



THE 2013 HERZLIYA ASSESSMENT: TIME FOR NEW ISRAELI AND MIDDLE EAST AGENDAS

Pre-Conference Principal Observations

Name of Authors: Gen. (res.) Danny Rothschild & Tommy Steiner

March 2013

Israel remains in the eye of global and regional storms that continue to reshape its strategic environment, while the Israeli political system focuses its attention on a host of significant civic issues and necessary economic reforms. Israel's domestic debates are essential for Israel's future national resilience. However, time has come for a discussion on Israel's regional and international agenda and its broad national security strategy.

Global and Regional Shifts

The world economic crisis, Middle East turmoil, and the global empowerment of individuals are dramatic and formative processes that continue to shape Israel's strategic landscape. ***Even if the global economic crisis will not deepen, its geopolitical implications continue to impact the balance of power and the role of international powers in the Middle East.*** The economic crisis has impaired the posture and influence of the US and Europe, two traditional global custodians of the Middle East, and the US remains focused on rebuilding its domestic economy. Having resolved the prospects for success in the Middle East to be low, the US is diverting its strategic attention to the Asia-Pacific. Europe is focusing its efforts on stabilizing its currency, economy, and the future of its common institutions. In the meanwhile, the European

international track record has been less impressive. China's interest in the Middle East is on the rise, but insofar its involvement has been limited. As part of its attempts to restore its global position, Russia has become more involved in the Middle East, but its current interest is focused on the Syrian arena. In other words, for the first time in the past century, the role and impact of global powers in the Middle East is declining.

The turmoil engulfing the Middle East is unraveling the near century-old Sykes-Picot regional order, leading to a governance meltdown across the Arab Middle East. The unaccountable leaderships in the Arab Middle East lack sufficient political legitimacy, and face emboldened domestic challenges to their rule by empowered, but disorganized and growingly impoverished public masses. Consequently, Arab governments are incapable of addressing the deepening socio-economic crisis, fueling additional political unrest, subversion, and violence. Several Arab governments no longer effectively assert sovereignty across their territory, facilitating the festering cross-border terrorist and crime networks in lawless regions which feature violent struggles among paramilitary armed groups. Thus, the regional turbulence is transforming several artificially created nation-states into empty shells of mere de-jure legal standing, as competing theological and sectarian versions of pan-Islamist political radicalism are replacing Arab nationalism.

The Arab Middle East governance meltdown is creating a volatile regional strategic environment embedded with high levels of uncertainty concerning several strategic hotspots. Syria is currently the primary strategic hotspot as the raging civil war poses the most significant security, political, and humanitarian challenges for both its inhabitants and all its neighbors, Israel included. Syria's looming dismemberment along sectarian and regional power divides will bear a direct impact on the territorial integrity of Lebanon and Iraq, if not beyond.

Home to one of the largest caches of chemical warfare, ***Syria has become a sectarian battleground among armed militias and terrorist organizations*** seeking to gain control of territory and Syria's sizeable military armaments. ***The militias and terrorists are proxies seeking to bolster the stronghold of competing regional patrons – Iran, Saudi Arabia, and Qatar.*** In addition, the historic strategic relationship between the Assad regime and Moscow, along with Russia's military and naval presence in Tartus, further complicates how world powers deal with the Syrian crisis.

The Western powers and their regional partners, namely Turkey, Jordan, and Israel, are enhancing their coordination in order to prevent losing control over Syria's advanced military hardware, as Assad's regime is likely to disintegrate soon. Events on the ground could necessitate limited international military operations, not unlike the alleged Israeli airstrike in Syria in late January. However, there is a low probability that such operations, even if part of a more extensive campaign, would escalate into a major regional imbroglio, which is not in the interest of any major regional actor.

The crisis of the Arab nation-state system has rendered the regional balance of power instable. Although the civil war in Syria lent a strategic blow to Iran, its hegemonic appetite remains intact. The unprecedented international sanctions against the regime have yet to quell Iran's nuclear aspirations. Iran's attempts to engage Arab Sunni regimes have not been fruitful, but a unified Sunni axis to contain Iran and its proxies has yet to emerge. The linchpins for such a Sunni Axis are the Arab monarchies, most of which are rightfully anxious that domestic turmoil might plague them as well.

