

The Palestinian Strategic Report  
2014 – 2015  
Ch.2



# The Israeli Demographic, Economic and Military Indicators

## 2014 – 2015



E-mail: [info@alzaytouna.net](mailto:info@alzaytouna.net)

Website: [www.alzaytouna.net](http://www.alzaytouna.net)

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# The Israeli Demographic, Economic and Military Indicators 2014–2015<sup>1</sup>

## *Second: The Most Prominent Demographic, Economic and Military Indicators*

### 1. Demographic Indicators

The Israeli Central Bureau of Statistics (CBS) estimated the population of Israel at the end of 2015 at 8.464 million people, including 6.336 million Jews, representing 74.9% of the population, compared with 8.297 million inhabitants, including 6.219 million Jews, representing 75% of the population, at the end of 2014. As for the Arab population, including residents of East Jerusalem and the Golan Heights, CBS estimated it in 2015 at 1.757 million, representing 20.8% of the population, compared to 1.72 million in 2014, representing 20.7% of the population (see table 3/2). If we deduct the number of East Jerusalem residents (nearly 324 thousand)<sup>2</sup> and the Golan Heights (nearly 25 thousand), the number of those who are known as the 1948 Palestinians (i.e., who are living in the Palestinian territories occupied in 1948) becomes about 1.41 million in 2015, 16.6% of the population.

In 2015, CBS classified about 370 thousand persons as “others,” representing 4.4%, compared to about 357 thousand in 2014, representing 4.3%. These “others” are mostly immigrants from Russia, the former Soviet Union and Eastern Europe, who are not recognized as Jews, or who tend to deal with Judaism as a nationality rather than a religious affiliation, or who are non-Jews or non-Arab Christians.

According to Arutz Sheva, an Israeli channel for radical settlers, the number of Jewish settlers in early 2016 reached 375 thousand in East Jerusalem, and about 407 thousand settlers in the WB, representing 782 thousand settlers.<sup>3</sup> Defense Minister Moshe Ya‘alon confirmed the channel’s estimates with respect to the rest

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<sup>1</sup> This study is the approved English translation of The Israeli Demographic, Economic and Military Indicators, which is the second section of chapter two of *The Palestinian Strategic Report 2014–2015*, edited by Dr. Mohsen Mohammad Saleh. The Arabic version of this Report was released in 2016, and the draft of this chapter was written by the Editorial team at al-Zaytouna Centre for Studies & Consultations.

<sup>2</sup> Israeli official statistics indicate that the number of Arab citizens in Eastern Jerusalem reached 315.9 thousand by the end of 2014, and based on the annual population increase of 2.7%, their number is about 324 thousand at the end of 2015, see Central Bureau of Statistics (CBS), *Statistical Abstract of Israel 2015*, no. 66, table 2.14, [http://www.cbs.gov.il/reader/shnaton/templ\\_shnaton\\_e.html?num\\_tab=st02\\_14&CYear=2015](http://www.cbs.gov.il/reader/shnaton/templ_shnaton_e.html?num_tab=st02_14&CYear=2015)

<sup>3</sup> Site of Arutz Sheva 7 (Israel National News), 9/1/2016, <http://www.israelnationalnews.com/Articles/Article.aspx/18210#.VtQtQUCKtUG>

of the WB, in response to the criticism at a meeting of the Likud party Knesset members in January 2016 in regard to the weakness of settlement building.<sup>4</sup>

We do not have accurate data to corroborate the Arutz Sheva estimated number of settlers in East Jerusalem, which is estimated by other sources at about 200 thousand settlers only. However, The Applied Research Institute-Jerusalem (ARIJ) offers similar numbers and has noted that Israeli official authorities tend to hide the real number of settlers in the WB, perhaps to ease any potential pressure against their settlement building and Judaization practices, which the international community still considers it to be illegal and an obstacle to the peace process. The institute warned that the CBS releases figures for settlements where the number of residents exceeds five thousand settlers, and that there are settlement blocs that are not listed officially. According to the ARIJ database for 2015, a total of 750 thousand settlers reside in the WB, including East Jerusalem.<sup>5</sup> It should be noted that ARIJ estimated the number of Israeli settlers in the WB (including East Jerusalem) at more than 656 thousand in 2012, and 693 thousand in 2013.<sup>6</sup>

**Table 3/2: Population of Israel 2009–2015<sup>7</sup>**

Year	Total population	Jews	Arabs (including the population of East Jerusalem and the Golan Heights)	Others
2009	7,552,000	5,701,900	1,535,800	314,300
2010	7,695,100	5,802,400	1,573,100	319,600
2011	7,836,600	5,898,400	1,609,800	328,400
2012	7,984,500	5,999,600	1,647,200	337,700
2013	8,134,500	6,104,500	1,683,200	346,800
2014	8,296,900	6,219,200	1,720,300	357,400
2015	8,463,500	6,336,000	1,757,400	370,100

<sup>4</sup> *Asharq Alawsat* newspaper, London, 23/1/2016, <http://bit.ly/23WY2yy>

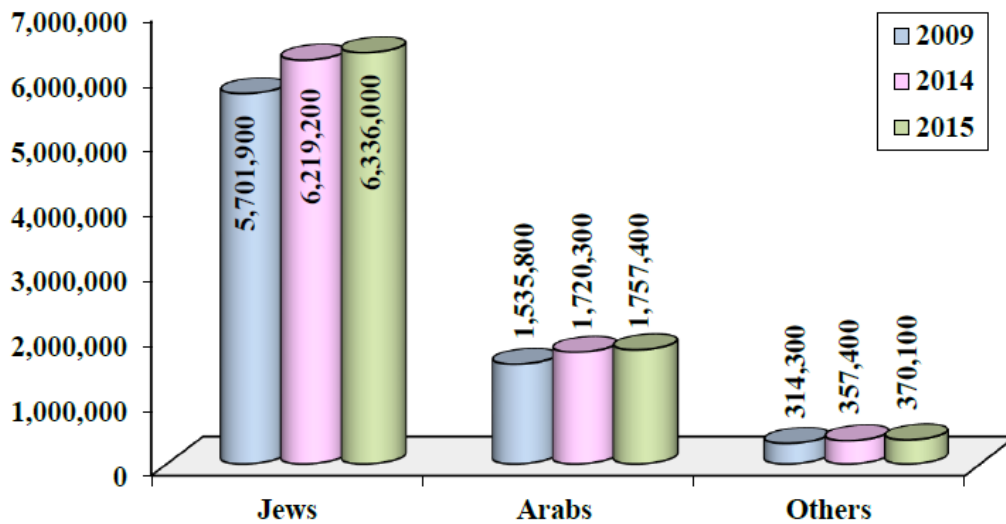
<sup>5</sup> The strategic report editor would like to thank Dr. Jad Isaac, Director General of the Applied Research Institute-Jerusalem (ARIJ), for his cooperation with al-Zaytouna Centre and for providing the number of settlers in WB. Email from Jad Isaac, 2/3/2016.

<sup>6</sup> The Applied Research Institute-Jerusalem (ARIJ), Netanyahu's Infamous Growing Legacy of Housing Units Construction in Israeli Settlements in the Occupied State of Palestine, site of Monitoring Israeli Colonization Activities in the Palestinian territories POICA, 24/3/2013, <http://www.poica.org/details.php?Article=5106>; and ARIJ, Israeli Settlements and Violations "Israeli Activities Report in the occupied Palestinian territory in 2013," POICA, 2/3/2014, <http://www.poica.org/details.php?Article=6112>

<sup>7</sup> See CBS, <http://www.cbs.gov.il/publications16/yarhon0116/pdf/b1.pdf>



### Population of Israel 2009 and 2014–2015



In 2014 and 2015, there was a 2% population growth rate in Israel, which has been roughly the same since 2003, noting that 171,444 persons and 176,427 persons were born in Israel in 2013 and 2014, respectively.<sup>8</sup>

According to CBS, 27,850 immigrants came to Israel in 2015, compared to 16,929 and 24,112 in 2013 and 2014 respectively (see table 4/2). These figures show a relative increase in the immigration rate during 2014 and 2015, compared to the preceding decade, but they remain minimal compared to the 1990s. This comes after the diminution of the numbers of Jews willing to migrate, and after most Jews abroad went to developed countries in North America and Europe, where Jews do not have an incentive to migrate on a large scale. Perhaps the relative increase in the past two years is due in some respects to the economic stability and progress in Israel, and the decline of external threats. This is in addition to the broad activity of rightwing and religious forces that dominate the Israeli government in regard to immigration, settlement building, and Judaization programs, and to the fact that scores of Jews have an increased sense of instability as a result of the amplification of incidents that target them, such as the attacks in France.

It should be noted that immigration to Israel coincided with a continued emigration flow. According to CBS, 16,200 holders of Israeli passports, including 800 Arabs, left Israel in 2013, while 8,900 returned, including 445 Arabs. This

<sup>8</sup> CBS,  
[http://www.cbs.gov.il/reader/shnaton/templ\\_shnaton\\_e.html?num\\_tab=st03\\_16&CYear=2015](http://www.cbs.gov.il/reader/shnaton/templ_shnaton_e.html?num_tab=st03_16&CYear=2015)

means that the emigration rate was about 7,300 people.<sup>9</sup> According to some Israeli indications, there are around 750 thousand Israeli residents traveling outside Israel.<sup>10</sup>

**Table 4/2: Number of Jewish Immigrants to Israel 1990–2015<sup>11</sup>**

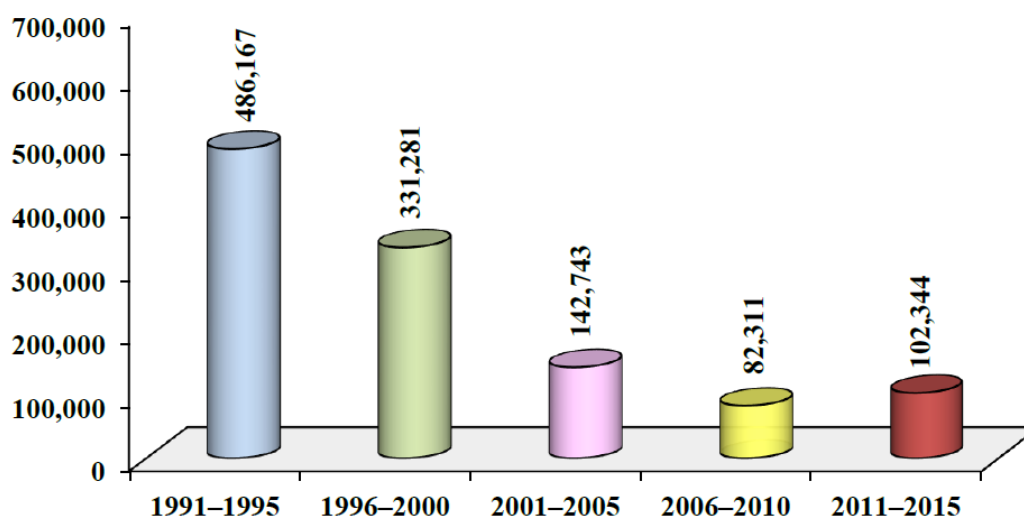
Year	1990-1994	1995-1999	2000-2004	2005-2009
<b>No. of immigrants</b>	609,322	346,997	182,208	86,859

Year	2010	2011	2012	2013	2014	2015	Total
<b>No. of immigrants</b>	16,635	16,893	16,560	16,929	24,112	27,850	<b>1,344,365</b>

The following chart shows the evolution of the number of Jewish immigrants to Israel for every five years during 1991–2015, noting that in 1990, there were 199,516 Jewish immigrants who arrived to Israel.

