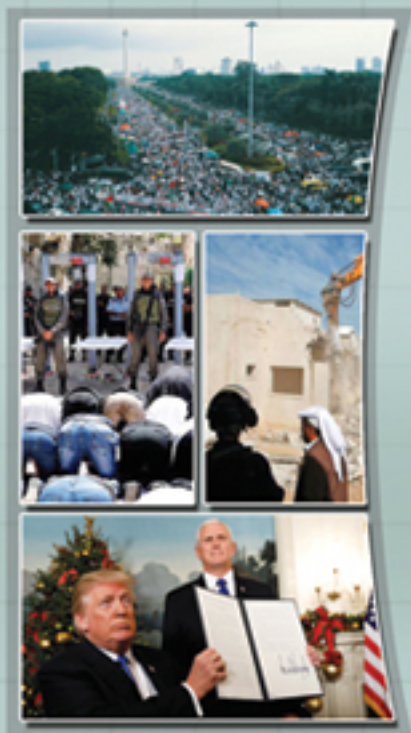


The Palestine Strategic Report 2016 – 2017



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Chapter Five

The Israeli Scene

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Introduction

In 2016–2017, Israel enjoyed an almost unprecedented sense of strength and stability. In addition to strong economic performance and relative political stability, Israel enjoys comprehensive support from the US and regionally deals with a divided Palestinian environment and a weak, fragmented Arab environment, in addition to some Arab states' desire for normalization and establishing relations with Israel (often expressed covertly). Israel no longer fears the revolutions and movements of change in the Arab region following the fizzling out of the Arab Spring, and the armies of the region are no longer a potential threat to Israel's hegemony.

As the sense of existential threat diminishes, Zionist and Jewish religious extremism is growing, seeking to exploit the “historical moment” to impose their views on the “Jewishness of the state,” the future of the Arab-Israeli conflict, and on the peace process, while actively working on the Judaization of the land and the people.

First: The Internal Israeli Political Scene

The years 2016–2017 witnessed a series of internal developments in Israel, the most prominent of which was the political decline of left-wing parties in favor of strengthening the right-wing, and especially far-right elements. Racist laws were passed, restrictive procedures against the Palestinians at home were applied, and the notion of “Jewishness of the state” was deepened at the expense of its “democracy.” This was in addition to the spread of sexual scandals among army and police officers and politicians. Prime Minister Benjamin Netanyahu and his government were under investigation in corruption cases of bribery, fraud and breach of trust.

1. Decline of the Left Wing and Strengthened Far Right Wing

During 2016–2017, the Israeli political and partisan scene witnessed a significant decline in left-wing party activity. Opinion polls¹ conducted by more



than one party show that the left in Israel is falling far behind the right, and more specifically the far right wing, which includes parties that form the current government coalition (at the time of writing) headed by Netanyahu, as well as illegal settlers. Polls confirm that the erosion of the left prevented it from forming a government or from joining Netanyahu's government coalition. The Zionist camp, which has historically included the left-wing Labor Party, underwent a change in its presidency. Its popularity declined and there were calls for a coup in its leadership and political orientation. In the party's internal elections, held early in the summer of 2017, Avi Gabay succeeded in defeating rivals such as Yitzhak HaLevi Herzog and Amir Peretz as the Labor Party chairman.² Gabay did not come from the ranks of the Labor Party, but from Moshe Kahlon's Kulanu party, and he became the Environmental Protection Minister in Netanyahu's government. However, he resigned from Kulanu and joined the Labor Party to compete for the position of its chairman.

Nonetheless, the statements of Gabay, in whom many had put their hopes, were not too far away from the positions of the Netanyahu governments or the Labor Party. Indeed, he did not consider the settlements an obstacle for negotiations with the Palestinians, as if the Israeli settlement project were legitimate. This is in addition to his declared unwillingness to include the Arab Joint List³ in the coalition government he would form if his party won parliamentary elections. There is no doubt that Gabay does not stray far from Israeli public opinion, and rejects any peace settlement based on withdrawal from the territories occupied in 1967.

As for the right-wing parties, especially those in the government coalition, they have been greatly strengthened and their supporters have increased in number, especially the Jewish Home Party (*HaBayit HaYehudi*), led by Netanyahu's Education Minister Naftali Bennett. What this party promotes against the Palestinians amounts to racism, rejecting any solution or settlement based on the land for "peace" principle.⁴ Rather, it tends toward the highest degree of radicalism, demanding WB annexation to Israel so that it can be directly subject to Israeli laws,⁵ and it refuses to negotiate with any Palestinian party as it considers that there is no one qualified to do so. Bennett and Lieberman deal with Palestinian President Mahmud 'Abbas in the same way as they did with the late Yasir 'Arafat.⁶ It appears that the Likud party is moving towards the same trend of "full sovereignty" over WB. According to Arutz Sheva, 800 members of the Likud Party signed a petition in

May 2017, including ministers in Netanyahu's government and Knesset members, such as Minister of Science and Technology Ofir Akunis, Deputy Foreign Minister Tzipi Hotovely, Ayoob Kara, Yoav Kish, Nava Boker, Norit Koren, Makhoulf (Miki) Zohar, Yaron Mazuz, and Yehuda Glick, among others. This petition is a direct endorsement of the law submitted by Likud member David Bitan to the Knesset, to begin to impose Israeli sovereignty over WB and to launch settlement building.⁷

Moreover, following Palestinian reconciliation, Bennett and other extremist ministers pushed for rejecting it and for setting impossible conditions for any possibility of a return to negotiations.⁸

This means that the partisan scene in Israel is composed of both ends of the spectrum, the extreme right and the left-wing, and the center is not included as it was in previous decades.

If the Knesset elections were held either early or on time, it is expected that the right-wing would win more than 60 seats in the Israeli parliament, more than half the Knesset, and the Likud party would form the next government.⁹ This brings us to Netanyahu, who has succeeded in preventing the emergence of a leader to replace him or to seriously oppose his leadership within his party, both in the primary elections or for the premiership. Netanyahu has managed to create an atmosphere around him akin to the one created by the leaders of the totalitarian parties in some formations. This inevitably implies the decline of democratic form within his party. In addition to that, a large number of Knesset members from his party support him and provide him with political protection. They are led by coalition chairman David Bitan, who uses all his strength and influence, and sometimes verbal and behavioral violence, to ensure a smooth path for Netanyahu. He introduced a law that prevents any investigation of a prime minister during his mandate. Of course, this proposed law helps Netanyahu after the widening investigation on several cases of suspected bribery, fraud and breach of trust.

Bitan submitted a relevant proposal to the Ministerial Committee for Legislation in the government, but the Committee chairperson, Justice Minister Ayelet Shaked, took the bill off the committee agenda against a background of heated debate on this matter in Israel.¹⁰

2. Racist Laws and Political Prosecutions

More racist bills were introduced to the Knesset by the right-wing parties both jointly or individually, including the “citizenship revocation bill,”¹¹ which would be applied against anyone belonging to a terrorist organization, including the Islamic State of Iraq and Syria (ISIS). Evidently, this law targets Palestinians in Israel.

There were voices in the Knesset calling for the expulsion of National Democratic Assembly (Balad) members because they paid a condolence visit to three Palestinian families who lost their children, dubbed by Israel as “terrorists.”¹² They claimed that elected members of the Israeli parliament should denounce what the Palestinian “terrorists” had done, and some of them argued that members of Knesset (MKs) from the National Democratic Assembly were supporters of “terrorism.” Netanyahu said in a statement that the decision to expel MKs was to protect democracy, while MK Ayman Odeh, head of the Joint List, responded that Netanyahu was inciting the people against Arabs with the aim of delegitimizing them. Zionist Union leader Yitzhak Herzog joined the incitement led by Netanyahu and the right-wing parties that support him. The Knesset enacted the Expulsion Law in July 2016, under the claim of inciting violence and supporting the armed struggle against Israel, whereby an MK may only be removed by the vote of 90 Knesset members. This is the first time that a law has been enacted whereby members of Knesset may exclude other members.¹³

The increased frequency of resistance operations carried out by young Jerusalemites and others from outside Jerusalem, known as the “Knives *Intifadah*,” revealed the inability and failure of Shabak to pre-determine the identities of the perpetrators and to prevent their execution of the operations. This was considered a complete failure on the part of the Israeli intelligence sources.¹⁴

Thus, many voices were raised in Israel calling for the killing of Palestinians,¹⁵ claiming that any doubt surrounding any Palestinian represents a preparation for a “terrorist operation” against Israelis. This indicated two things: first, some Israelis are overwhelmed and suffer from paranoia in their daily life, and that they are not safe, despite the widespread presence of security men and armed civilians in public places. Secondly, Israeli society tends towards extremism, fascism, and the legitimization of killing Palestinians under the pretext of self-protection and defense.

Rabbis in Israel (led by the Sephardim) rushed to issue a ruling allowing the killing of Palestinians carrying sharp objects (knives), with the chief rabbi Yitzhak Yosef saying, “it’s a mitzva [commandment] to kill him.” He also made the claim that Arabs are raised with the mentality and logic of violence.¹⁶

Such religious cover for the political and military occupation makes it possible to legitimize the expansion of the scope for killing Palestinians on the grounds that Israelis are victims, while Palestinians under occupation are the criminals. This image, circulated through the Israeli media to serve the policy of incitement, has contributed significantly to attracting more Israelis to the extreme right camp.

This prelude to the killing of Palestinians stemmed from the publication of a fascist-utopian idea, promoted by Netanyahu’s government that settlement building is not an obstacle to reaching peace with the Palestinians, but that it is in fact the Palestinians who refuse to sit at the negotiating table. This means that the Palestinians are the obstacle to the settlement expansion. Thus, the government finds fertile ground to promote its ideological and racist ideas, with opinion polls in 2016 and early 2017 showing an increase in the percentage of Israelis who support the expulsion of the 1948 Palestinians or the transfer of groups of Palestinians to WB. This approach is not limited to the religiously observant, but also to secularists, many of whom were previously part of the left or the center.¹⁷

B’Tselem—The Israeli Information Center for Human Rights in the Occupied Territories, called for an end to the occupation and an end to the suffering of the Palestinians by the occupation.¹⁸ However, the presence and influence of this center has declined in Israeli circles.

Direct incitement against Palestinians in Israel does not only involve legislation and killing, but also includes social media. In return, and in order to “improve cooperation against incitement... to terror and murder,” as explained by Netanyahu’s office, Minister of Public Security Gilad Erdan and Justice Minister Ayelet Shaked met with a delegation from Facebook.¹⁹

Other forms of racism, persecution and harassment against Palestinians have been manifested in Israel, as well as in the occupied PA territories. This is particularly true for Bennett’s statements following the Carmel fire in 2016. He pointed the finger indirectly at Arabs, saying “only someone who this land does not belong to would be capable of setting fire to it.”²⁰ Netanyahu had incited against the Arabs in the 2015 elections,²¹ later apologizing and retracting his accusatory

remarks. Dozens of ministers, Knesset members, newspapers, websites and television networks voiced statements against Arabs. A number of Arab citizens were arrested, but the page was turned after some time and no indictment was filed against any of them.

