



# Russian and Israeli Outlooks on Current Developments in the Middle East Conference Proceedings

Zvi Magen and Tatyana Karasova, Editors

Memorandum

147



**INSS**  
המכון למחקרי ביטחון לאומי  
THE INSTITUTE FOR NATIONAL SECURITY STUDIES  
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Institute for National Security Studies

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The Institute for National Security Studies (INSS), incorporating the Jaffee Center for Strategic Studies, was founded in 2006. The purpose of the Institute for National Security Studies is first, to conduct basic research that meets the highest academic standards on matters related to Israel's national security as well as Middle East regional and international security affairs. Second, the Institute aims to contribute to the public debate and governmental deliberation of issues that are – or should be – at the top of Israel's national security agenda.



Institute of Oriental Studies

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מכון לביטחון לאומי - מרכז המחקר לביטחון לאומי

## רוסיה וישראל נוכח התפתחויות במזרח התיכון

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## Foreword

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Russia and Israel share common concerns about the tectonic shocks that rapidly destroyed the traditional Middle East order and its nation-state framework. Israel in particular is confronted with an array of both familiar threats and unprecedented challenges, including:

- a. Iran's drive to become the dominant power in the Middle East through its nuclear program and involvement in regional conflicts via Shiite militias and proxies, and the negative impact of the Iran-Syria-Hizbollah axis.
- b. The Palestinian issue on its multiple fronts: Gaza, West Bank, Jerusalem, and the political confrontation in the international arena.
- c. The growth of radical Islam and the Salafi jihadi stream with the upsurge of the Islamic State organization, which has expanded its power geographically and demonstrated high capabilities of recruitment in the region (Sinai Peninsula, Gaza, West Bank, East Jerusalem, Libya, and Jordan).
- d. The disintegration of state actors and the rise of other actors that deny the state monopoly of force and the rules of the game of the international community.

Given the divergences, overlapping interests, and occasionally clashing interests in light of these challenges, it is essential that Israel and Russia establish a strategic dialogue and find a common language by identifying points of convergence in the political and security spheres. In the Middle East's currently volatile and unstable environment, Israel, with its ongoing economic development and its strong military power in the region, remains the sole democratic and stable state in the region. From this vantage, Russian-Israeli cooperation, both in the political-security and the economic spheres, would benefit the two countries as well as the region. Therefore, it is necessary to launch a dialogue that will identify and deliberate the strategic problems in the region, and through that dialogue, assess how Russia and Israel can cooperate effectively.

Hence, the importance of the continued and close cooperation between the Institute for National Security Studies and the Institute of Oriental Studies of the Russian Academy of Sciences. Both Institutes have pioneered a series of key strategic discussions between Russia and Israel via a series of conferences, bilateral meetings, and joint publications in order to review strategic outlines of bipartisanship between the two countries. Our regular and constructive exchange of views contributes to further engagement between our states and peoples.

*Udi Dekel, Managing Director, Institute for National Security Studies*

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The conference in September 2014 between the Institute of Oriental Studies of the Russian Academy of Sciences and the Institute for National Security Studies at Tel Aviv University, which was the basis for the papers compiled in this volume, focused on two major problems related to cooperation between Russia and Israel. The first is the regional security situation in the Middle East and the interaction between Russia and Israel in this sphere. The second deals with the state and prospects of bilateral trade and economic relations.

There is no question that the situation in the Middle East is extremely complicated and fraught with escalated rivalry both between local government and non-government players and the global powers, which have different stands toward the region and the actors. Revolutions and upheavals, unsettled armed and unarmed conflicts, the growing activity of terrorist groups, and many other threats and risks put the Middle East at the forefront of global instability.

Our roles and interests are asymmetric in many ways. Israel, for instance, is a participant in the Middle East conflict and Russia is a participant in the mediating group on a resolution. Yet despite serious differences with Israel, Russians are eager for the people of Israel to enjoy peace and prosperity, and this requires the settlement of the Palestinian problem. In addition, our interests converge in fighting terrorism, and Israel's experience in this field deserves full attention.

In the sphere of bilateral trade and economic cooperation, despite the growing interest of both parties, no breakthrough has occurred until now,

though certain progress and achievements can be cited. We seek to understand what factors hamper more active cooperation, how our common interests can minimize risks and overcome the existing barriers, where real possibilities exist to raise cooperation to a new level, and how the expert community can contribute to this goal. The state of the Russian and Israeli economies and the respective strategies of economic development and foreign economic ties are now undergoing dynamic changes. For instance, Israel may become a producer and even exporter of energy resources instead of being merely an importer. Russia, pressured by Western sanctions, seeks to implement ambitious plans of accelerated economic development. These and other factors will determine the framework of our trade and economic relations and may possibly create new opportunities.

A constructive exchange of views between Russian and Israeli experts allows a better understanding of the situation and accordingly improves the quality of the situation assessments that we can bring to the public and political leaders. Our exchange of ideas allows us to identify existing possibilities and factors for cooperation in the field of security and economic development. We hope that subsequent discussions between researchers, experts, diplomats, military experts, and businessmen will help us to understand each other better.

*Vitaly Naumkin, Director of the Institute of Oriental Studies of the Russian Academy of Sciences*

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The Institute for National Security Studies (INSS) and the Institute of Oriental Studies of the Russian Academy of Sciences (OSIRAS) would like to thank the Russia-Israel Business Council (RIBC) for its contribution to this volume.



# PART I

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## Middle East Challenges

### **The Upheavals in the Middle East and Israel's Strategic Balance**

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# The Upheavals in the Middle East and Israel's Strategic Balance

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Amos Yadlin and Carmit Valensi

The upheavals of the last four years in the Middle East have mitigated the Arab preoccupation with Israel and the regional attention—if not hostility—previously aimed at the Jewish state. Furthermore, many across the world have come to recognize the extent to which their preconception—namely, that the Israeli-Palestinian conflict was at the root of the region's problems—was naive and ill-informed. Instead, the countries of the region concentrated on attempts to deal with their respective domestic troubles.

It seemed for a while that the relative calm in Israel's security situation would allow it some breathing room to enjoy what amounted to observer status in Middle Eastern affairs, so that those who preferred not to make decisions could continue their pattern of avoidance.

However, developments over the last year—and their potential implications for the future—might result in a reversal of such reprieves coming to affect Israel either directly, with violence steered squarely into its path, or indirectly. Israel is nearing the point at which it will have to face both familiar threats and new ones, and make important decisions on core issues in several areas: its relations with regional players and the international community, the Israeli-Palestinian conflict, Iran's nuclear program, and more.

This essay will, thus, examine the dramatic changes the Middle East has undergone in recent times, the central trends and vectors shaping regional

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developments at present and in the next several years, as well as Israel's strategic position and its balance of risks and opportunities.

### Three Stages

The wave of Arab protests that began in December 2010 generated dramatic changes. Things are still very much in flux, and it is far from clear when, or how, they will end. Nonetheless, it is possible to identify three key stages in recent regional developments: The first stage—"the revolution" (2010–2011)—denotes the Arab uprisings that ended with the fall of several regimes. A local uprising in Tunisia very quickly spread to other arenas in the Middle East, fueled by public activism and popular protests against dictatorial regimes in the Arab world. The public's demands focused on the quest to advance basic values, such as dignity, freedom, human rights, and especially economic and social justice. Unprecedentedly, the wave of protests led to the fall of four Arab regimes (Tunisia, Egypt, Libya, and Yemen). A fifth regime—Syria—is under serious threat, while others (Iraq, Bahrain, Jordan, and Lebanon) are marked by extended instability.

The second stage—"transition and consolidation" (2011–2012)—indicates the initial attempts of the affected states to come to grips with the impetus for change (and resulting instability) by trying to fashion a new regional order. One of the immediate manifestations of this stage was the rise of political Islam—expressed in the Muslim Brotherhood's many political victories and achievements in the Middle East. In Tunisia, the Islamist political party, Al Nahada, won a plurality of the vote and parliamentary seats; in Egypt, Mohamed Morsi, the Muslim Brotherhood candidate, was elected president; and in Morocco, the Justice and Development Party (associated with the Muslim Brotherhood) won the general parliamentary election. This wave of victories strengthened the influence of Islamic regimes already in power in the Middle East (such as the Justice and Development Party, in power in Turkey since 2002, as well as Gaza's Hamas government, in power since 2006). For a moment, it seemed as if the Arab Spring was concluding with political Islam's extensive takeover of the Arab world. But it soon became clear that these Islamic regimes—especially in Egypt, but also in Tunisia—were incapable of holding onto their political successes over time; and that the era of political Islam—as an alternative to the secular authoritarian order—had taken a serious hit, although it is still too early to eulogize.



The third stage—the one in which we currently find ourselves—is the most complex and difficult to summarize with a single label or comprehensive narrative—though some would say it marks the start of a counter-revolution. The primary feature of this stage is instability, manifested in the coexistence of several governance models in the Arab world. We have the model of the collapsing nation/failing state, such as Syria, Yemen, Libya and, to a certain extent, Iraq; other states manifest a return to the “old order,” such as Abdel Fattah el-Sisi in Egypt; and, the least common model, a certain stabilization and the consolidation of a new path, as in Tunisia. Alongside the various state-based models, there is also an increase in activity of non-state actors and entities (both violent and non-violent) in the region.

Despite the present complexity, the rapid pace of events—a natural feature of transitional stages—and the inability to determine where the Middle East is headed, one can identify four major vectors affecting broad regional developments in general, and Israel's position in particular. Each will be considered in turn; taken as a whole, it seems they are likely to continue shaping the region in the years to come.

### **Religious Strife**

The religious element is at the heart of events in the Middle East. The Shiite-Sunni conflict is, of course, not new: its beginnings lie in Islam's early days in the seventh century, in a struggle over the legacy of the prophet Muhammad. It has continued through violent confrontations in different arenas all over the Middle East ever since.

The ethnic dimension of this theological dispute is primarily represented by Sunni Saudi Arabia and Shiite Iran, respectively. Both are vying for hegemony in the Persian Gulf, specifically, and the Arab world, more generally. Therefore, beyond the ideological religious struggle over what is “true Islam,” the current Shiite-Sunni conflict is also greatly affected by Realpolitik, (i.e., a contest over power and influence in various Middle East constellations).

In addition to the ancient Shiite-Sunni argument, it seems that intra-Sunni struggles have lately taken center stage. At present, three central groups are each claiming the exclusive crown of Sunni Islam. First is the Salafi branch, which believes in a return to the way of life that characterized the era of the prophet Muhammad and his followers. Mainstream Salafi activities occur primarily in the social sphere (through religious, educational, and charity institutions), but sometimes spill over into the political arena—as is the

case in Tunisia and Egypt, where Salafi political parties are involved in the political system. Second is the Salafi jihadist stream, primarily represented by global jihad movements such as Al Qaeda and the Islamic State. These factions believe that the way to restore the glory days of Islam is through a jihad played out through violent struggle. Finally, there is political Islam, which has suffered defeat and failed to bear the burden of governance. While the Muslim Brotherhood in Egypt remains a force to be reckoned with outside the political system, its downfall has damaged political Islam not only within Egypt's borders, but also throughout the Arab world. It will take a long time for the movement to regroup. Still, these three streams are at the forefront of the struggle within Sunni Islam.

### **Undermining the State**

In addition to the religious struggles, parts of the Middle East are also experiencing a process of fragmentation and dismantling of state-based frameworks. Most of the nation states in the region are relatively new phenomena. They are no more than a century old—the result of Anglo-French colonialism that carved up the remains of the Ottoman Empire into states with artificial borders based on the Sykes-Picot Agreement. These arbitrary divisions completely ignored the fragile ethno-religious fabric that typified the region. These shaky beginnings, coupled with the failing governance of the regimes in question in recent decades, have contributed to the undermining of the basic state construct in the Middle East.

Syria is in the midst of a blood-soaked civil war, and rule over its territory is split between the regime, rebels, and jihadist groups; Iraq has fragmented into three de facto entities: Sunni, Shiite, and Kurdish—the last of which is working to establish an independent Kurdish state; Libya has failed to stabilize itself since Gaddafi was toppled and is now ruled by various gangs, clans, and tribes; South Sudan “celebrated” three years of independence during which it experienced a violent, bloody civil war, and was recently listed as the world’s most fragile state; and Yemen’s central government was “hijacked” by the Houthis—a group belonging to the Zayidi sect of the Shia. States that have so far avoided collapse (Egypt, Lebanon, and Jordan) suffer from ongoing instability and acute domestic ailments.

The group that is most defiantly challenging the formal territorial boundaries forced on the region by the Sykes-Picot Agreement is the Islamic State (or, as it was formerly known, Al Qaeda in Iraq). In June 2014, the organization

declared the establishment of an Islamic caliphate in western Iraq and eastern Syria, and has to all intents and purposes abolished the border between them. The group's stated objective is to unite all Muslims under an Islamic entity that crosses geographical borders—a-national and supra-national (one of the organization's most prominent public relations campaigns is called "The End of Sykes-Picot Agreement").

### **The Rise of Non-State Entities**

The activity of non-state entities in the Middle East is nothing new. What is new is the scope and impact of these actors, especially given the trend of collapsing states noted previously. These actors started playing significant roles in the region over the last couple of decades. Hamas has de facto controlled Gaza since 2007, and continues to occupy the seam between terrorism and political and social agency. Hizbollah has for three decades challenged Lebanon's sovereignty and leads the fighting that supports Assad's regime in the civil war ravaging Syria, while preserving its mission as a "Muqawama" movement to continue its war against Israel. Finally, several new jihadist outfits—some of which are formal branches of Al Qaeda—have been added to the region's violent landscape.

In Syria, many non-state opposition forces working to topple Assad's regime are in operation. These organizations are united in two central fronts: the secular Free Syrian Army and the Islamic Front.

The Islamic Front is comprised of Al Qaeda's Syrian extension—Jabhat Al Nusra. It is currently focused on fighting the Assad regime, while creating ad hoc collaborations with other Islamic groups, as well as Free Syrian Army factions.

However, since 2014 center stage has been taken by the Islamic State (ISIS), which has received extensive public attention and media coverage—especially in light of its military achievements and rapid territorial gains. Although it is a non-state actor, ISIS has become the organization responsible for daily life in the areas under its occupation, as well as for maintaining the education, health, and welfare infrastructure of millions of Syrians and Iraqis. Thus, ISIS has stabilized itself amid the civilian population and started to develop the hallmarks of state-like governance, in the context of which it provides services to residents and collects taxes from them.

In Egypt, the activity of Ansar Beit Al Muqqaddas, established at the end of 2011, is especially notable. Its activity is currently centered on the

Sinai Peninsula and is aimed at the Egyptian military and security services. It uses many methods, including suicide bombings and sabotage of oil and gas pipelines, as well as ambushes and assassinations of soldiers, senior police officials, and army officers. At the end of 2014, the organization swore an oath of fealty to ISIS, and has in practice become the latter's Egyptian extension.

