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CONFERENCE CONCLUSIONS

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Preface

The Fifth Herzliya Conference on the Balance of Israel's National Security took place during Hanukah 2004. The discussions of the conference were a reflection of the central dilemmas faced by Israel today in the political, security, economic, social and cultural spheres, and produced strategies and options for issues on the national agenda.

This summary, written by Dr. Israel Elad-Altman and Dr. Shmuel Bar, presents the findings, conclusions and recommendations raised during the conference, though it does not attempt to include all of them; therefore, conference participants bear no responsibility for its content. Nonetheless, recording the proceedings has value in and of itself, and is therefore presented here for your review.

Dr. Uzi Arad
Conference Chairman

Herzliya, March 2005

Main Points

Israel's strategic environment has improved in the last year, in part due to decreased Palestinian terror, the death of Yassir Arafat, the re-election of President Bush, the Disengagement Plan, the warming of relations with Egypt, and the newfound determination of the international community to block Iran's military nuclear program. Iran, however, on its part, is determined to continue its program, and to promote Palestinian terror and undermine efforts at conciliation. Israel's economy has turned a corner, though poverty and inequality continue to rise, as does the alienation of the public from its political institutions, which takes on considerable significance as the Disengagement Plan draws closer.

In the **international arena**, **Asia** is becoming increasingly important, especially **China** and **India**. The attitude of the West towards the challenge of China in the political, economic and security spheres will affect the stability of East Asia. Developments there that can affect Israel include confrontations between mainland China and Taiwan, between India and Pakistan, or on the Korean Peninsula, with the latter two having the potential for nuclear escalation. There are those who perceive China's economy as a bubble, and are worried that it may burst and cause the deterioration of the global economy, including Israel's.

The international nuclear non-proliferation regime has brought about long-lasting global stability, though we now stand on the brink of a crisis due to an increased number of suppliers; improved technology and increased accessibility; failures in control, such as those that occurred with Iraq, Iran, Libya, and North Korea; and the difficulty in focusing on the problems of proliferation independent of national security, terror, stability and energy considerations. This brings us to a new reality – **The Second Nuclear Age** – one characterized, *inter alia*, by an increase in the number of players, the easy availability and low price of weapons of mass destruction, a strategic culture different from that of the traditional nuclear powers and the danger of nuclear terrorism.

Asia, especially China and India, is becoming increasingly important.

The Second Nuclear Age is characterized by the danger of regional and global instability. A nuclear Iran will upset the regional balance in the Middle East.

Iran operates, and will continue to operate, to prevent the renewal of the political process between Israel and the Palestinians and the stability and rehabilitation of Iraq. At the same time it is becoming apparent that the Iranian **nuclear threat** is now Israel's foremost strategic challenge. Opinions vary as to whether or not Iran will respond to the combination of incentives and sanctions it is being offered, and relinquish its "right" to a nuclear option. If not, the only ways available to frustrate its efforts would be through sanctions, subversion of the regime, or perhaps a military strike. If Iran reaches its goal it would pose a threat to Israel and to the balance that exists in the region, since it would encourage other nations to adopt the nuclear option.

In the past year, Palestinian **terrorism** has decreased. This is not to say that the motivation of terrorist organizations to carry out attacks has lessened, but that there has been an improvement in Israel's ability to thwart those attacks. The northern front has also been relatively quiet due to Israel's response to Hezbollah attempts at escalation. Israel's struggle against terrorism has been helped by the international community's broad acceptance that the Palestinians must root out terror before negotiations can begin. The international fight against terrorism led by the United States has also helped Israel in its struggle against terrorism.

The **United States** remains the dominant factor capable of reacting to the main threats on the global community – **terror and proliferation of weapons of mass destruction**. American policies in **Iraq** will be the criteria for the fate of American plans for the region.

In facing these threats and challenges, Israel must enhance its overall strength and upgrade its relations with centers of world power. For Israel, the **special relationship** it enjoys with the **United States** is a force central to its very existence, one which requires constant nurturing. Israel can upgrade this relationship formally through a mutual defense agreement, or alternatively, by developing a system of broader relationships such as tripartite strategic agreements whereby Israel, the US and another country contribute to the strategic balance in the region.

