends and developments underway in the Middle East and the international arena as it relates to the Middle East.

The fifth section, "The Internal Israeli Arena," includes an analysis of Israeli society and an economic assessment. The chapter by Meir Elran, Yehuda Ben Meir, and Gilead Sher reviews factors that influenced the socio-political mood, as reflected in the Israeli public during the year under review. The analysis focuses on three sources of tension that are the nexus between the external challenges and the internal tension: the widening gap between Jews and Arabs, which threatens stability and public order; radicalism and escalation in relations between the opposite sides of the political spectrum; and the gap between the central region in Israel and the country's periphery, which was highlighted during the confrontation with Hamas. These factors, which join other dimensions of contention and alienation at political, social, and economic levels, directly affect national security, because they are linked to the ability of Israeli society to mobilize in advance of and during future external and internal challenges.

In the first of two chapters on the Israeli economy, Eran Yashiv analyzes the turbulent events that occurred in the Israeli economy in 2014. No substantial reversal took place in government economic policy, although toward the end of the year, questions arose about the future government budget, particularly the defense budget. The article reviews the process of formulating the state budget, while pointing out difficulties in devising a strong order of priorities. It also focuses on economic aspects of the outlying areas in southern Israel and the Arab and ultra-Orthodox population groups, and analyzes their problematic long term consequences for the economy. In the second chapter on the economy, Shmuel Even deals with the development of defense spending in Israel and the defense budget figures, and focuses on the dispute between the Ministry of Finance and the defense establishment over the size of the budget and the factors in the dispute between them on this subject. The recommendations include an emphasis on the need to define the roles of those involved in preparing the defense budget and the need to set a realistic defense budget and prepare a multi-year plan, as well as a proposal for security baskets of services that meet the needs defined in the decision making process.

The collection ends with a chapter by Udi Dekel and the editors analyzing the security and political challenges facing Israel. The analysis stresses the problems latent in the assumption that Israel can be surrounded by a defensive wall that prevents the events underway in the Middle East from spreading into its territory, as well as the inadequacy of the policy that projects that Israel can remain inactive in the long term in the face of the deterioration in its international standing. An alternative approach formulated in recent years at the Institute for National Security Studies calls for devising and adopting a proactive policy, with an emphasis on finding and realizing opportunities that will assist Israel in dealing with the challenges facing it, and will improve its standing in the region and in the international arena, while preserving its essential security interests.

We would like to thank the authors of the articles, members of the Institute for National Security Studies research staff, for their contributions to this volume. As in previous years, special thanks are due to Moshe Grundman, Director of Publications at the Institute, and Judith Rosen, the editor of INSS English publications, for their invaluable contribution to the writing

and publishing of this volume. Our thanks also go to Omer Einav for his assistance and constructive comments.

Anat Kurz and Shlomo Brom
January 2015

The Israeli-Palestinian Arena

The Israeli-Palestinian Arena: Failed Negotiations and a Military Confrontation

Shlomo Brom, Udi Dekel, and Anat Kurz

The Israeli-Palestinian arena of the past year was marked by four principal developments. The first was the failure of the talks between Israel and the PLO/Palestinian Authority (PA) on a permanent settlement, launched at the initiative of the United States and conducted under the mediation of US Secretary of State John Kerry. This round of talks continued for nearly nine months, ending in April 2014 with no agreement. The second development was the agreement reached between Fatah and Hamas as a basis for the formation of a national unity government, even though no progress was made toward genuine reconciliation between the parties. The third was Operation Protective Edge, the military confrontation in July-August 2014 between Israel and Hamas and the other armed factions in the Gaza Strip that was the culmination of the escalation of the preceding months. The war demonstrated the risks inherent in the continuation of the status quo, the shared Israeli-Palestinian despair regarding the prospects for progress toward a settlement of the conflict, and the mutual acceptance of protracted conflict management. The fourth development, which highlights the Palestinian intention to escalate the diplomatic campaign against Israel in the international theater, was the submission of a resolution to the UN Security Council listing the elements of a permanent settlement and requiring Israel to end the occupation of the Palestinian territories by the end of 2017. Following the rejection of the proposal, the Palestinians formally requested accession to the Rome Statute,

which gives them the means to file claims against Israel for war crimes at the International Criminal Court in The Hague.

These intertwined developments reflected the major problems latent in the continuation of the conflict and the political deadlock. Consequently, Israel must choose between two alternatives. One is adherence to the status quo and reliance on the political stalemate, on the assumption that in the current Middle East situation, which is replete with elements of uncertainty, any initiative and change in policy will incur risks. The second alternative is based on the realization that developments in the Israeli-Palestinian conflict and in the Middle East in general present opportunities that should be utilized in order to breach the stalemate with its many risks, and progress toward a new situation that will serve Israel's strategic interests. An examination of the developments over the past year in the Israeli-Palestinian arena according to the chronological order in which they occurred demonstrates their inter-connections and indicates that the second alternative will help Israel move forward toward a more comfortable political-security situation than containment, and better serve its long term strategic interests.

The Round of Negotiations: A Failure Foretold

The most recent round of talks between Israel and the Palestinians began in late July 2013 and collapsed in April 2014, before the end of the nine months allocated to negotiations by the two parties. Secretary Kerry initiated the renewal of negotiations, and it was he who dragged Israel and the PLO, represented by the PA, into the negotiations room to discuss a permanent settlement. However, the very circumstances under which the negotiations were renewed to a large extent contained the reason for their failure. Neither Israel nor the Palestinians believed that the talks were of any use. Each side was brought unwillingly into the talks, and in effect agreed to conduct them with the aim of avoiding a confrontation with the US administration. Both Israel and the Palestinians believed that an agreement could not be worded with terms that were mutually acceptable.[1] Their assessment – ultimately proven correct – was that neither side had a partner for an agreement, and thus from the beginning of the negotiations, each party sought to end the talks with the other side held responsible for the eventual failure. An atmosphere of this sort clearly is not conducive to serious negotiations. Inter alia, during

the talks both sides adopted a tactic of leaks to help blame the other side for the failure. Inevitably, the leaks further entrenched already firm positions, which complicated the task of finding and formulating compromise solutions.[2]

From the beginning of the negotiations, the Palestinian negotiators, led by PA President Mahmoud Abbas, believed that the Israeli government, headed by Benjamin Netanyahu, was not interested in ending the control over the Palestinian territories – which means ending the Israeli settlement enterprise in the West Bank – and that its conduct during the negotiations was designed first and foremost to fortify its internal legitimacy. They also believed that by highlighting the political deadlock, the Israeli government sought to emphasize the Palestinians' responsibility for the impasse, thereby easing the international pressure to progress toward a settlement. The demand by the Israeli representatives at the talks that an Israeli military presence in the Palestinian territories be maintained even after the signing of an agreement and the establishment of a Palestinian state, and that for an unlimited time period Israel retain the right to use these forces, confirmed this assessment in Palestinian eyes.[3] Further support for this idea came from the Israeli refusal to engage in concrete negotiations about the border between the two states, the refusal to divide Jerusalem, and the accelerated pace of construction in the Jewish settlements.

The prevailing perception on the Israeli side, both in the government and among large sections of the public, was that the Palestinians were not truly prepared to accept a two-state solution as stipulated by the UN General Assembly in Resolution 181 (the partition plan). According to this perception, the Palestinians do not recognize Israel's right to exist and aim to ultimately destroy it. The Palestinian refusal to recognize Israel as a Jewish state and to give up the "right of return" was interpreted as indisputable verification of these suspicions.[4] The Palestinians' rejection of Israel's full security demands was also interpreted as evidence that they intended to create a situation in which ongoing security threats would erode Israeli resilience.

To be sure, some flexibility was discernible in the positions of the two sides, compared with their opening positions. Prime Minister Netanyahu agreed that the border between Israel and the Palestinian state would be based on the 1967 lines with revisions. For his part, President Abbas agreed to a continued Israeli military presence in the Jordan Valley for a predetermined

number of years, and was willing to accept in principle the US administration's proposals for security arrangements to prevent weapons smuggling by terrorist operatives into the territory of the Palestinian state.[5] In the circumstances surrounding the round of talks, however, which featured mutual distrust and profound gaps between fundamental positions, it was impossible – and without a basic change in approach will be difficult in the future – to bring about a breakthrough toward formulating a permanent settlement.

It also appears that the way that the negotiations were conducted had a negative impact on their prospects of success. Secretary Kerry preferred to focus the talks exclusively on the principles of the permanent settlement, believing that if other alternatives were discussed, such as partial transition agreements and/or coordinated unilateral measures, the parties would be able to evade a pragmatic discussion of the end-state solution. At the same time, if principles for a framework agreement are agreed on first, they can be used to promote arrangements other than a full permanent agreement. Kerry was certainly aware of Abbas' strong opposition to partial arrangements as a substitute for a permanent settlement. In the dominant Palestinian view, the idea of partial and temporary agreements reflects Israel's goal to dictate the terms of the permanent settlement, assuming that temporary agreements will become a permanent reality given that no final status solution can be reached on the basis of Israel's terms that is also acceptable to the Palestinian side. In any case, Kerry's decision meant that in the absence of willingness by the two sides to make difficult decisions – the painful compromises without which a permanent agreement is impossible – there was nothing left to discuss, and the process collapsed.

The American attempt to make progress through a focus on security arrangements and borders was also unsuccessful. First of all, it is difficult in principle to separate these issues from the other items on the agenda, as the security question is necessarily linked to the sovereignty of the Palestinian state and the end of the occupation. The issue of borders is inseparably linked to the question of Jerusalem and the future of the Jewish settlements in the territories. Second, the focus on the security issues resulted in the US largely accepting Israel's demands in this area, although in contrast to American expectations, Israel was unwilling to forego its demand that there be no time limit on Israel's military presence in the Jordan Valley

and its military freedom of action throughout the Palestinian territories. In fact, although US General (ret.) John Allen, who was instructed to address the security needs of the two sides, was under the impression that after the intensive work by joint teams the IDF had accepted his proposed security arrangements, which seemed to IDF experts suitable for Israel's security needs, the Israeli political echelon – the Prime Minister and the Minister of Defense – opposed these arrangements. The result was a toughened Israeli position. Israel demanded the continuation of its security deployment and its freedom of action in the West Bank, which in effect would institutionalize these aspects of the situation as they are now, even with the existence of a Palestinian state. On the other hand, there was also no Israeli readiness for concrete discussions about borders, beyond Prime Minister Netanyahu's acceptance of the principle that the borders would be based on the 1967 lines with territorial exchanges (nor did he agree that the territories exchanged would be of equal size). Israel also refused the Palestinian request for a concrete border proposal.

A similar dynamic developed on the key issue of Israel as a Jewish state. Here the US administration fully embraced Israel's uncompromising stance. The administration's approach was also reflected in the framework agreement that it proposed, based on the assessment that Israel would display flexibility on various issues if its security demands were accepted, along with the recognition of Israel as the state of the Jewish people. One of the Palestinians' main concerns was that recognition of Israel as a Jewish state would mean waiving their demand for the "right of return" of refugees (a right they realize cannot be completely implemented). The Israeli side, however, was unwilling to propose a formula that would enable President Abbas to consent to the demand in exchange for American backing on the issue, while the Palestinians were unwilling to accept a more flexible wording of two states for two peoples, the Jewish people and the Palestinian people. Perhaps for this reason the Israeli side was willing to consider acceptance of the principles of the "framework agreement," while the Palestinians rejected it out of hand. Furthermore, this course of events gave the Palestinians the sense that the US administration had coordinated its positions in advance with Israel and turned to the Palestinians only afterwards, while presenting the Israeli position as the administration's own.

Mutual trust between the negotiating parties, even if limited, is of great value in negotiations, because it is essential for bridging gaps. The beginning of the 2013-14 round of Israeli-Palestinian talks, however, featured a very low level of trust. The behavior of the parties during the talks, probably due to their prior assessment that no agreement would emerge, only aggravated the distrust between them. Another problem was the vagueness regarding the joint expectations of the parties from the process, and their surprise at the changing American initiatives. One significant illustration of the negative dynamic was the chain of disputes associated with the release of the Palestinian prisoners from Israeli prisons and the permits for construction and expansion of Israeli settlements in the West Bank. The behavior of the two parties and the artificial link created between the issues prevented Israel and the Palestinians alike from mustering public support for the talks and for an agreement, and undermined their already limited ability to engage in constructive negotiations.

The fact that Israel decided to release Palestinian prisoners in four stages highlighted its lack of trust in the Palestinian side and the intent to use the gradual release as a whip to threaten the Palestinians and oblige them to adopt measures regarded by Israel as "constructive." This method of gradual release over the course of the negotiations – subject, however, to the Palestinians' conduct – provided Israeli opponents of the negotiations with an opportunity to create difficulties for the negotiators through emotional pressure on Israeli public opinion. In addition, the United States proposed that Israel enable the opening of negotiations and create a supportive atmosphere through a goodwill gesture to the Palestinians by either releasing prisoners or suspending construction in Jewish settlements in the West Bank. Israel chose to release prisoners. Yet when Prime Minister Netanyahu was harshly condemned in his own political camp for his intention to free Palestinian prisoners, he responded to the criticism by expanding construction in the communities, and asserted that the construction was part of a deal in which Palestinian prisoners would be freed in exchange for President Abbas' consent to further construction.[6] This claim, however, for which there is no factual basis, seriously harmed Abbas' standing among the Palestinian public, for whom the settlements are an extremely sensitive and painful subject. Thus, a measure designed to help build confidence among the Palestinians instead

severely damaged Abbas' political standing, and was interpreted with a good deal of justification as a confidence-destroying measure to weaken the PA President. For their part, the Palestinians refused to understand that releasing terrorist murderers, especially those who are Israeli Arabs, is a very painful issue in Israeli society that must therefore be addressed with added sensitivity.

Presumably even had the parties refrained from the questionable behavior described above during the negotiations and adopted a positive approach to the talks and to each other, it is highly doubtful whether an agreement could have been reached, due to the wide gaps between them on matters at the heart of the conflict, the respective internal political situations, and the weaknesses of leadership. It appears that neither side had an interest, let alone the political power, to motivate it to compromise and reach agreement. Prime Minister Netanyahu, as the leader of a party with a broad and vocal opposition to a permanent agreement with the Palestinians, and whose first government collapsed in 1999 over the Wye Agreement (between Israel and the PLO, listing the stages on the way to implementing the Oslo Accords), headed a shaky, strife-ridden coalition. He acted under the threat that his coalition would crumble if he showed flexibility on sensitive questions, or even if he presented softer positions (the coalition did fall apart, although not because of the negotiations with the Palestinians, which collapsed many months before it was decided to hold early elections). On the other side, President Abbas' weakened stature in his camp, coupled with little legitimacy among the Palestinian public for any compromise agreement on terms acceptable to Israel, made it difficult for him to take breakthrough decisions. It appears that Abbas, who has considered retirement for some time, prefers to retire as someone who acted on behalf of national unity and faithfully preserved the Palestinian interests as perceived by the Palestinian public at large.

Toward the end of the period allotted for negotiations, Secretary of State Kerry failed to convince Israel and the Palestinians to extend the negotiations period, primarily due to Palestinian opposition. For their part, the Palestinians decided to apply for accession to 15 international organizations and international conventions, thereby violating a commitment to halt unilateral diplomacy in the international arena as long as the negotiations continued.

At that time, in order to avoid too great a provocation, the Palestinians applied to conventions and organizations in which their membership would not create a serious problem for Israel, as would have been the case with the International Criminal Court (ICC) in The Hague (such an application was filed later, in January 2015, after the UN Security Council rejected the Palestinian-sponsored resolution calling for an end to the Israeli occupation within three years). The 15 applications for membership in conventions and organizations that were made, however, were enough to prompt the Israeli government to declare an end to the talks.

The Palestinian Reconciliation Agreement and the National Unity Government

One of the results of the collapse of the negotiations between Israel and the Palestinians was an institutional reconciliation agreement between Fatah and Hamas in April 2014, including the formation of a national unity government supported by both movements. Of all the political issues occupying the Palestinian political arena and the Palestinian public, which does not believe in the ability to make progress in any other area, national unity is the issue most discussed and the one that commands the most support. Nonetheless, for many years Hamas and Fatah have found it difficult to agree on principles for reconciliation, due to the inter-organizational rivalry and their respective political considerations, and due to opposition by external elements, headed by Israel and the US, to internal Palestinian reconciliation. The new circumstances created by the collapse of the negotiations between Israel and the Palestinians and the weakness of Hamas caused by the upheaval in the regional environment made it possible for the two sides to reach an agreement. In fact, the parties were driven toward formulating principles for institutional collaboration by their internal weakness. Each side suffered from an ongoing erosion of its base of legitimacy and public support in its own camp. Thus, the internal policies of the two Palestinian groups dictated the course of events.

As far as the PA was concerned, Abbas realized that he was losing the support of the Palestinian public, given the low yield from his political posture, particularly after the failure of Kerry's mediation. His problem with legitimacy is first and foremost with his home audience – particularly

young Fatah members, who have spurned him and the leadership around him. At the same time, as the leader of the greater Palestinian public, Abbas is driven by the fear that he is liable to leave a legacy of division in the Palestinian camp.

For its part, Hamas came to the negotiations on institutional coordination with Fatah in a state of clear political weakness and severe economic distress. Hamas was in dire straits as a result of its rift with the el-Sisi regime in Egypt following the ouster of the Muslim Brotherhood government, which Hamas assumed would be a fitting replacement for its former patrons: Iran, Syria, and Hizbollah. Hamas' loss of public support also stemmed from the ongoing economic crisis in the Gaza Strip, due to the closure of the tunnels and the strict blockade imposed on the Strip. Hamas' only significant remaining asset was its military power, which would be difficult to sustain in the long term without political and financial resources. Its relations with Iran have deteriorated, and the aid from Tehran to the organization has declined significantly. In Syria, Hamas, a Sunni Islamic organization originating in the Muslim Brotherhood, was unable to fight alongside the Alawites and other minorities identified with the Shiites fighting against Sunni organizations. However, this refusal to stand by Bashar al-Assad's regime in its struggle against the rebels in Syria has created a rift between the organization and Syria, Iran, and Hizbollah.

Hamas has been disappointed in its hope that support from other Sunni Islamic organizations – particularly branches of the Muslim Brotherhood, whose power grew as a result of the social and political upheaval in Arab countries – would compensate for the loss of support from Shiite groups. Indeed, for a short time during the Muslim Brotherhood's rule in Egypt, it appeared that this hope was fulfilled, even though President Mohamed Morsi showed a preference for Egyptian interests over Hamas' direct interests in the Gaza Strip. This hope faded, however, when Morsi fell from power in July 2013 and the regime of Abdel Fattah el-Sisi replaced the Muslim Brotherhood rule.

The Egyptian regime regards the Muslim Brotherhood as an enemy. For the el-Sisi regime, Hamas is a particularly dangerous manifestation of the threat, because it is armed, enjoys power and freedom of action in the Gaza Strip, and maintains channels for smuggling weapons with terrorist groups

operating in Sinai. Egypt has therefore taken forceful action to cut Hamas off from the tunnels used to smuggle goods, especially weapons, into the Gaza Strip, and the campaign against the tunnels has been quite effective. Most of the tunnels have been destroyed, and the Egyptian forces have dug up an area of up to 1 km near the border between the Gaza Strip and Egypt. The traffic to the Gaza Strip through the tunnels has therefore been blocked almost completely, throwing Hamas into a deep economic crisis. In addition to the halt in financial aid from Iran, it has lost its income from taxes collected on goods smuggled to Gaza. Furthermore, Egypt's categorization of Hamas as a terrorist organization has eliminated the possibility of smuggling money to the Gaza Strip through bank transfers. Politically isolated, Hamas enjoyed unequivocal support from Qatar and Turkey, yet these two countries were unable to break through the financial barriers surrounding the organization. The most acute result of the financial crisis was an inability to pay salaries to civil servants in the Gaza Strip and soldiers in Izz ad-Din al-Qassam, Hamas' military wing.

Hamas' weakness left the organization no alternative but to make most of the concessions that would enable it to draft a reconciliation agreement with Fatah. The Hamas leadership, however, consented to the establishment of a national unity government that excluded any representative of the organization. This government is purportedly a government of technocrats, but it includes more than a few political figures close to Abbas. Hamas agreed to give this government control over all the civilian ministries in the Gaza Strip, thereby ostensibly conceding the civilian elements of rule there to the PA under the leadership of Fatah, with Abbas at the helm.

Later developments, however, illustrated that there is a big difference between willingness in principle and willingness in practice to accept a situation in which the PA controls the civilian authorities in the Gaza Strip. Hamas also accepted the Egyptian demand that PA security personnel – the Presidential Guard – be stationed on the Palestinian side of the Rafah border crossing and along the border between the Gaza Strip and the Sinai Peninsula. In return, Hamas received a commitment that salaries of public servants would be paid (it was not clear, however, who those public servants are, and whether members of the Hamas military wing are included in them), consent for its joining the PLO, and a commitment to hold elections in six

months. It was apparent, however, based on past experience with previous attempted reconciliations between Fatah and Hamas, that Fatah has a strong interest in evading those commitments, using various excuses.

The national unity government, supported by Hamas, was headed by former Prime Minister Rami Hamdallah, and included more than a few ministers who were members of the previous government. Israel, however, responded to this development with a campaign of pressure against the PA, including a threat that it would not talk with anyone cooperating with Hamas and would delay the transfer of tax funds that it collects for the PA. Israel likewise took practical steps to prevent the transfer of funds from the PA to the Gaza Strip. At the same time, as evidence that the agreement on the establishment of a unity government had not erased the enmity between Fatah and Hamas, the PA itself did not meet its commitment to transfer money for salaries to Gaza, and made the payment contingent on a detailed examination of the names of the public servants. This was the background for the escalation between Israel and Hamas, which culminated in Operation Protective Edge.

Following Operation Protective Edge, the reconciliation agreement in effect collapsed, due to unwillingness on both sides to implement it. Each of them realized that the other side planned to take advantage of the agreement to weaken and eventually eliminate its adversary's political influence. Abbas became convinced of this after Israel revealed that it had exposed a Hamas network seeking to rebuild Hamas' military infrastructure in the West Bank to carry out terrorist attacks, as part of Hamas' belief that Fatah's loss of legitimacy would in the future enable it to seize power in the West Bank.[7] Despite this, no side was willing to declare an official end of the agreement, lest it be blamed by the Palestinian public for thwarting the reconciliation.

Operation Protective Edge

The Political Level

Claims were made in Israel that the outbreak of a military conflict between the Gaza Strip and Israel was planned in advance by Hamas, which initiated the conflict in order to improve its situation in the Gaza Strip and in the Palestinian arena as a whole. In this narrative, common in the Israeli public discourse and in the Israeli media, and embraced by the government as well, the war was dubbed "the July war planned by Hamas."[8] Nevertheless, the

evolution of the crisis indicated that it is more likely that what occurred was an escalation into a comprehensive conflict that neither side managed to control, and at some stage did not want to stop.

The escalation began with the kidnapping of three Israeli teenagers by a Hamas unit in Hebron as a bargaining chip for the release of prisoners. Although the tactic is endorsed by the organization, the Hamas political and military leadership was unaware of this particular initiative. The unit kidnapped the three boys in Gush Etzion and murdered them when the operation went bad. Israel responded with tough measures, in part due to the young age of the victims. Security forces conducted an aggressive search for the kidnapped boys, while a decision was made to use the event for a large scale strike against Hamas' infrastructure in the West Bank, including the organization's political and social infrastructure. Many Hamas operatives and suspects were arrested, and the IDF raided institutions linked to the organization.

The escalation to warfare in the Gaza Strip began when other armed groups in Gaza, not Hamas itself, exploited the tension in the Israeli-Palestinian arena following the failure of the political negotiations and the confrontation that had developed in the West Bank as an excuse for firing rockets from the Strip at targets in Israel. Israel acted according to its customary policy of responding to rocket launchings from Gaza by attacking targets in Gazan territory. According to the Israeli approach, which contends that Hamas, as the ruler of the Gaza Strip, is the responsible party for what occurs there, the targets of the military response also included Hamas targets. A week after the rocket fire from Gaza began, following an Israeli attack on a Hamas tunnel in Gazan territory that killed members of a special Hamas force, the Hamas leadership decided to respond with even more massive rocket fire and take advantage of the escalation to fundamentally change the situation in the Gaza Strip by stabilizing its rule there.[9]

It is possible that the rocket fire by other militant groups operating in the Strip, combined with the Israel response to it, made it especially difficult for Hamas itself to refrain from a response. The other factions were not aiming solely at Israel; their goal was to deliver a message to the Palestinian population that Hamas was not a genuine resistance movement protesting the Israeli occupation, and that like Fatah and the PA, Hamas was in fact

serving the interests of Israel. The core of this message is that those factions are the genuine resistance movements, and are therefore entitled to public support. For its part, Hamas was unable to rebuff this accusation when it acted with restraint in its struggle against Israel. Those who advocated the idea that the escalation was initiated by Hamas argued that the rocket fire by the other factions was in fact a message conveyed by Hamas, which could have prevented these actions. It is possible, however, that due to the difficulties created by Israel for implementing the reconciliation agreement and measures taken by Egypt to rein in Hamas activity, elements in Hamas, especially in its military wing – frustrated because the PA was not transferring the salaries to Izz ad-Din al-Qassam operatives – believed that the conflict with Israel gave them a way out of the organizational and financial crisis. Either way, the escalation spilled over into a major conflict, because Israel was forced to respond to the launching of rockets by Hamas with a large scale attack in the Gaza Strip.

From Hamas' perspective, the beginning of the conflict differed from the background to its previous conflicts with Israel. The organization entered the war in a position of unprecedented, dire straits, which mired it in a situation in which it had nothing to lose. Indeed, Israel made it apparent from the beginning of the campaign that it did not intend to topple Hamas' rule in the Gaza Strip. The lack of stability and the organizational rift among its decision makers was unprecedented as well. The split, in part due to the geographic separation between the branches of Hamas' leadership, was also reflected in the contrasting interests of the organization's military and political echelons in the Gaza Strip and the leadership outside the Gaza Strip.

Following the death of its previous commander, Ahmed al-Jabari, at the outset of Operation Pillar of Defense (November 2012), the military arm of Hamas, under the command of Mohammed Deif, adopted a more militant policy. This greater militancy, which resulted from feelings of frustration caused by the economic distress in the Gaza Strip, was obviously also fanned by the claims that Israel was not fulfilling its part of the understandings achieved at the end of Operation Pillar of Defense concerning freer movement of people and goods to and from the Gaza Strip. The members of the Hamas political wing, who are closer to the local population and therefore tend to exhibit a more moderate approach, were more inclined to agree to an early ceasefire.

On the other hand, the political wing outside the Gaza Strip acted to a large extent in accordance with the policy of the organization's regional patrons. Khaled Mashal, chairman of the Hamas Political Bureau and sponsored and sheltered by the regime in Qatar, generally endorsed the positions of the military wing, and presented excessive demands as a condition for a ceasefire. Musa Abu Marzook, Mashal's deputy who resides in Cairo, took a moderate stance in support of the ceasefire proposals by Egypt.

The round of fighting between Israel and Hamas in the summer of 2014 was marked by its uncharacteristically long duration. The conflict continued for 50 days, from July 8 until August 26 (Operation Pillar of Defense, which preceded it, lasted for eight days, and Operation Cast Lead – late 2008 to early 2009 – continued for 23 days). From an early stage of the fighting, Israel was willing to accept a ceasefire – "quiet in exchange for quiet" – but Hamas refused to stop shooting rockets until the principles for removal of the blockade and reconstruction of Gaza were agreed. The long duration of the fighting this time can be attributed to improved stamina on the part of Hamas, which relied heavily on its store of rockets and the protection afforded by tunnels. From its experience with previous rounds of fighting with Israel, Hamas realized that it had to extort achievements from Israel as a condition for a ceasefire; otherwise, its chances of ending the blockade against the Gaza Strip were poor. A prevailing argument among the Israeli public held that the IDF's air raids and limited ground missions did not generate pressure capable of convincing Hamas to halt its fire and stop the fighting; at an advanced stage of the campaign, after high rise buildings in Gaza were leveled, the elite in the city put pressure on the Hamas leadership for a ceasefire. There is not enough evidence supporting this argument, however. It therefore appears that the difficulty in reaching an early ceasefire was due mainly to the combination of three factors: the crisis within Hamas before the escalation, the lack of stability in Hamas' decision making mechanism, and a dynamic characterized by a lack of coordination between external players who could have helped push a ceasefire through.

Given the crisis backdrop, it was difficult for Hamas to consent to a ceasefire without any economic yield whatsoever, such as progress toward a removal of the blockade against the Gaza Strip, and especially without a solution to the organization's own financial crisis through an arrangement for

paying salaries to its public servants in the Gaza Strip. In the absence of such achievements, Hamas was unable to explain to the Gazan population why it became entangled in a war that incurred such a heavy cost in casualties and infrastructure. Practical gains, such as freer movement of goods and people to and from Gaza, were extremely important to the organization, as were symbolic accomplishments that could be depicted as a "picture of victory," for example, Israeli consent to the construction of a seaport and airport in Gaza – even if these would make no contribution to an immediate solution to the crisis. For its part, Israel was willing to open the Gaza Strip to freer traffic that would improve the humanitarian situation in the area, but was unwilling to have this interpreted as a prize for Hamas aggression. The weakness of the Hamas decision making echelon, which enabled the military wing to veto any decision, also delayed Hamas' agreeing to a ceasefire.

Beyond this, as a result of the el-Sisi government's stance on the conflict and on Hamas in general, Hamas regarded Egypt, the traditional mediator for a ceasefire between Israel and the organization, as a hostile party and strategic partner of Israel. For its part, Israel opposed the mediation efforts of Qatar and Turkey, whose role in the conflict was more aligned with Hamas.[10] The United States also tried to promote an early ceasefire, but did so ineffectively, in a way that alienated three key players: Israel, Egypt, and the PA leadership. It is possible that this failure prevented an earlier end to the military campaign. To be sure, Secretary Kerry's assessment that Qatar and Turkey were potentially able to influence Hamas and should therefore be involved in the mediation effort was not completely unfounded. At the same time, excluding Egypt and the PA, as reflected in the failure to invite them to a meeting that Kerry held in Paris with representatives of Qatar and Turkey in the framework of his mediation effort, ruined the chances that this attempt would succeed. Furthermore, Kerry's approach gave Qatar and Turkey the sense that they could dictate a ceasefire on Hamas' terms. When Kerry presented their ceasefire proposal as his own initiative, his mediation efforts became irrelevant.

After 50 days of fighting, Israel and Egypt succeeded in dictating their terms for a ceasefire.[11] The Hamas leadership was forced to accept the Egyptian dictates, in which Hamas would not be the sole representative of the Palestinian side in the follow-up discussions on the renewed arrangement in

the Gaza Strip, and the Palestinian delegation would include all the relevant organizations, with officials from the PLO/PA at the helm. Egypt thus made President Abbas a key player in the Gazan crisis and the ceasefire. In addition, the two-stage plan proposed by Egypt reflected its desire to deny Hamas the possibility of claiming achievements. It consisted of a ceasefire with no conditions other than humanitarian aid for the Gaza Strip and extension of the fishing zone in Gazan waters (from three to six miles) and a month of negotiations on the additional demands of Israel and Hamas, with the goal of institutionalizing a long term ceasefire.

The Military Aspect

In contrast to the previous rounds of fighting against Israel, in Operation Protective Edge Hamas did not confine itself to rocket and mortar fire against Israeli targets mainly in civilian communities; it also used other means to attack Israeli targets. Forces were sent into Israel though trans-border offensive tunnels, commando forces were sent by sea, and unmanned aerial vehicles (UAVs) were launched on attack (suicide) missions. This diversity of tactics indicated Hamas' realization that it had to find an answer to the solutions developed by Israel against the rocket threat.

When the campaign began, Hamas and the other factions operating in the Gaza Strip had a larger store of rockets (over 10,000) than in the previous rounds of fighting, including a larger number of long range rockets covering Israeli territory as far as Jerusalem and Zichron Yaakov. Israel's operational answer, which comprised the Iron Dome anti-rocket system (with an interception success rate of over 90 percent), a wide ranging alert and warning system, and protected spaces, proved to be very effective, providing a nearly hermetic defense for civilians in most of the area covered by rocket fire from the Gaza Strip. The Israeli defense system also enabled most of the population to continue its daily routine.

No adequate solution was found, however, for the defense needs of the communities in the area adjacent to the Gaza Strip. These communities were hit by mortar fire, a threat that is not addressed by the Iron Dome system. The frequency of the bombardment did not allow the continuation of ordinary life, and the short warning times did not always enable the residents to reach protected spaces. For this reason, some of the local population left

their communities for as long as the shooting continued. Yet all in all, the number of casualties from rocket and mortar fire during the 50 days of fighting was extremely low.

The main lesson of this aspect of the campaign is that appropriate answers should also be developed for mortar fire and short range rockets, and indeed, Hamas was unable to launch heavy rocket barrages. It is likely that in order to cope with more challenging launch scenarios, including UAVs and ground-to-ground rockets and missiles fired by Hizbollah from the north, for example, Israel will need more Iron Dome batteries and the Magic Wand system.

Israel successfully foiled the attempted penetrations from the sea and the UAV attacks, but countering infiltrations through the tunnels was more difficult. In recent years, Hamas has built dozens of tunnels penetrating into Israeli territory, only a few of which were exposed and destroyed by IDF forces before the war. It was known that there were many more tunnels, but the efforts to develop technological means to detect them were unsuccessful, and the tunnels cannot be destroyed unless their precise route is discovered. There was great concern that Hamas forces would use the tunnels to enter Israeli territory and attack Israeli communities. The main operational answer to this threat is stepping up the detection system designed to spot the attacking forces when they emerge above ground and improved defense of the communities. Not a single civilian or community was attacked in this manner, but the use of the tunnels for penetration enabled Hamas forces to attack IDF forces in relatively favorable conditions, thereby causing losses among the troops.

More Hamas targets were attacked than in previous rounds of fighting, both because Israeli intelligence was successful in amassing a collection of targets and because of the relatively long duration of the conflict and better intelligence capabilities in identifying new targets. On the other hand, there were three factors that limited the attacks' effectiveness. The first was the massive effort by Hamas to protect most of its firepower by burying it underground. The second was the growing use by Hamas of the civilian population in order to make it difficult for the IDF to damage its military capabilities. The organization's firepower, munitions stores, headquarters, and production systems were placed in the middle of the civilian population, sometimes close to sensitive facilities like schools, hospitals, clinics, UN

institutions, and mosques. This policy made it difficult for the IDF to avoid extensive collateral damage. It was estimated that over 50 percent of those injured in the Gaza Strip were "uninvolved," a result that had a grave effect on Israel's international image. The third factor was the labyrinth of tunnels built within the Gaza Strip itself, together with the offensive tunnels on the border between Israel and the Strip. Hamas soldiers were protected inside them, moved freely and delivered supplies to operatives, and surprised IDF forces in action from within the tunnels during the land-based operations stage of the fighting.

From an early stage, the Israeli political system debated the goals of the war. As a lesson from previous asymmetrical campaigns, the government defined very modest goals, "quiet in return for quiet" and "exacting a price" from Hamas. This terminology reflected the belief that the conflict occurred due to an erosion of Israel's deterrence. Thus, the goal was to restore deterrence, assuming that this could be achieved by thwarting Hamas' attempts to cause losses on the Israeli side and exacting a price from it, demonstrating that Hamas would pay dearly for very few, if any, achievements. These goals were translated into a combination of an effective defense system with counterattacks, mainly from the air, and also from the sea and land.

Voices were heard, primarily from the right of the Israeli political spectrum, calling for more ambitious operational goals, such as bringing down Hamas' rule in Gaza and defeating the organization. There was also a dispute about the need for ground-based operations together with aerial counterattacks, particularly when it was argued that Hamas could not be defeated or its rule eliminated without ground operations. Some also believed that restoring deterrence requires ground-based operations, because if Hamas believes that Israel is unwilling to pay the price of ground operations, its ability to deter will be affected.

Until nearly the end of the campaign, the Israeli political leadership, and apparently also the military leadership, continued adhering to the concept that ground operations should be avoided, and that it was enough to severely damage Hamas' infrastructure with counterattacks, combined with the effectiveness of the Israeli defense system, in order to achieve credible deterrence. At the same time, the appearance of the threat posed by the offensive tunnels led to the realization that limited ground operations were

necessary in order to destroy the tunnels. Ground forces entered the Gaza Strip along the border and to a depth of about three kilometers for this purpose, found the tunnels, and destroyed them. These forces left Gazan territory when their operational mission had been completed.

The vast majority of the 74 Israelis killed in the campaign – a relatively high number of casualties – came during these operations. In many areas of the Gaza Strip, the built-up areas are located close to the border with Israel. This fact obliged the Israeli forces to engage in combat in populated areas in order to locate and destroy the tunnels. For the same reason, there were many victims among the "uninvolved," when IDF ground troops needed massive firepower to extricate themselves from difficult situations. Against this background, a dispute arose in the political system and the Israeli public about what ground operations were necessary. It was argued that it would have been better to use maneuvering forces to penetrate deep into the Gaza Strip – even as far as the coast – while taking advantage of open spaces. This argument was based on the belief that combat in a less crowded area would have caused Hamas much greater losses, and would have generated heavier pressure than was actually created to halt the fighting. Adopting this operational concept, however, would not have avoided the necessity to locate and destroy the tunnels. It is not clear to what extent the aims expected by the supporters of this alternative approach could have been achieved in an asymmetric campaign in which the opposing force combined guerilla tactics with conventional warfare in a civilian environment.