**Number of Jewish Immigrants to Israel 1991–2015**



As for the world Jewish population, Sergio Della Pergola, the renowned demographer and statistician, indicated that it was estimated to be 14.213 million at the end of 2013, an increase of 358 thousand from the end of 2012 (a 2.6% increase), according to the latest statistics up to the writing of this report (see table 5/2). In the same vein, warnings were still issued against the “dissolving” of the followers of

<sup>9</sup> See CBS, [http://www1.cbs.gov.il/hodaot2015n/01\\_15\\_221e.pdf](http://www1.cbs.gov.il/hodaot2015n/01_15_221e.pdf)

<sup>10</sup> Gilad Nathan, “The OECD Expert Group on Migration (Sopemi) Report: Immigration in Israel 2011–2012,” Research and Information Center, site of The Knesset, November 2012, <https://www.knesset.gov.il/mmm/data/pdf/m03131.pdf>

<sup>11</sup> For 1990–1999, see CBS, [http://www1.cbs.gov.il/hodaot2013n/21\\_13\\_050t1.pdf](http://www1.cbs.gov.il/hodaot2013n/21_13_050t1.pdf); and for 1995–2015, see CBS, <http://www.cbs.gov.il/publications16/yarhon0116/pdf/e2.pdf>

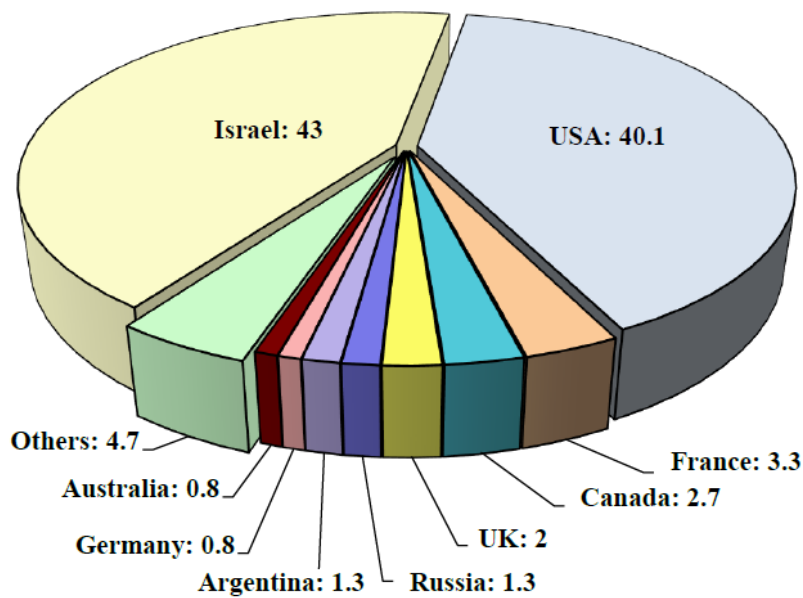


Judaism outside Israel, due to the high proportion of mixed marriages, which has an impact on the world Jewish population, especially in Western countries.<sup>12</sup>

**Table 5/2: World Jewish Population by Country 2013<sup>13</sup>**

country	Estimates (thousands)	Percentage (%)
<b>Israel</b>	6,103.2	43
<b>USA</b>	5,700	40.1
<b>France</b>	475	3.3
<b>Canada</b>	385.3	2.7
<b>United Kingdom (UK)</b>	290	2
<b>Russia</b>	186	1.3
<b>Argentina</b>	181.3	1.3
<b>Germany</b>	118	0.8
<b>Australia</b>	112.5	0.8
<b>Others</b>	661.5	4.7
<b>Total</b>	<b>14,212.8</b>	<b>100</b>

**World Jewish Population by Country 2013 (%)**



<sup>12</sup> See *Yedioth Ahronoth* newspaper, 2/1/2010, <http://www.ynetnews.com/articles/0,7340,L-3827546,00.html>

<sup>13</sup> Sergio DellaPergola, "World Jewish Population, 2014," in Arnold Dashefsky and Ira M. Sheskin (eds.), *The American Jewish Year Book*, 2014, vol. 114 (Dordrecht: Springer, 2014), pp. 301–393, <http://databank.bjpa.org/Studies/downloadFile.cfm?FileID=3257>

The 1948 Palestinians still suffer from Israel's racially discriminatory policies. A report on racism in Israel noted that during 2015 the Israeli Knesset continued to discuss 9 draft discriminatory laws, after debating 16 in 2014.<sup>14</sup>

As noted earlier, Israeli statistics integrate the Palestinians of East Jerusalem and the Syrians of the Golan Heights with the Palestinians of 1948. Therefore, this should be taken into account when discussing these citizens' religious affiliation and social condition. Accordingly, data in 2014 shows that there are some 1.5 million (Sunni) Muslims representing 84.5%, 136 thousand Druze (7.9%), and 129 thousand Christians (7.5%).<sup>15</sup> In terms of population growth rates in 2014 and 2015, they reached 2.2% among Arabs, compared with 1.9% among Jews.<sup>16</sup> According to a report issued by the National Insurance Institute of Israel in November 2013, the poverty rate among Arab families reached 47.4% in 2013. The rate of people who are of working age was 73.8% of Arab men and 34.7% of Arab women in 2013, compared with 81% of Jewish men and 79.1% of Jewish women. The hourly wage rate reached 36.3 shekels (about \$10) for Arabs and 54.2 shekels (about \$15) for Jews,<sup>17</sup> according to the latest data available as of the writing of this report.

The average life expectancy was 76.9 years for Arab males and 81.2 for Arab females in 2014, compared with 81.8 years for Jewish males and 84.5 for Jewish females.<sup>18</sup>

## **2. Economic Indicators**

The Gross Domestic Product (GDP) was estimated in 2015 at 1,150.8 billion shekels (\$296.1 billion), compared with 1,093.7 billion shekels (\$305.7 billion) in 2014, and 1,055.8 billion shekels (\$292.4 billion) in 2013. According to these estimates, the GDP registered a 3.6% and 5.2% growth in local currency for 2014 and 2015, respectively. But when calculating the growth rate in US dollars, and because of the shekel's fluctuating value against the dollar, we find that the growth rate decreased by 3.1% in 2015 while it rose by 4.5% in 2014 compared to the

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<sup>14</sup> Main Findings, Racism Report 2015, site of The Coalition Against Racism in Israel, 28/7/2015, <http://www.fightracism.org/en/Article.asp?aid=538>

<sup>15</sup> See CBS, [http://www.cbs.gov.il/publications/isr\\_in\\_n15e.pdf](http://www.cbs.gov.il/publications/isr_in_n15e.pdf)

<sup>16</sup> See CBS, <http://www.cbs.gov.il/publications16/yarhon0116/pdf/b1.pdf>

<sup>17</sup> Netanela Barkali et al., Poverty and Social Gaps, Annual Report 2013, site of National Insurance Institute of Israel (NII), Research and Planning Administration, November 2013, [http://www.btl.gov.il/English%20Homepage/Publications/Poverty\\_Report/Documents/oni2013en.pdf](http://www.btl.gov.il/English%20Homepage/Publications/Poverty_Report/Documents/oni2013en.pdf)

<sup>18</sup> See CBS, [http://www.cbs.gov.il/publications/isr\\_in\\_n15e.pdf](http://www.cbs.gov.il/publications/isr_in_n15e.pdf)



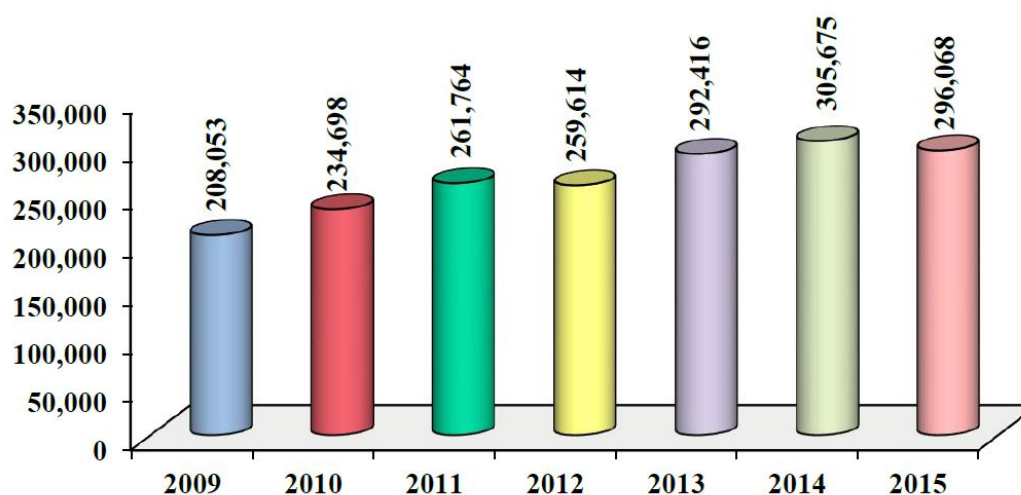


previous year (see table 6/2). It is worth noting that these results are contrary to the growth expectations of the Central Bank in Israel, which were 2.5% in 2014<sup>19</sup> and 2.4% in 2015.<sup>20</sup> The statistics that we present are drawn from official sources, which update their data and make modifications to it from time to time.