Right-wing parties and the Ministry of Education in Israel are trying to impose the Israeli national anthem (Hatikvah) in Arab schools. However, this is still subject to debate and public controversy, even among the Israelis themselves, some of whom do not consider Hativkah to be an appropriate anthem for Israel.²²

Minister Lieberman does not limit his threats to the Palestinians in Israel by suggesting moving them in groups, especially from “the Triangle” area whose center is Umm al-Fahm, to WB, as part of a settlement deal with the PA. In fact, whenever this minister goes through a domestic political crisis, he directs his wrath toward the Palestinians at home.²³

In March 2017, the Israeli Knesset approved the “Muezzin Bill” limiting the Muslim call for prayer (*adhan*) via loudspeakers, after a heated debate in parliament, on the street, and in the press.²⁴ It emerged that public opinion in Israel was mobilized in support of this project.²⁵ Lawmakers claimed that the law sought to offer citizens some rest and was not directed against the Islamic faith. There is no doubt that the law is entirely racist, as there are numerous factors that cause noise in cities, villages and towns other than the *adhan*. The Joint List²⁶ considered the adoption of the law a declaration of war on religious and national identity, as part of the policy of harassment of Arabs in Israel.²⁷

The Knesset enacted a law to speed up the demolition of Arab houses under the pretext of unauthorized construction. A ministerial committee headed by Deputy Attorney General for Civil Law Erez Kaminitz, and bearing his name, recommended a plan to demolish tens of thousands of homes in Arab villages and towns. The purpose of passing this law was to circumvent the judicial procedures used by homeowners in Israeli courts pending a solution to the building permit. This means that the law (approved by the Knesset on 5/4/2017)²⁸ allows the bulldozers of the Ministry of the Interior to carry out their duties without referring to judicial proceedings.²⁹ This is a violation of human rights in preventing individuals from accessing a judicial body to assist them in finding solutions to a crisis for which they are not responsible for. It is well known that successive governments of Israel confiscated millions of donums from Arab local authorities starting in 1948,

and for seven decades they have not stopped, thus shrinking the land owned by Palestinian Arabs. Simultaneously, there has been huge population increases in Arab towns, inevitably leading to a housing hardship. In addition, the construction area in these towns was not expanded.³⁰ Consequently, Arab citizens are forced to build houses on agricultural land that is not included in the construction area, even though they violate the law. With this, the government of Israel has created a more severe population density in the villages and prevented an expansion similar to that of the Jewish settlements, promoting the stereotype that Arabs violate the law, and that Israel is a state of law. Moreover, Netanyahu froze the budget for reducing the Arab community's gaps under the pretext that Arabs violate planning and construction laws.³¹

The housing crisis stifling Arab towns has caused stress in addition to social and economic pressures, leading to the spread of crime in all its forms. Indeed, there has been an increase in killings, shootings at shops and houses, armed robbery, looting, family disputes, and property assault and burning. The police have not made serious efforts to deal with this issue and many criminals have not been found.³²

3. State Comptroller Report on the Gaza War

According to the report by State Comptroller Yosef Shapira,³³ the tunnel threat in the 2014 GS war, which Prime Minister Benjamin Netanyahu and then-defense minister Moshe Ya'alon had defined as "the highest level of strategic and significant threat," had only been presented to the Security Cabinet "in general and limited statements which were insufficient to clarify the severity of the threat and to establish the necessary level of awareness for the rest of the cabinet." "Netanyahu, in response to the report, said the calm situation in the Gaza periphery since the operation was proof of its success," Whereas Ya'alon commented that the report was "too political to be taken seriously."³⁴

The central criticisms of the report were "the war was avoidable; at 50-days it was too long; and the Security Cabinet was not kept fully informed or consulted on big-picture strategy." The State Comptroller considered this to be a failure in preparing, managing, and disbursing for the battle, in addition to the dead soldiers and the missing persons, i.e., those who were captured in GS.³⁵

In an attempt to burnish his public image, Netanyahu accepted the resignation of his Defense Minister Ya'alon,³⁶ in return for the Yisrael Beiteinu party joining

the government coalition and the appointment of its leader, Lieberman,³⁷ as defense minister. In practice, Netanyahu wanted to hold Ya'alon responsible, taking advantage of the deterioration in their relations in light of the report, and portraying him in the media as a defense minister who may possibly have a greater responsibility than his own.³⁸

The resignation of Ya'alon removed one of Netanyahu's staunchest opponents, especially considering he was a former chief of staff in the Israeli army. This provided an opportunity to expand the government coalition, which was desperately needed for Netanyahu's government to have more support from the public. It was thus better to get rid of one minister and gain the Yisrael Beiteinu party in the government.³⁹

There is no doubt that the report did not have a great impact compared to the Goldstone Report on the 2008/9 war on GS. It soon disappeared from Israel's daily agenda because of the scant coverage given to it by the Israeli media, which remained mobilized for the sacrosanct "security" in Israel.

4. The Death of Shimon Peres and the Repercussions of His Funeral

The Netanyahu government knew how to exploit the death of Shimon Peres, who served as head of the Israeli state. He also held many ministerial positions in successive Israeli governments, especially those formed by the Labor Party that he headed for a period of time. This was in addition to heading the government after Rabin was assassinated in 1995. Although Peres was one of his staunch rivals, Netanyahu prompted the Israeli media and propaganda to portray Peres's funeral as a ceremony for one of the world's greatest leaders, one of the most important figures who sought real peace, a great man of Israel. However, many claimed that Peres was the shadow of Ben-Gurion when he served as his special secretary, as well as the shadow of Rabin during his term as prime minister, and that he did not serve in the Israeli army. The funeral of Peres was exploited both politically and in the media by the Israeli government, as it was attended by dozens of kings, presidents and leaders from around the world. These included PA President Mahmud 'Abbas, who was treated disrespectfully when he was only assigned a seat after the intervention of Peres's family members.⁴⁰ This was a political message to 'Abbas: his presence was undesirable, he is not a partner for "peace" or any settlement, reflective of the negative stance taken by Netanyahu and a number of his ministers, including Lieberman.

Moreover, the Joint List refused to participate in the funeral or condolences⁴¹ because it recalled the actions of Peres and his implementation of anti-Arab policies in Israel and in general, most notably his orders to bomb Qana in Lebanon and the killing of dozens of innocent children and citizens in 1996.

The Joint List's decision was met with various reactions locally, regionally and internationally. In Israel, seditious voices rose against Joint List members, dubbing them "terrorists." However, Joint List members enjoyed wide support from their Arab supporters, who saw them as their true representatives who had not forgotten the pain of their people. This despite the fact that a small number of Arabs talked about offering condolences. On the Arab level, it proved the steadfastness of the Palestinian society, which continued to resist all forms of persecution, policies and restrictions, and remained committed to its legitimate national rights, even in such a case. Their refusal to attend the funeral of Peres sent strong messages to all Arab leaders, kings and princes who used to rush to meet with Peres in his capacity as a "peace advocate." Hence, they refused use the tragedies of the Palestinian people to promote the image of Peres as he had been involved in the perpetuation of these crimes for decades.

The development of the events related to Peres's funeral revealed that the Israelis supported their government in all its forms and did not accept the Arab deputies' abstention from participating in the said funeral. Netanyahu sought to make the Arab deputies appear inhumane and devoid of sympathy, and this image was supported by large segments of Israeli civil society.

5. Increasing the "Jewishness of the State" at the Expense of its Democracy

At a time when extremism among Israelis increased, with nearly 60% expressing anti-Arab sentiment and the expulsion of Arab MKs from the Knesset,⁴² the government and its institutions intensified efforts to stress the "Jewishness of the state." More religious events and themes related to Jewish heritage were included in school curricula and educational books. Such moves were not only initiated by religious parties, based on religious and biblical principles and rules, but secular movements also insisted on highlighting the "Jewishness of the state," stressing heritage and form more than the religious aspect.

More Jewish presence was felt through the approval of more kosher food, and the banning of the opening of shops on Saturdays and Jewish holidays.⁴³ Huge budgets were allocated to bring American Jews closer to Judaism, with the hope that they would become new immigrants to Israel.

Israeli Justice Minister Ayelet Shaked sought to bolster Jewish identity through a set of laws highlighting Jewish heritage, which are expected to further marginalize the Palestinian Arab language, culture, and education.⁴⁴

The “Jewishness of the state” was been discussed in Knesset several times. In 2017, the Ministerial Committee for Legislation in the Knesset passed a preliminary reading of the Nationality Bill. It will go to the Knesset’s Constitution, Law and Justice Committee to be prepared for a first reading vote. The legislation must pass three more parliamentary votes to become law.⁴⁵ According to this law, “the right of national self-determination in the State of Israel is unique to the Jewish people,” “Hebrew is the state language,” while “Arabic shall have a special standing in the state,” where those who “speak Arabic shall have access in their own language to State services.”⁴⁶ Such a law can undoubtedly be classified as racist, akin to those laws that were in force in South Africa during Apartheid.

In an in-depth look at the content of this law, we see that the principle of exclusion and marginalization adopted by Israeli governments, especially the current Netanyahu government, is being effectively applied vis-à-vis Arab citizens. This means that Israel, which boasts of its democracy, is not at all interested in recognizing that Palestinian Arabs as citizens with equal rights and privileges. What the government wants is to apply double standards, one for the Jews (the “Jewish state”), and the other for the Arabs, who are not a single entity but represent a group of non-Jewish religious denominations. This is an outgrowth of the Balfour Declaration, which responded to the whims of colonialist Zionist thought.

In addition, the Joint List proposed a law to recognize the Palestinians of 1948 as a national minority in Israel, because the current law only recognizes them as religious communities. However, this law was not ratified by the majority of the Knesset.⁴⁷

Moreover, the Israeli government, which accepted the recognition of Arabic as an official language alongside Hebrew and English as soon as it was established in 1948, has tended in recent years to withdraw such recognition of Arabic and to deal

with Arabs as mere speakers of Arabic, not as a people with a specific nationality and characteristics, primary among which is their language.

Such a step was vehemently rejected by the Joint List, Arab and Leftist Jewish activists and leaders, in addition to some international bodies, all considering it rightist extremism reminiscent of a totalitarian regime.

6. Moral Scandals

The case and trial of former Israeli President Moshe Katsav was definitely not the last in a series of sexual harassment and rape cases by politicians, state officials, and police and military leaders. An internal Israeli army survey revealed that one in six female soldiers say they have been sexually harassed during their military service.⁴⁸ Women and soldiers submitted several complaints to the competent authorities, including the Police Investigation Unit and the Army. Statistics showed a 20% increase in the number of military complaints about sexual harassment in 2016, where a quarter of complaints in the army were directed against senior officers. Prominent among the officers was Ofek Buchris, who took up a senior position in the Israeli army and was the head of the Command and Staff College. Many believed that had it not been for the sex scandal, he would have been one of the strongest candidates for the post of chief of staff of the Israeli army.⁴⁹

According to Israeli army support center data, only about 10% of sex crime allegations eventually reach the point of an investigation or legal action.⁵⁰ It was revealed on 6/3/2017 that 227 Israeli soldiers were accused of committing sexual offenses against those who served under their command during the 2008–2016 period. It was also revealed that 205 cases were tried and 95% of the accused were convicted.⁵¹

On 15/3/2017, a large-scale corruption operation involving the Israeli Aerospace Industries (IAI) was uncovered. 13 people were arrested, including a retired Brigadier General, Amal Asad, who is a member of the Board of Directors, following a covert operation lasting several months by the Israel Police Lahav 433 national investigation unit together with the Ministry of Defense director of security of the defense establishment and Israel Tax Authority Tel Aviv office investigators. According to the limited details published, “The main suspicion is that IAI employees received bribes and favors from private companies providing services to the government owned defense manufacturer (their suppliers) in

exchange for promoting the interests of these companies,” in addition to aggravated fraud, money laundering and theft by a public employee.⁵²

On 3/9/2017, it was revealed that the police arrested the former commander of the navy’s elite Shayetet 13 commando unit, Reserve Brigadier General Shay Brosh, on charges of suspected involvement in the purchase of German Dolphin submarines, which was dubbed Case 3000.⁵³

Moreover, complaints were made against a significant number of senior officers in the Israeli police about sexual harassment and abuse of female soldiers and police officers, involving almost all the high command officers. Thus, the Police Inspector-General stripped these officers of their rank, sending some to retirement or dismissing them, and keeping some of them, who stayed despite the humiliation to which they were subjected. The Inspector-General also redrafted regulations to prevent sexual harassment in all its forms.

Although this issue was a big story in 2016, it emerged in 2015 through the scandal of high-ranking police officers.⁵⁴ There remains no explanation for it other than the low standard of ethics in the ranks of officials of the various security forces and their disregard of strict regulations.

There is no doubt that this pervasive occurrence in the ranks of the police has helped erode the trust of the Israeli public in its emergency services.⁵⁵ The public was satisfied with the performance of the police in general. However, the Arab public in Israel was not at all satisfied, especially with the continued killing of people in Arab villages and towns, the persistence of the firing of during events, and the behavior of the police in Negev during the events of the villages of Umm al-Hieran⁵⁶ and al-‘Araqib.⁵⁷

7. Netanyahu and his Government Investigated for Corruption and Bribery

Lahav 433 is the most important investigation unit in the police and is specialized in cases of corruption, bribery, and money laundering. In 2017, it investigated a large number of state figures, including Netanyahu, some ministers, and deputies, as well as executives and former senior Israeli army officers, as well as officials in military industries, notably the air force.⁵⁸ The individuals mentioned showed an apparent disregard for the public interest. In addition to Netanyahu’s connection to a number of corruption cases, many ministers were also involved, notably Interior

Minister Aryeh Deri. This was not his first time, as he had been accused in the past of receiving bribes and even received a prison sentence, but he returned to the political arena again as the leader of the Shas party. Yuval Steinitz, Minister of National Infrastructure, Energy and Water Resources, and Minister of Labor, Social Affairs and Social Services and others were also investigated.