Operation Protective Edge made it clear that deterrence is an equation with two variables: on the one hand, the ability to thwart the planning of the other side and a credible threat to punish it if its plans are carried out; on the other hand, the extent of the other side's motivation to embark on a violent conflict. When this side is highly motivated to change what it regards it as an unbearable status quo, the effort at deterrence is bound to fail. In many respects, this was Hamas' situation before the war began. Presumably even if Israel and Hamas had not reached agreement on a prolonged ceasefire and its conditions, Hamas would have had difficulty in justifying a renewal of the conflict, given the large number of casualties – about 2,300 killed – and the enormous scope of the destruction to the Gaza Strip during the fighting. Furthermore, the effectiveness of Egypt's measures to stop the smuggling

of weapons into the Gaza Strip is hampering Hamas' effort to rebuild its military capabilities. In any case, the degree of success in the effort to restore Israeli deterrence against Hamas can only be assessed in the long term.

The asymmetric character of the campaign between Israel and Hamas caused frustration among much of the Israeli public and the political system. It was difficult for many to accept that an army with enormous capabilities like the IDF was incapable of defeating and routing a "gang" like Hamas. It was also hard to convince people that in order to defeat and disarm a military force like Hamas, it was necessary to occupy the Gaza Strip and remain there for the extended period needed to locate small groups and eliminate their ability to operate, while a terrorist campaign would be waged against IDF forces. The Israeli government preferred not to pay the high price in blood of occupying the Gaza Strip and remaining there for a prolonged period, because it is not clear how and when it would be possible to withdraw from Gaza, and because it was evident that a renewed occupation of the Gaza Strip would not have defeated Hamas, a political and social movement with deep roots in Palestinian society.

Dilemmas of the Day After

The events in the Israeli-Palestinian arena of the past year have demonstrated that the status quo is both unstable and exacts costs that are liable to increase. The parties directly involved in the conflict – Israel, the Palestinian leadership in Ramallah, and Hamas – will all have to cope with the ramifications of this conclusion. The PA is in a deep crisis. The paradigm that it adopted, based mainly on realizing the Palestinian national aspirations through a political process of negotiation, has failed thus far and is currently at an impasse. In addition, the PA leadership suffers from a severe legitimacy deficit. Not only does it lack legitimacy that would result from democratic elections, since President Abbas' term in office expired several years ago and no new presidential and legislative council elections are in sight, but it has also lost the legitimacy derived from a political platform enjoying public support. The vast majority of the Palestinian public no longer believes that there is any use in negotiating with Israel, and Abbas' policy, which in principle adheres to the political process, is regarded as a complete failure. Furthermore, the PA is perceived as collaborating with Israel by actually facilitating the Israeli

occupation. This perception of the situation, combined with impressions from Operation Protective Edge, has caused a dramatic drop in support for Fatah and Abbas. At the same time, there was a clear rise, for a limited time, in the rate of support for Hamas, whose paradigm of resistance was perceived as both effective and proof that Israel was unable to impose a solution on the Palestinians based on its military power. Hamas was seen as having proven its resilience and steadfastness against Israel, and Abbas and his coterie were therefore searching desperately for a path that will enable them to emerge from the political quagmire. Consequently, they have turned again to the international community, and with greater vigor.

Another course of action is an effort to restore the PA's hold on the Gaza Strip. Egypt itself is seeking to exploit the reconstruction enterprise in Gaza as a lever to weaken Hamas. The necessity for the reconstruction project is evident, particularly with the destruction caused by Operation Protective Edge, which came on the heels of the extensive damage to the Gazan economy following many years of restricted movement to and from the area. It is doubtful, however, whether the reconstruction enterprise will be carried out as it should and create in the Gaza Strip in particular, and the Palestinian arena in general, the strategic-political change that will translate into renewed rule by the PA, which fears a return to the Gaza Strip. It is hard to promote a viable operational program in this regard, because there is a clear framework only for the first stage of the plan devised by Cairo for Gaza. Egypt has made the opening of the Rafah border crossing contingent on the stationing of PA presidential guard forces on the Palestinian side of the crossing and along the border with Egypt, and on the transfer of control over the civilian (blue-uniformed) police in the Gaza Strip to the PA. Egypt also proposed that Israel make the same demand for the border crossings from Israel to Gaza.

Another condition stipulated in the first stage of the Egyptian plan is that management of the reconstruction program be exclusively in PA hands, and that it, including the transfer of funds, occur through the Palestinian unity government, based on the reconciliation agreement between Fatah and Hamas. Ostensibly, the formation of a unity government reflected Hamas' consent to transfer civilian authority in the Gaza Strip to the PA, but Hamas is not expected to sit by while a plan to weaken it and strengthen its political

rival is underway. As long as Hamas wields military-security power in Gaza, its forces will be able to thwart plans to deprive it of its leading role there. Hamas is ready for a limited degree of cooperation with the PA, but it is expected to make this coordination contingent on the payment of salaries to its operatives, whom it regards as the public servants in the Gaza Strip. Beside the employees in the various government ministries, who were appointed by Hamas, these in Hamas' view include members of Izz ad-Din al-Qassam. There is little chance that the PA and the donor countries aiding in the reconstruction enterprise will accept this condition. On the other hand, Hamas is expected to act here, as in other contexts, according to its organizational interests – even at the price of disrupting the plans for Gaza reconstruction.

Furthermore, President Abbas, who believes that he has suffered many times in the past when Israel, the United States, and Egypt did not keep their promises to him, will not necessarily be willing to play the part assigned to him as part of the new arrangement in the Gaza Strip. He will likely refuse to take chances without a suitable quid pro quo in the West Bank and broad backing. The PA will have to take into account the risk that Hamas will prevent it from exercising its civilian authority in the Gaza Strip, thereby neutralizing its control of the reconstruction. Abbas is also expected to refuse to station the PA's limited forces in the Gaza Strip, which would put them at the mercy of the superior Hamas forces, unless Israel and Egypt undertake to intervene in any conflict that develops between the PA and Hamas. At the same time, such a commitment has a price: it is liable to appear to the Palestinian public that Abbas is doing the bidding of Israel, Egypt (and its partners in the region), and the US, while Hamas, as an authentic resistance movement, maintains its independence in decisions against these stronger forces. For Abbas, this risk is tolerable if the reconstruction project in Gaza, led by the PA, is combined with a comprehensive political plan. However, and this is the main problem, Israel and the US have shown no willingness to initiate political moves that will guarantee a breakthrough toward the realization of the Palestinians' national goals.

President Abbas has conditioned PA cooperation on a plan combining a return to the Gaza Strip with American consent to a Palestinian petition to the UN Security Council for recognition of a Palestinian state in the

1967 borders and requiring Israel to withdraw from the occupied territories within three years. In the background to this condition are the UN General Assembly's recognition in November 2012 of Palestine as an observer country; the failure of the talks between Israel and the PLO mediated by Secretary Kerry; the frustration of President Obama with the Netanyahu government's policy on the conflict and the political process; the widespread criticism of the Israeli government's extended construction in Jewish settlements in the West Bank and other activity that makes a two-state solution even more elusive; and the painful images from Operation Protective Edge. If Abbas' plan is carried out, the Palestinians will accelerate the process of joining international organizations and conventions, turning international forums into a platform for an overall political and legal attack on Israel's policy on the Palestinian question.

The proposed resolution submitted by Jordan to the Security Council in December 2014 states that the Palestinians seek "a just, lasting and comprehensive peaceful solution that brings an end to the Israeli occupation since 1967 and fulfills the vision of two independent, democratic and prosperous states, Israel and a sovereign, contiguous and viable State of Palestine." It stipulates that the Palestinians seek to reach a settlement within a year after the resolution passes, and want Israel to withdraw gradually from the territories by the end of 2017. The resolution did not receive the requisite support, but even had such support been obtained, it is doubtful whether it would have had any concrete effect on the sphere of conflict, because Israel would not agree to negotiate while the Palestinians take unilateral antagonistic steps.

Following the rejection of the Palestinian resolution in the Security Council, the Palestinians filed a request for accession to the Rome Statute and the International Criminal Court in The Hague, threatening to file claims against Israel for war crimes. The US administration criticized the request, although it did not threaten to stop its aid to the PA. Israel, on the other hand, resorted to the same measure that it has taken more than once in the past for the purpose of punishing the PA for moves perceived as running counter to the principle of negotiations toward a negotiated settlement: economic sanctions, especially suspension of the transfer of tax revenues collected on behalf of the PA.

Palestinian accession to the International Criminal Court will be a legal and diplomatic nuisance for Israel, but it is doubtful whether it will materially change the government's policy on the conditions for negotiating an agreement. This is the reason why mentioning the stalemate in the political process, President Abbas and his associates invoked the "doomsday weapon" – the dissolution of the Palestinian Authority and the transferal of overall responsibility for the West Bank to Israel. The credibility of the threat is highly questionable: while Abbas may carry out the threat of his resignation that he has made more than once – and his empty seat could well lead to chaos – it is not likely that the PA will voluntarily liquidate itself, since its existence serves a great many interests in the Palestinian arena. It will survive as long as it benefits from external financial aid, although it will continue to weaken and lose legitimacy. This scenario also incurs costs for Israel, however, because the PA security forces, which are losing legitimacy, will find it difficult to carry out their security missions in cooperation with Israel.

Uncertainty is not confined to the future of the PA; the same applies to the reconciliation agreement between Fatah and Hamas and the Palestinian unity government. Following the campaign in Gaza and the exposure of the Hamas plot in the West Bank, based on accusations published by Israel, the hostility between Abbas/Fatah and Hamas escalated. Abbas claimed that Hamas was not implementing the reconciliation agreement in the Gaza Strip, and was using it to fortify its rule there,[12] while Hamas accused President Abbas of cooperation with Israel and Egypt, continued persecution of Hamas operatives in the West Bank in cooperation with Israeli security forces, and the failure to implement the reconciliation agreement as written. Nonetheless, the two sides have refrained from publicly revoking the reconciliation agreement, and therefore a chance remains that it will survive the storm. The balance of mutual weakness between Fatah and Hamas provided the background for the agreement and was its underlying cause. Both of them still hope to use it to escape the crisis that besets them, and neither wishes to be perceived by the Palestinian public as the one responsible for destroying "national unity."

For Israel, one key question is how to prevent Hamas from rearming, as rearmament would erode the deterrent achieved in Operation Protective Edge and shorten the time of relative quiet before the next outbreak of violence. When the ceasefire was discussed, Israel demanded that Hamas and

other armed groups in the Gaza Strip be disarmed in exchange for opening the border crossings, construction of a seaport and airport, and a large scale reconstruction program for the Gaza Strip. The chances that Hamas will agree to this formula are nil, and it cannot be forced to accept it. The challenge is therefore to formulate a plan that will gradually weaken Hamas and slow its rearmament as much as possible. The bad blood between the el-Sisi regime in Egypt and Hamas may indicate a possibility of carrying out a plan along these lines. Hamas' munitions stores were largely depleted during Operation Protective Edge and the organization will find it difficult to restock them, now that the blocked tunnels have reduced its ability to smuggle weapons by way of Sinai. At the same time, the opening of the Gaza Strip border crossings and the comprehensive reconstruction program in the region will make it difficult to implement this plan: it will be possible for Hamas to rebuild its local weapons industry. It will therefore be necessary to establish a tight cooperative inspection system including Egypt, the PA, and the international community for goods entering the Gaza Strip. At the same time, Israel should also consider adopting a proactive policy against weapons manufacturing, even if this incurs the risk of undermining stability in its relations with the Gaza Strip.

In view of the current Israeli government's policy, which holds that negotiations for a settlement with a Hamas-led Palestinian Authority are pointless, and given the preparations for the March 2015 elections, Israel bears responsibility for stabilizing the situation in the Gaza Strip. In order to prevent escalation into another military conflict, Israel will have to grant substantial aid to the Gaza Strip, involving a flow of goods that includes construction materials, a supply of electricity and water, and aid in rebuilding infrastructure. Tension exists between the need to restrain Hamas and the need to provide aid, which will strengthen Hamas and enhance the organization's legitimacy. In practice, however, Israel and Hamas have a common interest: keeping Gaza's "head above water" before it sinks into another round of renewed violence. This contrasts with the Egyptian aim to overthrow Hamas rule and restore the PA's hold in the Gaza Strip, or at least increase the influence of Fatah in the area, led by Mohammed Dahlan.

One material question is whether in the face of the prolonged political stalemate and no improvement in the economic situation in the Gaza Strip

following Operation Protective Edge, a major violent conflict in the West Bank, a "third intifada," should be expected. There are ostensible signs that widespread violence is poised to erupt, given the large number of spontaneous terrorist attacks by individuals with no organizational affiliation ("lone wolves") that have taken place in late 2014 and early 2015. It is also possible that the murder of the three Israeli teenagers in the Gush Etzion area just before Operation Protective Edge was such a terrorist attack. The people who committed it were known Hamas members, but they were not following instructions from the organization's highest echelon. In fact, it appears that currently the vast majority of the Palestinian public is not eager to take part in a widespread uprising, fearing a return to the difficult days of blood and destruction in the second intifada. Evidence of this lies in the small scale of participation by West Bank Palestinians in the demonstrations during Operation Protective Edge. The prevalent response among Palestinians to a current plight is a retreat inward to the family and its immediate surroundings.

Israel indeed influences the potential emergence of a new round of conflict. The events in Jerusalem in the months following Operation Protective Edge, particularly the tension arising between Jews and Muslims on the Temple Mount, were the background to a sharp increase in violent Palestinian protests in the city. There are particular reasons for the tension in Jerusalem, from the ongoing discrimination against the Palestinian population in the city to the virulent anti-Palestinian atmosphere prevailing among broad sections of Jerusalem's Jewish residents, reflected in part in violent "price tag" acts against Palestinians in the city and in other areas in the West Bank. The escalation in hostility and violence naturally bears a cyclical character. The possibility that violence originating in Jerusalem stemming from the Jewish-Muslim/Israeli-Palestinian tension will spread beyond the city to the West Bank is a reasonable concern.

The Regional Picture

The political and social upheaval in many Middle East countries in recent years has created a new balance of power and set of alliances. One major feature of this emerging system is the interest on the part of key Arab countries in the pragmatic Sunni camp in cooperation and policy coordination with Israel against the radical camp led by Iran, and against the two main branches

of the extremist Sunni camp: the Salafist jihadi branch and the Muslim Brotherhood. In order to realize the strategic potential in such cooperation, pragmatic Arab countries would like to remove the Israeli-Palestinian conflict from the regional agenda. For this reason, they are showing willingness to take advantage of the declining ability of the regional spoilers (Hizbollah, Iran, and Hamas) to disrupt political initiatives, resulting from these actors' direct involvement in their own struggles, and are willing to invest diplomatic and economic resources in regulating Israel-Palestinian relations in the framework of a general settlement.

In addition, the severe crisis besetting Hamas and the results of Operation Protective Edge have created an opportunity to address the problematic split between the Gaza Strip and the West Bank, which has been a stumbling block in the way of any attempt to settle or alleviate the conflict between Israel and the Palestinians. The reconciliation process between Fatah and Hamas and between the West Bank and the Gaza Strip involves risks, since it is likely to strengthen Hamas' standing in the Palestinian arena. Nevertheless, it has the potential for reuniting the Palestinian territories and forming a functioning Palestinian unity government. For Israel, such a government will constitute a partner and responsible address that will more clearly and fully represent the residents of the territories than the PA does at present, and can therefore inject renewed content into the political process for any type of understandings and arrangements between Israel and the Palestinians.

There is no simple and sure way to reap the most of these opportunities. Under the current conditions, the high road of negotiations between Israel and the Palestinians on a permanent settlement has become strewn with obstacles, if not completely blocked. The gaps between the fundamental positions of the two sides and their respective political constraints can be expected to prevent them from making the necessary changes in policy required for progress toward a comprehensive resolution of the conflict within a short period of time. Various partial consensual measures, however, as well as coordinated unilateral measures that Israel and the Palestinians can take, concomitant with dialogue and cooperation with a coalition of "willing" regional players based on the Arab Peace Initiative, are likely to halt the PA's diplomatic momentum, contribute to resolution of the conflict on the

basis of an agreed arrangement, stabilize Israel's strategic environment, and improve its regional and international status.

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"Recalculating the Route": A Political Program for the Palestinian Arena

Udi Dekel

The Failure of the Political Process and the Escalation of the Conflict

The failure of the recent round of Israeli-Palestinian talks (July 2013-April 2014) led by US Secretary of State John Kerry, which were intended to formulate the principles of a final framework agreement, demonstrated anew that the negotiations paradigm used over the last 21 years of the political process that is directed toward a single goal, i.e., a permanent status agreement to the conflict, is ineffective. Reaching the end state of a permanent agreement on the basis of agreement on the core issues – territories and borders, Jerusalem, security, refugees, the end of all claims, and the establishment of two nation states between the Jordan River and the Mediterranean Sea – seems unattainable in the near future.

As in the past, the most recent round of talks was dominated by the recurrent fundamental problems and familiar patterns of conduct among both sides, which prevented any progress toward an agreement. Indeed, there is a basic, unbridgeable asymmetry between Israel and the Palestinians. Israel comes to the negotiating table as a stable, thriving political actor, possessing the strongest army in the Middle East, in practice controlling, directly or indirectly, the daily lives of the Palestinians. By contrast, the Palestinian entity lacks a state and a tradition of statehood. The Palestinian population

living under Israeli occupation in the West Bank and under Hamas' semi-state rule in the Gaza Strip does not enjoy full civil rights. These basic conditions orient the sides to different goals in the negotiations: while Israel wants to advance the political process with the Palestinians, it primarily seeks an arrangement that can be implemented on the ground that does not compromise its security and brings regional and international recognition of its borders. By contrast, the Palestinians seek, first and foremost, to ensure their national rights, which is why they appeal to international settings for recognition, with emphasis on the right to a sovereign, viable state on the basis of the June 4, 1967 borders with East Jerusalem as its capital, as well as recognition and at least partial implementation of the "right of return" of Palestinian refugees on the basis of UN General Assembly Resolution 194. Another ramification of the inherent asymmetry between the sides is the complete distrust between the respective leaders and between the two societies. Although there has long been a steady, consistent majority in both the Israeli and Palestinian societies supporting the two-state solution, the publics on both sides do not believe it can be achieved, and both sides point the finger at the other and blame it for the failure to generate the breakthrough to the long awaited resolution of the conflict.

The mutual distrust is exacerbated by Israel's policy on construction in the Jewish settlements in the West Bank. Ongoing construction in the settlements is viewed by the Palestinians as establishing facts on the ground that neutralize any chance for creating a viable Palestinian state with territorial contiguity. On the other hand, the Israeli government does not view Palestinian Authority President Mahmoud Abbas as a partner in any arrangement, given his oppositional policy in the international arena that turns to international institutions to promote recognition of Palestinian independence while bypassing the bilateral route; Israel sees this approach as a denial of Israel's legitimacy. The Palestinian policy is aggravated by the leadership's firm refusal to recognize Israel as "the national home of the Jewish people." In addition, steps designed to create a supportive atmosphere for the process that were agreed upon by the two sides – including the release of Palestinian prisoners from Israeli jails – failed to further trust between the sides, even becoming a double-edged sword. For example, in order to soften the domestic criticism of the release of Palestinian security prisoners,

Israel announced plans for more construction in the Jewish settlements in the West Bank.

Much like the process that developed during previous rounds of talks, when the negotiations reached the final stretch of the discussion on the core issues as a package, and the sides had to make trade-offs between the various components of the core issues of a permanent status agreement, the Palestinian side found it impossible to make difficult decisions and concessions. So too in the last round of negotiations – as when, for example, Secretary of State Kerry placed principles for a permanent framework agreement on the negotiating table. President Abbas chose not to respond to the proposal, while Prime Minister Netanyahu displayed flexibility on the question of the June 4, 1967 lines as a reference point. At the same time, the Israeli Prime Minister had reservations on other issues, and ultimately both parties were accused of derailing the process.

In light of the failure of this round of talks, Abbas' close circle came up with a three-stage political working program. The first stage was to achieve a UN Security Council resolution calling for the end of the occupation and Israel's withdrawal from the territories within three years. Because the resolution did not pass in the December 2014 vote, Abbas' team decided to make another attempt to pass the resolution once the membership of the Security Council changes and the conditions are more favorable to the Palestinian cause. Second and concurrently, the Palestinians have joined a series of international treaties, including the Rome Statute, thereby gaining access to the International Criminal Court (ICC) where they can pursue claims against senior Israeli figures for West Bank settlement activity and war crimes. Third, should they fail in their legal campaign both at the Security Council and the ICC, the PA could simply fold and voluntarily dismantle itself, transferring responsibility for all civilian and security matters in the West Bank onto Israel's shoulders, leaving Israel to bear the full brunt of the occupation. While the last tactic is more a rhetorical threat than a true intention, a scenario of further deterioration in relations between Israel and the PA, damage to security and economic cooperation, and the neutralization of the PA's ability to govern might in fact generate its collapse and dissolution.

For his part, Mahmoud Abbas is under growing pressure both from within his own movement, Fatah, and from the Palestinian public at large

for his failure to make any progress toward independence. This popular disillusionment sparked the transition from the first to the second stage of Abbas' working program, i.e., submission of a membership request to the ICC, even though this entails the risk of countersuits against the PA and sanctions that could be imposed by Israel and perhaps the United States. (The US Congress is currently threatening to impose sanctions against the PA for taking unilateral steps in contravention of the principle of negotiations, including an end to or reduction of the annual $400 million aid package.) Abbas' confrontational strategy and the Israeli government's reaction – punishing the PA by stopping the transfer of the tax revenues Israel collects on the PA's behalf – have exacerbated tensions between the sides. The greater the pressure by Israel on the PA, the more the extremists' inclination to opt for violence, be they violent demonstrations or terrorist attacks carried out by "lone wolves" (individuals acting on their own initiative) or cells unaffiliated with any established organization. For now, the Palestinian organizations associated with the PLO have no interest in igniting a widespread uprising, but a sequence of attacks by individuals, which would lead to an Israeli government response and could also generate Israeli extremists' responses ("price tag" acts), might generate a wave of violence liable to develop into a comprehensive clash with Israel.

The international arena is convenient for President Abbas, who prefers to impose his conditions on Israel for a resolution through the international community rather than compromise in a negotiated agreement. His diplomatic activity in various international organizations spares him the need to display flexibility toward Israel and obviates the risk that he will be portrayed as a traitor and collaborator. The image of the victim, long attached to the Palestinians, wins them and Abbas himself widespread support. In addition, the automatic support of the Arab world for the Palestinian cause whenever it comes up for debate or a vote in any international forum, along with European support for the Palestinians, rooted in the sense that the latter have long suffered ongoing injustice, helps Abbas promote his diplomatic goals. Furthermore, in principle, the West and the Arab nations support Palestinian positions and therefore demand that the Israeli Goliath be flexible toward the Palestinian David and agree to far reaching concessions without any concrete recompense or even sufficient security guarantees, understandings

as to the size of future land swaps, or Israel's demand that it be recognized as the national home of the Jewish people.

In light of all this and given the ongoing construction in Jewish West Bank settlements, Israel is cast as the party uninterested in doing what it takes to improve the chances of realizing the two-state solution. Moreover, in the last year, the cumulative erosion of the supposed utility to be had from preserving the status quo and the strategy of managing rather than resolving the conflict or making any progress toward a resolution became abundantly clear. The strategy was based on the notion that there was no Palestinian partner for a permanent settlement and that at this time, given the social and political upheavals in the Arab world, it was wise to avoid taking more security risks. However, the status quo is unsustainable. Reality in the conflict arena is dynamic and open to outside influence, as evidenced by the increase in homegrown Palestinian terrorism and the confrontation with Hamas, climaxing with Operation Protective Edge and its aftermath. This development is complemented by the Palestinians' determination to pursue international initiatives to promote Palestinian goals, while imposing on Israel their own parameters and preferences for a resolution by means of international actors and institutions.

A Multi-Route Political Program

In order to extricate the political process from the current dead end and alleviate the international criticism and isolation of Israel – a trend manifest in the BDS movement, both economic and academic – the Israeli government that will be established after the March 2015 elections must formulate and propose a political initiative based on a dynamic political outlook. Such an initiative would offer several routes directed at the same goal: shaping a two-state reality. The initiative would have to allow for the rapid change of routes, depending on progress and constraints created while in motion, while all the time pursuing the direction and advancing toward the end goal. The potential routes include:

A sequence of transition agreements: steps to promote separation in accordance with the principle that anything agreed upon by both sides will move to the implementation stage, in contrast to the formula that has so far informed the Israeli-Palestinian dialogue, namely, that nothing is agreed

until everything is agreed. In this setting, emphasis would be placed on strengthening a stable, effective, and responsible Palestinian government in the West Bank and, to the extent possible, in the Gaza Strip, by means of expanding the PA's hold over the territories. The advance of such a process, during which the cornerstones of the independent Palestinian state would gradually be laid and would include a freeze on construction in the Jewish settlements outside the blocs (i.e., east of the security barrier) and the IDF's regrouping in the area, would be conditional on the progress of Palestinian effective suppression of terrorism, improved governance, the establishment of functioning institutions, and the securing of an economic infrastructure. Of course, progress on this track would depend on both sides fulfilling their obligations and commitments.

A return to the Roadmap as the main outline for progress toward a two-state reality: To prevent the process from collapsing because of known difficulties concerning the core issues of a permanent arrangement, progress would focus on the willingness to implement the second stage of the Roadmap: the establishment of a Palestinian state within provisional borders. It is possible to transfer control of some 60 percent of the West Bank to the PA without the need to evacuate Jewish settlements (at present the Palestinians have civilian control of about 40 percent of the area) and establish a Palestinian state (together with the Gaza Strip, pending attainment of working relations among the Palestinian camps) before the permanent borders are set and other fundamental issues resolved. A move in this direction would fundamentally change the nature of the conflict between the two sides and place the burden of proof on the Palestinians as well as improve Israel's position on the international arena. Even if it proves impossible to progress from this stage to a permanent settlement, the situation created would be more advantageous to Israel in every way than the current one: security-wise, economically, in terms of governability, and in terms of international status.

Discussion and conclusion of the core issues in stages: The discussion of the core issues would first focus on security and borders. This discussion, which should be backed by the international community, would be built around international recognition of the Palestinian state, the national home of the Palestinian people, to be established alongside the State of Israel; recognition of Israel as the national home of the Jewish people; international recognition

of the borders of the State of Israel; and fulfillment of Israel's security conditions, based on Israel's effective security control of the perimeters of both states and Israel's operational freedom of action as required to prevent attempts by hostile elements and spoilers to harm the process and take advantage of a Palestinian area as a platform for attacking Israel.

Regional participation: A regional coalition based on cooperation with the pragmatic Arab nations would be needed to give the political process legitimacy, provide guarantees for the gradual progress toward the establishment of a stable, functional Palestinian state, support the process of Palestinian state building, fight rogue elements and spoilers opposed to a political settlement, and provide guarantees for the implementation of arrangements by the Palestinian side. An unwavering Israeli effort to advance an arrangement with the Palestinians and Israeli recognition of the Arab Peace Initiative as a basis for dialogue between Israel and the Arab world in resolving the Palestinian issue and promoting regional cooperation would help enlist the support of Arab nations.

Independent Israeli measures: Should the Palestinians refuse to make progress on the transition agreements track and/or Roadmap route, and should they rule out negotiations and the gradual progress of reaching understandings on the core issues, Israel would begin to shape the two-state reality independently according to its own set of priorities, preferably with behind-the-scenes coordination with the pragmatic Palestinian leadership. The separation barrier built by Israel would serve as the border. Israel would begin the long process of transferring the territories to the Palestinians and grouping the Israeli settlements in the West Bank within the large settlement blocs. This process would take time and include Israel's passage of an evacuation/compensation law and determination of the rules for the process among the various camps in the Israeli domestic arena, e.g., agreement as to whether the transfer of territories to the Palestinians must be conditioned on a national referendum. At the same time, Israel would transfer extensive powers to the PA in the areas where the Palestinians live and work, and perhaps promote economic and infrastructure projects in Areas C. Israel would be prepared to return to negotiations at any point, but its moves would neutralize the trend leading to a one-state reality and the Palestinian all-or-nothing principle. In addition, the ability of radicals opposed to the

two-state vision on both sides to disrupt the moves designed to further the goal would be eliminated.

Security: The IDF's control of overall security for the shared Israeli-Palestinian sphere would be required as part of progress on any of the routes, as would Israel's operational freedom of action against terrorist infrastructures in the Palestinian arena. Arrangements that meet Israel's security needs would provide Israel with the flexibility it needs to transfer land and authority to Palestinian rule and would allow the Palestinians to focus on state building and effective governance while reducing their need to confront the entities seeking to disrupt the process. The IDF would retain its freedom to operate against terrorists in operational cooperation with Palestinian security apparatuses. Transferring responsibility for security to the Palestinian security apparatuses would be based on their commitment and determination to combat terrorism and a performance-based assessment by an agreed-upon referee (in all probability the United States). In other words, the transfer of responsibility to the Palestinian side would be conditional on performance rather than on an arbitrarily predetermined time frame. Concurrently, Israel would work to enhance security cooperation with Egypt and Jordan; perhaps the conditions would be ripe for promoting regional security cooperation together with the pragmatic Arab nations.

Aid to Gaza Strip reconstruction: No progress along any of the political routes is possible without a comprehensive, multidisciplinary project for reconstruction of the Gaza Strip. Improving the civilian infrastructure there, aiding employment projects, and lifting the blockade are critical for preventing an explosion of the pressure cooker against Israel and encouragement of terrorism by extremists. To effect this, security arrangements with Egypt are necessary to prevent arms smuggling and the growth of Salafist and jihadist infrastructures, such as ISIS and other extremists in the Gaza Strip.

Time is of the Essence

The next Israeli government must present a political program – preferably in the early months of its tenure – on the basis of the understanding that the political stalemate and status quo mean the steady deterioration of Israel's situation and the standing and influence of the pragmatic Palestinians who still favor a political settlement. The position of Israel's right wing groups

– denying the Palestinians the right to a state within the borders of the Land of Israel and favoring the status quo and inaction on the political front – leads to the creation of one state in the area of conflict that would be either bi-national or discriminatory. In a reality featuring apartheid-like manifestations, Israel would be shunned and boycotted by the family of nations: hence the imperative to try to promote arrangements between Israel and the Palestinians. Precisely at this time of deep regional crisis and uncertainty over the region's future, Israel must make the effort to enlist the support of pragmatic Arab nations in a gradual process and persuade the Arab world and international community that a permanent status agreement is unattainable in the near future and that therefore it is necessary to develop other ways of breaking the deadlock. For all parties involved, a sequence of graduated steps and interim successes that would renew the faith in a process meant to change reality in the arena of conflict for the benefit of both peoples is preferable to another failed dialogue, which would set the scene for an accelerated downward spiral and further reduce the chances for renewing effective talks between the sides.

In the current Middle East reality and given the condition of Israeli-Palestinian relations as shaped over the last decades as well as the repeated failures to progress toward an attainable permanent settlement, it is better to present several options for realizing the two-state vision and a separation between the peoples. At any point in time, it would be possible to assess progress and choose a better route by which to proceed. Conduct based on these principles would serve Israel's political and security interests and prove that the Israeli government is determined to advance toward the two-state solution. A very important byproduct of such a policy would be an improvement in Israel's international standing, which would open the door to opportunities for political, security, economic, and technological cooperation with a host of nations, including the pragmatic Arab states.

The Iranian Challenge

Iran and the International Community: Moving toward a Comprehensive Deal?

Emily B. Landau and Shimon Stein

The overall framework for assessing developments in the course of 2014 regarding the Iranian nuclear crisis is the ongoing negotiation geared to conclusion of a comprehensive deal between the P5+1 and Iran. These negotiations began in January 2014, with the implementation of the interim deal – or in its official name, the Joint Plan of Action (JPOA), secured in late November 2013 – and continue to the time of this writing, after the parties failed to meet two deadlines along the way: July 20, 2014 and November 24, 2014. When the second deadline proved elusive, a decision was taken to extend the talks for another seven months, until the end of June 2015. The deadline for a political framework agreement is March 2015, and another four months have been allotted to work out the technical details. The JPOA will remain in effect for the duration of the negotiations.[1]

While the principal goal of the discussion below is to assess the dynamics of the ongoing nuclear talks, the chapter will also look at the implications of some global and regional crises that assumed center stage over the course of 2014, each time relegating the Iran negotiations to the sidelines. One question considered is what, at the end of the day, will have more bearing on the ability of the P5+1 to secure a nuclear deal – the negotiations dynamic per se, or how the nuclear crisis relates to broader regional dynamics and developments. Can the two even be separated, either conceptually or empirically? These and other questions will be addressed toward the close of the essay.

Key Developments in the P5+1-Iran Negotiations

The signing of the interim deal between the P5+1 and Iran in November 2013 constitutes a milestone in the more than ten-year crisis regarding Iran's ambitions to acquire a military nuclear capability. The entry into force of the JPOA on January 20, 2014 for an initial period of six months was meant to allow time for the parties to negotiate a comprehensive final agreement, which aimed to achieve a mutually acceptable long term comprehensive solution that would ensure the exclusively peaceful nature of Iran's nuclear program.[2] The JPOA entails commitments by both sides: although asserting that its commitments were reversible, Iran undertook to halt some progress on its nuclear program, primarily to stop enriching uranium to the 20 percent level and to either dilute or oxidize its stockpiles. For their part, the P5+1 took a series of actions to implement "limited, temporary, and reversible sanctions relief."[3]

Chain of Events

With the initial aim of reaching an agreed-upon comprehensive agreement by July 2014, the P5+1 and Iran conducted six rounds of rather extensive negotiations (formal and informal) at different levels (technical, political, and ministerial).[4] Given the significant gaps between the parties on an entire spectrum of issues, first and foremost the scope and size of Iran's enrichment program, it was perhaps unrealistic to assume that a comprehensive agreement could emerge within the time allotted. Indeed, after the April round of negotiations, the parties began discussing informally the need to extend the negotiation, which was in line with the terms of the JPOA that had set a year for concluding an agreement.

As US chief negotiator Wendy Sherman summed up the February-July negotiation period, "Thus far, we can say on the positive side that our talks have been serious and that we have identified potential answers to some key questions. However, to get to a comprehensive agreement, we remain far apart on other core issues, including the size and scope of Iran's uranium enrichment capacity. I fully expect in the days ahead that Iran will try to convince the world that on this pivotal matter, the status quo – or its equivalent – should be acceptable. It is not."[5]

When negotiations resumed at all levels in late September, reports on progress actually alluded to strategic concessions that had been made, though only by the P5+1. For example, the assessment of "tangible progress in key areas" likely referred to the future of the heavy water reactor at Arak. Since closing the reactor was ostensibly no longer on the table – due to a concession made by the P5+1 – the parties seemed to have reached an understanding as to the amount of plutonium that could be extracted from the reactor in the future. In similar fashion, a "solution" had seemingly been found to resolve the different positions regarding the future of the Fordow site, which quite clearly reflected P5+1 acquiescence to Iran's refusal to accept their demand from 2012 to shut down the enrichment facility.[6]

In a late October speech, Sherman chose the word "impressive" to describe the progress on issues that she said originally had seemed intractable: "We have cleared up misunderstandings and held exhaustive discussions on every element of a possible text."[7] But there were no details provided to back up this description. Going into the last round of talks before the late November deadline, Secretary of State Kerry and Lady Ashton met with Iran's Foreign Minister Zarif in Oman on November 8-9, 2014 in an attempt to resolve the remaining issues preventing a successful conclusion of the negotiations. Prior to the meeting, Kerry noted that the P5+1 had put some "creative ideas" on the table and wanted to see if Iran was able to demonstrate that it was prepared to prove to the world that it had a peaceful program. He spoke about the need for Iran to match its words with tough and courageous decisions: "The time is now to make those decisions."[8] Secretary Kerry reinforced his message by clarifying that the US was not considering extending the talks beyond the November 24 deadline.

All efforts following the ministerial meeting in Oman and subsequent meetings in Vienna over the next two weeks did not bring the parties to conclusion of a comprehensive agreement. Since declaring negotiations to have failed was not an option for any of the parties,[9] a decision on a seven month extension was taken. In his effort to justify the decision, Kerry went out of his way to commend Iran's compliance with the commitments that it undertook under the JPOA.[10]

On the Negotiations Dynamic

Overall – and comparing negotiations to mushrooms, which "often do best in the dark"[11] – the negotiating parties have chosen to remain very general in their remarks regarding the status of the talks, careful not to disclose too many details. These efforts notwithstanding, over the months of negotiations it became clear from media reports that whatever progress occurred in the talks could not be attributed to Iranian concessions. True to its traditional approach, Iran has put the onus on the US (and to a lesser degree on the rest of the P5+1) for issuing what the regime regards as unrealistic demands, and for exerting unwarranted pressure on Iran. The Iranians repeatedly stated their unrelenting positions – disguising them as matters of "dignity" and "rights" – without deviating from their original stances.

Indeed, the offers that have been made in an attempt to close the gaps in the positions of the two sides have come from the P5+1. Dennis Ross has summed up his reading of the significant concessions that were made by the six powers during the months of negotiations. These included agreeing to allow Iran to not suspend uranium enrichment, despite UN Security Council resolutions demanding suspension; accepting that Iran be treated like any other NPT signatory after the full implementation of the comprehensive agreement, despite its past transgressions; acquiescing to Iran's insistence that it not acknowledge that it pursued a nuclear weapons program; not including the Iranian ballistic missile program in talks about a comprehensive agreement; accepting Iranian arguments regarding the Arak and Fordow facilities; and accommodating Iran's insistence not to dismantle centrifuges, agreeing instead to other means of limiting the output of enriched uranium.[12] These strategic concessions by the international negotiators have gone a long way toward bowing to what Iran claims it needs for peaceful nuclear purposes. But even these far reaching concessions have so far not been enough to satisfy Iran, further undermining the credibility of Iran's stated desire to cooperate with the P5+1 and international community.

Moreover, US descriptions of "progress" in the talks have been somewhat elastic. Although just before the second deadline Secretary of State Kerry tried hard to convey that November 24 was a true deadline, that tough decisions would have to be made, and that the P5+1 were not considering an extension,[13] the description of the talks – and the progress made – changed

quite dramatically when the United States worked to justify another extension, a mere two-and-a-half weeks later. Finally, since a breakdown of negotiations seems not to be an option for either side, and since the JPOA enables extending the talks if both sides agree, negotiations have been extended twice, and could conceivably be extended again.

