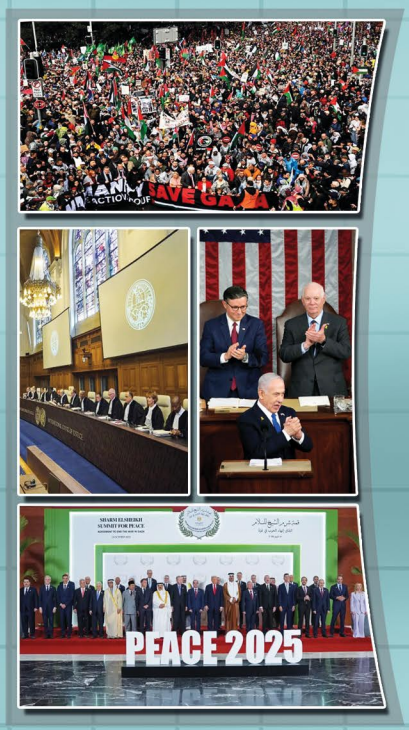
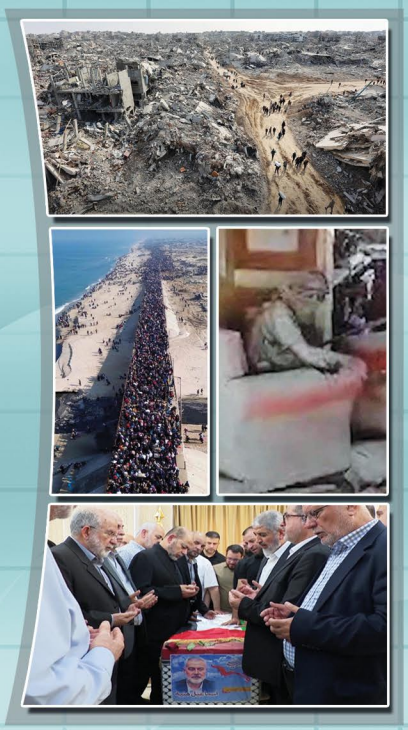
The Palestine Strategic Report 2024 – 2025





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Al-Zaytouna Centre For Studies & Consultations

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Strategic Report
2024 – 2025

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Chapter Five

The Israeli Scene

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Introduction

The years 2024 and 2025 witnessed a profound internal crisis within Israel, marked by a state of strategic imbalance that generated significant external repercussions. In response, Israel has sought to navigate this crisis by moving toward a more authoritarian political order, while increasingly adopting more extreme positions and a forceful posture toward the Palestine issue and the regional environment. However, such an approach is likely to deepen existing challenges and contribute to sustained long-term instability.

This chapter, therefore, examines the internal Israeli political scene, alongside demographic, economic and military conditions, and further analyzes the Israeli position on the internal Palestinian situation.

First: The Internal Israeli Political Scene

This section examines the internal Israeli landscape, with a focus on key political and social developments. In this regard, the internal dynamics of 2025 may be seen as part of the broader lead-up to the 2026 Israeli elections, which are widely viewed as decisive for Israel's political, social and strategic trajectory. Moreover, these developments reflect the continuing struggle over the state's identity and the nature of its political system. Internal contestation has thus centered on the ruling right wing's efforts both to preserve the governing coalition and to advance core elements of its ideological agenda, most notably constitutional changes, which have assumed particular prominence at this stage.

Accordingly, the analysis addresses the principal issues that have intensified internal political tensions and deepened social divisions, including the nature of the political system, the trial of Benjamin Netanyahu, the conscription of ultra-Orthodox Jews (Haredim), and the durability of the Israeli government. Taken together, these issues carry significant implications and are likely to form the central axis of the forthcoming elections.

Two Years of War and Their Domestic Repercussions

The war on GS stands as the longest in Israel's history, with its costs exceeding 300 billion shekels (about $87 billion).[1] It might have continued for an even longer period had it not been for pressure from US President Donald Trump to accept his plan to halt the war.[2]

In terms of domestic support, the war evolved through two distinct phases. Initially, it enjoyed broad social and political consensus, which conferred legitimacy on Benjamin Netanyahu's government to remain in power and manage the war until its objectives were achieved; this consensus largely endured through the end of 2024. Subsequently, however, the war lost this internal consensus and increasingly came to be perceived as both personal and ideological in nature. On the one hand, it has been viewed as a personal war for Netanyahu, aimed at ensuring his political survival by leveraging wartime conditions to prolong his government's tenure. On the other hand, it has been seen as an ideological war serving the objectives of the religious settler right, particularly the occupation of GS, the displacement of its population, and the expansion of settlement activity therein.[3]

Israel has waged the longest war in its history, with its latter phase unfolding in the absence of broad domestic consensus. Traditionally, Israeli wars have both begun and concluded under a unified national consensus, with public debate and contestation emerging only after the end of hostilities, often accompanied, where deemed necessary, by the establishment of an official commission of inquiry, as occurred following the 1973 war and the Lebanon wars of 1982 and 2006. Nevertheless, the 1982 war of Lebanon constituted a notable exception. While it initially enjoyed wide support, this consensus rapidly eroded following the occupation of Beirut and the Sabra and Shatila massacre, which in turn triggered large-scale protests within Israel. The subsequent loss of consensus contributed to Israel's withdrawal to the security zone in southern Lebanon and prompted the formation of the Kahan Commission. Its findings ultimately led to the removal of Defense Minister Ariel Sharon and, in due course, the resignation of Prime Minister Menachem Begin.

Conversely, the current government has declined to establish an official commission of inquiry and has instead advanced a bill to establish a "consensual"

investigative body, thereby circumventing the authority of the President of the Supreme Court to appoint such a commission under the State Commissions of Inquiry Law. This position also elucidates the broader campaign against the Supreme Court, particularly its current president Isaac Amit, aimed at undermining his legitimacy and asserting that he is unfit to constitute a commission of inquiry due to alleged bias against the right-wing government.

The erosion of consensus over the war and the priorities of its objectives, since June 2024, produced significant domestic repercussions. In this regard, the withdrawal of Benny Gantz from the government in June 2024 was not coincidental; rather, it both reflected and reinforced this emerging erosion.[4] Furthermore, it may be argued that, absent Donald Trump's intervention to halt the fighting after two years, Netanyahu would have continued the war for an indeterminate period.[5] Notably, a poll by The Israel Democracy Institute (IDI) found that 66% of Israelis believed that, after two years, "the time has come to end the war in Gaza."[6]

The prolongation of the war has further deepened internal fractures within Israeli society. In a study by Israeli political psychologist Nimrod Nir on domestic polarization in Israel one year after the outbreak of the war, it is argued that the initial sense of unity that marked Israeli society at the war's onset rapidly eroded, giving way to internal division as the foremost perceived existential threat. In this regard, 62.6% of all Israelis polled said that they believed the greater threat to the future of Israel was from internal divisions and threats, with 37.4% saying that external threats posed the biggest danger to the country. By contrast, a comparative analysis with the same survey conducted in October 2023 shows a marked shift, where 77.2% said they believed the war had unified Israeli society, this figure fell to 40.2% by October 2024. Meanwhile, those believing that the war increased polarization in Israeli society rose significantly from 12.1% to 40.6%.[7]

The protracted duration of the war, coupled with deepening divisions over its conduct and mounting doubts regarding the legitimacy of the political leadership in managing it, has significantly intensified internal fractures within Israeli society to an unprecedented degree.

Political System Shift Toward Authoritarian-Populist Governance

The Israeli political system witnessed a notable shift toward authoritarian-populist dynamics in 2025. According to a report by the Zulat Institute for Equality and Human Rights, Israel had effectively transitioned into "competitive authoritarianism," positioned between a flawed democracy and full-scale authoritarianism.[8] In a similar vein, former Supreme Court President Aharon Barak stated in a pre-recorded speech at an anti-government rally that Israel is "no longer a liberal democracy," arguing instead that it was moving toward a one-man rule.[9] Moreover, in another statement, he argued that "the relationship between the political establishment and the army, the police and the Shin Bet [Israel Security Agency—ISA (*Shabak*)] has completely deteriorated. The prime minister sees himself as authorized to dictate how to act in each arena. Protesters are treated as criminals. I think we are no longer citizens, but subjects."[10]

In the same context, Supreme Court President Isaac Amit stated at a swearing-in ceremony for lawyers who passed the bar exam that he and his colleagues were witnessing blatant disregard for the law, alongside an attitude that "treats court rulings like recommendations." He further argued that "the legal system is facing an attack that far exceeds legitimate criticism," adding, "If public officials ignore court rulings they don't like, then why should an ordinary citizen be bound by them?" and concluding that "If the law is not equal for everyone, then the law is worthless."[11] Amit, whose position as the Supreme Court president is not recognized by the government, is being boycotted by Justice Minister Yariv Levin, who is widely regarded as the architect of the constitutional overhaul and the campaign against the judiciary. He is likewise boycotted by the Speaker of the Knesset, Amir Ohana. In practical terms, both the legislative and executive branches are engaged in a concerted effort to delegitimize the judicial system as a whole, and the Supreme Court in particular.

The election and inauguration of Donald Trump in January 2025 contributed to accelerating constitutional changes in Israel. Under the administration of Joe Biden, however, these developments had been openly opposed, and Biden reportedly declined to meet Netanyahu prior to 7/10/2023, in light of the Israeli government's efforts to restructure the political system through attempts to subordinate or

control the judiciary. In parallel, *The New York Times* opinions columnist Thomas Friedman published an article urging the Biden administration to intervene and halt these measures, contending that Biden was the only actor capable of constraining the Israeli government's decisions and the broader institutional changes underway, which he viewed as undermining Israel's democratic system and steering it toward rule by an extremist government.[12]

Donald Trump introduced a political culture broadly aligned with that of the ruling right-wing populist camp, particularly in its governing style and its disregard for state institutions and the judiciary. In this context, during 2025, the government advanced a series of legislative initiatives aimed at restricting freedom of expression, limiting judicial authority, and tightening control over the media. Moreover, it blocked the establishment of an official commission of inquiry into the events of 7/10/2023, while instead putting forward the idea of legislation to establish a political investigative committee.

These legislative initiatives were intended to restructure the political system, with particular emphasis on the judiciary. In this regard, the government advanced several key proposals:

1. Dividing the functions of the government's legal adviser by removing its role as attorney general—including authority over approving investigations and indictments against public officials—while limiting it to legal counsel, alongside the establishment of a separate attorney general position.
2. Expanding the jurisdiction of Jewish religious courts to encompass civil matters.
3. Reclassifying ministerial legal advisers as politically appointed positions, thereby allowing ministers to select them based on political alignment rather than professional qualifications.
4. Separating the police investigations department from the public prosecution and placing it under the authority of the Minister of National Security.
5. Introducing legislation targeting civil society organizations by imposing an 80% tax on donations from foreign states, particularly the EU, which often fund organizations critical of government policies.

Civil and political opposition forces in Israel contend that the government is leveraging the wartime context to advance a project initiated in 2023 aimed at a "judicial overhaul," thereby subordinating key institutional "guardians" of the democratic order through dismissal or intimidation. Against this backdrop, during a single week in 2025 (21–28 March), the government undertook three measures widely viewed as crossing established red lines in Israeli political practice: the unanimous dismissal of the Shabak Chief Ronen Bar, with the decision entering into force on 10/4/2025; a unanimous vote of no confidence in the government's legal adviser; and the final passage, in its third reading, of legislation restructuring the Judicial Selection Committee. This change substantially reduces "the influence of sitting judges and increases political control over appointments."[13] Notably, this legislation had been a central pillar of the 2023 judicial overhaul agenda, which the government subsequently shelved in response to mass public protests at the time.

The governing right capitalized on the war in GS to advance its constitutional reform agenda. Notably, pre-war protests had forced the government to retreat from most components of the justice minister's judicial overhaul, confining it to changes in the judicial appointments committee, a measure it subsequently abandoned under sustained pressure, including from within the military establishment. However, with the outbreak of the war on GS and Benjamin Netanyahu's consolidation of power, the government enacted the revised law restructuring the committee, passing it with virtually no public opposition.

Whereas the previous nine-member panel afforded significant representation to the judiciary, through judges and lawyers, including members of the Israel Bar Association, the new law shifts the balance decisively toward the political echelon, particularly in appointments to the Supreme Court. In this context, the government's Legal Advisor "Attorney General Gali Baharav-Miara has strongly opposed the legislation, warning that it undermines judicial independence," adding, "the law would erode the professional standards of judicial appointments and give political considerations undue influence."[14]

Table 1/5: Changes to the Judicial Selection Committee in Israel

Change	Implication
Replacing representatives of the Israel Bar Association, previously selected by the Association, with lawyers appointed by political actors.	Granting the political echelon a majority on the committee, as appointed lawyers are likely to be politically aligned with its members.
Reducing the required majority for appointing Supreme Court judges from seven members to five.	Effectively eliminating the judiciary's capacity to oppose judicial appointments, leaving politicians as the sole actors empowered to appoint Supreme Court judges.
In the absence of agreement on a Supreme Court appointment within one year, the coalition and opposition each nominate three candidates, from whom one is selected.	Effectively excluding judiciary from meaningful influence over Supreme Court appointments.

The Supreme Court suspended the decisions to dismiss both the Shabak Chief and the Attorney General. Following judicial deliberations over his removal, Ronen Bar ultimately resigned at the end of June 2025, after submitting a written affidavit to the Court in which he disclosed Netanyahu's efforts to instrumentalize the Shabak in pursuit of political objectives and to surveil political opponents, an approach the Shabak rejected. Subsequently, Netanyahu appointed David Zini as the Shabak Chief, a highly religious and ideologically hardline general. This appointment marks a clear departure from established practice, according to which the Shabak Chief is typically selected from within the organization, most often the deputy chief.