In the next few years, non-state organizations in the Middle East can be expected to continue to be a central force of unrest, fermenting and destabilizing the region's established regimes. The organizations identified with global jihad can be expected to continue to act to change the existing regional order. The campaign against ISIS, declared by an international coalition in the second half of 2014, can be expected to strengthen the survivability of the region's states—including Syria, Jordan, Libya, Iraq, and Lebanon—vis-à-vis these violent organizations. In any case, the success or failure of this endeavor will have a decisive effect on the shape of the Middle East for years to come.

In addition to violent non-state organizations, there are also non-violent non-state phenomena and actors in the Middle East with real influence on the emerging regional order. The Arab Spring's popular uprisings demonstrated the importance of Middle East publics.

Until the start of the Arab Spring, it seemed as if the region's most important players were political and military elites. The popular protests exposed the major role played by the public sphere—with the masses showing themselves to be powerful forces in moving and shaping both internal and external processes. Although we have seen fewer people taking to the streets and squares over the last year (most of the protest discourse is taking place in the new media), the barrier of fear fell and the potential for protests is alive and well in the public.

The demands of the street in the Middle East are not homogeneous, reflecting many disparate desires: safety and stability, improved socioeconomic conditions, dignity and liberty, and different levels of preservation of religion. The traditional pact between rulers and the ruled in the Middle East has to a very large extent been abrogated; and at present, those regimes in the Middle East that want to preserve their political stability and survivability give much greater weight to the public's voice in their decision-making processes.

Another different type of non-state phenomenon is widespread refugeehood. In the last three years, more than 3.5 million Syrians have fled their country.

Jordan has seen an influx of more than 1.5 million refugees from Iraq and Syria, with Lebanon absorbing an additional 1.1 million Syrian refugees (the country's entire population is only 4.5 million). This has created significant economic, social, demographic, and political pressure in two countries that were already suffering from instability. These pressures are liable to spread to other areas of the Middle East, weakening central governments in various nations as a result of their inability to cope with the stress.

The phenomenon of non-state players and all its aspects, no matter how accelerated, is not enough to eulogize the Sykes-Picot regional order. It seems that nation states will continue to serve as the basis of Middle Eastern governance in the period ahead—certainly in those countries where the national base is strong, such as Egypt and Tunisia. Nonetheless, it is important to understand that the familiar nation state model is no longer the only organizing principle of regional relations in the Middle East.

### **Reduced American Involvement**

Along with a clearly-stated American policy to reduce its involvement in the Middle East, a number of other factors have damaged its status and ability to lead processes that would reduce the region's loci of instability and violence. These include the heavy cost the United States paid for its involvement in Afghanistan and Iraq, the difficulty it faces in coping with some of the region's central problems, such as the Iranian nuclear threat and the Palestinian issue, and various criticisms leveled against it by its Middle Eastern allies.

ISIS's takeover of parts of Iraq and Syria and the attempt to also expand its reach in states that have so far remained stable, especially Jordan and the monarchies of the Arabian Peninsula, have forced the United States and some of its allies to change the policy that sought to avoid military involvement in internal developments in the region's nations. Thus, at the beginning of 2015, the United States finds itself fighting against ISIS. So far, boots on the ground have been ruled out by the U.S. military and America's political leadership, but this might turn out to be critical if the regional elements fighting ISIS are unable to stop the organization's spread and reduce its sphere of activity.

Despite its policy, the United States is well aware that it cannot duck responsibility for handling the region's problems and is liable to pay a cost for doing so: be it in the form of shocks to the global energy market—which

would damage U.S. allies and therefore also the United States, despite its emerging energy independence, determined also by oil prices in the Middle East—or in the form of violence originating in the Middle East, or because of developments in the field of proliferation of weapons of mass destruction. One may therefore assume that the White House will continue to view the Middle East as an important region because of its strategic significance.

Although the events associated with recent regional upheavals have neither directly nor immediately affected Israel, they are not unrelated: they certainly influence Israel's position and security in many ways. Israel's current strategic balance is rife with risks and challenges for which the country will have to prepare in the coming year and beyond, but also provides advantages and opportunities Israel will have to identify and put to good use.

### **Risks for Israel**

The situation in Syria and the survivability of the Assad regime affects Israel's security and interests, even though Israel is not involved in the internal struggle in Syria and has no intention of becoming involved—other than preventing any faction in the civil war from crossing into Israel, as well as stopping the transfer of high-quality weapons from Syria to Hizbollah. Israel has managed to establish significant deterrence vis-à-vis all sources of power in Syria—at least as far as the Golan Heights border is concerned. For years, the Syrian state avoided provoking Israel from this border. Nonetheless, the current internal struggle in Syria does sometimes spill over into Israel territory, directly or indirectly. Israel makes sure to respond with fire to anyone shooting at it; for now, the border in the Golan, other than isolated incidents, is quiet. However, it is worth underlining that the proliferation of violent groups operating in Syria makes it difficult for Israel to identify one clear culprit against which it would bring its deterrent capabilities to bear.

Hizbollah's intense involvement in Syria has placed a drain on its power and resources; this has, to a great extent, neutralized any intention or ability on its part to open a front against Israel. Still, Hizbollah has hardly given up on its struggle against Israel—both rhetorically and practically. So far, Hizbollah has signaled this by means of pinpoint, small-scale attacks—mainly to preserve tension and rehabilitate its internal legitimacy. The relative calm is liable to change, however, the moment Hizbollah decides the time is right to shift the struggle's focus back to Israel. Therefore, incidents such as the Israeli military action against Hizbollah and Iranian military personnel in

the Quneitra region at the end of January 2015—and Hizbollah's response a week later at Har Dov—might in the future serve to jump-start conflict escalation between Israel and Hizbollah.

At the same time, both the direct and the indirect threat to Israel from Salafi jihadist sources operating on and beyond its borders is liable to grow. While the jihadists operating in Syria are focused on fighting Assad's regime, Israel might—in case there is no outcome to the conflict inside Syria in the next couple of years—become the target for military action from Syria, and perhaps also Lebanon, in response to the international coalition's attacks against jihadist organizations. The reason is evident: Israel is still seen as both a historical enemy and key element in the coalition's war against them (as is plain, for example, from statements made by ISIS leader Al Baghdadi in the organization's journal *Al Dabik*). Moreover, ISIS's emerging supporters in the Sinai Peninsula, Gaza, and Jordan might grow bolder and translate their support for the Islamic State into anti-Israel activity.

Global jihadist organizations neither currently place the fight against Israel at the top of their agenda, nor are they calling on their adherents to take direct, concrete action against it. Nonetheless, the Israel angle certainly serves as a source of inspiration both for individuals around the globe, sometimes referred to as “lone wolves” and more importantly, to the thousands of volunteers streaming into Syria in recent years from both the Middle East and the West, who are encouraged to carry out attacks against Israeli and Jewish targets in many countries.

In the Palestinian arena, Israel is facing three potential confrontations: another round of fighting in the Gaza Strip, another armed Intifada in the West Bank, and a political Intifada in the international arena.

Another military round is liable to start as a result of similar conditions which precipitated the last military confrontation in July 2014, known as Operation Protective Edge. These include the political and economic weakness of Hamas, a decision-making system split among its different factions (a military branch, a political branch, and geographic division), its regional isolation, and a dynamic of unintentional deterioration over which neither side has any control.

Although Hamas and other regional players see Israel as a power that relies on a top-notch, strong, and deterring army, Israeli military might—like that of other regular armies in democratic nations—finds it difficult to attain a decisive victory in asymmetrical conflicts. Israel's objectives in the last



military operation took too long to attain, while Hamas scored certain gains. Since then, Hamas has invested great effort into reconstructing its military and offensive capabilities. The attempt to prevent Hamas from renewing its force construction and extend the period of relative calm until the next flare-up, requires Israel to develop military, doctrinal, and systemic tools that will ensure a shorter campaign and a clearer decision.

Another essential challenge relates to the West Bank. Given the current political deadlock and the lack of an improved situation in the Gaza Strip after Operation Protective Edge, can we expect an outbreak of a violent conflict in the West Bank—sometimes called “a third Intifada?” Tensions have risen over the past year. The number of spontaneous popular attacks in the West Bank and Jerusalem has grown—in part because of tensions between Jews and Muslims on the Temple Mount. But it so far seems that the Palestinian public is unwilling to disturb the current relative stability, and thus is reluctant to return to the days of severe violence.

Finally, political foot-dragging and intra-Palestinian splits are pushing Abu Mazen (also known as Mahmoud Abbas) to engage in a political Intifada—that is to say, to take a confrontational stance in the international arena so as to bypass the channel of direct agreements. In the meantime, a series of declarations by several EU Member States’ parliaments and governments recognizing the Palestinian state have provided the Palestinian effort with a tailwind, whilst damaging the principle of negotiations. Israel must formulate a strategic alternative to failed negotiations that will allow it to shape its borders despite the lack of a Palestinian agreement, yet in coordination with the international community, headed by the United States.

### **The Iranian Threat**

Although this is not a new threat, the most significant potential risk to Israel emanates from Iran—a radical regime with nuclear weapons ambitions. Generally speaking, for Iran the Arab Spring rebalance was mixed: Tehran failed to embrace the wave of Islamic revolutions and encourage an uprising in Bahrain, yet succeeded in strengthening its hold on four Arab capital cities: Damascus, Baghdad, Beirut, and Sana’a.

The painful sanctions imposed on Iran in 2012 brought Tehran to the negotiating table in 2013, which resulted in an interim agreement that froze its nuclear program. But Iran remains on the cusp of nuclear capabilities



and materials—one that would allow it to break out towards a bomb in a matter of months, at a time of its own choosing.

Israel shares a strategic resolve with the United States to prevent Iran from gaining a nuclear bomb. Nonetheless, the two nations disagree on how to do so. The emerging agreement with Iran worries Israel for five primary reasons.

First, such an agreement confers legitimacy on Iran and other Middle Eastern states to enrich uranium. Second, it is liable to lead to the realization of the “North Korean scenario”—that is to say, a situation in which Iran breaks out to a bomb whenever it wants without a significant response on the part of world powers. Third, the agreement ignores and fails to provide a response to terrorist activity led by Iran—failing to deal with general Iranian subversiveness in the Middle East. Fourth, it does not address the Iranian arsenal of ballistic and cruise missiles. Fifth, the agreement lifts the sanctions against Iran; should they end, Iran would be able to expand and enhance its nuclear program and provide itself with much more advanced nuclear infrastructure, at a much more dangerous threshold-level than the one it is at today.

Aside from the nuclear issue, Iran's interference in various Middle Eastern arenas is becoming ever deeper—especially given the region's political and governmental instability. In addition to its involvement in Iraq, Syria, Lebanon, and the Gaza Strip, Iran also supports—economically and militarily—the Houthis in Yemen and encourages the Shiites in Bahrain. One possible ramification is increasing influence and both direct and indirect forging of closer relations (via proxies) with Iran through its grasp on failing arenas—reaching all the way to Israel's own borders.

## **U.S.-Israeli Relations**

The strategic partnership with the United States is one of the pillars of Israel's strategic stance and power of deterrence. Therefore, any weakening of the United States' position in the Middle East has a direct negative impact on Israel's strategic position.

The problematic turn of the two countries' relations worsened in 2014, and the relationship—at least on the personal level—between the leaders of the two countries, as well as senior officials in the respective governments, involved some scathing exchanges. The Iranian nuclear issue also has

significant potential to damage relations—given reports that less information between Israel and the United States is being exchanged than in the past.

Therefore, the Israeli government formed after the March 2015 elections—no matter its political composition—will have to reach new understandings with the current American administration about the burning issues on the Middle East agenda. This will have to be done despite the expected areas of disagreement—in order to try to reduce negative ramifications whilst working to improve and retain the special relationship between the two countries.

### **Opportunities for Israel**

Despite the traditional threats (headed by Hizbollah and Hamas) with which Israel is contending, as well as the new challenges arising out of the violent reality that is the Middle East, the present era is also producing some new opportunities and spheres for cooperation.

Iraq and Syria's weakness is good for Israel, because Iraq's military capabilities have largely disappeared—whatever is left does not threaten Israel—and the Syrian army, busy with the civil war, has also been dramatically weakened. Assad's military has lost a great deal of equipment—to the point that its ability to present a real threat (conventional and non-conventional) to Israel has been neutralized.

A wide congruence of interests has come into being for Israel and moderate Sunni Arab states, such as Saudi Arabia, the Gulf States, and Jordan. This represents an opportunity for regional cooperation based on similar outlooks to developments related to Iran, Syria, and, more recently, the threat coming from ISIS. Such cooperation could serve as the basis for improving relations and forging new bonds in other areas—such as the economy, water scarcity, and technology—alongside retaining relations with countries with which Israel has already signed peace treaties.

The revolutions in Egypt and instability in Jordan have aroused concern about the future of these treaties, but they seem to be surviving for now, and Israel and its neighbors have even enhanced their cooperation on security and economic matters. Indeed, it is clear that the Israeli-Egyptian relationship improved throughout 2014—especially in light of Operation Protective Edge. The Egyptian decision to create a security strip on the Rafah border, thereby blocking the smuggling tunnels in the area, has severed one of Hamas's major sources of financing and cut its growing strength. Israel and Egypt's congruent interests in fighting jihadist terrorism and Hamas—which

Egypt recently declared a terrorist organization—create opportunities for intelligence, military, and counter-terrorism cooperation.

Beyond the potential for strengthening Israel's relations with some of the region's countries, there is also great importance in forging bonds with non-state actors representing moderate ethnic minorities that seek independence—whilst taking exception to radical Sunni and Shiite Islam.

One prominent example is the Kurdish minority. The model of Kurdish autonomy in northern Iraq could be expanded and shaped into a loose federation of states in which broader autonomy would be granted to regions populated by ethnic or religious groups, whilst remaining connected to the country's central government.

Such a structure could also serve as a possible model for Syria, Libya, Yemen, and, possibly, other states in areas where ethnic and religious minorities exist in defined geographic locations. The formation of federations of this type could open a new space for Israel to seek opportunities for cooperation and integration into the region. Such a solution also allows new entities to make use of Israel's technological and other abilities to help their own developments, whilst establishing themselves as functioning state entities.

Concretely, an alliance with a moderate player in the region's hostile spheres would be advantageous to Israel. In Iraq and Syria, the Kurdish minority is emerging as a responsible player capable of both maintaining a stable civil administration and effectively fighting jihadist organizations. Despite the obvious complexity, especially in terms of image and public relations, the Kurds could gain greatly from a closer relationship with Israel—both on a strategic level (e.g., Israeli support for their vision of an independent Kurdish state in the region), and operational level (e.g., support, training, and other assistance to Kurdish groups in the region).