Improvement in Israel's ability to prevent terrorist attacks has led to a decrease in terrorism.

Israel's special relationship with the United States should be upgraded. Concurrently, it is necessary to strengthen ties with Europe and to examine possibilities for affiliation with NATO.

Greater **Europe** has joined the ranks of strategic players and there is now an opportunity to strengthen Israel's relations with it. From the European perspective, Israel is in need of strong strategic links with the West, which will give it the strength to take risks for the sake of peace.

The need to upgrade links between Israel and NATO is of increasing importance because the complexity of security challenges has created the necessity for combined efforts, because NATO is drawing closer to the Middle East and because it is in Israel's best interest to have an umbrella for multilateral discussions with the Arab countries, as well as the security and psychological backing that will contribute to its ability to make strategic decisions. Israel can adopt one of the various models available for affiliating with NATO – ranging from preparation for membership (the Swedish model), to full membership (the British model). Israel can also choose a process that progresses from the former to the latter.

Because of the decrease in its “**soft power**” in the global arena, Israel must prepare for a political and ideological battle against de-legitimization and animosity and take the initiative in exposing the enemy, emphasizing Israel's positive side and nurturing its natural allies.

There are those who think that now, paradoxically, when the trust between Israel and the **Palestinians** has reached a new low after four years of Intifada, the gap between the two has narrowed and there is a confluence of interests between Israel, the Palestinian Authority, Egypt and Jordan to promote **the peace process**. Most policy-makers in Israel believe 2005 will be a year of opportunity for historic breakthroughs in relations with the Palestinians. There is considerable desire among them to take advantage of the momentum created by the death of Arafat, and to refute the argument heard within Israel that “there is no Palestinian partner.”

The **Disengagement Plan**, according to its proponents, is a measured and controllable step that reflects the desires of the majority of the public, makes separation from the Palestinians possible, improves the security situation, and furnishes Israel the support of the American government. Opponents of the plan fear that it eliminates Israel's ability to fight terrorism, wastes the Gaza

There is a prevailing feeling that an historic window of opportunity has opened regarding relations with the Palestinians.

The Disengagement Plan is deeply controversial within the Israeli public, but Arafat's death has opened a path to its implementation with Palestinian cooperation, rather than as a unilateral step.

withdrawal negotiating trump card, and will result in further political pressure being placed on Israel.

Israel's withdrawal will leave behind a vacuum, and Israel believes that either the Palestinians or the international community must take responsibility for the situation in the evacuated territories. In contrast, however, the argument has been raised that Israel will remain responsible in the event of any humanitarian disaster that may occur in Gaza.

The death of Arafat and election of Abu Mazen have created the option of carrying out the Disengagement Plan in coordination with the Palestinians, rather than as a unilateral step. Even if the disengagement were carried out without formal coordination with the Palestinians, it remains in Israel's interest to coordinate as much as possible on the ground in order to minimize the risk of humanitarian disaster.

What happens beyond disengagement? A wide range of plans and ideas are on the table. There are those who propose to go directly to a **final status** settlement between Israel and the Palestinians. Some propose to do this in cooperation with the Palestinians (The People's Voice and the Geneva Initiative) and some through unilateral Israeli steps (Avigdor Lieberman's Plan for Exchange of Populations and Territories). All of these plans entail separation between Israelis and Palestinians, acquiescence to a divided Jerusalem to some extent, and various ideas for exchanges of territory and populations.

It is in Israel's interest that **Jordan** be increasingly **engaged** in the process and in the outcome of the negotiations, and ideas for Jordan's involvement in the agreements are being raised. Jordan itself has a vested interest in the final shape the resolution of the Palestinian problem will take and in the nature of the Palestinian entity that will be established in the West Bank, in as much as it is wary of the West Bank's problems flowing into its borders and disrupting its stability.