Iran's Nuclear Program: Breakout Capability Remains Intact

While the official P5+1 narrative regarding the interim deal is that it froze Iran's nuclear program and even rolled it back in some important respects, the reality is more complex. In fact, while Iran stopped enriching uranium to 20 percent and agreed to dilute or oxidize its stockpile, it nevertheless continued other aspects of its program, such as enrichment to 5 percent. Moreover, Iran continued with important R&D activities relating to the development of more and more advanced generations of centrifuges, which are designed to spin much faster than the ones currently in use. Twenty percent enrichment and advanced centrifuges are functionally equivalent components of Iran's nuclear program – in other words, the role of each in the context of a potential military capability is to provide a means of speeding up the process of enriching uranium to the levels needed to produce fissile material, in order to enable a quick move to produce a nuclear device at a time of Iran's choosing. Therefore, while one route (20 percent enrichment) was discontinued in the context of the JPOA, the other route (development of advanced centrifuges) was allowed to continue – and was even granted legitimacy by virtue of the deal.[14]

Moreover, Iran has continued to retain the vast stockpile of LEU (up to 5 percent) that it had accumulated by the eve of the interim deal back in November 2013. The JPOA does not relate to this stockpile, which if enriched to high levels could be used to produce approximately 6 or 7 nuclear devices. What this means is that Iran remains at the breakout point, where it could make a frenzied rush to produce fissile material for a bomb in relatively short order (several months, according to most assessments).

Yet the most problematic aspect of the interim deal is that it did not relate directly to Iran's work on weaponization. Whatever Iran is and has been doing in this regard is not under direct review by the political negotiators,

and it is not clear how the IAEA investigation into this matter meshes with the political negotiation. This issue will be discussed further below.

Ongoing Iranian Intransigence with the P5+1 and the IAEA

In negotiations with the P5+1 over the course of 2014, Iran has continued to play a tactical game vis-à-vis the international negotiators, but in a revised format in order to respond to the biting sanctions that were put in place over the course of 2012. Thus whereas Iran's traditional strategy (since 2003) has been to move its program forward with maximum speed but at minimum cost in terms of international pressure, Iran is now proving much more sensitive to the cost it is paying. Therefore, it has made a tactical shift to restore balance between the twin goals of "maximum speed" and "minimum cost." In the 2014 negotiations over a comprehensive deal, Iran was guided by a new principle: maximum sanctions relief in return for minimal nuclear concessions.

But there is no indication that Iran has changed course on the nuclear front, or that it is willing to make any meaningful concessions that would impact negatively on its nuclear breakout capability. In fact, an assessment of Iranian statements over the course of 2014 reveals that the recurring refrain has been a resounding and defiant "no" to every demand that is on the table. Rhetoric from Iran refers almost exclusively to what Iran will not agree to do – it will not cease enrichment, nor will it agree to dismantle centrifuges or close nuclear facilities; Iran refuses to discuss weaponization issues or its long range ballistic missiles, which are no doubt a critical component of any nuclear weapons capability.

The parallel negotiation underway between Iran and the IAEA on weaponization issues (called by the IAEA "Possible Military Dimensions," or PMD) has likewise not gone well. Although on several occasions the IAEA has testified that Iran has implemented its JPOA obligations,[15] at the same time, the head of the IAEA has complained that in the separate talks with Iran on the implementation of a Framework for Cooperation (signed in 2013) – with the aim of resolving all outstanding issues, past and present, regarding PMD – Iran has not cooperated.

In fact, Iran is continuing to stonewall on the questions that the IAEA posed several years ago, and has not allowed inspectors into the military facility at Parchin since early 2012. At that time, the IAEA began to request entry into Parchin with greater urgency in order to follow up on suspicions that were included in the annex of the IAEA report on Iran from November 2011.[16] While negotiations with the P5+1 on a comprehensive deal were ongoing, Iran missed an August 25 deadline to answer a few of the questions on the agency's list (regarding research into explosives testing and neutron calculations).[17] Following an early October 2014 meeting, the IAEA reported that there was still no substantive progress regarding the investigation into Iran's suspected weapons-related activities.[18] Iran also reportedly denied entry to one of the members of the team that the IAEA sent to Iran in late August. This is a familiar Iranian tactic for stonewalling on IAEA investigations, and the fact that Iran can deny visas to inspectors chosen by the IAEA is one indication of the severe problems that the current verification regime faces according to the IAEA's inspection mandate.[19]

In a speech in late October 2014, IAEA Director General Amano laid out his concerns. While initially Iran had implemented the practical measures agreed upon with the IAEA, he noted that since the summer of 2014 "progress on implementing agreed measures has been limited. Two important practical measures, which should have been implemented in late August, have still not been implemented. The Agency invited Iran to propose new practical measures for the next step of their cooperation, but it has not done so." Furthermore, Iran does not adhere to the Additional Protocol, thus violating the relevant IAEA and UNSC resolutions. Amano concluded by saying that Iran must clarify the issues relating to the PMD sooner rather than later.[20]

More troubling is that Iran is not paying a price for its intransigence on the weaponization front, and it is rarely mentioned by the P5+1 as an indication of Iran's stark lack of cooperation. From the outset, it has not been clear how the IAEA investigation is meant to feed into the P5+1-Iran political negotiation on a comprehensive deal. The very fact that at least a month before the first (July) deadline there were reports that the IAEA had set an August 25 deadline on only a few of the questions under review, gives cause to believe that the P5+1 were willing to even conclude a comprehensive nuclear deal without resolving the weaponization issue.

Obama: Still Determined to Stop Iran?

One of the more difficult questions accompanying the ongoing nuclear negotiations goes to the resolve and determination of President Obama to ensure a good nuclear deal as the outcome of the current negotiation, and to abide by his own maxim that "no deal is better than a bad deal." One of the difficulties in making this call is that these goals are not clearly defined; indeed, the definition of a good deal for the P5+1 today is not the same as for Israel, or even for the P5+1 of several years ago, when they took a much tougher stance on all the nuclear issues.

Moreover, if a moderately bad deal is assessed to be "the best we could get," then it might still be accepted and preferred over no deal. This is because the pronouncement of "the best we could get" is also a subjective call. In addition, when the administration says "it's the best we could get" there is an element of self-fulfilling prophecy, because the very act of pronouncing it to be the best that could be achieved is something that in and of itself weakens US leverage and makes it more likely that Iran will not agree to more. Why should Iran agree to do more than what the P5+1 have said is the most they would do? In terms of bargaining strategies, such pronouncements are decidedly lacking.

A question previously posed regarding President Obama's determination[21] must be revisited in light of developments over the course of 2014. While the Obama administration has not made any change in its stated intent to prevent Iran from producing nuclear weapons, there are strong hints – especially since the summer of 2014 – that the President would like to cooperate with Iran on a range of regional challenges in the Middle East. Chief among those challenges is the threat posed by the advance of the Islamic State organization, particularly its seizure of territory in Iraq and Syria.

If the administration projects an eagerness to reach a deal – for whatever reason – this clearly works against it as far as getting the best deal possible. Another dynamic that underscores the sense of eagerness and weakens leverage at the table occurs if the P5+1 start retreating from previous demands. When over the course of September-October 2014 there were increasing reports that the US was offering what it viewed as "creative solutions" to some of the difficult and seemingly intractable issues at stake, this in effect constituted instances of backing away from previously held positions.

So far, Iran has not agreed to accept even the softened stance – including possible additional concessions made in the final days and hours before the November 24 deadline. Iran is most likely waiting for an even better offer.

Global and Regional Developments

The ongoing turmoil in the Middle East in general and the escalating situation in Syria and Iraq in the wake of the rising threat of the Islamic State in particular, as well as the Ukraine crisis sparked by Russian aggression, raise a question as to the impact of these crises on the P5+1-Iran negotiations and the lessons that Iran might derive from them regarding its nuclear posture.

While the regional crisis surrounding ISIS does not seem to impact directly on the P5+1-Iran negotiations, it has had an indirect impact as far as US-Iran relations and potential cooperation. The Islamic State poses a formidable challenge to the US and its allies and to Iran's interests in the region, and the US has tried to put together a "coalition of the willing" to combat ISIS. These developments have triggered a domestic debate in the US about whether in view of the seeming convergence of interests regarding President Obama's goal to "degrade and destroy" ISIS, the US should try to include Iran in the coalition, even to the point of coordinating steps on the ground.

With the ongoing negotiations on a comprehensive nuclear deal, the question arose as to what extent the US administration might be willing to make concessions on the nuclear front in order to encourage Iran to join the efforts to combat ISIS, which seemed to be assuming priority in US thinking. A clear sign of the administration's determination in this regard was Secretary of State Kerry's invitation to Iran to the mid-September Paris emergency conference on the means of combating ISIS. It was only after the Saudis threatened to boycott the event that the US cancelled the invitation – though in any case Iran's Supreme Leader rejected the US proposal for cooperation.[22] Furthermore, in his speech at the UN General Assembly in September, President Rouhani stated in no uncertain terms that resolving the nuclear issue would be a prerequisite for Iran's willingness to cooperate with the US in combating ISIS, while at the same time accusing the US of having created the phenomenon of ISIS.

In an attempt to dispel the notion of linkage between the two issues and to refute Iran's sense that its negotiating leverage was suddenly enhanced due to its potential role in fighting ISIS, Kerry stated that the nuclear issue "is not a political decision for us. This is a substantive decision based on the proof of a peaceful program…outside leverage, Syria, ISIL, whatever is not relevant to this. It's not affecting us one way or the other. We have one set of criteria within our mind."[23] However, the tensions in the US position remained. In an attempt to underscore the importance that the US ascribes to Iranian cooperation in combating ISIS, while at the same time trying hard to dispel the notion that the nuclear issue might be sacrificed for that cooperation, President Obama wrote a letter to the Supreme Leader proposing cooperation after concluding a comprehensive agreement on the nuclear issue.[24]

The horror of the televised ISIS threats and executions seems to have captured public attention and added a further sense of urgency to the fight against Islamic State, at least as far as public perceptions are concerned. As a result, the Iranian nuclear crisis and the need to resolve it were relegated to the back burner, at least for some time. Yet while there is clearly an interest on both sides to cooperate in confronting ISIS, both understand that the nuclear "obstacle" must first be removed.

As to the possible impact of the Ukraine crisis on the nuclear negotiations, it seems that the cooling of US-Russian relations has not yet adversely influenced Russia's stance in the negotiations. An initial indication of a possible negative linkage was provided by a senior Russian diplomat who said that against the backdrop of the tension with the West on Crimea, Moscow might change its position in the nuclear negotiations with Iran.[25] Russian Deputy Foreign Minister Sergey Ryabkov said that if Russia is so compelled, it would retaliate in the negotiation, but went on to say that for Russia the Crimea issue is of greater significance than the Iranian issue.[26] More recent reports have noted Russia's possible role in efforts to find a solution to one of the most contentious issues being discussed with Iran, namely, the fate of Iran's vast stockpile of low enriched uranium (LEU).[27]

A more indirect lesson for Iran that might emanate from the Ukraine crisis has to do with Russia's flagrant violation of the Budapest Memorandum on Security Assurances (December 1994), which provided security assurances by

the signatories (the Russian Federation, the US, and the UK) to Ukraine against the use of force, while respecting the territorial integrity and independence of Ukraine. As a result of this memorandum, Ukraine gave up its nuclear arsenal and joined the NPT.[28] The question thus is whether Iran will view Russian behavior as an example of how international norms, let alone commitments, may mean very little. Another possible lesson for Iran could be to continue its efforts to acquire a nuclear deterrent capability in order to reduce its vulnerability to attack, a lesson similar to the one that became apparent to Iran when NATO attacked Libya in 2011. Just as Libya became vulnerable after surrendering its WMD in 2003, perhaps if Ukraine had maintained its nuclear weapons, Russia's act of aggression would not have occurred.

A longstanding question as to whether Iran has gained or lost from the regional upheaval unleashed by the Arab awakening now suggests that today in the wake of these new crises, it would seem that Iran's role in the region has been enhanced.[29] Furthermore, both the challenge of ISIS and the Ukraine crisis could reinforce Iran's resolve to acquire nuclear deterrence capabilities, in order to deter offensive action in response to any Iranian provocations in the Middle East.

Where Does Israel Stand?

Israel's voice was significantly diminished once negotiations on a comprehensive deal began in January 2014. With the launching of Operation Protective Edge in early July, it virtually disappeared from the scene – to the degree that the July 20, 2014 deadline passed almost without comment in Israel. Nevertheless, Israel's leadership has continued to make its positions known.

In an attempt to explain why the Iranian nuclear issue was no longer in the headlines in Israel, Minister of Intelligence and Strategy Yuval Steinitz said already in January that "we are concentrating on the peace process and are conducting contacts with the Palestinians, and therefore the [nuclear] issue was relegated to the sidelines, but it still constitutes a global danger."[30] The above explanation notwithstanding, it is quite clear that Israel's skepticism, suspicions, and concerns regarding the content of the interim deal and its implications did not diminish over the course of 2014. It was Minister Steinitz who voiced Israel's opinion regarding the JPOA when in December 2013 he said that Israel warned the world that the interim deal was meant

to undermine the sanctions on Iran, and that its essence is to create rifts in the international front against the nuclear threat.[31]

Even if the nuclear issue did not receive the saliency that it deserved due to the political and media urgency that the ISIS threat commanded, Israel's top leaders have not shied away from periodically expressing Israel's views on the JPOA, as well as any future comprehensive agreement, and the implications for Israel, the region, and global security. Reacting to Rouhani's statement in Davos in January 2014 that Iran will not dismantle even one centrifuge, Netanyahu said that much of what he had predicted would happen is in fact happening.[32] His remarks underscored Israel's conviction that Iran benefited from the JPOA – due to the lifting of some sanctions, and by what seemed to be a growing Western interest in prospective post-agreement business deals with Iran – without making meaningful concessions on the nuclear front.

Reports on the ongoing negotiations and the concessions made by the P5+1 led Netanyahu to voice concern about a possible outcome of the negotiations: "The combination of enrichment, weaponization and launching capabilities means that Iran is getting everything without giving practically anything. A permanent agreement must not perpetuate this situation."[33] Furthermore, during the negotiations, and in view of reports at the end of the initial six rounds of talks regarding the possible concessions that the P5+1 had made – or were willing to make – in the critical area of the fuel cycle, Netanyahu repeatedly articulated Israel's prerequisites for a "good deal." In a speech delivered at the March 2014 AIPAC convention, Netanyahu spelled out the action that would have to be taken in order to deny Iran the capability to acquire a nuclear bomb: shut down the heavy water reactor at Arak and the underground enrichment facilities at Fordow and Natanz; dismantle centrifuges and destroy the stockpile of enriched uranium; and insist that Iran fully disclose the military dimension of its nuclear program.[34] He expressed deep concern with respect to the intention of the P5+1 to allow Iran to retain an enrichment capability, thereby enabling it to become a threshold state ("it will be a bitter mistake"), with the implications for Israel and global efforts to stem nuclear proliferation.

While Netanyahu's so-called "maximalist positions" are most likely endorsed by some of the Gulf states (who share Israel's concerns), they are no longer shared by the US and the other members of the P5+1 who have

already acquiesced to Iran's demand to be allowed to maintain an enrichment program (which contravenes UN Security Council resolutions). Realizing that its positions have not been adopted, Israeli officials have urged their counterparts among the P5+1 to lengthen the breakout time to the extent possible.

Even the bilateral meetings between US and Israeli officials – designed to inform Israel about the outcome of the negotiations and coordinate positions – could not hide the fundamental differences between the two countries on how to prevent Iran from retaining a nuclear weapons option.[35] US reassurances have not convinced Israeli officials that the administration is indeed determined to foil the Iranian program. Furthermore, US efforts to "degrade and finally to eliminate" ISIS, which has become a high priority issue, perhaps to the point even of replacing the Iranian nuclear crisis, has caused additional concerns regarding the US position. Reflecting these concerns, Netanyahu cautioned: "make no mistake – ISIS must be defeated. But to defeat ISIS and leave Iran as a threshold nuclear power is to win the battle and lose the war."[36]

Given the prospects that the negotiation might result in a "bad agreement" from Israel's point of view, Netanyahu and Defense Minister Ya'alon have reiterated Israel's position that it will not allow Iran to turn into a threshold state.[37] In other words, if and when diplomacy fails, it seems that the military option will be on the table. Steps have been taken in terms of budget allocation and IDF preparedness.[38] To what extent an Israeli military threat might impact on the Iranian position, or for that matter the positon of the P5+1 during the negotiations, is an open question. Furthermore, preparations for a military strike notwithstanding, it is also an open question whether in the case of a "bad deal" that is sanctioned by the international community, Israel would nevertheless strike Iran unilaterally.

In interviews just before the November 24 deadline,[39] Netanyahu reiterated his objection to conclusion of a bad deal and his insistence on the need to keep sanctions in place as long as Iran's capacity to make nuclear weapons has not been dismantled. Rather than dealing with the question of Israel's options in the event of a signed bad deal, Netanyahu underscored Israel's efforts to convince the international community not to conclude such a deal, which would endanger not only Israel. Following the decision to extend the

negotiations, Netanyahu said that extending the negotiations was a preferable outcome.[40] He expressed the hope that the pressure on Iran would continue because economic pressure was the only element that brought Iran to the negotiating table. As to Israel's future steps, he said that Israel is following the situation closely and retains the right to defend itself.

Thus Israel has underscored that the contents of the interim deal, as well as the concessions already made to accommodate Iran's intent to retain a breakout capability, are unacceptable. Furthermore, Israel has left no doubt that a "bad deal" will not be tolerated, and that concrete steps to abort the threat might be taken. Given all other options, an extension of the negotiation serves as no more than some breathing space for Israel – it pushes back the timeline for having to make tough decisions. Any decision will have to be taken against the backdrop of Israel's lack of success in influencing the P5 +1 not to make strategic concessions to Iran on the one hand, and the diminishing credibility of the military option on the other.

Conclusion

Because 2014 has been characterized by ongoing intensive negotiations, with negotiators keeping a very tight lid on the proceedings, there is a lack of information with regard to what is indeed going on. Moreover, there is a sense that while they insist that their decision not to share information is important for the success of the negotiations, in fact the negotiators are also using the fog to enhance their ability to manipulate assessments in order to support their policy decisions. Thus when the P5+1 want to press Iran to meet a deadline, they emphasize the tough decisions that need to be made, but when they want to justify an extension, they proclaim the "great progress" that has been made. In neither case is anything revealed regarding the actual substance on the table. Consequently, there is a full range of commentary: from claims that there is most likely agreement on almost all of the topics with only a few remaining issues to be resolved, to claims that assess the picture in the exact opposite manner, i.e., that it is more likely that agreement is lacking on the vast majority of the issues, especially as Iran is less averse to publicity about the full range of issues that for them are beyond compromise.

As such, while some assessments can be made – for example, that the strategic concessions that have been made so far have come primarily, if not solely from the direction of the P5+1 – many pivotal questions remain. For example, was the extension in late November inevitable? What will it take to reach a political understanding in March? Is it only a matter of time? Are the calculations purely in terms of the negotiations dynamic, or are other internal politics (in both the US and Iran) or regional issues affecting the decision? Regarding the situation on the Iranian side, some claim that President Rouhani and Foreign Minister Zarif are willing to accept the P5+1 offer on the table, but Supreme Leader Khamenei objects. At the end of the day, however, it is clear that the Supreme Leader makes the decisions, so whether the leadership is united or divided is less relevant than the fact that Khamenei in any case remains defiant.

Thus it seems there is a combination of both severe difficulties at the negotiating table and extraneous issues that are having or will have an impact on policy choices that will have to be made in March 2015. Whatever the outcome, the unfortunate reality is that any deal with Iran will almost certainly focus solely on physically keeping Iran at a distance from breakout (through some dismantlement of the program and a verification regime), rather than on Iran's intentions. Since there is no indication that Iran's intentions in the nuclear realm have changed, it is nearly certain that it is only a matter of time (and the duration of the agreement) before Iran resumes its efforts to acquire a military nuclear capability, even with the best comprehensive deal.

Notes

1   US officials apparently relayed some information to the media about certain concessions that Iran made with regard to a few aspects of the JPOA, as part of the extension agreement (see, for example, Laura Rozen, "Iran to Limit Centrifuge R&D under Extension," *al-Monitor*, December 1, 2014, http://www.al-monitor.com/pulse/originals/2014/12/irantermsofextensionnucleardeal.html). However, at least some of the issues are more in the nature of clarification of issues that had already been included in the JPOA (where there were differences of opinion). In any case, Iran denied the veracity of these reports (see Lazar Berman, "Iran Rejects US Claims it Made Concessions for Talks Extension," *Times of Israel*, December 7, 2014, http://www.timesofisrael.com/iran-said-to-reject-claims-of-concessions-for-talks-extension/).

2   Anne Gearan and Joby Warrick, "World Powers Reach Nuclear Deal with Iran to Freeze its Nuclear Program," *Washington Post*, November 23, 2013, http://www.washingtonpost.com/world/national-security/kerry-in-geneva-raising-hopes-for-historic-nuclear-deal-with-iran/2013/11/23/53e7bfe6-5430-11e3-9fe0-fd2ca728e67c_story.html.

3   Wendy Sherman, "Iran Policy and Negotiations Update," Written Statement, Senate Committee on Foreign Relations under Secretary of State for Political Affairs, U.S. Department of State, February 4, 2014, http://www.foreign.senate.gov/imo/media/doc/Sherman_Testimony2.pdf.

4   Interesting in this respect are the contacts that were established between the US and Iran that played a critical role in paving the way to signing the JPOA. Against this backdrop, the nuclear negotiations provided a platform for discussing regional issues such as the ISIS threat.

5   Wendy Sherman, "Remarks on U.S. Policy in the Middle East," U.S. Department of State, September 16, 2014, http://www.state.gov/r/pa/prs/ps/2014/09/231724.htm.

6   Wendy Sherman, "Status of Negotiations with Iran," Statement, Senate Committee on Foreign Relations under Secretary of State for Political Affairs, U.S. Department of State, July 29, 2014, http://www.foreign.senate.gov/imo/media/doc/Sherman%20Testimony.pdf.

7   Wendy Sherman, Remarks at a symposium on P5+1 Iran nuclear negotiations, Center for Strategic and International Studies (CSIS), Washington, DC, October 23, 2014. One wonders whether her statement alludes also to what was reported two weeks later in the *New York Times* about Iran's tentative agreement to ship much of the country's stockpile of LEU to Russia. See David E. Sanger, "Role for Russia Gives Iran Talks a Possible Boost," *New York Times,* November 4, 2014.

8   See John Kerry's press conference in Paris, November 5, 2014, http://www.state.gov/secretary/remarks/2014/11/233779.htm.

9   The Obama administration has demonstrated a strong commitment to continued diplomacy as well as a clear aversion to contemplating a move to other measures (even though "all options are on the table" remains a recurrent refrain), such that declaring a breakdown (implying the need to move to other options) was not in line with its policy objectives. As for Iran, once it became apparent that the P5+1 were willing to offer it concessions, its interest is to hold out for an even better offer, one that might ultimately enable it to fulfill its goal of getting maximum sanctions relief in return for very minimal nuclear concessions.

10 Notwithstanding Kerry's explanation, the decision is still somewhat puzzling. In his press conference in Paris, Kerry said that he could consider an extension if a few small issues remained, but certainly not big issues. The question then is

whether all big issues were resolved, and will the coming months will be devoted to small issues. And if so, why were seven more months needed?

11 See Sherman, Remarks at a symposium on P5+1 Iran nuclear negotiations, CSIS.

12 Dennis Ross, "How to Muddle through with Iran," *Foreign Affairs,* October 16, 2014.

13 Kerry press conference, Paris, November 5, 2014.

14 Emily B. Landau and Shimon Stein, "What's Really Going On with the P5+1-Iran Nuclear Talks?" *National Interest,* December 1, 2014.

15 The IAEA is tasked with monitoring and verifying the voluntary measures undertaken by Iran in the context of implementing the JPOA. See assessment of Iran compliance: John Kerry, "Extension of Iran Nuclear Talks," Press Statement, U.S. Department of State, July 18, 2014, http://www.state.gov/secretary/ remarks/2014/07/229491.htm; and i24News, "IAEA: Iran has Complied with Agreement," I24NEWS, July 21, 2014, http://www.i24news.tv/en/news/ international/37791-140721-iaea-iran-has-complied-with-agreement.

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Iran's Regional Standing

Ephraim Kam and Yoel Guzansky

Significant changes have taken place in Iran's regional standing since the start of the previous decade, largely as a result of the regional upheavals and Iran's efforts to cope with the new situation. There were three main reasons for these changes. The first is the rise of a new type of terrorist organization with far reaching political and religious pretensions that seeks to promote global jihad – and also threatens Iran and its interests in Iraq and Syria. Al-Qaeda was the first such organization, followed by Islamic State (IS). The second reason is US military intervention in two of Iran's neighbors: Afghanistan, where activity that began in late 2001 is now in its final stages, and Iraq, which saw US activity from March 2003 until late 2011. The third reason is the turmoil that has rocked the Arab world in the past four years and likewise impacts on Iran. These changes join a previous wave of changes since the early 1980s that upset Iran's strategic environment: the Iran-Iraq War, the 1991 Gulf War, the collapse of the Soviet Union, and the emergence of the United States as the sole superpower in the world, and thus the Middle East as well.

The New Threats: Iraq, Syria, and IS

The Iranian leadership was highly concerned by the US military intervention in Afghanistan and even more so by the intervention in Iraq, fearing that Iran would be the next US military target. Though fluctuating over the years and not receding entirely, Iran's fears in this regard have lessened over time, as Iran has come to the conclusion that the US administration does not intend to wage another comprehensive military operation following its

entanglement in Iraq and Afghanistan. Moreover, the Iranians realized that the US operation in Iraq yielded significant new opportunities for them: the Iraqi threat from the days of Saddam Hussein disappeared, and Iran inherited the possibility of gaining a foothold in Iraq. Thus, Iran established relationships with a large number of leaders, organizations, parties, and armed militias, primarily among Shiites in Iraq and partly also among Kurdish parties, while capitalizing on the fact that US intervention in the country turned the Shiites into the dominant element there.

Iran's goal was to create an Iraq that was stable but militarily weak, where it could not threaten Iran and where the Shiite government would retain power but would be dependent on Tehran and under its influence. To this end, Iran encouraged the Shiite organizations associated with it to participate in the democratic process and form a joint list to give political expression to the demographic weight of the Shiites and secure their leading role in the country. Iran intervened in the various elections held in Iraq since 2005, including through provision of financial aid, in order to ensure that its preferred candidates would be elected to the parliament. In addition, Iran arms, trains, and funds the Shiite militias associated with it in Iraq in their fight against the Sunni militias; prior to 2011, this effort was meant to expedite the withdrawal of US troops from Iraq. Iran thus gradually became the most influential outside party in Iraq even before the withdrawal of US troops, and even more so after their departure. However, there are limits to Iran's influence over the Shiite organizations in Iraq, which shun dependence on the Iranian regime and seek to preserve their freedom of action. They are prepared to receive Iranian aid, but in accordance with their interests or when they are forced to accept it in the absence of other aid. The lack of stability and the continuing war of the militias in Iraq also harm Iran's interests and standing in Iraq.

The outbreak of the "Arab Spring" in late 2010-early 2011 presented Iran with new challenges. Tehran initially saw the Arab Spring as a positive development and a continuation of the Islamic Revolution, which, it hoped, would be perceived by the Arabs as a model to be emulated. Furthermore, the turmoil in the Arab world was seen as a blow to moderate, pro-Western Arab states and posed new challenges for US Middle East policy, partly because of the threat to the peaceful relations between Israel and Egypt and

Jordan. The fall of the Mubarak regime, which was hostile to Iran, created expectations in both Iran and Egypt that diplomatic ties between the two countries, severed in 1979, would be restored. All of these developments lent Tehran a semblance of new opportunities in the region and the sense that the Arab world's increasing weakness could fuel its drive to achieve hegemony in the area. Iranian officials presented the developments in the Arab world as the shaping of a new Middle East that draws its inspiration from the Islamic Revolution in Iran and works to end Western hegemony in the region.

However, it quickly became clear to Iran that from its perspective the Arab uprising was less than a wholly positive development. There was a fear in Tehran, which has still not materialized, that the turmoil would spread to Iran. The Arab world has not inclined toward Iran in the past and has not considered the Iranian model of an Islamic republic attractive. The rivalry between Sunnis and Shiites in the entire region, along with the fear of the Iranian nuclear threat, has continued to cast a pall over the Arab world's relations with Iran. The current Egyptian regime is not inclined to draw closer to Iran, and even the Muslim Brotherhood regime had reservations about Iran and did not restore relations with it. The government of Abdel Fattah el-Sisi, which ousted the Muslim Brotherhood government, has improved its relations with Israel, assuaged most of the difficulties with the US government, and continued the policy of reservations about Iran.

However, the most serious development from Iran's point of view took place in Syria. Iran's close alliance with Syria is the longest relationship between countries in the Middle East and one of the cornerstones of Iranian policy. If the Assad regime falls, this will constitute a severe blow to Iran and be seen as a victory for the United States, Israel, and the moderate Arab states. Therefore, at a critical stage, Iran was forced to intervene in order to aid the tottering Assad regime. It has given Syria significant assistance, sending hundreds of Revolutionary Guards forces to offer training and advice, furnish weapons and military equipment, gather intelligence, and provide extensive financial aid. At the same time, Iran saw to it that Hizbollah would send hundreds of its fighters to Syria in combat roles – to serve as snipers, to protect facilities, for "cleanup" operations, and for direct fighting against opposition forces. Iran also recruited groups of Shiites in Iraq to

fight alongside the Syrian army. However, Tehran has paid a price for its aid to the Assad regime. It was harshly criticized in the Arab world, in Turkey, and in the international arena generally for its participation in the killing of unarmed civilians, yet ultimately the Iranian aid played an important role in improving the Assad regime's situation.

Since the spring of 2014, however, an important new actor has appeared in the Syrian-Iraqi arena: the Islamic State organization. Iran sees IS as a serious threat. As a radical Sunni organization, Islamic State jeopardizes Iran's standing and interests in the three countries most important to Tehran, Iraq, Syria, and Lebanon, and threatens Iran's allies there, i.e., the Shiites in Iraq, the Assad regime, and the Shiites in Lebanon. Islamic State's success harms the Shiite camp in Iraq, which is the key to Iranian influence there, and in particular, the armed Shiite militias, some of which are connected to Iran. The group's control over a considerable area in Iraq and Syria is an important component of the opposition to the Assad regime, and its successes in the two countries feed off each other and threaten the Shiite holy cities in Iraq with violence that might spill over into Iran.

In light of this challenge, Iran was forced to intervene and aid the Iraqi government against IS. This aid involved the dispatch of Revolutionary Guards units to Iraq, air strikes against IS targets, provision of weapons to the Iraqi army and the Shiite militias, and concentration of forces in western Iran near the border with Iraq. In this context, the possibility of US-Iranian cooperation to restrain IS in Iraq has been raised. The two sides have emphasized that in any case, they do not plan to engage in substantive military cooperation, but apparently there has been some coordination between them through the Iraqi government to prevent mistakes and air attacks against one another.

The turmoil in Syria and Iraq has also affected Iran's relations with Turkey. During 2011-2012, relations worsened after Patriot missiles and a NATO early warning anti-missile system were stationed in Turkey. The early warning system became operational in early 2012, and Iran perceived it as hostile and a direct threat. The opposing positions of Iran and Turkey toward the Assad regime and Iranian involvement in Iraq have also added to the tension. Nevertheless, since early 2013, there have been signs that relations are improving because of a significant expansion of trade, which resulted from Turkey understanding that it could exploit Iran's influence

in Iraq and Syria to stabilize the situation in those countries and from the interest in stopping IS, shared by Iran and Turkey.

Limited Improvements: Relations with Saudi Arabia and the Gulf States

To varying degrees Saudi Arabia and the small Gulf states have adopted a dual policy toward Iran, which given the need to contend with the Iranian threat, particularly the nuclear threat, comprises some readiness for cooperation, albeit accompanied by suspicion and caution. This dual stance allows the Gulf states to maintain a considerable part of the complex of relations with the state that is most threatening to them, and thereby reduce the chances of conflict with it in the short term, while continuing to seek a solution to the threat it poses in the long term. The background to this approach is also the possible change in the US attitude to the Middle East in general and Iran in particular, and the fear among the Gulf states that they might face Iran without sufficient backing from the United States. In light of these considerations, some Gulf states believe that they must maintain as good relations as possible with Iran in order to reduce risks. For its part, Iran generally presents a willingness to improve its relations with the Gulf states and thereby drive a wedge between them and the United States.

This is the background to the limited rapprochement between Iran and Saudi Arabia and several of the Gulf states that is evident since 2013. Beyond the basic considerations already mentioned, several developments contributed to this change. One is the election of Hassan Rouhani as President of Iran. Another is the signing of the interim agreement on the Iranian nuclear issue and the start of direct dialogue between the United States and Iran. These have encouraged the sense that the Iranian nuclear issue will be resolved through diplomatic means, even though certainly the Saudis are worried that what from their point of view is a bad agreement will be signed and will leave Iran a nuclear threshold state. Another development is the shared interest of Iran and the Gulf states in stabilizing the situation in Iraq and Syria and halting IS. The rapprochement has involved a series of positive statements by officials on both sides of the Gulf, reciprocal visits by high ranking officials, high profile meetings, and the signing of agreements in various fields. Thus, several days after the interim agreement on the

nuclear issue was signed, Iranian Foreign Minister Mohammad Zarif left for visits in all the Gulf states other than Saudi Arabia and Bahrain. The goal was to ease the tensions between Iran and its neighbors, which worsened during President Ahmadinejad's term, and attempt to turn over a new leaf in relations. In addition, several leaders of Gulf states visited Tehran and met with Supreme Leader Khamenei and President Rouhani.

A possible thaw in relations between Iran and Saudi Arabia has a chance of reducing tension, even if it does not mean a resolution of regional conflicts. The two countries have proven in the past that they are pragmatic and are prepared to adapt their positions when this is justified by the circumstances. However, despite the potential for regional change inherent in an Iranian-Saudi rapprochement, the measured thaw in relations has been limited to the Gulf only, and hostility and suspicion toward Iran are manifested primarily in criticism of Iran's increased involvement in Syria, Iraq, and Yemen. The Gulf states are also worried about the growing strength of IS. The challenge to Iran's interests in Iraq and Syria by the organization has served the interests of the Gulf states. However, today IS is also threatening their interests as a result of its attempts to undermine the moderate Arab regimes, and it is contributing to Iran's increased involvement in Iraq. Therefore, it is not clear what the Gulf states perceive as a greater threat: increased Iranian involvement in the region or the strengthening of IS. At this stage, it would appear that the Gulf states are attempting to cope with the two challenges simultaneously.

The need to fight IS could create a convergence of interests between Iran and the Gulf states, which believe that temporary and limited cooperation, even with Iran, should not be ruled out in order to address the more serious and immediate threat from radical Islam. However, along with public statements about aspirations to friendship between the parties there have been continuing exchanges of accusations on this dual policy by regime officials and clerics. Iran has accused Saudi Arabia of taking steps that led to a decline in the price of oil in order to harm Iran, while the Saudi Foreign Minister was quoted as saying that if Iran seeks to be part of the solution in the region, it must withdraw its forces from Syria, Yemen, and Iraq.

These mutual recriminations show that the road to an historic reconciliation between Iran and the Gulf states is still a long one. The parties are separated

by historical animosities, contradictory basic interests, religious-ideological competition, weighty political-strategic disputes, and above all, fears about Iran's ambition to achieve regional hegemony. The relative thaw in relations between Iran and Saudi Arabia and the Gulf states, which began gradually after Rouhani's election as President, is mainly due to Iran's desire to end its isolation, primarily economic, and the understanding in Tehran that reducing the tension with Iran's Arab neighbors is an important step toward achieving this goal. From the perspective of Saudi Arabia and the Gulf states, the thaw with Iran is an attempt to adjust their policy to the situation that is developing in the region. Iran has become an important player in the effort to stabilize the region after some of the isolation imposed on it was relaxed and its position has strengthened. Future relations will depend largely on several factors: Iran's regional policy, developments on the nuclear issue, the continuation of dialogue between the United States and Iran, the threats arising from the situation in Iraq and Syria and from IS, and in the longer term, perhaps also the internal developments in Iran.

Iran's Regional Balance

In the past four years, new risks have confronted Iran's regional interests. There is still heavy pressure on the Assad regime: a considerable part of the country is not under its control, the end of the civil war is nowhere in sight, the regime is deemed illegitimate by many Western and Arab governments, and Iran is paying a political price for supporting it. The continued instability in Iraq is detrimental to Iran's influence there and could spill over into Iran. The significant achievements by Islamic State jeopardize Iranian interests in Iraq, Syria, and Lebanon, and the difficult economic situation in Iran as a result of the Western sanctions and the drop in oil prices could likewise affect Iran's ability to promote its objectives in the region.

On the other hand, Iran scored several important achievements in the region last year. The Assad regime's situation is better than it was a year ago, in part because of the split among Iran's adversaries and the focus on the international effort to stop IS. Even if the danger to the Assad regime has not passed, there does not appear to be an imminent existential threat. Furthermore, Iran has become a key country in stabilizing the situation in Iraq and Syria and in the effort to stop IS. Even if it is difficult to have actual

cooperation with Iran in these efforts, there is an understanding in Western countries and the Arab world that on these issues, there is a convergence of interests with Tehran. At the same time, the proximity of interests between Iran and Russia on the survival of the Assad regime and the initiatives undertaken by Russia from time to time to find a settlement in Syria serve the interests of Tehran. And just as importantly, Rouhani's image of relative moderation, the development of direct dialogue between the United States and Iran on the nuclear issue, and the Arab world's weakness could help include Iran in some way in confronting the challenges in Iraq and Syria and the struggle against IS. Moreover, despite Iran's concern about the growing strength of IS and the deterioration of the situation in Syria and Iraq, trouble in Iraq could actually strengthen the dependence of Shiite elements there on Iranian aid. If Islamic State is ultimately defeated, Iran could gain more from this than any other actor and increase its influence in Iraq and Syria.