Israel's solid deterrence and its effectiveness are evident in neighboring states and hybrid terrorist organizations, such as Hamas and Hizbollah, characterized by an ability to govern and a certain level of accountability towards the population in the territories they control. At the same time, deterrence is not an absolute concept, as the ability to measure it is established after the fact and without any guarantee that it will hold in the future.

### **Extreme Disruption**

An end to the extreme disruption that has characterized the Middle East in recent years is not yet on the horizon. It could take many years for that to

happen. In Iraq, Syria, Libya, and Yemen, the situation has deteriorated in the past year and the conditions required for stability to emerge have not yet come into being. The chances for an early end to the crisis in the Middle East are low.

The reasons for this assessment are many. Amongst the most salient, we can mention the lack of foundation for an agreement leading to a political settlement among the various religious and ideological groups; the violence between Shiites, Sunnis, Kurds, and other ethnic groups striving for independence; the growing strength of jihadist terrorist organizations and armed militias operating not just in Iraq and Syria, but also in Egypt (and having the potential to seep into other areas); Iran's subversive activity in several states, such as Syria, Iraq, Yemen, and Bahrain; and the lack of a central force—internal or external—capable of leading the Arab world towards stability.

Given this reality, Israel must reassess its regional strategy and identify where it should locate itself on the spectrum of policy options. One way forward would consist of observing events without any direct involvement. Another would entail formulating and implementing a proactive policy (e.g., the notion of potential cooperation with Sunni moderates, as mentioned above). This would invariably require focusing on foiling threats and improving Israel's political and strategic position, promoting the chance for attaining peace without conceding critical security issues, and taking advantage of opportunities for improved regional and international cooperation.

# The Middle East in Turmoil: Developments and Implications

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Udi Dekel

## **A Turbulent Environment**

The story begins when a young Tunisian named Mohamed Bouazizi, desperate over his family's dire economic straits and his own inability to have any effect on an oppressive, indifferent regime, doused himself with a flammable liquid and set himself on fire. However, he was not the only one on fire: soon, Arab streets all over the Middle East were burning with the energy of the Arab Spring, bringing out tens of thousands young, frustrated people denied the opportunity to express their potential. Most of them had a more liberal outlook than the older generation, more exposure to the free world thanks to the new media, and the tools and technology to express themselves – something that until then was forbidden and posed a grave personal risk. The domino effect took over: tyrannical regimes began to topple and powerful leaders were booted out of their palaces.

Chapter Two should have been the story of democracy, when as a result of the Arab Spring, elections were held. However, these were exploited by political Islam, especially the Muslim Brotherhood, which was more organized than other groups and had been waiting in the wings to seize power. The movement was willing to participate in the democratic game of elections and even recognize the state as a legitimate player. Egypt, Tunisia, Libya, Yemen – all fell like ripe fruit into its hands. Elsewhere, its members were standing tall, feeling that this was their hour, perhaps for good.

But soon enough, it became clear that the solution was worse than the problem – and hence the counter-revolution. The young people who felt that

the revolution had been stolen right out of their hands were forced to cooperate with the previous oppressive regimes and oust the Muslim Brotherhood, which for a short while occupied the palaces and, drunk on power, revealed themselves as no better than the corrupt regimes the public had rejected. All of this took place on the surface while, out of sight, profound struggles raged between Shias and Sunnis, radical Shiites led by Iran and Sunnis led by Saudi Arabia, and among ethnic groups, tribes, and even families, all of which transformed the revolutionary shocks into an accelerated tectonic shift.

Enter Chapter Three, which is unfolding right now – the stage in which radical Salafist Islam bursts ahead, a stream that rejects the familiar rules and works to establish an Islamic caliphate across the Middle East and beyond, from the Atlantic to the Indian Ocean, restore the Golden Age of Islam, and enact *sharia* as the law of the land. To do so, it is forcibly taking over wide swaths of territory in Iraq and Syria, states where the regimes' ability to govern has been steadily eroding, while engaging in terrifying acts of barbarity, such as beheadings, mass executions next to already-dug graves (sound familiar?), rape, and abuse of anyone they consider an infidel. All these horrors are disseminated by both traditional and new media, so that all will fear and tremble. The outcome? ISIS-style radical Islam is becoming the winning wave that more and more groups and individuals want to ride. The ISIS-like concept is also aiding Sunnis accepting *sharia*, promising the masses a just division of the riches in the Muslim Arab world. It is, they say, unacceptable for a tiny emirate to control the natural gas reserves of the whole Arab world and enjoy its riches when this resource belongs to all Sunnis. In practice, wherever ISIS is in control, it sees to the population's needs and provides energy, water, food, and work, on condition that recipients of this bounty express their loyalty and accept Islamic law and the ISIS vision.

In fact, all that is needed for those interested in joining the rising tide is to express loyalty to the caliphate and Caliph Mohamad Abu Bakr al-Baghdadi. Thus the domino effect begins again, as jihadist Salafist organizations, such as Ansar a-Muqdas in the Sinai Peninsula (against which the Egyptian army has been waging war, so far without much success) and others in Syria, Libya, and elsewhere throughout the Middle East, express their *bay'ah* (oath of allegiance) to the caliphate. Some join as individuals, recruited through new media and social networks using sophisticated tools to whet appetites. The circle of those signing up expands to include young, frustrated people in the West, people who fail to assimilate into society, are in despair over

what is happening around them, and are looking for a way out. After having expressed their interest in joining the ranks of ISIS, they are invited to fly to Istanbul, all expenses paid, where operatives greet them, escort them to training camps, and send them to fight on behalf of ISIS in Syria and Iraq. These young people are getting the green light to breach the code of humanity and engage in the cruelest of acts. It is no longer necessary to wait for the 72 virgins in the afterlife: they are right here, in this world. If you can chop off the heads of animals, you can also behead the apostates.

The Western world, led by the United States, which until a year ago preferred not to get involved in the wars raging in the Arab world, has no reason to intervene when the bad guys are killing the other bad guys. Any involvement means accepting responsibility, and who wants to be responsible for this chaos? After the failed experience in Iraq and Afghanistan, no one is willing to put any boots on the ground.

A change in the US and Western approach came when films of beheadings of Western journalists began circulating. President Obama stood up and declared the establishment of a coalition to fight ISIS; its objective – to defeat and dismantle it. The coalition is joined by the pragmatic Arab states, the United States' allies in the region. Still, no one is willing to put any boots on the ground. All anyone is willing to do is allocate some airpower to attack ISIS targets in Iraq and Syria. Ground fighting is left to Iraqi government forces and Syrian moderate opposition forces – which are not yet in existence.

The central context of the interest by the world powers in the Middle East is changing, going from keeping nuclear weapons out of Iranian hands to stopping ISIS. This is a golden opportunity for the only nation in the Middle East that thinks strategically – Iran. The ayatollahs have identified an opportunity to plant Iranian extensions, strongholds, branches, and proxies all over the Middle East. They are busy forming Shiite militias in Iraq, supporting Hizbollah in Lebanon and Syria, sowing seeds in the Golan Heights, supporting the Houthis in Yemen, constructing ground task forces – the boots on the ground – in Iraq, Syria, Yemen, and Lebanon, and are even renewing their support for Hamas in the Gaza Strip. The man charged with executing all of this is the commander of the Quds Force of the Revolutionary Guards, Qassem Suleimani.

Turkey, a NATO member, has not enthusiastically joined the coalition; in fact, it is providing indirect support for ISIS as it supplies the latter with oil at half-price and makes any aid to the coalition conditional on a concurrent

effort to topple the Assad regime in Syria. Instead of being the enemy, Iran has become a partner in fighting ISIS. *Thus, the problem has become the solution.* Iran, sowing regional instability, is laughing all the way to nuclear capabilities as it has made itself the key agent of the solution. The United States rejects the claims that it is cooperating with Iran in fighting ISIS but does not hide the operational coordination between them. What is “deconfliction,” if not cooperation and the division of zones of influence? Assad, too, is currently part of the solution – better the devil we know than the borderless one we don’t. In the Lebanese view, Hizbollah also goes from being a problem to being a solution. From accusations of having allowed the fighting in Syria to seep into Lebanon, Hizbollah is now seen as the only element that can stop ISIS and al-Qaeda from taking over Lebanon, so it is once again the nation’s “defender.” Even the most vile, repressive regimes the masses overthrew not so long ago are seen as preferable to ISIS.

### **Israel: The Villa in the Jungle?**

Israel is facing all of this regional turmoil as a passive bystander. We are “the villa in the jungle” that must be protected and kept separate from the region’s upheavals and dangers. Therefore, Israel is strengthening components of its defense – Iron Dome and an iron wall, and acts only when a clear and present danger is identified, preferably with as low a profile as possible, without taking responsibility, a common phenomenon in these parts. Moreover, Israel’s pressure levers are extremely limited. Our experience in crowning kings and seating presidents has been not been good.

Israel is finding it difficult to adapt to a new world in which there is no responsible state entity, no familiar rules, and no center of gravity with which to generate deterrence and influence. This world is forcing it to confront a large number of players, down to the level of local communities with different rationales and motivations. It is a world in which today’s ally can become tomorrow’s enemy, a world in which the principle of deterrence shaped for state entities is no longer valid.

If the government of Israel thought it could remain bystanders, observe, learn, and construct a response for the day after next, it was surprised to discover that events spill over to Israel. Events have penetrated the walls of the villa, not just physically but also ideologically. Consider these events of 2014: (1) the entrenchment of Salafist jihadist terrorists along the borders in the Golan Heights and the Sinai Peninsula; (2) the abduction and murder of



the three teenagers in early summer; (3) Operation Protective Edge; (4) riots in Jerusalem and the Temple Mount; (5) lone wolf terrorists in the West Bank; (6) an extension of the Iran-Hizbollah axis in the Golan Heights and terrorist attacks in the north; (7) Jordan and Egypt are in trouble as they cope with rising ISIS pressure and fighting jihadists.

The preferred status quo is unsustainable. Israel must formulate a new policy. Rather than being a passive bystander and trying to maintain the status quo, Israel must adopt a proactive policy of shaping processes, seizing initiatives, and setting trends, instead of merely responding to events.

- a. Israel must present a political plan on the Palestinian issue – “recalculate the route.”
- b. Israel must strengthen peaceful relations with Egypt and Jordan and expand them to include economic and social issues. Israel must be attentive to the needs of the regimes, e.g., not challenge King Abdullah about the Temple Mount.
- c. Israel has to develop a multilateral approach and establish a network of partnerships with other actors in the region.
- d. Israel must promote regional cooperation. This requires a political program that will break the deadlock in the Palestinian arena and make the Arab Peace Initiative the foundation for dialogue with the pragmatic Arab world and work from the bottom up.
- e. Israel must rebuild strategic relations with the United States.



# **Russian Activity in Current Crises in the Middle East: A View from Israel**

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Zvi Magen

## **Introduction**

Russia has of late been involved in a set of different international crises that are affecting the global system, shaping the regional and global order, and creating new challenges for Russia. The situation has made it necessary for Russia, as well as for all major powers, to adjust its policy to the new challenges.

Last year Russia experienced an unstable period, being forced to cope with the consequences of its domestic economic crisis, along with international criticism of its policy in the FSU arena, especially in Ukraine, and its policy in the Middle East. Russian foreign policy is therefore directed at protecting its interests and strengthening its standing in the international arena, while containing the direct threats confronting it. Among the complex of international challenges, the Middle East issues have major implications for the international arena in the visible future. Russia has an important role in charting the direction of those developments, and in fact, over the past year Russia managed to deal quiet effectively with the constraints emerging from the tumult in the Middle East, even expanding its presence and involvement in the region.

## **The International Arena**

The main event of 2014 that affected the international system and was the core of the tension in Russian-Western relations was the crisis in Ukraine.

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Actually, 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 relations between the world powers, is based on the West's perception of Russia's actions in the international arena as a concrete threat. Russia's effort to bolster its influence in Eastern Europe arouses anxiety, and the West has striven to find ways to deter Russian geopolitical ambitions. However, it was Russia that pointed the accusing finger at the West, feeling threatened and negatively affected by the Western reaction to the events in Ukraine and recognizing the crisis as a battle for its vital interests. Russia perceives the Western policy as aimed at generating instability and regime changes in the framework of the "color revolutions" and thwarting Russian ambitions to regain superpower status. In face of Western activism, Russian policy is laboring to foil Western efforts, including through the use of force.

In practice, however, the West succeeded in disconnecting Ukraine from the Russian sphere of influence. Ukraine's intention to join the Western system is regarded by Russia as a concrete threat, which thus finds it difficult to accept any development in this direction. The West's response to Russian belligerent involvement in Ukraine was a gradual implementation of economic sanctions, which together with the precipitous drop in oil prices had a ruinous effect on the Russian economy that might well erode governmental stability. That forced Russia to find a solution that according to Western assessments could bring Russia to make significant concessions.

For Russia, the dilemma is ceasing its involvement in Ukraine in order to have sanctions revoked or continuing its policy of actively impeding Ukraine's move toward the West. Russia is working to create a "frozen conflict" in Ukraine, as it did in other crises along its border with former Soviet countries. It can be expected to leverage it later to prevent Ukraine from joining Western organizations. All of this is intended to undermine the pro-Western government in Ukraine and restore the country to Russia's sphere of influence. The US strategic goal vis-à-vis Russia is continuation of the pressure to promote Russian abandonment of an assertive policy in the entire arena of the former Soviet Union. At the same time, it seems that the US and Europe disagreed about how to confront the challenge presented by Russian policy.

Despite the grave economic crisis, Russia will likely not capitulate to Western pressure. Moreover, it seems that part of Russia's strategy in its

confrontation with the West is to extend the competition to other arenas, first and foremost the Middle East.

### **The Middle East**

Russia is stepping up its drive for influence in the Middle East region, eroded in recent years because of the political turmoil in the Arab world, in order to press the West to ease its policy in Eastern Europe. As part of these efforts, Russia has established a variety of collaborations with countries in the region, including in weapons sales.

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 has turned its back on Russia. Third, the appearance of the 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 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 Tehran'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 significant 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 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 remains to be seen whether various arms transactions discussed by Russia with Middle East countries 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 in reaching 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 regarding 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 straggle by the Western-Arab coalition led by the US against the Islamic State. This may be the background to 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 criticizing Russia publicly, 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 has exerted 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.

## **Conclusion**

Two main processes occurring last year in the international arena threaten international stability. These crises have the same common denominator and became critical events in the global system. In the context of the Ukrainian crisis, it is too early to assess the result of the Russia-West competition. On the one hand, the effectiveness of the economic sanctions is evident, and it is doubtful that in the long run Russia will be able to live with this situation. On the other hand, it seems that Russia will continue to maintain the Ukrainian crisis in order to undermine the pro-Western orientation of the Ukrainian government, prevent Ukraine from joining the Western system, and attempt to restore the country to Russia's sphere of influence.