**Table 6/2: Israeli GDP 2009–2015 at Current Prices<sup>21</sup>**

Year	GDP (million shekels)	GDP (\$ million)	Shekel exchange rate (according to Bank of Israel)
2009	818,189	208,053	3.9326
2010	876,129	234,698	3.733
2011	936,619	261,764	3.5781
2012	1,001,044	259,614	3.8559
2013	1,055,828	292,416	3.6107
2014	1,093,674	305,675	3.5779
2015	1,150,786	296,068	3.8869

**Israeli GDP 2009–2015 at Current Prices (\$ million)**



According to statistics, Israeli GDP per capita in 2015 was 137,376 shekels (\$35,343), compared to 133,178 shekels (\$37,222) in 2014 and 131,061 shekels (\$36,298) in 2013. Therefore, GDP per capita grew in local currency by 1.6% and

<sup>19</sup> See site of Bank of Israel, 29/12/2014, <http://www.bankisrael.gov.il/en/NewsAndPublications/PressReleases/Pages/29-12-14-StaffForecast.aspx>

<sup>20</sup> See Bank of Israel, 28/12/2015, <http://www.bankisrael.gov.il/en/NewsAndPublications/PressReleases/Pages/28-12-2015-StaffForecast.aspx>

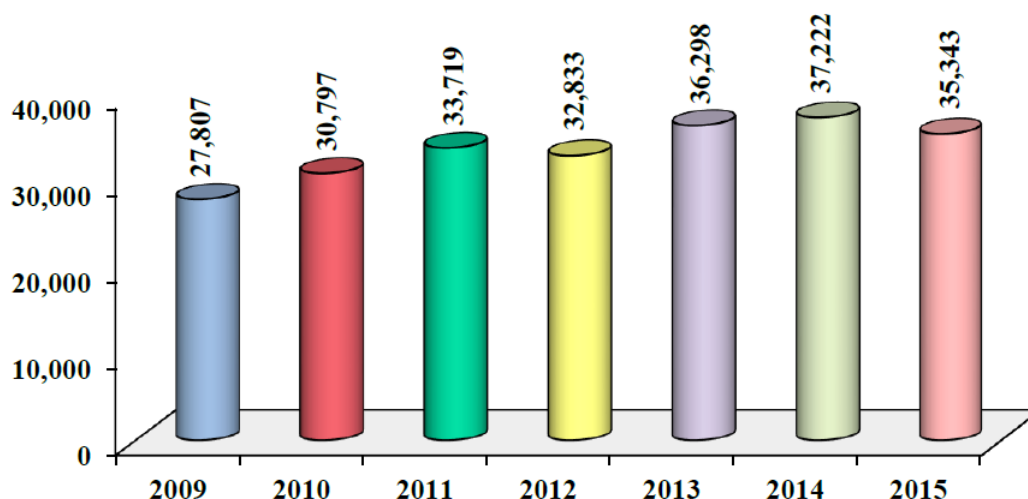
<sup>21</sup> For 2009–2014, see CBS, [http://www.cbs.gov.il/shnaton66/st14\\_02x.pdf](http://www.cbs.gov.il/shnaton66/st14_02x.pdf); and for 2015, see CBS, [http://www1.cbs.gov.il/hodaot2016n/08\\_16\\_040t2.pdf](http://www1.cbs.gov.il/hodaot2016n/08_16_040t2.pdf)

3.2% for 2014 and 2015, respectively. But when calculating the growth rate in US dollars, because of the fluctuation of the value of the shekel against the dollar, the growth rate decreased by 5% in 2015, while it rose by 2.5% in 2014 compared to the previous year. Hence, we should be wary of rushing to inaccurate conclusions if we do not take into account the difference in calculating the local currency against the dollar (see table 7/2).

**Table 7/2: Israeli GDP per Capita 2009–2015 at Current Prices<sup>22</sup>**

Year	GDP per capita (shekels)	GDP per capita (\$)
2009	109,353	27,807
2010	114,966	30,797
2011	120,650	33,719
2012	126,599	32,833
2013	131,061	36,298
2014	133,178	37,222
2015	137,376	35,343

**Israeli GDP per Capita 2009–2015 at Current Prices (\$)**



With regard to the budget of the Israeli government, CBS indicates that the grand total (excluding expenditure dependent on income) in the approved 2014 budget of government payments amounted to 445.085 billion shekels (\$124.4 billion), compared with 453.074 billion shekels (\$125.5 billion) in 2013. However, the

<sup>22</sup> Ibid.



grand total of the budget performance of government payments totaled 446.416 billion shekels (\$124.8 billion) in 2014 compared to 425.528 billion shekels (\$117.9 billion) in 2013.<sup>23</sup>

The budget is distributed on three axes; the first being the ordinary budget that includes expenses related to the presidency, the prime minister, and the ministries, etc. The second axis includes the development budget and debt repayment, and the third includes the budget of business enterprises. We note that the ordinary budget performance of 2014 was 307.439 billion shekels (\$85.9 billion), including that of Ministry of Defense 72.705 billion shekels (\$20.3 billion), and Ministry of Public Security 14.262 billion shekels (\$4 billion). This was in addition to 55.945 billion shekels (\$15.6 billion) spent by the Ministry of Education, and 36.681 billion shekels (\$10.3 billion) spent by the Ministry of Social Affairs. We also note that debt repayment has carved out a significant portion of the total expenditures, reaching 99.088 billion shekels (\$27.7 billion) in 2014 compared to 94.417 billion shekels (\$26.1 billion) in 2013.<sup>24</sup>

The grand total of budget performance of government receipts in 2014 were 416.051 billion shekels (\$116.3 billion), compared with 410.956 billion shekels (\$113.8 billion) in 2013. A large part of the current receipts comes from income tax (104.9 billion shekels, or \$29.3 billion) and value-added tax (VAT) (87.2 billion shekels, or \$24.4 billion).<sup>25</sup>

At the time of writing of this report, CBS had not yet provided the data for the 2015 budget.

It appears that the statistics obtained from the Israeli Ministry of Finance website focus on the ordinary budget primarily related to the government and its ministries, and the updated budget for 2014 shows total expenditure of 338.856 billion shekels (about \$94.7 billion), without any reference to debt repayment or business enterprises. Likewise, the updated budget for the year 2015 shows total expenditure of 353.788 billion shekels (\$91 billion).<sup>26</sup>

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<sup>23</sup> See CBS,

[http://www.cbs.gov.il/reader/shnaton/templ\\_shnaton\\_e.html?num\\_tab=st10\\_11&CYear=2015](http://www.cbs.gov.il/reader/shnaton/templ_shnaton_e.html?num_tab=st10_11&CYear=2015)

<sup>24</sup> See Ibid.

<sup>25</sup> See CBS,

[http://www.cbs.gov.il/reader/shnaton/templ\\_shnaton\\_e.html?num\\_tab=st10\\_10&CYear=2015](http://www.cbs.gov.il/reader/shnaton/templ_shnaton_e.html?num_tab=st10_10&CYear=2015)

<sup>26</sup> See Ministry of Finance of Israel, Government Revenue and Expenditures,

<http://www.ag.mof.gov.il/AccountantGeneral/BudgetExecution/BudgetExecutionTopNavEng>

Some inconsistency and confusion could happen to some researchers, for the statistics and figures issued by different Israeli official bodies did not specify if the intended budget was the grand total budget or the ordinary budget. It did not specify if it was the budget approved by the government or by the Knesset, and whether it is the updated budget for receipts and payments after the completion of the fiscal year.

The following table shows the receipts and payments of the Israeli government in 2013 and 2014:

**Table 8/2: Budget Performance of Israeli Government Receipts and Payments 2013–2014<sup>27</sup>**

		2013		2014	
		Million Shekels	\$ million	Million Shekels	\$ million
<b>Receipts</b>	Current receipts	247,019	68,413	260,235	72,734
	Capital receipts	148,604	41,157	136,614	38,183
	Business enterprises	15,333	4,247	19,202	5,367
<b>Grand total</b>		<b>410,956</b>	<b>113,817</b>	<b>416,051</b>	<b>116,284</b>
<b>Payments</b>	Ordinary budget	295,622	81,874	307,439	85,927
	Development budget and debt repayment	114,463	31,701	119,774	33,476
	Business enterprises	15,443	4,277	19,203	5,367
<b>Grand total</b>		<b>425,528</b>	<b>117,852</b>	<b>446,416</b>	<b>124,770</b>
<b>Deficit (%)</b>		<b>-3.5</b>		<b>-7.3</b>	

Israeli exports for 2015 amounted to \$63.955 billion, compared to a total of \$68.968 billion in 2014, and \$66.788 billion in 2013; thus, exports dropped by 7.3% in 2015, after achieving an increase of 3.3% in 2014. As for imports for 2015, they reached a total of \$62.036 billion, compared with a total of \$72.341 billion in 2014, and \$72 billion in 2013; thus, imports dropped by 14.2% in 2015, after achieving an increase of 0.5% in 2014 (see table 9/2). It must be noted that these statistics do not include foreign trade services such as export and import activities.

<sup>27</sup> CBS,  
[http://www.cbs.gov.il/reader/shnaton/templ\\_shnaton\\_e.html?num\\_tab=st10\\_11&CYear=2015](http://www.cbs.gov.il/reader/shnaton/templ_shnaton_e.html?num_tab=st10_11&CYear=2015)  
 and CBS,  
[http://www.cbs.gov.il/reader/shnaton/templ\\_shnaton\\_e.html?num\\_tab=st10\\_10&CYear=2015](http://www.cbs.gov.il/reader/shnaton/templ_shnaton_e.html?num_tab=st10_10&CYear=2015)

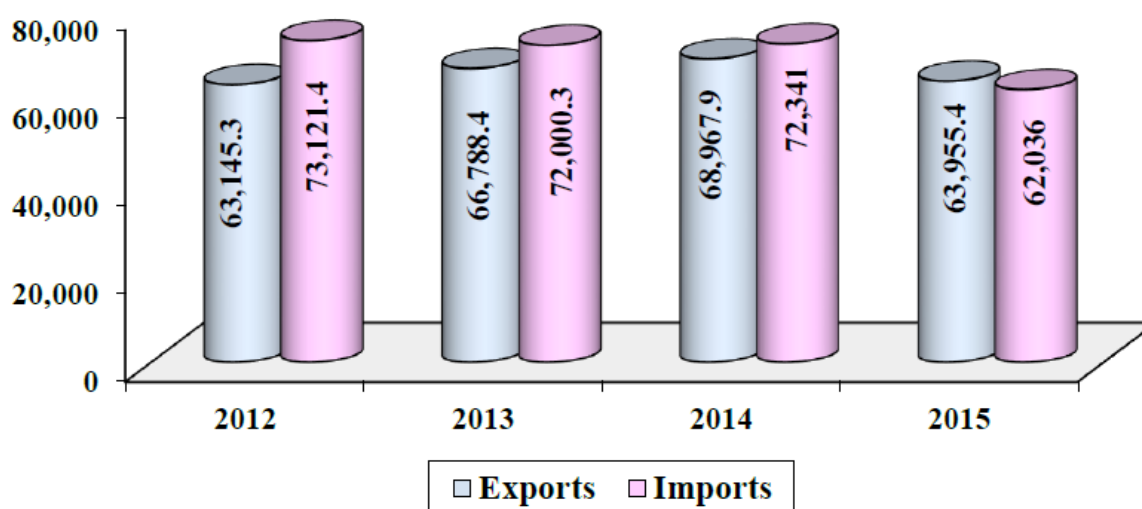


When exports and imports are calculated in shekels, there will be a difference in the data, as the value of exports will rise by 0.9% in 2015, and by 2.2% in 2014, and imports will fall by 6.8% in 2015 compared to a decline of 0.5% in 2014. Despite the Israeli shekel's impact on statistics related to foreign currency, there was an improvement in the reduction of the import bill, and in the reduction of Israel's trade deficit in 2014 and 2015 (see table 9/2).