In practice, the executive has sought to consolidate control over law enforcement institutions, particularly the police and the Shabak. The former has effectively been transformed into "Ben-Gvir's police," as the minister has entrenched his authority and advanced his agenda, including through unlawful interference in police operations. As a result, it has increasingly taken on the characteristics of a political police force, with the exception of certain units, such as the Police Central Investigations Unit. Furthermore, the appointment of Zini appears to reflect an effort to extend influence over the Shabak, or at least to limit its opposition to government policies on contentious issues.

The constitutional amendments are, inter alia, designed to entrench Netanyahu's rule. In this vein, the government approved a measure that circumvents the authority of the legal advisor to remove a sitting prime minister. Notably, the Basic Law: The Government does not elaborate on the procedures for removing a prime minister or declaring incapacity. Rather, Article 20(b) contains a single, broadly framed provision stipulating, "Should the Prime Minister be permanently incapacitated, the Government shall be deemed to have resigned on the 101st day during which the Acting Prime Minister served in his place."[15]

The law does not specify the grounds or causes of incapacity, nor does it designate the authority empowered to declare a prime minister's inability to perform his duties. Notably, this provision has been invoked only once in Israel's history, in 2005, when former Prime Minister Ariel Sharon suffered a medical condition that led to a prolonged coma. He was subsequently declared permanently incapacitated, and Ehud Olmert, then acting prime minister, assumed the premiership for 100 days, after which new elections were called in Israel. In Sharon's case, the incapacity stemmed from a coma (illness), and it was later confirmed that he would not recover within the legally stipulated 100-day period.

In an attempt to circumvent a potential declaration of Prime Minister Netanyahu's incapacity by the Attorney General, the government amended Section 20(b), which regulates this matter, in March 2023 as part of the broader constitutional overhaul. The amendment stipulated that "that a sitting prime minister can be declared unfit and forced to step down if they or three-quarters of Cabinet ministers declare them so on physical or psychological grounds." This declaration would then require the endorsement of 80 members of the Knesset (MKs), unless the prime minister himself declares that he is unable to perform his duties due to physical or psychological reasons.[16] Following petitions filed with the Supreme Court against this amendment, the Court ruled in January 2024 that its implementation would apply only to the "next elected Knesset" and not the current one, on the grounds that the amendment was "clearly personal in nature" and had been tailored to address circumstances specifically related to Netanyahu.[17]

Accordingly, the legal basis for removing Netanyahu or declaring him unfit to perform his duties without government approval remains formally available. Nevertheless, despite growing pressure on the legal advisor to act in light of

Netanyahu's non-compliance with Supreme Court rulings and his disregard for directives issued by the government's legal advisor, such a step appears highly unlikely. This difficulty stems from deep societal polarization in Israel, the absence of any comparable precedent involving Netanyahu, and the lack of a clear legal mandate empowering the legal advisor to take such action.

In contrast, the legal advisor has called on Netanyahu to dismiss the Minister of National Security, Itamar Ben-Gvir, citing substantive violations in his management of the police, particularly its politicization, interference in its professional operations, and involvement in the appointment and promotion of senior officers. This also includes his breach of the understandings reached upon assuming office, commitments he initially pledged to uphold but subsequently violated in a systematic manner. Accordingly, Ben-Gvir has become one of the most outspoken opponents of the legal advisor, even calling for her dismissal, while the Supreme Court is expected to adjudicate her request for his removal.

Within this context, the government's decision to dismiss the legal advisor—subsequently annulled by the Supreme Court, as noted earlier—appears to have been aimed at curbing her influence, given her opposition to a series of governmental measures deemed unconstitutional. Foremost among these is the proposed legislation exempting the Haredim from military service, a matter to be examined in greater detail below.

Government Stability

Netanyahu managed to preserve the cohesion of his government throughout 2025, despite facing a series of substantial challenges. These included two ceasefire agreements in GS (January 2025 and October 2025), the Haredi conscription law, rising cost-of-living pressures, and the continuation of his trial.

More broadly, the war has reshaped the balance of power within the political landscape. In this context, opinion polls conducted from October 2023 until the time of writing indicate that the war is likely to bring down the current government in the next elections (see table 2/5). Consequently, the forthcoming elections may well signal the end of Netanyahu's political career within the Israeli political arena.

Table 2/5: Illustrative Model of Electoral List Representation Based on October 2025 Opinion Polls Following the Gaza Agreement, Compared With the 2022 Election Results

	Channel 13 Oct. 2025[18]	*Maariv* Oct. 2025[19]	Channel 12 Oct. 2025[20]	2022 Election Results
Current Government Coalition Lists				
Likud	27	25	27	32
Jewish Power (*Otzma Yehudit*)	9	7	8	14
Religious Zionism	5	–	–	
United Torah Judaism	7	7	7	7
Shas	10	9	9	11
Total	**57**	**48**	**51**	**64**
Opposition Lists and Newly Formed Lists				
Bennett 2026	23	21	22	–
Yisrael Beiteinu	9	10	9	4
The Democrats	8	12	11	4 (Labor Party)
Yesh Atid	10	9	9	24
Hadash–Ta'al	5	6	5	5
Yashar! (Gadi Eisenkot)	5	9	8	–
UAL	4	5	5	5
Blue and White	–	–	–	12
Balad	–	–	–	–
Total	**63**	**72**	**69**	**56**

* The names of lists, parties and alliances are abbreviated to simplify the table, where UAL: United Arab List —Ra'am; Hadash: Democratic Front for Peace and Equality; Balad: National Democratic Assembly; and Ta'al: Arab Movement for Renewal.

Accordingly, Netanyahu has resisted efforts to advance early elections, a stance that has, in turn, contributed to the prolongation of the war. This, however, does not signal a retreat of right-wing ideas; rather, right-wing ideology has become increasingly hegemonic within Israeli society, particularly in relation to the conflict with the Palestinians. At the same time, opposition to Netanyahu does not originate from the left. Instead, it is composed of right-wing figures such as Naftali Bennett and Avigdor Lieberman, alongside centre-right actors including Yair Lapid and Benny Gantz. Importantly, this opposition targets Netanyahu's current government and his personal leadership, as well as more extreme factions within it, which both liberal and conservative segments of the right view as deviating from acceptable norms regarding civil liberties, the preservation of judicial authority, and rising populist extremism, among other concerns. In addition, it reflects broader criticism of the government's overall performance across multiple domains, most notably its failure on 7/10/2023.

Nevertheless, Netanyahu managed to maintain the stability of his government throughout 2025.[21] This outcome is primarily attributable to two factors. First, all coalition partners concurred that holding elections would likely result in their loss of power and their inability to form a new government, alongside the forfeiture of the substantial benefits Netanyahu had granted to each component of the coalition. Second, there is a shared understanding that they would have no role in any future government not led by Netanyahu; consequently, their only viable option is to remain within the current coalition despite persistent internal disagreements.

Over the past two years (2024–2025), various components of the governing coalition repeatedly threatened to bring down the government if it adopted policies diverging from their political priorities. However, none of these threats was ultimately carried out. In particular, far-right religious parties (Otzma Yehudit, led by Ben-Gvir, and Religious Zionism, led by Smotrich) repeatedly warned that they would collapse the government if Netanyahu deviated from the war objectives in GS or agreed to a ceasefire agreement. Yet neither party ultimately followed through. Similarly, Haredi parties, which had for three consecutive years threatened to withdraw from the government unless legislation regulating Haredi conscription was passed on their terms, ultimately confined their response to exiting the government without precipitating its collapse.

Against this backdrop, and in an effort to strengthen his position within the domestic political arena, Netanyahu requested that the head of state, Isaac Herzog, grant him a pardon. In 2025, his trial once again intensified Israel's political and social tensions, as proceedings resumed in the Jerusalem District Court, obliging Netanyahu to appear several days a week for extended hearings.

On 30/11/2025, Netanyahu's lawyers submitted a letter to the President of Israel requesting a pardon for charges against him in three cases involving corruption, bribery, and breach of trust. The 13-page request was accompanied by a brief personal note in which Netanyahu set out his justification. In this note, he stated, "despite my personal interest to conduct the trial and prove my innocence until I'm fully acquitted, I am of the belief that the public interest dictates otherwise," adding, "As part of my public responsibility as prime minister to bring about reconciliation among parts of the nation, I have no doubt that ending the trial will help lower the flames in the debate around it." Furthermore, he wrote, "Facing Israel's defense challenges and diplomatic opportunities these days, I am committed to do all I can to heal the rifts, achieve unity among the nation and to restore trust in the country's systems, and that's what I expect of all branches of the country to do."[22]

In this context, debate in Israel over the pardon request has coalesced around three principal positions. First, some call on the president to reject the request outright and refrain from considering it, on the grounds that it fails to meet the legal criteria for a pardon, including acknowledgment of the charges and withdrawal from political life.[23] Second, others advocate conditional approval, particularly contingent upon Netanyahu's exit from politics or the suspension of all constitutional reform plans.[24] Third, a further position supports granting the pardon as submitted.

Furthermore, Donald Trump urged the president to grant Netanyahu a pardon, conveying this in a personal letter and reiterating it in an address before the Knesset in October 2025, an unprecedented intervention by a US president in Israel's judicial affairs. This stance appears to have encouraged Netanyahu to submit his request without offering any political or personal concessions, effectively seeking an unconditional pardon, a step without precedent in Israel.

Haredi Conscription

The issue of Haredi conscription during wartime has further deepened the religious–secular divide in Israel; however, it is now framed less in terms of the role of religion in the "state" or public sphere, and more in relation to military service. What was once a debate over equality in bearing the economic burden has thus evolved into a fundamental question of life and death. Accordingly, the divide is no longer between those who serve and work and those who do not. Rather, it has become a sharper cleavage between those who serve and risk being killed, and those who neither serve nor face such risks, while continuing to benefit from extensive "state"-provided economic privileges. In this sense, the divide is no longer a conventional distinction between religious and non-religious groups; instead, it reflects a new alignment centered on military service, one that nonetheless intersects with the broader question of religion and the "state."

The question of military service for the ultra-Orthodox has thus emerged as a central political fault line, threatening to rupture the already fragile connection between the Haredi religious community and broader Israeli society. Moreover, the transformations brought about by the war have rendered this divide increasingly unsustainable, leaving little space for postponement or ambiguity and instead necessitating a clear legal resolution. However, any such resolution is likely to carry significant political and social consequences, further deepening existing cleavages. On the one hand, the Haredi community is expected to reject any legislation imposing compulsory military service in a comprehensive manner. On the other hand, opponents are equally unlikely to accept a legal framework that exempts the Haredim or continues to accommodate their current arrangements.

The issue of conscripting Haredi religious communities into the military became a central political and social question in 2025, largely as a result of the war in GS. The debate has not been confined to its military dimension alone; rather, it extends to broader social and economic implications as well. Netanyahu has continued to manage this issue through incremental political maneuvering without reaching a decisive resolution, primarily in order to accommodate religious parties and to signal that he is removing obstacles to advancing relevant legislation. This approach included, first, the dismissal of former Defense Minister Yoav Gallant, who had supported the implementation of large-scale enlistment of Haredim

alongside sanctions on draft evaders; and second, the removal of Yuli Edelstein from the chairmanship of the Knesset Foreign Affairs and Defense Committee, after he drafted legislation mandating Haredi conscription. In their place, Netanyahu appointed two figures closely aligned with him to oversee the file: Israel Katz as Defense Minister and Boaz Bismuth as chair of the Foreign Affairs and Defense Committee. Both are broadly aligned with Netanyahu's positions and, in general, do not adopt independent stances, particularly on this issue.

In managing this issue without resolving it, the government moved to dismiss the government's legal advisor, who had opposed legislation aligned with the demands of religious parties; however, this decision was subsequently annulled by the Supreme Court.

Meanwhile, the issue of Haredi conscription is poised to feature prominently in the forthcoming elections, with the opposition likely to frame it as a central campaign issue. In this regard, the opposition holds a relative advantage in advocating Haredi enlistment, with some voices even calling for the revocation of voting rights for those who do not perform military or civilian service. Reflecting the salience of this issue, a new political party, "The Reservists," has emerged, contesting the elections on this basis. By contrast, Aluf Benn, editor-in-chief of *Haaretz*, contends that, despite the surrounding public discourse, secular Israelis are not deeply mobilized around this issue and have not engaged in sustained protest. He attributes this to a prevailing inclination to preserve an unwritten social contract with the Haredim, "we pay you, and you leave us alone," whereby secular citizens finance their basic livelihoods in exchange for the non-imposition of religious norms and the maintenance of social separation between the two communities.[25]

Netanyahu recognizes that the Haredi parties have little alternative but to remain aligned with him, as they would likely be excluded from any opposition-led government. Accordingly, despite their formal withdrawal from the coalition and the resignation of their ministers in 2025, they have, over the past three years, avoided precipitating the government's collapse. In this context, the government has sought to extend mandatory military service by six months and to double the duration of reserve duty. According to an analysis by the Bank of Israel, the conscription of 7,500 Haredi youths in 2026 would reduce annual market losses by approximately 9 billion shekels (about $2.8 billion). Moreover, if such measures

also increase their participation in the labor market, the economy could gain an estimated 14 billion shekels (about $4.3 billion) annually.[26]

The United Torah Judaism list announced its withdrawal from both the government and the governing coalition following Netanyahu's repeated failure to enact legislation on Haredi conscription in line with its demands.[27] By contrast, the religious Shas movement also withdrew from the government on the same grounds, yet chose to remain within the coalition and to retain its leadership of Knesset committees. Moreover, Shas signaled that it would refrain from cooperating with the opposition to bring down the government in order to facilitate a ceasefire agreement, which it supports, thereby affording Netanyahu additional time to formulate new legislation on Haredi conscription after his earlier failure to do so.[28]

Boaz Bismuth, chair of the Foreign Affairs and Defense Committee, has introduced a bill on the conscription of the Haredim that largely reflects the demands of Haredi parties. Crucially, the "proposed law does not establish a general and equal enlistment duty" and raises the exemption age to 26. Consequently, it not only facilitates the avoidance of military service among Haredim but also constrains their integration into the labor market. Furthermore, the bill does not impose stringent penalties on draft evasion.[29] Nevertheless, Haredi parties continue to deem the proposal inadequate; accordingly, its submission for a Knesset vote has been postponed on multiple occasions. Although Netanyahu has repeatedly sought to circumvent this impasse, such efforts have merely delayed the crisis rather than resolved it.