The most prominent investigations since 2016 involve cases 1000, 2000, and 3000.⁵⁹ What are these cases about?⁶⁰

a. Case 1000

This case is also known as the Gifts-For-Favors affair and involves an investigation by the Israeli police, starting in December 2016, against Prime Minister Benjamin Netanyahu for allegedly receiving expensive gifts from businessmen, notably Arnon Milchan. Netanyahu was allegedly offered expensive champagne, cigars, jewelry and clothing, worth hundreds of thousands of shekels in return for intervening on his behalf with the then-US Secretary of State John Kerry to successfully obtain a 10-year US residency visa for him. The issue is quite sensitive, as Milchan declared in his testimony that Netanyahu and his wife were the ones who solicited those specific gifts.⁶¹ He added that his gifts were of a friendly nature, bereft of any pursuits. An important turning point occurred when the Prime Minister's chief of staff Ari Harow announced that he had taken a plea bargain to become a state's witness in exchange for lighter sentences in Cases 1000 and 2000.

b. Case 2000

This case is also known as the Netanyahu-Mozes case, a criminal investigation launched by Lahav 433 in January 2017 on charges of negotiating sympathetic coverage of Netanyahu in return for the weakening of *Yedioth Ahronoth* newspaper competitor *Israel Hayom*. Netanyahu and Arnon Mozes, the publisher of *Yedioth Ahronoth*, have been questioned under caution. According to what was published, the scandal was uncovered by police investigators when they listened to phone call recordings on Ari Harow's phone when they were investigating Case 1000. The recordings were initiated and approved by Netanyahu, including those with Mozes.

The issue is a suspected conspiracy between Netanyahu and Mozes against a third party in favor of ensuring non-critical media coverage of Netanyahu. As of the writing of this chapter, investigations have not been completed.

c. Case 3000

Dubbed the Submarines Affair, this case is an ongoing (at the time of writing) criminal investigation conducted by the police crime-fighting unit Lahav 433 since early 2017. Revealed by journalist Raviv Drucker in November 2016, this scandal involves suspicions related to the bidding for the purchase of Dolphin submarines from ThyssenKrupp, a German multinational conglomerate.

The case revolves around the steps taken during the purchase of submarines for the Israeli navy,⁶² including a submarine in 2012 and a missile carrier. The contract was cancelled, and negotiations began instead with German shipbuilder ThyssenKrupp to build heavier and bigger ships than in the original tender specifications. This is in addition to the initiative to buy three submarines for the Navy to replace older submarines of the same Dolphin-class.

After the scandal was exposed, State prosecutor Shai Nitzan decided, following consultation with the attorney general, that it was time to start a criminal investigation instead of examining the findings. Investigations branched out during the summer of 2017 and included many politicians, businessmen, and lawyers connected to Netanyahu and his ministers.

Thus, a number of officials were investigated, such as former Defense Minister Moshe Ya'alon, Defense Ministry Director-General Dan Harel, Knesset members and former ministers, including former Finance Minister Yair Lapid and the director of the Ministry of Defense's procurement department, among others. The signing of the purchase deal with the German company was delayed pending the investigation findings. Police arrested a number of those involved in the scandal, including former ministers and businessmen, and imposed house arrests and a travel ban. The investigation is ongoing at the time of writing.

In conclusion, Netanyahu and a large number of ministers, senior and current government officials, businessmen, lawyers and executives in major companies in Israel, are suspected of involvement in financial and administrative corruption in the three cases. In other words, Netanyahu's government worked under constant investigation to such an extent that Coalition Chairman David Bitan suggested adopting a French law under which a prime minister would not be investigated while in office. Parties and media outlets opposed this law claiming it "jeopardizes democracy in Israel" and strengthens Netanyahu's "dictatorship", giving the regime absolute power.⁶³

These cases will expose more individuals involved in corruption, bribery, and money laundering in Israel and abroad under the cover of the government. In addition, they may oust the prime minister from office if he goes to early elections, which are more likely than ever before because of these criminal cases and internal policies.

8. Development of the Settlement Project Domestically

There were diverging views on the settlement building issue within the Israeli government, which approved, on 9/10/2016, the granting of governmental powers with regard to settlements to the Settlement Division. This meant granting it full power to resume building settlements, especially in WB.⁶⁴ In November 2016, the Israeli Ministerial Committee for Legislation unanimously approved the controversial Legalization Bill, which would authorize settlement outposts established in the occupied WB. Voting was rushed through the Ministerial Committee for Legislation in an attempt to prevent the evacuation of the outpost of Amona in WB by the end of 2016. This issue caused a disagreement between Netanyahu, who tried to delay the vote, and militants within his ruling party, The Likud. However, Naftali Bennett, the education minister who heads the radical Jewish Home party, rallied support for the vote. The anti-settlement Peace Now movement condemned the vote, while Attorney General Avichai Mendelblit “wanted to push off the vote, due to the legal tension it would create between the Ministerial Committee for Legislation and the High Court of Justice.”⁶⁵

The legal adviser to the Israeli government expressed surprise at this bill, although his legal position was clear, and confirmed, as he presented a document to the ministers, that the law was contrary to Israeli law because it legalized the confiscation of privately-owned land without indicating that this land is Palestinian property. He stressed that the legitimization of settlement outposts remained contrary to Israel’s commitment to international law.⁶⁶

The Israeli government coalition succeeded in passing the Legalization Bill in the first reading in the Knesset, and the first version of the bill passed the first reading by 58 votes, including Netanyahu’s, to 50, including the Arab Joint List, Meretz, the Zionist camp, and Yesh Atid. After rumors about the intention of Moshe Kahlon, the Finance Minister and leader of the Kulanu party, to abstain from voting for the bill, Naftali Bennett, whose party submitted the bill, threatened to vote against any laws subsequently proposed by the Israeli government.⁶⁷



In February 2017, the Knesset passed the second and third readings of the proposed bill, receiving 60 votes in favor to 52 against, with eight MKs not present in the plenary for the vote. Opposition leader Yitzhak Herzog warned that the law would cause indictments against Israeli soldiers in the International Criminal Court (ICC) in The Hague. Minister Ofir Akunis said, “The vote was not just over this specific law, but rather about the right of the Jewish people to live in Israel. ‘This whole debate is based on one question: Who does this land belong to?’ he told the plenary.”⁶⁸ It should be noted here that Israel used prevailing conditions to initiate the settlement Legalization Law, with the aim of implementing another series of expropriations of private Palestinian land. The law, passed by the Israeli Knesset,⁶⁹ legislates thousands of illegal settlement housing units on Palestinian land in WB.⁷⁰

Netanyahu declared on 6/6/2017 that his government would continue to build in the settlements and that it was planning further construction throughout WB. “We will continue maintaining and strengthening the settlement enterprise,” and “I have the privilege to be the first prime minister in decades to build a new settlement in Judea and Samaria,” he said.⁷¹ He also spoke of a plan to resettle the evacuees of Amona in a new location in WB,⁷² adding, “I am doing what is necessary to preserve Jewish settlement in Judea and Samaria, and I assure you, no one has done more.”⁷³

In a press conference announcing the approved construction of the settlement, Defense Minister Avigdor Lieberman stated that the Israeli government was “working at a pace not seen since 2000” to further approve construction in the territories.⁷⁴

Internal criticism of Benjamin Netanyahu’s right-wing government intensified after it approved plans to build thousands of settlement units in WB and East Jerusalem. Tzipi Livni, a Knesset member from the opposition camp, said in October 2017 that the settlements would not bring security to Israel, but rather make the state vulnerable to boycott, and that it was now the prime reason for an Israeli boycott by various countries and organizations, politically and economically. Livni pointed out that Israel had been subjected to international criticism largely because of those settlements. “I would not send more couples [to live there] because of the potential that some of these secluded settlements [would have to] be evacuated in the future,” she added. As for Netanyahu, she said, “Netanyahu is a politician

and not a statesman, what runs this government today are politics and the policy of Bayit Yehudi [Jewish Home] party because Netanyahu wants to appeal to that [support] base.”⁷⁵

9. The Jerusalem *Intifadah* and Its Implications

Some call it the *Third Intifadah*, some the *Knife Intifadah*. The upsurge in resistance was a reaction to the increasing pressure from the Israeli Right and settler groups applied on the government to visit *al-Aqsa* Mosque. The PA was unable to prevent these incursions and the general Arab position was eroded. Young Palestinians despaired because of the narrow political horizon, and there were ongoing constraints, political prosecutions, and administrative detentions by the Israeli occupation. Thus, young people began knife attacks on Israelis in Jerusalem and Tel Aviv, among other cities. The Shabak did not have prior knowledge of the perpetrators of such operations, as they were individual actions, not in the framework of cells or factions. These operations increased in 2016 and early 2017 at military checkpoints, bus and train stations, and large shops.

These operations worried the Israeli public, especially as they took place during the day. Police and the army tightened their grip on Palestinians, preventing thousands of them from crossing the checkpoints. Israeli security forces stated that anyone could be killed if they were suspected of carrying a sharp object. The soldier Elor Azaria opened fire on the perpetrator of a Hebron operation, Abdel-Fattah al-Sharif, who was seriously wounded then shot in the head, even though he was no threat to anyone. Because the incident was filmed, and the soldier's behavior was disseminated globally, the Israeli army leadership rushed to bring him to trial on the grounds that he violated military values.⁷⁶ This was while dozens of murders and assassinations had previously been carried out by soldiers who were not prosecuted because no Palestinian or foreigner caught them on film.

There was a wide debate in the media, social media, and the Israeli public about Azaria's behavior and the media was mobilized to serve the position of the army. Azaria was sentenced to 18 months in prison and a demotion to private after he was convicted of manslaughter.⁷⁷

This incident and trial reflect how quickly the army acts when it needs to. This was in addition to increasingly frequent cases of killing Palestinians under the pretexts of self-defense, protection of Israeli citizens and addressing what Israel

calls “Palestinian terrorism.” It also reflects the level of hatred among the soldiers towards the Palestinian people whose lives they consider to be worthless.⁷⁸

It is noteworthy that the Jerusalem *Intifadah* does not necessarily Palestinians being in a state of despair. Rather, it reflects the Palestinians’ adherence to their right to their land and their willingness to confront the occupation, while Israeli reactions indicate the low moral standards of the Israeli army.

Second: Demographic Indicators

The Israeli Central Bureau of Statistics (CBS) estimated Israel’s population at the end of 2017 at 8.796 million, including 6.558 million Jews. Jews therefore comprised 74.6% of the population in 2017, compared with 8.629 million people, including 6.446 million Jews, or 74.7% of the population at the end of 2016. As for Arab citizens, including the residents of East Jerusalem and the Golan Heights, their number was estimated at 1.838 million in 2017, 20.9% of the population, compared with 1.797 million in 2016 or 20.8% of the population (see table 1/5). If we remove the population of East Jerusalem (nearly 342 thousand⁷⁹) and the Golan (nearly 25 thousand), the number of 1948 Palestinians (i.e., those who are living in the Palestinian territories occupied in 1948) was about 1.47 million in 2017, or about 16.7% of the population.

In 2017, CBS classified some 400 thousand persons as “others”, or 4.5%, compared to about 386 thousand in 2016. These “others” were 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.