Egypt, the heart of the Arab Middle East, is experiencing an insurmountable political and economic crisis. It has lost most of its international sources of income. International incoming tourism, which used to be one of the major sources of foreign currency, is hardly existent. The export of Egyptian labor has also declined, and the European economic crisis might reduce revenues from the Suez Canal. Egypt is now forced to import natural gas. Foreign currency reserves are below the red line of USD 15 billion, and the national budget deficit is approximately 13% of the GDP. The IMF loan agreement that was supposed to grant nearly USD 5 billion has been put on hold as the government cannot undertake the loan conditions which stipulate painful economic reforms. This delay holds back additional international loans and grants that exceed the IMF loan. As Egypt experiences domestic political turmoil among rival political forces and parties, the economy is heading into bankruptcy. With an ever growing population of some one million additional mouths to feed every nine months, ***Egypt is on the brink of domestic chaos.***

Jordan also faces considerable domestic socio-economic challenges, resulting in the growing unemployment rates and difficulties in dealing with the growing influx of Syrian refugees. The **ongoing civil unrest in Jordan may affect the future of the kingdom**.

Israel's National Security in Face of Global and Regional Shifts

In addressing the evolving Middle East, **preventing Iran from acquiring nuclear weapons remains a vital strategic interest for Israel**. Those discussing Iran's military nuclearization, however, should neither overtly state nor imply that it is an existential threat to Israel. Israeli officials ought to reconsider their almost apocalyptic message on the subject.

The declining American involvement in the Middle East and difficult relations with Europe increase Israel's strategic isolation. The new government must preserve and deepen the critical relationship with the US and deal with the previous government's problematic in Europe and the US. Even if the criticism of the previous government was not always substantiated or just, the new government must not repeat this diplomatic failure.

The Middle East's transformation into a bastion of radical political Islam, reinforced by mass public support, puts an end to the expectations for Arab-Israeli normalization. The Israeli-Palestinian impasse can only be resolved by advancing realistic measures around the negotiating table.

The regional political turmoil demonstrates that developments are not always predictable, and the scope and speed of change can easily outpace Israel's ability to realign its national security and foreign policy.

Since the outbreak of the regional turmoil, the overall balance of Israel's security has improved. First, the likelihood of a full-fledged conventional war between Israel and any of its neighbors is close to zero in the foreseeable future. Second, the Iranian regime, Israel's archenemy – and for that matter the archenemy of the majority of the Sunni Middle East – has experienced several major strategic setbacks in the past year. With the impending disintegration of Syria, Iran is losing a major strategic stronghold. The robust international sanctions against the regime have crippled Iran's economy. **As long as the sanctions remains intact and intensify, and the Israeli and American implicit and explicit threats to use force remain credible, the probability that Iran will procure nuclear weapons and become a military nuclear power is low**.

Nonetheless, the Middle East turmoil, combined with global shifts in interests and the balance of power, has produced new strategic challenges for Israel in both military and diplomatic domains. Israel's immediate strategic neighborhood – virtually all neighboring countries – is unstable, volatile, and variably overshadowed by radical Islamist politics.

While not constituting an existential threat, **the growing number of ill-governed territories surrounding Israel is a direct and immediate threat to the Israeli civilian population and military assets**. Israel will face low-signature terrorist networks and armed militias, which, unlike Hezbollah, do not have a clear mailbox. In addressing these new threats, **Israel will have to rethink the basic pillars of its national security doctrine** – early warning, deterrence, battlefield decision, and defense. Taking into consideration the inevitable budgetary cuts to Israeli defense spending, this **rethinking will also require a reassessment of its military structure**, including missile defense and cyber warfare, which could maintain Israel's qualitative edge. Israel will also need to invest considerable efforts in developing intelligence collection capabilities to address this new and murky referent threat.

Breaking the Israeli-Palestinian Impasse and a New Grand Bargain for the Middle East

The domestically-focused West seems to view the complex Arab Middle East as too big to bail out, leading to a passive “dump and hope” approach. The new strategic calculus of “pivoting” to Asia and the declining dependency on Middle East energy resources reinforces America’s passive approach to the region. Against this backdrop, there is a growing body of opinion that Europe should assume more responsibility in managing Middle East affairs. However, European involvement continues to be limited, ineffective, and obsessed with the Israeli-Palestinian conflict, as though its resolution would miraculously transform the Middle East.