**Table 9/2: Total Israeli Exports and Imports 2012–2015 at Current Prices<sup>28</sup>**

		Exports	Imports	Surplus/ deficit (%)
2012	Million shekels	243,388.5	281,712.7	-15.8
	\$ million	63,145.3	73,121.4	
2013	Million shekels	241,171.8	259,889.5	-7.8
	\$ million	66,788.4	72,000.3	
2014	Million shekels	246,481.4	258,586.3	-4.9
	\$ million	68,967.9	72,341	
2015	Million shekels	248,677.3	241,099.6	+3
	\$ million	63,955.4	62,036	

**Total Israeli Exports and Imports 2012–2015 at Current Prices (\$ million)**



<sup>28</sup> See CBS, <http://www.cbs.gov.il/publications16/yarhon0116/pdf/h8.pdf>; and CBS, <http://www.cbs.gov.il/publications16/yarhon0116/pdf/h9.pdf>

The US still maintains its status as a primary trading partner of Israel. In 2015, Israeli exports to the United States amounted to \$18.127 billion, representing 28.3% of total Israeli exports, compared to \$18.568 billion in 2014 (26.9% of the total Israeli exports). Israeli imports from the US in 2015 amounted to \$8.081 billion, representing 13% of total Israeli imports, compared to \$8.56 billion in 2014 (11.8% of total Israeli imports). Israel offsets its trade deficit to a large extent with most of its trading partners through the trade surplus with the US, which was \$10.046 billion in 2015 and \$10.008 billion in 2014, and represents a great support to the Israeli economy (see table 10/2).

China ranked the second largest trading partner for Israel, with Israeli exports amounting to \$3.246 billion in 2015 and \$2.793 billion in 2014. Israeli imports from China reached \$5.768 billion in 2015 and \$5.994 billion in 2014. Hong Kong ranked third in terms of trade volume with Israel, which amounted to \$7.36 billion in 2015, while it reached \$8.268 billion in 2014.

The UK advanced from the seventh to the fourth position in 2015, as the trade volume amounted to \$6.281 billion, having been \$6.308 billion in 2014. Switzerland retained its fifth position for a trade volume of about \$5.922 billion in 2015, down from \$6.615 billion in 2014 (see table 10/2).

In addition to these states, the main countries that received Israeli exports in 2015 were Belgium (\$2.482 billion), India (\$2.264 billion), the Netherlands (\$2.145 billion), Turkey (\$1.714 billion), France, Germany, and Malaysia. The major countries that exported goods to Israel in 2015 were Germany (\$3.81 billion), Belgium (\$3.275 billion), Italy (\$2.491 billion), Turkey (\$2.446 billion), the Netherlands (\$2.422 billion), and India (see table 10/2).

In 2014, the main countries that imported Israeli goods were Belgium (\$3.3 billion), Turkey (\$2.756 billion), the Netherlands (\$2.485 billion), India (\$2.203 billion), Germany, France, Malaysia, and Italy. The major countries that exported goods to Israel in 2014 were Germany (\$4.652 billion), Belgium (\$3.818 billion), Italy (\$2.784 billion), Turkey (\$2.684 billion), the Netherlands (\$2.419 billion), and India (\$2.241 billion) (see table 10/2).

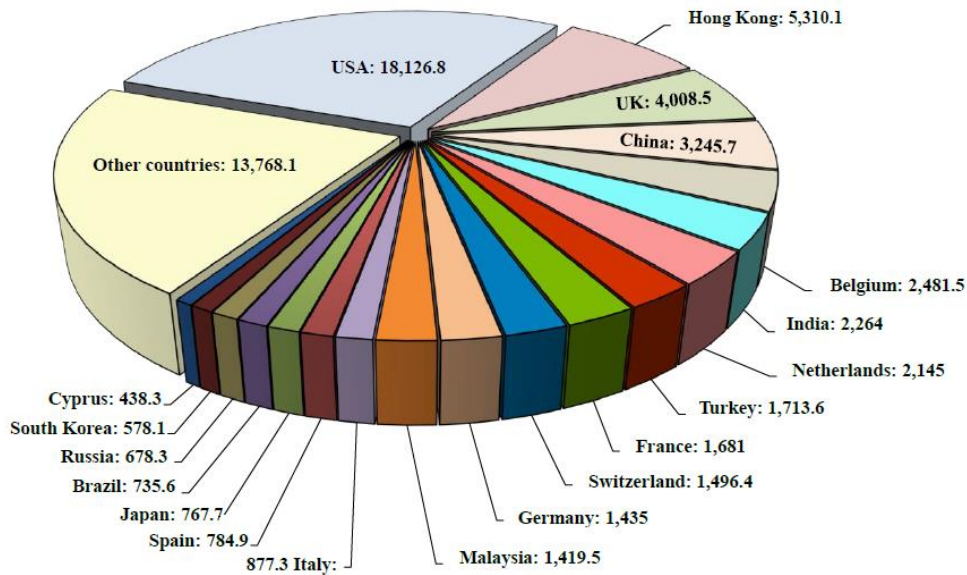


**Table 10/2: Volume of Israeli Trade, Exports and Imports to/ from Selected Countries, 2014–2015 at Current Prices (\$ million)<sup>29</sup>**

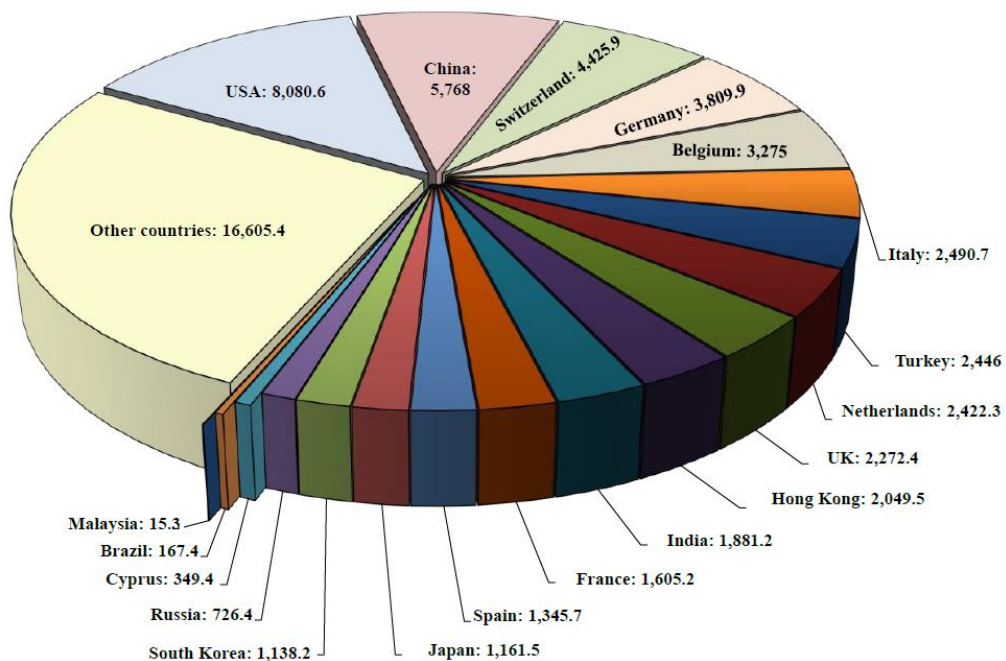
Country	Trade volume		Israeli exports to:		Israeli exports from:	
	2015	2014	2015	2014	2015	2014
<b>USA</b>	26,207.4	27,127.8	18,126.8	18,567.7	8,080.6	8,560.1
<b>China</b>	9,013.7	8,786.9	3,245.7	2,793	5,768	5,993.9
<b>Hong Kong</b>	7,359.6	8,267.7	5,310.1	6,128.9	2,049.5	2,138.8
<b>UK</b>	6,280.9	6,308.4	4,008.5	3,974.8	2,272.4	2,333.6
<b>Switzerland</b>	5,922.3	6,614.6	1,496.4	1,424.6	4,425.9	5,190
<b>Belgium</b>	5,756.5	7,118	2,481.5	3,299.6	3,275	3,818.4
<b>Germany</b>	5,244.9	6,379.8	1,435	1,727.8	3,809.9	4,652
<b>Netherlands</b>	4,567.3	4,903.7	2,145	2,484.9	2,422.3	2,418.8
<b>Turkey</b>	4,159.6	5,439.2	1,713.6	2,755.6	2,446	2,683.6
<b>India</b>	4,145.2	4,443.2	2,264	2,202.7	1,881.2	2,240.5
<b>Italy</b>	3,368	3,877.7	877.3	1,093.5	2,490.7	2,784.2
<b>France</b>	3,286.2	3,228.9	1,681	1,668.1	1,605.2	1,560.8
<b>Spain</b>	2,130.6	2,456.1	784.9	1,036.8	1,345.7	1,419.3
<b>Japan</b>	1,929.2	2,081.5	767.7	787.5	1,161.5	1,294
<b>South Korea</b>	1,716.3	1,985	578.1	627.8	1,138.2	1,357.2
<b>Malaysia</b>	1,434.8	1,427.7	1,419.5	1,375.7	15.3	52
<b>Russia</b>	1,404.7	1,939.6	678.3	965.3	726.4	974.3
<b>Brazil</b>	903	1,103	735.6	922.1	167.4	180.9
<b>Cyprus</b>	787.7	1,342.8	438.3	950.6	349.4	392.2
<b>Other countries</b>	30,373.5	36,477.3	13,768.1	14,180.9	16,605.4	22,296.4
<b>Total</b>	<b>125,991.4</b>	<b>141,308.9</b>	<b>63,955.4</b>	<b>68,967.9</b>	<b>62,036</b>	<b>72,341</b>

<sup>29</sup> See CBS, <http://www.cbs.gov.il/publications16/yarhon0116/pdf/h8.pdf>

### Israeli Exports to Selected Countries 2015 at Current Prices (\$ million)



### Israeli Imports from Selected Countries 2015 at Current Prices (\$ million)



Manufacturing, mining and quarrying topped the list of Israeli exports for 2014 and 2015, amounting to 81.5% and 84.6% respectively. The net Israeli diamond exports amounted to 16.2% in 2014 and 13.5% in 2015. Agricultural exports and those relating to forestry and fishing totaled to 2.4% in 2014 and 2.2% in 2015 (see





table 11/2). The breakdown of industrial exports by technological intensity shows that high-technology industries accounted for 50.1% of total industrial exports (excluding diamonds) in 2015, while medium-tech industries accounted for 43.2%, and low-tech industries for 6.7%.<sup>30</sup>

**Table 11/2: Israeli Exports by Commodity Group 2013–2015 (\$ million)<sup>31</sup>**

Year	Agriculture, forestry and fishing	Manufacturing, mining & quarrying excl. working diamonds	Diamonds		Others	Returned exports	Total
			Working of diamonds	Wholesale of diamonds			
<b>2013</b>	1,495.2	46,271.9	6,293.7	2,910	3.7	-103.6	<b>56,870.9</b>
<b>2014</b>	1,392.4	47,024.9	6,287.9	3,064.5	2.7	-105	<b>57,667.4</b>
<b>2015</b>	1,168.1	45,178.6	4,994.2	2,200.7	1.4	-116.2	<b>53,426.8</b>

With regard to Israeli imports, raw materials topped the list in 2014 and 2015, with 39% and 44% respectively. As for fuel imports, they amounted to 17.9% and 12.1% for both years. The import of consumer goods represented 17.6% and 19.5%, and investment goods 13% and 14.2%, while diamonds amounted to 12% and 10.3% in 2014 and 2015, respectively. The decline in Israeli exports and imports of diamonds is due to the global decline in the purchasing value of diamonds in 2014–2015 (see Table 12/2).