It is difficult to determine the exact numbers of Jewish settlers in WB, as Israeli statistics deliberately do not mention the number of settlers in East Jerusalem. Some discretion is also used regarding the rest of WB, perhaps to ease the Palestinian and international reactions to the settlement programs. Available information indicates that the number of settlers in WB increased between 2006–2016 by 4.6% annually, more than double the estimated 2% Israeli population growth rate. According to Israeli sources, the number of settlers in WB (excluding East Jerusalem) in early 2018 reached 436 thousand, an increase of 3.4% in 2017, compared to an increase

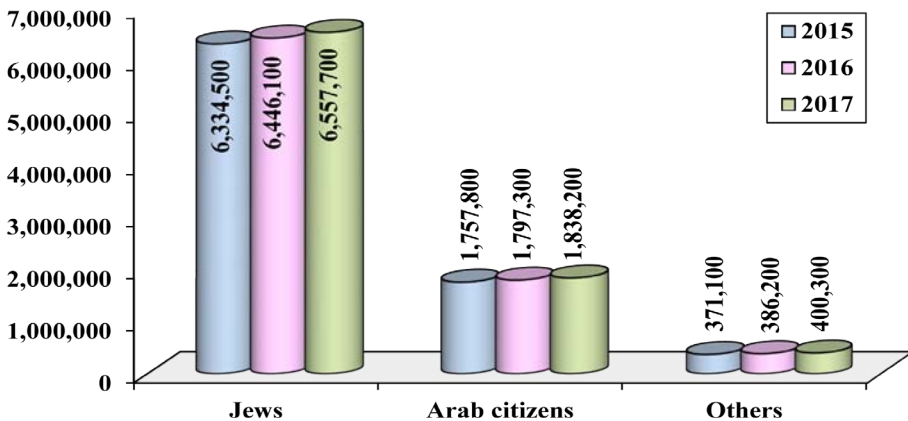
of 3.9% in 2016. Also, most sources indicate that the number of East Jerusalem settlers exceeded 200 thousand, while Arutz Sheva (Channel 7) indicates that the number of Jewish settlers reached 375 thousand in East Jerusalem in early 2016.⁸⁰

According to ARIJ database for 2015, a total of 750 thousand settlers reside in WB (including Jerusalem,) which means that it reached about 800 thousand in early 2018, if we apply the average increase of settlers.⁸¹

Table 1/5: Population of Israel 2011–2017⁸²

Year	Total population	Jews	Arabs (including the population of East Jerusalem and the Golan Heights)	Others
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	8,463,400	6,334,500	1,757,800	371,100
2016	8,628,600	6,446,100	1,797,300	386,200
2017	8,796,200	6,557,700	1,838,200	400,300

Population of Israel 2015–2017



In 2015 and 2016, there was a 2% population growth rate in Israel, which has remained the approximate rate since 2003, noting that 178,723 persons and 181,405 persons were born in Israel in 2015 and 2016, respectively,⁸³ according to the latest statistics at the time of writing this book.

According to CBS, 26,308 immigrants came to Israel in 2017, compared to 25,977 and 27,908 in 2016 and 2015 respectively (see table 2/5). These figures show a relative stability in the immigration rate during 2017 and 2016, 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, so Jews do not have an incentive to migrate on a large scale.

It is worth noting that immigration to Israel coincided with a continued emigration flow. According to CBS, 16,700 holders of Israeli passports left Israel in 2015, while 8,500 returned. This means that the net emigration rate was about 8,200 people.⁸⁴ According to CBS, 554–589 thousand Israeli residents were residing outside Israel at the end of 2014, not counting their children born abroad. As for the Israelis who left Israel and never returned during the 1948–2015 period, Israeli estimates are that they number 720 thousand, not including their children born abroad.⁸⁵

It should also be noted that during the 1990–2014 period, 526,600 Israelis left Israel for a year or more; of these, 229,700 people returned to Israel during the same period while 296,900 remained abroad. Among those who left Israel in the 1990–2014 period were 139,600 immigrants from the former Soviet Union; 30,100 of them returned to Israel, while 109,500 remained abroad.⁸⁶

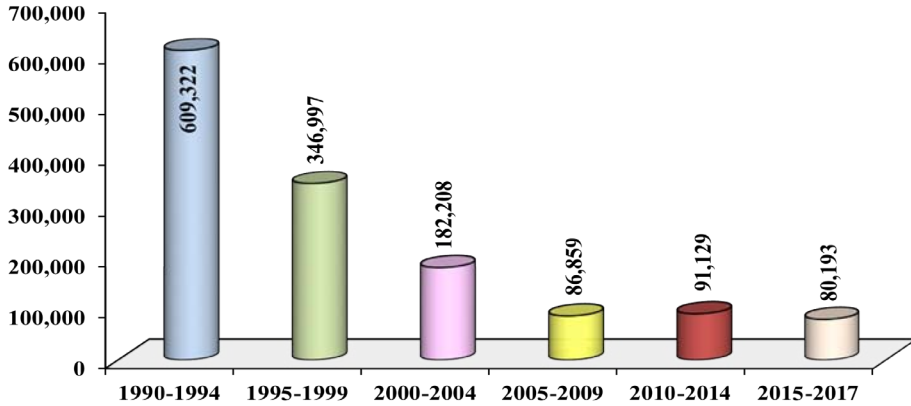
Table 2/5: Numbers of Jewish Immigrants to Israel 1990–2017⁸⁷

Year	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014
No. of immigrants	609,322	346,997	182,208	86,859	91,129

Year	2015	2016	2017	Total
No. of immigrants	27,908	25,977	26,308	1,396,708

The following chart shows the evolution of the number of Jewish immigrants to Israel for every five years during 1990–2014, excluding the 2015–2017 period.

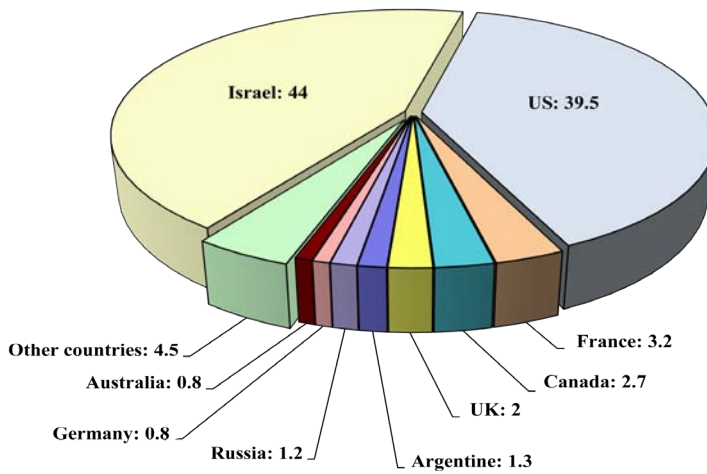
Numbers of Jewish Immigrants to Israel 1990–2017



As for the world Jewish population, Sergio DellaPergola, the renowned demographer and statistician, indicated that it was estimated to be 14.411 million at the end of 2016, an increase of 198 thousand from 2015 (a 1.4% increase), according to the latest statistics until the writing of this report (see table 3/5). In the same context, there remain warnings against the “dissolving” of the followers of Judaism outside of Israel because of the high proportion of mixed marriages, which has an impact on the world Jewish population, especially in Western countries.

Table 3/5: World Jewish Population by Country 2016⁸⁸

Country	Estimates (thousands)	Percentage (%)
Israel	6,336.4	44
US	5,700	39.5
France	460	3.2
Canada	388	2.7
United Kingdom (UK)	290	2
Argentina	180.7	1.3
Russia	179.5	1.2
Germany	117	0.8
Australia	113	0.8
Others	646.1	4.5
Total	14,410.7	100

World Jewish Population by Country 2016 (%)

As noted above, Israeli statistics incorporate the Palestinians of East Jerusalem and the Syrians of the Golan Heights with the Palestinians of 1948; therefore, this observation should be taken into account when discussing the religious distribution and social conditions of these citizens. Accordingly, based on the data at the end of 2015, there are about 1.489 million Muslims (Sunnis), 84.7%, 137 thousand Druze, 7.8%, and 130 thousand Christians, 7.4%.⁸⁹ In terms of population growth rates in 2015 and 2016, it reached 2.2% among Arabs compared to 1.8% among Jews.⁹⁰

According to a report issued by the Israel National Insurance Institute in December 2017, half of the Arab families in Israel are still living below the poverty line, despite some improvement, from 53.3% in 2015 to 49.4% in 2016. The report found that the proportion of working families living below the poverty line is rising, as both parents worked in 58.6% of poor families in 2016, compared to 55.6% in 2015. It was estimated that the high rate of poverty among working families is due to their low salaries. The percentage of single parent families threatened by poverty rose from 21.7% in 2015 to 26.1% in 2016. According to the report, the poverty rate in Israel in 2016 was the highest among all the countries of the Organisation for Economic Co-operation and Development (OECD).⁹¹

Life expectancy among Arabs was 76.9 years for males and 81.1 for females in 2015. In contrast, the average life expectancy in the same year among Jews was 80.9 years for males and 84.5 years for females.⁹²

Third: Economic Indicators

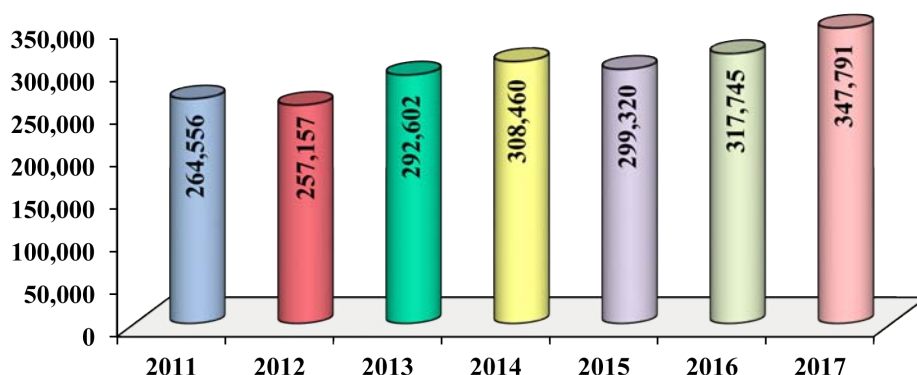
The Gross Domestic Product (GDP) of Israel in 2016 was 1,220.3 billion shekels (\$318 billion) compared to 1,162.5 billion shekels (\$299 billion) in 2015, reflecting growth of 5%. In 2017, Israel's GDP, according to data available from the first three quarters of the year, was estimated at 1,251.9 billion shekels (\$348 billion) marking growth of 2.6%. When calculating the growth rate in dollars, and because of the volatility of the value of the shekel against the dollar, we find that the growth rate increased 9.5% in 2017 and by 6.2% in 2016 compared to the previous year (see table 4/5). It is worth noting that these results are contrary to the growth expectations of the Bank of Israel, which were 2.4% in 2015,⁹³ 3.5% in 2016,⁹⁴ and 3.1% in 2017.⁹⁵ The statistics presented here are drawn from official sources, which update their data and make amendments to it from time to time.

Table 4/5: Israeli GDP 2011–2017 at Current Prices⁹⁶

Year	GDP (million shekels)	GDP (\$ million)	Shekel exchange rate (according to Bank of Israel)
2011	936,134	264,556	3.5791
2012	992,110	257,157	3.858
2013	1,056,119	292,602	3.6094
2014	1,103,485	308,460	3.5774
2015	1,162,530	299,320	3.8839
2016	1,220,331	317,745	3.8406
2017*	1,251,944	347,791	3.5997

* Estimated numbers are based on the figures of Q₁, Q₂ and Q₃ of 2017.

Israeli GDP 2011–2017 at Current Prices (\$ million)



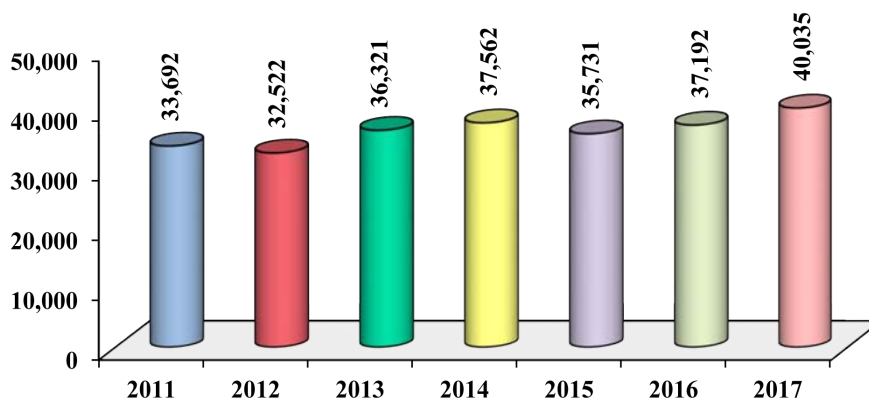
The Israeli GDP per capita in 2016 totaled 142,839 (\$37,192), compared to 138,775 shekels (\$35,731) in 2015, a 2.9% increase. As for 2017, Israeli GDP per capita, according to available statistics for the first three quarters of 2017, was estimated at 144,113 shekels (\$40,035), a 0.9% increase. When calculating the growth rate in dollars, and because of the volatility of the value of the shekel against the dollar, we find that the growth rate increased 7.6% in 2017 and by 4.1% in 2016 compared to the previous year. Therefore, one should not rush to make inaccurate conclusions if the difference in local currency against the dollar is not taken into account (see table 5/5).