Regarding the Middle East, Russia has increased its activity there, both to establish its standing in the region and to rehabilitate its status there, eroded in recent years because of the political turmoil in the Arab world. At the same time, its policy aims to expand the competition with the West to other arenas, first and foremost the Middle East, in order to press the West to ease its pressure over Russian policy in Ukraine.

In the current situation in the Middle East, Russia has reached a crossroads with regard to its regional policy, at a time that regional crises cultivate the growing instability. However, in these circumstances, Russian efforts reaped a variety of achievements on the ground in the Middle East. These have proven Moscow's abilities to increase its influence and will have significant implications for the region's future, and at the same time serve



as a counterweight to the tension with the West resulting from the ongoing crisis in Eastern Europe.

It seems that that despite the grave economic crisis and political pressure, in the visible future Russia will not capitulate to the West in the general FSU region, while in the other arenas, and especially in the Middle East, Russian international activities will continue to grow. In this context, in the Israeli view, Russia remains an influential regional and global political player that is able to contribute to the design of the future regional order.



## **Russia and the Middle East: Challenges and Opportunities**

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Irina Zvyagelskaya

The Middle East has entered the second decade of the 21<sup>st</sup> century facing disintegration and experiencing a state of general instability. Inter-ethnic, sectarian, and social controversy, which was always an inherent element of the Arab world, has risen suddenly to the surface and thus has reversed the natural order of things. Disillusionment with the secular nationalist regimes that had once appealed to popular expectations and strengthened the state throughout the postcolonial era but then lost their ideological appeal and tarnished themselves with rampant corruption has led to the search of an alternative in political Islam.

The disrupted social contract between the authorities and the population provoked a surge of protest sentiments in the Arab nations, and was accompanied by an incomplete and painful transfer to civil identity. All this, overall, has reflected the common problems encountered by many nations, though perhaps in a sharper and more chaotic form due to the political culture and lack of institutions in the Arab world.

The growing tensions in the area have testified to the fact that in a world of globalization and with the increased flow of information, the turbulence reaches the most remote peripheral areas. The diverging interpretations of national sovereignty and territorial integrity, as well as the role of military interference by the major global actors, have posed a challenge to Russia. In turn, Russia has articulated its definitive resolve to change the unsatisfactory rules of the game whereby its power appeared to be constrained and the possibilities for maneuver were only too limited.

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Many observers have noted that the global center of gravitation has shifted toward Asia and that the future of the world seems to be determined to a greater extent in the East. The pivot to Asia that was a distinctive line of policy for the Obama administration was not exclusively a token of the American foreign policy doctrine. It was manifest, in the equivalent degree, through the foreign policies pursued by Russia, and it was accounted for by the purposeful endeavors to identify guiding landmarks and partners, along with other alternatives to the economic and political engagement with the US and the EU, which has been curtailed as a result of sanctions.

It was necessary for Russia to forge special relationships with the states located in the East not only in connection with its pragmatic striving to gain an advantage in the international race for greater influence. A significant factor in this respect has always been an ongoing search for national identity linked to the unique location of the Russian Federation between the West and the East. The centuries-old discourse between pro-Western liberals and Slavophiles who asserted that the Western culture was an immeasurably far cry from the Russian identity and moreover, was even hostile to its inherent values, could not but have an impact on the choice of foreign policy guidelines.

The Russian anti-Western sentiment was dictated by specific historical guidelines, a period of stiff competition during the Cold War era, opportunistic political considerations, indifference of the greater part of the population, and growing nationalism, but not by irreconcilable cultural differences. It can be regarded as a reciprocal measure, taken in response to the policies of Western nations that are not willing to perceive Russia as an equitable player in international affairs, or as a reflection of internal political trends, inter alia, the growing authoritarian and paternal tendencies, marked by the reliance on traditions, conservatism, and religion. For this reason, even some Russian experts tend to believe that the Islamic world with its typical values is closer to the Russian society than the Christian Europe that has gone astray.

Russia has been confronted with the rapidly developing social and political processes underway in the Middle East and beyond that have changed the political regimes within a short timeframe and brought to the surface such forces that previously did not seek to represent the political mainstream but have swiftly captured the vast support of not only the archaized or traditional segment of society. Such rapid changes promoted by seemingly

insignificant triggers have captured the attention of political scientists and natural science scholars. As noted by Russian scholar Alexander Rubtsov,

The world has changed drastically recently. Probabilistic scholastics have been replaced by the logic of bifurcation processes. There is an amazing, almost mystical objective law in place: man discovers those regularities in nature that reflect the governing principles followed by society at that time. Autocracy was as mechanistic as causal determinism by Pierre-Simon de Laplace or the logic behind *Les Liaisons Dangereuses* by Pierre Choderlos de Laclos. The last century was the century of probability and statistics in science, arts and politics. However, at the turn of the century, scientists were amazed by the processes observed in the physical world and wildlife, in which minor signals at the point of entry produced totally incommensurable, and, most importantly, unpredictable effects at the output. The system transformed into a new quality standard spasmodically, for no particular reason, through the “black box.”<sup>1</sup>

The Middle East and North Africa witnessed a powerful “cascade of bifurcations.” An abrupt reformatting of the system of regional international relations under the impact of external interference, a swift change of political landscape in the Arab nations overwhelmed with turmoil and upheaval, and the continuing decades-old conflicts were all in place.

The processes that have reached the point of bifurcation within the Arab Spring nations have underscored the basic controversies inherent in the Arab communities and states. A matter of primary concern in this connection is the crisis of national states, whereby the civil identity prevails over the ethnic, confessional, and tribal identity. The notion of a “crisis” is not a fully adequate term here: despite an explosion of nationalisms in the Arab world in the second half of the 20<sup>th</sup> century, conducive to the establishment of national states under the classic formula, the process of consolidation of communities burdened with cultural diversity has never been completed. Alongside the modernized society layers that have transgressed the status and ethno-confessional boundaries, there has been a vast field of traditionalism in existence, where the local community and sectarian identities have been given a new incentive as a result of the increasingly sharper social injustice. As noted by Richard Haass, an American diplomat and president of the

Council on Foreign Relations (CFR), “In coming years, the Middle East is likely to be filled with mostly weak states unable to police large swaths of their territories, militias and terrorist groups acting with increasing sway, and both civil war and interstate strife. Sectarian and communal identities will be more powerful than national ones. Fueled by vast supplies of natural resources, powerful local actors will continue to meddle in neighboring countries’ internal affairs.”<sup>2</sup>

A significant phenomenon entailed by the conflicts and internal disturbances in the Middle East was an uncontrollable growth of violence. It was manifest vividly in the interstate conflicts, in the riots and demonstrations of the Arab Spring, and in the civil wars. According to the American historian and philosopher Hannah Arendt, violence is an instrument or means, and the means always overwhelm the end. “If goals are not achieved rapidly, the result will be not merely defeat, but the introduction of the practice of violence into the whole body politic. Action is irreversible, and a return to the status quo in case of defeat is always unlikely. The practice of violence, like all actions, changes the world, but the most probable change is to a more violent world.”<sup>3</sup> The developments in Iraq, Syria, and Libya, marked with the unmotivated atrocities, have blurred the boundary between the deliberate use of violence as a means of struggle for power, intimidation, demoralization, and vengeance, and violence for the sake of violence caused by the desire to gain power over people and enjoy complete impunity.

Recently, a most sinister threat to regional stability and a challenge to global security has been presented by the Islamic State (ISIS). ISIS emerged on the ruins of states that under civil strife have rapidly started to turn from relatively stable into failed collapsing regimes, where the political system and power-wielding structures have lost any touch with the society, and begun to wage a struggle for their own survival.

The craving for ISIS can be accounted for by the search for ideology with understandable global hallmarks. It can give rise to the most radical and extremist varieties of the attempts to change the global order. Under conditions when the main philosophical and ideological concepts have been afflicted by a crisis, there is always a demand for religion as an eternal and unquestionable value. ISIS has positioned itself as a group based on Islamic values, capable of carrying out a successful project of nation building. The revolutionary convulsions and civil wars have created a favorable climate for structuring ISIS and other similar groups. No wonder that over 15,000

foreigners from 81 countries of the world have been engaged in fighting in Iraq and Syria.

The changes in the system of international relations have made the rise of the jihadists not an accidental phenomenon or a deviation, but a reflection of the domineering trend. When providing an overview of the current international relations, academician A. Torkunov pointed to a dramatic interdependence and interconnection of countries, world processes, economics, and politics. “The density of the contemporary world has turned it into such a multifaceted model that lends itself to evaluation with greater difficulty than ever before.”<sup>4</sup>

The blurred configuration and the lack of transparent rules of the game, inherent in the post-bipolar system of international relations, are defined not only by asymmetry, but also by the coming to the limelight of an increasing number of non-state players. The new order can be referred to as the Westphalian Model Plus – along with the sovereign states, which traditionally made up its foundation, a more conspicuous part has been assumed by military and political alignments of forces, organizations built up along the ideological, ethnic, or confessional principles, and terrorist and nationalistic groups. They have been taking advantage of globalization, crossing the state frontiers without a problem. Their masterminds have found shelter with the most liberalized nations to live through the toughest times, and then they returned to their native countries.

To a greater or lesser degree, the traditional and emerging threats have had a bearing on Russian interests. Russia has maintained military, political, and business ties with the Arab world. While these have been curtailed under the influence of the Arab revolutions, they can potentially be restored back to normal and even extended in the foreseeable future. The problem lies in the more severe consequences – the painful processes associated with the restoration of statehood, the prospect of division faced by some nations, and the export of tensions to the neighboring countries. The lack of an “iron curtain” and the liberalization of legislation (a natural tendency in the contemporary world) have caused Russia to experience more keenly a stronger destabilizing effect generated by the Islamic terrorist and extremist formations, based in the Arab world and in Afghanistan.

The external impact of radical forces on the republics of the northern Caucasus and the Volga region could not but evoke a result whereby the typically positive attitude – and not always balanced – toward the Arab nations has eroded. This was also facilitated by a boost in the development of relations

with Israel, whose government is not in favor of the emergence of Islamic enclaves anywhere in the world, but has displayed a more accommodating attitude toward the actions undertaken by the Russian federal forces in the North Caucasus and the policies pursued by the Russian Federation in the Balkans. However, the Arab world has remained attractive, economically and politically, and the more so as the fight against separatism, terrorism, and Islamic extremism has implied enhanced relations with the Arab countries that have confronted similar threats and have amassed some expertise in neutralizing such risks.

In recent years, Russia has succeeded in building up relations with various players in the Middle East, including Iran, Israel, the Arab states, Hamas, and Hizbollah, and this can be assessed as a positive strategy, capable of bringing some political dividends to Russia. One can agree to the analysis made by US expert Mark Katz, who presented Moscow's policies in the Middle East as "the art of being friends with everyone."<sup>5</sup> At the same time, under the current situation of deepening controversy in the Middle East, the issue of mutually exclusive interests can become extremely acute. Thus, Russia's good relations with Iran, which is its closest neighbor and an active player in the Caucasus and Central Asia, and Russia's undeviating stance regarding its opposition to any outside military interference in Syrian affairs and the overthrow of the Syrian regime with the assistance of external forces, have come into conflict with the approach upheld by Saudi Arabia, other Arab nations, and a number of Western states. The supply of weapons to Syria or Iran has always aroused sharp criticism in Israel, even as the bilateral relations have continued successfully and retained a high degree of relevance.

The key issues that forced Russia to adjust its policies in the Middle East and elsewhere in the world that also had an impact on its image in the region for better or worse have been conflict situations that required a particular focus by the international community and that have rapidly become internationalized. Special attention has traditionally been attached to the decades-old Arab-Israeli conflict, which over the years evolved into a highly volatile political setting in which Russia has retained its specific obligations. Within the context of the Middle East conflict, a mechanism for Russia to interact with the US, EU, and UN has been designed within the framework of the Middle East Quartet. This does not exclude a special role played by the US administration, whose activities have been generally determined by the election cycles.



The overwhelming attitude of the larger segment of the Russian population, political groups, and expert community regarding the conflicts in the Middle East has reflected the conservative perception of the Middle East as a platform to resist the Western efforts aimed at reducing Russia's clout in the international arena, and at forcing it out from the regions and competitive playgrounds that have assumed paramount significance for it. It cannot be denied that such rivalry has been in evidence before and has been acute from time to time. However, not all of the developments that have been underway in that region can be accounted for by Western machinations. Internal contours of continuing tensions, the activities carried out by regional forces, and the controversy reigning between them have mainly contributed to the incitement of conflicts. Moreover, in the course of Arab transformations, there was an impression that the regional states – Saudi Arabia, Qatar, Iran, Turkey, and Israel – had the upper hand over global actors more often than not. The local players did their best to apply pressure, directly or indirectly, to make the global actors act in a certain manner.

As Russia does not possess the powerful resource potential that was available under the USSR, Russia sought to make its foreign policy initiatives a symbol of success. Diplomatic efforts could produce a very tangible effect. For this reason, apart from a rather limited range of goals, *inter alia* mitigation of military and political jeopardies, Moscow's policy in the Middle East was meant to signify high Russian international prestige and connote its capability to carry out its own independent line. Indeed, the Middle East provided ample opportunities for that. The states located in the region were interested in getting Russia back on track not only as an ally, but also as an honest broker. They were nostalgic about the state that used to play the part of a regional counterweight to the US policies.

All efforts intended to ensure that Russia could pursue such policies that would testify to its commitment to protect its interests have grown into bolstering its interaction with various regional actors. In particular, mention should be made of the improvement of Russia's relations with non-Arab regional states – Israel, Turkey, Iran – that have rendered its regional policies more diversified and multidisciplinary.

A serious emphasis was placed on the resumption of weapons deliveries and on the government support of Russian businesses. According to data made available by the Center for the Analysis of the World Arms Trading, the figures for 2012-2013 revealed that the Arab states have continued to

remain the top arms buyers from Russia, while “their share constitutes 14 percent of the entire Russian defense exports.”<sup>6</sup> Despite all the efforts exerted, the trade and economic relations with the Arab world were relatively insignificant in the early 21<sup>st</sup> century and had a sporadic nature. The average annual trade turnover was \$6.5-7 billion.

A substantial share in the Russian-Arab technical and economic cooperation has been held by investment projects in the oil and gas sector, involving the participation of Russian companies acting in the capacity of general contractors, commissioned to carry out orders to develop and maintain the capital construction projects. According to some assessments, the value of the Russian business interests in the Arab region, including the financial covenants related to investment projects and the price of contracts scheduled for implementation within the short term perspective, can be estimated at \$3-4.5 billion.<sup>7</sup>

The development of economic relations with the Arab nations was fraught with objective difficulties related to the specificity of Russian business. Although the support of the Russian business, including in the Middle East, was declared to be among the top priorities for Russia’s foreign policies, the bureaucratic apparatus proved to be totally unfit for such an exercise, especially as the business endeavors promised no immediate benefits. Nevertheless, regardless of such restrictions, the promotion of economic collaboration with the Middle East states and military exports to the region overall contributed to the enhancement of the positions held by the Russian Federation in the region.