It should be noted that Israeli fuel imports in 2015 were \$7.41 billion, a 42% decline compared to 2014, due to the Israeli investments in gas extraction in the eastern Mediterranean basin where production began in the Tamar field in 2013 in quantities that will suffice Israel for the coming 15–20 years.

**Table 12/2: Israeli Imports by Commodity Group 2013–2015 (\$ million)<sup>32</sup>**

Year	Consumer goods	Raw Materials	Investment goods	Fuels	Diamond rough and polished	Others	Total
<b>2013</b>	11,506.8	27,202.9	8,879.6	14,560.2	8,269.9	682.6	<b>71,102</b>
<b>2014</b>	12,545.6	27,820.3	9,316.5	12,769.8	8,584.1	443.3	<b>71,479.6</b>
<b>2015</b>	11,952.1	26,701.5	8,723.2	7,406.6	6,284.1	234.8	<b>61,302.3</b>

<sup>30</sup> See Simon Vinokur and Shirly Kirma, Summary of Israel's Foreign Trade-2015, CBS, 13/1/2016, [http://www1.cbs.gov.il/www/hodaot2016n/16\\_16\\_009e.pdf](http://www1.cbs.gov.il/www/hodaot2016n/16_16_009e.pdf)

<sup>31</sup> See CBS, [http://www1.cbs.gov.il/shnaton66/st16\\_03x.pdf](http://www1.cbs.gov.il/shnaton66/st16_03x.pdf); and CBS, <http://www.cbs.gov.il/publications16/yarhon0116/pdf/h9.pdf>

<sup>32</sup> See CBS, [http://www1.cbs.gov.il/shnaton66/st16\\_03x.pdf](http://www1.cbs.gov.il/shnaton66/st16_03x.pdf); and CBS, <http://www1.cbs.gov.il/publications16/yarhon0116/pdf/h3.pdf>

Although Israel is a rich and developed country, it still receives US aid annually that reached in 2015 a total of \$3.11 billion, including \$3.1 billion in military grants, while support in 2014 and 2013 reached a total of \$3.115 billion per year, including \$3.1 billion in military grants. Thus, Israel has received from the US during 1949–2015 a total of \$124.469 billion, according to the final report of the Congressional Research Services (CRS).<sup>33</sup>

**Table 13/2: US Bilateral Aid to Israel 1949–2015 (\$ million)<sup>34</sup>**

Period	1949-1958	1959-1968	1969-1978	1979-1988	1989-1998	1999-2008
<b>Total</b>	599.6	727.8	11,426.5	29,933.9	31,551.9	29,374.7

Period	2009	2010	2011	2012	2013	2014	2015	Total
<b>Total</b>	2,583.9	2,803.8	3,029.2	3,098	3,115	3,115	3,110	<b>124,469.3</b>

### 3. Military Indicators

A state of anticipation prevailed over the Israeli military establishment during 2014 and 2015, due to the events on the northern borders of Israel, especially in light of the Russian military intervention in Syria that affected the balance of power. Moreover, Israel was not able to achieve “deterrence” on its southern border, which saw an aggression on GS in the summer of 2014, as the Commander of the Gaza Division in the Israeli army Brigadier General Itai Virov admitted that it was not possible to deter the resistance factions and that the war was not a war of deterrence.<sup>35</sup> This coincided with the growing threat of “international jihadist organizations.” In addition, there was the growing threat of cyber warfare, with the fear from the possibility of the cutting of cables, which supply internet to Israel.<sup>36</sup> The declaration of the nuclear deal between Tehran and the supreme powers on 14/7/2015, caused consternation in Tel Aviv, expressed by Israeli Prime Minister Benjamin Netanyahu, who strongly criticized the agreement, declaring that it

<sup>33</sup> For 1949–2013, see Mohsen Mohammad Saleh (ed.), *The Palestinian Strategic Report 2012–2013* (Beirut: al-Zaytouna Centre for Studies and Consultations, 2015), p. 99.

As for 2014–2015, see Jeremy M. Sharp, “U.S. Foreign Aid to Israel,” Congressional Research Services (CRS), 10/6/2015, <http://www.fas.org/sgp/crs/mideast/RL33222.pdf>

<sup>34</sup> Ibid.

<sup>35</sup> *Al-Akhbar* newspaper, Beirut, 5/1/2015.

<sup>36</sup> Site of Alresalah Press, 27/12/2014.



would “all but guarantee that Iran will get those nuclear weapons - lots of them.”<sup>37</sup> On the other hand, the knives uprising and trampling and shooting operations carried out by Palestinians in the WB in the last quarter of 2015, created confusion among Israeli decision-makers and presented the Israeli army with a challenge it had not experienced since the decline of *al-Aqsa Intifadah*.

#### **a. Appointments and Structural Changes**

The failures of the Israeli war on GS in the summer of 2014 caused a series of changes carried out by the Chief of General Staff of the Israeli army, Benny Gantz, as they affected the largest military brigades that took part in ground operations during the GS war. The list of changes included the removal of the commander of the Paratrooper Brigade Colonel Eliezer Toledano and the appointment of Colonel Nimrod Aloni instead. The campaign also included the removal of the commander of the Givati Brigade Colonel Ofer Vinter, and the appointment of Colonel Yaron Finkelman instead. The army also decided to appoint Amos HaCohen as new commander of the Nahal Infantry Brigade instead of Uri Gordin.<sup>38</sup> The leader of the Kfir Brigade Asher Ben Lulu was removed and replaced by the former Hebron Hills Brigade Commander, Colonel Guy Hazot. The changes also included the removal of the leaders of the 7th Armor Brigade and 188th Armored Brigade in the Armored Corps. Hence, Colonel Dan Neuman was appointed as commander of the 7th Brigade to succeed Colonel Nadav Lotan, while Colonel Nir Ben-David succeeded Colonel Tomer Ifrah as commander of the 188th Brigade.<sup>39</sup> On 18/9/2014, Brigadier Herzi Halevi was promoted to the rank of major general and appointed commander of Directorate of Military Intelligence (Aman), thereby succeeding Major General Aviv Kochavi,<sup>40</sup> who took office as commander of the Northern Command on 2/11/2014, succeeding Major General Yair Golan.<sup>41</sup>

On 14/12/2014, the government ratified the appointment of the Deputy Army Chief of Staff, Lieutenant General Gadi Eisenkot, as successor to the Chief of Staff

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<sup>37</sup> *Haaretz* newspaper, 3/3/2015, <http://www.haaretz.com/israel-news/1.645178>

<sup>38</sup> Site of Alray - Palestinian Media Agency, 21/10/2014 (in Arabic). See also *The Jerusalem Post* newspaper, 22/10/2014.

<sup>39</sup> Alray, 21/10/2014 (in Arabic). See also *Yedioth Ahronoth* newspaper, 21/10/2014.

<sup>40</sup> Site of Arabs 48, 18/9/2014.

<sup>41</sup> Ma'an News Agency, 2/11/2014; and see *Yedioth Ahronoth* newspaper, 25/4/2014, <http://www.ynetnews.com/articles/0,7340,L-4513281,00.html>

Lieutenant General Benny Gantz, and he officially took office on 16/2/2015.<sup>42</sup> Eisenkot did not wait to take office and implemented these appointments during Gantz's term; he reestablished Major General Tal Russo as commander of the Depth Command and promoted Major General Tamir Hayman on 25/1/2015, making him head of the corps along the northern borders and the head of the military colleges.<sup>43</sup>

Furthermore, Eisenkot decided to dissolve the Druze Herev Battalion, 41 years after its inception, dispersing the battalion's soldiers among the various military units in the Israeli army.<sup>44</sup>

Netanyahu announced the appointment of Yossi Cohen as the new Director of the Mossad on 7/12/2015, replacing Tamir Pardo, whose term expired in January 2016. Cohen was the chief of the National Security Council and had worked in the Mossad for several years.<sup>45</sup> Moreover, the army formed the Sayfan (Gladiolus) unit as part of the Engineering Corps, to "detect, identify and treat unconventional materials in a combat zone."<sup>46</sup>

## **b. Manpower**

In 2014 and 2015 the number of Israeli soldiers who committed suicide increased compared with 2013. The army has said that 15 soldiers committed suicide in 2015, 10 of whom were in the mandatory military service,<sup>47</sup> compared to 15 soldiers who committed suicide in 2014, and 7 soldiers in 2013.<sup>48</sup> Also, the Israeli army reported that in 2014 there were some 1,900 draft dodgers and 2,700 defectors.<sup>49</sup>

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<sup>42</sup> *Yedioth Ahronoth*, 16/2/2015, <http://www.ynetnews.com/articles/0,7340,L-4627065,00.html>

<sup>43</sup> *Assafir* newspaper, Beirut, 27/1/2015. See also *The Jerusalem Post*, 18/1/2015, <http://www.jpost.com/Israel-News/IDF-names-new-head-of-Central-Command-as-Maj-Gen-Roni-Numa-388134>; and *Haaretz*, 19/2/2015, <http://www.haaretz.com/misc/iphone-article/.premium-1.643060>

<sup>44</sup> *Haaretz*, 19/5/2015, <http://www.haaretz.com/israel-news/.premium-1.657084>

<sup>45</sup> *The Jerusalem Post*, 7/12/2015, <http://www.jpost.com/Israel-News/Prime-Minister-holds-surprise-Press-Conference-to-nominate-new-head-of-Mossad-436584>

<sup>46</sup> IDF creates new, cutting edge unit to combat unconventional weapons, *Israel Hayom* newspaper, 11/1/2016, [http://www.israelhayom.com/site/newsletter\\_article.php?id=31025](http://www.israelhayom.com/site/newsletter_article.php?id=31025)

<sup>47</sup> *Alghad* newspaper, Amman, 5/1/2016; and see *Haaretz*, 4/1/2016, <http://www.haaretz.com/israel-news/.premium-1.695289>

<sup>48</sup> *Al-Quds al-Arabi* newspaper, London, 3/1/2015. See also *The Jerusalem Post*, 2/1/2015, <http://www.jpost.com/Israel-News/IDF-says-number-of-soldier-suicides-doubled-in-2014-denies-link-to-Gaza-war-386507>

<sup>49</sup> Site of The Palestinian Information Center (PIC), 30/5/2015. See also *Yedioth Ahronoth*, 30/5/2015, <http://www.ynetnews.com/articles/0,7340,L-4662908,00.html>



The head of the Israeli army's Personnel Directorate, General Hagai Topolanski, declared that about 50% of Israelis do not serve in the army, as half of them are not included in the mandatory military service, and the other half evades the army under the pretext of religion.<sup>50</sup>