An IDI survey conducted in July 2025 indicates that 84.5% of non-Haredi Jews support the imposition of sanctions on Haredim who evade compulsory military service. This position also commands substantial support within the voters of right-wing parties in the governing coalition, including approximately 72.5% of Likud voters, 76.5% of Religious Zionism voters, and 84% of Otzma Yehudit voters.[30] Accordingly, this issue not only poses a challenge to the government's internal cohesion but may also have significant implications for its electoral prospects. This is particularly evident given that the opposition includes right-wing actors supportive of Haredi conscription, most notably Naftali Bennett, who may attract voters from the right should the government fail to advance legislation perceived as acceptable to Israelis who serve in the military.

In addition, pressure to legislate Haredi conscription has intensified following the army's decision to institute a fixed annual reserve duty of 60–70 days, alongside its announcement of a requirement for 12 thousand additional soldiers, including 6–7 thousand combat troops. Consequently, the issue has become central to the political agenda even in the aftermath of the war in GS.

Key Projections for the 2026 Internal Political Scene

1. Netanyahu is expected to succeed in maintaining his governing coalition, securing the passage of the state budget, and proceeding with elections as scheduled in October 2026.
2. The forthcoming Israeli elections are likely to be marked by an unprecedented level of political polarization. Competition is expected to center on maximizing voter turnout within both the opposition and the coalition, particularly given anticipated increases in participation among Palestinians in the 1948 occupied territories.
3. The electoral agenda is expected to be predominantly domestically oriented, with particular emphasis on the status of Palestinians within Israel and broader questions concerning the state's identity and political system. Notably, the very essence of the "state" itself is likely to emerge as a central electoral issue. In this context, right-wing actors are expected to intensify anti-Palestinian rhetoric, while debates over constitutional restructuring, the role of the judiciary, and Haredi conscription are set to occupy a prominent place in the campaign.
4. Should voter turnout among Palestinians rise to 65–70%, coupled with the formation of a unified Arab list encompassing all Arab parties, it is unlikely that any political bloc would be able to secure a governing majority. In such a context, two main scenarios are plausible: either new elections would be called, or the opposition would seek to form an alternative government with the support of Arab Knesset members, either through formal coalition participation or external parliamentary backing.
5. The government is expected to continue advancing legislation that reconfigures the balance of power among the three branches of government, while also pursuing additional laws as part of its broader effort to reshape the core features of the political system.

Second: Demographic Indicators

The Israeli Central Bureau of Statistics (CBS) estimated that the population of Israel at the end of 2025 reached about 10.177 million, of whom 7.297 million were Jews, accounting for 71.7% of the total. This compares with about 10.055 million at the end of 2024, including 7.23 million Jews, or 71.9%. By contrast, the Arab population, including residents of East Jerusalem and the Golan Heights, was estimated in 2025 at about 2.147 million, up from about 2.104 million in 2024, representing 21.1% of the population (see table 3/5). If the residents of East Jerusalem (about 405 thousand)[31] and the Golan Heights (about 25 thousand) are excluded, the Palestinian population of the 1948 occupied territories falls to about 1.717 million in 2025, or about 16.9% of the total.

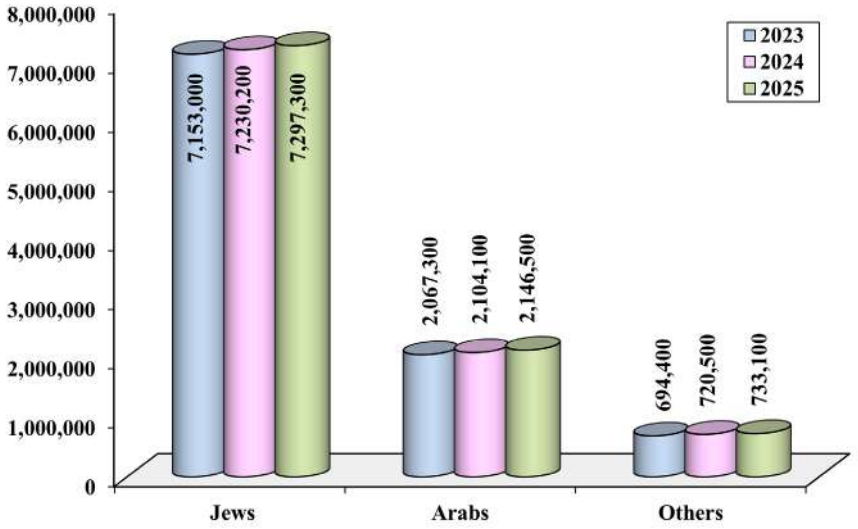
In 2025, the CBS classified about 733 thousand people as "others," or 7.2%, compared to about 721 thousand in 2024. These "others" are mostly immigrants from Russia, the former Soviet Union and Eastern Europe who are not recognized as Jews, identify Judaism as a nationality rather than a religious affiliation, or who are non-Jews or non-Arab Christians.

According to the CBS, Jerusalem is the largest city in "Israel" (occupied Palestine), and its population represents 10.4% of the total population in Israel. The population of Jerusalem at the end of 2024 was about 1.046 million, including about 595.3 thousand Jewish settlers and about 399.6 thousand Palestinians, or about 38.2%, and about 51.4 thousand foreigners.[32] According to Israeli estimates, the number of Jewish settlers in WB, including East Jerusalem, is about 845 thousand settlers in 2023 compared to about 800 thousand in 2021. The WestBankJewishPopulationStats.com indicates that the growth rate of settlers rose to 2.5% in 2022 and 3% in 2023. On this basis, and assuming comparable growth over the subsequent two years, the settler population is projected to reach about 896 thousand in 2025. In comparison, ARIJ estimates the settler population at about 870 thousand at the end of 2024.[33]

Table 3/5: Population of Israel – Selected Years[34]

Year	Total	Jews	Arabs (including East Jerusalem and Golan)	Others
2005	6,990,700	5,313,800	1,377,100	299,800
2010	7,695,100	5,802,400	1,573,100	319,600
2015	8,463,400	6,334,500	1,757,800	371,100
2020	9,289,800	6,873,900	1,957,300	458,600
2021	9,453,000	6,982,600	1,997,800	472,500
2022	9,662,000	7,101,400	2,038,800	521,900
2023	9,914,700	7,153,000	2,067,300	694,400
2024	10,054,800	7,230,200	2,104,100	720,500
2025	10,176,900	7,297,300	2,146,500	733,100

Population of Israel 2023–2025



In January 2025, a report by the Taub Center for Social Policy Studies in Israel indicated that the Jewish population growth rate in Israel declined, for the first time, to below 1%, reaching about 0.9% in 2025. Alex Weinreb, Director of Research at the Center, attributed this trend to rising mortality, declining immigration, and lower fertility rates.[35] According to CBS, the overall population growth rate in Israel stood at about 1.21% in 2025. This included a growth rate of about 0.9% among Jews, compared with about 2.02% among Arabs, including residents of East Jerusalem and the Golan Heights (see table 3/5).

According to 2025 statistics of the CBS and the Jewish Virtual Library, the average life expectancy in Israel reached 81.4 years for men and 85.5 years for women, reflecting a continued increase over previous years. Accordingly, Israel ranks fourth globally in life expectancy, after Switzerland, Japan and Spain. Of the Jewish population, 42.7% of Jews self-identify as secular, 33.5% as traditional, 12% as religious, and 11.4% as ultra-Orthodox.[36]

As for fertility rates, in 2024 the rate among Jewish women living in Israel and WB settlements stood at 3.06 children per woman, while among Muslim women it reached 2.75, bringing the overall fertility rate in Israel to about 2.86. This rate has, however, followed a downward trajectory in recent years, declining from 3.17 children per woman in 2018 to 3.03 in 2022. Notably, most of this decrease has been concentrated in the Arab population, particularly among Sunni Muslims (from 3.2 to 2.91), Druze (from 2.16 to 1.85), and Christians (from 2.06 to 1.68). It is also noteworthy that 2018 marked the first-time fertility among Jewish women surpassed that of Arab women.[37]

1948 Palestinians

It should be noted that Israeli statistics include Palestinians from East Jerusalem and the Golan Heights with the 1948 Palestinians; and this should be taken into consideration. As for the religious distribution of the 1948 Palestinians, as of the end of 2024, there are about 1.816 million Muslims (Sunnis) (86%), about 153 thousand Druze (7.2%) and about 143 thousand Christians (6.8%).[38]

The 1948 Palestinian community has endured significant hardships due to the spread of crime, organized crime and the proliferation of unlicensed weapons. They have also faced challenges from the inaction of responsible authorities and the collusion of the Israeli police with criminal gangs, in what appears to be part of

an undeclared Israeli effort to generate an expulsive environment for Palestinians. Furthermore, since the formation of the far-right Israeli government at the end of 2022, rates of homicide, violence and criminal activity have risen sharply and without precedent within the Arab Palestinian community in Israel. According to the 2025 annual report of the Aman Center – The Arab Center for Safe Society, the number of victims of violence and crime in Arab society reached 267, amounting to a homicide every 33 hours. This represents an unprecedented peak since 1948, compared with 239 victims recorded in 2024. Moreover, about three-quarters of the victims were aged between 18 and 39. The report also shows that 91.6% were male, while 54.8% of the incidents occurred during daytime hours, thereby underscoring the increasingly public and overt nature of violent crime.[39]

In parallel, incitement within Israeli circles against Palestinians of 1948, and against Palestinians more broadly, has risen to alarming levels. According to the Racism and Incitement Index 2024, which monitors Hebrew-language public online discourse and was published by 7amleh - The Arab Center for the Advancement of Social Media in March 2025, more than 12 million inciting and violent posts in Hebrew were documented, particularly on the platforms X and Facebook, at an average of 23.6 posts per minute. Furthermore, the Racism and Incitement Index 2023 documented "over 10 million instances of violent content in Hebrew across three major social media platforms. Notably, three-quarters of this troubling content was found on X (formerly Twitter)."[40]

Among the most notable policies pursued by the Israeli government has been the expanding distribution of firearms among Jewish Israelis. Data reported by *Haaretz* newspaper indicate that the number of gun permits in Israel reached 329,827 in March 2025, up from 172,384 prior to October 2023. "There are also the guns held by members of the security forces and the tens of thousands held by security guards, who have permits." Furthermore, between January 2024 and March 2025, a total of 121,732 gun permits were issued, compared with 54,984 in 2023 (including 19,822 granted following Operation al-Aqsa Flood). By contrast, the number of licenses issued in 2022 stood at 12,907, highlighting the sharp acceleration in civilian armament.[41]

Jewish Immigration

According to CBS, 20,734 immigrants arrived in Israel in 2025, compared with 31,068 in 2024 and 46,069 in 2023, thus reflecting a marked decline in the

aftermath of Operation al-Aqsa Flood and the erosion of the Israeli community's sense of security and stability. This downturn follows a notable surge in Jewish immigration, which reached 74,807 arrivals in 2022, largely driven by the migration of Russian and Ukrainian Jews amid the ongoing war there (see table 4/5). By contrast, the Jewish Virtual Library and the Ministry of Immigration reported about 21,900 arrivals in Israel in 2025.[42]

Official Israeli statistics indicate that the cumulative number of immigrants to Israel since its establishment in 1948 has reached about 3.4 million,[43] of whom 46.2% arrived following the collapse of the Soviet Union in 1990.[44] These figures point to relative stability in immigration rates during 2005–2023; however, they remain significantly lower than those recorded in the final decade of the twentieth century, after the main Jewish demographic reservoirs willing to migrate at scale were largely exhausted, and as diaspora Jewish populations became concentrated in advanced economies in North America and Europe, where incentives for large-scale emigration are limited.

There is also significant Israeli secrecy surrounding Jewish reverse migration from Israel abroad. Available indicators suggest that about 550 thousand people emigrated during the first six months of Operation al-Aqsa Flood, alongside a growing willingness among large segments of the Jewish population to leave Israel if circumstances allow.[45] Furthermore, according to CBS data, which should be treated with caution given Israeli policies that obscure actual emigration figures, about 83 thousand people left Israel in 2024, followed by about 69 thousand in 2025.[46] In addition, CBS recorded a net migration deficit of about 50.3 thousand in 2025.[47]

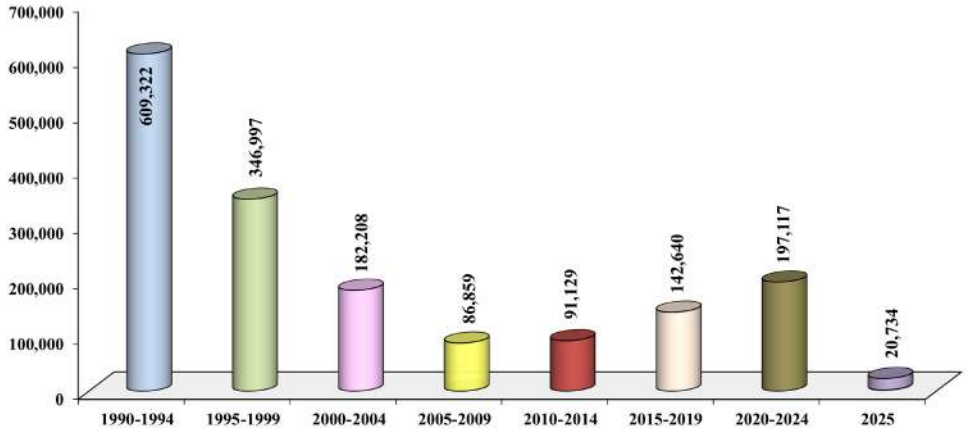
Table 4/5: Number of Jewish Immigrants to Israel 1990–2025[48]

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	2015–2019	2020	2021	2022	2023	2024	2025	Total
No. of Immigrants	142,640	19,676	25,497	74,807	46,069	31,068	20,734	**1,677,006**

The following chart shows the evolution of the number of Jewish immigrants to Israel for every five-year period from 1990–2024, except for 2025.