Table 5/5: Israeli GDP per Capita 2011–2017 at Current Prices⁹⁷

Year	GDP per capita (shekels)	GDP per capita (\$)
2011	120,588	33,692
2012	125,469	32,522
2013	131,097	36,321
2014	134,373	37,562
2015	138,775	35,731
2016	142,839	37,192
2017*	144,113	40,035

* Estimated numbers are based on the figures of Q₁, Q₂ and Q₃ of 2017.

Israeli GDP per Capita 2011–2017 at Current Prices (\$)



With regard to the budget of the Israeli government, CBS indicated that the grand total in the approved 2017 budget of government payments amounted to 514.068 billion shekels (\$142.8 billion), compared with 504.199 billion shekels

(\$131.3 billion) of the adjusted budget of 2016. However, the grand total of the budget performance of government payments was 470.784 billion shekels (\$122.6 billion) in 2016 compared to 427.366 billion shekels (\$110 billion) in 2015.⁹⁸

The budget is divided into three axes, the first of which is the ordinary budget, which includes the expenses of the presidency, the prime minister and the ministries. The second includes the development budget and debt repayment, and the third includes the budget of business enterprises. We note that the ordinary budget performance of 2016 was 333.612 billion shekels (about \$86.9 billion), including that of the Ministry of Defense (76.912 billion shekels, about \$20 billion), and Ministry of Public Security (15.522 billion shekels, about \$4 billion). This was in addition to 62.816 billion shekels (about \$16.4 billion) spent by the Ministry of Education, and 46.606 billion shekels (about \$12.1 billion) spent by the Ministry of Social Affairs. We also note that debt repayment has carved out a significant portion of the total expenditure, reaching 88.124 billion shekels (about \$22.9 billion) in 2016 compared to 66.686 billion shekels (\$17.2 billion) in 2015.⁹⁹

The grand total of budget performance of government receipts in 2016 were 447.258 billion shekels (about \$116.5 billion) compared with 404.679 billion shekels (about \$104.2 billion) in 2015. A large proportion of the current receipts come from income tax (120.5 billion shekels or about \$31.4 billion) and value added tax (VAT) (91.3 billion shekels, or \$23.8 billion).¹⁰⁰

According to CBS, the grand total of budget performance of government receipts in 2017 amounted to 469.15 billion shekels (about \$130.3 billion), compared with 445.08 billion shekels (about \$115.9 billion) in the 2016 adjusted budget.¹⁰¹

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 2017 shows total expenditures of 383.891 billion shekels (about \$106.6 billion), without any reference to debt repayment or business enterprises. Similarly, the updated budget for 2016 shows total expenditure of 371.963 billion shekels (about \$96.9 billion).¹⁰²

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 2015–2017:

Table 6/5: Budget Performance of Israeli Government Receipts and Payments 2015–2017¹⁰³

		2015		2016		2017	
		Million shekel	Million \$	Million shekel	Million \$	Million shekel	Million \$
Receipts	Current Receipts	274,750	70,741	287,804	74,937	302,000	83,896
	Capital Receipts	109,985	28,318	139,101	36,219	144,817	40,230
	Business enterprises	19,944	5,135	20,353	5,299	22,333	6,204
Grand total		404,679	104,194	447,258	116,455	469,150	130,330
Payments	Ordinary budget	314,525	80,982	333,615	86,865	353,681	98,253
	Development budget and debt repayment	92,897	23,918	116,816	30,416	138,054	38,352
	Business enterprises	19,944	5,135	20,353	5,299	22,333	6,204
Grand total		427,366	110,035	470,784	122,580	514,068	142,809
Deficit (%)		–5.6		–5.3		–9.6	

Note: The numbers of 2015 and 2016 are the actual receipts and payments, while for 2017, they are of the approved budget.

Israeli exports for 2017 amounted to \$61.087 billion, compared with \$60.573 billion in 2016 and \$64.063 billion in 2015. Thus, exports increased by 0.8% in 2017 after falling by –5.4% in 2016. As for imports in 2017, they reached a total of \$69.143 billion, compared to \$65.805 billion in 2016 and \$62.071 billion

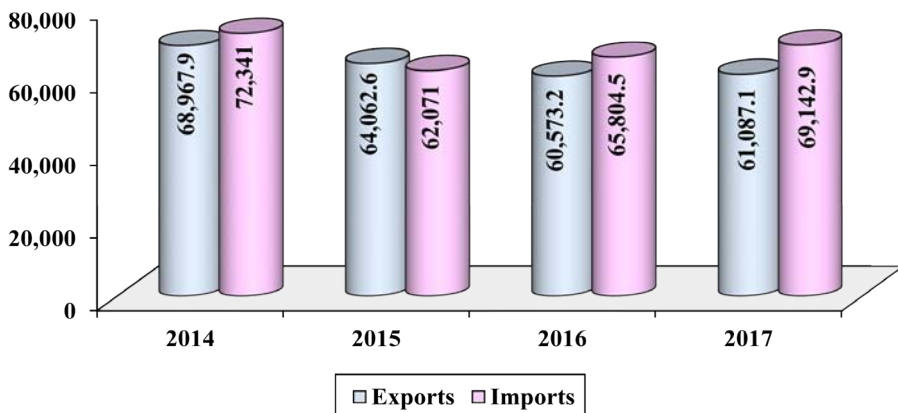
in 2015. Thus, imports increased by 5.1% in 2017, compared with an increase of 6% in 2016 (see table 7/5). It must be noted that these statistics do not include foreign trade services (import and export activities).

When exports and imports are calculated in shekels, there will be a difference in the data. The value of exports will decrease by –5.5% in 2017 and by –6.6% in 2016. Imports will decrease by –1.6% in 2017, after it had increased by 4.7% in 2016.

**Table 7/5: Total Israeli Exports and Imports in 2014–2017
at Current Prices¹⁰⁴**

		Exports	Imports	Surplus/ deficit (%)
2014	Million shekels	246,481.4	258,586.3	–4.9
	\$ million	68,967.9	72,341	
2015	Million shekels	249,091.7	241,235.2	+3.2
	\$ million	64,062.6	62,071	
2016	Million shekels	232,757.6	252,668.3	–8.6
	\$ million	60,573.2	65,804.5	
2017	Million shekels	219,995.3	248,632.3	–13
	\$ million	61,087.1	69,142.9	

Total Israeli Exports and Imports 2014–2017 at Current Prices (\$ million)



The US still maintains its status as a primary trading partner of Israel. In 2017, Israeli exports to US amounted to \$17.084 billion, representing 28% of total Israeli exports, compared to \$17.589 billion in 2016 (29% of the total Israeli exports). Israeli imports from the US reached \$8.085 billion in 2017 (11.7% of total Israeli imports), compared to \$8.076 billion in 2016 (12.3% 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 \$9 billion in 2017 and \$9.5 billion in 2016, representing a great support to the Israeli economy (see table 8/5).

China ranked the second largest trading partner of Israel, with exports to China reaching \$3.29 billion in 2017 and \$3.33 billion in 2016, and Israeli imports from China reaching \$6.528 billion in 2017 and \$5.896 billion in 2016. Britain ranked third in terms of trade volume with Israel, which amounted to \$9.47 billion in 2017, compared to \$7.577 billion in 2016.

Switzerland advanced from the sixth to the fourth place in 2017, with trade volume reaching \$6.984 billion, up from \$5.755 billion in 2016. Belgium dropped from fourth place in 2016 to fifth place with a trade volume of about \$6.8 billion in 2017, after it was \$6.421 billion in 2016. Hong Kong dropped from third place in 2015 to fifth place in 2016 with a trade volume of \$6.413 billion, and then to the seventh position in 2017 with \$6.127 billion (see table 8/5).

In addition to the previous countries, the major countries that received exports from Israel in 2017 are the Netherlands (\$2.287 billion), India (\$1.933 billion), France (\$1.765 billion), Germany (\$1.643 billion), Turkey, Italy, Brazil, and South Korea. Israel's imports in 2017 were mainly from the following countries: Germany (\$4.722 billion), the Netherlands (\$2.926 billion), Turkey (\$2.896 billion), Italy (\$2.778 billion), Japan (\$2.082 billion) and India (see table 8/5).

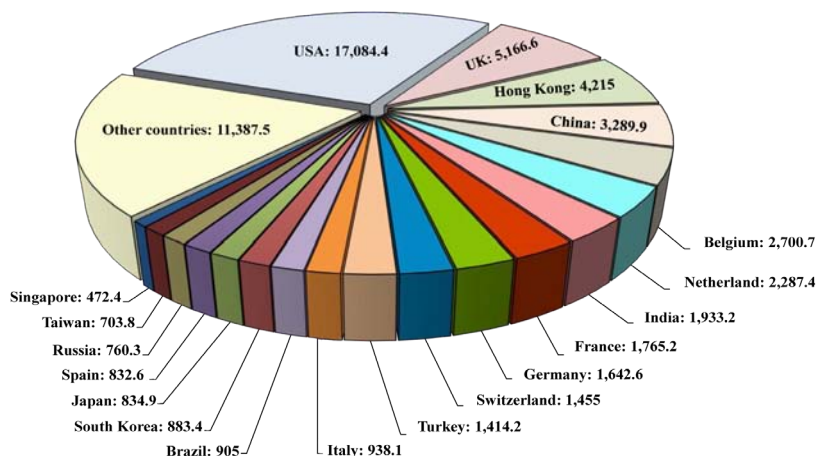
In 2016, major countries that received exports from Israel were India (\$2.4 billion), the Netherlands (\$2.14 billion), Germany (\$1.52 billion), France (\$1.45 billion), Turkey, Italy, Spain and Japan. Israel's imports in 2016 were mainly from the following countries: Germany (\$4.07 billion), the Netherlands (\$2.7 billion), Italy (\$2.69 billion), Turkey (\$2.6 billion), Japan (\$2.35 billion), India (\$1.77 billion) (see table 8/5).

Table 8/5: Volume of Israeli Trade, Exports and Imports to/ from Selected Countries 2016–2017 at Current Prices (\$ million)¹⁰⁵

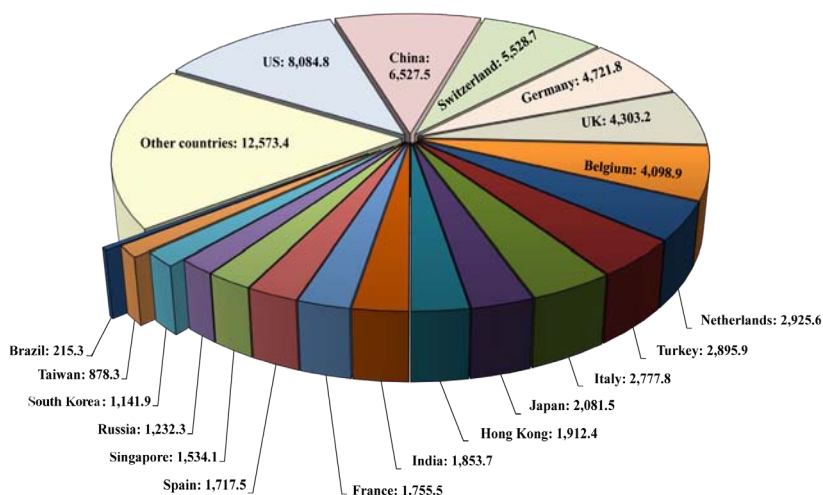
	Countries	Trade volume		Israeli Exports to:		Israeli Imports from:	
		2017	2016	2017	2016	2017	2016
1	US	25,169.2	25,665.3	17,084.4	17,589	8,084.8	8,076.3
2	China	9,817.4	9,224	3,289.9	3,327.8	6,527.5	5,896.2
3	UK	9,469.8	7,577	5,166.6	3,909.1	4,303.2	3,667.9
4	Switzerland	6,983.7	5,754.5	1,455	1,466.4	5,528.7	4,288.1
5	Belgium	6,799.6	6,421.2	2,700.7	2,507.3	4,098.9	3,913.9
6	Germany	6,364.4	5,589.5	1,642.6	1,519.9	4,721.8	4,069.6
7	Hong Kong	6,127.4	6,412.9	4,215	4,435.5	1,912.4	1,977.4
8	Netherlands	5,213	4,840.4	2,287.4	2,139.6	2,925.6	2,700.8
9	Turkey	4,310.1	3,899.4	1,414.2	1,297.7	2,895.9	2,601.7
10	India	3,786.9	4,168.2	1,933.2	2,399.5	1,853.7	1,768.7
11	Italy	3,715.9	3,652	938.1	958.3	2,777.8	2,693.7
12	France	3,520.7	3,138.3	1,765.2	1,448	1,755.5	1,690.3
13	Japan	2,916.4	3,113.4	834.9	759.2	2,081.5	2,354.2
14	Spain	2,550.1	2,473.4	832.6	896.1	1,717.5	1,577.3
15	South Korea	2,025.3	1,896.3	883.4	580	1,141.9	1,316.3
16	Singapore	2,006.5	1,969.8	472.4	450.6	1,534.1	1,519.2
17	Russia	1,992.6	1,559.2	760.3	620.3	1,232.3	938.9
18	Taiwan	1,582.1	1,480.4	703.8	696	878.3	784.4
19	Brazil	1,120.3	1,000.8	905	747.3	215.3	253.5
20	Other countries	23,960.9	25,314.1	11,387.5	11,931.2	12,573.4	13,382.9
	Total	130,230	126,377.7	61,087.1	60,573.2	69,142.9	65,804.5