In November 2015, Israeli army data covering the period since early 2015 revealed that 50% of 18-year-old males were drafted in the army, while the drafting of females rose by 250%. The drafting of young Bedouins fell by 50%, and there was an 88% drafting of Druze young people, which is the same percentage as young Jewish men from the Ethiopian community.<sup>51</sup>

On the moral level, on 24/12/2014, the commander of the Tzabar battallion of Givati, Lieutenant Colonel Liran Hajbi, was accused of sexual harassment of female soldiers.<sup>52</sup> Moreover, the police service was involved in several corruption cases. On 27/1/2015, eight officers were dismissed, as they were involved in taking bribes and committing sexual assaults during the year and a half that followed the publication of the news.<sup>53</sup>

Moreover, the commander of Lahav 433, Major General Menashe Arviv, was dismissed from the police in February 2014 on suspicion of receiving gifts.<sup>54</sup> As for Central District Police Chief Bruno Stein, he resigned in September 2014 because of his relationship with a lawyer who is suspected of giving bribes to the police in exchange for the closure of files.<sup>55</sup> In January 2015, commander of the "Judea and Samaria" Police District Kobi Cohen resigned on suspicion of a relationship with a police officer under his command. Moreover, Deputy Commissioner of the Israel Police Major General Nissim Mor, was investigated on 26/1/2015 on charges of sexual relationships with eight women under his command.<sup>56</sup>

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<sup>50</sup> Lapid Renews Push to Draft Ultra-Orthodox, is it Worth it? site of Almonitor, 12/10/2015, <http://www.al-monitor.com/pulse/originals/2015/11/israel-draft-ultra-orthodox-idf-lapid-yesh-atid-negotiations.html>

<sup>51</sup> *Al-Hayat al-Jadida* newspaper, Ramallah, 21/11/2015.

<sup>52</sup> *Haaretz*, 25/12/2014, <http://www.haaretz.com/israel-news/.premium-1.633687>

<sup>53</sup> Site of Arabi21, 27/1/2015. See also *The Jerusalem Post*, 27/1/2015, <http://www.jpost.com/Israel-News/Israel-looks-to-root-out-police-culture-of-corruption-sexual-harassment-389091>

<sup>54</sup> Site of The Times of Israel, 16/2/2014, <http://www.timesofisrael.com/top-cop-allegedly-took-thousands-from-popular-rabbi/>

<sup>55</sup> The Times of Israel, 28/9/2014, <http://www.timesofisrael.com/polices-jerusalem-district-chief-abruptly-resigns/>

<sup>56</sup> Arabi21, 27/1/2015. See also The Times of Israel, 27/1/2015, <http://www.timesofisrael.com/boys-in-black-and-blue>; and The Times of Israel, 28/1/2015, <http://www.timesofisrael.com/rockets-in-the-golan-a-soccer-star-in-the-knesset/>

According to Israeli army data published on 28/4/2015, the number of sexual abuse cases in the ranks of the army has been on the rise in recent years, as there were 777 sexual assault complaints in 2012, including 511 related to sexual harassment. In 2013, the number rose to 930 complaints, including 561 related to sexual assault within the military, and in 2014 the number rose again, reaching 1,073 complaints.<sup>57</sup>

The *Yedioth Ahronoth* newspaper revealed on 10/6/2015 that about 20 thousand Israeli soldiers are imprisoned annually, 71% of them because of evasion and absenteeism from the military service, 21% of them are tried for “breach of discipline” charges, and the rest for criminal charges.<sup>58</sup>

### **c. Military Plans and Directions**

Events and transitions taking place in the Arab and regional area affected the strategies, plans and directions of the Israeli military establishment. Thus, Israel became braced for a future confrontation with effective military forces that do not have the form of regular armies, such as ISIS and al-Nusra Front, with whom decisiveness is weakened during confrontation through conventional military structure and plans used by the Israeli army. Add to that the rising military capabilities and battle tactics of Palestinian resistance movements in GS and Hizbullah in Lebanon, which in recent years have become the biggest strategic threat to the Israel, as most Arab armies no longer pose a threat to Israel, in theory at least.

After Israel’s war on GS in the summer of 2014, it was unsatisfied with its deterrence and military achievements, and this led to a conflict between the military, along with the Ministry of Defense, and the Israeli Ministry of Finance about the military budget. Indeed, the latter, based on the recommendations of the Locker Committee it formed, attempted to impose major cuts on the budget of the Ministry of Defense, which affected the Israeli army structure for the first time. It demanded reducing the size of the conscripted forces as well as the rationalization of expenditures on army programs,<sup>59</sup> prompting the Chief of General Staff Gadi

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<sup>57</sup> Arabs 48, 29/4/2015. See also *Haaretz*, 30/4/2015, <http://www.haaretz.com/israel-news/.premium-1.654196>

<sup>58</sup> Quds Press International News Agency, London, 10/6/2015.

<sup>59</sup> *Haaretz*, 22/7/2015, <http://www.haaretz.com/israel-news/business/1.667173>; and *The Jerusalem Post*, 21/7/2015, <http://www.jpost.com/Israel-News/Locker-Commission-calls-for-massive-IDF-budget-cuts-across-the-board-409673>



Eizenkot to announce the Gideon Plan on 20/7/2015, in anticipation of the publication of the Locker recommendations the next day. The Gideon Plan included the discharge of nearly 100 thousand reserve soldiers and the dismissal of 2,500 professional soldiers, all within the following five years. This was in addition to the cutting down of artillery brigades and light infantry brigades, as opposed to the continued strengthening of the intelligence forces, cyberwarfare, and the Air Force. The plan also aims to shorten the duration of readiness for war to within hours instead of several days.<sup>60</sup>

Hence, on 6/7/2015 the Israeli army decided upon the Fire Formation Brigade as a way to increase operational efficiency and meet the combat methods used by the Palestinian resistance in the GS and by Hezbollah, after it became clear to the army that there were large gaps in its readiness to engage in “guerrilla warfare.”<sup>61</sup>

In May 2015, the Israeli army decided to establish a new brigade to explore the depth of enemy territory and quickly carry out covert and dangerous missions during the battle, according to the *Maariv* newspaper, which added that this unit came as a lesson drawn from the war on the GS in the summer of 2014, during which more than 45 tanks and armored vehicles belonging to the army were destroyed.<sup>62</sup>

In an unprecedented move in the history of the Israeli army, Chief of Staff Gadi Eizenkot issued a military document, the “IDF Strategy,” which revealed the army’s military objectives and methods of achievement. The document, which can be seen as “Eizenkot’s doctrine,” reveals to the public the current military targets of the Israeli army, which are the Islamic organizations, in addition to the army’s national goals of maintaining Israel as a Jewish and democratic state. In this document, it is revealed that the Israeli army will determine in advance tens of thousands of targets in Lebanon and Gaza to hit in a short time frame, in the early days of the next war.<sup>63</sup>

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<sup>60</sup> *Yedioth Ahronoth*, 21/7/2015, <http://www.ynetnews.com/articles/0,7340,L-4682344,00.html>

<sup>61</sup> *Arabs* 48, 6/7/2015. See also *Israel Hayom*, 7/7/2015, [http://www.israelhayom.com/site/newsletter\\_article.php?id=26695](http://www.israelhayom.com/site/newsletter_article.php?id=26695)

<sup>62</sup> Site of al-Majd, 18/5/2015, [www.almajd.ps](http://www.almajd.ps)

<sup>63</sup> Israeli Army circulates the “Army’s Strategy” Document... What are its Aims and How will it Achieve Them?, site of al-Masdar, 14/8/2015, <http://bit.ly/1QduC7s> (in Arabic). See also *Haaretz*, 15/8/2015, <http://www.haaretz.com/israel-news/.premium-1.671121>; and The IDF Strategy, site of Israel Defense Forces, July 2016, <https://www.idfblog.com/s/Desktop/IDF%20Strategy.pdf>

According to the document, Israel's present enemies are not any neighboring countries, but rather Islamic organizations such as ISIS, and especially Hamas and Hizbullah. In regard to combat strategy, the applied strategic principle is "prioritizing," that is, giving up the pretense of maintaining forces for every possible need... but forces would rely on sophisticated means used with flexibility. Based on the new strategy, the military command expects the army to attack thousands of targets in the first days of the war.<sup>64</sup>

In the context of preparations for cyberwarfare, Eisenkot decided to reorganize the structure of electronic warfare in the Israeli army by establishing a cyber branch. It would be built similarly to the land, air, and sea branches and would be in charge of using force in everything related to cyberspace.<sup>65</sup>

#### **d. Military Maneuvers**

Concerning military maneuvers and exercises, the military and security context had an effect on the programs and objectives of military maneuvers during 2014 and 2015. This impact emerged through the military's focus on comprehensive training and exercises. For instance, the same maneuver involved air, sea, and land brigades, in addition to taking into account the technologies and challenges of cyber warfare. These exercises, especially those held in 2015, seemed to translate the doctrine of the Chief of Staff Eisenkot and significantly echoed the Gideon Plan recommendations, in an apparent reflection of the military establishment's perception of the nature of the wars and military and security challenges that will face Israel in the coming years.

On 8/3/2014, *Yedioth Ahronoth* newspaper revealed that the joint military exercise of the Israeli Infantry and US marines that ended on 7/3/2014 used Boeing-made V-22 Osprey plane-copter, which "can lift off and land like a helicopter, and can transform mid-flight into a high-speed turboprop aircraft."<sup>66</sup> On 24/4/2014, the army conducted an exercise for scenarios in the event of an escalation in the WB.<sup>67</sup> Then on 23/1/2015, it conducted a maneuver in the north of the country to prepare to face the challenges of the northern front.<sup>68</sup> In March

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<sup>64</sup> Ibid.

<sup>65</sup> Arabs 48, 15/6/2015.

<sup>66</sup> *Israel Hayom*, 7/3/2014, [http://www.israelhayom.com/site/newsletter\\_article.php?id=15981](http://www.israelhayom.com/site/newsletter_article.php?id=15981)

<sup>67</sup> *Al-Ayyam* newspaper, Ramallah, 25/4/2014.

<sup>68</sup> Arabs 48, 23/1/2015.





2015, the army conducted an exercise for dealing with several scenarios, including the outbreak of major confrontations in the WB.<sup>69</sup>

In 2015 the army carried out a series of intensive military trainings simulating the scenario of the seizure of the Palestinian coastal territory in any future confrontation with Hamas in Gaza.<sup>70</sup> The Israeli air force conducted a 14-day joint military exercise in April 2015 in Greek airspace, aimed at simulating the confrontation of S300 defense missiles.<sup>71</sup> On 8/5/2015, the Israeli army completed a one-week training that included the task of crossing the border with Jordan and Syria.<sup>72</sup>

The Israeli Home Front Command conducted a drill in the period ranging from 31/5/2015 until 4/6/2015, with the participation local of authorities along with various government ministries and rescue organizations, simulating rocket attacks.<sup>73</sup> The Turning Point 15 maneuvers built a training scenario according to the designs of military and security officials on the development of the situation in light of regional events, especially in Syria.<sup>74</sup> Also, the Red Flag air maneuver took place in the United States in 2015 with the participation of the US, Israeli, Jordanian and Singaporean air forces.<sup>75</sup> The “Blue Flag” exercise involving US, Greek, and Polish air forces was conducted in the second half of 2015 in Israel, the largest joint combat exercise to date.<sup>76</sup>

#### **e. Missile Systems**

On 25/2/2014, the Israeli Ministry of Defense announced the successful trial of the Sky Shield laser system, a defensive anti-missile system designed to protect commercial planes.<sup>77</sup>

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<sup>69</sup> *Almustaqbal* newspaper, Beirut, 4/3/2015.