There are two additional positive developments for Iran. One is that the Houthi rebels in Yemen, a Shiite faction close to Iran, have grown stronger. Helped by Iranian weapons and money, the Houthi takeover of key positions in Yemen, including the capital, Sanaa, and the Hudayda port give Iran a base for influence south of Saudi Arabia on the edge of the Red Sea. The second development is that relations between Iran and Hamas have improved after some three years of estrangement resulting from Hamas' distance from the Assad regime and the deterioration of relations. This rapprochement includes a resumption of the supply of weapons and financial aid from Iran. It stems from Hamas' distress, its isolation following Operation Protective Edge, and its need to renew its stockpiles of weapons and receive aid for the Gaza Strip following the fighting. At the same time, Iran has consistently sought to deepen its involvement in the Palestinian arena so as to influence developments in the Israeli-Palestinian conflict.

Iran's position in the region in the coming years will depend on several possible developments. First are the changes that take place in Iran's neighbors, especially Iraq and Syria, along with the situation of IS, and to a lesser extent, Afghanistan once the withdrawal of US forces from the country has been completed. It is likely that in the coming years there will continue to be instability, serious internal weakness, and harsh violence in Iraq and Syria, and that IS will not disappear, even if it is weakened. This situation

will continue to worry Iran and may require it to make difficult decisions. However, it also has the potential to benefit Iran due to its influence in these countries and the possibility that the instability will allow it to increase its influence.

Second is the continuation of the dialogue between Iran and the United States and the possibility that a comprehensive agreement will be reached on the nuclear issue. The core question is whether an agreement is reached that distances Iran from military nuclear capability for a considerable period of time, which would allow for an expanded dialogue between Iran and the United States and between Iran and its neighbors in the Gulf on regional issues. Alternatively, if the nuclear talks reach an impasse without an agreement, Iran could once again accelerate its nuclear program; in turn, the regional atmosphere is prone to deterioration.

Third is the possibility that the turmoil in the Arab world will spill over into countries that until now have not been affected by it, among them Saudi Arabia and Iran itself. It is difficult to estimate the likelihood of such a development, but if it happens, there is no doubt that it would influence Iran and its perception of its strategic environment. Iran and Saudi Arabia's rulers are elderly and not healthy, and it is an open question how their successors would influence Iran's regional deployment.

For Israel, the significance of the changes in Iran's position in the region is mixed. On the one hand, the dangers to Iran's position in Syria and Iraq and the IS threat to Tehran and its allies in these countries are a positive development from Israel's point of view. They harm Iran's freedom of action and its standing in the region – all the more so if it loses its influence in either of these two countries, and especially in Syria. On the other hand, Western and Arab countries' recognition of Iran's ability to assist in stabilizing the situation in Iraq and Syria and in stopping IS, in tandem with the start of direct dialogue with the US administration and a limited improvement in relations between Iran and the Gulf states, could help Tehran strengthen its position in the region, which might also have a positive impact for Iran in the talks on the nuclear issue.

The Turmoil in the Middle East

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The Turmoil in the Middle East

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Since the start of the previous decade, and especially in the past four years, the Middle East has experienced upheavals that will change the face of the region for many years to come. This turmoil has several sources: the United States occupation of Iraq in 2003, which altered the country's political structure and military capabilities for the foreseeable future; the socio-political turbulence, originally called the "Arab Spring," experienced by many regimes in the Arab world; the growing strength of radical Islamic groups in the Arab world; and the appearance in the region of a new type of terrorist organization, which started with the rise of al-Qaeda and assumed a new, more extreme form with the Islamic State (IS) organization.

The severity of the turmoil is reflected in a series of unprecedented developments. Uprisings at home or outside intervention have toppled five Arab regimes (in Iraq, Tunisia, Egypt, Libya, and Yemen), and another regime (in Syria) is under grave threat. The regimes that were toppled have not yet been replaced by strong and stable governments. On the contrary, in the Middle East and its periphery, weak regimes have sprung up that do not control all of the territory in their respective countries. In these areas,

control has partly been supplanted by terrorist organizations and armed militias, which project a serious threat both to the local populations and to their neighbors. Hundreds of thousands of people, most of them civilians, have been killed in civil wars, primarily in Iraq and Syria, and to a more limited extent in Libya and Yemen. Millions have become refugees, with some of them displaced within their own countries and others fleeing to neighboring states.

After four years of turmoil, it is difficult to say that the uprising has led to a positive reversal in the nature and essence of the Arab regimes. A new actor whose voice was barely heard in the past has appeared on the political stage, in the form of the masses in the streets and squares, but its appearance has contributed little to expanding and deepening democratic processes in Arab states, which have proven that they are still not ripe for a full democratic revolution. On another level, in the first years of the uprising, political Islam appeared to be occupying a key position in the Arab world, especially after the Muslim Brotherhood became a rising force in Egypt and succeeded in gaining power through democratic elections in mid-2012. However, within a year, it was ousted by the army, and while it remained a significant actor outside the Egyptian political system, its removal harmed political Islam in the entire Arab world – outside of Egypt as well – and it is now examining its future course of action.

The turmoil in the Arab states has exacerbated the existing weakness of the Arab world. Since the 1970s the Arab world has lacked a leader and leadership, and has not been able to unite in a common approach to the main problems before it. Non-Arab countries – Iran, Turkey, and partly Israel as well – have taken the place of Arab leaders in setting the regional agenda. The weakness of the Arab camp has been further aggravated by the fact that Iraq and Syria, both key countries in the region, are today paralyzed, and even Egypt, the leader of the Arab world, is immersed in its domestic problems. Furthermore, several Arab militaries, particularly those of Iraq and Syria, have lost a significant portion of their capabilities, while some of the weapon systems that were in their possession, as well as in the possession of the Libyan army, have fallen into the hands of jihadi organizations and are being used in the fight against their adversaries.

The internal crises in Arab countries have thus far failed to impact on the domestic situation in Iran. However, Iran has been influenced by them in other ways, especially by the events in the countries closest to it. The threat to the regime of Bashar al-Assad, Iran's main ally in the region, prompted Iran to send Revolutionary Guards advisors and military and economic aid to Syria to assist the regime. Iraq's civil war, underway since 2003, has provided Iran with an historic opportunity to become the most influential outside player in Iraq, especially among the Shiites. The rise of Islamic State threatens Iran's outposts in Iraq, Syria, and Lebanon and has forced the Iranian regime to cope with this threat as well, but at the same time has made Iran an important player in stabilizing the situation in these countries. And in another corner of the region, the collapse of the governmental system in Yemen and the appearance of the Houthis as a major actor, who are from the Zaidi sect of Shiite Islam and have longstanding ties with Tehran, are playing into the hands of Iran and helping it build an outpost of influence at the entrance to the Red Sea and south of Saudi Arabia.

The United States was dragged into the vacuum in the region – especially during the George W. Bush administration, but also today, with a president who seeks to liberate the United States from the role of the world's policeman – in an attempt to thwart the threats to it and to its allies. This attempt was translated into military intervention in Afghanistan and Iraq, in an aim to prevent Iran from acquiring nuclear weapons, and in efforts to bring about the fall of the Assad regime and the defeat of IS. However, the United States in 2015 is not what it was in the 1990s and the early part of the previous decade, when it remained the sole superpower after the fall of the Soviet Union and dared to carry out extensive military operations in the Middle East. The challenges with which the United States has had to contend since the start of the current century have illustrated the limitations of its power. Its intervention in Afghanistan and Iraq, which left both countries in chaos at a cost of thousands of Americans dead; its difficulty in coping with major problems in the region such as the Iranian nuclear threat, the Palestinian problem, and the appearance of Islamic State; and criticism from its allies in the Middle East and Europe have all harmed its standing in the Middle East and eroded its ability to undertake moves that would reduce the turmoil and sources of tension in the region. Yet despite these difficulties, there is

no alternative superpower in the Middle East of equal weight, and new turbulence inevitably prompts appeals by Arab and Western states that expect the United States to lead the management of the crisis.

The critical regional issues that today are at the center of the turmoil in the Middle East are the result of processes unfolding over many years. These processes highlight the weakening of several Arab regimes, including key regimes such as Syria and Iraq, along with the rise of non-state actors with unprecedented power. The element leading such actors today is jihadi organizations, headed by Islamic State, which are perceived as the main threat emanating from the Middle East. These organizations not only challenge the future of several regimes in the region, but also the territorial integrity of particular states. This requires an examination of these organizations' methods of struggle and the ability of the United States and its allies to stop the new threats in the region, influence the regional agenda, and stabilize the Middle East.

Background to the Contemporary Upheavals in the Arab World

The socio-political dysfunction that characterizes much of the Arab world early in the twenty-first century may not be unique to the Middle East, but it is clearly more virulent and violent than almost anywhere else. In some sense, this degeneration is an historical continuation of the breakdown of legitimacy and authority of the Ottoman Empire, widely known during the nineteenth century as "the sick man of Europe," and can be traced to the inability of Islamic reform movements to meet the challenges of modernity with a formula that satisfactorily balances cultural tradition with the need for change, or in other words, effectively straddles authenticity and modernization. The failure of the Ottoman reformers to meet this objective produced and perpetuated identity conflicts that have left their imprint on every former Ottoman territory, including the Balkans and Turkey itself (and are replicated in South Asia as well). But their most acute consequences have been felt in the Arab-populated areas of the Middle East, perhaps because of the singular historical relationship between ethnic/national identity and religious identity: the Arabs produced Islam, while others only imported it or had it imposed on them.

Whatever the reason, the result is a paroxysm of sectarianism, intolerance, violence, and failed states, with highly negative consequences for the region and beyond. These manifestations of identity conflicts are not solely the failed aftermath of the so-called "Arab Spring." They are an integral part of the political history of the modern Middle East, which is replete with sorry episodes of discrimination and repression, often violent, of populations that differ in some important way from the dominant identity marker of the polity.

However, it would be inaccurate to argue that the prevalence of discrimination and repression is the byproduct of authoritarian regimes. Indeed, in most twentieth century Middle Eastern political systems, authoritarian regimes actually acted to contain the inclinations of the various social formations, and it was the weakening or rupture of the shell of the "hard state" that unleashed the most vicious sectarian conflicts (as was also the case in the former Yugoslavia).

There is no single cause for the breakup of Middle East states. In the most important and formative instances, it was the outcome of foreign conflict and/or foreign intervention, as was the case with Iraq, Libya, and indeed, the Ottoman Empire itself. In others, it was the consequence of intrinsically flawed state creation, as with Iraq and – many would argue – Syria and Lebanon (as well as Pakistan). And in some cases, it was the modernizing efforts of authoritarian rulers themselves – in the belief that this was necessary to enhance the power and prosperity of their states – that simultaneously intensified both outrage and hope among certain domestic constituencies. For example, the Shah of Iran's modernizing White Revolution in the early 1960s (including efforts to equalize the validity of the testimony of non-Muslims in court, contrary to *sharia*) helped energize Islamist opposition to his rule. Some see a similar pattern in Egypt following the decades-long efforts of Anwar Sadat and Husni Mubarak – though hesitant and arguably incompetent – to accommodate Western pressure for liberalization and democratization. In both cases, the backlash helped break state power and enabled Islamist forces to prevail over other anti-regime elements – briefly in Egypt, and for a considerably longer period in Iran (though the final historical verdict there is of course not yet in).

The greatest pathologies of identity ambiguity are naturally found in the most demographically heterogeneous societies, i.e., where the ethnic,

confessional, or (in the case of Libya) tribal identities persist and triumph over any all-encompassing sense of shared civic culture or sense of citizenship. Hence the ferocity of the conflicts in Iraq, Syria, and (in the past and perhaps again in the future) Lebanon. This is a universal problem to be confronted in every heterogeneous society, but it appears at the present moment in history to be particularly daunting in Muslim-majority societies, if only because the prescribed conflation of religion and state is much more explicit in Islam than in other major religions; there is no injunction to render unto God what is God's and render unto Caesar what is Caesar's, nor much ideational foundation for the idea of individual sovereignty, distinct from that of the *umma*. That complicates the obstacles to reformers, who find themselves in an ideologically defensive and even apologetic posture because they need to argue that the reforms they advocate are somehow consistent with Islam rather than intrinsically valid, legitimate, and imperative regardless of their relationship to Islamic strictures.

There can be no stable resolution of the conflicts currently wracking the Arab world without a fundamental redefinition of relations between religion and society, society and state, and state and individual, that is, without a comprehensive process of reformation and enlightenment from within. Given the record of Islamic reform over the last two centuries, the prospects of this happening within any meaningful time frame are slim, at best. In any event, ideological transformation of this magnitude is beyond the capacity of outsiders, however well-meaning, to bring about.

Non-State Actors in the Middle East

In the past year, the issue of terror in its broad sense has once again assumed center stage in the international arena. This prominence is mainly a result of the fact that the Islamic State organization, also known as ISIS or ISIL, has been placed on the global public agenda. At the same time, other sub-state actors operate throughout the Middle East, and they are an integral part of the global jihad ideological movement. These organizations exploit the turbulence in the region so as to consolidate their position and threaten the stability of various Middle East regimes. In order to understand the level of the threat posed by sub-state organizations, the various groups and their

respective threat levels must be characterized separately, and the relationships and rivalries between them must be understood.

The influence of the Islamic State organization, which is currently the main threat to stability in the Middle East, may expand from the regional to the global level. The organization is a kind of hybrid creature that began to operate as a sub-state organization, and grew following its conquest of much territory in Iraq and Syria – and in essence the elimination of the border between them – and its declaration of the establishment of an Islamic caliphate in the areas it took over. In the current situation, Islamic State and the territory under its control can be defined as an Islamic state-like entity that functions in state-like fashion vis-à-vis the population it controls. The group has proven itself as the dominant organization in Iraq, and it aims to pose a threat to Baghdad and the Iraqi government. It has taken control of weapons and considerable resources in the territories it has seized and has managed to accumulate significant economic assets. Islamic State successes have led to a de facto split in Iraq, threatening the territorial integrity of the country. In Syria too, Islamic State has succeeded in taking over a number of regions, particularly in the areas of Raqqah and Deir ez-Zor. It has also threatened to take over the town of Kobane, where there is a large Kurdish minority. Had Kobane been conquered, this would result in Islamic State control over some of the border area between Syria and Turkey. The IS goal is to take over additional territory in Syria and divide the country in a fashion similar to the divisions in Iraq.

In Syria, in addition to Islamic State, there are many sub-state opposition groups that aspire to topple the Assad regime. These groups are bound together in two main fronts, the Free Syrian Army (FSA), which is secular, and the Islamic Front, which is religious. There is also a Salafist jihadi camp operating in Syria. Aside from Islamic State, another prominent member of this camp is Jabhat al-Nusra, a branch of al-Qaeda in Syria, which seeks to downplay this affiliation and focuses at this stage on the struggle to overthrow the Assad regime while cooperating ad hoc with the FSA and groups that are part of the Islamic Front.

The conflict in Syria has spilled over into Lebanon, and because Hizbollah and forces from the Iranian Revolutionary Guards have intervened on behalf of the Assad regime, they have become a main target for attacks by Salafist

jihadi groups from Syria and Lebanon. The main groups operating against Hizbollah and the Revolutionary Guards are al-Nusra Front and Islamic State, as well as Abdullah Azzam Brigades and other Salafist jihadi groups in the Nahr el-Bard refugee camp in the north of the country and the Ein al-Hilweh camp in the south. After Sunni sheikh Abu Munzir al-Shanqiti issued a *fatwa* encouraging suicide operations against Hizbollah, these organizations carried out thirteen attacks this year against Shiite strongholds affiliated with Hizbollah in the Bekaa Valley and Beirut.

Other Middle Eastern countries have also seen activity by a number of sub-state organizations that have grown stronger over the past year. Operations by Ansar Bayt al-Maqdis in Egypt, for example, have been especially noteworthy. The group, established in late 2011 against the backdrop of turbulence following the toppling of the Mubarak regime, stepped up its activities after the Muslim Brotherhood was ousted from power. This jihadi organization has increased its terrorist operations in the Sinai Peninsula significantly in the past year, attempting especially to target security forces and the Egyptian army. It has resorted to a variety of methods, including suicide attacks, sabotage of oil and gas pipelines, ambushes, and assassinations of soldiers and senior commanders in the police and army. The organization, along with other groups such as Ajnad al-Misr, has also carried out attacks in the heart of Cairo and Ismailiya. In late 2014, it transferred its support from al-Qaeda by swearing an oath of allegiance to Islamic State and considerably strengthened its ties with this organization. Especially noteworthy in this context was the depth of cooperation between Ansar Bayt al-Maqdis and Salafist jihadi groups in Gaza, such as the Mujahidin Shura Council in the Environs of Jerusalem and a new group that declared its establishment last year, the Islamic State in Gaza. These jihadi groups in Gaza took an active though not central role in the fighting against IDF forces in Gaza during Operation Protective Edge, launching several dozen rockets at Israel. Ansar Bayt al-Maqdis also shot a number of rockets at the border with Israel and even sent a suicide bomber to the Kerem Shalom crossing on the Gaza-Israel border, who was caught before he was able to carry out his attack. This trend toward cooperation, and particularly identification with Islamic State actions, both in Egypt and in Gaza, could make a conspicuous imprint on terrorist activity in the near future.

In the past year, Jordan experienced no terrorist attacks by global jihadi elements. However, the political turmoil in the Middle East since the start of the Arab Spring, and in particular, Islamic State's actions in the region, has burdened the kingdom with over 1,500,000 refugees from Iraq and Syria. This, along with the increased social unrest in Jordan, expressed inter alia in demonstrations of solidarity with Islamic State and global jihad, could lead to violent actions and terrorist attacks in the kingdom. One of the declared objectives of Islamic State is to infiltrate Jordan, and the organization already has cells in a number of places in the country, such as Maan, Zarqa, and Irbid. Therefore, the connection between its uncompromising extremist ideology and public dissatisfaction could be reflected in future terrorist activity, despite the impressive efficiency of the Jordanian security forces.

Along with considerable momentum in global jihadi activity in the Middle East and beyond due primarily to expanding Islamic State influence around the world, there are fierce rivalries among the various groups, both ideological and organizational, because of a dispute between Islamic State leaders and leaders of al-Qaeda and its affiliates. The results of this competition are expected to influence the nature of the activity of the respective groups and the degree of their determination to harness terrorist activity to succeed in the internal struggle for popular support. On the other hand, the internal conflict on the jihadi front could serve as an important and effective tool in the struggle to weaken the various organizations.

Thus, it appears that at least in the coming year, sub-state organizations in the Middle East will continue to be a major factor in the attempt to undermine the stability of the existing regimes in the region. Organizations identified with global jihad, whether they belong to the Islamic State camp or that of al-Qaeda and its affiliates, will likely continue to work to change the regional order that has existed since the days of the Sykes-Picot Agreement in order to realize their vision of establishing an Islamic caliphate in the Arab Levant. The anti-Islamic State campaign declared by a coalition of more than sixty Western and Arab countries in the second half of 2014 is expected to strengthen the ability of the Syrian, Jordanian, Libyan, and even Egyptian, Lebanese, and Iraqi regimes to survive the stepped-up Salafist jihadi campaign. Its success or failure will have a decisive influence on the image of the Middle East way beyond the coming year.

The direct and indirect threat posed to Israel by Salafist jihadi elements operating within its borders and outside the country is liable to increase. In Syria, al-Nusra Front, al-Qaeda, and Islamic State are focused on the effort to topple the Assad regime. However, if there is no decisive victory in Syria in the next year but rather a military stalemate, Israel could find itself a target of military activity from Syria and possibly also from Lebanon, both as a response to coalition attacks on jihadi organization outposts and because Israel is seen as these organizations' sworn enemy that helps the coalition. At the same time, given the anticipated return of veterans of the battle zones and training camps of Islamic State, al-Qaeda, and al-Qaeda affiliates in the Middle East to their countries of origin, attempts to carry out terrorist attacks against Israeli and Jewish targets in various countries are liable to increase.

The Core Areas of Turbulence

The Civil War in Syria and the Ramifications for Neighboring States

The Syrian civil war that erupted nearly four years ago represents a clear watershed in the Middle East, with the still unfolding conflict bound to have deep and long term repercussions on the region. First, the war has unleashed an urgent humanitarian crisis of major magnitude: over the past three years, more than 3.8 million Syrians have fled their country (on top of the approximately 7.5 internally displaced persons). Most have sought refuge in neighboring states, in turn creating substantial economic, social, demographic, and political pressure on the host countries (especially in the cases of Jordan and Lebanon). Second, the war has exacerbated preexisting cleavages within the region, resulting not only in a worsening of sectarian relations, but also in a fueling of extremism – most notably by providing a territorial base and a cause célèbre for would-be jihadists from the Middle East and elsewhere throughout the world.

Looking ahead, the picture remains grim. Regarding Syria, the regional epicenter of instability, it is likely that in the short and medium terms the civil war will continue, with the country in effect divided between a multitude of different, and often competing, authorities and systems. Indeed, despite the fact that the situation on the battlefield is highly variable on a tactical

level, strategically there is a painful stalemate. In this sense, the ongoing international efforts against the Islamic State organization in Syria are unlikely to tip the balance of power in favor of the opposition forces. With no immediate end in sight, it appears inevitable that ongoing processes of state disintegration and destruction of the country's social fabric will continue, in turn creating a monumental and generational challenge for the day after. Eventually a stable termination of the civil war will require both a grand bargain and a political agreement between the main parties, as well as a strong involvement of key regional sponsors like Iran or Saudi Arabia to help broker the political transition. Lacking both the domestic as well as the regional political will to move in this direction, it is likely that the country's immediate future will be characterized by the continuation of the conflict and the de facto partition of Syria, with disastrous consequences for the country's human security.

The process of disintegration of Syria will clearly continue to have negative consequences for virtually for its neighboring countries. First, Lebanon, historically tied to Syria at the political, social, cultural, and political levels, will remain deeply affected by the Syrian civil war. Even though in the past few months Lebanon has de facto severely restricted the influx of refugees in the country, the tiny country of roughly 4.5 million is nonetheless currently struggling to host over 1.1 million Syrians. Given the severity of the civil war, it is expected that most of the refugees will remain in Lebanon in the medium and long terms, generating significant challenges not just in terms of emergency assistance but also in terms of longer term integration in the state. In addition, Lebanon's political system will likely continue to be deeply polarized on the basis of a sectarian-political cleavage and the Sunni-Shia divide, in turn impairing the effectiveness of the political system. Furthermore, the civil war has been a catalyst of radicalization within the country, with a general rise in the profile and activism of Salafi jihadi groups. Finally, and in addition to these local groups, other organizations like Jabhat al-Nusra and IS have targeted Lebanon and its security services, demonstrating that the more the civil war in Syria drags on, the more the blurred borders between the two countries will define the new reality.

Another country that will remain affected by the regional instability and the Syrian civil war is Jordan, not only because of the political, social,

and economic pressure derived from hosting more than 600,000 thousand officially registered Syrian refugees (with the actual number closer to one million), a significant challenge for the country's weak economy. Jordan's ongoing economic crisis as well as its rampant unemployment has over the past three years sparked several rounds of protest, often coupled with demands for political liberalization. Despite the tangible discontent, however, it appears the King remains relatively stable, although the pressure to address both political as well as socio-economic grievances will likely continue. The Syrian civil war and the rise of Islamic State have also heightened Jordan's security threats. Given the growing concern over potential IS cells and other radical Islam groups in Jordan, the kingdom has placed increased attention on protecting its internal security needs, monitoring internal processes of radicalization, and tracking IS activities.

Iraq has likewise been deeply affected by the Syrian conflict. The civil war in Syria has exacerbated preexisting internal cleavages and underscored the failures of the post-2003 process of state building. In this sense, the rise of IS in Iraq can be seen as clear testimony of the failures of the political system and central government, as well as the success of the organization in Syria. The defeat of IS in Iraq will require not only a military approach, but more fundamentally a profound revision of the political system and adoption of a more inclusive and transparent political model. Meanwhile, IS will continue to operate in the areas it has seized in Iraq and Syria, working not only to increase its coffers but also to expand the areas under its control. Iraq is currently experiencing deep internal instability, along with poor governance and military weakness, which in turn strengthens not only the status of IS but also the existing trend of a weakened central government and strengthened local autonomies; Iraqi Kurdistan is the most obvious example of this trend.

Finally, the Syrian civil war is exerting an increasingly noticeable effect on Turkey. Some 1.6 million refugees have fled from Syria to Turkey, and while of Syria's neighboring states Turkey is unquestionably the best equipped, both politically and economically, to deal with the refugees, the ongoing humanitarian crisis has begun to exact a social, political, and financial toll. The fact that more than 80 percent of the refugee population is located outside refugee camps in five districts in southern and southeastern Turkey

makes the situation particularly urgent. The areas with a substantive refugee population are rife with social tensions. Second, the challenge to the central government in Syria and the increase of armed groups there create additional problems for Turkey, which shares a 900 km border with Syria. The rise of IS in particular presents Turkey, which generally supported opponents of the Assad regime, with a difficult dilemma, as it now confronts the reality – based on its previous underestimate – of the jihadist challenge in Syria and Iraq. Third, the conflict in Syria affects Turkey's problematic relations with its Kurdish population, as demonstrated by the increased tension following Turkey's refusal to permit Kurdish forces fighting IS to cross the border to reach the city of Kobane.

Other Regimes in the Eye of the Storm

Egypt is not immune to the effects of the radicalization in the region. The turmoil in the country in the wake of the fall of the Mubarak regime has generated two principal security problems. One is that the army's ouster of the Muslim Brotherhood government in mid-2013 created a rift between the Brotherhood and the new regime headed by President Abdel Fattah el-Sisi. Attempts supported by Western governments to heal the rift and bring about the Muslim Brotherhood's inclusion in the government were unsuccessful, and the parties moved to the path of conflict. The regime suspects that the Muslim Brotherhood is connected to terrorist organizations and terrorist attacks, which have spread throughout the country, even though this connection is not definitive and the US administration claims there is no proof of its existence. But beyond the confrontation with the Muslim Brotherhood, the el-Sisi regime will be required to continue to cope with the currents of change that have surfaced in Egypt over the past four years, including the more liberal youth of the revolution and the dire economic situation in the country.

The second problem facing Egypt is the significant increase in terrorist attacks since 2011, especially in the Sinai Peninsula and in western Egypt near the border with Libya, that from time to time have spilled over into the cities as well. These attacks are directed against security forces and economic targets in the effort to undermine internal security and the economic situation, and thereby harm the stability of the regime. The most active terrorist

organization is Ansar Bayt al-Maqdis, which operates primarily in Sinai, but also near the border with Libya. The group has pledged its allegiance to Islamic State, which has infiltrated into Egypt, and it has an increasingly close relationship with jihadi organizations in Gaza.

Sinai saw terrorist activity during the year the Muslim Brotherhood ruled in Egypt, but at a much lower rate. In the face of the growth of terrorist operations, the current regime has increased its preemptive actions in Sinai, including through air strikes, and has expanded destruction of smuggling tunnels on the border with Gaza. The killing of sixty members of the security forces in two terror attacks in northern Sinai, in late October 2014 and late January 2015, led to a regime assessment that Islamic State is stepping up its activity in Sinai in cooperation with Ansar Bayt al-Maqdis. The government then announced the establishment of a 1 km-wide security zone along the border between Gaza and Sinai, and began to evacuate 800 homes and some 10,000 residents of Egyptian Rafah.

In the past, especially in the mid-1990s, the Egyptian government struggled – successfully – with waves of terror by extremist Islamic organizations. This time, the task is more difficult. There are more terror operatives, they are active in areas that the government is hard pressed to control, they receive aid from Bedouin tribes, and Libya is a large supplier of weapons and serves as a base for jihadi operations. A large force will be required to halt the current wave of terror, along with a political effort both to stop the aid that flows to the terrorist organizations and to isolate these groups. However, there appears to be a reasonable chance that the government will defeat the organizations, even if this requires considerable time.

Over the past two years Libya has become a failed state. It has two governments, two parliaments, two armies, and two chiefs of staff. A drawn-out and difficult civil war is underway with the result that hundreds of thousands of civilians have fled from their homes, and others are seeking refuge outside the country. In tandem, Libya has become a haven for terrorist groups, and jihadi organizations are building outposts there; military councils and armed militias connected to various figures and organizations operate against state institutions, while Libyan armies attempt to rebuff them. Weapons from the enormous stockpiles accumulated by Muammar Qaddafi in the 1980s have reached terrorist organizations in Libya and beyond, including Gaza.

Islamic State has also begun to infiltrate Libya, exploiting the anarchy there, and is mobilizing support from other jihadi organizations, partly in order to infiltrate Egypt. It is no wonder that Libya's deterioration is of major concern to its neighbors, particularly Egypt, which believes that Islamists in Libya and Ansar Bayt al-Maqdis and Islamic State are coordinating their efforts.

Yemen too is joining the group of failed states. For years, al-Qaeda has cultivated a branch in Yemen called al-Qaeda in the Arabian Peninsula, with the satellite now considered one of the organization's most dangerous branches and a serious threat to Saudi Arabia. In the past year, the organization has undertaken a broad effort involving terrorist attacks and attacks against security and government officials. But what is more important today is the spread of the Houthi rebellion in 2014. For a decade, the government of Yemen has been fighting the Houthis, who are based in northern Yemen, comprise some 30 percent of the country's population, and are driven by a sense of discrimination. However, in the past year, the Houthis launched a comprehensive military campaign to expand their areas of influence while exploiting the weakness of Yemen's government and army. In September and October of 2014, they took control of Sanaa, the capital, and the important port of al-Hudayda, located on the Red Sea coast.

The result of these developments in Yemen is anarchy, terrorism, inter-tribal fighting, a violent struggle between organizations – mainly between the Houthis and al-Qaeda, and demands to divide the country. But these struggles also have regional ramifications. For years, the Houthis have received aid from Iran, primarily through the Quds Force and the Revolutionary Guards, in part because of their Shiite affiliation. The deterioration in Yemen is cause for concern in Saudi Arabia not only about instability on its southern border, which could spill over into its territory, but also about the possibility that an adjacent Iranian outpost would be established at the opening of the Red Sea.

The Coalition against Islamic State

Since the summer of 2014, the United States has led an international campaign against the Islamic State organization. This campaign has evolved in stages. In the first phase, military and humanitarian support was provided to the central government in Iraq and to unprotected minorities in the country. At the same time, a coalition was formed for a focused military effort in Iraq

and Syria. Western countries (Great Britain, France, Germany, Australia, and others) and Arab countries (Jordan, Saudi Arabia, and other Gulf states) joined the United States in the coalition against Islamic State, focusing on air strikes against Islamic State targets; military support for Kurdish forces, Iraqi forces subordinate to the government in Baghdad, and rebels in Syria who are not extremists; and humanitarian aid to the combat zones.

The coalition formulated a strategic goal that was based on two principles: one, a focus on toppling and eliminating Islamic State, without a direct effort to bring about the fall of the Assad regime in Syria; two, avoiding the dispatch of military ground forces and relying on local allies – Iraqi and Kurdish forces, and later, trained pragmatic Syrian opposition forces – as "boots on the ground" in the fight against Islamic State. This was the basis for the drive to inflict serious military and economic harm on Islamic State, which would lead to the elimination of the organization through six coordinated measures: (a) military support for the national unity government in Iraq and the establishment of a force of Syrian rebels who are not members of radical jihadi groups; (b) protection of minorities who are at risk of being slaughtered by Islamic State; (c) attention to the humanitarian crisis in the areas taken over by the organization; (d) halt of the stream of foreign volunteers to Islamic State (Western leaders are troubled by the increasing trend toward enlistment of Western volunteers, especially from European countries); (e) a struggle against Islamic State economic capabilities and sources of funding; and (f) delegitimization of Islamic State ideology.

After a number of months of air strikes by Western-Arab coalition forces, it became clear that a military effort from the air was not enough to stop the growing power of Islamic State forces in Syria and Iraq. As a result, attempts were made, with limited success, to reinforce the military effort by coalition states, including by incorporating special ground forces.

These limited coalition achievements, along with Islamic State achievements in Iraq and Syria, challenge two basic assumptions of President Obama's Middle East policy. First, Obama aspires to establish a special relationship and strategic coordination with Turkey. However, Turkey's leader, Recep Tayyip Erdogan, has made an unequivocal demand on the issue of Syria: Turkey, as an ally and NATO member, will cooperate in the fight against Islamic State, and in exchange, the United States will embrace the goal of

ousting the Assad regime as soon as possible. This demand places Obama in a difficult bind between the desire for Turkey to participate in the campaign because of its unique geostrategic position, given its long border with Syria and Iraq, and the desire to include Iran in the fight against Islamic State and take full advantage of the opportunity for warmer relations with Iran. A developed channel of coordination between Iran and the US through Iraqi mediation as well as a mechanism for military coordination to prevent friction – deconfliction – demands that the United States refrain from working to topple the Assad regime, at least for now. Although after efforts at persuasion the United States succeeded in mobilizing Turkey for the anti-Islamic State campaign, participation of Turkish forces is limited and is focused on an attempt to close Turkey's border with Iraq and Syria so as to reduce the movement of volunteers and supplies to Islamic State forces. Aside from Erdogan's unresolved issues with Assad, the Turkish leader fears the growing strength of the Kurds in Iraq, Syria, and Turkey as a result of their possible successes against Islamic State.

Second, there is a widespread belief in the US administration that the United States would withdraw from Iraq and Afghanistan and use local forces it has trained to establish stability, even without ensuring the existence of a stable, responsible, and effective functioning governmental infrastructure. However, the withdrawal of US troops from these countries created a governmental vacuum whose negative consequences have spread beyond Iraq and Afghanistan. Thus the regional instability has spilled over into other countries, the forces of radicalism have grown stronger, and the functioning state frameworks have disintegrated. Nevertheless, at this stage, the dominant view in the US administration is that the fighting against Islamic State must rely on local ground forces from Iraq, Syria, and Arab states, even though they are weak, lack motivation, and are divided. The dispatch of US forces for a large ground operation is not on the agenda, and the governmental vacuum is being filled by elements sent by Iran: the Quds Force of the Revolutionary Guards, Shiite militias operating in Iraq, and Hizbollah, which is fighting in Syria and has recently participated in fighting and training of Shiite militias in Iraq as well.

Beyond a reexamination of the fundamental concepts underlying the struggle against Islamic State, coalition forces must update their operational program and improve operational outcomes:

a. The airpower currently arrives primarily from distant airports and relies on intelligence that is not sufficiently accurate. The result of this constraint is limited operational output, because it does not allow a permanent aerial presence over the battlefield. Thus far, coalition countries have carried out a limited number of attacks (several dozen a day). This is not a sufficient critical mass to weaken and neutralize Islamic State forces, and it is not suitable for this type of war against terrorism or guerilla actions, which takes place in urban areas. Islamic State forces have adjusted their activity to the new situation, and it has become very difficult to find high value targets for attack. In order to strike a severe blow and stop IS forces, accurate and relevant intelligence is essential, and hundreds of sorties a day and a continuous aerial presence in the combat zone are needed to gather intelligence and close immediate attack cycles.

b. Coalition planes are attacking economic infrastructures under Islamic State control in order to strike IS sources of income and influence, and thereby damage the supply of electricity, water, and food to the civilian population in the combat zone. However, this drives the population away from supporting coalition forces and brings it closer to Islamic State. For this reason, given the lessons learned from past wars and the current campaign up to this point, coalition forces should limit as much as possible the physical damage to the population not involved in the fighting, ensure that its needs are provided for, and to the extent possible avoid damage to the critical infrastructures for supplying services to civilians.

c. There is a need to reinforce ground troops fighting Islamic State. The coalition relies on troops from the Iraqi army and the moderate opposition in Syria, vestiges of FSA. However, these troops have failed to demonstrate sufficient combat capability, and a concentrated effort is needed to prepare, train, and equip them and increase their motivation to fight. Thousands of foreign advisors from the special forces of the United States and other Western countries are already assisting Iraqi forces, but they must also implement operational mentoring of the troops in combat.

d. Despite the complexity of the challenge, the building and training of units from the moderate Syrian opposition must be accelerated. Furthermore, it is vital to build the infrastructure and power for another rule that will replace the Assad regime in Syria and is not based on jihadist forces. It is difficult to turn bands of armed rebels into an army with operational capabilities and an effective command and control structure, especially given the disintegration of this front and the defection of its fighters to Islamist groups that are also fighting the Assad regime. According to Pentagon estimates, a period of three to five months will be needed in order to recruit experienced fighters from the moderate Syrian opposition and more than a year to train them for combat in the camps in Jordan, Turkey, and elsewhere.

e. Assad's forces are much more determined in their war against the forces of the moderate opposition, which is recoiling from fighting against jihadi forces. Therefore, Assad's forces must be deterred from attacking moderate opposition forces, for example, by establishment of a no-fly zone in northern, southern, and eastern Syria to prevent aircraft not connected to coalition forces from operating there, and thus to prevent attacks by Syrian air force planes and helicopters against the rebels who are not from Islamic State ranks.

For several reasons, the campaign to defeat Islamic State is complicated and formidable. First and foremost is the organization's strength, a result of the support is enjoys in areas under its control and even beyond, reflected in the recruitment of volunteers from around the world and an oath of allegiance to Islamic State taken by jihadi organizations throughout the Arab world, as well as the fear it has sown and disseminated, partly through the use of new media. In addition, the group is demonstrating flexibility and the ability to adapt in order to preserve its freedom of action in accordance with the changing circumstances. Another factor that makes it hard to contend with Islamic State is the limited forces – the reduced order of battle – that the United States and its Western and Arab allies are investing in the campaign. In addition, it is difficult to recruit moderate Arab forces, and as such, there is an insufficient ground force for the fighting and uncertainty about the consequences of the regional instability for the IS buildup.