Number of Jewish Immigrants to Israel 1990–2025



World Jewish Population

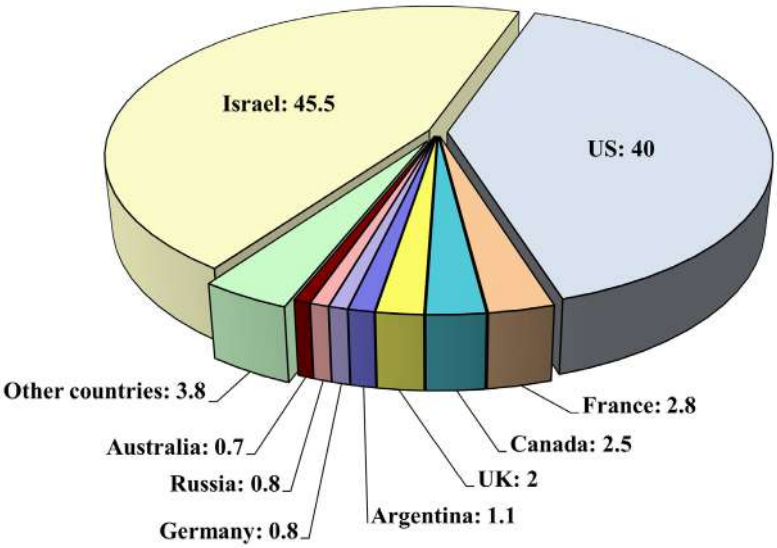
The world Jewish population was estimated at about 15.737 million in 2024, the vast majority of whom reside in the US and Israel, according to demographer Sergio DellaPergola. This estimate reflects a downward revision compared with 2022–2023 figures, following the adoption of revised criteria for determining residency in Israel and abroad. In 2024, about 7.15 million Jews lived in Israel, accounting for 45.5% of the global total, while the US accounted for about 6.3 million (40%). The remainder was distributed across France, Canada, the UK, and other countries (see table 5/5). Moreover, about 27 thousand Jews reside in countries with Muslim majorities, including about 15 thousand in Türkiye, 9 thousand in Iran, and about two thousand in Morocco.[49]

There is, however, divergence among specialized Jewish sources in estimating the size of the Jewish population, a variation that is primarily attributable to the definitional ambiguity of who qualifies as Jewish. Nevertheless, such discrepancies do not alter the broader demographic picture, namely a relatively small global population that is highly concentrated, by more than 85%, in two countries, alongside generally slow population growth.

Table 5/5: World Jewish Population by Country 2024[50]

Country	Israel	US	France	Canada	UK	Argentina	Germany	Russia	Australia	Other countries	Total
Estimates (thousands)	7,153	6,300	439	400	313	170	125	123	117	596.8	**15,736.8**
Percentage (%)	45.5	40	2.8	2.5	2	1.1	0.8	0.8	0.7	3.8	**100**

World Jewish Population by Country 2024 (%)



Third: Economic Indicators

Israel's economy is generally characterized by relatively advanced levels of development compared with prevailing living standards and economic conditions across the Middle East. However, this position relies in part on the exploitation of Palestinian land, resources and people, in addition to benefiting from US support and influence in Western countries. Moreover, it has drawn advantage from the absence of formal Arab security threats and from normalization with several Arab states. However, Operation al-Aqsa Flood has had adverse repercussions on the Israeli economy, undermining its prior stability and sense of security. Consequently, GDP growth has slowed, while public debt has increased and the fiscal deficit has

widened, driven by higher military and security expenditures and the mounting costs of war.

The repercussions of Operation al-Aqsa Flood have been clearly reflected in Israel's economic activity, leading to widespread business closures, capital flight and disruptions in key sectors, particularly tourism and maritime transport. According to a report by the Israeli outlet Wasla for Economy and Business, citing government data, about 60 thousand companies and small and medium-sized enterprises closed in 2024, marking a 50% increase compared with previous years.[51] Furthermore, in September 2024, Calcalist reported that major investors had transferred about $40 billion out of Israel since 7/10/2023.[52] Notably, the Norway Wealth Fund, the Danish Teachers' Pension Fund, and the Ireland Strategic Investment Fund (ISIF) were among the most prominent entities to withdraw investments. In addition, several countries—most notably Türkiye, Spain, the Netherlands and Ireland also withdrew their investments, among others.[53]

Inbound tourism declined by more than 70% in 2024 compared with 2023, and by over 80–90% relative to 2019, which is regarded as the peak year for tourism in Israel. In addition, official data from the Israel Hotel Association indicated a 58.5% drop in visitor numbers compared with 2023.[54] In a related logistical context, the Port of Eilat was severely affected by the Red Sea blockade, such that its annual revenues fell from about 240 million shekels (about $76 million) in 2023 to nearly zero in 2025, according to Ynet Global.[55]

GDP

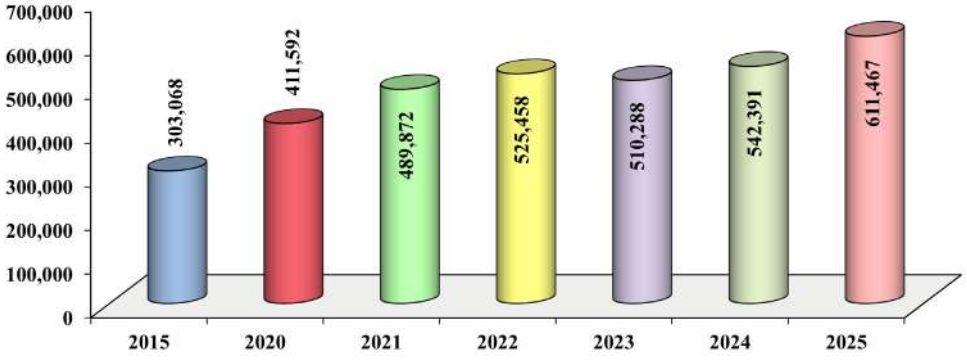
There is a structural problem in relying on official Israeli statistics to assess economic performance, given that data from CBS tend to present GDP in a positively framed manner, as though Israel were experiencing stable and steadily expanding economic conditions. However, this portrayal is not consistent with numerous Israeli reports highlighting the heavy costs of war, disruptions in tourism and broader economic activity, as well as capital flight and declining investment. Furthermore, a notable discrepancy emerges between CBS data and those of the Bank of Israel. While the latter reports GDP growth of 0.9% in 2023 and 1.8% in 2024, the CBS indicates growth of 6.7% in 2023 and 6.6% in 2024. Accordingly, these Israeli figures are presented here in the interest of academic accuracy; nevertheless, they should be treated with considerable caution.

The Israeli CBS estimated GDP at about 2,111 billion shekels (about $611 billion) in 2025, compared to about 2,006 billion shekels (about $542 billion) in 2024 and about 1,883 billion shekels (about $510 billion) in 2023. Accordingly, GDP growth in local currency terms reached 5.2% in 2025, 6.6% in 2024 and 6.7% in 2023. However, when measured in dollar terms and taking into account fluctuations in the shekel exchange rate, growth stood at 12.7% in 2025 and 6.3% in 2024, while it declined by 2.9% in 2023 compared to the preceding year (see table 6/5).

Table 6/5: Israeli GDP 2015 and 2020–2025 at Current Prices[56]

Year	GDP (million shekels)	GDP ($ million)	Shekel exchange rate (according to Bank of Israel)
2015	1,177,086	303,068	3.8839
2020	1,414,517	411,592	3.4367
2021	1,581,943	489,872	3.2293
2022	1,764,332	525,458	3.3577
2023	1,882,809	510,288	3.6897
2024	2,006,304	542,391	3.699
2025	2,111,333	611,467	3.4529

Israeli GDP 2015 and 2020–2025 at Current Prices ($ million)



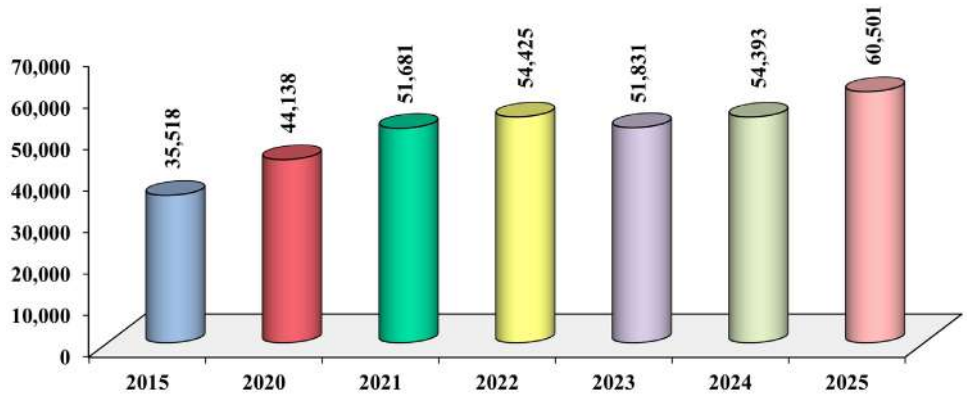
GDP per Capita

The statistics indicate that Israel's GDP per capita in 2025 reached about 208,904 shekels (about $61 thousand), compared with about 201,200 shekels (about $54 thousand) in 2024 and 191,241 shekels (about $52 thousand) in 2023. Accordingly, growth in local currency terms stood at 3.8% in 2025, 5.2% in 2024, and 4.7% in 2023. However, when measured in dollar terms, and due to fluctuations in the shekel–dollar exchange rate, the trend differs: GDP per capita rose by 11.2% in 2025 and by 4.9% in 2024, while it declined by 4.8% in 2023 compared with the preceding year. Hence, caution is warranted when drawing firm conclusions, as relying solely on local currency figures is insufficient without accounting for exchange-rate volatility against the dollar (see table 7/5).

Table 7/5: Israeli GDP per Capita 2015 and 2020–2025 at Current Prices[57]

Year	GDP per capita (shekels)	GDP per capita ($)
2015	137,948	35,518
2020	151,689	44,138
2021	166,895	51,681
2022	182,743	54,425
2023	191,241	51,831
2024	201,200	54,393
2025	208,904	60,501

Israeli GDP per Capita 2015 and 2020–2025 at Current Prices ($)



Poverty Indicators

The 2025 annual poverty report issued by the Israeli organization Latet indicated that, according to NII, the poverty line stands at about $1,293 per person per month. It further estimated that about 870 thousand families (26.9%) in Israel were experiencing food insecurity, reflecting an increase of 27.5% compared with 2024. Moreover, 91.1% of elderly aid recipients were unable to afford the home care or assistance they require. In addition, in 41% of assisted families, at least one child was compelled to enter the labor market. Notably, about 24.3% of aid recipients began seeking food assistance following Operation al-Aqsa Flood.[58]

Meanwhile, the annual poverty report issued by the NII in January 2026 set the poverty line for 2024 at 3,547 shekels (about $1,130). It indicated that about two million individuals in Israel live below the poverty line, including about 880 thousand children and about 159 thousand elderly persons, corresponding to poverty rates of 20.7% among individuals and 20% among households. Moreover, the report found that poverty rate reached 37.6% among Arabs, compared with 32.8% among non-Haredi Jews.[59]

Israeli Government Budget

Figure from the Israeli Ministry of Finance indicate that the original budget for 2025 was set at about $179.3 billion; however, cumulative payment rose to about $188.4 billion, with the revised budget likewise standing at about $197.6 billion. By comparison, cumulative payment in 2024 reached about $167.9 billion, whereas the revised budget stood at about $176.2 billion.[60]

Moreover, Ministry of Finance figures show that Ministry of Defense expenditures amounted to about $47.9 billion in 2025, compared with about $45.6 billion in 2024. This represents an increase of about $23 billion over the originally approved defense budget for 2024, largely driven by Operation al-Aqsa Flood and the war on GS.[61]

By contrast, total cumulative receipts in 2025 amounted to about $159.8 billion, compared with about $131.1 billion in 2024 (see table 8/5). Ministry data further indicate that a substantial share of these receipts was generated from income tax, which reached about $87.7 billion in 2025, up from about $69 billion in 2024, within the overall revenue total in each year.[62]

Table 8/5: Budget Performance of Israeli Government Receipts and Payments 2023–2025, According to Ministry of Finance ($ million)[63]

	2023		2024		2025	
	Original budget	Cumulative receipts and payments	Original budget	Cumulative receipts and payments	Original budget	Cumulative receipts and payments
Receipts grand total*	126,616	118,871	134,664	131,109	149,752	159,831
Payments grand total**	131,192	139,869	138,686	167,924	179,259	188,387
Deficit (cumulative) (%)	–17.7		–28.1		–17.9	

* Total receipts exclude loan principal repayments.