The concept of **territorial exchange** has a place in most of the proposed peace plans. It is based on the acceptance of the principle that the present borders are

not a decisive factor, and that centers of population of the different nationalities must be taken into consideration. It could be carried out with each side retaining its **right** to a certain territory, though with the territory divided up on the basis of demographic, security and economic considerations. The territorial options for direct bilateral exchange of territories between Israel and the Palestinians and between Israel and Syria are limited, though trilateral exchanges would widen the range of options for an agreement. Two such plans have recently been formulated:

- **Trilateral exchange of territories between Israel, Egypt and Palestine**, in which the Gaza Strip would be augmented by territory from the Sinai, Egypt would receive territory in the Negev from Israel, and Israel would receive territory in the West Bank.
- **Trilateral exchange of territories between Israel, Jordan and Syria**, under which Israel would retain territory in the western Golan Heights up to the line that would be called the “Heights Border,” **Jordan** would hand over to Syria territory of about the same size along their common border and would receive from **Israel** a similar sized territory in the Arava desert and/or a port on the Mediterranean Sea.

Plans including multilateral territorial swaps between Israel, the Palestinians, Jordan, Egypt and Syria may increase the variety of options for settlement.

The **Indices of National Strength** show mixed trends:

- A positive turnabout in the economy is apparent, due in large part to the decrease in inflation compared to 2003 and an increase in the GNP and in per capita income. At the same time, poverty, inequality and chronic unemployment continue their upward trend, while the standard of living and participation in the workforce continue to fall.
- Public opinion polls show that patriotism and faith in the defense and security apparatuses remain high, and that the public has “learned to live” with terrorism: the efforts of terrorist organizations to damage the morale and national resilience of Israeli society have failed. The downward trend of the governance aspect of national strength continues, reflecting a decrease in political stability, governmental effectiveness and rule of law. This tendency is clearly seen in the continuous erosion of the public’s trust in political institutions.

Alongside the positive economic turnabout, both poverty and erosion in the governance aspect of national strength are on the rise.

It is clear that weakness in the governance sphere prevents the country from successfully contending with the historic decisions now on the agenda. Consequently, there is a need for changes in the **system of government** in order to strengthen its legitimacy and its ability to rule and improve its mechanisms.

Regarding the form of government, the **presidential system** is suggested, as is the introduction of a system that would include some district elections, in order to reach a point where there would be only two or three political parties.

Regarding governmental mechanisms, what is required is the establishment of a **coordinating staff** alongside the prime minister and the government, to advise on **foreign and security matters**, as well as an **apparatus for integration and coordination of the intelligence services on the national level**.

Because of the great influence the **media** has on national strength, the question arises of whether or not there is a need, and if it is possible, to protect it from interference from government and capital. There are those who argue that the interference of business interests in the media is inherent, and that political involvement in the media is impossible to prevent. Others point to examples where governmental authorities do not interfere politically with the mass media under their control.

The indices of national strength indeed show a positive turn in the economy, yet high unemployment and predictions of an increase in the workforce **require an immediate shift to an accelerated and long-lasting path of growth**, based on various technological industries. To obtain this goal, a significant increase in governmental investment in infrastructure, R&D and education, and a system of incentives that will increase the attractiveness of Israel for the global hi-tech industry (e.g., global services industries), are required.

An accelerated path of growth based on technological industries must be followed.

Concurrently, people must continue to lessen their dependence on the social security apparatus and join the work force, monopolies must be loosened and

sectors that create employment must be encouraged, especially those in which Israel has a definite advantage, such as tourism and leisure.

In order to encourage growth, the barriers that impede the development of the **financial market extraneous to the banking system must be dismantled**, since its existence is fundamental to the stability of a balanced and competitive financial market. The competitiveness of the **military industries** in the global market **must be strengthened through the limitation of government ownership, and their merging into two or three companies**. Higher education in the sciences must be bolstered in order to ensure and improve Israel's scientific and technological human resources.