An air strike without a ground operation could at most disrupt operations by Islamic State forces, but no more. In order to win the battle, actors in the region should be persuaded to send ground troops for the fighting. However, if coalition troops are not reinforced, and especially if Turkey does not participate actively in the ground fighting, there is little chance that Arab countries will send their own troops. In its strategic vision, Iran has taken advantage of the hesitation of Arab countries and the West and established armed Shiite militias that are the "boots on the ground," thus forming a network of Shiites outposts and armed services across the region for when the time comes that will serve its interests.

Syria, unlike Iraq, is still perceived as outside the pale for most Western countries, and they are making do with air strikes there and starting an effort to recruit and train troops from among moderate opposition forces and minorities. Although Turkey is affected by events in Syria and is influencing developments there, it is also a member of the group that refuses to intervene on the ground because it fears responsibility for the bloodshed in Syria. Therefore, Arab states are participating mainly in aerial attacks against Islamic State targets in Syria. Their active contribution stems from their fear that the war will spill over to their territory and their interests in the region will be affected.

And if all this is not enough, coalition fighting against Islamic State helps the Assad regime because it means that direct pressure on the regime is relaxed. In addition, as long as the United States is focused on the fighting in Iraq, there is growing tension between it and its monarchy allies in the Middle East, who are troubled by the commonality of interests between the United States and Iran, reflected in the struggle underway in Iraq. At the same time, it appears that Assad himself is not interested in defeating Islamic State because this would leave his regime at center stage as the common enemy of most Middle East countries and in the international community. On the other hand, as long as Assad rules in Syria, it will not be possible to stop and suppress the recruitment of volunteers and the Salafist jihadi groups joining with Islamic State forces to fight the regime. Therefore, in order to neutralize the strategic balance created between the sides, there is a need to work to defeat Islamic State and at the same time build a pragmatic and relevant alternative to the Assad regime in Syria.

For its part, Iran is no longer concealing its military activity (mainly through the Quds Force) in Iraq, Syria (including the Golan Heights), and Lebanon. It is determined to exploit the instability and the fact that Islamic State has been marked as the major threat to the West in order to promote its hegemony in the region, using Shiite militias and proxies that it is building and planting across the region. In the context of the massive campaign meant to glorify Iran as the savior of Iraq, Tehran is publishing heroic images of Quds Force commander Qasem Suleimani organizing the Shiite forces and Kurdish militias for war in Iraq. This move has great significance for the matrix of loyalties and strategic alliances that will be created in the Middle East on the "day after." The danger here is that the public in Iraq, as well as the Kurds, will be grateful to Iran, which helped them survive the Islamic State onslaught.

The uncertainty and the fog surrounding the Middle East appear to be heavier than in previous decades. The current reality, centered on the battle against Islamic State, is not simple for decision makers around the world. Nevertheless, the sharpened tensions and the increased violence between the various actors in the region could actually bring the international community closer to the point at which it would have to decide how it wishes to cope with the challenges in the region. The United States, despite the perceived decline in its power and status, is still the leading and most powerful world power. The difficult questions resulting from the challenge of Islamic State's rise and the challenge inherent in the Iranian nuclear issue are the problems of the US administration. The United States must adopt a decisive policy in order to strengthen the coalition it is leading and increase the determination of its allies to defeat Islamic State, while continuing the effort to reach an agreement with Iran on the nuclear issue that will not be perceived as capitulation to Iran's nuclear wishes if Iran cooperates in the fight against the Islamic State.

Implications for the Future

The turmoil in the Middle East has created much uncertainty about the future. Governments and leaders do not know if they will survive the crisis, who their neighbors will be, and how the borders will be drawn. Even in countries whose stability has not yet been affected by the crisis, there is a fear that

internal crises will develop in the future or that the turmoil in neighboring countries will spill over into their territory as well. In these conditions, governments find it difficult to plan their moves and take decisions for the long term that will be affected by the situation in the region.

The end of the crisis is not yet in sight, and it may well continue for many years. In at least four states in the region, including Iraq and Syria, the situation has deteriorated in the past year, and conditions have not yet been created that would lead to their stabilization. With a basis for agreement on a political settlement in Syria and Iraq lacking; with a violent struggle between Shiites and Sunnis, and Kurds and other ethnic groups that seek independence; with jihadi terrorist organizations and armed militias gaining power and operating not only in Iraq and Syria but also in Egypt; with fighting between tribes in Yemen and Libya; with no major actor in the region that can lead the Arab world to stability; and with Iran acting provocatively in various countries, there is little chance that the crisis will end soon.

The surprising appearance of Islamic State has exacerbated the situation. It is one of the most threatening terrorist organizations ever because it controls a broad swath if territory in the heart of the Middle East and because its successes on the ground have brought it large financial resources and a stream of volunteers from the Middle East and beyond who have been captivated by its vision. The international effort to stop the organization, led by the United States, is in its infancy, and has not yet had significant success. The US administration estimates it will take three years to stop and destroy Islamic State, but this may be too low an estimate. Air strikes, which have been the focus of the US response until now, are perhaps painful for Islamic State, but it is doubtful that by themselves they will achieve the goal. In any case, stopping Islamic State will also require a combination of vigorous parallel political, economic, and social efforts in order to isolate the organization and separate it from its Sunni support base. Achieving this goal will require considerable time, a change in approach to the Sunni leadership in Iraq, and presentation of a practicable new horizon for the Sunni population in Syria. Ultimately, Islamic State's weaknesses could lead to a reduction in its power. However, this will be a lengthy effort, and the organization will probably not disappear completely.

The increasing number of failed states in the Middle East has led to assessments concerning the collapse of the Sykes-Picot arrangements, which were made nearly a century ago and set the borders of the countries in the heart of the region. The possibility that the arrangements would collapse arose a decade ago, especially concerning Iraq, which appeared to be disintegrating after the Kurds succeeded in establishing an autonomous region in northern Iraq after the 1991 Gulf War, and when it became clear that the Shiites and Sunnis were unable to achieve national reconciliation that would allow them to live side by side. The possible redrafting of borders, however, itself poses serious difficulties, including the different ethnic populations mixed together, the difficulties in dividing economic assets, the obstacles to the building of military forces and the disbanding of armed ethnic militias, and a large measure of hatred and mutual suspicion. As a result, no real measures have been taken thus far in Iraq or Syria to divide the countries, and it is doubtful whether the opposing parties will pursue this goal in the near future. The main viable possibility is the translation of the Kurdish autonomous region into an independent entity, but this too is encountering difficulties and opposition within Iraq and from its neighbors, and thus there is unlikely to be rapid progress in this direction.

Israel is by no means disconnected from the crisis in the region. The fact that many Arab countries are preoccupied with their internal problems is convenient for Israel. The weakness of Iraq and Syria has brought benefits to Israel, since Iraq's military capabilities have disappeared, and the little that is left of them does not threaten Israel. The Syrian army's capabilities have also been seriously damaged. The deterioration of security in the Sinai Peninsula since the ousting of the Muslim Brotherhood regime and the el-Sisi government's rise to power has led to improved security coordination between Israel and Egypt and contributed to reinforcing the stability of peaceful relations between them. Moreover, defense ties between Israel and Jordan have grown stronger because the royal house has realized that Israel is the only country that would come to Jordan's aid if it faced a real external threat.

In this context, the question arises as to how the situation in Syria and the survival of the Assad regime affect Israel's security and interests. Israel is not involved in the internal struggle in Syria. It has no interest in intervening,

beyond preventing spillover into Israeli territory and stopping the transfer of high quality weapons from Syria to Hizbollah. Israel has succeeded in building significant deterrent capability against Syria, at least with regard to the Golan Heights border, and for years, Syria has refrained from provoking Israel from this border and responding to Israeli attacks on Syrian targets. However, the situation that has developed in Syria since 2011 has created dangers for Israel, primarily because the internal struggle in Syria that occasionally – intentionally or accidentally – spills over into Israel could deteriorate. This situation is undesirable for Israel because various organizations operating in Syria, including Hizbollah, provoke it from time to time, and there is no responsible party through which Israel can deter them from continuing the provocations. Israel's attack on a group of Hizbollah fighters and Iranian army personnel in the Quneitra area in late January 2015 – following an attempt by Hizbollah and Iran to build a terror infrastructure in the Golan Heights – provided an opening to expand the conflict between Israel and Hizbollah, and perhaps even Iran.

Furthermore, the rise of Islamic State and other jihadi organizations creates dangers for Israel in the longer run because they view Israel as an enemy and a key target that must be confronted. At the present time, they consider the confrontation with Israel to be of low priority while their attention is focused on the difficult struggle against international and local forces. Later, however, if and when they are able to divert attention from this struggle, they could attempt to strike at Israel, directly or indirectly. Such an attack could take place by means of terror efforts against Israeli targets from Syria, Lebanon, or Sinai, against Jewish targets around the world, or attempts to infiltrate the Palestinian arena or undermine the stability of the regime in Jordan – whose survival is a strategic interest of Israel. At the same time, the threat that Islamic State poses to countries in the region could also create opportunities to strengthen cooperation between Israel and moderate Arab states to stop Iran and jihadi organizations, and this could be a basis for improving relations in other areas such as the economy, water, and technology.

International Involvement in the Middle East

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International Involvement in the Middle East

Oded Eran, Zvi Magen, and Shimon Stein

The Middle East of 2014 might well be described as a bubbling cauldron. Voluntarily or involuntarily, the main international actors – the US, Russia, and to some extent the European Union (EU) – were drawn into the maelstrom. The seizure by the Islamic State (IS) organization of large swaths of territory in Iraq and Syria, along with its attempt to expand into stable countries such as Jordan and the Gulf monarchies, forced the US and some of its allies to revise their policy of avoiding military intervention in the internal events in the region. In recent years this policy was largely upheld, even when events involved the deaths of hundreds of thousands of people and the displacement of millions of others.

The danger posed by Islamic State's recruitment of thousands of young people from Europe, Asia, and other parts of the world, some of whom will later return to their countries of origin with knowledge and experience in guerilla warfare, compels these countries to devise a legal and military policy, including the use of force, as part of their overall strategy. While some force has already been exercised, the international struggle against Islamic State is only beginning, and membership in the international coalition against IS, which relies primarily on airpower, is insufficient. In other words, although

The preparation of this chapter was coordinated by Oded Eran, who wrote the opening section, the summary, and the section on US-Israel relations. The section on Russia in the Middle East was written by Zvi Magen, and the section on the European Union was written by Shimon Stein.

in the long term the organization will constitute a direct danger to European countries, only a few countries from Europe are taking part in the military operations. Russia, for whom radical Islam is also a significant threat, like many other Western countries has thus far not taken any concerted action. Turkey, a NATO member defined as a US ally, has its own policy on matters pertaining to events in neighboring states.

On a different front, the international community continues to grapple with the Iranian nuclear issue. The three leading international actors – the US, the EU, and Russia – have managed to maintain their coordination and cooperation on this issue, in contrast to their uncoordinated actions in other international arenas, including the Middle East. If no agreement is achieved by the agreed date for concluding the talks – late June 2015 – cooperation between the powers is likely to face a serious test, due to possible disagreement about the consequences of the lack of an agreement. For Israel, an agreement reached by the P5+1 currently negotiating with Tehran that leaves Iran no chance of quickly attaining nuclear arms capability is obviously preferable.

There is no definitive answer to the question of whether a cohesive coalition is in Israel's interest, particularly since the broader the coalition, the less it may be able to act powerfully against Iran in the event that Iran continues to progress toward a nuclear weapons capability in the absence of an agreement. At the same time, the chances that the P5+1 will remain united in the absence of an agreement are not good, due to the disagreements between its members on a number of other issues, particularly the crisis in Ukraine. The disagreements between the US, Europe, and Russia are far from resolved, and ambiguous situations, such as the absence of an agreement with Iran, are a recipe for disputes and paralysis that are liable to pose difficult dilemmas to decision makers in Israel with respect to the Iranian nuclear program.

Another question on the international agenda is the late 2014 drop in oil prices. Many regarded this development as a result of sophisticated maneuvering between the various respective interests of all the relevant international and Middle East actors. Saudi Arabia plays a major role in determining oil prices. On the one hand, Saudi Arabia's willingness to allow oil prices to fall enables it to preserve its export markets, and perhaps to some extent to impede the development of alternative sources of supply

among its competitors, including the US. On the other hand, Saudi Arabia's policy increases the kingdom's budget deficit. In addition, the plunge in oil prices is also perceived, certainly in Moscow and Tehran, as a Saudi Arabian and American punitive measure: as an additional sanction on Iran, due to foot dragging in the negotiations on the nuclear question, and an additional sanction against Russia, due to its policy in Ukraine. The political consequences of the sharp drop in oil prices and the implications for stability and the involvement of the world powers in the Middle East will become clear in 2015.

The problems in the region in the first quarter of the twenty-first century, principally ethnic and religious splits and hostility, combined with immense economic gaps – abject poverty versus unfathomable wealth – are not all a result of the policy adopted by the international actors involved in the region in the past and at present. However, the collapse of national political structures in the Middle East highlights the question whether there are any solutions to these problems without cooperation between international elements – states and international political, economic, and military organizations. The involvement of the international community in the effort to contain the damages generated by the regional crises and their spillover to other regions in the world is a question that also requires consideration by Israel. Ostensibly, there is no connection between Israel's conduct on different issues – the Iranian nuclear challenge, the security threat posed by the growth of radical Islamic non-state organizations, and the Palestinians problem – but it will be difficult, for example, to separate Israel's responses to an agreement with Iran on the nuclear question, or the absence of such an agreement, from other developments in the regional and international arenas relevant to Israel. Israel will be unable to ignore the effects of an attack on Iran, should one occur, on the stability of moderate regimes in the region, or on Israel's already precarious relations with the Palestinians.

Russia: A Year of Conflict

Two of the main issues challenging the international system – issues that will have major implications for the international arena in the coming years – are the crisis in Ukraine and the upheaval in the Middle East. Russia has a leading role in charting the direction of these two issues.

In late 2014, Russia was in the throes of a deep economic and international crisis, to the extent that it threatened Russia's stability and was perceived in Moscow as being of existential significance. Beyond the internal consequences of the economic crisis, Russia was forced to cope with international criticism of its aggressive policy in Ukraine and its support for Iran and the Bashar al-Assad regime in Syria. Another challenge facing Russia is the threat of radical Islam, both within its territory and in the surrounding area. Russia's foreign policy is therefore directed at preserving its interests and strengthening its standing in the international arena, while containing the direct threats confronting it. Over the past year Russia managed to deal quite effectively with the constraints emerging from the tumult in the Middle East, even expanding its presence and involvement in the region. Russia has improved its relations with a number of Middle East states, thereby in tandem challenging the US and its allies, who are also trying to strengthen their interests in face of the crises in the region. Regarding Israel, beyond the existing processes of tightening the bilateral relations, there was evidence in the period under review of new political and economic cooperation. At the same time, there are still serious disputes between Moscow and Jerusalem, mainly on the question of the Israeli-Palestinian conflict.

The Crisis in Ukraine and Russia's Relations with the West

The crisis in Ukraine, which in 2014 was the core of the crisis between the world powers, significantly heightened the tension between Russia and the West, not only with respect to the implications for the post-Soviet arena, but also with respect to other global issues. In effect, this crisis was another stage in the ongoing competition between Russia and the West.

Both in the past and the present, Western policy toward Russia, as reflected in the Ukraine crisis, is based on the West's perception of Russia's actions in the international arena, especially Eastern Europe, as a concrete threat. Russia's effort to bolster its influence in Eastern Europe arouses anxiety, especially among the countries in the region – the new members of the European Union and NATO. In turn, the West has aimed to find ways to deter Russia and thwart its geopolitical ambitions in the region. For their part, the states of the former Soviet Union have encouraged the West to

show determination in the face of Russian behavior in Ukraine and respond firmly to Russia's efforts to entrench its hold in the country.

Russia has adopted an accusatory attitude toward the West on the Ukrainian question, because it regards the developments in Eastern Europe as of Western making. Ukraine's turn westward threatens Russia's interests in this region, especially given the trend of NATO's eastern expansion and its inclusion of countries from the former Soviet Union. Russia perceives this trend as part of Western pressure aimed at generating instability and regime changes around Russia in the framework of the "color revolutions," in order to deprive Russia of its standing in the post-Soviet area and thwart its ambition to regain superpower status. The deployment of a NATO system of anti-missile interceptors in Eastern Europe angered Russia, which considered it a demonstration of power in a region it regards as its sphere of interest.

Russia's policy in the Ukrainian crisis, as in previous crises that occurred in the area of the former Soviet Union, was mainly responsive – even if assertive – in face of Western activism. Russian is laboring to foil Western efforts to attract countries that were part of the Soviet Union, and is willing to use force to accomplish this goal. The 2008 Russian-Georgian war highlighted this approach: Russia went to war against Georgia to prevent it from joining NATO. This action delivered a clear message to countries in the former Soviet Union that have crossed the lines, or that wish to do so. Note that there are several "suspended" crises in the former Soviet Union – in the Caucasus, Transnistria, and elsewhere – and Russia wishes to keep these areas within its sphere of influence.

Similarly, Russia's policy on the Ukrainian question was a firm step in this vein. The crisis developed out of the public protest that arose in Ukraine following the refusal of then-President Viktor Yanukovych, who was pro-Russian, to join a plan for economic cooperation proposed to Ukraine and five other former Soviet Union countries by the European Council. This refusal led to widespread – and at times violent – public protests (December 2013-February 2014). After Yanukovych was ousted and a transitional government was appointed, which was followed by Petro Poroshenko's election as president on May 25, 2014, Russia saw itself as obligated to respond in order to prevent Ukraine from joining the West. Its response included a series of rapid measures: the annexation of the Crimean Peninsula,

albeit ostensibly without use of force, combined with active assistance, although undeclared, for a process designed to destabilize pro-Russian areas in eastern Ukraine. The result was a civil war between the separatist districts of Donetsk and Luhansk and the central Ukrainian government. The ensuing violent conflict continued for some five months, exacted approximately 3,000 fatalities, and ended, at least for now, in a ceasefire agreement signed in Minsk in September 2014. The general framework of the agreement has been maintained, even though it is shaky and frequently violated.

Moscow's preferred solution to the crisis is to make Ukraine neutral, and if that is impossible, then keep it at least to some extent under Russian influence. The effort at dialogue between Russia and Ukraine, which is backed by the West, is aimed at this purpose. The autonomous status of the two separatist districts is still disputed. Russia wants an agreement that will enable it to maintain its presence and involvement in these districts as leverage for pressuring Ukraine to refrain from future attempts to join Western frameworks. Under such an agreement, Russia will also retain a base for active subversion in Ukrainian territory, and the potential to restore Ukraine to the Russian sphere of influence. In practice, however, Ukraine is disconnecting itself from the Russian sphere of influence and creating an obstacle to the expansion of Russian influence in Eastern Europe. Ukraine's intention to join NATO is regarded by Moscow as a concrete threat, and therefore Russia will presumably find it difficult to accept any development in this direction.

The thrust of the West's response to Russia's belligerent involvement in Ukraine was a gradual implementation of economic sanctions. Security measures were also taken to restrain Russia, although on a modest scale. At a NATO conference in early September 2014 in Wales, it was decided to station NATO forces in Poland, Romania, and the Baltic states, and to establish a joint rapid response force of approximately 4,000 troops. The tangible economic sanctions, and especially the precipitous drop in oil prices (which Russia interprets as an American initiative), had a ruinous effect on the already sputtering Russian economy. Russia experienced economic distress that forced it to find solutions at almost any price. It is believed that this led to the conclusion that sanctions could bring Russia to make significant concessions. American demands from Russia, however,

extend far beyond the borders of the Ukrainian question. It appears that now, more than at any time since the Soviet Union collapsed, Russia's situation is conducive for the United States to promote its strategic goals vis-à-vis Russia, and that US willingness to ease the pressure on Russia will depend on Russia's abandonment of an assertive policy in the entire area of the former Soviet Union.

Russia and the Middle East Crises

Russia is a veteran player in the Middle East and in recent years has faced considerable challenges in the region. First, the status of Bashar al-Assad, Russia's ally in the Arab world, has been weakened by the prolonged civil war in Syria, and this development is a direct threat to Russia's clear interests in the Middle East. Second, in opening direct negotiations with the Western powers on the nuclear issue, Iran turned its back on Russia. Third, the appearance of Islamic State, with the organization's conquests in Iraq and Syria, has highlighted the growing threat of radical Islam, which threatens to spread to the area that Russia regards as its sphere of influence and a security buffer zone. Finally, Russia itself is a target of radical Islam, which is acting to create a new geopolitical situation and is directly threatening Russian interests.

Against this background, Russia, like the other powers, has paid special attention over the past year to the Middle East, and the region has joined Ukraine as another critical arena of Russian-Western tension. The dilemma currently facing Russia in the Middle East is that of other international players involved in the region: how to best maneuver among the local players in order to influence the creation of a new regional order, while positioning oneself as a significant element. Feeling its way in the Middle East morass, Russia has displayed a relatively "soft" approach toward regimes and organizations – for example, Iran and Hamas – that have incurred a tough response from Western countries.

In order to promote its goals in the Middle East, Russia is operating on several levels. It has continued its significant involvement in Syria, calling for summits to advance a solution to the crisis acceptable to Damascus and Moscow. In addition, it has continued intensive activity vis-à-vis Iran, despite the latter's engaging in a direct dialogue with the West while abandoning

its close cooperation with Russia. Russia is doing this in part through economic proposals to Iran, particularly in oil exports, which can make it easier for Iran to cope with the sanctions imposed on it. It has also sought to improve relations with Middle East states that in recent years were not among Russia's supporters, while taking advantage of the deteriorating security situation in the region since the outbreak of the Arab Spring and the tension created between certain states and the US, following what those states regard as American failure to stand by its allies. The most important of these countries is Egypt, with which Russia advanced a series of deals on cooperation. In an extensive use of "weapons diplomacy," Russia signed important deals on arms supplies with Egypt, including the supply of various weapons that it hitherto refrained from supplying. At the same time, Russia is making preparations to repair its standing with additional Sunni countries, among them, Jordan and Saudi Arabia. Turkey, with which Russia has a long economic agenda and is a party for coordination on policy in the Black Sea region, is also on this list. Most of these achievements are still on paper, and it will be necessary to see whether various arms transactions discussed by Russia with Middle East states are actually concluded.

Beyond this, Russia regards the Middle East as leverage – albeit difficult to use – for promoting its global interests, which will also impact on developments in Eastern Europe. It appears that the method it has chosen to achieve this goal is to divert international attention from the area of the former Soviet Union to the Middle East. Russia believes that focusing on the turmoil in the Middle East can help it obtain a settlement on the Ukrainian question compatible with Russian interests. Russia accordingly aims to score points in the Middle East and Ukraine, thereby bolstering its global standing vis-à-vis the West.

In general, Russia finds itself in an inferior position in the Middle East vis-à-vis the West, and has been unsuccessful in obtaining relief from the economic sanctions imposed against it. It is therefore possible that Russia will try to reach an alternative arrangement with the West that will include understandings about both Ukraine and the Middle East. It cannot be ruled out that these understandings will include Russia's abandonment of its support for Assad as well as active Russian participation in the military struggle by the Western-Arab coalition led by the US against Islamic State. This may

be the background to the contacts initiated by Russia starting in late 2014 with elements of the rebel groups in Syria, Hizbollah, Iran, and Turkey. This activity is apparently aimed at promoting the idea of an international conference on Syria, in part to determine the future of the Assad regime.

Russia and Israel

Russia's relations with Israel, which play a key role in Russia's Middle East policy, have been positive and stable for quite a few years. Russia regards Israel as a desirable partner due to its international weight, both political and economic, and as a strong regional actor. Furthermore, the two countries share a range of similar interests, based on the joint threats and challenges emanating from the current regional situation.

At the same time, there are clear differences between the two countries' views on the regional situation. For many years, Russia and Israel have taken opposite positions with respect to the Iranian nuclear program, and with respect to the threat to Israel posed by the Iran-Syria-Hizbollah axis. The two countries also have substantial differences regarding the Israeli-Palestinian peace process. Moscow takes Israeli interests into account in this context, although at times to a limited degree. Beyond that, Russia pushed more strongly over the past year, with an anti-Israel tone, for convening the international conference on the weapons of mass destruction free zone, as announced at the 2010 NPT Review Conference. This joined the new strident support for the Palestinians, along with the criticism, albeit restrained, following the attack on weapons convoys in the Damascus area attributed to Israel. Criticism of Israel by nationalistic and pro-Islamic groups that cooperate with the Russian government is also being sounded in Russia. There have been hints of a possible sale of S-300 missiles to Iran, yet given the fierce objections by Israel and the US, it is doubtful whether such a transaction will take place. On a more positive note, Russia helped reach the agreement to remove the chemical weapons stores from Syria, therefore preventing escalation in the region.

In the challenging Middle East reality, Israel and Russia seek points of convergence and ways of tightening cooperation between them – including in the political and security spheres – in order to promote stabilization processes. Russian efforts in this direction were to some extent welcomed

by Israel, reflected in part by Israel's policy on Ukraine. Israel has refrained from public criticism of Russia, despite the pressure to do so from the West. In unusual fashion, Russia refrained from criticizing Israel during Operation Protective Edge. In addition, Russia has clearly been interested in substantially expanding its economic cooperation with Israel, mainly in the technological realm. Russia sees Israel's edge in this area as a source of assistance that will help it cope with the widening technological gap with the West. Russia is also beginning to show some degree of interest in both the economic and political dimensions of the Israeli energy sector, including the transport of energy and Russian efforts to join forces with other regional players, including Israel, Cyprus, and the Palestinian Authority.

The regional developments in which Russia is involved (which include most developments) can be expected to have an impact on Israel's interests. Finding compatible points of convergence can benefit Israel and Russia, as well as the entire region. Cooperation with Russia, as long as it does not interfere with Israel's relations with the US, is in Israel's interest.

Prospects for Russia's International Status

Russia's international situation is far from optimal, because its standing is weak in both regions where events have sparked international crises: Eastern Europe and the Middle East. These two crises share aspects pertaining to the global competition between the powers. The competition has clearly intensified over the past year, and is now posing a threat to the international order. The crisis in Ukraine, which has had the effect of escalating the ongoing global confrontation between the powers, is now in a lull, but it is not close to being solved. The shaky compromise reached by Russia and the Ukrainian government leaves Russia with some influence in the country, but Russia is liable to suffer severe damage if a final settlement is attained that leaves Ukraine outside the Russian sphere of influence. It can therefore be concluded that Russia will not rush to accept a Western-oriented policy by Ukraine.

The crisis in Ukraine is an expression of the Russian-Western confrontation. Although the sanctions imposed on Russia for its policy in Ukraine are measured and selective, they are no trivial matter. The prevailing attitude in Russia is that the initiators of the sanctions aim to cultivate internal

instability in Russia, and perhaps even a change of regime. For his part, Russian President Vladimir Putin, who enjoys domestic public support, is trying to give the impression that he can hold out indefinitely in a worsening economic situation. The public's support for him reinforces the assessment that announcing the downfall of his regime would be premature.

In the period under review, the competition between Russia and the West was also reflected in the Middle East, where Russia is facing a challenge from radical Islam, which threatens Russia on its home turf. This threat has forced Russia to take containment measures, along with its effort to reinforce its standing in its competition with the West for regional influence. Russia's dire economic situation, however, detracts significantly from its ability to position itself as a powerful player in both the Middle East and the global arena in general.

The European Union: A United Policy under Fire

The crisis that befell the euro and the ensuing financial, economic, social, and political consequences for the future of the European Union, along with the crises in southern and Eastern Europe and their implications for the internal security of some of the EU member states, poses unprecedented challenges, perhaps existential, to the EU. 2014 can therefore be described as a year that saw continuation of the crises that have afflicted the continent for some time, but highlighted to an even greater extent the EU's bewilderment and lack of strategy on a series of issues – and hence its inability to formulate a consensus among its members on a policy that could alleviate the challenges facing it.

Former German Minister of Foreign Affairs Joschka Fischer argued that the internal European crisis was jeopardizing the future of the EU more than the external crises. In his opinion, if the EU member countries are unable to cope with the crisis, the future of the EU is far from assured. For him, the key question in this context is whether Germany can persuade the EU members to adopt its policy on a number of issues, or whether the EU will make Germany "more European" (indeed, one of the main tasks that two past German chancellors, Konrad Adenauer and Helmut Kohl, set for themselves was to make Germany "more European"). Underlining Fischer's question is his belief that the policy on the euro crisis dictated by current German

Chancellor Angela Merkel – comprising budget cuts, reduction of deficits based on lowered government spending, and efforts to bolster growth and labor market reforms, designed to increase profitability and competitiveness, thereby reducing the dimensions of unemployment (in itself a threat to the internal stability of a number of European countries) – will not yield the desired results.

Furthermore, the countries will have to pay a high price in terms of internal stability if this policy is adopted. Chancellor Merkel has so far been successful: the dearth of leadership in the EU and Germany's standing as the largest and strongest EU country, economically and politically, have helped her weather the financial-economic difficulties in Europe while dictating EU policy. The regional crisis, however, persists. Countries affected in the first stage of the crisis – Ireland, Spain, Portugal, and Greece – are proving unable to put it behind them, even if some are showing signs of recovery. Other countries, including Italy and France, are experiencing an economic-political crisis that, their leaders argue, they will be unable to overcome without a change in Germany's policy. The French President and the Italian Prime Minister (supported by southern Mediterranean countries) are demanding to be allowed to increase their budget deficits beyond the red line of 3 percent of GDP as a (temporary) means of bolstering their competitiveness and growth. Will the German Chancellor manage to withstand the pressure and continue to impose her views on the neighboring countries, or will she be forced to become more flexible? In view of the signs of a slowdown in the German economy, the second possibility seems more likely.

One of the main results of the economic situation plaguing more than a few EU members is mounting unemployment, especially among young people. In the absence of a promising horizon for the future, today's youth are sometimes labeled the "lost generation." The prolonged economic crisis has also led to an increase in anti-European trends. One expression of this lay in the results of the most recent elections to the European Parliament, which reflected the rising power of nationalist anti-European political parties with platforms directed against foreigners. These parties are denouncing Brussels, or in other words, the EU, and putting their trust in the nation state in the expectation that this will solve the problems as they perceive them. Although none of the anti-establishment parties constitute a threat to the rule

of the traditional parties (conservatives and social democrats), a continued economic crisis will strengthen this nationalist trend, with consequences for the future of the EU. Beyond economic recovery – and in any case a prolonged process is involved – the key to the future of the EU is the continuation of the Franco-German leadership. These two countries were responsible for the advancement of European integration; any faltering in their performance has been caused at least in part by the economic crisis in France and weak French leadership. These factors have created an asymmetry in this dyad's leadership that does not auger well for the EU's future.

In a discussion about the declining global status of the United States, Council on Foreign Relations president Richard Haass asserted that if the US wishes to regain its leadership, it must devote the coming years to putting its social and economic house in order. Using the same logic, it can be argued that the EU should focus on serious self-evaluation, because otherwise, its ability to be a relevant player in the international web of forces will remain as it is right now – insignificant.

The EU and the Middle East

In the more than three years since the upheaval began in the Middle East with the events of the "Arab Spring," the EU has not managed to formulate an approach that would enable it to cope with the emerging regional challenges, let alone promote its interests of peace, stability, and economic prosperity. The popular slogans such as "more for more" (meaning more aid for more democracy, human rights, and rule of law), and "less for less," as well as the promise to inject money, encourage open markets, and allow the movement of people, have remained mere rhetoric. The EU had no solution for the political developments in Egypt and Libya, which were inconsistent with its declared goals. It lacks the ability to bring stability into the chaos prevailing in Libya. Both France and the UK, which played a role in the overthrow of Muammar Qaddafi, are unable to help. The coup that ousted Egyptian President and Muslim Brotherhood leader Mohamed Morsi and brought General Abdel Fattah el-Sisi to power was inconsistent with the principles that the EU was trying to instill. In order to preserve whatever little connections it had with the Egyptian leadership, the EU had no choice other than to accept the situation created, and to hope that democracy, the

rule of law, and preservation of human rights would one day be part of the political and social reality in Egypt. Until then, if the EU wishes to maintain its influence, which in any case is limited, it must accept President el-Sisi's leadership.

The EU witnessed two focal points of violence in the Middle East in 2014: the civil war in Syria and the deteriorating situation in Iraq, which gave rise to the Islamic State phenomenon that accelerated the collapse of the regional order created by the Sykes-Picot Agreement. In response, the EU remained essentially an observer, and confined itself to issuing from the sidelines an ongoing stream of condemnations and calls for an end to the violence (even though some EU states are participating in the international coalition against IS). The number of young people from the EU who answered the Islamic State call and joined the organization is now estimated at several thousand. Their recruitment from among the Islamic community in Europe, and especially the likelihood that the veterans of the battles will return to Europe and continue their terrorist activity is now a principal focus of concern among EU governments, which are trying to cope with the challenge in democratic ways. One of many examples of the helplessness and the lack of consensus among the EU members about the response to the threat posed by Islamic State is the decision to allow each EU member to behave as it sees fit (according to its national interests) and to determine the nature of its involvement in the war against the organization. The EU, which finds it difficult to decide on a uniform policy, welcomed the decision by a number of countries – Germany, France, the UK, Denmark, and others – to contribute their share, and emphasized that the foreign and defense policy of the EU members was subject to their particular discretion. Changing the trend and having the key EU members take the lead is a difficult task entrusted to High Representative of the European Union for Foreign Affairs and Security Policy Federica Mogherini. Her chances of success in this mission are slim, judging by the record of her predecessor, Catherine Ashton.

Another issue facing the EU is illegal immigration of people seeking asylum from neighboring countries to the south. Furthermore, the distribution of the refugee burden is a bone of contention among the member states. The number of refugees is not large in absolute terms, but even large countries like

Germany and Italy are not prepared to deal with this phenomenon, which is expected to increase as the crises in the refugees' home countries continue.

The assumption of the leading role in the negotiations by the five powers and Germany with Iran on the nuclear question by the High Representative of the European Union for Foreign Affairs and Security Policy is considered an achievement for EU institutions. Another significant achievement, and a surprising one, is the decision by EU members to formulate a consensus on the issue of stepping up the sanctions against Iran, beyond the UN Security Council resolution. The easing of the sanctions agreed on following the Joint Plan of Action (November 2013), a further relaxation of sanctions agreed on following the decision to extend the negotiations (January 2014), the impressive number of Foreign Ministers and economic delegations from Europe (mainly France, Germany, and Italy) visiting Iran, and the visit by the Iranian Foreign Minister to European capitals indicate the hope of reaching an agreement that will facilitate a gradual normalization of relations, mainly economic, between the EU and Iran. One possible development in this direction will be cooperation between Iran and the Western countries in solving the crises in Syria and Iraq.

The EU's involvement in the Israeli-Palestinian conflict over the past year was not significantly different than in previous years. The EU focused on providing aid for both institution building and security training for Palestinians; condemning Israeli construction in the Jewish settlements on the West Bank; and publishing guidelines to distinguish between the approach toward Israel in the framework of Israel-Europe agreements and economic activity conducted by Israel in the West Bank. The EU issued announcements repeating its traditional stances on a settlement of the conflict, while stressing (as it has since the end of 2013) the advantages of the "special and preferred partnership." It is doubtful if the incentive offered is sufficient for the parties to change their positions in order to accommodate a solution to the conflict.

Operation Protective Edge again put the dispute between Israel and the international community about proportionality on the agenda, following the large number of casualties on the Palestinian side and the massive destruction in the Gaza Strip caused by IDF bombardment during the campaign. At the same time, the EU recognized Israel's right to self-defense, reiterated its commitment to Israel's security, condemned Hamas for shooting rockets

at Israel, and demanded the disarmament of all the terrorist organizations operating in the Gaza Strip. In addition, the EU expressed support for the Palestinian national reconciliation government, on the condition that it fulfill the Quartet's demands as a prerequisite for dialogue. Along with its promises of financial aid in the reconstruction of Gaza, the EU expressed willingness to participate in stabilizing the security situation in the Gaza Strip area (beyond its participation in security at the Rafah border crossing).

The absence of a political process, continued Jewish settlement construction, the results of Operation Protective Edge in the Gaza Strip, and the decision by Mahmoud Abbas to seek recognition of a Palestinian state in the international arena and submit a draft resolution to the UN Security Council on the end of the occupation and the establishment of a Palestinian state, have highlighted the role of the conflict on the international agenda. The decision by the Swedish government to recognize the Palestinian state, followed by a similar resolution passed by the British Parliament, emphasizes the dynamic nature of the status quo. Other European countries will likely join this trend, although the EU (which asked the Palestinians to refrain from measures that make finding a solution through negotiation less achievable) does not support unilateral actions by the two sides. This indicates that the EU states prefer actions in support of their own interests to a demonstration of unity. Two "old-new" aspects were added over the past year to the points of dispute between Israel and the EU, which were aggravated by Operation Protective Edge: expressions of anti-Semitism camouflaged as criticism of Israel's policy in the war, led mainly by immigrants from the Middle East, and the increased weight of the Muslim population in the internal political theater, which is exerting greater influence on decisions regarding Israel (in a number of countries besides Sweden and the UK).

Without underestimating the seriousness of the threat to the security of the EU countries from the south, the crisis in Ukraine (more accurately, the crisis in relations with Russia) poses a much greater challenge for a considerable number of states. To them, the Ukrainian question is more important than the political upheavals in the Middle East, the dissolution of some of the region's states, and the growth of jihad terrorism. The Ukrainian crisis, and particularly Russia's behavior in this context, has exposed the failure of the EU's policy toward its eastern neighbors and the absence of

a European strategy for dealing with Russia. Putin's decision – sparked by developments in Ukraine that were inconsistent with Russian interests – to change the European game rules set in the 1975 Helsinki Accords barring the use of force to solve conflicts, annexation of territory, and violation of countries' territorial integrity took Europe by surprise. European (and American) impotence in the face of Putin's policy, uncertainty regarding his intentions in the future (which he has stated more than once), and the unwillingness to set red lines and threaten to use force to repel aggression have left the EU countries, headed by Germany, no option other than calling for de-escalation. This call reflected the unfounded hope that Russia would do its part to calm the situation and return to the status quo ante, meaning the reversal of its annexation of the Crimean Peninsula and the halting of its support for separatist forces in eastern and southern Ukraine.