The developments around Ukraine have not led to any drastic change in the attitude of the majority of regional states towards the Russian Federation. Even some of the US allies were content at heart that Washington, which claimed to be the chief arbitrator on the international arena, had been challenged. At the same time, the policies pursued by the West seeking both to ensure Russia’s isolation and to create economic difficulties for Russia, by way of being punished for Crimea and Sevastopol, envisaged, inter alia, the US efforts undertaken in March 2014, and widely covered in the media, with a view to making the Saudis increase their oil production.<sup>8</sup> The State Department did not approve of Bahrain’s decision, during a visit of Crown Prince Salman bin Hamad al-Khalifa to Moscow in late April 2014, to engage in investment cooperation with Russia.<sup>9</sup> The declining oil prices (a key factor for Russia, whose budget largely depends on its oil revenues)

were not triggered by the efforts of the US, as a matter of fact. However, it was obvious at that time that OPEC was no longer in a position to regulate the world oil prices.

The alarmist tendencies that surfaced with the assessment of US intentions and those of its allies with respect to Middle East oil have resonated well with a segment of the Russian elite and society, which deeply resented the actions taken by the West that were induced by the post-Soviet politics of the Western nations themselves. Suffice it to recall how resolutely Russia supported the US drive to combat international terrorism, when it allowed its air space to be used by NATO troops fighting in Afghanistan (subsequently, a return transit zone was established), voicing no objection to the installment of US bases in Central Asia. However, the ongoing efforts of the United States to expand the NATO presence onto the territory of former Soviet republics (Georgia and Ukraine), despite the existing resolve to forge mutual cooperation, could, if implemented, have led to a shift in the global balance of forces involving the installation of NATO bases directly in close proximity with the Russian frontiers, and even to the unified ethnic and cultural affinity (Russia's south and eastern regions of Ukraine) being destroyed by military and political barriers.

The prospect of NATO's naval forces being stationed in the Black Sea and the eventuality of military bases being set up, for instance, in Crimea, were viewed as an attempt at Russia's national humiliation. According to Russian ex-Minister of Foreign Affairs Igor Ivanov, "The psychological heritage of the confrontation époque was not totally overcome. Consequently, major efforts were exerted to heighten the defense capabilities to counteract the defunct threats; however, the emerging challenges were not duly attended."<sup>10</sup>

The negative experience highlighting the interaction with the Western powers has been part and parcel of the Russian public opinion, ready to respond to the tectonic shifts in the Middle East, within the framework of a plot theory. It was painfully reinforced by the developments around Ukraine and Crimea in 2014 and the information war that followed. However, before those developments occurred, the reset policies were experiencing the impact of various factors that weakened their positive potential. For example, the hard-earned lessons of Libya in the Middle East can be recalled, along with the initial disrespect of Russian interests in mapping out the strategies for Syria. Russia's subsequent proposal to eliminate chemical weapons in Syria changed the picture. One can also mention the January 2015 efforts

to start the dialogue in Moscow between the Syrian government forces and the opposition.

Overall, the striving of the US and the EU to isolate Russia resulted in a curtailment of joint efforts along the lines where the current opponents have shared common goals – fighting a battle against extremism and terrorism that can cross any border with amazing ease. The existing threat does not allow discontinuing all efforts to keep it under control, and the tragic events in France in January 2015 furnished another piece of evidence to this effect. In the opinion of Israeli experts Yoram Schweitzer and Oded Eran, the far-reaching consequences of terrorist attacks are yet to be dealt with:

A failure to stem the outbreak of a wave of jihadi terrorism in European countries is also liable to spark a violent response against Muslims by extreme rightist groups, who can be expected to exploit the fear of radical Islam to justify their own terrorist activity, motivated by hatred of foreigners, Islamophobia, and anti-Semitism. For these groups, terrorist attacks carried out by extreme jihadi groups constitute grounds for violent action, which will bring about a cycle of violence in European countries that the security forces will be hard pressed to contain.<sup>11</sup>

The turbulent Middle East generating dangerous threats to international security calls for joint or parallel actions to be undertaken by the Russian Federation, the West, and leading regional players in an effort to reduce the prevailing tensions. Such actions might, in the long run, contribute to the easing of the existing hostility and disagreement. Time will tell whether this scenario is feasible or the crisis around Ukraine will not permit the global and regional players to make a reasonable and viable choice.

## Notes

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# Special Attitudes in Russia to the Israeli-Palestinian Conflict

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Tatyana Nosenko

The last two and a half decades have seen a visible change in the very definition of the Middle East conflict: it is seen less as a conflict between Israel and the entire Arab world, and more as an Israeli-Palestinian conflict. That can first be explained by the very low probability of a major war between the Arabs and Israel. Second, the Arab countries, occupied with urgent internal and regional problems, pay less attention to the conflict than they used to. The Israeli-Palestinian confrontation and ways to resolve it thus have come to the fore as the substance of the conflict.

In Russia the political thinking cleared of binding ideological perceptions of the past has generated a more balanced and realistic approach to the conflict and its resolution. In comparison to the Soviet period when the blame for instability and lack of peace in the Middle East was completely attributed to Israel's aggressive policy, the Russian position today takes into consideration Israel's security needs and its preoccupation with terrorist attacks against the population committed by extremist regional actors under the banner of Islam. At the same time, Russia supports the settlement of the conflict on the basis of two states for two peoples living side by side in peaceful coexistence. Russia's firm support for the Palestinians' right to self-determination is a permanent and unquestionable part of its official position. Much of the Russian mass media, both official and semi-official, hold this position on the Israeli-Palestinian conflict.

However, the democratization of political and social life in Russia opened ways for a free expression of views that differ from governmental statements.

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If in the Soviet times any deviation from the official position was absolutely unthinkable, today the situation in the Middle East is a subject for frequent public discussions. The views expressed on the Israeli-Palestinian conflict can be divided into two groups, called, for the purpose of this article, pro-Israeli and pro-Palestinian.

The major immigration wave from the former Soviet Union to Israel and free contacts between the two countries contributed greatly to the expansion of pro-Israeli attitudes in Russia. Multiple relations between immigrants living in Israel and Russian citizens enhance the acceptance of Israeli views. Russian-speaking immigrants to Israel do not hide their hostility to the Arab population and are among the most fervent opponents of any territorial compromises with Palestinians, considering them a threat to Israel's security.

In Russia there is fertile ground to nurture this antipathy: during the last decades Russian sentiments have developed strong prejudices against Islam and its adherents. As a consequence of the terrorist attacks where responsibility was claimed primarily by members of Caucasian nationality who operated in the name of Islam, the Russian people are inclined to see every Muslim as an enemy. Moreover, most of the Russians have very little knowledge of Middle East history in general and the Arab-Israeli conflict in particular. That makes it easier to present Israel solely as on the front line as it resists Islamic radicalism and terrorism. Thus the historic roots of the conflict are overshadowed by superficial judgments and general justified aversion to the atrocities committed by terrorists. Palestinian Arabs in this case are labeled on the whole as a hostile nation.

In their comments, representatives of the pro-Israeli group oppose the peace process, trying to persuade others that it is an unrealistic undertaking. They discredit any political talks with the Palestinians, claiming that there is no partner among them that deserves to be trusted and is genuinely interested in peace.<sup>1</sup> They insist that the establishment of the Palestinian state has nothing to do with Russian national interests. According to this logic, Russia is interested in developing diverse economic relations with Israel while there is no ground for any fruitful economic cooperation with the Palestinians.<sup>2</sup>

The strong influence of these views is felt in the main Jewish organizations in Russia, where the expression of even mild criticism toward Israel is not welcome. There is also a trend in the most liberal circles of the Russian intellectual community to idealize Israel as a "kind, clever, civilized state



in the desert” and to castigate Palestinians who are not able to create their own state and are continuously producing only suicide terrorists.<sup>3</sup>

On the other side of this discussion are those who favor the Palestinian discourse on the conflict. Among them there are proponents of the so-called Eurasian ideology, which proclaims Russian particularism based on special values and traditions. Their severe criticism of Zionism often borders on anti-Semitism. Jews are condemned for the dissemination of the terrorist image of Arabs and Muslims in general with the alleged aim to destroy Russia and to break its traditional ties with the world of Islam. According to the holders of these views, the instigators of national and religious conflicts want to put an end to a unique inter-civilization project that has been historically realized in Russia and “to make our country fully dependent on the racist part of the Israeli political establishment and its Western masters.”<sup>4</sup> This excerpt has clear Soviet connotations, but basically the Eurasian ideology preaches different principles. Its followers do not see the struggle for the independent Palestine simply as a political task to realize legitimate rights of the Palestinian people. Russian Orthodox nationalism is imbued with a messianic idea and its partisans consider Palestinian independence as a tool to realize the Russian mission through the reemergence of the Russian sacred presence in the Holy Land.

The hardcore proponents of the Palestinian struggle are also present in the mass media under Communist control; they are represented by former staff members of different Soviet institutions (like the Central Committee of the Communist Party, KGB, and so on) which dealt with the problems of the Middle East in the Soviet period. In a way it is a residual Soviet phenomenon, and their position is shaped according to the anti-Israeli pattern common to Soviet propaganda. Israel is blamed for the aggressive policy against Palestinians, a breach of international law, and inhuman behavior. But Palestinian terrorist attacks against Israel and its citizens and constant threats by extremist Arab groups and organizations to destroy the Jewish state as a rule are not mentioned.<sup>5</sup>

These circles are also known for promoting different conspiracy theories: all the evils and misfortunes of the Middle East, like the emergence of militant Islam and its most radical groups, are attributed to the activities of the American CIA and Israel intelligence services.<sup>6</sup>

The new wave of the anti-American public mood spreading in Russia is also exploited by the pro-Israeli group. It suggests that Israel loosen its ties

with the United States for the benefit of closer cooperation with Russia, which in the long run can play the role of Israel's main partner. It seems that these views, though encouraged by certain political forces, are of no relevance for Russian policymaking regarding the Israeli-Palestinian conflict, and are useful in keeping the anti-American, anti-Western environment.

The ongoing dispute between representatives of the respective groups occurs not only in the mass media. In both groups there are people who have access to the decision making levels. Some of them hold important positions in education, which makes it possible to exert a certain influence on the younger generation, although Russia still lags behind Europe and the United States as regards mass influential movements in support of one of the parties to the conflict. The pro-Israeli forces in Russia are far from constituting something close to the American lobby. The leaders of the Russian Jewish community admit that notwithstanding personal relations and common business interests, they are unable to put enough pressure on Russian policy in the Middle East so that it lends more decisive support to the Jewish state.

The Russian Orthodox Palestine Society is developing active cultural and educational relations with the Palestinian Arabs. The Russian Orthodox Church has its own interests in maintaining connections with the Arab population and the Palestinian authority. At the same time, Russia has not produced anything like the BDS movement in support of the Palestinians and has never joined it. On the contrary, the official Russian position on the illegal status of the Jewish settlements does not hinder state agencies to engage in cooperation projects with Jewish institutions in the territories.

The pro-Israeli and pro-Palestinian trends representing different ideological segments of Russian society seem to balance each other in practical activities. At present there is no convincing evidence of their direct influence on the process of policymaking as regards the Israeli-Palestinian conflict. Rather, they reflect the directions in Russian political thinking, and hence the reason for paying attention to their further development.

## Notes

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## PART II

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### Russia-Israel Economic Relations

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# **The Role of Business in Russian-Israeli Economic and Trade Relations**

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Sergey Oulin

In a very encouraging trend, Russia-Israel relations have made significant strides over the past 25 years. Nonetheless, the existing potential of the bilateral cooperation, which I believe is substantial, has thus far been realized only marginally. Meanwhile there is a clear understanding that it is business that can create the ecosystem needed for the efficient long term cooperation between the two countries and attainment of the strategic level of interaction.

This article presents my vision of the role of business in social processes in general and specifically in Russia-Israel relations, and suggests how these relations can be developed effectively.

## **The Social Role of Business**

The key role of business in social life is predetermined by its functions in social development, first of all its economic function. Every society, irrespective of its social structure, political regime, and dominant religious views is capable of both existing and developing successfully on condition that it is engaged in economic activity, securing at the least some realization of its potential, which implies the cultivation of efficient business activity and management skills.

The political function of business and management is no less important. The political life of every society is primarily an expression of clashes and conflicts of concrete interests of economic nature. Accordingly, the business community (big entrepreneurs, top managers, small and medium businesses brought together by trade and regional unions and associations) has a weighty

say in political decisions. No electoral campaign or formation of government bodies can take place without the active involvement and support of the business community. Thus, business becomes one of the decisive factors in the formation and development of a civil society.

To a certain extent the business community has a leading function in society. The business environment, its purposes and character, and the ways in which business is conducted define the state of social life, the public mood, vital social targets, and so forth. In this connection we can also speak about the ethical function of business and management. Ethics in business play an extremely important, if not decisive, role in the dynamics of moral values of every society.

Consequently, it is evident that business plays an important modernizing, or more precisely, innovative role in today's society, thus securing both the economic conditions for the survival and development of the social medium and the implementation of the latest achievements of global technical, scientific, and humanitarian thought. Indeed, the transition of traditional societies and cultures to modern manufacturing; achievements in the field of science, technology, medicine; the development of civil societies and democratic freedoms; and international cooperation and integration took place with the help and on the basis of business practice and experience.

As such, a business community acts as the main link between the full integration of a society and the existence and development of social partnership. Neither politics nor art, education, science, or sports can adequately develop in any country or any society without the support of the business community. Sponsorship, patronage, charity, lobbying activity – the list of social cooperation and partnership forms can be continued – all of these activities are ultimately associated with actual companies, corporations, financial groups, and individual entrepreneurs.

## **Promotion of Russian Economic Interests in the International Arena**

The promotion of Russia's economic interests in the international arena in view of its priorities in the field of innovation development faces very serious challenges. Russia must secure equal rights in the present-day system of global economic cooperation, and minimize risks in the course of integration into the world economy, including those arising from Russia's membership in the World Trade Organization and intended joining of the OECD.



Big business is the focal point in Russia today, and small and medium businesses still lack enough government support. Indeed, there exists no unified system of government support for small and medium businesses in Russia operating abroad to secure the political conditions for obtaining loans, financing, and insurance as well as settling matters relating to the customs regime and taxation. The process of creating such a system is unfolding in Russia and will certainly be implemented. Business cannot be left alone and the experience of the market economy in our country only emphasizes the need for partnership between the state and business to safeguard geopolitical interests and economic security.

The Russian-Israeli Business Council regards the establishment of a platform for closer interaction between business and the state as one of its major goals, thus assisting the promotion of Russian interests in cooperation with such an important partner as Israel.