**Total payments exclude lending / granted loans.

According to CBS, the approved total payments in the approved budget for 2024 amounted to 736.342 billion shekels (about $199.1 billion), whereas total budget performance reached about 706.2 billion shekels (about $191.4 billion) in 2023.[64]

The budget is distributed across three main components. First, the Ordinary Budget covers expenditures related to the presidency, the prime minister's office, ministries, and related administrative bodies. Second, there is the development budget alongside debt repayment. Third, the budget allocated to business enterprises. From the 2023 budget performance, the Ordinary Budget amounted to about 497.731 billion shekels (about $134.9 billion). Within this, defense spending reached 100.773 billion shekels (about $27.3 billion), while public security accounted for 23.705 billion shekels (about $6.4 billion). Human capital-related expenditure stood at 98.295 billion shekels (about $26.6 billion) for education, 77.754 billion shekels (about $21.1 billion) for social welfare, and 55.397 billion shekels (about $15 billion) for health. Notably, debt repayment represented a significant fiscal burden, absorbing 105.471 billion shekels (about $28.6 billion) in 2023, compared with 126.565 billion shekels (about $37.69 billion) in 2022, reflecting substantial fiscal rigidities in the expenditure structure.[65]

In contrast, total receipts for 2023 was 711.879 billion shekels (about $192.9 billion), compared to 655.07 billion shekels (about $195.1 billion) in 2022. Much of this revenue comes from income tax (207.2 billion shekels, about

$56.2 billion) and value-added tax (121.03 billion shekels, about $32.8 billion) as outlined in the 2023 budget performance.[66]

There may be some discrepancies and confusion among researchers due to the varying statistics and figures issued by Israeli official bodies. This is often because of the lack of precise definitions for terms such as the grand total budget or the regular budget; and the budget approved by the government, the budget approved by the Knesset and the actual updated budget of revenues and expenditures at the end of the fiscal year.

According to the Bank of Israel, the public debt rose to about 68% of GDP, compared with 62% at the end of 2023. Moreover, military and security expenditures, along with civilian needs, increased significantly; consequently, the 2024 budget was revised three times during the year. The additional spending was financed primarily through a widening deficit, which reached about 6.8% of GDP in 2024.[67]

According to the Israeli Ministry of Finance, the budget deficit in 2025 reached 4.7% of GDP, despite a 13.8% increase in revenues.[68] Meanwhile, the "State of the Nation 2025" report by the Taub Center for Social Policy Studies in Israel indicates that the debt-to-GDP ratio to 70%, largely driven by the sharp increase in military expenditure during the war.[69] In this context, war spending on the GS amounted to about 91 billion shekels ($28.9 billion) in 2025, excluding compensation. Since 7/10/2023, total war expenditures have reached about 232.4 billion shekels ($73.8 billion), in addition to about 33 billion shekels ($10.5 billion) allocated as compensation for Israelis killed in the 7 October attack, according to the Ministry of Finance. By contrast, the Bank of Israel estimated the overall cost of the war at about $100 billion.[70]

The Governor of the Bank of Israel, Amir Yaron, warned in his testimony before the Knesset Finance Committee at the beginning of 2026 of direct fiscal risks should the Knesset adopt the prime minister's proposal to add about $100 billion to the defense budget over the coming decade, as this would raise the debt-to-GDP ratio to 80%.[71]

Furthermore, the general budget for 2026 is expected to reach about 662 billion shekels ($206 billion), with a deficit ceiling of 3.9% of GDP. Notably, defense spending is projected to increase significantly to 112 billion shekels ($35 billion), reflecting an increase of 47 billion shekels ($15 billion) compared to the 2023 budget prior to the outbreak of the war on GS.[72]

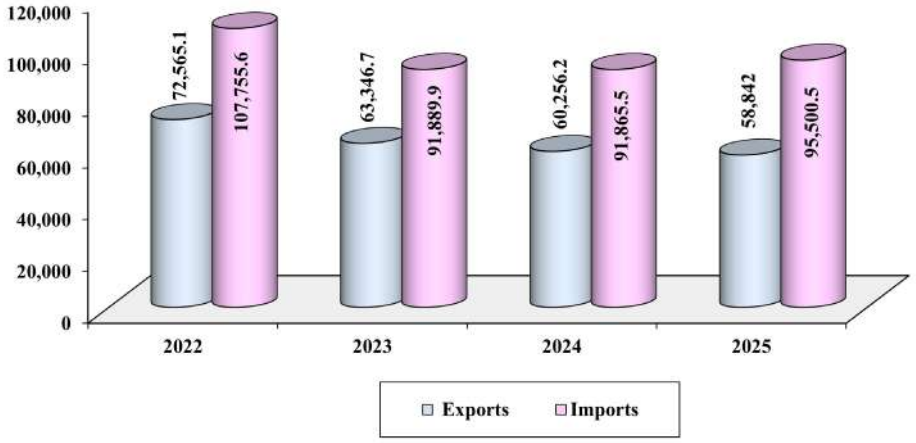
Exports and Imports

In 2025, Israeli exports totaled $58.8 billion, down from $60.3 billion in 2024 and $63.3 billion in 2023, representing a 2.3% decline in 2025 following a 4.9% decrease in 2024. By contrast, imports in 2025 reached $95.5 billion, up from $91.87 billion in 2024 and $91.89 billion in 2023, reflecting a 3.96% increase in 2025, after a marginal decline of 0.03% in 2024 (see table 9/5). It should be noted that these figures exclude foreign trade in services for both imports and exports, and that the percentages are calculated in US dollars rather than shekels.

Table 9/5: Total Israeli Exports and Imports 2022–2025 at Current Prices[73]

		Exports	Imports	Deficit (%)
2022	**Million shekels**	243,749.8	361,801.4	–48.4
	$ Million	72,565.1	107,755.6	
2023	**Million shekels**	233,296.1	338,155.2	–45.1
	$ Million	63,346.7	91,889.9	
2024	**Million shekels**	222,829.3	339,585.5	–52.5
	$ Million	60,256.2	91,865.5	
2025	**Million shekels**	202,885	329,123.6	–62.3
	$ Million	58,842	95,500.5	

Total Israeli Exports and Imports 2022–2025 at Current Prices ($ million)



The US continues to hold its established position as Israel's leading trading partner. In 2025, Israeli exports to the US reached about $16.15 billion, accounting for 27.4% of total exports, compared with about $17.12 billion in 2024 (28.4% of all Israeli exports). Meanwhile, imports from the US amounted to about $9.5 billion in 2025, representing 9.98% of total Israeli imports, compared with about $9.2 billion in 2024, or 10%. In this context, Israel continues to partially offset its broader trade deficits through a sustained surplus with the US, which stood at about $6.6 billion in 2025 and $7.9 billion in 2024, thereby providing a significant buffer for the Israeli economy (see table 10/5).

China ranked as Israel's second-largest trading partner. Israeli exports to China stood at about $2.81 billion in 2025, compared with about $2.83 billion in 2024, whereas imports from China rose to about $14.7 billion in 2025 from about $13.5 billion in 2024. Germany ranked third, with total trade reaching about $9.5 billion in 2025, up from about $8.68 billion in 2024. Meanwhile, the Netherlands and Switzerland occupied fourth and fifth positions in 2025, with trade volumes of about $6.8 billion and $5.9 billion respectively. In parallel, Hong Kong advanced from twelfth place in 2023 to sixth place in both 2024 and 2025, recording trade of about $5.8 billion and $5.1 billion respectively (see table 10/5).

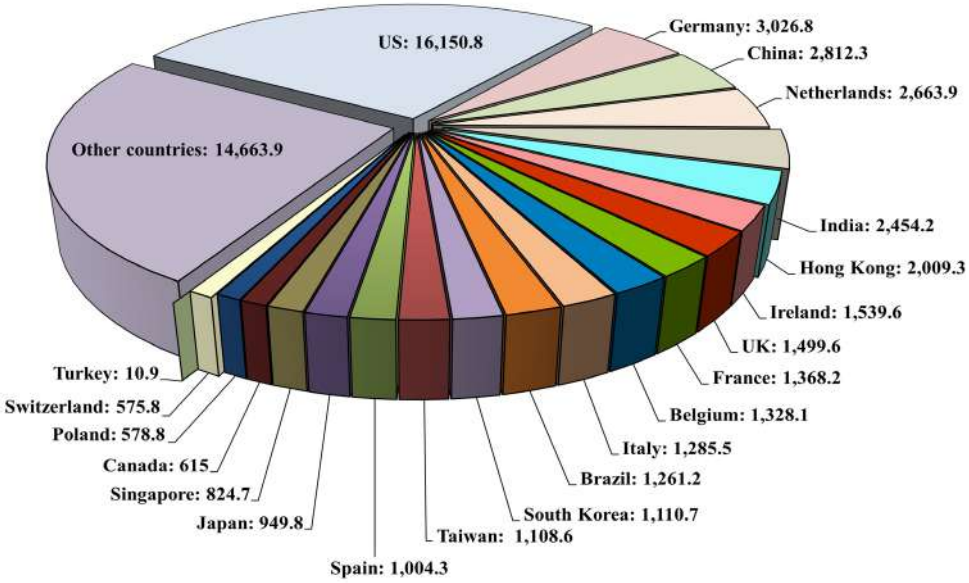
Türkiye, meanwhile, declined from fifth place in 2023 to 23rd place, as the volume of trade fell to about $935 million in 2025, down from about $6.2 billion in 2023. This sharp contraction reflects Türkiye's measures to suspend trade relations with Israel in response to its war on GS (see table 10/5).

In addition, the main destinations for Israeli exports in 2025 included India ($2.45 billion), Ireland ($1.54 billion), UK ($1.5 billion), and France ($1.4 billion), alongside Belgium and Italy. Conversely, Israel's key import sources in 2025 were Italy ($3.8 billion), Belgium ($2.98 billion), UK ($2.87 billion), South Korea ($2.77 billion), France ($2.58 billion), Ireland ($2.4 billion) and India ($1.84 billion) (see table 10/5).

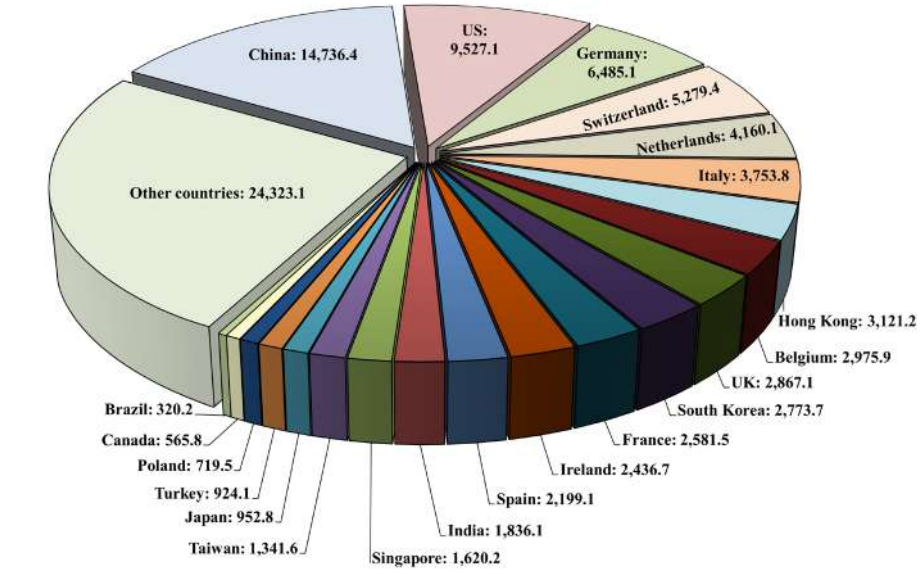
Table 10/5: Volume of Israeli Trade, Exports and Imports with Selected Countries 2024–2025 at Current Prices ($ million)[74]

	Countries	Trade Volume		Israeli exports to:		Israeli imports from:	
		2025	2024	2025	2024	2025	2024
1	US	25,677.9	26,348.3	16,150.8	17,122.4	9,527.1	9,225.9
2	China	17,548.7	16,360.5	2,812.3	2,831.4	14,736.4	13,529.1
3	Germany	9,511.9	8,676.8	3,026.8	2,277.7	6,485.1	6,399.1
4	Netherlands	6,824	6,486.8	2,663.9	2,702	4,160.1	3,784.8
5	Switzerland	5,855.2	5,185.5	575.8	612.5	5,279.4	4,573
6	Hong Kong	5,130.5	5,833.5	2,009.3	1,984.7	3,121.2	2,848.8
7	Italy	5,039.3	4,633.3	1,285.5	1,183.6	3,753.8	3,449.7
8	UK	4,366.7	4,126	1,499.6	1,527.9	2,867.1	2,598.1
9	Belgium	4,304	4,767.9	1,328.1	1,484.2	2,975.9	3,283.7
10	India	4,290.3	3,901.4	2,454.2	2,211.9	1,836.1	1,689.5
11	Ireland	3,976.3	5,472.1	1,539.6	3,242.6	2,436.7	2,229.5
12	France	3,949.7	4,025.1	1,368.2	1,391	2,581.5	2,634.1
13	South Korea	3,884.4	3,442.2	1,110.7	883.7	2,773.7	2,558.5
14	Spain	3,203.4	3,087.3	1,004.3	941.1	2,199.1	2,146.2
15	Taiwan	2,450.2	2,092.7	1,108.6	946.4	1,341.6	1,146.3
16	Singapore	2,444.9	2,315	824.7	735.5	1,620.2	1,579.5
17	Japan	1,902.6	2,060	949.8	863.8	952.8	1,196.2
18	Brazil	1,581.4	1,602.4	1,261.2	1,147.6	320.2	454.8
19	Poland	1,298.3	981.3	578.8	371.2	719.5	610.1
20	Canada	1,180.8	993.8	615	554.5	565.8	439.3
23	Türkiye	935	2,617.7	10.9	598.6	924.1	2,019.1
Other countries		38,987	37,112.1	14,663.9	14,641.9	24,323.1	23,470.2
Total		**154,342.5**	**152,121.7**	**58,842**	**60,256.2**	**95,500.5**	**91,865.5**

Israeli Exports to Selected Countries 2025 at Current Prices ($ million)



Israeli Imports from Selected Countries 2025 at Current Prices ($ million)



Manufacturing, mining, and quarrying topped the list of Israeli exports for 2024 and 2025, accounting for 94.3% and 94.5% respectively. Israel's net diamond exports amounted to 4.2% in 2024 and 3.6% in 2025, down from 7.7% in 2022, indicating a marked decline in the diamond trade in recent years. Agricultural exports and those relating to forestry and fishing totaled 2.3% and 2.7% in 2024 and 2025 respectively (see table 11/5). The breakdown of industrial exports by technological intensity, high-tech industries accounted for 40.8% of all such exports in 2024, while medium-tech industries accounting for 51.7%, and low-tech industries for 7.5%.[75]

Table 11/5: Israeli Exports by Commodity Group 2022–2025 ($ million)[76]

Year	Agriculture, forestry and fishing	Manufacturing, mining & quarrying excl. working diamonds	Working of diamonds & Wholesale of diamonds	Other	Discarded exports	Total
2022	1,091.7	60,592.2	5,149.1	0.4	–348.5	**66,484.8**
2023	1,336.6	55,249.8	2,983.5	0.4	–383	**59,187.3**
2024	1,310.9	53,422.6	2,370.6	0.1	–478.5	**56,625.7**
2025	1,502.2	53,151.3	2,024.7	0.1	–452.2	**56,226.3**

As for Israeli imports, raw materials topped the list in 2024 and 2025, accounting for 43.5% and 45% respectively. Fuel imports amounted to 10.2% in 2024 and 8.3% in 2025. Consumer goods represented 27.3% and 27.8%, while investment goods accounted for 15.7% and 16.3% in the same years. Diamond imports were about 2.5% and 2.1% in 2024 and 2025 respectively (see table 12/5).