Israeli Exports to Selected Countries 2017 at Current Prices (\$ million)



Israeli Imports from Selected Countries 2017 at Current Prices (\$ million)



Manufacturing, mining and quarrying topped the list of Israeli exports for 2016 and 2017, amounting to 83.8% and 85.3% respectively. Net Israeli diamond exports reached 14.2% in 2016 and 12.7% in 2017. Agricultural exports and those relating to forestry and fishing totaled to 2.2% in 2016 and 2017 (see table 9/5). The breakdown of industrial exports by technological intensity shows that high-technology industries accounted for 47% of total industrial exports (excluding diamonds) in 2017, while medium-tech industries accounted for 45% and low-tech industries for 7%.¹⁰⁶

Table 9/5: Israeli Exports by Commodity Group 2015–2017 (\$ million)¹⁰⁷

Year	Agriculture, forestry and fishing	Manufacturing, mining & quarrying excl. working diamonds	Diamonds		Others	Returned exports	Total
			Working of diamonds	Wholesale of diamonds			
2015	1,168.1	45,283.6	4,997.4	2,200.6	0.5	–116.2	53,534
2016	1,150.5	43,758.4	4,703.1	2,704.4	3.9	–132	52,188.3
2017	1,187.8	45,194.5	4,493	2,232.6	10.5	–118.5	52,999.9

In terms of Israeli imports, raw materials topped the list in 2016 and 2017, reaching 41.6% and 41.7%, respectively. Fuel imports accounted for 9% and 11.2%, import of consumer goods 20.5% and 20.1%, investment goods 18% and 17.8%, while diamonds 10% and 8.5% in 2016 and 2017 respectively (see table 10/5).

It should be noted that Israeli fuel imports in 2014 were \$12.8 billion, and fell to \$5.8 billion in 2016, a decrease of –54.7%,¹⁰⁸ due to the Israeli investments in gas extraction in 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 10/5: Israeli Imports by Commodity Group 2015–2017 (\$ million)¹⁰⁹

Year	Consumer goods	Raw materials	Investment goods	Fuels	Diamond rough and polished	Others	Total
2015	11,868.7	26,882.1	8,626.6	7,406.5	6,284.1	269.3	61,337.3
2016	13,334.8	27,076	11,679.4	5,843.1	6,532.2	599.2	65,064.7
2017	13,664.4	28,335.9	12,086.6	7,602.4	5,754.7	562.3	68,006.3

Although Israel is a rich and developed country, it still receives US aid annually. In 2017, it received a total of \$3.108 billion, including \$3.1 billion in military grants, compared to \$3.11 billion in 2016. Moreover, the US military grant has been stable since 2013 at \$3.1 billion. Thus, Israel has received US support between 1949 and 2017 of \$130.687 billion, according to the final report of Congressional Research Services (CRS).¹¹⁰ In the second term of President Barack Obama, a US agreement was signed to support Israel with \$38 billion over 10 years, i.e., an average of \$3.8 billion annually covering the 2019–2028 period.¹¹¹

Table 11/5: US Bilateral Aid to Israel 1949–2016 (\$ million)¹¹²

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

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Total	2,583.9	2,803.8	3,029.2	3,098	3,115	3,115	3,110	3,110	3,107.5	130,686.8

Fourth: Military Indicators

Anticipation prevailing the Israeli military establishment continued in 2016 and 2017, due to the continuous developments in the Palestine situation, the volatile circumstances in the region, especially on the northern front, which includes Syria and Lebanon, and on the southern border of Israel, adjacent to GS and Sinai. These conditions and political and military variables prompted Tel Aviv to carry out ongoing assessments that had an impact on the military establishment and its role in the current and future stage. Consequently, a series of appointments to key army positions took place, and army plans and military and security strategy, as well as the modernization of its military arsenal were affected.

1. Appointments and Structural Changes

In 2016 and 2017, several new appointments and promotions in the Israeli military took place, including many corps and command posts, except for the position of ground forces commander, which the head of Central Command, Major General (Maj. Gen.) Roni Numa, and the head of the Southern Command, Maj. Gen. Eyal Zamir, rejected. This rejection was due to the extent of the challenges that come with this position, namely in the strategy of the coming wars, especially after the failures of the 2014 GS war. In addition, both generals wish to become deputy Chief of Staff in the Israeli army.¹¹³

Israeli Defense Minister Avigdor Lieberman decided on 3/11/2016, to appoint the head of the Northern Command, Maj. Gen. Aviv Kochavi, as Deputy Chief of Staff. This position represented a transition before competing for the position of Chief of Staff. Kochavi replaced Deputy Chief of Staff Yair Golan in this post. The Home Front Command leader, Maj. Gen. Yoel Strick, succeeded Kochavi at the

head of the Northern Front. The Commander of the Planning Division, Maj. Gen. Amikam Norkin, was appointed Commander of the Israeli Air Force as a successor to Maj. Gen. Amir Eshel¹¹⁴; Norkin received his duties on 10/8/2017.¹¹⁵

Two army generals were promoted to the rank of major general: Amir Abulafia, commander of the 162nd Division, who was appointed as head of the Planning Directorate, and Tamir Yadai, who was appointed as the commander of the Home Front Command. Brigadier General Moni Katz was promoted to the rank of Maj. Gen. to take over the Depth Corps and replace General Tal Russo.¹¹⁶ On 13/7/2016, Col. Ofer Vinter was appointed leader of the Central Command, which includes the West Bank. A religious right-wing extremist, Vinter was the Givati Brigade commander during the Gaza offensive in 2014.¹¹⁷

In July 2016, Rabbi Eyal Karim was appointed Chief Rabbi of the Israeli army, despite his racist and extremist statements, such as the fatwa he issued, allowing soldiers to “rape non-Jewish women of the enemy.”¹¹⁸

In an expected move and as a result of the good relationship between the Israeli Army Chief of Staff Lieutenant General Gadi Eisenkot and the highest political echelon, Lieberman announced on 18/1/2017, the extension of Eisenkot’s mandate for another year to a term of four years.¹¹⁹ On 13/11/2017, Lieberman also approved new appointments to the army leadership based on the recommendations of Eisenkot. Tamir Heiman was appointed Military Intelligence Chief instead of Herzl “Herzi” Halevi, who became leader of the Southern Command. David Shapira was appointed as Commander of the Binyamin Brigade. Maj. Gen. Lior Carmeli was appointed head of the Cyber Communications and Defense Directorate instead of Maj. Gen. Nadav Padan, who was appointed to the Central Command. Brigadier General Itzik Turgeman was appointed head of Technology and Logistics Directorate, instead of Maj. Gen. Aharon Haliva, who replaced Maj. Gen. Nitzan Alon as head of the Operations Directorate.¹²⁰

2. Manpower

The Israeli army has approximately 168 thousand soldiers, and the reserve forces number around 550 thousand,¹²¹ which are highly ready and can be fully mobilized and effectively enter service within four days. There has been no significant change in the size of the Israeli army for many years.

On 8/1/2017, the Israeli army Manpower Directorate published its annual data on the number of soldiers killed during the previous year. In 2016, 41 Israeli soldiers were killed compared with 36 killed in 2015, representing a significant increase. Of the 41, 15 died at their own hands, the same number of soldiers killed themselves in 2014, all were men.¹²²

On 12/9/2017, the Israeli High Court of Justice “struck down Knesset legislation from 2015 that was meant to delay efforts to increase the rate at which ultra-Orthodox youth are drafted into the military.” The ruling set a one-year deadline to implement a different framework for handling the ultra-Orthodox draft.¹²³

3. Military Plans and Directions

The 16th and 17th Herzliya Conferences held in June 2016 and June 2017 respectively, reflected the security and military challenges facing Israel in light of the political and military changes in the regional environment, especially those adjacent to its northern borders. Although the Israeli security and military leaders, who spoke at the two conferences, emphasized Israel’s continued military superiority in the Middle East, they noted that the “enemy” now enjoys an improved strategic military position. Iran has established its military presence in Syria as a regional neighbor, Hizbullah increased its missile arsenal, in addition to the combat experience it gained in Syria, and Hamas continues to dig tunnels and develop its missile and combat capabilities. This is while taking into account the looming formation of an alliance comprising Russia, Iran, Hizbullah and the Syrian regime.¹²⁴

This complex and unstable strategic situation for Israel led to the development of a high-level security, military and political strategy to address these challenges. It should be noted that some of the threatening messages of the Israeli leaders during the two conferences may well be part of the psychological war and are not necessarily within the framework of a strategy that is prepared for implementation.

The Israeli strategy, as it emanated from Herzliya, focuses on maintaining the state of deterrence on all fronts, as well as the process of “burning into the consciousness,” of the enemy, by hinting that in case of a new war, full destruction of infrastructure would take place whether in Lebanon or in GS, while maintaining calm on all other fronts. The Director General of the Ministry of Intelligence Services, Haggai Zuriel, acknowledged during his speech at the 17th Herzliya Conference that Israel is unable to face external threats alone; therefore, it needs

the support of major international and regional powers, including cooperation with “moderate” Arab countries.¹²⁵

The annual Strategic Survey of Israel 2016–2017 issued by the Institute for National Security Studies (INSS) on 3/1/2017, focused on continuing the strategy of maintaining deterrence and preventing the transfer of advanced weapons from Iran through Syria to Hizbullah, as well as mitigating the risk of escalation. At the same time, it recommended that Israel must also continue gathering intelligence on Hizbullah’s forces in order to facilitate a preemptive strike and/ or neutralization of the organization’s high-quality apparatuses shortly after a conflict breaks out. The survey exhorted the Israeli army’s special forces must practice street warfare, while using the clothes and weapons used by Hizbullah and the Palestinian factions.¹²⁶

The survey also highlighted the attacks of Palestinian individuals against the army and settlers in WB, in addition to Hamas’ attempt to rebuild its infrastructure to launch attacks against Israeli targets.¹²⁷

This high-risk strategic situation in Israel due to the developments in its environment was also reflected in the heated debates and deliberations between and within political and military institutions in Israel about the ability of the Israeli army to fight a future war in the wake of its failures in recent years. Such failures became clearer during the Or HaDagan exercise, which began on 3/9/2017 and lasted 10 days, especially with regard to the military equipment used by the army in the ground war, as well as the lack of coordination between the political and military levels to implement the army’s plan.