<sup>70</sup> Quds Press, 1/5/2015.

<sup>71</sup> Site of i24news, 12/4/2015, <http://www.i24news.tv/en/news/international/94533-151204-israel-greece-coordinated-exercises-against-s-300-missile-system-report>

<sup>72</sup> *Asharq Alawsat*, 9/5/2015.

<sup>73</sup> The Times of Israel, 1/6/2015, <http://www.timesofisrael.com/nation-wide-drill-to-include-large-scale-evacuation-of-civilians/>

<sup>74</sup> *Al-Hayat* newspaper, London, 2/6/2015.

<sup>75</sup> *Arabs* 48, 3/9/2015; and *Haaretz*, 3/9/2015, <http://www.haaretz.com/israel-news/.premium-1.674425>

<sup>76</sup> The Times of Israel, 30/10/2015, <http://www.timesofisrael.com/israel-hosts-its-largest-ever-international-air-force-exercise/>

<sup>77</sup> *Haaretz*, 26/2/2014, <http://www.haaretz.com/israel-news/1.576632>

On 11/5/2015, Minister Moshe Ya'alon said that Germany provided Israel with four Patriot missile batteries.<sup>78</sup> With regard to the Iron Dome system, the Israeli military leadership considers that it successfully neutralized GS missiles by a large margin during the GS war in summer 2014, while other Israeli sides questioned its credibility and usefulness from the strategic perspective. In the official figures of the Israeli army, the Iron Dome system intercepted approximately 90% of the shells fired during the 2014 aggression against GS, including rockets fired at Jerusalem and the Tel Aviv area.<sup>79</sup> A report by Hebrew newspaper *Makor Rishon* quoted a senior Israeli military official saying that Hamas had likely “extracted the results” of the 2014 war and realized that the Iron Dome had succeeded in reducing its ability to cause injuries in Israel through the use of medium-range and long-range missiles, prompting the movement to focus on the production of short-range missiles.

In contrast with the praise showered on the Iron Dome, the military analyst and former pilot in the Israeli Air Force Reuven Pedatzur criticized the system. In an article published in *Haaretz* newspaper in 2013, he said that the research of two Israeli experts and one US expert in the field of missile defense showed that the Iron Dome managed to intercept only 5% of the rockets fired by the Palestinian resistance, and not 84% as the Israeli army announced the end of the aggression against the GS in 2012.<sup>80</sup> According to the three scientists, “most of the explosions, which look as if they were successful interceptions, are actually just the self-destruction of the Iron Dome’s own missiles.”<sup>81</sup> In the same vein, Israeli Air Force commander Amir Eshel admitted that the Iron Dome system will not be able to provide full protection for Israelis, and expected it to be a disappointment to the public.<sup>82</sup>

Apart from talking about the success and failure of the system in intercepting the missiles of the resistance, these missiles were enough to close off airspace and disrupt air traffic to and from Ben Gurion Airport for several days during the war. In an article published in *Haaretz*, commentator Uri Misgav agrees with military reservists and political officials who support the idea of “attack and invasion until

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<sup>78</sup> *Haaretz*, 11/5/2015, <http://www.haaretz.com/world-news/1.655913>

<sup>79</sup> The Times of Israel, 8/3/2015, see <http://bit.ly/1VrkCzt> (in Arabic)

<sup>80</sup> *Haaretz*, 9/3/2013, <http://www.haaretz.com/opinion/how-many-rockets-has-iron-dome-really-intercepted.premium-1.508277>

<sup>81</sup> *Ibid.*

<sup>82</sup> *Asharq Alawsat*, 8/3/2015.



victory” in saying that the Iron Dome system contributes to the strategic error of mere defense against the Palestinian resistance without a decisive victory.

This is consistent with the statements of strategic affairs analyst, Yossi Melman, who said that victory in war does not only come through defensive systems, explaining that the Iron Dome did not provide a solution for short-range mortars that caused the death and injury of many soldiers during the 2014 war, in addition to wounding dozens of civilians.<sup>83</sup> In 2010, the Israeli army devised the Raz Radar System, which is able to immediately and accurately detect rocket launch sites and threat levels.<sup>84</sup>

Despite the harsh criticism against the dome system, Tel Aviv conducted several experiments it claimed were successful in 2015,<sup>85</sup> and the Israeli army announced in December 2015 that it would use the Iron Dome to intercept missiles aboard warships around offshore gas fields in the Mediterranean to deal with any potential threat of massive rocket fire.<sup>86</sup> In parallel, the Israeli Ministry of Defense announced on 21/12/2015 that it had conducted a series of tests on the Magic Wand missile defense system<sup>87</sup> in addition to a successful test of the Arrow-3 missile system on 10/12/2015.<sup>88</sup>

After the use of large quantities of Iron Dome missiles during the 2014 war on GS, on 1/8/2014 the US Congress approved \$225 million in emergency funding for Israel’s Iron Dome missile defense system. On 30/4/2015, the US House of Representatives Armed Services Committee approved granting Israel \$474 million for the development of missile defense systems. The grant was divided as follows: \$41.4 million for the short-range Iron Dome rocket defense system, and \$165 million for Magic Wand short-range system, and the longer-range Arrow-3 missile defense programs. The Committee also ratified the allocation of \$267.6 million for research and development of an anti-tunneling defense system.<sup>89</sup>

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<sup>83</sup> Site of Aljazeera.net, 6/8/2014, <http://bit.ly/1sxCEVi>

<sup>84</sup> Site of Defense-Aerospace.com, 14/9/2010, <http://www.defense-aerospace.com/articles-view/release/3/118142/israel-touts-new-rocket-defense-radar.html>

<sup>85</sup> The Arabic site of Israel Broadcasting Authority—IBA (Arabil), 2/7/2015.

<sup>86</sup> The Times of Israel, 13/12/2015, [http://www.timesofisrael.com/liveblog\\_entry/warships-to-be-fitted-with-iron-dome-to-protect-gas-rigs/](http://www.timesofisrael.com/liveblog_entry/warships-to-be-fitted-with-iron-dome-to-protect-gas-rigs/)

<sup>87</sup> Aruz Sheva 7, 21/12/2015, <http://www.israelnationalnews.com/News/News.aspx/205254>

<sup>88</sup> Site of Defense News, 10/12/2015, <http://www.defensenews.com/story/defense/air-space/strike/2015/12/10/us-israel-arrow-3-intercepts-target-space/77087084/>

<sup>89</sup> Reuters News Agency, 1/8/2014, <http://www.reuters.com/article/mideast-gaza-irondome-usa-idUSL2N0Q800M20140802>; and The Times of Israel, 1/5/2015, <http://www.timesofisrael.com/house-committee-approves-israeli-missile-defense-funds/>

## **f. Armament and Arms Trade**

After more than 40 years of using US-made Sky Hawk trainer jets, the Israeli Air Force received an Italian Lavi trainer jet on 21/3/2014, the first of 30 aircraft it is scheduled to receive through 2016.<sup>90</sup>

The Israeli army announced on 3/4/2014 that it had begun to receive high-precision GPS-fitted Israeli mortar shells.<sup>91</sup> In 2014, the Israeli Navy was supplied with Israeli-made sophisticated Adir radars that were said to constitute a viable response to the Russian-made Yakhont anti-ship missiles.<sup>92</sup> On 29/8/2014, the World Tribune revealed that Israel had allocated a budget of up to \$750 million to develop an anti-tunnel program.<sup>93</sup> Moreover, Israeli Defense Minister Moshe Ya'alon received "government backing to purchase \$2 billion in Pentagon-approved arms and aircraft, including the troubled V-22 tilt-rotor Osprey."<sup>94</sup>

In 2015, Israel continued the installment of DSIT Solutions manufactured AquaShield Diver Detection Sonar system, which makes it possible to identify individual divers underwater from a far greater distance off the coast.<sup>95</sup>

Moreover, Israel announced on 22/2/2015 that it had reached an agreement with Washington to buy 14 additional US F-35 stealth fighters. Israeli pundits considered the deal a confirmation that security and military relations between the two countries were not affected by the crisis in the relations between Netanyahu and President Barack Obama.<sup>96</sup>

Israeli sources revealed that the Israeli army had adopted a program for the development of electronic capabilities, and it saw a greater interconnectivity of forces than ever before. In the Digital Army Program, "video and camera footage from a wide array of sources is funneled back from the field to a central core and

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<sup>90</sup> *Yedioth Ahronoth*, 20/3/2014, <http://www.ynetnews.com/articles/0,7340,L-4501570,00.html>

<sup>91</sup> *Alghad*, 4/4/2014.

<sup>92</sup> *Arabs 48*, 8/5/2014. See also *The Jerusalem Post*, 13/5/2014, <http://www.jpost.com/Defense/The-Israel-Navy-is-quietly-enhancing-its-capabilities-for-precision-long-range-missiles-352064>

<sup>93</sup> From Iron Dome to 'Iron Spade': Israeli contractors tasked with countering Hamas attack tunnels, site of World Tribune.com, 29/8/2014, <http://www.worldtribune.com/archives/iron-spade-israeli-defense-majors-tasked-finding-solution-hamas-attack-tunnels/>

<sup>94</sup> *Al-Youm al-Sabi'* newspaper, Cairo, 7/6/2014.