Table 12/5: Israeli Imports by Commodity Group 2022–2025 ($ million)[77]

Year	Consumer goods	Raw materials	Investment materials	Fuel	Polished and rough diamonds	Other	Total
2022	25,363.7	45,744.1	14,235.3	14,461.5	5,061.8	1,459.6	**106,326**
2023	22,747.4	38,999.8	14,034.1	10,753.1	3,274.2	658.1	**90,466.7**
2024	24,832.1	39,616.1	14,302.3	9,306.7	2,301.8	619.6	**90,978.6**
2025	26,344.3	42,634.4	15,429.9	7,869.9	2,023.8	540.6	**94,842.9**

US Support

Although Israel is considered a wealthy and developed country, it continues to receive a US annual assistance. Since 2018, this support has increased by about $700 million annually, reaching $3.8 billion per year, of which $3.3 billion allocated for military grants.

Since Operation al-Aqsa Flood, the US Congress has provided emergency supplemental military assistance to Israel and appropriated funding beyond the annual Memorandum of Understanding (MOU) terms for joint US-Israeli missile defense programs. In April 2024, Congress appropriated $3.5 billion in Foreign Military Financing (FMF) for Israel and $5.2 billion in defense appropriations for missile defense ($4 billion) and Israel's new laser defense system, Iron Beam ($1.2 billion).[78]

In May 2025, the Congressional Research Service (CRS) reported that the Full-Year Continuing Appropriations and Extensions Act, 2025, specified FY2025 FMF for Off-Shore Procurement for Israel (per the terms of the MOU) at $450.3 million. Moreover, it reauthorized loan guarantees to Israel through 2030; and reauthorized annual monetary caps for US additions to the War Reserve Stockpile for Allies program, including the stockpile in Israel, through FY2027 (at $500 million per year). In addition, the Act provides FMF to Israel ($3.3 billion).[79]

In spring 2025, the Department of Defense released the Base for Reprogramming Actions report, which contained $500 million in missile defense for Israel, $47.5 million for the US-Israeli anti-tunneling program, $55 million for the US-Israeli counter-unmanned aerial systems program (drones), and $20 million for "emerging technologies" cooperation.[80]

Accordingly, total US support provided to Israel over the period 1949–2025 amounts to about $170.79 billion, as reported by CRS.[81]

According to estimates by Brown University, Israel received exceptional US support during its war on GS (October 2023–September 2025), amounting to about $21.7 billion. In addition, the US spent between $9.65 billion and $12.07 billion to assist Israel against its adversaries in its wider region.[82] This underscores the strategic alliance between the two parties and indicates that the US regards Israel as a cornerstone of its policy in the Arab region, or the Middle East. Moreover, US financial and military support proved decisive in the Israeli war on GS.

Table 13/5: US Foreign Aid to Israel 1949–2025 ($ million)[83]

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	2009–2018	2019	2020	2021	2022	2023	2024	2025	Grand total
Total	30,878.2	3,800	3,800	3,800	4,800	3,800	12,500	3,800	**170,792.6**

Fourth: Military Indicators

Since its establishment, Israel's security doctrine has been structured around three core pillars: deterrence, early warning, and rapid decisive victory on the adversary's territory, while compensating for limited geographic depth through qualitative and technological superiority as well as external support. However, the war on GS since 7/10/2023 has subjected these foundations to severe stress, exposing significant vulnerabilities in intelligence assessment, force readiness, and coordination between the political and military echelons. In this regard, the repercussions of the war have been reflected in the Israeli military, particularly through a reassessment of combat doctrine, alongside reinforcement of ground forces and reserves and the expansion of preparations for multi-front warfare. At the same time, it has triggered a wave of resignations and reshuffles within senior military ranks, followed by new appointments aimed at restructuring the command hierarchy and reallocating responsibility. Furthermore, the war has resulted in an unprecedented rise in the military budget and accelerated armament and modernization programs, including air defense systems, precision-guided munitions, and manpower development. Collectively, these shifts indicate a comprehensive rethinking of national security doctrine and the instruments through which it is operationalized.

1. Appointments and Structural Changes

The Israeli military's failure to counter Operation al-Aqsa Flood, together with its inability to achieve decisive results or fully occupy GS during the subsequent offensive, was clearly reflected in a series of senior military appointments and reshuffles throughout 2024–2025.

In parallel, significant rifts emerged between the military and political leadership, particularly over the management and continuation of the war in GS. These tensions were further reinforced by a marked decline in mutual trust. On several occasions, the military establishment recommended ending the war and advancing a prisoner exchange deal, warning that its prolongation without a clear timeline or political exit strategy would erode the military gains achieved. This position was supported by then Minister of Defense Yoav Gallant, who also called for the establishment of a formal commission of inquiry into the failures surrounding Operation al-Aqsa Flood, as well as for advancing the conscription of Haredi Jews. Ultimately, these positions contributed to his dismissal on 5/11/2024 and the appointment of Israel Katz in his place.[84]

In this context of escalating political and military tensions, and in light of the repercussions of Operation al-Aqsa Flood, Herzi Halevi concluded his tenure as Chief of General Staff on 6/3/2025[85] and was succeeded by Eyal Zamir, in a move widely interpreted as reflecting an effort by the political leadership to tighten its control over the military establishment.[86]

Subsequently, Halevi's resignation was followed by a series of departures within the senior military command. Most notably, the commander of the Southern Command, Major General Yaron Finkelman, submitted his resignation,[87] while earlier Amir Baram, the deputy Chief of General Staff, had also stepped down.[88]

Moreover, during Halevi's tenure, the military leadership underwent an unprecedented reshuffle of senior positions in the aftermath of Operation al-Aqsa Flood. On 4/3/2024, a new commander was appointed for the Multidimensional "Ghost" Unit, replacing Colonel Roi Levy, who was killed during the operation. In parallel, new commanders were appointed for the Golani Brigade and Gaza Division's Southern Brigade (Katif). This restructuring involved three brigadier generals, 11 colonels and a further 26 colonels who were only moving positions at the same rank.[89]

On 2/5/2024, the Israeli army announced the appointment of Brigadier General Shlomi Binder as head of the Military Intelligence Directorate (Aman), succeeding Aharon Haliva, who had resigned following the failure to counter Operation al-Aqsa Flood,. Furthermore, Brigadier General Avi Bluth was appointed head of Central Command, replacing Major General Yehuda Fox, while Brigadier General

Dan Goldfus was designated commander of the Northern Corps, succeeding Brigadier General Uri Gordin.[90]

The day following Zamir's appointment, the Israeli army announced dozens of changes and promotions within its command structure after more than three months of suspension, pursuant to an order issued by Katz. These measures included the appointment of Brigadier General Ehud Tzur to head the central command headquarters within the Training and Doctrine Command, as well as the designation of Major General Tamir Yadai as Deputy Chief of General Staff.[91] In addition, Colonel Efrat Kaikov was appointed commander of the 213th Artillery Brigade. Furthermore, Colonel Omri Mashiach was appointed commander of Gaza Division's Northern Brigade (Gefen), succeeding Colonel Haim Cohen, who resigned following failures associated with Operation al-Aqsa Flood.[92]

On 23/11/2025, Chief of General Staff Zamir dismissed several reserve force security chiefs on account of their failures during the events of Operation al-Aqsa Flood. This action was undertaken in accordance with the recommendations of Major General Sammy Turgeman's investigation, who had been mandated to review the inquiries conducted into the war.[93]

2. Manpower

The Israeli army comprises approximately 635 thousand personnel, including 170 thousand active personnel and 465 thousand reservists.[94] This reserve force is highly effective, capable of being mobilized within just four days.

Amid sustained attrition and mounting exhaustion within the Israeli army, driven by the protracted war on GS and its expansion to six additional fronts, the army confronted two principal challenges during 2024 and 2025. First, it faced a severe manpower shortage, estimated at about 12 thousand soldiers, including about 9 thousand combat soldiers and about 3 thousand in support roles.[95] Furthermore, the army, projected that about 30% of its senior commanders would leave service in 2026, while also anticipating that about 30% of reservists and career soldiers would not report to their units in the same year; those who do serve are expected to complete between 60 and 70 days of duty.[96] In addition, declining motivation among youth to join combat units has become increasingly evident, with Israeli reports indicating that more than 100 thousand Israelis have ceased reserve service, some citing "ethical" considerations.[97]

Internal Israeli army surveys conducted in 2025 indicate that only 63% of officers expressed interest in continuing military service, compared with 83% in 2018. Similarly, among non-commissioned officers, the rate declined to 37% in 2025 from 58% in 2018.[98]

This erosion in willingness and motivation is primarily linked to the absence of a clear timeframe for ending the war. Moreover, there is a growing perception that its continuation has become an end in itself for the government, with limited consideration of its physical, psychological and economic repercussions for soldiers.

Against the backdrop of this manpower crisis and declining motivation, the psychological impact of the war has become increasingly evident, particularly in the rising incidence of post-traumatic stress disorder (PTSD) among Israeli soldiers. Rates have increased by about 40% since 7/10/2023, while official projections indicate that this rise could reach about 180% by 2028. Moreover, the Israeli Ministry of Defense says that of the 22,300 troops or personnel being treated for war wounds, 60% suffer from PTSD.[99] In parallel, these psychological burdens are also reflected in a growing number of suicides within the army. Accordingly, 21 soldiers died by suicide in 2024[100] and 22 in 2025, compared with 17 cases in 2023.[101]

As for the second challenge, it concerns the conscription law for Haredi Jews, which has emerged as a central point of contention within Israeli society, particularly in light of the army's shortage equivalent to a full regular division,[102] including about 1,300 officers at the ranks of lieutenant and captain, as well as 300 majors.[103] This debate gains further significance given that the Haredim constitute about 14% of Israel's population, or about 1.3 million people, including roughly 66 thousand men of military age who are exempt from conscription.[104]

3. Military Plans and Trends

Reflecting a profound shift in Israeli military and security doctrine following Operation al-Aqsa Flood, the evolving strategic outlook signals a redefinition of future threats and responses. According to a report by The Jerusalem Institute for Strategy and Security (JISS), the recent war exposed the limits of relying exclusively on airpower and intelligence superiority, thereby reinstating the centrality of ground forces as a decisive component in protracted, multi-front

warfare. Consequently, Israel has moved to expand its army and reinforce both its regular and reserve ground forces. In parallel, the military establishment has been restructuring the air force and upgrading its capabilities to secure operational freedom in distant theatres, particularly in response to threats extending from GS to Lebanon and Iran.[105]

The new doctrine is grounded in the integration of advanced technologies and artificial intelligence (AI) as central tools for strengthening qualitative military superiority and deterrence. Within this framework, Israel consolidates the principles of early deterrence and pre-emptive strikes to neutralize emerging threats before they fully materialize, while simultaneously maintaining security control over adjacent arenas and deepening regional and international coordination. Overall, this approach reflects a strategic conviction that swift and decisive action is essential to preserving Israel's strategic edge in the coming years.[106]

In the aftermath of Operation al-Aqsa Flood and the war on GS, a report by INSS called for a comprehensive reassessment of national security concept and military readiness. It recommended strengthening military capabilities through increased investment, restoring the "readiness of the ground forces of the standing army and the reserves," and rebuilding ammunition stockpiles and training systems, while ensuring that the closure of ground units does not proceed without prior strategic review. In addition, the report urged a revision of the combat doctrine, particularly by reducing reliance on "alternatives to decisive victory," and instead reaffirming the need for decisive outcomes when required, alongside the renewed integration of "offensive ground maneuvers." At the defensive and early warning level, it called for preparedness against large-scale military threat scenarios, the reinforcement of homefront and border-area fortifications, and a recalibration of the balance between human and technological intelligence, including the revival of "open-source intelligence Hatzav Unit." Finally, it emphasized that deterrence should be assessed from the enemy's perspective rather than solely through Israel's own strategic assumptions.[107]

Following the conclusion of the "Tnufa" (Momentum) plan, Eyal Zamir unveiled, on 12/1/2026, a new multi-year framework titled "Hoshen," meaning in Hebrew the "a High Priest's breastplate." Covering the period from 2026 to 2030,

the plan is allocated about 350 billion shekels (about $111 billion). At its core, the multi-year plan is structured around "three pillars: readiness for war return to fitness and force-building for future challenges." Under those pillars, there are 12 core efforts that emphasize readiness for routine and surprise wars across all fronts, while also prioritizing the fortification of Israel's borders, in light of the lessons of Operation al-Aqsa Flood, on 7/10/2023. Furthermore, Zamir outlined two parallel efforts for 2026: "the operational use of force across all fronts and a comprehensive force-building drive."[108]

4. Military Maneuvers

Israeli military exercises during 2024 and 2025 reflected a structural shift in both scope and objectives. Rather than routine drills, they became integral to a broader reconfiguration of Israeli military doctrine following the security setback of 7/10/2023, and amid growing prospects of regional confrontation, particularly on the northern front. In this sense, the maneuvers increasingly indicated operational readiness for a multi-front war scenario.