According to an Israeli security report published on 27/9/2017, Israeli security concern focuses on four levels: First, Hamas continues to build more underground bunkers and tunnels in GS for defensive purposes rather than for creating tunnels that cross into Israel for the purposes of attack, especially that no tunnel will be able to cross Israel’s new underground barrier, which has a system of advanced sensor and monitoring devices to detect tunnels and is combined with a six-meter, above-ground fence. In addition, Hamas has developed missile and combat capabilities. Second, the report estimates that Hizbullah has dozens of missiles with 500 km-range, several hundred with a range of 300 km, and tens of thousands of missiles with a range of up to 40 km. The report pointed out that Hizbullah is making extensive effort to help Iran develop its accuracy and is trying to build factories in Syria and Lebanon for this purpose.¹²⁸

According to the report, the third level is the consolidation of Iran's influence in Syria, where it has military bases. There is a danger of Iran developing its missile capabilities, which have become more precise and increasingly deadly. In addition, the threat of the Iran-backed militias in Syria has emerged, and their participation in the next war with Israel has become a foregone conclusion. The fourth level is the war on ISIS and the danger of its concentrated power in Sinai after its defeat in Syria and Iraq, as well as its readiness to launch military operations against the Israeli army instead of the Egyptian army if it succeeds in establishing its control in the Sinai.¹²⁹

There is no doubt that these military transformations on all fronts of potential combat with Israel prompted decision-makers in Tel Aviv to draw plans and make the necessary preparations. On the Southern front, the Israeli army erected a fence along the border with GS, six meters above the ground, with a concrete wall tens of meters underground.¹³⁰ Israeli writer Yossi Melman stated that the construction of the wall was a complex technological and engineering process involving European experts and materials, at a cost of three billion shekels (about \$833.3 million).¹³¹

With regard to the Northern front with Lebanon and Syria, the Israeli army established a new equation, which seems to have been built in part through silence or agreement and coordination with the Russian side. This equation allows for Israeli military intervention through specific operations aimed at military bases or weapons stores belonging to Iran and Hizbullah in Syria that pose a threat to Israel. The equation also prevents the establishment of a Shiite passage from Iran to Damascus, according to Lieberman, who stressed that Israel "will not allow anyone to violate the red lines."¹³²

Despite Israel's verbal escalation and its desire to show a positive image of the army's preparedness for the next war, the report of the Knesset Subcommittee on Security Perception and Strength Building, which was partially published on 25/9/2017, presents a different picture of the state of preparedness for the next war. Indeed, severe deficiencies were highlighted in the report regarding the political echelons' functioning, about which it was said they were giving the Israeli army improper instruction. It found shortcomings in the rate of forming certain essential capabilities in the army. This failing, the report documents, was the result of the political ranks not fulfilling its role of setting policy to then be implemented by the army.¹³³

Moreover, the same report accused the government of failing to adapt the army's requirements with the changes in the capabilities of its adversaries and their military position, especially Hizbullah. It stated that the Israeli army plays chess with itself, where it determines its own security needs and threats and how to prepare for them. However, when it is time for real military confrontations, as shown during recent confrontations, the political leadership takes strategic decisions that differ from those the army prefers. Nonetheless, the government does not intervene and then it distances itself from the repercussions of any anticipated failure in the next war or confrontation, which the report considered an important gap in the strategy of the state.¹³⁴

It can be deduced from the report that the multi-year plan known as the Gideon Plan, which began in 2015 and ends in 2020, and which is supposed to equip the Israeli army for the next war, is also an acknowledgment that the army did not prepare properly previously. This was reflected in the 2014 GS war, so the army considers that it must prepare differently. However, Gideon's plan did not take into account the developments on the Northern front, which united the Syrian and Lebanese fronts in any future war, according to Israelis. Thus, the Israeli army could be forced to act with all its might on several fronts in parallel.¹³⁵

Maj. Gen. Giora Eiland, former head of the Israeli National Security Council (NSC), said in an interview with the Hebrew television that Israel would be unable to withstand a new war against Hizbullah, and called for avoiding confrontation or any of its triggers.¹³⁶

4. Military Maneuvers

With the increasing security and military threats on the border with Israel, and in light of regional transformations, in 2016 and 2017 the Israeli army launched a series of military exercises that included most of its weapons types (land, air and sea) in addition to the Cyber Warfare Unit. These exercises included most fronts: internal, southern, northern, maritime and air, as well as exercises with other armies outside the border. The comprehensive approach is part of the strategic transformation decided by Israeli army staff, to keep pace with regional developments since 2014.

On the Southern front with GS, Israel realized that the resistance factions there had recovered after the 2014 war. They accumulated their military achievements,



expertise, and growing military capabilities, especially with regard to missiles, and the network of sophisticated and growing offensive tunnels. During 2016 and 2017, the Israeli army launched several military drills on that front, simulating rocket attacks on the GS envelope settlements and beyond, and simulating infiltrations through tunnels or the sea into Israeli settlements or military locations close to northern GS. The development of Israeli military tactics coincided with a similar development among the resistance factions, especially the Ezzedeen al-Qassam Brigades. This was confirmed by an officer in the Northern Front Command, who said on 14/4/2016 that Hamas was a very clever enemy that had surprised him, and was a quick learner.¹³⁷ On 28/2/2016, the army initiated a major military exercise, including maneuvers simulating scenarios of a new confrontation, after there were talks for a while about the GS tunnels.¹³⁸ After that, a subterranean obstacle near the border was constructed to thwart Hamas attack tunnels.¹³⁹

The Israeli military drills did not only defend against a military offensive by the resistance, but also included a simulation of an Israeli military occupation of GS to “surprise the enemy.”¹⁴⁰ A one-week exercise conducted by the Israeli army in March 2017 saw the participation of the 401st Brigade and the Nahal Brigade, which spreads along the Gaza border with the Givati Brigade.¹⁴¹ The army also conducted exercises in WB to maintain “the readiness and preparedness of Israeli forces” in the face of future developments there.¹⁴²

The Israeli leadership also focused on developments on the southern borders with Egypt, especially in light of the growing threats of armed groups there, especially ISIS. The Israeli army conducted several military maneuvers along the border with Egypt, to prepare to face any potential cross-border operations from the Sinai Province.¹⁴³

In this context, the Israeli Navy carried out two rounds of exercises and naval maneuvers in the Red Sea on 31/3/2016 and 21/11/2016. The first was a simulation of an attack and hijacking of a military warship by ISIS,¹⁴⁴ and the second was the simulation of an attack by ISIS in the Sinai Peninsula against Israeli tourist targets in the Gulf of Eilat.¹⁴⁵

As far as the Northern Front was concerned, Israeli decision-makers believed that the axis that includes Iran, Hizbullah and the Syrian regime, which has close ties with Russia, is gradually recovering after securing many military achievements on the ground. This requires the Israeli army to prepare for these military

transformations, through the qualitative, tactical and strategic development of maneuvers. The momentum of these maneuvers has increased over time, as if in parallel with the field development on the Northern Front.

The Israeli military maneuvers in 2016–2017 took into consideration the assumption that any future war on the Northern Front will necessarily include Syria and Lebanon. The Israeli army assumed that the next war on the Northern Front might witness two major developments: (a) the carrying out of offensive operations by Hizbullah against the settlements of northern occupied Palestine, and (b) missile attacks that may be carried out by Hizbullah and the Syrian army on both fronts.

In this context, the Israeli army ended two weeks of military maneuvers on the Northern Front on 20/1/2016, simulating the war on the Syrian and Lebanese fronts, with the participation of the air and naval forces in the first training of its kind.¹⁴⁶ On 20/4/2016, the Israeli army concluded a four-day wide-scale surprise military exercise in the occupied Syrian Golan, with simulated clashes on the Syrian front with rockets fired from the liberated part of the Golan on the occupied part.¹⁴⁷

On 18/9/2016, the Israeli army organized defensive exercises to prepare civilians for a full-scale war, which could translate into 1,500 rockets a day.¹⁴⁸ The Israeli navy also carried out maneuvers simulating a maritime war against Hizbullah as part of an Israeli intelligence scenario. It is estimated that the next confrontation will include the imposition by Hizbullah of a naval blockade on Israel by attacking commercial ships from and to Israeli ports and hitting gas fields.¹⁴⁹

The large-scale Or HaDagan 10-day exercise conducted by the Israeli army on the Northern Front with Lebanon was a milestone in the history of Israeli maneuvers. The largest maneuver in 20 years began on 3/9/2017, with the participation of 40 thousand Israeli army soldiers from all sectors (land, air, and sea). It was divided into two phases: the first simulated the repulsing of an attack by hundreds of Hizbullah fighters and their occupation of Israeli border towns with Lebanon, as well as a large-scale evacuation operation in that area. The second phase simulated the army invading Lebanese villages, attacking Hizbullah strongholds, and waging street combat with Hizbullah fighters.¹⁵⁰

As for the joint maneuvers between the Israeli army and other armies during 2016–2017, they witnessed some changes in that they involved Israel alongside

Arab and Muslim countries with which it does not have official relations, in addition to conducting maneuvers with the Indian Air Force for the first time. On 15/8/2016, the “Red Flag” advanced combat training exercise took place at Nellis Air Force Base in Nevada, between air forces from the US, Israel, Pakistan and the United Arab Emirates (UAE).¹⁵¹

On 27/3/2017, the Israeli Air Force participated for the second time in a joint exercise in Greece, called INIOHOS 2017. According to official reports of the Greek air force, the US, UAE and Italy took part in the exercise.¹⁵²

On 3/3/2016, the end of the eighth biennial exercise was marked. A joint exercise between the US-European Command (USEUCOM) and the Israeli army. The exercise was an eight-day computer-assisted ballistic missile defense exercise designed to improve coordination between the US and Israeli militaries.¹⁵³

In June 2017, a special Israeli commando unit completed a large-scale three-day military drill in Cyprus’s Troodos Mountains, simulating a series of military scenarios in southern Lebanon, Gaza or Syria. The Troodos Mountains were selected because its terrain resembles that of hilly areas in and around Israel.¹⁵⁴

In an unprecedented move between India and Israel, the Israeli and Indian air forces launched a two-week joint military exercise, Blue Flag 2017, in the Ouvda Air Force Base, on 5/11/2017, in order to simulate extreme combat scenarios and coalition flights as realistically as possible. The exercise hosted air forces from the US, Greece, Poland, Italy, France, India and Germany.¹⁵⁵

5. Arms and Arms Trade

The Israeli army pursued its interest in manufacturing and developing various interceptor missile systems. On 1/3/2016, the Israeli army announced that it had received the first batch of the David’s Sling aerial defense system from Israel’s Missile Defense Organization at the Defense Ministry, together with the US Missile Defense Agency, capable of intercepting medium-range rockets. David’s Sling was manufactured primarily by Israeli company Rafael Advanced Defense Systems, with the US-based Raytheon Missile Systems as a subcontractor.¹⁵⁶

The Israeli Military Industries (IMI) Systems also presented its new Red Sky tactical air defense system on 19/2/2017 in front of representatives from 14 states. According to the Globes website, this weapon detected, identified, automatically tracked, and intercepted drones with great success. The short-range system

uses shoulder-carried missiles to intercept airborne targets automatically using autonomous scanning, tracking, and launching capabilities.¹⁵⁷

On 29/5/2017, Israel tested a rocket propulsion system, which could be used to launch Israel's strategic ground-to-ground or ground-to-air missiles, such as the "Arrow," which is an anti-ballistic missile system, or the "Jericho," which according to foreign reports can support a nuclear payload.¹⁵⁸

On 1/8/2016, the Israeli army unveiled the first Israeli-made wheeled armored personnel carrier (APC), Eitan, which is considered one of the most advanced and fortified wheeled fighting vehicles. It has an active protection system to intercept Rocket Propelled Grenades (RPGs) and antitank missile threats. It can reach speeds of up to 90 kilometers per hour and ferry infantry soldiers from one battle sector to another while traveling along roads without the need for military trailer services. It can also travel through difficult terrain.¹⁵⁹

On 8/6/2016, IMI Systems released the details of the Predator Hawk missile, which has a range of 300 km.¹⁶⁰ The 370 mm caliber and 5 meters long rocket can carry a variety of 200 kg warheads.¹⁶¹

Rafael Advanced Defense Systems unveiled one of its advanced multipurpose missiles, the Spike-LR II (Gil 2), weighing 12.7 kg, which can penetrate more than 20 cm of armored concrete. The new Gil missiles are equipped with innovative electro-optical homing heads that contain an infrared sensor and an HD color sensor. The new homing heads provide the Gil 2 with smart tracking capability for a variety of targets by utilizing artificial intelligence capabilities. When fired from land, it can strike targets at a range of 5.5 km. When fired from a helicopter, its maximum range is 10 km. By May 2017, the company had sold tens of thousands of Spike missiles to more than 25 armies around the world.¹⁶²

On 9/6/2016, the Israeli army uncovered its plan to deploy fully autonomous military vehicles, the Border Protector Unmanned Ground Vehicles (UGVs), along the Gaza border. Also fitted are four driving cameras and a 360-degree observation camera to help operators identify threats.¹⁶³

The Israeli army began testing the Namer carrier with a 30 mm turret to make it better suited for urban combat, more maneuverable, and it gives the ability to provide firepower to infantry soldiers.¹⁶⁴