Global economic changes, reforms in Israel's economy, and limitations on the role of the state in welfare:

- Lead to a steady increase in the participation of **NGOs** in supporting and carrying out welfare services. The work of these organizations must be coordinated and made more efficient.
- Require that the **business sector** heighten its **social responsibility** and increase its involvement in the creation of an environment that looks out for low income citizens.
- Necessitate a reorganization of the social security apparatus, beginning with **reform of the National Insurance Institute**, based on the premise of separation of social insurance from welfare.

Reform of governmental and civil welfare activities and social security is required.

A complex system of barriers is holding back the implementation of government decisions meant to solve the basic problems of the **Arab sector**.

The state is now required to:

- Establish an authority to deal with the problems of the Arab population as recommended by the Lapid Committee.
- Implement government decisions, laws and regulations that deal with the civic equality of Israeli Arabs.
- Act to raise the participation of Arab citizens in the workforce and lower their economic dependence on the social services by, among other things:
 - ✓ encouraging Arab business initiatives and Jewish-Arab partnerships.

- ✓ encouraging the employment of Arab women through professional training, creating conditions such as daycare centers that would bolster their ability to enter the workforce, and open up to them workplaces in the civil service and governmental companies .

Governmental leadership and guidance are also required for the realization of the vision of **developing the Negev**. The absence of one governmental steering body and one central address thwarts the aims and the efforts of Jewish communities in the Diaspora and the private sector in Israel to promote Negev projects. What is now required is:

- A wide-ranging national plan that is multi-dimensional, inter-ministerial, and long-term, that will mobilize all bodies involved in the developmental process and create competitive conditions of employment, education, housing, and culture.
- New laws that will encourage investment by the private sector.
- Investment in the Bedouin sector.
- Investment in the transportation infrastructure, with emphasis on the rail system.

Realization of the Negev development vision requires leadership by the government, as well as long-term planning and commitment.

The distancing of Diaspora youth from the Jewish experience and from attachment to Israel, as well as anti-Israel and anti-Jewish enmity in Western societies, require that action be taken to strengthen the ties of Jewish youth with Israel and the Jewish people and raise the level of Zionist education to help it contend with anti-Israel and anti-Jewish ideological attacks. New tools for **establishing ties between Jews in Israel and the Diaspora** must be developed, and the establishment of the “Second Home,” or alternately, a “Council of the People,” are steps in that direction.

There is a feeling that not enough has been done to support secular Jewish culture. There are also those who argue that the Dovrat Commission on educational reforms did not adequately discuss the need to impart Judaism, “Israeli-ism” and democracy. The state, in cooperation with the voluntary bodies that deal with such matters, must support and develop **secular Jewish culture** in order to impart it to the young people of Israel and the Diaspora, and make it a central part of their identity and spiritual world.

Strategic Trends and Shifts

Global Trends

Israel's strategic environment is full of challenges, some of them remote and others near and very familiar, containing both hazards and opportunities. The global trends that today influence these challenges are:

- In the **international arena** – the increasing importance of China and of Asia in general, and the global importance of Greater Europe; the long-term presence of terrorism as a global threat.
- **In the Middle East arena** – an American campaign to promote modernization and reform in the region, the Iraqi campaign, the Iranian nuclear threat and the Israeli-Palestinian conundrum.

The importance of Asia in the international area is a result of the following realities:

- One-third of the world's population lives in Asia, and it is the youngest population in the world.
- It has the highest rate of growth in the world and soon the economies of China and India are expected to become respectively the second and third largest in the world.
- In contrast, some global security threats have their roots in Asia: The Straits of Taiwan, the Korean Peninsula, and the Indian subcontinent are all places of conflict that may lead to international, and even nuclear, confrontations.

The West's approach to the Chinese challenge will determine whether the world faces a new cold war.

In the framework of the rising importance of **Asia**, **China's** star is particularly bright. The manner in which the West deals with the Chinese challenge in the political, economic and security spheres will influence the stability of East Asia, will be a decisive factor in the possible development of a **new cold war**, and will influence its handling of WMD proliferation. China's rise, to a certain extent, comes at the expense of the United States. While its importance as a central player and stabilizing force between China and Japan endures, the United States is perceived in the region as being immersed in the Middle East and the war against terror. As a counterbalance, China has strengthened its presence and operations in Asia itself.