In the absence of a military option, and in order to make clear its firm opposition to Russian policy in Ukraine, the EU members decided to impose sanctions gradually on Russia – and even that only after a long deliberation process. It is possible that with time, the sanctions applied to the Russian economy will leave their mark. Until now, however, they have not caused Putin to change his position. On the contrary: Russia under Putin's leadership regards the disintegration of the Soviet Union as a disaster, and therefore aims to reclaim its global status, in part by strengthening its influence in the countries bordering Russia while building up its military power and nuclear deterrent capability. Statements by members of the Russian army about possible deployment for a preemptory nuclear strike were not made even at the peak of the Cold War. In her testimony to the European Parliament, Federica Mogherini stated that Russia was not a strategic partner. This view must lead to the formulation of an all-EU policy – unquestionably a difficult task, given the EU's trade relations with Russia and its dependence on Russian energy resources. At the same time, the EU should restate its policy toward its eastern neighbors. Support for their independence, territorial integrity, and right to define their future on the one hand, and taking into account the geostrategic constraints resulting from the proximity of those countries to Russia (which opposes extension of the Western sphere of influence near its borders) on the other, requires the design of a realistic policy by the EU. Above all, the EU must disabuse its eastern neighbors

of the notion that they can join the Western institutions – NATO and the EU. Even if Ukraine eventually joins the EU, the EU (which bears partial responsibility for the crisis in Ukraine) should help it avoid drifting into the status of a failed country. This too is a difficult challenge, given the crisis presently afflicting the EU.

Summing up 2014, no answers were found to the question of how the EU can deal with the internal crises besetting its members, or the external challenges threatening its stability and ability to ensure the security, prosperity, and economic wellbeing of its population, while playing a leading role in shaping the world order in the twenty-first century.

The United States, Israel, and the Middle East

To paraphrase a well-known saying from Mark Twain, the reports that the US has lost its standing in the Middle East were greatly exaggerated. As in previous years, in 2014 the powers and outside actors were involved, sometimes unwillingly, in the events in the region. The implications of the regional developments for the international dynamic and the global economy forced the US, the leading power, to be more deeply involved than its political leadership anticipated. For example, in early 2015, the US found itself fighting the Islamic State organization, after having refrained from any new involvement in the Middle East since the overthrow of the Qaddafi regime in Libya. The US resistance to involvement or intervention persisted in the face of the prolonged civil war in Syria – which has caused the death of more than 200,000 people and displaced millions of Syrians in their own country and abroad – and even in face of the recourse to chemical weapons by the Syrian regime. The expansion of Islamic State's area of operations into other countries, such as Saudi Arabia and Jordan, will almost certainly deepen US military intervention in the region. Although to date involvement of US ground forces has been ruled out by the US political and military leadership, it is liable to become essential if the regional and international forces fighting against Islamic State prove unable to contain and reduce the organization's operational area of influence and control.

On another key Middle East issue, following the failure of the powers to reach an agreement with Iran on the nuclear issue by the second deadline of November 30, 2014, the US will remain involved in the matter at least until

the end of June 2015 – the latest deadline set for reaching an agreement. It can be assumed that this matter will also occupy the administration afterwards, whether or not an agreement is reached. The involvement of the US and Iran in the various issues and crises in the Middle East, which go beyond the nuclear program, will obligate both countries to take into account a complex web of considerations, in light of the success or failure in reaching an agreement on the nuclear question. The agendas of both countries include the questions of Iranian support for the Bashar al-Assad regime; Tehran's link to Hizbollah; Iranian aid for Islamic terrorism in the Middle East and in the international theater; and likewise, although not necessarily coordinated between them, the common US-Iranian interest in stopping the territorial gains and influence of Islamic State. The general stability of the Persian Gulf region is also on the two countries' agenda. No problems are expected in the transfer of rule to the heirs in Saudi Arabia and Oman (even though the identity of the heir in Oman is still unknown), but intervention by external forces in these kingdoms during the transition is liable to disrupt even ostensibly simple processes.

A different question is the drop in oil prices. This development has direct consequences for other issues relating to the involvement of the US in the Middle East. It is important to consider whether the plunging oil prices, made possible primarily by Saudi Arabia's insistence on not reducing oil production, was coordinated, at least in part, with the US for the purpose of "punishing" Iran and Russia – the former for its foot dragging in the negotiations on the nuclear question, and the latter for its policy of aggression in Ukraine.

These challenges facing the US administration far outweigh its failure to bring about a positive conclusion in the round of negotiations between Israel and the Palestinians, led by Secretary of State John Kerry, during the nine months ending in April 2014. On the other hand, the consequences of this failure impacts on the relations between Israel and the administration and between Israel and the Arab world, now and in the future.

United States-Israel Relations
The problematic trend that marked the bilateral relations in recent years has intensified. Relations – at least on a personal level – between the leaders of the two countries and senior officials in both administrations worsened,

to the point of public exchanges of sharp criticism. Some argue that the personal relationships had no practical influence on relations. For example, security relations between the countries were unaffected. Except for a brief delay in the supply of Hellfire missiles during Operation Protective Edge – a move not without precedent, as the supply of certain weapon systems was suspended by US administrations in the past in order to deliver a message to the Israeli government about American dissatisfaction with particular Israeli positions and decisions – the flow of other military equipment from the US to Israel continued. Furthermore, arms deals between the two countries were extended to Israeli purchase of F-35 warplanes, unquestionably a significant matter in the long term relations between the two countries. The "no" vote cast by the US in the UN Security Council on December 30, 2014 on the Palestinian resolution, which if passed would have changed the rules of the game on the Israeli-Palestinian issue, and US readiness to veto the resolution if necessary, could be interpreted as evidence that relations were in good condition.

Nevertheless, the significance of the mishaps in interpersonal relationships between the leaders and the gaps between the views of Washington and Jerusalem on a number of key topics on the agenda cannot be ignored. Since 1967, various aspects of the Palestinian question, particularly the process designed to promote an Israeli-Palestinian settlement, have been a bone of contention between Israel and the US. The differences of opinion were kept in the background during periods when the US administration was unable to deal intensively with the subject or push Israel toward a specific policy, such as until 1988, due to the inflexible positions of the PLO and its involvement in terrorism. This behavior by the PLO made it easy for Israel and the US administration to suspend action on the issue of a political settlement. Even when the government in Israel evinced a desire to promote a political process and disagreements were also kept under wraps, not only between Israel and the administration but also between Israel and the entire international system, the points of contention remained, especially on continued Israeli construction in East Jerusalem and the West Bank. When Barack Obama took office, he put the Israeli-Palestinian issue back on the agenda of the US-Israel bilateral relationship, certainly in comparison with his immediate predecessors, Bill Clinton and George W. Bush. The willingness of the Israeli government

to embark on nine months of intensive negotiations with the Palestinians under the mediation of Secretary of State Kerry did not materially change the negative perception of the bilateral relations. Indeed, at the end of the nine months, a campaign of accusations and personal vilification ensued between senior Israeli and American officials, with the Americans involved in the political process placing most of the blame for the failure of the talks on Israel and its settlement policy.

Following the formation of a new government in Israel after the March 2015 elections, the United States will find it difficult to jumpstart a comprehensive political initiative on the political process. The subject, however, and certainly construction in Jerusalem and the West Bank, will not disappear from the bilateral agenda. An Israeli government seeking to accelerate the pace of construction will encounter an opposing international front, not necessarily coordinated, with the EU and the US at the helm. The commencement of the next US presidential election campaign in mid-2015 is expected to affect the US position on the issue only slightly, because on the question of the Jewish settlements in the West Bank, the differences between the Democratic and Republican parties are narrower than on other issues pertaining to Israel.

For its part, the Palestinian leadership has already announced its intention of accelerating the momentum of joining international institutions in order to advance the political struggle against Israel and its policy in Jerusalem and the territories. While the US exerted its full weight against the Palestinian resolution in the Security Council in December 2014, the US has no veto or ability to threaten such a veto in other international organizations for the purpose of foiling anti-Israel Palestinian maneuvers. At the same time, in certain circumstances, such as an Israeli declaration on construction in E-1, east of Jerusalem, the US is liable to join anti-Israeli resolutions in international bodies. Furthermore, the Palestinian resolution submitted to the Security Council in late 2014 left the US few choices; a more sophisticated wording of the resolution will pose a difficult dilemma for the administration, particularly in the absence of a political process, and in the event of decisions by the Israeli government to expedite construction in East Jerusalem and the West Bank.

Despite the tough and uncompromising US policy against Middle East terrorist organizations, including Hamas and Hizbollah, a number of Israeli

military actions during Operation Protective Edge drew public criticism from the administration. The criticism was strident and acrimonious, unprecedented in previous rounds between the IDF and Hamas. There were those who claimed that the ban imposed by the US Federal Aviation Administration (FAA) on flights to Israel on July 22-23, 2014 – the first such action of its kind – figured among the hostile US measures during Operation Protective Edge, even though there is no unequivocal proof that political reasons, rather than professional ones, caused this decision. Secretary of State Kerry's role in delivering the ceasefire proposal formulated by Qatar, in coordination with Turkey, also sparked tension and mutual public recriminations between Washington and Jerusalem. Operation Protective Edge was one of the lowest points in relations between Israel and the US. It is to be hoped that the two countries have internalized the need for coordination and bridging of differences of opinion between them, as it is likely that future conflicts between Israel and Hamas and Hizbollah could cause tension again between Jerusalem and Washington.

The Iranian nuclear question may also weigh negatively on US-Israel relations. The intimate and intensive exchanges of information between the two countries in this matter have so far prevented some of the potential damage, but there is no guarantee that this will be the case in the future. Evidently, one of the risks concerning the handling of this issue by Israel and the US is related to the political contest in the US resulting from Republican control of the Senate, beginning in 2015, and the launch of the presidential election campaign. Israel has always taken steps to achieve bipartisan support in all matters of essential importance to it. In recent months, however, a tendency in Israel to rely on the Republican majority in both houses of Congress has been evident. It is to be hoped that the Israeli interest in the Iranian nuclear issue, for example, does not turn into a political football between the two rival parties.

In 2015, the US, Europe, Israel, and other countries in the Middle East will face the ongoing need to deal with the challenge posed by fundamentalist Islam, especially Islamic State. This includes Middle East regimes whose stability constitutes an important element in Israel's national security. Israel's neighbors are enmeshed in a struggle against violent subversive organizations, some of which do not recognize the absolute supremacy of the country in

which they operate. Israel is not directly involved in the various conflicts taking place in its strategic environment, beyond exchanges of information and situational assessments, including with the US. Further success by Islamic State is liable to require action by Israel. The involvement of US and coalition forces in the campaign against IS and potential Israeli action – for example, in Syrian territory – will require prior understandings. Coordination and calibration of expectations will also be needed if Israel concludes it must act against Iran, or against Hamas and Hizbollah separately without reference to the nuclear issue, while the US and its coalition partners are operating in the adjoining areas, i.e., Syria and Iraq.

It is not yet clear whether President Obama's administration has been enervated sufficiently by its most recent attempt to rejuvenate the political process between Israel and the Palestinians to convince it to abandon the issue. Even if such a decision is taken, developments in the Middle East may force the parties involved – Israel, the Palestinians, and the international actors relevant to the political process – into another attempt to revive the negotiations. If renewed interest in the political process arises on the part of the new government formed in Israel, or as a result of developments in the Middle East, Israel and the US should jointly consider the causes of the previous failures and thereby enhance prospects for a successful process. Regardless of the political orientation of the governments formed in the two countries following their respective elections, they should attempt to find a new paradigm to the Israeli-Palestinian negotiations, without abandoning the ultimate goal, that of two states for two peoples.

US-Israeli cooperation is not a cure for all the problems in the Middle East, nor even for all the disputes in the bilateral relations. Still, closer coordination can make it easier to cope with common challenges. Cooperation will certainly help improve Israel's standing among the emerging sectors of US society, whose political acquaintance with Israel is limited and not based on full awareness of the values shared by both countries. Cooperation will also help overcome the discomfort regarding Israel in the Jewish community in the US, especially among young people, on issues such as conversion to Judaism according to Jewish law and the extreme attitude of certain groups toward the Palestinians.

To sum up, the complex events and challenges in the Middle East also pose a challenge to the relationship between Israel and the US, and may usher in a critical period in the bilateral relations. Any Israeli government formed following the March 2015 elections, whatever its composition and political orientation, will have to reach new understandings with the current US administration on the urgent questions on the Middle Eastern agenda. It will have to identify the issues where there is disagreement, in an attempt to reduce their negative consequences. The government formed in Israel would be wise to avoid the temptation to assume that the US Congress can decide every dispute between the governments, political or otherwise, in Israel's favor, especially in the final period of President Obama's term.

Conclusion

The challenges produced by the Middle East that will confront the global actors in the near future are beyond the ability of any one of them to handle alone. The US is obliged to conduct the negotiations with Iran on the nuclear question with the other Security Council members and Germany. In the absence of an agreement, however, it will have to face its allies on the Security Council, who will almost certainly exert pressure to refrain from military action against Iran. It will stand alone in taking the decision how to navigate the pressure from Israel and the Republican-controlled Congress at a time when the presidential election campaign is starting to gather momentum. Russia, which is bearing the heavy burden of economic sanctions imposed on it as a result of the invasion of Ukraine and the precipitous drop in oil prices, will search for ways to preserve its strategic assets, such as the ability to conduct a dialogue with Tehran and Damascus, as well as ways to ease its internal economic situation. For this purpose, Russia will be required to undertake a series of measures and gestures that will enable the international community to revoke at least some of the sanctions. For its part, Europe is still licking its wounds from the economic crisis that has afflicted it for the past decade. The terrorist events in Paris in January 2015 have highlighted the problem of the minorities on the continent, the problem of political extremism, and the rising force of those parties challenging the very idea of the EU.

Ostensibly, an opportunity for a grand bargain has been created, from which all parties can benefit. One such deal, albeit on the small scale, was the agreement to disarm Syria from its chemical weapons. In the wake of this agreement, the US avoided the need to embark on a military campaign, and Russia worked to maintain its standing as a senior partner of Syria. Still, the dilemmas facing each of the actors, including Israel, are difficult. President Obama, for example, will have to decide whether he is foregoing the military option in the Iranian nuclear context, and how to act vis-à-vis Israeli activity aimed at drawing the US into a military campaign. He will have to consider making concessions to Russia if Moscow can help the US remove Assad from Damascus without military action, or allow an agreement with Iran that Israel will not find agreeable but that will be accepted by moderate Republican legislators and certainly the Security Council, which will give it official international approval.

Against the possibility of a multinational deal, Israel needs to maneuver wisely – all the more so at a time when it is on the defensive against an international attack by the Palestinians. Israel cannot afford to ignore the US administration in office, and even if it believes that the US is willing to make too many compromises in the negotiations with Iran, it must exhaust the ways that will achieve the maximum result, not only on the subject of the nuclear agreement itself, but also on a number of other security and political issues.

The difficulty facing any Israeli government, regardless of its ideological banner, in making unequivocal and final decisions on the Palestinian issue, is understandable, particularly during an era of changes, upheaval, instability, and the rising power of subversive forces in the region. On the other hand, eliminating the option of a two-state solution, an option acceptable to both the majority of Israeli society and the international community, will hamper Israel's ability to influence relevant developments and achieve desirable strategic results.

The Internal Israeli Arena

The Impact of Operation Protective Edge on Political and Social Trends in Israel

Meir Elran, Yehuda Ben Meir, and Gilead Sher

In late 2014, the Israeli domestic picture changed dramatically as a result of the disbanding of Benjamin Netanyahu's coalition government and the Knesset's decision to dissolve itself and hold general elections on March 17, 2015. Early elections prior to the conclusion of the Knesset's legal term in office is nothing new in Israel and is actually typical of the past two decades. The forthcoming early elections, however, constitute a particularly unusual phenomenon on the Israeli political landscape, as the dissolution of the Knesset after less than two years in office (the 19th Knesset was supposed to remain in office for four and a half years, until the fall of 2017) demonstrates an increasingly serious problem of governance that calls Israel's political stability into question. According to all the polls and surveys, the majority of the Israeli public opposed the disbanding of the government and the call for new elections, particularly due to the slim chances of an improvement in the basis of governance in the next Knesset as well, regardless of the outcome of the elections.

The results of the March 17, 2015 elections will be influenced by many factors that are security-related, economic, social, and political in nature. At the time of this writing, mid-January 2015, the Israeli public can expect an election campaign filled with vicissitudes and reversals whose outcome is difficult to forecast. In any case, however, the nature of Israel's political and social system in 2015 and beyond will, to a great extent, be determined

by the structure of the next Knesset, the government it establishes, and its leaders – all of which are currently unknown.

The announcement of early elections has distracted attention from the impact of Operation Protective Edge on the Israeli political and social arena. Nonetheless, this operation remains the one major event in 2014 that almost all citizens in Israel experienced on a first-hand level. For this reason, the impact of the operation and its related phenomena on Israeli society is important to consider. There are a number of reasons to suggest that Operation Protective Edge will have a more decisive impact on Israeli public consciousness than Israel's previous clashes with Hamas. The first reason is the operation's relatively extended duration: 50 days, which is longer than all of Israel's previous military clashes (with the exception of the first and second intifadas), including the Second Lebanon War (which lasted 33 days). The meaning of this troubling fact, which has been lost on neither the Israeli public nor the media, is that despite Israel's military power and the massive damage inflicted by its attacks on Hamas in the Gaza Strip, the IDF was forced to mount a significant campaign, albeit not without elements of self-restraint, for more than seven weeks before Hamas agreed to a ceasefire according to terms dictated by Egypt (which was already proposed after seven days of fighting). In the debate regarding who defeated whom in this last round of fighting, the duration of the clash can be understood in one way only: as an element favoring Hamas, and as such, as an element detracting from the IDF or the Israeli government.

The war's duration and its resulting perception by many as a "strategic draw" appears to be the cause of the visible sense of discomfort that has pervaded the Israeli public with regard to the results of the military operation, despite the considerable efforts made by the Israeli Prime Minister and Defense Minister (not necessarily with the entire government's endorsement) to portray the campaign as a distinctive success. During the operation itself and undoubtedly during its later stages – alongside the fierce political debate that accompanied it – the public appeared confused regarding the aim of the campaign and the significance and implications of its various stages. This gap between the perception of the Israeli public and the picture painted by the senior political and military echelons regarding the purpose and outcome of the war may have had a detrimental impact, even if only temporary, on

the image of the senior IDF commanders, who continue to portray it as a major success.

Another factor that has influenced Israeli public opinion regarding the significance of Operation Protective Edge is the overall context of the Palestinian issue. Although in military terms the operation was limited to the Gaza Strip, it occurred against a background of negative developments in Israeli-Palestinian relations and troubling events in the West Bank. These include the failure of US Secretary of State John Kerry to advance the political process between Israel and the Palestinian Authority; the abduction and murder of three Jewish teenagers by a Hamas cell in the Gush Etzion area and Operation Brother's Keeper, the extensive campaign conducted by the IDF against the Hamas infrastructure in the West Bank in the wake of the event (an occurrence that in retrospect proved to be a stage in the escalation that culminated in the confrontation between Israel and Hamas in the Gaza Strip); the murder of a Palestinian teenager in Jerusalem by Jewish extremists; and increased security tension in Jerusalem and its environs during and following the operation. Joining these developments were manifestations of racism among certain members of the Jewish public.

Public Opinion regarding Operation Protective Edge

The many fluctuations in Israeli public opinion during Operation Protective Edge were reminiscent of the vicissitudes in public opinion that characterized the Second Lebanon War. Both were cases of military operations that were relatively extended in duration and that ultimately lasted longer than the Israeli public anticipated at their outset. In both cases, the home front constituted the primary front line. During the first days of the Second Lebanon War, the decision to go to war was supported by approximately 90 percent of the Jewish public, and Prime Minister Ehud Olmert's public approval ratings reached 82 percent. By the end of the war, however, just one month later, the Prime Minister was forced under public pressure to establish a commission of inquiry to investigate the war and its failures. According to a survey conducted by the National Security and Public Opinion Project of the Institute for National Security Studies (INSS) in March 2007 (approximately nine months after the end of the war), only 23 percent of Israel's Jewish population believed that Israel had won the war, as opposed to 26 percent

who believed that Hizbollah had been victorious and 51 percent who believed that neither side had won.[1]

In the case of Operation Protective Edge, the picture is not as extreme. Still, here too public opinion appears like a roller coaster. During the first stages of the campaign, especially following the discovery of the underground tunnels dug by Hamas under the border with the Gaza Strip and the incursion of IDF ground forces, the operation enjoyed the wall-to-wall support of the Jewish public. In a survey conducted by Israel's Channel 2 on July 17, 2014, some ten days after the beginning of the operation and one day prior to the IDF's ground invasion of the Gaza Strip, 57 percent of the Jewish public rated the Prime Minister's handling of the situation as "good," as opposed to 35 percent who described it as "not good." According to a survey broadcast on Israel's Channel 2 one week later on July 24, the public perception of the Prime Minister's handling of the situation had improved dramatically, with 82 percent of respondents characterizing it as "good" and only 10 percent as "not good."[2] From that point on, the longer the fighting lasted and the more ceasefires were declared and subsequently violated by Hamas, the more the Prime Minister's public approval ratings declined.

By the end of the operation, the Prime Minister had lost the support of much – and according to some surveys, a majority – of the Israeli public. A survey broadcast on Channel 2 on August 25, 2014, one day before the operation's conclusion, revealed a dramatic decline in the public's assessment of the Prime Minister's performance, with only 38 percent characterizing it as good and 50 percent characterizing it as not good.[3] Two days later, and one day following the end of the fighting, a survey conducted by Channel 2 reflected an additional decline, with 32 percent ranking his performance as good and 59 percent ranking it as not good.[4] Although a survey published in *Haaretz* on August 28 indicated that 50 percent of the public was satisfied by the Prime Minister's performance,[5] this percentage was still a far cry from his approval ratings during the initial days and weeks of the operation. Presumably these results reflected large portions of the Israeli public's prevalent dissatisfaction at the time regarding the outcome of the war, which analysts were then referring to as "a sense of missed opportunity."

A similar picture emerges with regard to the public's assessment of the outcome of the war. In a survey conducted for INSS by Rafi Smith on July

27-28, 2014, in the midst of the Israeli ground operation, 71 percent of the country's Jewish population expressed the view that Israel was winning the war, as opposed to 6 percent which believed that Hamas was winning, and 23 percent that maintained that neither side was winning and that it was thus far "a draw." However, in a similar survey conducted on August 6, after the withdrawal of IDF forces from the Gaza Strip, only 51 percent expressed the view that Israel had won the war, whereas 4 percent indicated that Hamas had won, and 45 percent said that no one had won.[6] After the conclusion of the operation, levels of public dissatisfaction with the outcome of the war reached new heights. In a survey broadcast by Channel 2 on August 27, 2014, the day after the end of the operation, only 29 percent answered affirmatively whether they believed that Israel had won the war, as opposed to 59 percent who responded negatively.[7] A survey published the following day in *Haaretz* reflected almost identical findings. In response to the question "How would you define the outcome of the war," only 26 percent indicated that Israel had won, whereas 16 percent indicated that Hamas had won and 54 percent maintained that no one had won.[8]

The Political Implications

The above data reflects the vicissitudes of Israeli public opinion as it evolved during Operation Protective Edge. However, the more interesting question has to do with the impact of the war and the public perception of its significance in the long term. Is this the beginning of a genuine shift in the views of the public on the left-right, dove-hawk spectrum? Can we speak of a fundamental change in the public's views regarding a possible settlement with the Palestinians in general and the future of Judea and Samaria in particular? And if such a shift has indeed begun, is it only temporary, reflecting primarily an immediate and largely emotional response to the war, or are there new insights among the Israeli public with long term implications?

These questions are difficult to answer given the short time that has elapsed and hence the limited perspective since the conclusion of the war, and therefore the future direction of public opinion regarding these issues is uncertain. Moreover, trends in public opinion are also heavily influenced by other issues, particularly with the dissipating impact of the operation over time. For this reason, at this point any analysis of such questions

is necessarily based on conjecture, although the results of the March 17 elections are likely to provide answers to these questions, at least to some extent. Moreover, even if this shift continues for an extended period of time, it may be reversible and subject to the influence of events and constraints that will emerge in the future.

Nonetheless, as it currently stands, there are definite signs indicating that a rightward shift has indeed begun in the views of the Israeli public, particularly with regard to the Arabs within Israel proper and some aspects of a possible settlement with the Palestinians. The primary and strongest indications of a a rightward shift in Israeli public opinion are the findings of surveys published between the end of Operation Protective Edge (in late August 2014) and the decision (in early December 2014) to hold early elections regarding the voting intentions of the public. The current Knesset is characterized by a plurality between a right wing-religious bloc (with 61 mandates) and a center-left bloc (with 59 mandates). These surveys indicated that if the elections were held during this interim period, the right wing-religious bloc would have received 70-75 mandates, reflecting an unprecedented achievement. Since the beginning of the election campaign, however, the picture has changed somewhat, and at the time of this writing the gap between the two blocs has shrunk.

Explanations for the rightward shift in Israeli public opinion are not difficult to find. The argument voiced by spokespeople of the Israeli right (and not just the extreme right wing) – that in practice it is impossible to ensure Israeli security without a permanent presence throughout Judea and Samaria, if only in the realm of security – was to a certain extent reinforced by the outcome of Operation Protective Edge. Although Prime Minister Netanyahu does not advocate this specific position, he has on various occasions emphasized that the security arrangements, which he regards as essential for agreeing to the establishment of a Palestinian state, include not only an IDF presence along the Jordan River but the IDF's freedom to operate throughout the West Bank. Hamas' ability to launch rockets deep into Israel, the severe psychological impact of the tunnels dug beneath the border of the Gaza Strip, and the temporary closure of the "gateway to the country" – the Ben Gurion airport – that resulted from Hamas rocket fire appears to have left a major impression on the Israeli public. All this must also be

considered in conjunction with significant developments in the Arab world, including the dissolution of some Arab states, the rise of radical political Islam, the threats posed by the Islamic State organization (ISIS), and the continuing threat of Hizbollah in the north. Each component of this web of threats has a direct impact on Israeli public consciousness, which shapes the Jewish population's attitudes on security and political issues and, to a certain extent, fundamental questions in the domestic arena, including its relationship with the country's Arab minority.

Only in early May 2015, when there emerges a clear understanding of the results of the March 17 elections, including the composition of the new government and the identity of the new prime minister, will it be possible to assess more accurately Israel's future orientation with regard to these weighty questions.

The Social Situation: Jewish-Arab Relations in Israel

Inevitably, there is a connection between the views of the Jewish public in Israel regarding political and security-related issues on the one hand, and its attitude toward the country's Arab minority on the other. This linkage found distinctly negative expression during the past year when serious security-related events in Israel and abroad, such as acts of terrorism and military confrontations (most notably Operation Protective Edge), provided a backdrop for severe manifestations of radicalization, violence, and racism on the part of Jews against the Arab minority, including within institutionalized political discourse. Yet while 2014 witnessed definite radicalization in Jewish-Arab relations, it is not at all certain whether this is a sustainable trend that is expected to intensify, or whether both sides will find ways to curb these serious, threatening developments and maintain at least a tolerable level of coexistence.[9]

Israeli consciousness in the context of attitudes toward the Arabs is shaped by other significant factors beyond security events. One of these is political discourse, which, even before the upcoming elections were announced, has dealt increasingly with questions regarding the national identity of the State of Israel. This trend has been the outcome of efforts by the government and some of its right wing elements to instigate fundamental and, at times, radicalized debate over the differences between Israel as the nation state

of the Jewish people and Israel as a democracy. The Democracy Index for 2014 (compiled by the Israel Democracy Institute in March and April 2014),[10] which relates primarily to the socioeconomic situation in the country, reflects a clear picture on this key issue. When asked to choose between a Jewish state and a democratic state, 39 percent (a large majority of whom were presumably Jews) indicated that the state's Jewish character was more important than its democratic character; 33 percent chose the latter. In a broader context, approximately 33 percent of Jewish respondents and 50 percent of Arab respondents stated that Israel is less democratic today than it was in the past. And on a more concrete level, whereas 63 percent of the Jews interviewed opposed discrimination against Israel's Arab population, a sweeping majority (74 percent) maintained that critical decisions on issues of peace and security must be based on a Jewish majority, indicating a desire for the clear political exclusion of Arabs from one of Israel's two major issues of debate (the second of which is the socioeconomic issue).

In its assessment of Israeli society in 2013, the Democracy Index found Jewish-Arab tension to be the strongest source of tension in Israeli society (69 percent), surpassing the tensions between rich and poor, religious and secular, left and right, and Mizrahi and Ashkenazi. It also found that approximately half of those questioned believed that Jews should possess more rights in Israel than its Arab citizens. At the time, approximately 44 percent of respondents believed that the Israeli government should encourage the emigration of Arabs.[11]

It is therefore no surprise that this combination of an intensifying nationalist background, the prevailing political tension and unstable government, and the severe tensions existing in the security realm has produced a foundation conducive to discourse that nourishes hostility, alienation, and social and political exclusion and that, albeit inadvertently, encourages racism and violence. These phenomena have gained momentum in the at times unruly discourse in the social media, which provides a platform for derision and verbal violence. In addition to the unofficial members of the Jewish and Arab population who have participated in this discourse, individuals from within the political establishment have also taken advantage of the dark public mood by inciting against Arabs for political gain. The radicalization in Jewish-Arab discourse observed in the past year has overshadowed the

prospects for reasonable coexistence between the two communities. The phenomenon has posed a threat not only to public order but also to the delicate fabric of Jewish-Arab relations in Israel. Consider the statement by Israeli Supreme Court Justice Salim Jubran:

> I could spend hours or even whole days speaking about equality, but I want to quote from the Declaration of Independence, and you judge. The Declaration of Independence speaks specifically about equality, and unfortunately it's not happening in the field. A sentence from the Or Commission report sums it up: "The state's Arab citizens live in a reality of being discriminated against."[12]

Also relevant to the discussion are developments in the Arab sector in Israel. According to data produced by a special survey conducted by the StatNet research institute in November 2014, around the time of the onset of the severe incidents between Arabs and Jews[13] following Operation Protective Edge and the terrorist attacks in Jerusalem,[14] 36 percent of the Muslims in Israel regard themselves as Palestinian, 31 percent as neither Palestinian nor Arab, 25 percent as Israeli, and 8 percent as Palestinian Israeli. Additional data reflects that 77 percent of those Arabs questioned would prefer to live in Israel (the remainder, 27 percent of the Muslims surveyed expressed their preference to live in a Palestinian state). Only 9 percent of the Arabs questioned expressed the belief that the Israeli establishment does not discriminate against them, whereas 42 percent of the Muslims questioned regard themselves as victims of discrimination by state institutions. What appears to be emerging is a pluralistic picture reflecting broad diversity throughout the Arab population – a picture that differs from the Jewish public's perception of the situation, based on the typically nationalist statements made by Arab politicians in the Knesset.

Also relevant in this context is the issue of Arab representation in the Knesset in the wake of the decision to raise the electoral threshold in general elections to 3.25 percent. There is an element of irony in the fact that this decision has motivated the Arab parties to submit a united list for the upcoming elections, even though it is still unclear how they will operate in their aftermath. In any event, many Arab voters will presumably view the

upcoming elections as a moment of political opportunity and transform the protest against social exclusion and alienation into an incentive for political participation. Maintaining unity will enable them to realize their electoral power and become a significant parliamentary force.[15]

Despite the radicalization of both camps, the Jewish and Arab publics in Israel contain strong forces capable of stopping the deterioration in their mutual relations. The Jewish camp is in need of restraint and responsibility based on a deep understanding of the volatility of the situation and the serious dangers posed by incitement against the Arabs. This is the background to the actions of Israeli President Reuven Rivlin, who has been laboring to generate a different, positive, and constructive discourse on this complex and challenging issue.[16] However, as in the case of related issues (such as the provocative visits to the Temple Mount by Jewish activists and politicians affiliated with the Israeli right wing), some are trying to gain political capital from the Jewish-Arab tensions in ways that are tantamount to playing with fire. Although the Arab camp also contains provocative elements attempting to gain political and public capital from the actual hardships and legitimate grievances of the Arab, the Arabs in Israel have repeatedly proven their awareness of the need for restraint and moderation and have conducted themselves accordingly, in order to promote coexistence with the Jewish majority, which they see as in their own best interests. In this sense, the past year has been no exception. In most cases, the broader Arab public has neither been provoked nor taken part in disturbances or demonstrations, most of which have been restrained and have not escalated to the national level. Following the elections, the most important task of the united Arab leadership will be to maintain and reinforce this approach.

The Jewish Public: Heightened Polarization, Violence, and Radicalization

In the course of the extensive search for the three teenagers kidnapped in the Gush Etzion area (Operation Brother's Keeper), a sense of solidarity emerged within the Jewish public. Knesset members from the right wing and the left wing visited the family members of the abducted youths, and tens of thousands throughout the country prayed for their safe return. Below the surface, however, were murky, racist currents that erupted following the

discovery of the youths' bodies and tainted the picture of national solidarity. These included calls for revenge that gained considerable momentum in the social media, and racist postings against Arabs that also contained inciting and derogatory remarks against voters of the Israeli left who were frequently portrayed as traitors to the state. This trend intensified after the launching of Operation Protective Edge. The discourse on the social media grew increasingly violent, and posts that questioned the necessity of the military force being used by Israel in the Gaza Strip or expressed empathy for the suffering of Gaza population were frequently met with curses and explicit threats.

The violent discourse and intense disagreements quickly expanded beyond the limits of the social media and entered the public arena. Approximately forty days into the fighting in the Gaza Strip, left wing activists organized a demonstration in Tel Aviv's Habima Square to protest the Israeli military campaign. In response, a group of right wing activists, including members of the "Kahana Lives" movement, organized a counter-demonstration. During the demonstration, right wing activists attacked and injured some participants in the left wing protest. These events illustrated that the unity of the Jewish public following the abduction of the Jewish teens was, to some extent, limited, and that the Jewish public has the potential for serious political escalation and violence. Here too the discourse in the social media was the most extreme, but intolerance was also manifested in the current affairs programs in the Israeli media. Moreover, the violence of a handful of extremist right wing groups against left wing demonstrations was dealt with in a lenient manner. For example, public employees who posted statuses of a violent and or excluding nature on the internet suffered no consequences, which implies the condoning of incitement on the pretext of freedom of expression. When the expression of a view that appears to oppose the view of the majority is met with violence and threats of murder, the time has come for the official leadership and law enforcement agencies to act with greater determination.

Israeli Social Resilience

The typically dormant media and political discourse regarding national resilience tends to rise to the surface when the civilian front finds itself under

the attack of missile and rocket fire. This is what happened in the past year in the context of Operation Protective Edge and related events.

Unlike the standard discourse that relates to resilience as the ability of the Israeli public to withstand hardships, resilience in its professional and academic sense refers to the capacity of a system as a whole to weather severe disruption of any kind caused by any force, external or internal, human or natural; to respond to it according to its intensity, especially its actual or perceived damage, typically through a reduction in functioning in specific areas; and to recover from the disruption and from the reduction in performance as quickly as possible.[17] A highly resilient system is one that proves its capacity for rapid recovery and for the quick resumption of full or even improved functioning.

In this instance, as in previous rounds of hostilities with Hamas in the Gaza Strip, the Israeli public displayed an overall high level of social resilience, manifested in measured responses to the rockets fired on population centers and the rapid return to routine after each event. In most cases the challenge posed to Israel was minor in terms of the number of rockets fired by Hamas, the warheads they bore, and their accuracy, and the result was an extremely low level of overall casualties and property damage. For this reason, the lessons learned from the behavior of the Israeli public during Operation Protective Edge are not necessarily indicative of the public's conduct in a future confrontation, especially with Hizbollah. As Hizbollah's rocket and missile capabilities are significantly greater than those possessed by Hamas, the damage sustained during a clash with this group can be expected to be much more severe than a confrontation with Hamas and challenge the population's social resilience accordingly. This assessment requires the formulation of an appropriate response that is not only offensive and preventative in nature, but one of defense – not only of population centers but also of IDF bases and critical national infrastructure, which for the most part lacks sufficient protection against both serious high trajectory threats and the substantial threat of cyber attack. This will require a detailed all-encompassing national plan for defense (including reasonable physical protection) and the promotion of social and infrastructural resilience.

The social resilience of the Israeli public is a function of the intensity of the physical and psychological disruption sustained. The extent of damage

caused by the campaign against Hamas differed in accordance with the range of the rockets fired (60 percent of the rockets were fired at a range of 20 kilometers, 32 percent at ranges up to 40 kilometers, and only 8 percent at longer ranges), and the threat of the attack tunnels was present only in the immediate proximity to the border with the Gaza Strip. The level of social resilience also differed by area. The settlements of the Gaza periphery displayed a different level of resilience against a challenge that differed in essence, immediacy, and intensity to that faced by the inhabitants of more distant areas. The inhabitants of areas in close proximity to the border displayed a high level of resilience, which was initially expressed primarily in reduced performance, mainly due to the self-evacuation of many thousands of inhabitants, but was also manifested in the population's extremely quick return to their homes and resumption of their normal lives following the conclusion of the hostilities.

Nonetheless, and although the government decided to pay the residents of the Gaza perimeter and the Negev (particularly the western Negev) high compensation for the damages caused by the campaign and its effects, this region is currently characterized by a pervasive sense of disappointment with the scope of the preparations for future clashes. The withdrawal of IDF soldiers from routine defensive security responsibilities within the settlements in the region has also met with an angry response.[18] Overall, a sense of security-related, political, and economic alienation is evident in the communities located in the region adjacent to the Gaza Strip, and charges are heard of a lack of understanding of the special needs of the inhabitants of the region, neglect of the periphery, preferential treatment of the Israeli settlements in the West Bank, and the lack of political initiative in search of a long term solution for the threat emanating from Gaza. These feelings do not help strengthen the social resilience of the local inhabitants in preparation for the next round of fighting, especially as a broad state-sponsored effort has yet to be advanced to strengthen the social resilience of the communities of southern Israel in general.