### **Prospective Fields of Bilateral Economic Cooperation**

Experts have identified the following prospective areas of economic cooperation between Russia and Israel in the short and medium terms:

- a. agriculture (including the use of Israeli agricultural technologies in Russia)
- b. energy
- c. cooperation in the sphere of high technologies
- d. tourism (including spheres in which Israel takes the lead)
- e. medicine and pharmaceuticals
- f. scientific and technical cooperation in various fields
- g. education

We need a strategy of bringing more Israeli businesses to various regions of Russia with an attractive business climate, taking into account a recent example of a success story for Teva's investments in a major Russian industrial region, Yaroslavl, where in October 2014 the company commissioned the establishment of a big pharmaceutical plant.

### **Stereotypes and Unsettled Issues Hampering Bilateral Cooperation**

In the course of discussions and exchanges of views in March 2013 at the Institute of Oriental Studies of the Russian Academy of Sciences, representatives of the Russian and Israeli business and expert communities referred to the following problematic issues of cooperation with Russia:

what is still a high level of corruption; a non-transparent legal and judicial system; a disproportionately high interest on behalf of government bodies in commercial matters; and insufficient interest in the business community in the hi-tech sector. These problematic issues have unfortunately led to the creation of an unfavorable image of Russia in Israel as a country in which a seemingly sluggish economy is poorly developed technologically, business structures are politically engaged, and there is a high risk of conducting business.

Among the problematic issues on the part of Israel, participants cited the following: underestimation of Russian partners' potential; the use of double standards in economic cooperation; and reliance on exclusively foreign financing for projects.

Another basic problem of bilateral relations that until recently was not acknowledged by the two sides is the large percentage of the Russian speaking population in Israel. We have been accustomed to view this factor as entirely positive for our relations, and it is true to a great extent, as communication between scientists, businessmen, politicians, and security services has become much easier. On the other hand, an opinion about Israelis is formed by Russians based on their experiences with Israel's Russian speaking citizens; the same is true of the formation of opinions about Russians in Israel. Such a situation often results in distorted conclusions and in many cases leads to erroneous decisions on important issues. To make the dialogue effective it is necessary to systematically study the social and cultural features of each country, focusing on their political and business culture. This problem was realized early on in Russia, at least on the expert level, and Israeli science has developed dynamically since. In today's Russia, decisions on many important issues are taken on the basis of country expertise. Such a practice regarding Russia does not exist in Israel. The interest in systematic Russian studies died down following the breakup of the USSR, and subsequent attempts to revive them have not yet succeeded. All the aforementioned difficulties and stereotypes existing on both sides have created the general atmosphere of distrust, which hampers the development of long term trade and economic and technical partnership between the business communities of Israel and Russia.

Business community representatives and experts believe that the implementation of many prospective projects is hampered by these various difficulties and stereotypes; hence the insistence that every concrete project

of bilateral cooperation be subject to expert oversight, including the strategy of its promotion in the market and follow-up of the implementation of measures to support it. An expert community of this nature has de facto been established on the Russian side. There are solid working relationships between the Russia-Israel Business Council, the Institute of Oriental Studies of the Russian Academy of Sciences, and the Expert Council of the Chamber of Commerce and Industry of the Russian Federation, which in case of need allow us to bring together highly qualified experts of a very broad profile.

We are eager to see similar structures on the Israeli side to join our efforts in providing high class expertise to businesses. There is no doubt that INSS can be our key partner in this field.

### **Multilateral Cooperation**

In conclusion, I would like to present an idea that I believe may prove to be very beneficial for the Russian-Israeli business cooperation. We are all aware that no bilateral cooperation can be efficient in the modern global market without the formation of a multi-vector system of interaction. Accordingly, it seems important to develop a flexible system of bilateral cooperation making a provision for possible participation of third countries in the process. Such a scheme will not only allow expansion of the framework of bilateral cooperation; it also promises new opportunities and resources.

This approach can produce a very tangible effect in Russian-Israeli relations. The creation of the so called “triangles” involving a third country to join Russia and Israel (inclusion of more countries will make the system less efficient) seems to be the most favored format of the multi-vector system. Several of such “triangles” can be created.

In our view, the United States, China, EC countries, and possibly some other countries can be the potential partners in the system. The choice is governed by the fact that both Russia and Israel are interested in the development of business contacts with these countries on different levels, and their participation in the dialogue between Russia and Israel can produce the maximum synergy effect. Besides, a broad spectrum of interaction is more adequate and is in full keeping with the geopolitical and economic interests of such a global player as Russia.

The spheres of cooperation within the framework of triangles can be similar to those identified for the bilateral cooperation. In order to launch the proposed process, a platform based on interaction between the representatives of the

business and expert communities of the two countries must be established. Such a platform will allow formulation of an adequate multi-level agenda and concrete plans using high expertise.

In conclusion, despite the existing political, economic, social, and cultural barriers, Russia and Israel have substantial potential for attaining a new and much higher level of business cooperation. A higher level of business cooperation would also be expected to prompt serious positive changes in our political interaction.

# **Hindrances to Russian Hi-Tech Export to Israel and Ways to Overcome Them**

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Andrey V. Fedorchenko

In the years 1990-2000, economic relations between Russia and Israel were restored and marked by dynamic development. The value of the overall exchange of commodities between the two nations in recent years has been estimated at approximately \$3 billion.

A striking feature about the bilateral commerce is a substantial positive trade balance in favor of Russia. The predominant share of the Russian exports lies in diamonds, oil and petroleum products, and ferrous and non-ferrous metals. Russian imports are dominated by heavy engineering, machinery and equipment, chemical industry products, foodstuffs, medical equipment, pharmaceuticals, and agricultural technology.

At the same time, it appears that despite the fairly intense trade exchange, the current model no longer allows escalation of the trade turnover and fails to promote the development of bilateral production cooperation. The strategic objective for Russia is to diversify its exports and reduce the share of raw materials in its production spectrum. By adopting a path toward innovative technologies, Russia emphasizes the need for a radical structural change in its deliveries to the Israeli market in favor of increasing exports of hi-tech products.

How realistic is this target? In this context, must outdated external economic stereotypes be reviewed and corrected? The present article seeks to provide the answers to these questions. Due to the fact that the defense industry has historically been assigned a central position among the hi-tech industries

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and services of the two nations, a primary emphasis of this article lies on the evaluation of prospects for military and technical cooperation (MTC).

The specific nature of the Russian exports to Israel based on raw materials is largely explained by the hindrances that are encountered by the Russian producers of science-intensive products. The promotion of Russian hi-tech products in the Israeli market is seriously hampered due to political and economic factors. Israel's foreign policy priorities, formulated during the first decade of Israel's existence, have been a powerful impediment to the Russian exports with high R&D intensity.

First and foremost, American-Israeli intergovernmental relations have been marked with a special character. Israel is highly dependent on American exports of large weapon systems, its own imports of military purpose products from the US market, and defense technology transfer from the United States.

Pursuant to the US-Israel Free Trade Zone (FTZ) Agreement (1985), the US companies that participate in tenders to win contracts to the tune of over \$50,000 are governed by the national regime and national procedures, but this applies only to 13 civil state-controlled agencies in Israel (although they include the largest civil purchasers: the airports authority, shipping and ports authority, and railways authority). The participation of American suppliers in tenders for the purchase of weapons and defense technology is governed by the 1987 Memorandum of Understanding between the US and Israel (the full name is "Memorandum of Understanding Between the Government of Israel and the Government of the United States of America Concerning the Principles Governing Mutual Cooperation in Research and Development, Scientist and Engineer Exchange, Procurement and Logistic Support of Defense Equipment" – MOU). Although the national procedures have been applied to the US producers of these products, the Israeli companies from the R&D sector have retained their preferential status in such tenders. Still, these US-Israeli accords have formally reduced the chances for Israeli companies to win contracts through tenders, as the lion's share of bilateral trade is occupied by hi-tech products. However, the companies are provided with an additional stimulus to reduce the product costs and improve the domestically produced output.

In the field of state procurement, the US offers an additional huge market for Israel, owing to the offset agreements. By way of exporting hi-tech products to Israel, American companies extend the overseas sales markets for hi-tech products manufactured by Israeli companies, due to compensatory deals.

An additional critical incentive for engaging Israeli companies has been the practice of using the US government military aid to purchase military products from Israel. These funds are partially allocated to the development of military and industrial projects on Israeli territory, which is a very non-standard practice in US foreign policies. The US has allowed other countries to use US military aid for the purpose of buying weapons made in Israel.

All those factors combined reduce the competitiveness of other non-American suppliers (including Russian) in the Israeli market.

Another hindrance in the way of fostering technological collaboration between Russia and Israel is that the level of such collaboration is viewed by the Israeli authorities through the prism of the similar cooperation that Russia maintains with Israeli regional adversaries, primarily Syria and Iran.

The Israeli stance on the issue of military supplies to Syria is well known. The Israeli government, guided by its own concept of national security, tends to negatively assess any Russian-Syrian contacts in the field of military and technical cooperation, as it is apprehensive of the possibility of Russian weapons and military equipment reaching Libya and the Palestinian territories. The goal of such policies is absolutely apparent – to ensure the military superiority of Israel over its northern neighbor, including in the air space. Such superiority empowered Israel's launch of airstrikes against targets in the vicinity of Damascus in May 2013. According to Israeli and Western experts, Syrian President Bashar al-Assad's possession of advanced GMS (guided missile systems) can disrupt the balance of power in the region, and can also impede the establishment of a no-fly zone over Syria, following the example with Libya. The point is that the S-300 anti-aircraft missile systems deployed in the environs of the Syrian capital can make Israel's entire airspace a no-fly zone.

There is a certain similarity between this scenario and the development of relations between Moscow and Tehran. Despite Israel's zero tolerance and frequent expression of political disagreement regarding relations between Russia and Iran, Moscow does not intend to scale down its cooperation with the Islamic Republic. Indeed, Russia is engaged in delivering defensive arms. If the Israeli demands were accepted, Russia would be forced out of the Middle East arms markets even further, and under conditions of increasing instability in the Arab world it might have led to the radical curtailment of the export potential of Russia's defense industry sector.

Israel has exerted palpable influence on decision makers in all matters related to the supply of Russian arms to the countries of the Middle East and the region. Relying on support from the United States, Israel has put much pressure on Russian leaders, seeking to reduce the deliveries of sophisticated military equipment, including those designated as purely defensive, to Israel's adversaries. This mechanism was instrumental before in relation to the foreign trade agreements between Russia and Syria, Iran, and Libya. In the final analysis, Russia has adopted a more stringent stance in connection with these issues.

Proceeding to the examination of the economic barriers in relation to the Russian exports, it should be remembered that until recently Israel explicitly pursued protectionist policies, with its domestic market protected from external competition by high tariffs and non-tariff barriers. The liberalization of the foreign trade regime in general began only in 1991. The first step in that direction was a replacement of non-tariff restrictions on imports by import duties. Then, as a result of unilateral tariff liberalization, Israel reduced tariffs up to 8-10 percent under the Most Favored Nation (MFN) system for most of the merchandise. The tariffs continued to drop, though with much discrepancy regarding individual product categories in evidence (the variation coefficient throughout the 2000s was 2.8).<sup>1</sup>

The liberalization process played a part in boosting the competitive power of the Russian products with high R&D intensity in Israel, but the measures brought about only a very limited effect on the Russian exports. In fact, the nations and regional integration associations that have entered into Free Trade Zone Agreements with Israel – the EU, US, Canada, EFTA, Mexico, Turkey, MERCOSUR, and others – account for the greater part of Israeli imports. Consequently, within the framework of the MFN regime, Israel gets only one fourth of its imports. Russian producers appear to be in a less privileged position than those suppliers that enjoy a more preferential status under the FTZ agreements.

Another serious hindrance has been retained in the form of various non-tariff restrictions: specific requirements for product quality, packaging, marking, “Kosher certification,” and so on. However, experts consider the centralized system of imports, under which the import monopolies, operating within the nation, exert efforts to limit any parallel competitive import channels dealing with a number of product categories, to be the most powerful non-tariff barrier. These foreign trade companies can very easily



preclude Israel's import of Russian products or any merchandise from other countries, citing economic or political reasons.

Another constraining factor for Russian hi-tech exports is the controversy between the Russian and Israeli interests in the world marketplace. First, Israel has typically been an active player in the markets of such traditional consumers of Russian products of military designation such as India, Southeast Asia, and Latin American nations. In China, the competition with Russia exists, but it is less conspicuous. The most complicated situation in the arms market seems to have developed in India, a longstanding partner of the Russian Federation. As regards the military and technical cooperation, Israel has been a strong player in the field of missile technology, including such systems that are traditionally supplied by Russia in conformity with the highest standards applicable – antitank guided missiles (ATGM), air defense systems (ADS), and air-to-air missiles (AAM).

Second, a significant aspect in Israel's export strategy is modernization of military equipment produced in Russia for the developing nations, as well as Central and East European states. Israel has developed a specialization in upgrading and retooling the Russian (formerly Soviet) military products. According to the data made available by the Israeli government and industrial sources, almost a third of all military deals transacted by Israel since 1991 are related to the equipment manufactured in Russia; over a period of 11 subsequent years, the total value of such deals has exceeded \$6 billion.<sup>2</sup>

Israel has constantly infringed on Russian rights to its intellectual property because the legal framework underlying the Russian-Israeli relations was not thoroughly defined. In the course of negotiations on the establishment of a Free Trade Zone between Israel and the Customs Union comprising Russia, Belarus, and Kazakhstan, an issue of including the provisions deemed to safeguard the national rights to intellectual property in the mechanisms sustaining the future integration association was addressed.

The government authorities in charge of military and economic management in Israel are not prepared to purchase hi-tech products from Russia. The barriers that are hard to surmount are installed at the initial stage of participation in government tenders. The sector of government purchases is heavily controlled by the state, and it is not likely that the control mechanisms will be relaxed in the foreseeable future. It is applicable primarily to the system of government tenders and standardization.

The procedure underlying tender management is fairly flexible. In some cases, there can be exceptions to the general rules governing the operation of open tenders. The law sets out many circumstances under which the tender may not be a mandatory procedure.<sup>3</sup> The most important are:

- a. The contractual amount is below NIS 42,000.
- b. The contract must be signed urgently.
- c. In some cases, an open tender can cause damage to Israel's national security.
- d. As a result of the tender procedure, the state-owned company might incur losses, its competitive power might be reduced, or it might face difficulty in complying with its public obligations. This caveat can provide a safe harbor for a substantial segment of the government sector outside the competitive playing field and, simultaneously, provide a guaranteed sales channel for the state-owned companies.

Apart from that, a possibility for conducting a selective tender is envisaged in the event that:

- a. It is a contract in the R&D field.
- b. Goods with special characteristics may be purchased.
- c. The contractual amount is not in excess of NIS 336,000.