India's economic growth is evident, and it is expected to become a focal point for economic development at least until mid-century. In the political sphere, it is no longer a part of the nonaligned axis and conducts itself very responsibly, including in matters relating to Pakistan. India is therefore perceived in Asia to be a crucial counterweight to China. The question of the nature of China's character fifteen years hence is cause for considerable concern among those who today influence India's strategic planning.

Four scenarios in Asia are likely to cast their shadow over the entire world and radiate into the Middle East, including Israel:

- **A China-Taiwan conflict** that would bring in American involvement. It is conjectured that China, who wants to progress in its internal affairs, would avoid initiating such a conflict if Taiwan does not make any provocative moves, such as declaring independence.
- **A conflict on the Korean peninsula** (again, with the United States' involvement).
- Conflict on the Indian subcontinent between **India and Pakistan** against the backdrop of the Kashmir conflict, including the danger of nuclear escalation.
- **The bursting of what is considered the bubble of the Chinese economy.** Some are sure that this eventuality would cause a crisis not only in Asia, but in the global economy, hurting Israel in the process.

Nevertheless, the importance of the Middle East for the United States is not expected to diminish. The alternatives to Middle East oil – Alaska, Nigeria, Russia, and Venezuela – all present either political or internal problems for the United States. Concurrently, Asia's – and especially China's and India's – reliance on Middle East oil is expected to rise, and as a result Asian interest in the Middle East is expected to intensify.

“The Second Nuclear Age”

Looking back on almost four decades of the nuclear non-proliferation regime, it can be said that the world – including the State of Israel, though it never signed the Non-Proliferation Treaty (NPT) nor joined the International Atomic Energy Agency (IAEA) – enjoyed a long period of stability. The regime

Global control in the nuclear sphere gave the world a long period of stability, though it now stands on the edge of crisis.

helped prevent several nations from acquiring a military nuclear capability, and facilitated the de-nuclearization of both the CIS countries after the breakup of Soviet Union, and South Africa after the demise of the apartheid regime.

In the early 1990s, and after the breakup of the Soviet Union, the “**second nuclear age**” began. Several characteristics differentiate it from the “first nuclear age”:

- **An increase in the number of players** – during the Cold War there were no crises involving more than two nuclear powers (though Britain and France also possessed nuclear weapons). The second nuclear age has potential for crises because of the large number of players, with complexity growing exponentially in proportion to that number. Communication has become more problematic, therefore the danger of misunderstanding signals becomes more serious. Another expression of the increased number of players is the circle of suppliers, which has expanded to countries in Asia and Latin America, and includes a multipartite network that is difficult to block.
- **The accessibility and low price of weapons of mass destruction** – both nuclear and biological – provide a capability to attack the territory of the United States that was not available with conventional weapons. Technology has also developed in a way that makes it more difficult to detect nuclear activity.
- **The strategic culture** of the new nuclear nations differs from that of the older powers. During the Cold War, none of the nuclear powers were under internal pressure from their citizens to carry out nuclear escalation. In contrast, it is possible that the leaders of Iran, Pakistan or North Korea could be pushed to nuclear escalation because of internal considerations.
- Inspection systems were misused by countries such as Iraq, Iran, Libya and North Korea.
- **The threat of the use of nuclear weapons by terrorist organizations**, a threat that didn’t exist during the first nuclear age, has become a reality.
- It is impossible to deal with the problems of nuclear proliferation separately from considerations such as national security, terror, stability, energy and oil.

The “second nuclear age” is characterized by an increase in the number of players, the accessibility of WMD, a different strategic culture among the new nuclear countries, and by the danger of nuclear terrorism.