With an inhospitable neighborhood of instability, violence, and radicalism, ***the future of the Palestinian territories is ever more crucial for Israel.*** The status-quo in the Palestinian territories is not sustainable, and definitely not durable. As the financial resources of the Palestinian Authority dwindle, the continuation of the Israeli-Palestinian stalemate is untenable. It will lead to a Palestinian mass public uprising with sporadic violence, or clear the path for the Hamas to take over the West Bank and to transform the Palestinian territory into a peace-rejecting anti-Western, anti-Israeli entity. Needless to say, both possible outcomes are not favorable to Israel or its neighbor to the east, Jordan. Furthermore, the continued impasse trajectory could lead to mounting international and Palestinian support for a “one-state” solution, which would jeopardize the Zionist enterprise. ***The inevitability of the “two state” solution can no longer be taken for granted.***

Several features characterize the persistent Israeli-Palestinian stalemate. Since the proclamation of the American and European co-authored Roadmap ten years ago, ***change in the structure of negotiations between Israel and the Palestinians has been scant.*** By and large, negotiations have revolved around two extremes – the shape of the final status agreements on one hand, and the terms, conditions, and “sweeteners” to restart or continue negotiations on the other. Meanwhile, the Palestinians have sought to internationalize the process with limited results. In addition, the Israeli-Palestinian process has been maintained in near isolation from regional processes and politics in terms of the principal actors, agenda, and dynamics. The exception, the Arab Peace Initiative, never became a factor in the negotiation process. ***Soon to mark the tenth anniversary of the Roadmap, the outcome has been poor – the Palestinians do not believe that Israel wants to reach peace and vice versa.*** The leadership on both sides have not changed these perceptions, but rather reinforced them, even if inadvertently. The notion ***that the parties themselves can alter this dynamics – even under international duress – is simply futile and could cause further deterioration.***

Over the past ten years, Israel has: taken ambitious unilateral initiatives; acted as a constructive final status negotiator, putting forth proposals and considerable concessions; and finally became a passive player offering tactical measures under international pressure. All three approaches have failed, collectively demonstrating that ***the Western-lead bilateral track is insufficient.***

There appears to be an alternative. Israel’s involvement in the tacit regional and international coordination regarding the Syrian quagmire, as well as the mechanism that brokered the arrangement following the 2012 Israeli offensive in Gaza demonstrate that a different potential track exists. There are clear indications that Israel has acted creatively with international and regional partners in addressing the Syrian crisis. Israel can indeed use its resources to constructively play a role in shaping the regional environment, and the new Israeli government should replicate this effort in engaging the Palestinians. On their part, the Palestinian leadership needs the active political support of the Sunni regional leadership in breaking the impasse.

The parties that brokered the Gaza demonstrate the provisional evolution of a regional Sunni alignment that is willing to engage Israel – directly or indirectly – to maintain and advance regional security. The diplomatic machinations revolving around the Gaza operation and the Syrian crisis also indicate the intensifying strategic cooperation and coordination among the US, Egypt, Turkey, Jordan, and the Gulf states. However, this emerging block is not an ideal

formation, and is certainly not cohesive. This fragile alignment will neither deliver a progressive “New Middle East”, nor facilitate Israel’s regional normalization. However, shared interests set the ground for a possible grand bargain involving the US, Europe, Sunni Middle East countries, and Israel.

The US, with European support, should reinforce the Sunni Coalition and create incentives for cooperation with the West and Israel. They must support the peace process and promote feasible regional change through a grand bargain that would address the following goals:

- (a) Preventing Iranian military nuclearization and contain its hegemonic ambitions by providing Western strategic assurances;
- (b) Encouraging rich Middle East countries to allocate sufficient resources toward the economic recovery of flagging Arab countries, such as Egypt and Jordan;
- (c) Reaching an agreement on addressing the security risks of ill-governed regions (Syria and the Sinai Peninsula);
- (d) Advancing the Israeli-Palestinian process through a broader Israeli-Arab process;
- (e) Stopping the export of radical Islamist indoctrination to the West.