It is apparent that by referring to the above provisions, the government authorities can limit the circle of bidders for the contract to the government-owned companies alone or the leading national manufacturers representing the private sector, acting at their own discretion.

The multiple exceptions to the rules offer an opportunity for the government to secure a more preferential procurement regime for the national manufacturers. In the defense industry complex, the weakness of market drivers stimulating the demand is compensated by the exceedingly high requirements imposed by the military authorities, the Israeli Defense Forces, and foreign end-users regarding the quality and capabilities of the weapons and military equipment.

Special attention should be paid to the procedures governing the government purchases through the Israeli Ministry of Defense. The Ministry of Defense uses its own procurement plan that sets it aside from all other agencies under conditions of the government stimulation of demand for hi-tech products. A diversified system of defense procurement basically comes down to managing contractual supplies destined for the Ministry of Defense and the companies within the defense industry complex.

The regulations for ensuring national priorities (preference for products from national priority areas) that govern the state procurement for the Ministry of Defense were adopted in 1998. The document revoked the preferences granted to the Israeli producers under contracts for the arms and military equipment imports financed through the US military aid programs (totaling approximately \$1.8 billion a year). Besides, defense procurement is exempt from the obligations assumed by Israel under the WTO Government Procurement Agreement (GPA).<sup>4</sup>

The committees for the tendering process with respect to defense procurement have “public representatives” appointed by the Director General of the Ministry of Defense, but they are not entitled to attend the meetings of such committees that address matters related to sensitive transactions. The value of the deal is assessed with reference to one of the following:

- a. Based on the existing price in the Israeli market, that in turn is based on the revised price under the previously concluded identical contracts.
- b. Based on the price in the supplier’s country (including the cost of insurance and transportation costs in Israel – CIF price).
- c. Based on the maximum price established by the laws regulating the pricing procedures.
- d. Based on the evaluation of the supplier.
- e. Based on the cost accounting practice.

One of the key features about the mechanism of defense procurement is that almost all tenders have a closed format, or the tender procedure is not resorted to at all. The following list sets out a number of conditions under which a tender procedure cannot be used:

- a. The value of a procurement contract is below NIS 16,800.
- b. The products are purchased from the only national producer of a specific product or the only service provider, or the only producer who is in possession of the expedient engineering capability and the R&D system.
- c. The innovative products that are purchased need to be subjected to testing.
- d. The procurement operation has been preceded by similar transactions (over the previous three years).
- e. There is an urgent need for these products.
- f. The services of innovative nature are purchased, and the provision of such services requires very high qualifications on the part of the supplier, know-how, and especially trustworthy relations with the supplier;

g. The disclosure of any information about the transaction can be detrimental to the national security, economy, or foreign policies of Israel.

Moreover, the Minister of Defense can deviate from the rule of a mandatory tender procedure, if “this is required under the specific circumstances.” However, if a tender is held, in the majority of cases it is a closed tender procedure.

The pattern of government procurement allows applying a direct selection method to suppliers on a broad scale. Normally, such suppliers are large corporations with a leading status in the hi-tech production industry that have been engaged in long term business relations with the Ministry of Defense or army command. The government procurement programs encourage the development of innovative business, primarily in the state-owned military and industrial monopolies and large Israeli corporations of the private sector engaged in the production of defense equipment and related products. The proliferation of market tools for the placement of government orders is hampered by the personal connections of the military functionaries working for government agencies and the top management of the military and industrial corporations, as well as a constant exchange of human resources between the executive staff of the armed forces and military businesses. The special regime accorded to the US contractors does not cause any damage to the Israeli producers in the domestic market, as the latter operate in other segments of the same market.

Like other developed nations, Israel has made extensive use of various technical barriers, inter alia, standards, security requirements, packaging rules, marking rules, and advertising standards. These instruments not only offer protection for national production, including with high R&D intensity, which provides the foundation for Israel’s economic profile, but also contribute to the higher quality standards and improved usability of Israeli products, which eventually leads to the increased sales internally and elsewhere in the world.

The formal Israeli standards (technical regulations) are adopted in the following cases:<sup>5</sup>

- a. For the protection of human life and health, property of physical and legal persons, government and municipal agencies – these protected categories are embraced under the concept of “conformity to public security standards” that is treated with utmost scrutiny at all the levels.
- b. For environmental protection.

c. With a view to preventing any action that can mislead the consumer. When a government procurement order is placed for the purpose of ensuring the national security of the country, some additional requirements can be imposed on the products, but the lists of such requirements are not publicly disclosed.

The situation began to change after the adoption of the Law on Standards in 1998. The Ministry of Industry, Trade and Labor began to revoke the standards designed to restrict imports. The principles behind overhauling the system of standardization were as follows:<sup>6</sup> introduction of international standards intended to replace the national standards that insulated Israel's industry from external competition; and clear understanding that the only objectives facing the mandatory standardization are to ensure public security, to protect human health, to protect the environment, to provide adequate information to the end-users, and to provide for compatibility and interchangeability of products.

The law eliminated 250 out of 540 formerly effective standards, including such outdated ones as the regulation concerning the length of matches and the number of speed regimes in household fans.<sup>7</sup> Since then, the Israeli mandatory standards have been aligned with the international ones.

Another hindrance in the way of developing bilateral contacts in the hi-tech sector is different approaches to doing business. The Russian side is not satisfied with an extremely aggressive attitude of the Israeli counterparts, which seek to gain maximum profit by any means, sometimes at the expense of their partner, and wish in the first place to employ financial resources from abroad. In the opinion of Russian producers, this not in line with the specifics of this business. The Israeli side is not satisfied with the degree of transparency in the Russian companies. As a result, Russian suppliers have to face uncomfortable conditions in the Israeli market, although from the purely economic point of view, there are plenty of opportunities for cooperation with the Israeli end-users.

With a view to making it easier for the Russian products to gain access to the Israeli market, the liberalization of bilateral trade within the WTO framework can be supplemented by the setting-up of a Free Trade Zone with the participation of Israel and Russia. The preparatory effort for the agreement between Israel and the Customs Union comprising Russia, Belarus, and Kazakhstan was launched in late 2013. The trade volume between the

Customs Union and Israel under the FTZ agreement is expected to increase at least twofold as compared against the 2012-2013 level.

However, there are intrinsic limitations to increasing the mutual commodity flows between Russia and Israel. Israeli producers are interested in penetrating the fast growing Russian market, but the fairly thin Israeli market can hardly offer a solution to the existing economic problems for Russia. For this reason, it is expedient to complement trade ties with production cooperation, collaboration in the development and use of new technologies, scientific research, and mutual provision of various services. According to Russian and Israeli experts, the most promising vector for the promotion of bilateral economic relations is the implementation of projects on Russian and Israeli territory with the employment of the most advanced Israeli and Russian technologies. Such projects have already begun to be implemented.

Traditional foreign trade has long ceased to be the only channel for the sale of national products and services overseas. Transnational Corporations (TNC) made it possible to sell such products that are manufactured in compliance with national technologies of one country, with the full or partial use of its financial resources, workforce, and managerial personnel, and with a significant portion of its raw materials and components for the final product delivered from elsewhere. The overall sales volume of all foreign subsidiaries and the sales related to licenses obtained by the firms not incorporated into the TNC structure, along with the intercompany trade deals, have exceeded the conventional export of goods and non-factor services by more than double.<sup>8</sup>

In this context, the most realistic prospect is an alternative model of cooperation to launch production, with high R&D intensity oriented toward joint development and manufacture of products intended for the buyers from third countries and Russian imports of certain categories of military products made in Israel, as well as products and technologies of dual use and Russian use of Israeli expertise in the conversion of military industry. Potentially, Israel can become an important, although very unusual, partner for Russia in this area. Today, it can be asserted that the level of complementarity in the hi-tech production industry in Russia and Israel is sufficiently high.

The key trend for the collaboration in that area is joint production of weapons and military equipment on the basis of Russian platforms equipped with Israeli electronics to be exported to third countries. As exemplified by the experience of bilateral foreign trade agreements, the competition

in that segment of the world market can be transformed into the formation of cooperation ties. Russia's interests consist in improving, with Israeli assistance, the quality of its military products intended for export purposes; applying standardization procedures; and acquiring a strong partner in terms of its military and technical capabilities for penetration into world markets dominated by the US, using the Israeli dealership networks for the promotion of Russian aviation and other platforms equipped with the Israeli electronics to the global market. Israel's strength is its flexibility in designing a fusion of various forms of foreign trade agreements: the supply of final products, provision of services related to the modernization of existing weapon systems, the maintaining of military and industrial cooperation, and equity participation in the companies of client nations. Such synergy in the form of making deliveries, transferring technologies, and maintaining production cooperation has been vividly manifest only over the recent years and has lent a sense of brand identity to the Israeli arms companies.

The benefits for Israel as a result of such collaboration are obvious – penetration into the sales markets explored by Russia, use of its military and technical developments, and greater freedom within the framework of export strategy of its chief strategic counterpart, the US. The aggressive efforts undertaken by the US administration and American arms manufacturers seeking to frustrate the joint Russian-Israeli military supplies to China, India, Turkey, and other countries testify to the powerful nature of the emerging military and industrial collaboration.

Within the framework of an agreement on military and technical cooperation, the Russian and Israeli businesses have already taken part in joint projects in the interests of third countries. However, a number of contracts scheduled for implementation have not been signed due to the Israeli apprehension over the transfer of sensitive technologies to Russia.<sup>9</sup>

It is possible to purchase from Israel the equipment and technologies for the conduct of operations by EMERCOM (Ministry of the Russian Federation for Civil Defense, Emergencies and Elimination of the Consequences of Natural Disasters) as well as antiterrorist measures, including those under restrained urban conditions. Russia has already started to purchase the Israeli dual purpose products. For example, there are intensive negotiations for the acquisition of new shipments of Israeli UAVs (Unmanned Aerial Vehicles).

As the process of forging bilateral foreign trade agreements gains momentum, provided that the political relations between the Russian Federation



and Israel follow a steady course, it is appropriate to embark on the way of making small shipments of hi-tech military equipment from Russia (the prospect of Israeli airborne vehicles being equipped with Russian space and laser technology devices was previously discussed by the Ministers of Defense of both nations during their negotiations in Moscow in September 2010<sup>10</sup>), i.e., high precision small arms that represent the most advanced Russian developments for the Israeli Defense Forces. Even if the contractual value is not very impressive, it would be a breakthrough in bilateral relationships.

The application of the successful Israeli expertise of conversion in Russia that would imply a transfer of technologies, not “hardware,” into the civil sector, might help Russia switch over its domestic economy to the innovative development track. The opportunity was in place back in the 1990s, but was never realized due to political and organizational constraints.

The major problems that Russian-Israeli cooperation in the innovative field confronts at the present time can be summed up as follows:

- a. Mutual distrust between the Russian and Israeli business and science communities.
- b. Non-availability of regulatory documents to govern mutual collaborative efforts.
- c. Russian legislative norms and business standards in the field of innovative technologies lagging behind international practice.
- d. Non-availability of effective instruments for transferring technologies from Russia to Israel and from Israel to Russia.
- e. Fragmentary nature of the scientific and technological cooperation, lack of an underlying concept and coordinating structures in place.

Largely due to these problems, many arrangements agreed upon at the top level between the two nations have remained stagnant or been implemented in practice only to a small degree. The cooperation in the field of hi-tech technologies in general has been maintained on an irregular basis; the initiatives in this domain have not been properly attended to and have not been systematically supported by the government.

The collaboration of our two nations in this area can be very instrumental in expanding the sales market for the products with the employment of innovative technologies developed by both nations. Israel is a nation that is deeply integrated into the developed markets of the West. It can provide valuable guidance for the Russian producers and promote the realization of joint products. For its part, Russia has formed longstanding ties with the



Muslim world in the East – a region that has high purchasing power and solvent demand for the new technologies.

Today, the establishments in both nations have developed a sense of understanding regarding the advantages of cooperation between Russia and Israel in the field of innovation. For this reason, the promotion of Russian-Israeli ties has been initiated from both sides. However, due to various factors, the agencies that are supposed to coordinate such efforts by Russia and Israel in the scientific and technical arena have not worked in an effective manner.

There are a number of areas in which the innovative projects of both nations can be developed jointly, and a synergy effect can be attained if an effective mechanism underlying the scientific and technical collaboration between Russia and Israel is engineered. Such areas include IT, telecommunications, biotechnologies, medical technologies, aviation technologies of civil and military designation, space technologies, and nanotechnologies.<sup>11</sup>

To achieve the objectives outlined above, it is necessary to carry out an expert evaluation of the innovative projects; conduct a survey of the high technologies market in Israel on a regular basis; set up an effective information infrastructure; develop a segmented list of science and technology products and services implemented in the field of innovative cooperation between Russia and Israel; and provide a comprehensive range of legal, analytical, and economic consulting services to the companies interested in pursuing cooperation with Israel.

A breakthrough in the implementation of a market mechanism to sustain the cooperation between Russia and Israel in the innovative industries can be made within the foreseeable future. In this connection, the active and diverse input by the Russia-Israel Business Council deserves special acknowledgment. The Council has been the initiator and effective coordinator of positive change occurring in Russian-Israeli trade and investment relations.

## Notes

- 1 A. Tovias, "Liberalising Trends in Israel's Trade Policy: Trade Policy Review of Israel," *World Economy* 31, no. 11 (2012): 1438.
- 2 *Defense News*, March 17, 2003.
- 3 See *Gozlan v. Biet Shemesh Local Council*. High Court Petition 368/76, 31 (i) P.D. 505, 511 (1976).
- 4 As part of the foreign trade liberalization campaign, Israel signed an Agreement on Government Procurement within the WTO framework on April 15, 1994.

- 5 Standards Institution of Israel, [www.sii.org.il](http://www.sii.org.il).
- 6 Y. Gabai and R. Rob, "The Import-Liberalization and Abolition of Devaluation Substitutes Policy: Implication for the Israeli Economy," in *The Israeli Economy, 1985-1998: From Government Intervention to Market Economics*, ed. Avi Ben-Bassat (Cambridge: MIT Press, 2002), pp. 294-95.
- 7 A. Brezis, "Structure of Israel's Trade System: Concentrating of Imports," *Israel Tax Quarterly*, #104, 1999.
- 8 *Russia's Economy* (Moscow: International Relations, 2001) p. 87.
- 9 See P. Temerina, "Military and Technical Cooperation between Russia and Israel," *Military Review*, September 16, 2010, [www.topwar.ru](http://www.topwar.ru).
- 10 "Putin is Ready to Supply Russian Lasers to Israel's Military Industrial Sector," *MIGnews.com*, September 6, 2010.
- 11 For a more detailed analysis, see A. V. Fedorchenko, D. A. Maryasis, "Science and Technology Sector in Russia and Israel: Possibilities for Interaction," Moscow, MGIMO-University, 2006.