Throughout 2024, military exercises on the northern front with Lebanon intensified markedly. In most cases, they simulated large-scale offensive operations on Lebanese territory, while simultaneously enhancing domestic front readiness. Operationally, these drills focused on the geographic belt adjacent to the Syrian Golan Heights, based on Israeli military assessments concerning the deployment of Hizbullah's Radwan forces in that area. Moreover, the training environments were designed to replicate terrain closely resembling that of southern Lebanon.[109]

On 10/9/2024, Defense Minister Yoav Gallant signaled a shift in the center of gravity toward the north, adding "we are nearing the completion of our missions in the south."[110] This phase of maneuvers was subsequently followed by a large-scale offensive against Lebanon, codenamed "Northern Arrows," conducted between 23/9–27/11/2024.[111]

In 2025, the army had shifted from drawing lessons from 7/10/2023 to testing comprehensive readiness for a multi-front regional war. Accordingly, military exercises were no longer confined to technical training; rather, they served to recalibrate Israel's operational concept and security doctrine.

A key feature of these exercises was the expansion of their geographic scope; drills were conducted simultaneously in the Mediterranean Sea, the occupied Syrian Golan, the Red Sea, WB, border areas with Lebanon, and North Africa. Notably, a joint aerial exercise with the US over the Mediterranean, involving advanced fighter jets, conveyed a direct deterrent message to Iran and underscored the depth of the bilateral military alliance.[112] Furthermore, 2025 marked the Israeli military's participation in the "African Lion" exercises in Morocco.[113]

Concurrently, as part of efforts to enhance military readiness, the 2025 exercises exhibited a higher degree of operational realism, particularly on the northern front.[114] This trend was further consolidated by the establishment of the "Little Lebanon" training facility in the northern Golan, intended to simulate urban combat in southern Lebanese towns in preparation for a potential direct confrontation with Hizbullah.[115]

In light of Israel's escalation on the northern front and its sustained threats toward Hizbullah and Iran, it is likely that in 2026 the Israeli military will transition from testing readiness to the selective application of force. This would likely involve high-intensity, limited operations, or, alternatively, the management of "controlled," or potentially broader, escalation aimed at redefining the rules of engagement within a multi-front war framework, while simultaneously intensifying regional and international exercises.

5. Armaments and Arms Trade

Israeli arms exports reached a record high in 2024; concurrently, the share of imports by Arab Gulf states that have normalized relations increased, notwithstanding the ongoing offensive on GS.

According to the Israeli Ministry of Defense, defense exports rose to about $14.8 billion in 2024, up from $13 billion in 2023. Moreover, the Ministry reported a fourth consecutive year of record-breaking defense agreements, noting that 56.8% of concluded deals were large-scale, each exceeding $100 million.[116]

According to the Stockholm International Peace Research Institute (SIPRI), Israel maintained its position as the world's eighth largest arms exporter, accounting for about 3.1% of global arms exports over the 2020–2024 period.[117]

Despite international calls in several countries for boycott and isolation, imports of Israeli weaponry continued across multiple regions. In this context, Europe accounted for about 54% of these exports in 2024, up from 35% in 2023, followed by the Asia-Pacific region at 23%. Moreover, the Ministry of Defense reported that arms sales to countries under the Abraham Accords framework, namely the United Arab Emirates (UAE), Bahrain, and Morocco, increased from 3% in 2023 to 12% in 2024. By contrast, North America accounted for 9%, while Latin America and Africa each accounted for about 1%.[118]

As for the types of exported weapons, a Ministry of Defense statement indicated that demand for missiles, rockets and air defense systems has "entered a new and significant phase," with these systems accounting for about 48% of exports, up from 36% in 2023. In parallel, exports of satellite and space systems increased to about 8% of 2024 deals compared to 2% in 2023.[119]

With regard to arms imports, Israel ranks as the sixth-largest importer of weapons in the Middle East and the 15th largest globally. Over the 2015–2024 period, annual imports remained broadly stable. Moreover, the US was the principal supplier during 2020–2024, accounting for 66% of total imports, followed by Germany at 33%, according to SIPRI.[120]

Despite the ongoing Israeli war in GS during the period covered by this report, the flow of ammunition and military equipment to Israel has continued. On 19/11/2025, the Ministry of Defense announced that Israel had received about 120 thousand tons of military equipment, munitions, weapon systems, and protective gear since the outbreak of the war, transported via about 1,000 aircraft and 250 maritime vessels.[121]

In this context, several countries have continued to supply arms to Israel, despite official claims by some of them of suspending exports in response to the ongoing war in GS and in light of domestic public pressure. Nevertheless, Israel has sought to reduce its reliance on external imports; accordingly, Netanyahu stated on 24/12/2025 that Israel would spend about $110 billion (350 billion shekels) over the next decade on building "an independent Israeli munitions industry."[122]

The Spanish newspaper Público reported that several European countries continued to conclude arms deals with Israel during 2024. According to annual

reports submitted by several countries under the Treaty on Conventional Arms (TCA), a regulatory mechanism governing the transfer of military equipment that prohibits transactions with governments involved in crimes against humanity, at least five European governments approved arms transactions with Israel in 2024. These governments were the Czech Republic, Serbia, Poland, Greece, and the Netherlands.[123]

Moreover, during the first six months of 2025, Serbia exported ammunition to Israel worth about €55.5 million (about $61 million), according to customs information from a website that collates Serbian business data. This figure exceeds the total value of Serbian military exports to Israel in all of 2024, which itself reached a record €47.9 million (about $52 million), according to a joint investigation by the Balkan Investigative Reporting Network (BIRN) and *Haaretz*.[124]

It is worth noting, however, that Israel's military industries incurred losses estimated at billions of dollars during 2024–2025, owing to the cancellation or postponement of arms and military equipment deals. In particular, contracts with Spain exceeding about $1.3 billion were affected, within the broader context of boycott campaigns.[125]

6. Military Budget

Israel's military budget reached $48.93 billion (180.98 billion shekels) in 2024, based on actual expenditure. By contrast, on 25/3/2025, the Israeli Knesset approved the draft general budget for 2025, allocating $31.8 billion (109.8 billion shekels) to the Ministry of Defense.[126] It should be noted, however, that discrepancies may arise in official statistics, whether due to exchange rate variations or differences between approved budgets and actual spending.

As a result of the Israeli war on GS, the cost of the war has become a central issue in public debate both within Israel and beyond; notably, official figures reveal a significant gap in estimating the scale of expenditure and its financing mechanisms.

According to *Calcalist*, citing Ministry of Finance data published on 13/1/2026, total direct war expenditures since 7/10/2023 reached about $57.922 billion (200 billion shekels), including about $46.338 billion (160 billion shekels) in

defense spending. However, these figures exclude allocations to the compensation fund, which have amounted to about $7.819 billion (27.2 billion shekels). When these allocations are included, total war expenditures rise to about $65.683 billion (226.8 billion shekels). Importantly, these estimates do not account for indirect costs, such as lost tax revenues and the contraction in GDP.[127]

In another report, according to *The Marker*, official sources have presented divergent estimates of the cost of the war. Finance Minister Bezalel Smotrich cited about $89.4 billion (300 billion shekels), whereas the Bank of Israel estimated it at about $73.6 billion (247 billion shekels).[128]

This divergence is mainly attributable to differences in calculation methodologies; namely, some estimates are confined to direct expenditures up to the cessation of hostilities, while others also include projected costs related to compensation for damages, reconstruction and broader economic losses. Moreover, the variation reflects the institutional source of the estimates, whether the Ministry of Finance, the Bank of Israel, or independent international bodies. Overall, these discrepancies underscore the gap between official fiscal accounting frameworks and economic policies, while also highlighting the complexity of financing and managing the war at both fiscal and economic levels.

According to a SIPRI report, published in April 2025, Israeli military expenditure increased by 65% in 2024 to about $46.5 billion, driven by the war on GS. The report notes that this constitutes the largest annual rise since the War of 1967. Furthermore, military spending as a share of GDP rose from 5.4% in 2023 to 8.8% in 2024, giving Israel the second-highest military burden in the world behind Ukraine. Over the decade ending in 2024, military expenditure increased by 135%; consequently, Israel's global ranking in terms of defense spending rose from 14th in 2023 to 12th in 2024, surpassing both Poland and Italy.[129]

On 29/9/2025, the Knesset approved an additional allocation of about $9.2 billion (30.8 billion shekels) for defense spending, in response to security and civilian costs incurred from Israel's 12-day war with Iran in June 2025 and the ongoing war in Gaza.[130] Consequently, and taking into account earlier increases during 2025, the total announced defense budget rises to more than $41.1 billion (140 billion shekels).[131]

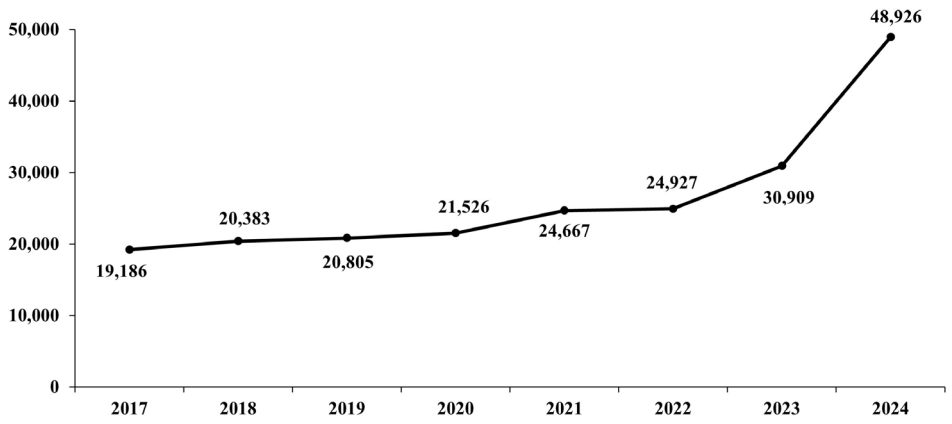
According to *The Marker*, the Israeli government has approved budget overruns five times since the outbreak of the war on GS, reflecting a clear prioritization of military expenditure over civilian and social sectors.[132]

The following table shows Israel's actual military expenditures according to the CBS for the 2017–2024:

Table 14/5: Actual Israeli Military Expenditures 2017–2024 at Current Prices[133]

Year	Expenditures (million shekels)	Expenditures ($ million)
2017	69,063	19,186
2018	73,316	20,383
2019	74,157	20,805
2020	73,978	21,526
2021	79,657	24,667
2022	83,699	24,927
2023	114,046	30,909
2024	180,977	48,926

Actual Israeli Military Expenditures 2017–2024 at Current Prices ($ million)



Fifth: The Israeli Approach to the Palestinian Situation in WB and GS

The Israeli war on GS, following Operation al-Aqsa Flood, during 2024 and 2025, provided an opportunity for Israel to implement plans that had already been formulated in advance regarding both GS and the WB. The Israeli political climate, shaped by a strong sense of vengeance, became increasingly permissive toward policies of killing, displacement, annexation, and the reconfiguration of realities in GS, while simultaneously intensifying efforts to consolidate control over the WB. In parallel, the silence and incapacity of Arab and Muslim countries expanded the margin of maneuver available to the occupation government.

In GS, Israel developed a post-war plan premised on establishing comprehensive field, political and security control, while excluding the PA from any substantive role. More specifically, the plan aimed at restructuring civil and economic governance through the establishment of Israel-controlled zones, the disarmament of resistance factions, and strict regulation of population movement and humanitarian assistance. Furthermore, it sought to cultivate local alternatives aligned with the Israeli vision.