Conclusion

This essay has considered the factors that influenced the sociopolitical atmosphere reflected in the Israeli public in the course 2014. Focusing on

aspects of external and internal security, it has reviewed three sources of tension stemming from Israel's external challenges and internal tensions: the growing division between Jews and Arabs that threatens public stability and order; the radicalization and escalation of relations between the political extremes in Jewish society; and the gap between the center and the periphery reflected over the past year during Israel's confrontation with Hamas. Any such list would certainly be incomplete if it failed to mention the additional dimensions of division and alienation that frequently arise in absence of comprehensive solutions on the political, social, and economic levels. All these elements have a direct impact on national security due to their connection with Israeli society's ability to mobilize itself in preparation for and during future external and internal tests. Meeting these challenges will require a clear understanding that the debate over the future character of the State of Israel, which is currently being conducted with full intensity in advance of the Knesset elections, is not one ranging between distinct, independent internal social issues on the one hand, and external security issues on the other hand, and that these two spheres are actually mutually intertwined. In other words, without internal social strength and inter-personal tolerance, the State of Israel will suffer in the realm of security and will lack the essential foundation necessary to build a prosperous economy and a thriving society.

Notes

1   Yehuda Ben Meir and Dafna Shaked, *The People Speak: Israeli Public Opinion on National Security 2005-2007*, Memorandum No. 90 (Tel Aviv: Institute for National Security Studies, 2007).
2   Channel 2 News, July 24, 2014.
3   Channel 2 News, August 25, 2014.
4   Channel 2 News, August 27, 2014.
5   Yossi Verter, "Hamas Bruised: Support for Prime Minister Plunges 27% in 3 Weeks Fighting," *Haaretz*, August 28, 2014.
6   Aharon Lapidot, "Protective Edge, A Strong Home Front," *Israel Hayom*, August 8, 2014.
7   Channel 2 News, August 27, 2014.
8   Verter, "Hamas Bruised: Support for Prime Minister Plunges 27% in 3 Weeks Fighting."
9   Arik Rudnitzky, *The Arab Citizens of Israel at the Start of the 21st Century*, Memorandum No. 139 (Tel Aviv: Institute of National Security Studies, 2014).

10   The Index was submitted to the President of the State of Israel on January 4, 2015, and some of its components were published in the media.

11   Tamar Hermann, *Israel Democracy Index*, Israel Democracy Institute, October 2013.

12   Revital Hovel, "Supreme Court's Only Arab Judge: Rampant Discrimination against Arabs in Israel," *Haaretz,* November 27, 2014.

13   Itamar Radai, Meir Elran, and Nadia Hilou, "The Disturbances of November 2014 from the Perspective of the Arabs in Israel," *INSS Insight* No. 640, December 9, 2014.

14   The survey's main findings were broadcast on Israel's Channel 10 in December 2014. Detailed findings were presented at the Institute for National Security Studies.

15   Dana Blander, "The Arab Parties: From Threshold to Empowerment," Israel Democracy Institute, December 21, 2014, http://www.idi.org.il/%D7%A1%D7%A4%D7%A8%D7%99%D7%9D-%D7%95%D7%9E%D7%90%D7%9E%D7%A8%D7%99%D7%9D/%D7%9E%D7%90%D7%9E%D7%A8%D7%99%D7%9D/arab_parties.

16   See, for example, Barak Ravid and Jack Khoury, "Rivlin Remembers 1956 Kafr Qasem Massacre: A Terrible Crime was Committed," *Haaretz*, October 26, 2014; "We Will Not Allow Hatred to Destroy Partnership," *Maariv*, November 19, 2014; Jonathan Lis, Revital Levy-Stein, and Revital Hovel, "President Rivlin Comes Out against Jewish Nation-State Bill as Netanyahu, Lapid Spar Over It," *Haaretz*, November 26, 2014.

17   F. H. Norris, S. P. Stevens, B. Pfefferbaum, K. F. Wyche, and R. L. Pfefferbaum, "Community Resilience as a Metaphor," *American Journal of Community Psychology* 41, nos. 1-2 (2008): 127-50; F. Norris, M. Tracy, and S. Galea, "Looking for Resilience: Understanding the Longitude Trajectories of Response to Stress," *Social Science and Medicine* 68 (2009): 2190-98; D. Kermer and J. S. Thomas, "Resilience Attributes of Social-Ecological Systems: Framing Metrics for Management," *Resources* 3, no. 4 (2014): 672-702.

18   From *232*, the local newspaper of the Eshkol Regional Council, http://232eshkol.blogspot.co.il/2015/01/blog-post_7.html.

Developments in the Israeli Economy and the Implications for National Security

Eran Yashiv

In 2014 the Israeli economy was on a sound, if unexceptional track, despite some limited turbulence. No significant changes in government policy took place, although important questions surfaced at the end of the year about the future fiscal path in general, and about the defense budget in particular. Moreover, during Operation Protective Edge, some long term issues came to the fore.

What follows is a survey of the key economic developments in 2014, with a focus on the various issues and upsets from the perspective of the economy and national security. The survey includes proposals for change in government policy.

Principal Macroeconomic Developments

According to preliminary estimates by the Central Bureau of Statistics published in late December 2014, the economy's performance in 2014 showed some slowdown, though not a significant recession. GDP was up 2.6 percent in annual terms, and business sector GDP rose 2.5 percent, a decline in comparison with the 3.2 percent growth in 2013 and the growth forecasts earlier in the year. The economy's annual growth potential is estimated to be in the 3-4 percent range, so that the slowdown was manifested in growth that is lower than potential. Per capita GDP growth stood at 0.7 percent

in 2014, compared to 1.3 percent in 2013. Table 1 presents the key macro indicators in this context.

Table 1. Key Macroeconomic Variables: Rates of Change

Variable	Change in 2014 (in %)
GDP	2.6
Business product	2.5
Private consumption	3.8
Public consumption	3.8
Investment in economic sectors	-3.4
Investment in construction	-1.2
Exports (excluding diamonds, which rose 2.4%)	0.6
Imports (excluding defense imports and imports of ships, airplanes, and diamonds, which rose by 1.3%)	0.9

Source: Central Bureau of Statistics[1]

Examination of the components of GDP shows a decline in investment. This is a negative development, because it involves investment in physical capital for current and future production, and a decline in investment therefore detracts from future economic growth. Another negative development is the relatively slow growth of exports, due to the prolonged appreciation of the shekel (which came to an end only in the summer of 2014) and the slowing of foreign demand. The poor performance of these two growth engines, investment and exports, is problematic for the economy.

Operation Protective Edge in July-August 2014 imposed a burden. Israel's annual GDP is NIS 1.05 trillion, or NIS 4.2 billion per workday (248 workdays a year). A loss of 10-20 percent in daily GDP during the war is a reasonable estimate. If we calculate according to 43 workdays, the estimated loss in GDP is NIS 18-36 billion, amounting to 1.7-3.4 percent of annual GDP. However, a precise estimate of the costs is difficult to make, even when knowing the growth in GDP in all of 2014. It should be noted that this is a one-off cost, part of which was made up after the operation, and not a permanent fall in the growth rate.[2]

The Government Budget

The aforementioned developments reduce the room to maneuver in the state budget, because fiscal policy is usually evaluated in terms of the ratio of the deficit to GDP, where the deficit equals spending minus income. Three concomitant trends marked the recent developments: tax revenues grew more slowly; GDP, which appears in the denominator of this ratio, grew more slowly; and spending grew more rapidly as a result of Operation Protective Edge. All three developments have the effect of increasing the deficit to GDP ratio, which was the background to the budget disputes during the months of September and October 2014. Once the Knesset was dissolved with new elections scheduled for March 17, 2015, the debate on the new budget was suspended, and it will become effective only in June or July 2015.

These developments are not unique to Israel. Since the global financial crisis began in 2008, many countries have been mired in recession, and their deficit to GDP ratios have risen. These countries also face the dilemma of what fiscal policy they should adopt. However, the dilemma in Israel is made more acute by the relatively high defense spending. According to the World Bank rating, Israel is in fourth place in the world in defense spending as a percentage of GDP. The difficulty in deciding how to allocate the budget and how large the overall budget should be has become more poignant in recent years as a result of three developments:

a. The social protests in the summer of 2011, which increased awareness of the needs in the civilian budget. The protests reflected dissatisfaction with the existing fiscal priorities.
b. Large scale spending on deployment against the Iranian threat.
c. New demands by the Ministry of Defense for dealing with threats such as rockets and missiles, offensive tunnels, and cyber warfare.

At the same time, the prevailing impression is that the budget process in the government is conducted like an oriental bazaar. In considering the defense budget, for example, both sides use numbers for bargaining purposes as if they were bargaining over the price of a carpet in the market. This process, which is both irresponsible and damaging to the economy, results from the institutional structure of the fiscal process in Israel. This process is in major need of reform.

The budget is drafted in an incremental process: the budget of the preceding year is used as a base, with various sums added or subtracted. This process impedes long term planning, and annual negotiations become a theater for political brawling. Various interest groups, including the defense establishment, fight over shares of the budget. In this state of affairs, the defense establishment has an incentive to inflate amounts in negotiations in order to get what it wants. For example, it was reported that the Ministry of Finance had made a detailed calculation of the costs of Operation Protective Edge, but the Defense Ministry presented much higher numbers. This is not meant as criticism of the various parties; it lies in the nature of the current process and applies to all those involved. An optimal budget cannot be generated in this way, and certainly not one that reflects a rational choice over priorities.

Under this system the Prime Minister is also unable to make an informed decision, and he is subject to an array of pressures for additions to a given budget base. The same is true of the Ministry of Finance Budget Department. Is a different process possible? In an advanced economy, typically a body such as a fiscal council proposes a multi-year budget outline that offers priorities for selection by the elected representatives. For example, the United States has the Office of Management and Budget in the administration and the Congressional Budget Office in Congress. In Israel, the deficit or spending target is changed frequently; an agency like a fiscal council would also set a realistic deficit path. In such a situation the government would decide the national priorities explicitly and consciously on the basis of professional recommendations by the fiscal council. Formulating such an outline should be done for both the defense budget and the main civilian budgets. The Locker Commission, which was formed to serve as a second Brodet Commission for the defense budget, is not entirely the correct mechanism, because it does not address the budget as a whole. In this context, it is important to adhere closely to the principle that the defense budget should be devised on the basis of up-to-date assessments of current threats and those expected in the future. For further discussion of this subject from various angles and with various emphases, see the chapter that follows by Shmuel Even on the defense budget.

Long Term Issues

Operation Protective Edge brought to the surface long term problems with respect to two disadvantaged groups:

a. *The southern periphery*. The area affected by the fighting is geographically and economically remote, and is not prosperous even in peacetime. Sderot is classified in the low socioeconomic group (rated 4 on a scale of 1 to 10), and the communities represented by the Eshkol Regional Council have a medium socioeconomic rating (rated 6). The following data for a number of variables, referring to the period before Operation Protective Edge, reflects the relative situation of the southern periphery. Note that the military operation did not necessarily exacerbate them.

- The incidence of poverty in southern communities in 2012 was 18.4 percent of all residents and 18.2 percent of the Jewish residents, compared with a 10.9 percent incidence of poverty in the stronger communities in the center of the country.[3]

- The unemployment rate in southern communities in 2014 was 6.9 percent, compared with a 6 percent national average. Participation in the labor force was 62.2 percent, lower than the national average of 63.7 percent.

- Scholastic achievement by students in these areas, both in terms of the Meitzav (School Effectiveness and Growth Index) examinations and in terms of the percentage of students eligible for matriculation certificates, is lower than in other districts. For example, the proportion of students in the south eligible for matriculation certificates in 2014 was 73 percent, compared with 80 percent in the center.

- 2011 figures show relatively high rates of criminal convictions in the southern communities from age 15.5: 0.6 percent in Ashdod, 0.7 percent in Ashkelon, and 0.8 percent in Beer Sheva, compared with 0.5 percent in Jerusalem, 0.6 percent in Tel Aviv, and 0.4 percent in Haifa.

- These communities have a higher proportion of people in need of social services than other communities in Israel.[4] A sample of a number of southern communities – Sderot, Kiryat Malachi, and Ofakim – shows that the proportion of people registered with the social services departments was 27.7 percent, 31.6 percent, and 18.7 percent, respectively. These proportions are higher than the proportions

sampled in other communities in the other parts of Israel, for example Tel Aviv (15.5 percent), Kfar Saba (13.1 percent), Haifa (11.6 percent), and Jerusalem (14.9 percent).

Costs of the war, both direct and indirect, mainly to agriculture and small and medium-sized businesses, should be added to this picture. Economic activity in the area near the Gaza Strip was affected even more than elsewhere in the south. Here the affected population groups were already disadvantaged, which raises questions about their readiness to return to normal functioning.[5]

b. *The Arab population in Israel.* The socioeconomic state of Arabs in Israel clearly lags behind that of the Jewish public. This situation is not new; it has characterized the Israeli economy for many years,[6] and clearly the harsh economic background feeds feelings of discrimination and alienation from the government and society in general. For example:

- On average, Arab men earn 60 percent of what Jewish men earn per hour, and there is early retirement of many Arab men in the 40-45 age bracket. Rates of participation in the labor force are particularly low among Arab women (which stood at 22 percent, according to the 2012 Labor Force Survey).
- The employment rate in the 18-22 age bracket is especially low – 26 percent.
- The incidence of poverty is 48 percent of all persons (compared with 15 percent among the non-ultra-Orthodox Jewish population).

No substantial change took place in this field before the recent events. A study by Miaari, Zussman, and Zussman found that the events of October 2000 had increased layoffs among Arab workers.[7] Similarly, reports received by the Ministry of the Economy indicate substantial damage to Arab businesses during Operation Protective Edge, inter alia due to a significant decrease in purchases by Jews in Arab-owned businesses. A Geocartography survey commissioned by *Globes* and published on September 30, 2014[8] found that during Operation Protective Edge, 29 percent of Jewish shoppers refrained from buying from Arab businesses, 47 percent stated during the fighting that they would stop buying from them, and 24 percent continue to refrain from shopping in the Arab sector. Fifty-seven percent said they would boycott stores whose workers criticize the IDF. On July 21, 2014 Minister

of Foreign Affairs Avigdor Liberman called for a boycott of businesses in the Arab sector that participated in the solidarity strike with Gazan residents. These developments exacerbated the already existing rift in Israeli society between Jews and Arabs and make the integration of the Arab minority in Israeli society all the more difficult.

There were also developments regarding another economically disadvantaged group, the ultra-Orthodox. Note that the ultra-Orthodox were not part of the government in 2013-2014, and according to media reports, their portion of the education and welfare budget was cut to some extent. While there is no reliable data on these fiscal allocations, there is relevant data on the ultra-Orthodox in the labor market (table 2).

Table 2. The Ultra-Orthodox Population in the Labor Market (in percent)

	Men	Women	Total
Rate of participation in 2012	48.5	71	60
Rate of participation in 2013	52.3	73.2	64.1
Employment rate in 2012	45.4	64.4	55.1
Employment rate in 2012	48.3	66.6	57.3

Source: "The Social Survey," available on the Central Bureau of Statistics website

Table 2 shows that both the rate of labor force participation and the employment rate in the ultra-Orthodox population rose in 2013, in comparison with 2012, for both men and women. These changes are a continuation of a trend that has already been in place for several years. The trend is consistent with a decline in government support for this population. At the same time, labor force participation among ultra-Orthodox men is still low, compared with the rate of participation among non-ultra-Orthodox men, and the poverty rates among them are still high, Finally, it should be noted that the ultra-Orthodox population suffers from long term problems, even if no dramatic changes have occurred in its situation over the past year. These problems involve the low level of contribution to military service, a subject that was high on the agenda of the Knesset and the government a number of times during the period 2012-2014. No dramatic changes took place on this issue either, although the acrimonious arguments accompanying these

discussions attracted a great deal of public attention (for example with respect to the activity of the Plesner Committee in the Knesset in 2012 and the legislative processes relating to the IDF recruitment law in 2013-2014 in the outgoing Knesset).

Failing to address all these issues now, including an effort to provide tools (in the form of investment in education and infrastructure) to these populations in order to narrow the existing gaps is liable to prove very costly to the country in the long run. It would imply increasing spending on social services, and depriving the economy of the additional potential growth engine that these populations represent.

Notes

1   See "Preliminary National Accounts Estimates for 2014," Central Bureau of Statistics, http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201408360.

2   For a detailed discussion of the costs of Operation Protective Edge, see "Operation Protective Edge: Economic Summary" in *The Lessons of Operation Protective Edge*, Anat Kurz and Shlomo Brom, eds. (Tel Aviv: Institute for National Security Studies, 2014).

3   According to the 2012 report on poverty and social gaps on the National Insurance Institute website.

4   Data from the Statistical Abstract of Israel 2014, Central Bureau of Statistics website.

5   See Meir Elran and Eran Yashiv, "Operation Protective Edge: The Real Victory is the Social and National Resilience," *The Marker*, August 17, 2014.

6   For a comprehensive description, see Eran Yashiv and Nitza (Kaliner) Kasir, "Patterns of Labor Force Participation Among Israeli Arabs," *Israel Economic Review* 9, no. 1 (2011): 53–101; Eran Yashiv and Nitza (Kaliner) Kasir, "Arab Women in the Israeli Labor Market: Characteristics and Policy Proposals," *Israel Economic Review* 10, no. 2 (2013): 1-41.

7   Sami Miaari, Asaf Zussman, and Noam Zussman, "Ethnic Conflict and Job Separations," *Journal of Population Economics* 25, no. 2 (2012): 419-37.

8   "24% of Jewish Consumers Continue to Boycott Arab Businesses," *Globes*, September 30, 2014, http://www.globes.co.il/news/article.aspx?did=1000974929.

The Debate over Israel's Defense Budget

Shmuel Even

In discussions held by the government and the Knesset about the defense budgets for 2014 and 2015, the traditional wrangling between the Ministry of Defense and the Ministry of Finance went up a notch. "Wrangling" is a situation of a major lack of agreement between the sides – on the boundaries of the discussion, the powers of the parties, the concepts involved, and the contents of the discussion. The dispute regarding the defense budget reached a new level when in May 2014, the IDF was forced to stop the annual training exercises of reservists due to lack of money. Overall, the Finance Ministry argues that the defense budget "is too big for the economy," while the higher echelons in the Defense Ministry argue that the budget is too small to meet Israel's defense needs – evidenced by the fact that by May additional funds were already needed for 2014. The ritual is repeated every year. The arguments raised by the Finance and Defense Ministries, and the government's difficulty in taking responsibility and deciding between the positions, invite the question as to whether the defense budget is determined in a proper, measured process that takes account of both defense challenges and civilian needs. A related question concerns the role of each party in this process.

This chapter presents data on Israel's defense expenditure and defense budget, reviews the disputes over the size of the budget and the reasons for the disagreement, and proposes means toward a more informed, productive debate of the budget.

Israel's Defense Expenditure

Expenditure on defense consumption in Israel – "*defense consumption*" – is defined as the total direct expenditure on defense in Israel. This concept includes expenditure on all security forces (the IDF, GSS, Mossad, and others).[1] In 2014 Israel's defense consumption amounted to NIS 62.5 billion.[2] Expenditure on local defense consumption (not including purchases in foreign currency, funded mainly by United States aid) amounted to NIS 52.3 billion. In 2013, expenditure on defense consumption reached NIS 58.6 billion, and local defense consumption totaled NIS 48.4 billion.

In real terms, Israel's defense consumption has grown over the decades (figure 1). This trend has continued in recent years – notwithstanding the greater sensitivity to social needs, particularly since the social protests of 2011 – due to violent security incidents, high levels of threat, and uncertainty given the instability in the Middle East. Israel is threatened by an "extremist Islamic front" that does not recognize its existence and includes Iran, Hizbollah, Islamic State, Hamas, and Palestinian Islamic Jihad. This "front" joins the ongoing potential for friction with the Palestinian Authority and the instability elsewhere in the region, increasing the need to guard Israel's borders. In other words, the instability of the Middle East demands high levels of security, and
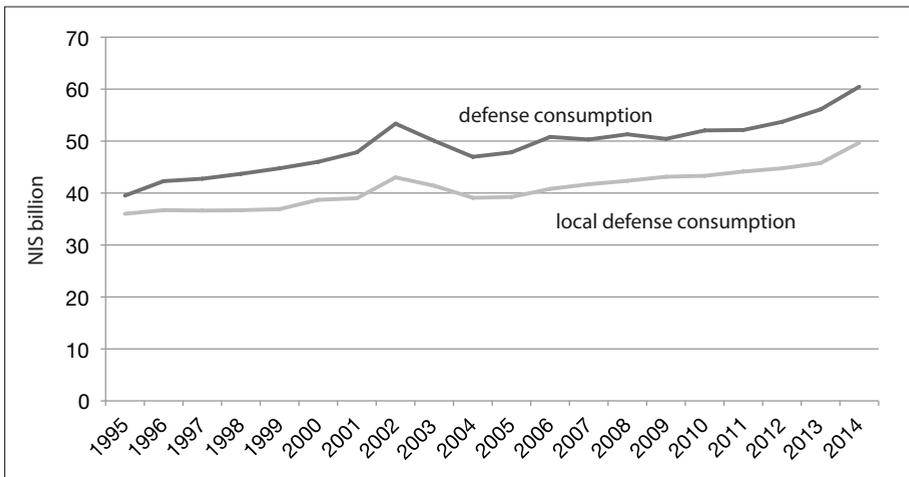
Figure 1. Defense consumption, 1995-2014 (NIS billion, in fixed prices of 2010)
Source: Central Bureau of Statistics

the defense establishment contends that the resources allocated to defense do not cover the existing and developing security challenges.[3]

The Defense Burden on the Economy

The defense burden in economic terms is measured by relative quantitative indicators, e.g., the ratio between defense consumption and product, the ratio between defense consumption and public consumption, and defense consumption per capita. These indicators are intended to be a significant element when discussing the defense burden on the economy. The lower the ratios, the smaller the effect of defense expenditure on the economy.

All the indicators display a similar picture: notwithstanding the absolute growth in defense expenditure, there is a definite long term decline in the defense burden in economic terms in recent decades, due to the more rapid increase in economic sources. However, in recent years the pace of the decline slowed due to some decline in growth rates, and in 2014 there was even a rise in the defense burden indicators, following Operation Protective Edge.

Ratio between local defense expenditure and product: In 2014 this ratio was 4.8 percent, in 2013 it was 4.6 percent, in 2000 – 6.2 percent, and in 1995 – 8.5 percent (figure 2).
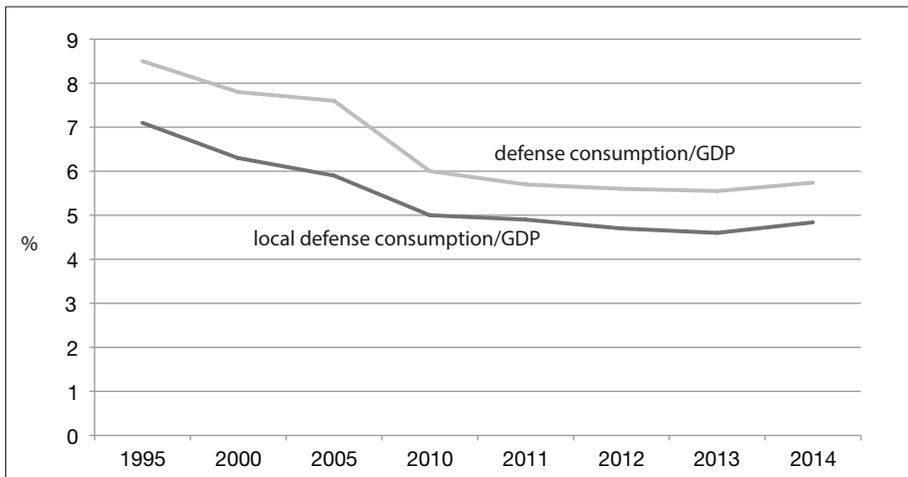
Figure 2. Defense consumption as a percentage of GDP, 1995-2014
Source: Central Bureau of Statistics

Ratio between local defense consumption and total public consumption (without IDF procurement): In 2014 this ratio was 22 percent, compared to 21.5 percent in 2013, approximately 26 percent in 2002, and approximately 27 percent in 1995. According to this indicator, there has been a perceptible long term decline in the defense burden (figure 3).
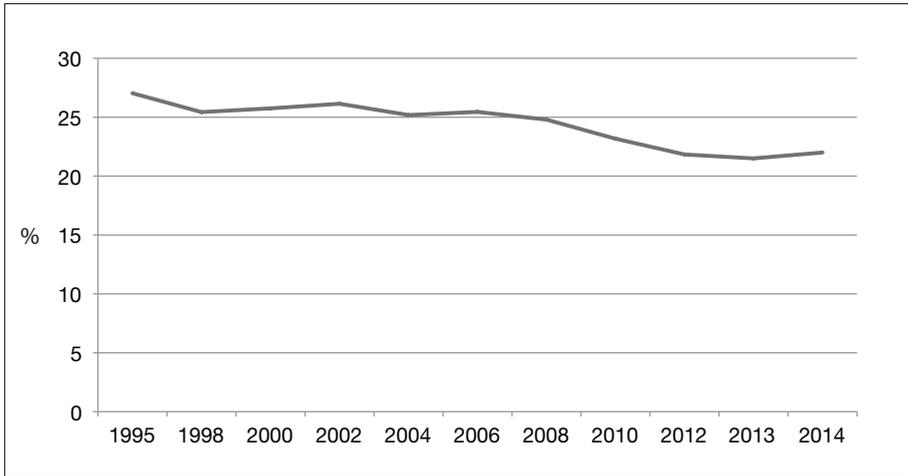

Figure 3. Local defense consumption as a percentage of public consumption (without IDF procurement), 1995-2014
Source: Central Bureau of Statistics

Per capita defense expenditure: Table 1 shows the real changes in per capita sources and uses of the national resources ("uses") in the years 1995-2014. Per capita defense expenditure maintained its real value throughout the period (about NIS 7,000 per capita, in 2010 prices, excluding a rise to NIS 7,300 due to Operation Protective Edge). By contrast, there was a real increase in per capita civilian resources (private and public consumption), so that per capita civilian consumption as a percentage of total per capita uses rose from approximately 71 percent to approximately 75 percent of total uses, while the share of per capita defense consumption fell from 7.5 percent to approximately 6 percent. In recent years, while there has been some stabilizing and even a small rise in the share of per capita defense consumption, a comparison between the start and end of the past two decades shows that the division of resources has clearly leaned toward civilian

Table 1. Real trends in per capita civilian consumption in relation to per capita defense consumption, 1995-2014 (in 2010 fixed prices)

Year	Per capita uses (NIS thousand, real values)				Per capita uses as a percentage of total per capita uses		
	Per capita investment	Per capita defense con- sumption	Per capita civilian con- sumption	Total per capita uses	Per capita investment as % of total uses	% of per capita de- fense con- sumption	% of per capita civil- ian con- sumption
1995	20.2	7.0	66.2	93.4	21.6	7.5	70.9
2000	20.5	7.1	74.0	101.6	20.2	7.0	72.9
2005	17.5	6.8	76.1	100.4	17.4	6.8	75.8
2010	20.2	6.8	83.9	110.8	18.2	6.1	75.7
2011	23.3	6.6	84.9	114.9	20.3	5.8	73.9
2012	24.0	6.7	86.1	116.8	20.5	5.7	73.7
2013	23.5	6.9	87.2	117.6	20.0	5.9	74.1
2014	22.7	7.3	88.5	118.4	19.2	6.1	74.7
% real change from 1995	12.6	3.5	33.7	**26.9**	**-11.3**	**-18.4**	**5.4**

Source: Central Bureau of Statistics

consumption over defense consumption, and to a lesser degree at the expense of investment. Israel's defense burden is still large in international terms but it has declined over the years, and defense expenditure is not a dominant cause of socio-economic difficulties in Israel, as distinct from the situation in the 1970s and 1980s. Israel's economic situation is much better than in many other countries whose defense burden is far lower.

If so, why do many Israeli citizens not feel this? The answer lies in the civilian sector itself. Per capital civilian consumption has indeed risen considerably in real terms, but as numerous studies have shown, not everyone is benefiting equally – if at all – from the growth, due to large gaps in income and wealth between population groups in Israel.[4]

The Contribution of Defense Expenditure

The direct contribution of defense expenditure to normal economic activity. The resources allocated to the defense forces affect the country's ability to defend itself from war and terror and hostile activities, the ability to deter

enemies, and the ability to shorten the duration of wars or limit their damage – for example, in Operation Protective Edge. In spite of the campaign, the Israeli economy ended 2014 with real growth of 2.6 percent, compared to 3.2 percent in 2013. The gap is not large, considering the 50 days of fighting. Presumably without the protection of the Iron Dome system, the cost to the Israeli economy would have been much higher. Figure 4 illustrates the behavior of the capital market during Operation Protective Edge, showing the confidence of the business community in Israel and abroad in the Israeli economy, at least during an incident of this scope. Clearly in the event of a more massive attack, for example by Hizbollah, the challenge will be much more difficult. Therefore, defense expenditure can also be seen not only as a drain on resources in the civilian sector, but as an investment that reduces the country's level of risk and enables the economy to continue operating as well.
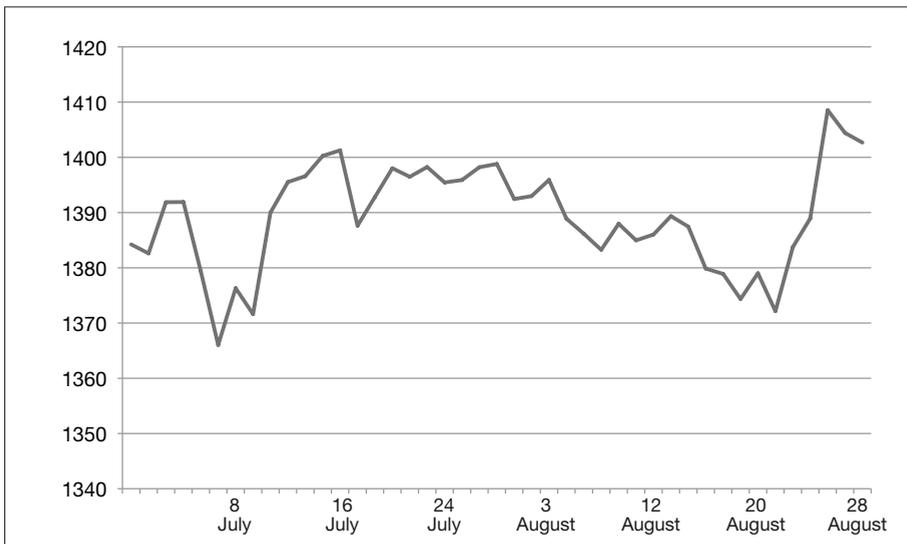
Figure 4. Tel Aviv 25 Index during Operation Protective Edge (July 8-August 26, 2014)
Source: Investing.com

Indirect contribution of the defense establishment to the economy. In addition to defense itself, the defense establishment contributes indirectly to the economy and to society in several ways: cultivation of good work habits,

professional knowledge, and qualities of leadership and excellence; creation of a source of skilled workers, managers, and entrepreneurs; facilitation of start-ups; contribution to technological development and security industries; source of growth in product and exports; and contribution to social integration, education, medicine, employment, settlement, and more. These contributions constitute a considerable addition to national defense for society and the economy, and are not taken into account when the defense budget is determined, except in special cases, such as the relocation of IDF bases to the Negev.

The Defense Budget

According to the state budget book, Israel's "defense budget" is the budget of the Ministry of Defense, plus a few small budget items. The Ministry of Defense budget is the monetary expression of the IDF annual work plan and of the Ministry's departments. The budget also has "non-military" items, such as expenditure on pensions for retired IDF and Ministry personnel, expenses for rehabilitation of the wounded, family support, and commemoration. The Ministry of Defense budget does not include budgets for civilian security organizations, including the Mossad, GSS, and others. The composition of the defense budget is not the same as that of defense consumption, although both include IDF expenditure.[5]

The defense budget includes various categories that affect how it is discussed and planned, as follows:

a. The original net defense budget: the basic defense budget shown in the budget book, including regular United States aid. This serves as the basis for discussion of the coming year's budget.

b. The original gross defense budget includes the original net budget plus "income-dependent expenditure," which is based on additional US aid, over and above the regular aid, and Ministry of Defense income from the sale of equipment, land, services, and so on.

c. Additions to the budget: additional amounts usually given during the year, when it becomes clear that the budget is insufficient for defense needs, or while preparing the budget, when the need is recognized for a one-time additional amount that is not part of the basic budget that was used in calculating the budget for the following year.

"The Proposed State Budget for 2015" (November 2014)[6] states that the net defense budget will be NIS 52.7 billion, and the gross amount will be NIS 64.8 billion (table 2). The latter figure represents 15.6 percent of the total proposed gross defense budget, and 5.8 percent with reference to the Finance Ministry's predicted GDP for 2015. In December 2014 the Ministry of Defense claimed that it needed another NIS 5.6 billion for defense needs in 2015.[7] Apart from the Ministry of Defense, the proposed state budget for 2015 also included an increase from 2014 in the budgets of the Ministries of Education, Health, and Welfare, and an increase in the budget deficit.

Table 2. Defense budget (2013-2015)

		Budget 2013	Budget 2014	Proposed Budget 2015
a	Original net budget (basic budget)	52.5	51.0	52.7
b	Income-dependent expenditure	5.3	6.7	7.8
c	Original gross budget (a + b)	57.8	57.7	60.5
d	One-time addition to net budget[8]	3.5	2*	4.3
e	Addition for income-dependent expenditure	0.6	0.7	0
f	Total gross budget (c + d + e)	61.9	60.4*	64.8

* Without the costs of Operation Protective Edge, amounting to NIS 7 billion.
Source: Finance Ministry, Proposed State Budget for 2015, from November 2014.

The Defense Budget Debate
In 2014, it was evident that the highest military ranks, i.e., the Minister of Defense and the Chief of Staff, were deeply involved in the effort to explain to the government and the Knesset the need to increase the defense budget base. According to the Ministry of Defense, the original defense budget was far from able to meet the country's defense needs, and therefore each year an additional amount was needed, even without any exceptional events requiring a special supplement. For example, it was reported that in the original defense budget for 2014, the items for funding the army, its activity, and training amounted to only NIS 26 billion. The remaining Ministry of Defense budget was allocated to items that do not allow any flexibility in use by the

IDF, including: military procurement with aid money, special means, taxes, and Ministry of Defense headquarters, as well as payments to pensioners, rehabilitation of the wounded, support for families, and commemoration.[9] Pension costs, for example, are an obligation of the Ministry of Defense, anchored in agreements to which the Ministry is a party. With these figures it is hard for the IDF to build additional capabilities enabling it to provide more defense, and it is even forced to make cuts in ground forces reserve units that could be very important in the event of large scale wars.

It is the Finance Ministry's job to coordinate the work of preparing the state budget, and it is the government's job to allocate budgets for the various ministries according to its priorities, until there is a budget deficit acceptable to the government. However, in practice the Finance Ministry assumes the task of limiting the defense budget. It has the tools and powers to review the financial requests of the Ministry of Defense in terms of pricing and to propose certain efficiency measures. At the same time, the Ministry of Finance does not have the authority or the tools to recommend the size of the defense budget because it is not familiar with the details of the defense challenge and how to confront it. Although the total expenditure of the civilian ministries is far higher, and they too are required to make efficiency savings, they do not seem to engage in the same annual struggle with the Finance Ministry. Why then does the Finance Ministry focus on the Ministry of Defense? Is it not overstepping its function and entering the sphere of political decision making?

Essence of the debate. The defense budget is mainly the monetary expression of the IDF work plan. The Finance Ministry does not have the tools to examine it, and this is not its job. As such, the debate between the Finance Ministry and the Defense Ministry is not an in-depth discussion of the budget, the plans behind it, and the larger questions about building and maintaining a force, for example: how much money should Israel invest in building attack capability against Iran's nuclear program? Can Israel allow itself to limit its reservist land forces? Should Israel increase the number of Iron Dome batteries? What should be added to military capabilities and what can be given up? Rather, the Finance Ministry focuses on the issues within its general purview, such as budget taxes and the subject of IDF salaries and pensions. While it is certainly important to examine these issues as part of

in the field of defense. The solution requires close cooperation between the ministries, but in fact they have developed strong mutual mistrust. In June 2012, for example, Finance Ministry Accountant General Michal Abadi-Boiangiu said, "I see the Ministry of Defense as a partner. In recent months, important work has been done, but the process of building trust between the Finance Ministry and the Defense Ministry will take a lot more time."[11] It appears that since then relations have actually worsened. As a rule, the ministerial rank does not make sufficient effort to resolve this problematic relationship, which perhaps to some extent relieves it of the need to decide about security risks.

Conduct of the debate. It appears that the "debate" that is supposed to take place only in meeting rooms has become public – whether done openly or through leaks, making use of selective or biased information, and not necessarily by virtue of "the public's right to know." The impression is that it has become a struggle for prestige, using tactics to embarrass the other side and undermine its credibility with the public and the political system; and ultimately, to create public pressure, which could be interpreted as an effort to impose the position of the professional level on the elected political level. Such an open exchange between Finance and Defense officials is unheard of elsewhere in the world.

This dynamic is harmful to everyone. The public sees that this is not a professional dispute, and the impression is that the Ministries are engaged in a process of bargaining, each disclosing data that supports its position. In fact, nearly every year the planned budget approved for the Ministry of Defense is far less than its needs, apparently to the Finance Minstry's satisfaction, but during the year this budget becomes irrelevant, and Defense receives a large additional budget – a matter of routine. This makes the public and the Knesset wonder about the quality of planning and performance of the original budget.[12] Clearly there is a significant economic price for such swings, and a heavy price in terms of public confidence in governance (the ability to manage state affairs) in Israel.