On 5/9/2017, the Israeli Defense Ministry unveiled three new types of drones. Two of them were transport unmanned aerial vehicles, while the third was an attack drone, capable of firing an attached assault rifle. The first was a remote-controlled helicopter. It has one main rotor to keep it aloft and a second rear rotor to steer. The UAV is able to lift nearly 180 kg and has a top speed of 150 kilometers per hour. The second has multiple rotors that get it in the air. It is much smaller and much less powerful, and capable of carrying 90 kg.¹⁶⁵

In the context of the close military-security relations between the United States and Israel, on 14/9/2016 the two sides officially signed an unprecedented MOU on security assistance. The then-US President Barack Obama said the MOU “constitutes the single largest pledge of military assistance in U.S. history, totaling \$38 billion over 10 years, including \$33 billion in FMF [Foreign Military Financing] funds and an additional \$5 billion in missile defense funding.”¹⁶⁶

In August 2017, the Israeli Ministry of Defense concluded a deal with the US administration to purchase 17 more F-35 stealth fighters in addition to 33 of the ultra-high-tech jets already ordered in 2016, which would mean Tel Aviv would own 50 aircraft until 2021. Israel has already taken delivery of five of the jets, made by US-based Lockheed Martin and the most expensive in history, beginning in December 2016.¹⁶⁷

On 29/3/2017, Sibat, the Military Exports Unit of the Israeli Ministry of Defense announced that military exports rose by 14% in 2016 compared to 2015, reaching the value of \$6.5 billion compared with \$5.7 billion in 2015. Israeli defense exports to Europe have been climbing and reached an all-time high in 2016. There was a 70% jump in military exports to African countries. Defense deals in 2016 included upgrading fighter jets and aeronautic systems (about 20% of the deal flow), monitoring and optoelectronics (18%), missile and antiballistic systems (15%), ammunition and weapons stations (13%), radar systems (12%), intelligence and cyber intelligence systems (8%), drones (7%) and more. Exports totaled \$2.6 billion to the Asia-Pacific region where India is a key market; \$1.8 billion to Europe; \$1.3 billion to North America, \$600 million to Latin America and \$275 million to Africa—a 70% jump in exports compared to the year before (\$163 million in 2015). Africa remains a relatively small market for Israel, but it is a growing one in the industry’s eyes.¹⁶⁸

6. Military Budget

On 21/12/2016, the Israeli Knesset gave its final approval to the two-year budget for 2017 and 2018, and the Israeli Ministry of Defense received 70 billion shekels (about \$18.3 billion) annually.¹⁶⁹

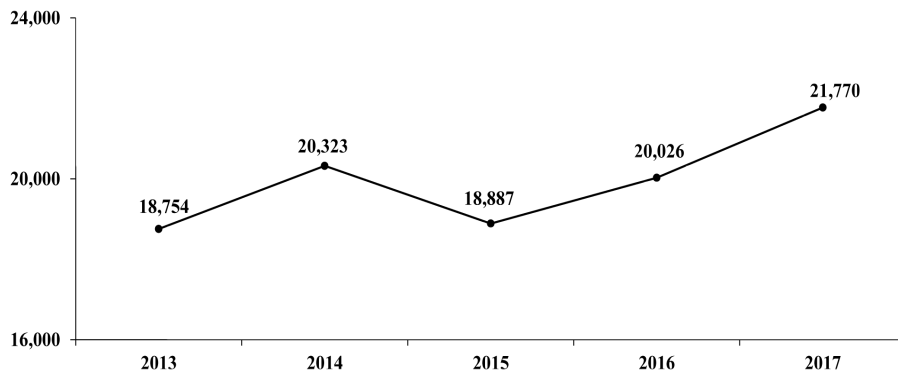
Under the pretext of confronting instability in the region, recent developments in Syria and growing Iranian influence, Israeli Defense Minister Avigdor Lieberman asked Finance Minister Moshe Kahlon to increase the Defense Ministry budget for the coming years. He spoke of the need for an additional 4.5 billion shekels (about \$1.3 billion) per annum.¹⁷⁰ It should also be noted that US support will reach \$3.8 billion annually from 2019 until 2028.¹⁷¹

Lieberman believes that the agreement reached by his predecessor did not meet the needs of the army in light of regional developments, continuing instability, and developments in Syria. Thus, Lieberman's request to expand the framework of the army budget was also due to the unsatisfactory performance of the maintenance system in the army and the readiness of a number of ground units for a large war scenario, as a result of the reduction in the allocated and limited budget to these units. In the past, the army has demanded that its budget be increased due to the emergence of urgent strategic changes that require better preparedness. Most of its requests have been approved and budget allocations have been approved by various ministries to meet these demands.¹⁷²

In the following table, CBS provides the actual Israeli military expenditures in 2013–2017:

**Table 12/5: Actual Israeli Military Expenditures 2013–2017
at Current Prices¹⁷³**

Year	Payments (million shekels)	Payments (\$ million)
2013	67,689	18,754
2014	72,705	20,323
2015	73,356	18,887
2016	76,912	20,026
2017	78,367	21,770

Actual Israeli Military Expenditures 2013–2017 at Current Prices (million \$)***Fifth: The Israeli Position on the Internal Palestinian Situation***

In 2016 and 2017, Israel maintained its policy, or rather its strategy, in dealing with the internal Palestinian situation, considering the continued Palestinian political and geographic division, the faltering reconciliation efforts since 2007, and the absence of any active and influential Arab and Islamic role in the Palestine issue.

With regard to Palestinian reconciliation, Israel did not idly watch the signing of the Hamas and Fatah reconciliation agreement on 12/10/2017 in Cairo,¹⁷⁴ and this was clear in Israeli statements. On 17/10/2017, at a meeting of the security cabinet, Prime Minister Netanyahu said that Israel would not recognize or accept the reconciliation agreement between Fatah and Hamas, but would neither try to prevent its implementation nor break off relations with the PA.¹⁷⁵ At a meeting with the Likud faction in Ma‘aleh Adumim, on 3/10/2017, and before the signing of the agreement, Netanyahu said, “We cannot accept fake reconciliation on the Palestinian side that comes at the expense of our existence”. He added, “We expect everyone who talks about a peace process to recognize the State of Israel and, of course, the Jewish state.” He demanded also that the PA must insist on Hamas recognizing Israel, dismantling its military wing and breaking off ties with Iran.¹⁷⁶

Israeli Education Minister Naftali Bennett called for severing ties with the PA in response to the signing of the reconciliation agreement. “This isn’t about Palestinian

reconciliation but about Mahmoud Abbas joining forces with a murderous terrorist organization,”¹⁷⁷ adding that he intended to ask the security cabinet to immediately stop transferring tax money to the PA.¹⁷⁸ As soon as the actual implementation of the first phase of the reconciliation agreement began, Israel took advantage and tightened the GS siege, bombarding the tunnels and resistance military positions there. Its aim was to achieve two objectives: to impose a new reality and change the rules of combat through a security and military achievement on the ground; and to undermine the reconciliation agreement. On 30/10/2017, the Israeli army destroyed a PIJ tunnel in the east of Khan Yunis, southern of GS, killing 12 militants.¹⁷⁹

Israel has also kept the GS war option open. The Israeli Coordinator of Government Activities in the Territories, Maj. Gen. Yoav Mordechai, launched a series of threats against GS, Hamas and PIJ after his claims that the latter was preparing a retaliation for the tunnel bombing. Netanyahu claimed, “These days, there are still those who toy with trying renewed attacks on Israel,” Netanyahu said at the start of the weekly cabinet meeting. “We will take a very strong hand against anyone who tries to attack us or attacks us from any sector,” adding that Israel sees Hamas as responsible for every attack that emanates from, or is planned against it in, the GS.¹⁸⁰ In February 2017, after a round of mutual bombardments between the Israeli army and the resistance factions in GS, Israeli ministers made a series of threats against GS and Hamas. Minister of Education and the leader of the Jewish Home Party, Bennett, said that a war was “a matter of when, not if.” Adding, “Only with a total victory over our enemy will we put an end to this.”¹⁸¹

In GS, Israel maintained its policy of economic strangulation and military pressure in dealing with Hamas. In December 2017, the Israeli army launched several raids on GS, which it said were a response to the continued firing of rockets into Israeli towns.¹⁸² Although the Palestinian National Consensus Government and its security forces effectively took over all GS crossings after signing the reconciliation agreement, Israel deliberately escalated its GS blockade in an effort to thwart reconciliation and maintain economic pressure on Hamas, and to prepare for a new political future in GS that preserves Israeli security interests. According to a report issued by the Gaza Chamber of Commerce and Industry on 31/12/2017, Israel continued during 2017 to follow its policies and punitive measures against GS by adding many products to the list of those prohibited to enter the Strip.

The report stated that Israel is still preventing the entry of many products, raw materials, equipment, machinery, tools and spare parts to GS, while restricting the entry of building materials.¹⁸³

In order to urge the PA to take further measures against the *Intifadah* and put obstacles in the way of the Hamdallah government, the Israeli government has expanded the powers of the Israeli Civil Administration in WB. According to Israeli news website Makor Rishon, the Israeli Coordinator of Government Activities in the Territories Maj. Gen. Yoav Mordechai, followed the carrot-and-stick policy, referring to sanctioning the Palestinian areas from which the attackers originate and rewarding the “quiet” areas by granting permits for travel, work, agriculture, and worship in Jerusalem. In other words, it is a reward for those who do not resist the occupation. Moreover, the Civil Administration grants special travel cards to officials in power and business leaders.¹⁸⁴

Conclusion

During 2016–2017, the Israeli society turned to more religious and rightist extremism, while the forces of the traditional left declined. The Israeli political leadership further consolidated Israel’s “Jewish state” identity, implementing Judaization programs, and building more settlements, while increasing restrictions on the people of occupied Palestine in 1948 and 1967. The Israeli government was relatively stable, especially as polls confirmed that in any upcoming elections, the movements represented in the government would win. This was despite the fact that there are some concerns over Netanyahu’s corruption charges.

By the end of 2017, 44% of the Jews in the world live in Israel, but Jewish population growth rates remained modest at 1.8%. The low emigration rates have remained the same for the past 15 years, and the rate of counter-migration almost cancels out the arrival of new immigrants. This has happened while the demographic dilemma has grown with the number of Palestinians in historic Palestine beginning to exceed the number of Jews.

Israel is experiencing a relative economic boom, with GDP per capita rising to about \$40 thousand a year, mirroring Western European countries, with the

advancement of Information Technology (IT), technical and military industries. However, Israel still receives a \$3.1 billion US aid annually.

Israel has one of the most powerful armies in the world, with the best military technologies and weapons of mass destruction. It spends heavily on armament and military industries, making it one of the world's largest arms exporters. Israel felt more secure in the two years covered by the report, especially considering the fragmentation and weakness of the Arab states, the conflicts in the region; and the desire of some regimes to build relations with Israel so the US would be satisfied and to further protect themselves.

Whatever the "honeymoon period" Israel is enjoying, it remains of temporary nature. The strategic environment surrounding Israel is unstable and carries a number of potential risks. The deadlocked peace process, and the collapse of the two-state solution could push wider sectors of Palestinians toward resistance.



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This Report

Al-Zaytouna Centre is pleased to present to its readers the Palestine Strategic Report (PSR) 2016–2017, the 10th PSR to be published.

With an academic methodology and comprehensive, objective approach, the report comprehensively details developments concerning the Palestine issue and provides the latest information and data available at the end of 2017, along with analysis and forecasts running into 2018.

This report is the result of collaborative work between 14 experts and researchers. In eight chapters, it addresses the internal Palestinian scene; Palestinian demographic and economic indicators; the situation in Jerusalem and the holy sites; the specifics of Israeli aggression, Palestinian resistance and the peace process; the complexities of Israeli-Palestinian dynamics, including the internal situation in Israel; and Palestine's Arab, Islamic, and international relations. This tenth PSR volume features an advanced research map and forecasts the most prominent scenarios of relevance to the Palestine issue in 2018 and 2019.

The PSR now occupies a prominent position as an indispensable reference document, integral to Palestine studies and research. Al-Zaytouna Centre hopes the PSR will continue to make valuable contributions in this field.

Dr. Mohsen Mohammad Saleh

The Palestine Strategic Report 2016 – 2017



Al-Zaytouna Centre for Studies & Consultations

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