This approach underlines that the ***Israeli-Palestinian impasse alone is not the primary challenge in the Middle East. Rather, it places the Israeli-Palestinian peace process in a broader regional context leveraging the commonality of interests in tackling the regional macro challenges.*** Such a grand bargain could facilitate a pro-peace coalition where the regional partners would concretely contribute to Middle East security and benefit from the greater sum than of all parts – a more benign strategic environment. ***Constructing a Middle East grand bargain mandates strategic thinking and a broad regional understanding, emboldened by leadership and statesmanship. This would be a worthy challenge for President Obama’s second term and it would allow his administration to shift focus to Asia.***

A regional grand bargain would allow Israel not only to move ahead in the peace process, but could offer ***Israel a constructive regional role.*** In addressing the emerging regional landscape – against the backdrop of global power shifts – Israel must develop a broader strategic view combining both military and political resources. ***Israel must be more engaged in shaping the regional future and addressing the Middle East socio-economic crisis,*** even if only in a tacit manner. Israel’s regional contribution will not be matched with normalization, at least not in the short term. However, Israel has a vested interest in improving Middle East economic prospects, which are an essential component of regional peace and security.

Israel ought to be concerned by the US’ diminishing interest in the Middle East, which continues to be a basic pillar of Israel’s national security and foreign policy. In other words, ***a ‘strong’ US in the Middle East is of vital interest to Israel. As American concern moves elsewhere, a regional pro-peace and security coalition seems to be the most relevant mechanism for maintaining effective US engagement. Furthermore, by enhancing its own global and regional involvement, Israel could bolster its strategic posture as an asset to the US.*** This in itself is critical at a time when more voices (though a minority) in the US policy community question the strategic importance of Israel for the US.

Israel’s National Security Begins at Home

Although global and regional transformations are changing the rules of the game for Israel abroad, it must not forget that national security begins at home. ***The challenges facing Israel in the global and regional arenas only serve to underscore the urgent and vital need to address effectively critical items on the domestic agenda.***

The domestic civic debate in itself is welcome, as is the campaign for “equal burden-sharing” within the Israeli society. However, ***national resilience is not a function of the number of ultra-orthodox young men who get drafted into the***

army. The strategic goal of the new government should be deepening the integration and narrowing the socio-economic gaps among the sectors of Israel's society – Jews and Arabs, secular and religious Jews, and residents of the center and the periphery. This broad objective has numerous implications, for instance, with regards to education – both core studies curriculum and technological-vocational education.

Decreasing socio-economic inequality and deepening societal integration must also shape the thinking on the upcoming national budget cuts. The government must undertake the rather complicated task of ensuring that the lower and mid-range rungs of society will assume minimal consequences. Therefore, a special taskforce of the Herzliya Conference recommended that most of the budget cuts should be at the expense of government investment in infrastructure development. Furthermore, there is room for revising the system of government revenues and expenditures as it creates a structural deficit. To weather the global economic storm, Israel must create the optimal conditions for its engines of economic growth: investing in scientific R&D and in the high-tech industry; optimizing the new gas findings for developing the internal energy market for industry and transportation; and prioritizing the tourism industry.

Addressing Israel's multiple challenges – at home and abroad – necessitates reforming the fundamentals of Israel's governance: law and order, the electoral system, and the regulatory structure.

Final Word

The Herzliya Assessment aims to map and analyze the implications of events in the past year in a broad context, and to point out trends and potential developments in the immediate and mid-term future. This assessment seeks to demonstrate that the **global, regional, and domestic shifts are not a fait accompli that renders Israel vulnerable.** Over the past two years – since the outbreak of the regional turmoil – Israel weathered out the storm. However, in the regional multi-crisis environment Israel faces, passivity might endanger its future. In the emerging reality of the Middle East, self-sufficiency might seem attractive, but it is not a sustainable strategy. **At these critical junctures, Israel needs to set a new agenda and adopt a more constructive and creative approach. Israel deserves a grand-strategy approach that can make a difference.**

This assessment is based on the work of the research team of the Institute for Policy and Strategy, along with several dozen participants who took part in the pre-Conference deliberations. The authors are grateful for their contributions and for their help in shaping the detailed agenda of Herzliya 2013. Although this document seeks to capture the spirit and essence of these contributions, it does not endeavor to incorporate all that was discussed, nor does it obligate anyone but the authors.