The latest crisis. The traditional dispute between the Finance Ministry and the Defense Ministry over the defense budget rose a notch in 2013. Following cuts in the defense budget for 2014, as decided in 2013, the defense establishment took steps to reduce costs, including the dismantlement

of ground forces reservist units. In May 2014 the IDF announced that due to lack of funds it had stopped various activities, including training for reservists. The IDF spokesman explained that "the work plan for 2014 was drawn up responsibly for the tasks and the size of the army, as approved in October 2013 by the Cabinet and in January 2014 by the Foreign Affairs and Defense Committee." He said that throughout the process, the military had presented the implications of approving a work plan with a lack of funding for all the relevant functions. He clarified that in May "the IDF would reach a point when difficult decisions would be necessary."[13] In May 2014, Chief of Staff Lt. Gen. Benny Gantz said: "We are dealing with a resource challenge more complex than anything we have known in the past, and there may be dramatic consequences for the IDF…At present we are being forced to make painful decisions, that affect all the systems, all areas – the reserves and the regular forces, training, and work in the field and at home. The country has clear priorities; we in Defense have already taken the most possible risks…I am concerned for our present fitness and very worried about future directions."[14] In June 2014 agreement was reached between the Finance Ministry and the Defense Ministry, whereby funds would be transferred to Defense to continue regular activities. In July 2014, however, Israel launched Operation Protective Edge.

Operation Protective Edge increased the gap in the state budget, and a dispute followed over the cost. The Defense Ministry claimed that Operation Protective Edge cost NIS 9 billion, while the Finance Ministry claimed the cost was NIS 5 billion. Ultimately it was decided that the cost was NIS 7 billion. Why was there such a large gap? According to published reports, this is apparently in part a question of the different accounting and pricing rules used by the parties. For example, should the IDF be credited with the cost of ammunition used or its current price? Should training and field security exercises that were not held because of the fighting be deducted from the 2014 budget, or should they be rolled over to the next financial year? When implementing the lessons of the campaign, some funding was required to resolve the threat of the attack tunnels and to strengthen means of defense, such as Merkava tanks and the Trophy Armored Shield Protection systems against anti-aircraft missiles. At a government meeting on August 31, 2014, Prime Minister Benjamin Netanyahu stated the order

of priorities: "We must make up the deficits in the defense system, to reflect our understanding that security comes before everything…This requires us to buckle down and enable the IDF, the GSS, and the other security forces to defend Israel effectively."[15]

In early September 2014, Minister of Defense Moshe Ya'alon said that in order to maintain Israel's military superiority, the defense budget for 2015 had to be increased: "Harming the defense budget, and as a result, research, development, and procurement, will take the State of Israel down to depths that it should never reach.. It is impossible to demand a trained, skilled army, with defensive and offensive technological capabilities of the first order, and at the same time tie its hands."[16] Finance Minister Yair Lapid said: "There is a professional discussion with the defense establishment. The discussion on the defense budget is a discussion of the State budget. It's all the same money. The same money has to be used for education, health, and welfare."[17]

In October 2014 the government authorized an additional NIS 6 billion for the defense budget for 2015. Yet even after the budget was approved, a fierce dispute broke out in the Cabinet between the parties, where the Defense Minister revealed that most of the additional funding was a one-time allocation, and that the budget items that the Finance Ministry had undertaken to fund outside the defense budget (such as the IDF move to the Negev) had been assigned to the proposed defense budget for 2015. After receiving the additional budget, the IDF began 2015 in an orderly manner.

The Locker Commission to examine the defense budget. In mid-2014 the commission to examine the defense budget led by Maj. Gen. (ret.) Yochanan Locker began work on a proposed outline for determining the long term defense budget. The Defense cabinet decided to establish the commission in October 2013, following disagreements between the Defense and Finance Ministries; in addition, some Cabinet members claimed that the conclusions of the Brodet Commission of 2007 were no longer relevant.[18] The Locker Commission is due to submit its conclusions in the coming months, and this may influence the defense budget for 2016 onwards.

Conclusion and Recommendations

As a rule, there is a long term trend of decrease in the defense burden on the economy and the priority given to defense with regard to resources in

relation to the civilian sector. Thus, the defense expenditure is not a dominant factor in the social-economic difficulties. Taking account of an assessment of the security situation and cost/benefit considerations, it appears there is no reason for a significant cut in defense expenditure. Such cuts could involve a significant increase in risks, while the amounts saved would not lead to a significant rise in the standard of living and investments in Israel.

There is no in-depth professional discussion of the defense budget between the Finance Ministry and the Defense Ministry. In fact, outside the Defense Ministry there is no serious examination of the assumptions and IDF work plans that are the basis of the budget. Hence, what is needed now is to create a proper process whereby planned defense expenditure will be decided based on considerations of both defense needs and civilian needs, with the government taking responsibility for the calculated risks involved.

Therefore, it is recommended that:

a. The precise roles of all parties involved in preparing the defense budget be defined. This should include the following clarifications:

- The government has full responsibility for determining the defense budget. The budget should reflect the level of security risk that the government is willing to incur, taking into account security threats and other national needs. The decision should not be made by the Defense Ministry, and certainly not by the Finance Ministry, or even as a compromise between them.

- The role of the defense system is to present data, assessments, proposals, and prioritized options, based on the understanding that some of the requests will not be granted.

- The role of the Finance Ministry is to present an assessment of economic resources for the entire national budget, the significance of the budget deficit for the economy, and proposals for greater efficiency. In addition, it must coordinate preparation of the state budget, supervise its implementation, and review the outcomes and further demands of the Defense Ministry. It is important for the professional level in the Finance Ministry to distinguish between their professional responsibility and their opinions on the distribution of resources in the state budget, which is a matter for politicians to decide.

- The National Security Staff should be charged with coordinating preparation of the discussion on the defense budget, ready for approval by the government.
- Public wrangling between the professional ranks in the Finance and Defense Ministries should be avoided.

b. A common language be defined:
- Draw up a procedure for preparing the defense budget, including clear concepts, accounting rules, and one mutually accepted database for discussing the budget.
- Define criteria for discussing and determining the defense budget: for example, the government should base its decisions on assessments of security risks, ways and means of reducing them, the physical, technological, and operational depreciation of the defense establishment, changes in economic sources available to the state, and so on. It would be best to separate the debate on the IDF budget from the discussion of non-military items in the Defense Ministry budget, e.g., state obligations to former members of the defense establishment.
- Simplify presentation of the defense budget in the state budget booklet: all concepts used in the budget must be defined (for example, "the actual defense budget").

c. It is better to define a realistic budget in advance, rather than grant supplements each year. There should also be a definition of the terms and circumstances in which the army may receive additional budgets.

d. It is proposed that the defense establishment and the National Security Staff present the government with budget options in the form of possible defense baskets, in terms of defense capabilities and outputs. For each basket of services, they should clarify which security scenarios it meets (for example, the ability to wage war against Hizbollah and Hamas) and which scenarios it does not meet, whether fully or in part. Each basket will represent a possible level of defense budget. Part of the military ability in a basket will be at the level of immediate readiness, and part at a low level of readiness, that will constitute a realistic option for building the force and shortening response times if certain risks materialize. From this defense menu (the range of baskets), the government will select that basket that is closest to its understanding of security needs and its

willingness to take risks. This method will require the government to decide not only on the size of defense budgets but also on their content.

e. Prepare and update a long term plan, based on a security perception: while the ability to plan for the long term has declined due to geopolitical changes in the region and rapid technological advances worldwide, the process of building military strength requires a long term work plan, which will be the basis of a defense budget for several years. The proposal is to examine the option of changing to a three year plan for the IDF (instead of the five year plan, which in any case is not approved), where longer projects will continue into the next three year period. The plan should be reviewed and updated each year, so that there is always an up-to-date three year plan. In order to increase the room for maneuver by decision makers, projects will be classified by order of priority, so that implementation of projects can be adjusted to developments in resources.

Notes

1 Defense consumption is not identical to the defense budget, although the two amounts are not very different in size. Both include IDF expenditure, but each has an extra element not found in the other. Defense consumption includes the costs of the GSS and the Mossad (not in the planned defense budget). The defense budget also includes the costs of pensions for IDF and Ministry of Defense retirees, and the costs of rehabilitating the wounded, support for families, and commemoration. Defense consumption includes a credit for contributions to pensions only for those in active service. The actual defense budget (performance data) is not the same as the items in the planned defense budget, so it is hard to make a precise comparison between planned and actual. Defense consumption reflects a better picture of direct defense costs.

2 National accounting figures for 2014 in the article are based on primary data from the Central Bureau of Statistics.

3 Motti Basok, "Ya'alon Warns: Harming the Defense Budget Will Harm Israel," *The Marker*, September 6, 2014, http://www.themarker.com/news/1.2426054.

4 Shlomo Swirsky, Etti Connor-Attrias, Emma Rapoport, "Social Situation Assessment 2014," Adva Center, January 11, 2015, p. 22, http://www.adva.org/default.asp?pageid=1001&itmid=836.

5 See note 1.

6 Source: "Proposed State Budget for 2015" booklet, pp. 87-91, Ministry of Finance, November 2014. As of the time of writing (January 2015), the proposal

is not valid, given the forthcoming elections, but it is indicative of trends and decision making. Until a new state budget is approved, the various ministries are supposed to operate on a monthly basis, according to the allocation in the state budget for 2014.

7   Motti Basok, "A Good Time for Opportunists," *The Marker*, December 7, 2014, http://www.themarker.com/news/politics/1.2505445.

8   Total additional amounts given during the budget year in 2013 and 2014, and a one-time addition recorded in the general reserve when preparing the budget for 2015.

9   Yoav Zeitun, "Director General of the Ministry of Defense: 'We Don't Have Any Excess,'" *Ynet*, May 26, 2014, http://www.ynet.co.il/articles/0,7340,L-4524061,00. html.

10 Ibid.; Eliezer Schwartz, "How the Security Budget is Drafted, and Means of Seuprvision," presented to the Knesset Finance Committee, October 31, 2011, http://www.knesset.gov.il/mmm/data/pdf/m02945.pdf.

11 Ram Ozeri, "Abadi-Boiangiu: Our Crowning Achievement – Transparency in the Security Budget," *The Marker*, June 26, 2012, http://www.themarker.com/markets/1.1740826.

12 Yitzhak Sporta and Maharan Prozenper (financial advisor to the former Chief of Staff), "Closing the Account," Channel 2, September 5, 2014.

13 Yoav Zeitun, "The Budget Battle Takes Off: Training Flights are Grounded," *Ynet*, June 1, 2014, http://www.ynet.co.il/articles/0,7340,L-4525426,00.html.

14 Elad Halperin, "Due to Budget Constraints: All Reserve Trraining to be Stopped," IDF website, May 19, 2014, http://www.idf.il/1133-20727-he/Dover.aspx.

15 Amir Tibon, "Netanyahu on Cuts in the Budget: 'Security before Everything,'" *Walla*, August 31, 2014, http://news.walla.co.il/?w=/9/2781016.

16 Basok, "Ya'alon Warns: Harming the Security Budget will Harm Israel."

17 Television interview with Channel 2, September 3, 2014.

18 Motti Basok, "They Aren't Waiting for Locker: The Security Establishment Demands an Extra 4 Billion Shekels," *The Marker*, April 1, 2014, http://www.themarker.com/news/1.2286033.

Conclusion:
From Strategic Stalemate to Strategic Initiative

Shlomo Brom, Udi Dekel, and Anat Kurz

The end of 2014 witnessed a change in Israel's regional status and discredited one of Israel's fundamental policy assumptions – that it is possible to stand on the sidelines and build a protective wall to prevent the spillover of regional unrest into its borders. Operation Protective Edge in Gaza; the rise of "lone wolf" terror activity in the West Bank; clashes between Palestinians and Israeli security forces and civilians on the Temple Mount; the formation of the Islamic State in the ISIS-occupied areas of Iraq and Syria; the inspiration that the group provides for jihadist groups and individuals throughout the Middle East; the discovery of ISIS-loyal jihad organizations and cells within Israel and near its borders – all these attest to the need to formulate an updated policy in line with local and regional trends and developments.

In contrast with assessments sounded last year, whereby 2014 would see significant developments in the two main issues on Israel's national security agenda – the P5+1-Iran nuclear negotiations and Israel-Palestinian negotiations – the year ended without marking any change on these fronts: the status quo in the Iran negotiations continued, and the Israeli-Palestinian negotiations were totally frozen. However, other surprising developments occurred over the course of 2014, led by the escalation between Hamas and Israel culminating in a war, and the conquests by ISIS and its expanded

This chapter was formulated in conjunction with Maj. Gen. (ret.) Amos Yadlin.

influence. Moreover, the absence of an endgame continues to characterize the regional upheavals, especially the Syrian civil war, the recurring losses of the Iraqi army to ISIS forces, and the continued lack of stability and near-crumbling of the state framework in Libya and Yemen.

Against this backdrop of environmental shockwaves, doubts arise regarding the validity and effectiveness of Israeli policy, which in recent years has sought to preserve the status quo and work toward minimizing risks in the face of turbulent, unstable, and threatening surroundings. To be sure, it might be claimed with some level of satisfaction that Israel has scored another year of survival and minimized risk. However, an alternative approach, devised in recent years at the Institute for National Security Studies on the basis of thought and multi-disciplinary research, calls for political proactivism with an emphasis on the identification and realization of opportunities that will help improve Israel's strategic position. This improvement would be accompanied by increased chances of achieving peace without compromising vital security interests.

The first part of this chapter surveys the central developments in Israel's strategic environment of the past year; the second part presents recommendations for a proactive and comprehensive policy.

2014: Strategic Stalemate on All Fronts?

The Political Campaign to Prevent an Iranian Nuclear Capability

A potential existential threat to the State of Israel is the combination of the radical regime in Iran, which calls for wiping Israel off the map, and its possession of a military nuclear capability. The Iranian nuclear program is currently in a frozen state, following the understandings reached between Iran and the P5+1 incorporated into an interim agreement achieved in November 2013. Concerns voiced in Israel as to Iranian violation of the interim agreement and the collapse of the sanctions regime leveled on Iran in the wake of the sanctions relief included in the interim agreement were proven unfounded. In November 2014, even the government of Israel preferred the extension of the interim agreement and continuation of talks with Iran over the possibility of the collapse of the talks, and certainly over the conclusion of a "bad agreement." For now, the economic pressure on Iran continues; Iran's economy, though it has not collapsed and apparently

is not close to collapse, has encountered substantial difficulties and is in an ongoing state of crisis. Joining this is the challenge to the Iranian economy caused by the significant drop in oil prices. However, failure to achieve a final agreement means that Iran remains just a few months away from a breakout to a nuclear bomb. Although Iran and the P5+1 are eager to reach an agreement, deep and complicated gaps remain between the respective positions.

Iran is interested in maintaining its hold on its nuclear achievements – the infrastructure and materials in its possession that define it as a threshold nuclear state. At the same time, it aims for an immediate and complete removal of economic sanctions; its objective is to achieve a short term agreement that includes minimal verification measures and processes. The P5+1, on the other hand, despite their eagerness to remove the Iranian nuclear issue from the international agenda and perhaps even to find in Iran a partner in the war against ISIS and efforts to stabilize the Middle East, will not be prepared to compromise on an agreement that would not present significant obstacles to Iran's progress toward completion of its nuclear program, and that would not distance Iran from this goal for a period of at least one year. Thus, the P5+1 insisted on the need to extend the period of time that would be required for Iran to produce a nuclear weapon, reduce Iran's capabilities of uranium enrichment and plutonium production, remove already enriched nuclear material from Iran, close sites with military potential, and overall, deny Iran capabilities to continue nuclear weapons development activities.

The world powers further insisted on a binding long term agreement with intrusive verification and maximum transparency. From their perspective, the sanctions would not be repealed immediately, before it was clear that Iran was in fact rolling back its nuclear program. Twice over the course of 2014 it was decided to extend the interim agreement and continue the talks, and even then – and as of this writing – no solution has taken shape that would satisfy the minimum requirements of the two sides. Consequently, this is apparently a strategic stalemate: Iran has stopped its progress toward the bomb and is making sure to uphold its commitments as mandated by the interim agreement. But if the international community grants long term legitimacy to this status, it will create an extremely problematic situation whereby Iran

remains a nuclear threshold state that can benefit from its threatening ability to acquire nuclear weapons in a relatively short time frame.

The Palestinian Arena

The government of Israel has not succeeded in preserving the status quo in the Palestinian arena, and instead there has been clear backward movement in efforts to promote peace. The political process is frozen; there has been an escalation in the territories, although without the outbreak of a third intifada; there is a strategic stalemate in the conflict between Israel and Hamas in the wake of Operation Protective Edge in the Gaza Strip; there is no apparent solution to the problems of Gaza and the fear that the "pressure cooker" in the Strip will explode again; and there is an acceleration of the "political intifada" waged by the Palestinian Authority against Israel.

April 2014 saw the final failure of John Kerry's ambitious effort involving another round of talks between Israel and the Palestinians, with the goal of making significant progress toward a final status agreement. Political contact between the sides was cut off, and the political process entered a deep freeze. The problematic nature of this situation was demonstrated by the renewed attempt, albeit unsuccessful, of PA chairman Mahmoud Abbas to promote reconciliation with Hamas, as well as by the PA's increased efforts to apply pressure on Israel through unilateral political moves in the international arena while bypassing negotiations. In light of these developments, Israel found itself with a nearly empty political toolbox, without any ability to influence the moves made by PLO and PA leaders. Israel's response to the Palestinian moves – expanded construction in West Bank settlements and the refusal to transfer the tax revenues it collects for the PA – was essentially an "own goal," as such steps are considered unacceptable by the international community and only serve to provoke negative sentiments against Israel. In addition, these measures threaten the existence of the Palestinian Authority, and this threat runs counter to Israeli interests. The critical reaction to these steps attested to a deterioration in Israel's international standing.

Israel's military campaign in the summer of 2014 against Hamas concluded without definitive strategic achievements. In essence, Israel found itself back at the starting point – the Hamas regime in the Gaza Strip remained intact with Gaza under a political and economic siege, which in turn increases the

likelihood that the cumulative frustration among the ranks of Hamas and the Gaza population will prompt the outbreak of a new round of conflict with Israel. Despite the 50 days of warfare waged by Israel against Hamas, the campaign ended with no real change in the political balance of power. Hamas was hit hard and saw the failure of its two leading military capabilities, the rocket campaign and the tunnel offensive: the Iron Dome system thwarted the rocket barrages, and the tunnel network built by the organization under the Gaza Strip border was destroyed by IDF forces. Nevertheless, the PA was forced to recognize its inability, under the current circumstances, to renew its hold over the Gaza Strip. Hamas remains the ruling force in Gaza, and has once again begun to rearm. Moreover, the Hamas regime in Gaza has attained a certain degree of political legitimacy, even from Israel, which conducted indirect talks with it (through Egyptian mediation) and marked it as the address responsible for the Gaza Strip, opting for what Jerusalem deems is the least unattractive option.

As of early 2015, threats of a severe escalation on the Palestinian front were not realized: the attempts led by Hamas to incite an intifada in PA territories in the West Bank and Jerusalem were unsuccessful, despite the rise in tensions between Israel and the Palestinians during the fighting in Gaza, and despite the impression that the two sides are on the threshold of a "religious war." On the other hand, the PA's efforts to conduct a "political intifada" are gaining traction. The Palestinians have been encouraged by the symbolic recognition of a Palestinian state by European governments and parliaments, Palestinian membership in EU institutions, and the accession of Palestine, which in 2012 was recognized by the UN General Assembly as a nonmember observer state, to the Rome Statute – a move that grants it the right to lodge complaints against Israelis at the International Criminal Court (ICC).

The PA's choice of a legal struggle in the international arena against Israel focusing on accusations of crimes against Palestinians is expected to develop at a slow and measured pace in accordance with the general functioning of international law and justice systems. True, the PA failed in its attempt to pass a resolution it submitted to the UN Security Council, which mandated Israeli withdrawal from the West Bank and a return to the June 4, 1967 lines by the end of 2017. Still, the story will not end here. The

PA has indicated that it does not intend to abandon the political-diplomatic arena, and additional moves are expected by the PA and other international elements in UN institutions and other forums. Such moves will present Israel with the challenge of formulating an effective response within the context of a comprehensive political strategy.

The Northern Arena

The bloody civil war in Syria is likewise at a kind of strategic stalemate between Bashar al-Assad's regime, which is supported – to the point of being controlled – by Iran and assisted by Hizbollah, and the numerous various opposition organizations. The Assad regime continued this past year to enjoy extensive assistance from Russia, as well as Iran, Iraq, and Hizbollah, including economic aid and weapons supplies. The Hizbollah forces and Shiite Iraqi militias are involved militarily in the fighting. This aid is the key to the Assad regime's ability to maintain a stable line of defense for "lesser Syria" – the territories that remain under his control – and to preserve his regime even after four years of fighting, which has cost the lives of nearly 250,000 victims. Moreover, some 10 million residents of Syria have been forced to leave their homes, and some 3.5 million have become refugees in exile.

While Assad's forces have maintained their hold over Damascus and the areas where Alawite populations live, and have even succeeded in driving out the rebels from territories settled by Sunnis that connect between these areas, the power of the various Sunni rebel organizations has increased throughout extensive regions of the country. The borders between these regions controlled by different forces are dynamic and disputed, even though a rather stable status quo has taken shape among the rival forces. Over the course of 2014, a change developed in the Golan Heights. Alongside Hizbollah, which enjoys direct Iranian support, Jabhat al-Nusra, an affiliate of al-Qaeda, penetrated the political vacuum. These organizations assist the regime by fighting in this region, and threaten to expand the conflict arena with Israel and damage Israel's efforts to form collaborative partnerships with Syrian opposition elements that oppose the Assad regime while not being supporters or partners of ISIS or other jihadist organizations.

The Great Surprise: The Rise of Islamic State (ISIS)

The rise of the brutal radical jihadi organization known as Islamic State was the greatest surprise of 2014. Few foresaw the scope of this phenomenon and its geographic and media dimensions. A comprehensive and sophisticated plan formulated by the group included the establishment of strongholds in Sunni regions of Syria and Iraq. The organizational infrastructure that was prepared enabled the group's forces to conquer extensive Sunni territory from the Iraqi army in Sunni regions in the country's northwest, and from Assad and opposition forces in the northeast of Syria. Rapid progress by ISIS and the retreat of the Shiite Iraqi army forces, along with an innovative strategy involving social media and the distribution of terrifying video clips documenting the beheadings of captive Western journalists by the organization, made waves throughout the world and prompted the formation of a broad military coalition led by the US, whose purpose was to stop the strengthening and spread of ISIS.

The ISIS momentum in taking over extensive territories was halted in late 2014, but by then the organization, in accordance with its new name, Islamic State, had turned to consolidation of its governance and establishment of an Islamic state-like entity within its territory. In tandem, it expanded its presence throughout the Arab world, convincing many Salafist jihadi groups and organizations to declare loyalty and join its ranks. To be sure, the international coalition led by the US has helped stop the ISIS campaign and has damaged its financial channels – especially its oil exports. Nevertheless, as of early 2015, the coalition forces have not managed to "defeat" the organization, i.e., it has failed to advance and realize the long term strategic goal it set for itself as announced by President Barack Obama. Thus, here too a state of strategic stalemate, between the coalition and ISIS, can be identified.

For its part, Israel cooperates with the coalition while keeping a low profile by providing intelligence assistance. However, an opportunity to take a greater part in the joint effort against ISIS has thus far been avoided. The changes that have taken place in the Middle East in recent years have created a window of opportunity that could potentially interrupt the familiar dynamic whereby Israel finds itself outside of regional coalitions, and enable it to participate in a more active and overt manner in the struggle. Israel could have deepened ties with pragmatic-moderate forces in its regional

environment. This opportunity, however, was not seized because Israel did not buy its "ticket of admission" to the regional front – progress in the political process with the Palestinians and recognition of the Arab Peace Initiative as a framework for dialogue between Israel and the pragmatic Arab world.

In light of the Syrian military's dramatic weakening due to its involvement in the civil war, Hizbollah remains the most significant threat in Israel's northern arena. Nevertheless, for a number of years Hizbollah itself has been actively and directly involved in the Syrian civil war. Against this background, and especially due to its involvement alongside Assad's forces in the slaughter of Syrian civilians, Hizbollah has become the object of criticism in the Arab-Sunni world, particularly in Lebanon, and it has lost the broad support that it once enjoyed in the Arab-Sunni street. The enlistment of the organization in the fight alongside Assad's army has battered its image as "defender of Lebanon," an image that it had worked for years to build, and has strengthened its appearance as an ethnic element given to external influences. On the other hand, when Hizbollah fought on Lebanon's eastern border in an effort to halt the forward progress of ISIS and Jabhat al-Nusra from Syria into Lebanon itself, it won the close cooperation of the Lebanese government and was perceived as the only entity that could stop the spillover of radical Sunni Islam into the country.

While as a result of Iran's economic crisis Hizbollah has experienced a certain reduction in budget, it still continues its process of armament, which constitutes a direct threat to Israel. Thus in 2014, after more than seven quiet years following the Second Lebanon War, the first signs were seen of the weakening of Israeli deterrence against Hizbollah, particularly in the wake of the organization's assessment that Israel is working to expand its freedom of action and thereby change the "rules of the game" that took shape over the years. Consequently, there is increased potential for military confrontation between Hizbollah and Israel in 2015.

Israel-Egypt Relations
It is clear that relations between Israel and Egypt have gradually improved over the course of 2014, particularly following Operation Protective Edge. The election of Abdel Fattah el-Sisi as President of Egypt and his decision to intensify the political campaign against the Muslim Brotherhood and

the violence and terrorist activity of Islamic radicals has left Hamas in an unprecedented position of inferiority and isolation. The Egyptian decision to create a security strip of 1-2 km at the Rafah border blocked the smuggling tunnels in this region, and cut off one of Hamas' main sources of funding and one of its main channels of empowerment. The support of Qatar for the Muslim Brotherhood, and especially for Hamas after senior organization officials were expelled from Egypt and from its Syrian headquarters, created much tension between the wealthy oil emirate and its neighbors in the Gulf Cooperation Council (GCC) and Egypt. Qatar's decision to reduce its support for the Muslim Brotherhood and Hamas – a result of concentrated inter-Arab pressure – added another dimension to Hamas' distress.

The converging Egyptian and Israeli interests in coping with Hamas and jihadist terror create opportunities for military and intelligence cooperation and for collaboration in fighting terror. Nevertheless, the cooperation does not expand into economic and civil realms, and instead assumes the traditional form of covert dialogue between leaders and low profile joint activities. Interestingly, though, it is specifically the issue of Gaza that may potentially create distance between Sisi's Egypt, which would like to see the collapse of the Hamas government and have Gaza restored to PA rule, and the current government of Israel, which sees Hamas as the lesser evil and the responsible party for the Strip, and thus avoids any measures that might enhance PA President Abbas.

Energy and the Price of Oil

A further development that surprised the Middle East and relevant international actors was the dramatic drop in oil prices. The combination of a continual increase in the pace of US oil production by fracking, slower growth in China, the transition to use of natural gas, and above all, the decision of Saudi Arabia – forced upon OPEC – not to restrict the pace of oil production, brought about a sharp drop in prices in 2014, over 50 percent, with prices ranging between $50-70 per barrel. The Saudi decision not to reduce output stemmed first and foremost from a drive to preserve the kingdom's market share in the "seller's market," and from the desire to make it difficult for Iran to cope with its economic crisis and thus coerce it to compromise on the nuclear issue. In addition, Saudi Arabia sought to use a flooding of the

market and reduction in prices to make the situation more difficult for the American fracking industry.

The drop in oil prices is expected to create further difficulties for the Iranian economy, which in any case is in distress due to the international sanctions imposed against it. Russia too will be harmed by this development in the oil market, as the sanctions leveled against it because of its conduct in Ukraine have already harmed its economy. In contrast, in the Israeli context, in principle this is an economic and political blessing. However, the radical nature of the change also possesses potential for instability, especially the danger that Russia or Iran will raise oil prices with the goal of shocking the markets.

Prescription for 2015: Security Toughness and Political Moderation

The challenges of 2014 will continue to characterize Israel's strategic situation in 2015. These challenges are led by the Iranian nuclear issue; the conflict with the Palestinians – in regard to both the political arena and terror, especially following the rise of "lone wolf" activity, and due to the potential for another war in the Gaza Strip; the danger of escalation with Hizbollah on the northern front; and the expansion of Islamic State influence in the region. Therefore, Israel must remain alert, try to identify the emergent challenging developments, and devise appropriate responses.

Given the tremendous potential for destruction caused by nuclear weapons, in addition to the strategic advantage that nuclear arms grant any country that possesses them, the danger of Iran armed with nuclear weapons is the central strategic challenge facing Israel. Despite many signs that the government of Iranian President Hassan Rouhani symbolizes a process of change in the internal Iranian scene, it is not clear to what extent this process is significant and whether the "moderate" faction in Iran has the power to change the confrontational, uncompromising path charted by Supreme Leader Ali Khamenei. In early 2015, talks between the P5+1 and Iran were still underway, with the purpose of finding a diplomatic solution to the Iranian nuclear crisis. These talks are expected to continue until the deadline set for the conclusion of the negotiations in late June 2015. In this context, Israel must continue to work in close cooperation with its allies in order to ensure

that no "bad deal" is signed with Iran. In the event that talks collapse, Israel must continue building the strategic option of preventing an attempt on the part of Iran to break out to a nuclear capability. At the same time, Israel must improve its preparedness for an escalation with Iran's proxies in the region, first and foremost Hizbollah.

Regarding the Palestinian front, a fourth round of military confrontation with Israel is not in Hamas' interest, because in the war of July-August 2014, its capabilities and means – through which it could have delivered a strategic blow to Israel – suffered a severe setback. This conflict was not planned by Hamas, and it appears that both Hamas and Israel were dragged into it without intentional design. Israel must prepare itself for another round that will occur if Hamas loses its ability to govern the Gaza Strip and rein in jihad elements that feel no responsibility or commitment toward the welfare of Gaza's civilian population.

If another round of conflict takes place, the IDF will need to win the campaign in a clearer fashion and in a shorter amount of time, while inflicting a more severe blow on Hamas' military wing and creating conditions for a better post-conflict resolution. The IDF must learn the lessons of Operation Protective Edge and improve its abilities in areas of intelligence, use of firepower, ground maneuvering, initiatives, and the ability to strike the main elements of Hamas' military power. It is important to conduct a thorough examination of the IDF's latest operational approach against an enemy that is a semi-state actor. Israel must confirm its response capability in the changing warfare environment and its ability to create conditions for an effective resolution focusing mainly on preventing Hamas from rearming.

An even greater risk for Israel and the Palestinian arena stems from the PA's political moves in Europe and international organizations – mainly the UN and the International Criminal Court. It is a near certainty that a weighty political-diplomatic struggle will play out over the course of 2015 in these arenas. The government of Israel that will be formed following the elections of March 2015 will have to present an ambitious political plan to promote the political process with the Palestinians and shape a reality of two states for two peoples. In addition, it should establish a multi-disciplinary authority responsible for building a multi-year plan for management of the diplomatic, military, legal, media, and economic campaigns, while synchronizing and

taking full advantage of all the joint efforts. The Foreign Ministry must also improve the response to delegitimization and boycott campaigns against Israel, promote strong political and diplomatic measures, and prepare to engage in the legal campaign against Israel, not only from the defense table, but also from the prosecutor's seat.

Just as in the response to the security threat, so too in the political campaign initiative is the best defense. Thus, Israel must once again take the initiative and lead an extensive political move to settle the conflict with the Palestinians. It must place the strategic objective of a Jewish, democratic, and secure state on the agenda, clearly and explicitly, and it must pursue every means to achieve this goal.

One way for Israel to move forward toward realization of this objective is based on the concept of "recalculating the route" – outlined in the chapter above by this title. On the basis of this concept, Israel would initiate simultaneous movement down a number of routes, all of which will lead to the goal of two states for two peoples: a bilateral route with the Palestinians involving negotiations for a final status agreement; a bilateral route with the Palestinians for creating transitional arrangements; a regional route in partnership with moderate Arab nations based on the Arab Peace Initiative; and an independent route in which Israel will shape borders and security arrangements on its own and with maximum coordination with the international community. Continual progress toward the destination is essential, and thus a means must be formed to change routes or progress along them simultaneously. The guiding principle must be security toughness and political moderation. While Israel cannot compromise on its security and the security of its citizens, it can present a moderate approach on a political level, which will be expressed through its willingness to agree to compromises on its way toward the defined national destination.

On the northern front, Israel must be ready for a conflict with Hizbollah, which will be aided by Iran. Here too, the political echelon must discuss and define clearly the objectives of the conflict, should it take place, and the military and political routes for achieving the strategic end in this conflict. It is important to plan and train for a campaign where a very severe blow will be inflicted on Hizbollah and its military capabilities, along with the weakening, to the extent possible, of its ability to function on the day after

the Assad regime in Syria. In addition, Israel must reexamine the assumption that stability along the Israel-Syria border, which for years was guaranteed by the stability of the Assad regime, is indeed preferable to the toppling of the regime and the takeover of the country by Sunni opposition elements – even if a development in this direction would involve great uncertainty. The toppling of the Assad regime and the founding of a Sunni regime in Syria would sever the radical Shiite-Alawite-Hizbollah axis, and any radical Shiite coalition without Syria would be significantly weakened. As such, its threat against Israel would be reduced. To accomplish this, Israel must single out moderate Sunni elements and Druze, Christian, and Kurdish minorities, and cooperate with them in preparation for the day after Assad.

The stalemate in the Syrian civil war and the struggle against ISIS positions Turkey as a key player with the ability to break the deadlock between the two problematic sides in Syria. Indeed, it appears that Turkey is the only country in the region that has the capability of employing significant military ground forces that would hasten the fall of the Assad regime and deliver a severe blow to ISIS forces. For its part, Turkey conditioned its ground involvement in Syria on the Kurds not being granted an independent state, and on the US acting to replace the Assad regime. The odds of improved relations between Israel and Turkey remain extremely low as long as President Recep Tayyip Erdogan holds power. Nevertheless, Turkey's unique geopolitical status grants it a central role in the struggle versus the two challenges – ISIS and the Shiite coalition led by Iran. Therefore, the enlistment of Turkey in the confrontation against ISIS and the Shiite coalition is vital for the promotion of Israel's interests in these contexts. Moreover, Israel and Turkey have close economic ties, and there are still elements in Turkey, including within the ruling party, whose concept of relations with Israel is different from Erdogan's.

The United States is Israel's most important ally. Over the course of 2014, the problematic nature of the idea that Israel rely on other powers became all the clearer. Those who seek a replacement for the US fail to read the political and security picture correctly: China and Russia have never used their veto in the UN Security Council for any proposed anti-Israel resolution. Unlike the United States, they have never aided the Israeli security establishment with billions of dollars annually, they do not send forces to fight jihadi organizations in the Middle East, they do not share basic values

and fundamental interests with Israel, and there is no indication that they will ever do so. This being the case, it is imperative to improve the relations between the US administration and the government of Israel in all areas beyond security cooperation. The renewal of trust between the countries' leaderships is vital and will help protect Israel. President Obama has already proven that he is willing to take decisive steps, with little concern for the position of Congress, especially because he has nothing to lose electorally in what remains of his term in office. He has also shown that he knows how to change traditional policy – as in, for example, when in late 2014 he renewed relations between the US and Cuba, and when he adopted a fundamental immigration reform.

In January 2015, a new Congress was sworn in with a Republican majority; Israel may find itself injured by the tension between the President and a confrontational Congress. It is hard to foresee the nature and content of the initiatives that the administration may promote in 2015 on Middle East issues, but there is no doubt that such initiatives will relate to the two key matters for Israeli national security: the Iranian nuclear program and the Israel-Palestinian political process. A revamped and updated US policy depends on the government that will be formed in Israel following the elections on March 17, 2015, but in any event, it is important to pursue agreements and understandings with the administration regarding the vital interests that for Israel are beyond compromise. On the other hand, Israel should present a flexible policy that will make it easier for the administration to show consideration for Israel's vital interests when dealing with the Palestinian issue and the Iranian nuclear issue, and also pursue the reinforcement and defense of Jordan in the face of jihadi threats, especially ISIS.

Another important topic at the heart of Israel's national security is the correct formulation of its defense budget. In recent years, there has been intensified conflict between the position represented by the Finance Ministry, which seeks to cut the budget for the sake of other needs in Israeli society, and the position represented by the IDF and the Defense Ministry, which bear the responsibility for building and employing forces in the face of the broad variety of threats against the citizens of Israel. This discussion arrives at the government's table without its being based on the definition of security targets, and the clear definition of security and risk levels that derive from

each potential budget. Thus, the discussion must be based on the ordered and systematic work of the National Security Council in conjunction with the Defense Ministry and Finance Ministry, and on a choice by the government from among alternatives that represent different risks and levels of security. A large part of the defense budget is designated for pensions and rehabilitation of wounded soldiers, and does not create security from threats. Thus, the pensions should be transferred to the Finance Ministry budget – in line with the practice for all civil servant pensions, while transferring the rehabilitation budget to the responsibility and authority of the National Insurance Institute. In this way it will be possible to focus on a budget that "buys" security directly. At the end of the day, some of the defense budget can be viewed as investment in an incubator, which along with security creates managerial and technological leadership, organizational culture, and knowledge. All of these contribute to Israel's economy, whose two growth engines – the defense industries (and defense exports) and the hi-tech industry – have their roots in the IDF and Israel's defense establishment.

In conclusion, if 2014 can be summarized as the year of strategic stalemate in most arenas of conflict, in 2015, in order to maintain Israel's security stability, strengthen its international standing, and enhance its social and economic resilience, a proactive policy is required. Such a policy must focus on the obstruction of threats along with political initiative, take advantage of opportunities for regional and international cooperation, and include an increased emphasis on peace ties with Egypt and Jordan. All of this must be done through close strategic coordination with the United States. This is the essence of a policy that is different, comprehensive, proactive, and forges new solutions for the challenges of the future.

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