## Russia-Israel Cooperation in Hi-Tech and R&D

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Dmitry Maryasis

Over the past 10-15 years Russia has invested much effort to create a modern economy, with the emphasis on hi-tech. The core of the effort is, in the spirit of the Soviet period when basic research in many fields was among the best in the world, to divert resources from use of natural resources to hi-tech. Attempts are also made to create modern R&D clusters; the best known example is Skolkovo.

To fulfill this mission efficiently, it is of paramount importance to study international experience and create a network of foreign partners that will help Russia through mutually beneficial cooperation to build a multifaceted economy driven by hi-tech. Israel has the potential to become one of these partners, perhaps even the most important one. Eight years ago in our joint report Prof. A. Fedorchenko and I showed four main reasons for it, and they exist today as well.

First, the present day situation in Russia and its aspiration to develop an economy based on local innovations on the one hand, and Israel's position as one of the world leaders in innovations on the other, creates the situation in which the two countries can be equal partners. This could be important for Israel, as in its economic cooperation with most of the Western countries it often takes the position of a junior partner.

Second, Israel possesses a substantial number of Russian speaking scientists, engineers, and researchers who immigrated to the country during the huge immigration wave of the 1990s. If Russia and Israel manage this natural

network efficiently, they will be able to create a technology transfer system that will likely lessen the brain drain from both countries to the United States.

We often consider the absence of a language barrier as a necessarily positive factor of Russia-Israel cooperation development. And indeed, in many aspects, this facilitates communication between the two sides. However, in Russia people often look at Israelis as Russian speaking citizens, while Israelis are prone to see Russians through Israeli eyes. These prisms sometimes result in an imprecise situation analysis and consequent mistakes in the decisions taken. Efficient cooperation requires a systematic study of the country's socio-cultural singularities and its political and business culture. At least on the expert level this problem was recognized early on in modern Russia, and the field of Israel studies has developed over the last 20 years. Decision makers today are aware of such expertise and use it. In Israel, however, there has been no similar research. After the breakup of the USSR, Russia did not become an object of systematic study. In my view, this is a serious lapse.

Third, when creating a technology chain it is quite useful for production using Israeli technologies to take place in Russia, and perhaps management as well. To use Russian manufacturing facilities is beneficial for the both sides. For Israel it will be cheaper and more efficient than to build new factories elsewhere. In Russia new employment opportunities will be created, and factories built during the Soviet period will get a second life. Both cases are positive contributions to the state's economy.

Fourth, mutual cooperation in the field of innovations will help broaden markets for both countries. Being seriously integrated in the Western markets, Israel can be a guide of sorts regarding the mutually developed technologies for this part of the world. Russia can do the same in the Muslim countries where it still has a serious stand, but due to the boycott Israel is unable to reach these states.

In the last 5-7 years specific progress was made in bilateral cooperation in the field of innovations. In 2008, for example, the Russian Foundation for Basic Research (RFBS) and the Israeli Ministry of Science, Culture and Sports (that was the configuration then) organized a joint grant program for 2009-2010 designated for research in the following areas: nanotechnologies, clean tech, new materials, and hardware. The total grant volume was \$1.2 million. Out of 50 projects that applied, 16 were selected, most related to nanotechnology. Russian state-owned enterprises Rusnano and Skolkovo, through their

representation in Israel, are currently in search of new technologies that are constantly appearing in Israel. In 2014, the most influential Russian internet company, Yandex, opened its R&D center in Israel – the first Russian innovation-driven MNC to do so. Another Russian company, Kaspersky Lab – one of the most successful companies in the field of online security – is planning to do the same in 2015. The University of Ariel occasionally arranges seminars for Russian scientists and researchers, teaching them how to organize a proper technology commercialization system. In October 2014 Israeli pharmaceutical giant Teva opened its factory in the Russian city of Yaroslavl. Yet while other examples of bilateral cooperation in the field of innovations can be cited, we still cannot conclude that this is developing on a systematic basis.

In the joint Russia-Israel conference organized by the Oriental Studies Institute of the Russian Academy of Sciences (OSIRAS), the Russia-Israel Business Council (RIBC), and the Institute of National Security Studies at Tel Aviv University (INSS), which took place in Moscow in September 2014, the following problems regarding efficient development of bilateral cooperation were identified:

- a. Insufficient level of confidence on the both sides.
- b. Russian intentions to search for Israeli investments, along with Israeli preferences to enter the market selling their technologies and products.
- c. Absence of an efficient due diligence system.
- d. Israel's tendency to neglect Russian scientific potential.
- e. Absence of financial mechanisms of cooperation.
- f. Unwillingness of both sides to take into consideration cultural differences and singularities, including regarding the culture of doing business with a particular partner country.

These problems are not existential. New successful joint projects will serve confidence building, as will effective due diligence. Today there are many opportunities to create it and advance this system. From the Russian side the newborn alliance of OSIRAS, RIBC, and the Russian Chamber of Commerce could be the part of such a framework, and from the Israeli side, INSS, the Israeli Association of Manufacturers, and some other entities could be a part of it.

Several attempts were made to establish financial mechanisms for bilateral cooperation. In 2007 Israel's Bank Hapoalim almost bought the Russian SDM-Bank. Serious negotiations took place, but by the summer of 2008 they came

to a dead end. Another attempt was made by Israeli Venture Capital (VC) fund Tamir Fishman. It joined Russian managing company Finans-trust in its bid to become the managing company of the funds allocated to the newly created Russian Venture Company. But due to the scandalous interview of Finans-trust managing partner Oleg Shvartsman in the prominent Russian media resource Kommersant in November 2007, Tamir Fishman had to withdraw from the alliance and cease its operations in Russia. Several years later the company returned to Russia but never reached its prior level of the operations. In 2011 Rusnano announced a tender for the managing company of a joint Russia-Israel venture capital fund. It was ready to provide \$50 million, and another \$50 million was to be found by the managing partner itself. Israeli managing company Catalyst won the bid, but by the autumn of 2014 had not managed to raise the necessary amount. Today Alexander Turkot, founder of VC fund Maxfield Capital and former IT cluster leader of Skolkovo foundation, is playing the leading role in this effort.

The situation in this field has worsened, given that Russia strives more and more to lead an isolationist policy, with Russian investments abroad often seen as a non-patriotic act toward the state. Moreover, geopolitical conditions for Russia are so tense that Western countries lessen their interaction with it and put pressure on Israel to do the same. Finance is a very delicate sphere, and in such an unfriendly environment, creating an efficient financial tool for bilateral innovations cooperation development is a formidable challenge. However, here the state is able to play a positive role. A binational foundation for industrial R&D could be created utilizing the model Israel has already developed with several other countries, including the United States. State guarantees would make it easier to raise private capital, and success in joint innovation driven projects development would inspire other forms of innovation cooperation to emerge.

The proposed model would give Israeli partners an opportunity to change their opinion toward Russian research capabilities for the better. The opening of R&D centers by Russian companies in Israel is another way to reach this goal. R&D operations in Israel do not preclude continuation of the same work in Russia, and mean, rather, that a knowledge exchange system can be created within one company. This process is useful as it is. But when its outcomes become known to the general public (as it certainly will) it will have a positive effect on the image of Russia's hi-tech sector, which is an important issue in the present world.

For the last several years RIBC and affiliated experts have broadly discussed a system of so-called “triangle cooperation” as an effective paradigm of bilateral cooperation enforcement. By this is meant involvement of a third party in the bilateral cooperation, which helps solve various problems, including the financial issues. For example, if Russians want to attract foreign investment and Israelis are not ready to invest, a vicious circle is created. But if a third party is brought on board as a partner with investment opportunities, e.g., the United States, you get a combination that is beneficial for the all sides. Russians get Israeli technologies and American investments. Israelis get the opportunity to enter the Russian market. And US investors get an efficient innovations-driven project in one of the world’s biggest markets. Several triangles of this kind could be created. Besides the United States, China, India, and EU countries have the potential to become the third party in such a triangle. The choice is based on the assumption that both Russia and Israel are interested in cooperation development with these countries, and if so, their participation in this configuration can provide a synergetic effect. The broadening of the proposed cooperation configuration is unlikely to foster the effectiveness of the scheme.

Cooperation in the field of education is an important tool in bilateral cooperation development. It seems that in this area effort should be invested in two simultaneous processes. The first is to attract top level Israeli specialists to give lectures in Russian economic and technical institutes of higher education. Emphasis should be put on such areas of knowledge as technology transfer systems, the venture capital investment industry, and innovations-driven project management. It makes sense to organize special training courses for Russian students in Israel. The second process is to enhance the quality of Israel studies programs in Russia (these programs exist today in several institutes throughout the country), and Russian studies programs should be created in Israel. It is quite an important condition, as both countries have many singularities that are unfamiliar to foreigners. And without taking them into consideration it is quite difficult to build an efficient cooperation network.

I believe there is an unusual possibility to foster bilateral cooperation in the field of innovations that could be effectively utilized through the triangle cooperation paradigm. I refer to the development of such triangles with the PA and/or Jordan, and/or Egypt.

It is common knowledge that in their economic development, the Islamic countries of the Middle East lag behind the developed countries of the West and many developing countries of the world. But lately this vast region has become a scene of major changes. In his recent book *Startup Rising: The Entrepreneurial Revolution Remaking the Middle East*, American hi-tech entrepreneur and investor Christopher Schroeder showed that a new class of innovations-driven entrepreneurial society has sprung into being in the region and has already yielded some world class success stories. For example, Egyptian startup Weather HD is one of the most uploaded weather forecast apps, and today Lebanese company Butterfleye has programming teams in France, Great Britain, and the Netherlands. In addition, the PA, Jordan, and Egypt have very active innovators' communities.

It seems like a paradox. But these countries (to be precise – 2 countries and one territory with a special status) with a direct border with Israel are absolutely detached of its outstanding innovations economy development. We could have attributed it to a market failure if not for the case of one of the longest conflicts in modern history, the Israeli-Palestinian conflict. The political situation is so tense that it is impossible to discuss any form of economic cooperation even in as politically neutral an issue as hi-tech. And this applies not only to the PA but to Jordan and Egypt as well, even though both countries have peace agreements with Israel and try to develop some form of economic cooperation with the country.

Even without any profound economic analysis, the potential of such cooperation is clear. Arab countries will not only gain access to one of the world's leading innovations economies, but new employment opportunities within their own borders arise due to new production facilities that can be created. They will also be able to intensify their overall economic development. Israel will acquire outsourcing possibilities, as well as access to Middle East markets by labeling the outcomes of mutual efforts as made by one of the three Arab partners.

Some time ago a group of Israeli researchers began to think about a potential model of Israel-Palestine innovations cooperation, and came up with the idea of a virtual Israeli-Palestinian incubator.<sup>1</sup> It would be virtual, insofar as they concluded that both societies were not ready for direct contact. As far as I know this concept has not yet been implemented; I suppose the virtual nature of the project may be one of the main reasons for this. Virtual cluster technology, though widely discussed, is not very well developed



yet.<sup>2</sup> And the Middle East is on such a level of social development that to establish a proper framework of virtual cooperation bypassing the period of physical contact is an almost impossible task (I would argue that even for many Western countries this statement is correct).

And what is Russia's role in this issue? Russia has the potential to become a real platform for cooperation in the field of innovations between Israel and the three Arab communities, for five major reasons. First, Russia has good working relations both with Israel and the Arab states. It gives Russia an opportunity to create a neutral framework with equal respect to all sides of a potential alliance, serve as an arbiter in potential disputes, and assist in easing the tension between Israeli and Arab partners, which could certainly be the case at the beginning. Second, Russia has a physical research infrastructure, which is difficult for Arab researchers to reach. Using a Russian infrastructure will make Arab partners of the alliance more sustainable. Third, Russia's relative remote geographic position from the Middle East makes it a place for physical contact between representatives of the two communities. Fourth, the production base of Russia makes it possible to organize production of the joint research results in the country. Fifth, the Russian system of education is able to provide necessary support to Arab innovators if they do not have such opportunities in their respective countries or elsewhere in the world.

For the Arab and Israeli sides of the triangle the benefit is clear. They attain the opportunity to create a vital cooperation framework using Russian resources. Russia itself provides a number of marketing opportunities, and use of its production facilities makes it possible to broaden the potential market for the created products using the same branding technology as described above. For Russia such configuration gives an opportunity to use its R&D resources more efficiently, as in this case Russian hi-tech community participation will be of paramount importance. Taking part in an international project of the kind will help Russian innovators gain necessary experience in technology commercialization and innovation projects management. Russian-made know-how will gain access to new markets.

The issue of financial support of this project is essential. I assume that the lion's share of the required investment will be made by Russia and Israel. It is, of course, rather a risky idea. But the potential outcomes of this project are able to give a high rate of return on the investment made. Some will say that the proposed idea is too complicated and strange. But out of the box thinking is one of the key elements of the innovation process. It

does not mean that this idea is ready to be implemented. Much preparatory work must be done, including the search for potential partners. There are several entities in Israel such as al-Bawader and Takwin Labs that can be very instrumental in this project. If done accurately, this project can become a paradigm for systematic cooperation between Russia and Israel in the field of innovations.

In conclusion, even though today some may consider that it is easier to leave the situation where it is than to develop Russia-Israel cooperation in the field of innovations, this represents limited strategic thinking. The two countries have a serious potential of overall economic cooperation, especially in the field of innovations, and if managed skillfully, is able to be of great help to both countries in achieving long term goals of their economic development. It does not mean that there are no problems to be solved. But these problems are not unsolvable if there is a will from the both sides to overcome them. Hopefully the logic of the mutual opportunities that such cooperation provides will prevail and there will be a vibrant and influential joint innovations network in the world in the not very distant future.

## Notes

- 1 D. Schwartz, R. Bar-El, and M. Malul, "A Joint Virtual Advanced Technology Incubator: A New Pattern of Israeli-Palestinian Economic Cooperation," *Berkeley Electronic Press* 14, no. 2, article 3 (2008).
- 2 See, e.g., G. Passiante and G. Secundo, "From Geographical Innovation Clusters towards Virtual Innovation Clusters: The Innovation Virtual System," 42<sup>nd</sup> European Regional Science Association (ERSA) Congress Report. 08.2002; A. Babkin, T. Kudryavtseva, and S. Utkina, "Formation of Industrial Clusters Using Method of Virtual Enterprises," *Procedia Economics and Finance* 5 (2013): 68-72; R. O'Callaghan, "Towards Dynamic Clustering: Capabilities and IT Enablers," *Digital Business Ecosystems*, eds. F. Nachira, A. Nicolai, P. Dini, M. Le Louarn, and L. R. Leon (Luxembourg: Office for Official Publications of the European Communities, 2007), <http://www.digital-ecosystems.org/book/Section2.pdf>, pp.68-105.

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