During 2024 and 2025, senior Israeli officials issued a series of statements reflecting Tel Aviv's approach to the future of GS after the war, most notably a categorical rejection of the return of the PA to the territory. In this regard, Netanyahu stated on 9/8/2025 that "Gaza will be demilitarized, and a peaceful civilian administration will be established, one that is not the Palestinian Authority."[134] Furthermore, despite Tel Aviv's approval of Trump's plan to end the war, Defense Minister Israel Katz supported the establishment of Nahal nucleus groups to "protect settlements" across northern GS, stressing that Israel "will never leave the Gaza Strip."[135] In addition, Netanyahu noted that a "model city" would be constructed on the Israeli-controlled side of the yellow line, alongside disarmament and rehabilitation efforts, while emphasizing that "the only military forces that will enter Gaza in the International Stabilization Force would be those acceptable to Israel."[136]

The Israeli war machine, supported by US weaponry, managed to destroy most areas of GS and occupy extensive territories. However, it failed to break

Palestinian resilience or to induce population displacement, and it was unable to impose a political reality consistent with its objectives. In an attempt to identify alternatives, Netanyahu sought in June 2025 to mobilize certain Palestinian clans opposed to Hamas, in order to weaken the movement's control, as a measure that "saves soldiers' lives," according to security establishment recommendations.[137] Nevertheless, the initiative failed due to broad rejection by these clans. Subsequently, as a compensatory option, Tel Aviv explored the appointment of the General Intelligence Service (GIS) Chief Majid Faraj, as a temporary governor of GS after the war. This proposal was advanced by Israeli Defense Minister Yoav Gallant and was also endorsed by opposition leader Yair Lapid, who noted that it is natural to mention Faraj, as he is among the PA figures who has worked most closely with Israel against Hamas.[138]

Despite Israel's exclusion of the PA from any formal role in GS, security coordination continued in pursuit of wartime objectives. In this regard, the head of the National Security Council, Tzachi Hanegbi, met with Faraj with the approval of Benjamin Netanyahu in order to advance this approach. In parallel, Channel 14 reported that Faraj had begun forming an armed force in southern GS tasked with distributing humanitarian aid from the south to the north.[139] Moreover, Israel Hayom indicated that Tel Aviv received assistance from Fatah in facilitating humanitarian deliveries in coordination with Faraj. In response, the Minister of National Security, Itamar Ben-Gvir, described Israel's reliance on Fatah security personnel as a "disgrace," cautioning against the replacement of one form of "terrorism" with another. He further asserted that the time has come for full Israeli rule in Gaza.[140]

Following the failure of both the clan-based approach and the Majed Faraj channel, Israel moved into a new phase of administering GS by establishing mercenary groups and activating armed Palestinian militias operating in parallel with the army and under the supervision of the Shabak. In this regard, in an interview with public broadcaster Kan Reshet Bet, Avigdor Lieberman, leader of the Yisrael Beiteinu party, stated that the Israeli government was "transferring weapons to a group of thugs and criminals who identify with ISIS," adding that, in his view, the move was carried out with the knowledge of the head of the Shabak,

but without Cabinet approval.[141] Furthermore, Israel acknowledged the existence of at least three such groups tasked with gathering intelligence, monitoring areas devoid of Hamas and PIJ elements, and contributing to security control in densely populated areas hosting displaced civilians, as reported by *Haaretz*.[142]

Concurrently, Israel sought to impose a security and geographical reality that would maintain the blockade on GS while entrenching field control depriving Palestinians of more than half its area. During its occupation of extensive parts of the Strip, the Morag Corridor emerged, a security corridor between Rafah and Khan Yunis intended to separate them from the rest of GS. The Israeli army stated that "Approximately 30% of the Gaza Strip's territory is now designated as an Operational Security Perimeter."[143]

Subsequently, following the ceasefire agreement on 9/10/2025, and notwithstanding the adoption of the so-called "yellow line" as temporary withdrawal boundaries, more than half of GS remained under direct Israeli control or fire. Palestinians were prevented from accessing even residential and agricultural areas. In turn, Israel moved to consolidate and expand this reality so as to prevent the re-emergence of a political entity in Gaza, while the blockade and restrictions on humanitarian aid were employed as additional instruments of pressure in the conflict.[144]

The Israeli rejection of Palestinian reconciliation continued. In this context, Foreign Minister Israel Katz criticized the agreement reached by Palestinian factions in China on 22/7/2024 to form a temporary national unity government. He stated that "Hamas and Fatah signed an agreement in China for joint control of Gaza after the war. Instead of rejecting terrorism, Mahmoud Abbas embraces the murderers and rapists of Hamas, revealing his true face. In reality, this won't happen because Hamas's rule will be crushed, and Abbas will be watching Gaza from afar. Israel's security will remain solely in Israel's hands."[145]

Israeli policies aimed at consolidating control over the WB and advancing its eventual annexation intensified through tighter siege measures and repeated incursions into resistance strongholds that had confronted both army and settler attacks. Moreover, these operations were reinforced by the active role of PA security forces, reflecting the continued framework of "security coordination with Israel." In practice, PA forces carried out raids, arrests, killings and the transfer of

resistance members under the pretext of "combating outlaws," thereby functioning as a complementary extension of the Israeli security apparatus on the ground.

Israeli army data showed that security coordination with the PA reached "an unprecedented level" in 2025, alongside a sharp decline in attacks against Israeli targets. According to the figures, attacks dropped by 78% compared with 2024, a development the army's Central Command linked directly to intensified cooperation with the PA's security services. Israeli military officials described the coordination as "exceptionally high-level," portraying the PA's security apparatus as "an essential partner for stability." The data indicated that Palestinian security forces regularly return Israeli citizens who enter PA-controlled areas, seize and transfer weapons to Israeli authorities, and provide information related to planned attacks.[146]

This approach was further reinforced by the decision by the Israeli security cabinet on 18/12/2024 to support PA security operations in Jenin and other areas against members of Hamas and PIJ. At the same time, the military establishment underscored that "the PA's security forces should be bolstered so long as it doesn't represent a threat to IDF soldiers or to Israeli settlers." Moreover, discussions included the transfer of defensive equipment, such as protective gear and equipment used to neutralize explosive devices, with the assistance of "foreign entities that would be allowed to train the PA's forces."[147]

The Walla! news website reported, citing security officials, that coordination during 2024 was among the best in recent years. According to the report, Palestinian security forces thwarted about 164 attacks against the army, uncovered explosive devices and combat materials, detected drones, and returned Israelis who had inadvertently entered Palestinian areas under Palestinian security escort.[148]

Nevertheless, following the stabbing and shooting attack in the Gush Etzion settlement on 10/7/2025, carried out by two Palestinian police officers, Israeli concerns were raised regarding a possible Hamas infiltration of PA security forces. Palestinian security officials, however, swiftly condemned the incident and maintained contact with senior Israeli military officials, stressing that it was an exception that undermined security coordination and did not reflect the official position of the PA. In parallel, and in order to reinforce internal discipline, the PA

security forces appointed members of the Presidential Guard close to Mahmud ‘Abbas to sensitive positions within PA security institutions, including personnel trained in the US, according to Walla!.[149]

In further confirmation of the centrality of this cooperation, the commander of the Israeli Central Command, Avi Bluth, stated during an emergency meeting with settlement leaders in the WB in early January 2025 that coordination with PA security agencies provides Israel with security that is “more important than the threat of heavy weapons,” underscoring its role as a cornerstone of stability in the WB. Channel 14 also reported his emphasis on the pivotal place of the PA within Israel’s strategy in the WB.[150]

Notwithstanding the prevailing alignment between Israel and the PA in Ramallah, Israeli practices have simultaneously contributed to weakening the PA and eroding its institutional foundations. This has been evident in repeated incursions into areas under its control, the withholding of tax revenues due to it, and support for initiatives aimed at establishing separate Palestinian entities linked to the occupation.

In this context, Israeli Economy Minister Nir Barkat proposed a plan to detach Hebron from the PA and establish a separate emirate that “would recognize Israel as a Jewish state and join the Abraham Accords.” The proposal envisions replacing the PA leadership with local sheikhs and clans, while establishing direct civil, economic and security cooperation with Israel. It further includes the establishment of a joint industrial zone covering more than one thousand dunams (one thousand square meters per dunum) near the security barrier, expected to employ tens of thousands of Palestinian workers.[151]

Although the plan has received support from some Israeli officials, including Finance Minister Bezalel Smotrich, it has been opposed by the Shabak, which maintains that the PA remains a key partner in “counterterrorism efforts.”[152]

Moreover, Israel’s deduction of a substantial share of Palestinian tax revenues has resulted in the PA’s inability to fulfil its basic functions, including the payment of public sector salaries. These revenues constitute about 68% of the PA’s income; however, Tel Aviv has withheld more than 50% of them for over two years. This policy of withholding, in fact, dates back to 2019, with the total accumulated funds withheld reaching more than $2.5 billion as of 4/9/2025.[153]

On 4/9/2025, the Shabak warned that "the unraveling of the PA would raise the risk of a flare-up" in WB.[154] In parallel, Defense Minister Yoav Gallant called for permitting Palestinian workers to enter Israel and for the transfer of tax revenues, with the aim of strengthening the PA in its confrontation with Hamas, stressing that "A strong Palestinian Authority is in the best security interests of Israel."[155] Similarly, the commander of the Central Command, Yehuda Fox, in his farewell address on 8/7/2024, underscored that "The Central Command's ability to fulfill its tasks also depends on the existence of a functioning and strong Palestinian Authority."[156] By contrast, Prime Minister Benjamin Netanyahu reaffirmed a markedly different position, stating "It will not happen," he continued. "A Palestinian state will not be established west of the Jordan."[157]

Notably, the appointment of Hussein al-Sheikh as Secretary-General of the PLO Executive Committee, followed by his designation as its Deputy Chair and as interim successor in the event of presidential incapacity, was met with strong Israeli and US approval. This stands in contrast to his notably low popularity among Palestinians, including within Fatah. He has also faced sustained criticism over his administrative and personal conduct, as well as his ties with Israeli actors.

Conclusion

Israel is experiencing a pronounced state of strategic imbalance, which has become particularly evident since the formation of the Likud government in alliance with Religious Zionism at the end of 2022. This condition has been further consolidated since Operation al-Aqsa Flood and manifested most clearly during 2024–2025. It reflects a structural predicament, both internal and external, from which disengagement appears difficult, largely due to the nature of Israeli society and the dominance of right-wing and religious extremist currents over the governing system. Over several decades, Israel had managed to contain religious, ethnic and cultural differences within the Israeli community, while also constructing effective modern legislative, political and judicial institutional frameworks that enabled it to navigate numerous internal crises and contradictions. However, the period spanning 2024–2025 proved decisive in undermining this equilibrium.

In particular, the judicial overhaul crisis exposed the depth of political and societal divisions, as well as the fragility of the social contract within Israeli society, especially between secular and religious currents. It further revealed competing visions regarding the structure and trajectory of the state. Moreover, some manifestations of this crisis became evident in the controversy surrounding the conscription of ultra-Orthodox Jews (Haredim), culminating in the withdrawal of ministers from Shas and United Torah Judaism from the government in mid-July 2025.

Moreover, an unprecedented leadership crisis unfolded, characterized by escalating tensions and institutional contestation between the government, the military, the Shabak and the judicial authority, particularly during Operation al-Aqsa Flood. This was reflected in the dismissal or resignation of several senior figures, including Defense Minister Yoav Gallant, Chief of Staff Herzi Halevi, National Security Council head Tzachi Hanegbi, Shabak Chief Ronen Bar, and the government's legal adviser Gali Baharav-Miara.

The failure of the traditional deterrence system upon which Israel has relied since its establishment, in confronting Operation al-Aqsa Flood, triggered notable shifts in Israeli security doctrine, particularly a transition from conventional deterrence to pre-emptive offensive deterrence. This reflects Israel's evolution into a permanently offensive state that manages its borders and strategic environment through sustained force, shifting from "deterrence by threat" to "deterrence by destruction." It further entails abandoning "buying calm" and "conflict management" within traditional containment frameworks, in favor of a broadened doctrine of "prevention," namely, denying adversaries the ability to initiate attacks. Nevertheless, the extensive reliance on force, widespread destruction and acts amounting to genocide undermined Israel's image as a restrained and rational actor, instead exposing a nature increasingly difficult to accommodate. In addition, the failure of deterrence mechanisms, coupled with the sustained resilience of the resistance throughout the confrontation, generated a structural "complex" that destabilized the Israeli political-security equilibrium, as its tools were exhausted without achieving the objective of eradicating the resistance. Accordingly, these dynamics contributed to a decline in both popular and official international support, the erosion of the Israeli narrative, and an unprecedented level of global isolation.

A structural contradiction has emerged between, on the one hand, the ideological drive toward settlement expansion and regional dominance, the erosion of sovereignty in several regional states such as Syria, Lebanon, and Iran, and the overt projection of Israel as a "regional policeman," a "heavy-handed force," and a power seeking to "reshape the Middle East". On the other hand, there is the strategic imperative for stability and the need to establish conducive conditions for political settlement and normalization processes.

The year 2025 was marked by a renewed and intensified push for constitutional change, steering the Israeli system further away from a constrained democracy toward an authoritarian-competitive order. In this context, the judiciary was increasingly delegitimized, subjected to intimidation, and politically undermined, while the legislature was weakened and the executive further consolidated power. The bureaucratic apparatus appeared either to acquiesce out of fear or to align itself with these developments. Concurrently, Netanyahu's trial and his request for a presidential pardon emerged as a central political and societal issue, shaping the trajectory of the political system, the future of elections in Israel, and the ruling right wing's sustained efforts to terminate the proceedings.

The year 2025 also marked the beginning of electoral political mobilization, particularly within opposition circles. Most polls indicated that the opposition would gain more seats than the current governing coalition, although it would still be unable to form a government without support from Arab lists.

At the same time, there has been notable Israeli opacity regarding the impact of Operation al-Aqsa Flood on Israel and its society. Available indicators suggest a reverse migration of approximately 550 thousand Jews during the first six months of the conflict, alongside increasing willingness among significant segments of the Jewish population to emigrate if given the opportunity. Although Israel maintains relatively advanced economic conditions compared to Europe and the Middle East, the escalation of Palestinian resistance has imposed substantial economic costs. These stem from heightened insecurity, reduced investment, heavy war expenditures, and repeated reserve mobilization. Collectively, these factors have led to widespread business closures, capital flight, disruptions in key sectors, particularly tourism, and adverse effects on both exports and imports.

In the same context, the Israeli army has become increasingly strained due to the prolonged war in GS and its expansion across multiple fronts. In 2024–2025, it faced a severe manpower shortage, alongside declining motivation among young people to join combat units. Simultaneously, the issue of conscripting Haredi Jews emerged prominently, becoming one of the most contentious domestic political questions in Israel.

Taken together, 2024 and 2025 reflected a deep internal Israeli crisis with significant external implications. The response has largely entailed a shift toward a more authoritarian political order, coupled with growing radicalization and greater reliance on force in addressing the Palestine issue and the regional environment. These developments are likely to further entrench long-term instability and risk.

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