<sup>95</sup> Site of the Jewish News Service (jns.org), 6/2/2015, <http://www.jns.org/news-briefs/2015/2/6/israeli-navy-installs-advanced-underwater-aquashield-detection-system#.V5m2AxKmQrI=>

<sup>96</sup> *Defense News*, 22/2/2015, <http://www.defensenews.com/story/defense/international/mideast-africa/2015/02/22/israel-buy-f35-fighters-us/23840089/>



from there streamed forward, either automatically or based on an HQ staff officer's decision, to the appropriate commanders in the field." The 2014 Operation Protective Edge was the first large scale operation in which the Israeli army's Digital Army Program was widely used. That's why some journalists called it "the first fully digital war."<sup>97</sup>

On 5/5/2015, the Defense Ministry signed a multi-million dollar agreement with the US company General Dynamics to acquire the mechanical parts needed to assemble state-of-the-art Namer armored personnel carriers. They will be equipped with the Israeli-developed Armored Shield Protection system, known as the "Windbreaker," which is considered one of the most advanced countermeasure technological systems in military use.<sup>98</sup> In 2015, Israel Aerospace Industries developed the ULTRA-C1 radar. The standard version can locate drones and enemy planes up to 500 km away, while the more extensive models allow rapid and accurate identification of ballistic missiles launched thousands of kilometers away, as well as "enemy" satellites.<sup>99</sup> *The Jerusalem Post* reported that the army leadership decided to retire its Merkava 2 tanks and convert them into armored personnel carriers, following previous failures in the recent war on Gaza in the summer of 2014.<sup>100</sup>

On 17/12/2015, the Israeli Navy received a Dolphin submarine from Germany, which it named Rahav. The submarine, which reached the port of Haifa in January 2016, is Israel's fifth Dolphin-class submarine. Israeli submarines are reportedly capable of being equipped with nuclear-armed missiles, affording Israel a "second-strike" capability in case it is attacked by nuclear weapons.<sup>101</sup>

As for India, the security and military relationship witnessed an important development, as Moshe Ya'alon declared that his government would strengthen security cooperation with India. The announcement followed a meeting between Ya'alon and Indian Prime Minister Narendra Modi in conclusion of major defense deals worth \$1.5 billion. Ya'alon said in a meeting with the Indian prime minister in New Delhi that "The relationship [between Israel and India] is deepening after

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<sup>97</sup> The Times of Israel, 21/8/2014, <http://www.timesofisrael.com/the-idfs-first-fully-digital-war/>

<sup>98</sup> The Times of Israel, 5/5/2015.

<sup>99</sup> Arabs 48, 17/6/2015; and *Yedioth Ahronoth*, 17/6/2015, <http://www.ynetnews.com/articles/0,7340,L-4669484,00.html>

<sup>100</sup> *Al-Quds al-Arabi*, 1/12/2015.

<sup>101</sup> The Times of Israel, 17/12/2015, <http://www.timesofisrael.com/israels-newest-sub-leaves-germany-bound-for-haifa/>; and The Times of Israel, 12/1/2016, <http://www.timesofisrael.com/israel-set-to-welcome-its-newest-nuclear-capable-submarine/>

the [September 2014] meeting between Prime Minister Narendra Modi and Benjamin Netanyahu in New York. We see continuous progress and common interests.” India's Kalyani Group and Israel’s Rafael Advanced Defense Systems Company announced that they signed a cooperation agreement to develop and manufacture advanced military hardware, through a joint venture in which the Indian company would hold a majority stake.<sup>102</sup> Ya‘alon was asked if the visit meant the countries could sign defense deals out in the open, Ya’alon answered “that’s true.”<sup>103</sup>

As for Israeli arms exports, a report of the Israeli Ministry of Defense stated that exports declined by \$1 billion dollars in 2014 compared to 2013, but there was a 40% rise in arms exports to African countries. According to data from 2014, Israeli weapons manufacturers signed arms deals worth \$5.66 billion compared to \$6.5 billion in 2013. In parallel, Israeli arms exports to African countries increased in 2014, with \$318 million deals, a 40% rise in export volume compared to 2013. The Ministry said that Israel is still considered one of the top ten exporters of arms in the world.<sup>104</sup>

As for 2015, Mishel Ben Baruch, director of the International Defense Cooperation Directorate (SIBAT), said that the Israeli arms industries had signed deals worth a total of \$5.66 billion in 2014, while in 2015 it topped \$5.7 billion.<sup>105</sup>

The largest portion of the military exports was upgrading aircraft and aerospace systems, comprising 14% of all new contracts, with radar and electronic systems coming in second with 12% and Unmanned Aerial Vehicles (UAVs) at 11%. The bulk of the exports were to Asia and the Pacific, comprising nearly 50% of the total earnings, \$2,321 million; with Europe coming in second at \$1,629 million, according to the specifics released by directorate. While North America’s imports were at \$1,023 million, Latin America \$577 million and Africa \$163 million.<sup>106</sup>

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<sup>102</sup> The Times of Israel, 19/2/2015, <http://www.timesofisrael.com/yaalon-meets-indian-premier-as-defense-firms-ink-deal/>

<sup>103</sup> *Ibid.*

<sup>104</sup> *Haaretz*, 21/5/2015, <http://www.haaretz.com/israel-news/.premium-1.657613>

<sup>105</sup> *Assafir*, 8/4/2016; and Times of Israel, 6/4/2016, <http://www.timesofisrael.com/israel-sold-5-7-billion-in-military-hardware-in-2015/>

<sup>106</sup> *Ibid.*



### **g. Military Budget**

Disagreements took place between the military and economists prior to the adoption of the budget in 2015. The Locker committee proposed to set the military budget at 59 billion shekels (around \$15.5 billion) annually for the following five years,<sup>107</sup> while the Gideon Plan suggested an annual budget of between 60 billion shekels (about \$15.752 billion) and 64 billion shekels (about \$16.802 billion) a year that can be increased to adapt to higher prices.<sup>108</sup> However, on 19/11/2015 the Knesset ratified the proposal of the State budget Law for 2015–2016.<sup>109</sup> The Israeli Ministry of Defense obtained a budget of 60.1 billion shekels (\$15.47 billion) for 2015,<sup>110</sup> and \$17 billion for 2016, after it was increased by about \$2 billion upon the request of Defense Minister Moshe Ya'alon for military and security purposes—especially after the outbreak of the wave of violence in Jerusalem and the rest of the WB.<sup>111</sup>

On 31/8/2014, the Israeli government approved the reduction of the budgets of the various ministries in order to cover the expenses of the aggression on GS. It also approved the proposal of the Prime Minister of a two-billion-shekel reduction (\$560.5 million) to be transferred to the Ministry of Defense. This included downsizing all ministries (except the Ministry of Defense), and using the amount of the reduction to increase the Department of Defense budget by 1.5 billion shekels (about \$420.4 million), with the rest used to compensate for the damage in the South.<sup>112</sup>

According to a special report by the Israeli economic newspaper *TheMarker* published on 14/5/2015, Israeli army commanders have exaggerated the size of the expenses and costs of the GS aggression by about 30% since the July 2006 war, thus deceiving the Ministry of Finance on the reality of war costs. The report confirmed the announcement by the Israeli Ministry of Finance after the aggression against Gaza in 2014, when it rejected the army's claims about the cost of

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<sup>107</sup> *Haaretz*, 22/7/2015, <http://www.haaretz.com/israel-news/business/1.667173>

<sup>108</sup> *Yedioth Ahronoth*, 21/7/2015, <http://www.ynetnews.com/articles/0,7340,L-4682344,00.html>  
The exchange rate of the dollar against the Israeli shekel on 21/7/2015 was based on the Bank of Israel data, which was 3.809.

<sup>109</sup> The Knesset, 19/11/2015.

<sup>110</sup> *Times of Israel*, 19/11/2015, <http://www.timesofisrael.com/knesset-passes-2015-2016-budget-by-61-59-razor-thin-majority/>

<sup>111</sup> *Assabeel* newspaper, Amman, 19/11/2015, <http://bit.ly/23MUnFd>

<sup>112</sup> *Al-Hayat al-Jadida*, 1/9/2014.

The exchange rate of the dollar against the Israeli shekel on 29/8/2014 was based on the Bank of Israel data, which was 3.568.

aggression. Indeed, the army requested 12 billion shekels (\$3.248 billion) in addition to the existing budget, while the Ministry of Finance insisted that the aggression's expenses had not exceeded 7 billion shekels (\$1.894 billion), and the amount ended up being transferred to the defense budget as part of the budget for the year 2014.<sup>113</sup>

*TheMarker* also reported that the budget allocated for the operational activity of the reserve forces fell from 1.1 billion shekels (\$280 million) in 2014, ranging between 448–500 million shekels (about \$127 million) in 2015.<sup>114</sup>

The following table shows the ordinary budget performance of Ministry of Defense payments in the 2007–2014 period:

**Table 14/2: Ordinary Budget Performance of Ministry of Defense Payments 2007–2014 at Current Prices<sup>115</sup>**

Year	Payments (million shekels)	Payments (\$ million)
2007	55,849	13,595
2008	55,761	15,542
2009	56,738	14,428
2010	59,830	16,027
2011	62,494	17,466
2012	66,356	17,209
2013	67,689	18,747
2014	72,705	20,321

<sup>113</sup> Site of The New Arab, 14/5/2015. (in Arabic)

The exchange rate of the dollar against the Israeli shekel on 30/9/2014 was based on the Bank of Israel data, which was 3.695.

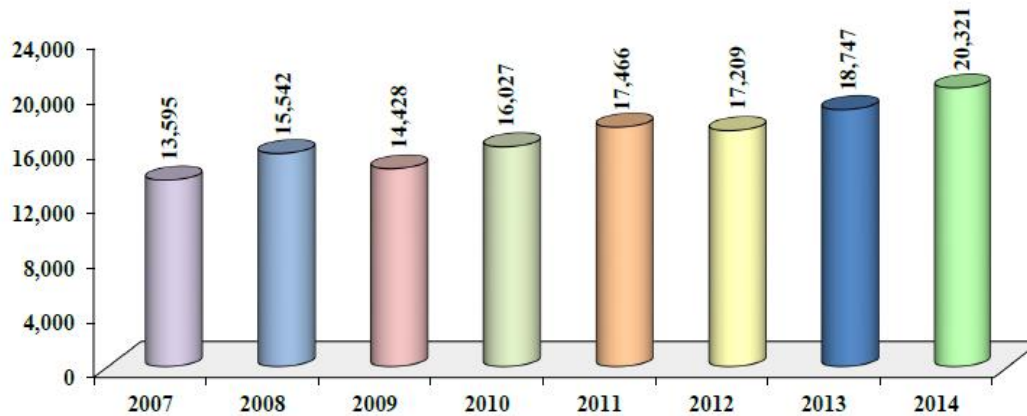
<sup>114</sup> *Assafir*, 16/1/2015.

<sup>115</sup> See CBS, Statistical Abstract of Israel nos. 60–66, 2009–2015, [http://www.cbs.gov.il/reader/shnatonenew\\_site.htm](http://www.cbs.gov.il/reader/shnatonenew_site.htm)





### Ordinary Budget Performance of Ministry of Defense Payments 2007–2014 at Current Prices (\$ million)



It is worth noting that the updated budget published by the Israeli Ministry of Finance for the year 2013 showed that total expenditure of Ministry of Defense amounted to 67.5 billion shekels (\$18.7 billion), while spending amounted to 72.1 billion shekels (\$20.2 billion) in 2014, and 73.4 billion shekels (\$18.9 billion) in 2015.<sup>116</sup> This showed that the actual amounts tend to be higher than the approved amounts, and that military and security developments, especially in the Palestinian interior (resistance and uprising), impose additional expenses on the Israeli economy.

<sup>116</sup> See Ministry of Finance of Israel, Government Revenue and Expenditures, <http://www.ag.mof.gov.il/AccountantGeneral/BudgetExecution/BudgetExecutionTopNavEng>

التقرير الاستراتيجي الفلسطيني

2015-2014

الفصل الثاني

المؤشرات السكانية والاقتصادية

والعسكرية الإسرائيلية

2015-2014