In light of this reality, the West – including Israel – must make efforts in both the intelligence and diplomatic spheres to prevent nuclear anarchy. The way in which the challenge of preventing proliferation of nuclear capability is handled will decide if, in the future, a limited number of nations will join the nuclear club (in addition to the five great powers- India, Pakistan, North Korea, Israel and perhaps Iran), or if the world will deteriorate into a “nuclear jungle” with dozens of nuclear countries, as President Kennedy warned in the early 1960s. The nuclear arming of Iran (see below) may be the turning point between relative stability, which has existed for years now, and President Kennedy’s nightmare.

The second nuclear age requires serious examination of new conditions and the **formulation of new strategic approaches:**

- **Deterrence** –During the Cold War it was assumed that mutual deterrence was sufficient to prevent a nuclear war. But deterrence must succeed all of the time; it can be successful only if the nuclear nations know how to make use of their weapons without actually deploying them: by raising the value of conventional warfare, threatening to distribute the technology to other countries, or threatening to pull out of existing agreements (such as declaration of no first use).
- **Escalation** – During the first nuclear age the emphasis was on preventing the breakout of war, and not on managing escalation when deterrence failed. We must anticipate the possibility of escalation, when a nation threatens to use nuclear weapons in order to prevent losing a conventional war.
- **Weapons Control** – will again play a role in the national security approach of the United States. For example, would it be beneficial if the United States were to renounce first use of nuclear weapons while committing to use nuclear weapons against any nation carrying out a first strike?

Regional Trends

Over the last year changes have taken place in Israel's strategic environment; changes that have the potential to both provide historic opportunities and create threats:

- The Disengagement Plan may present an opportunity to renew the peace process; alternatively, it may limit Israel's capability to promote other agreements.
- Arafat's death may make possible the formation of a more moderate leadership with whom to carry out negotiations; alternatively, it may intensify the decline of Palestinian society so that Israel will be left with no negotiating partner.
- The re-election of President Bush may advance Israel's important goals in regards to terrorism and weapons of mass destruction and promote democratization in the Middle East. Israel, however, must not automatically depend on the support of the United States. If Israel does not work to maintain the high level of coordination it presently enjoys with the American government, the United States may begin to pay for European and Arab support for its policies in Iraq with Israeli currency.
- The international community is showing determination in its attempts to prevent Iran from obtaining nuclear weapons. This determination, however, may dissipate.
- Improvement of relations with Egypt and new voices emanating from Damascus create an opening for an overall improvement in Israel's standing in the region.

American success in stabilizing **Iraq** is seen in the Middle East as a test case for future American plans in the region, especially its demand for reforms and democratization. At this stage, the re-election of Bush tipped the scales in favor of continuing his policies in Iraq, a message clearly understood in the Middle East. In contrast to the approach that perceives American involvement as drowning in the pool of terror and a hostile local population, is one that says that American success must instead be judged in light of several factors:

- The Iraqi territory already under the control of the central governmental authority is continuously growing, and today stands at about eighty percent – fifteen of eighteen districts.
- A relatively small part of the Sunni population is ready to wreak mayhem in order to thwart a pluralist and democratic regime that would give the Shiites and Kurds a proportional role in the regime. According to this approach, since the Iraqi problem is within the Sunni population, it is limited to no more than one-fifth of the population.
- The strong opposition of the Shi'ites and the Kurds to living under a renewed Sunni dominated Ba'ath regime.
- Encouraging signs include the determination of Prime Minister Alawi, the role filled by the Ayatolla Sistani and the reconstruction of the Iraqi army.

American success in the future will be judged, therefore, by the extent of the central regime's control, elections that will bring about a moderate government and parliament and agreement on a constitution and elections a year later.

The Threat of a Nuclear Iran

Iran – through its support of terrorism – is making concerted efforts to impede the renewal of the peace process between Israel and the Palestinians, as well as Iraq's rehabilitation and its path to democracy. In addition, it is becoming apparent that Israel's foremost strategic challenge is the **Iranian nuclear threat**. There is no doubt that at the very least, Iran aspires to possess a military nuclear option, though opinions are divided as to whether Iran will respond to incentives and sanctions and relinquish the use of that option. How the threat develops and how it is handled is closely tied to Iran's motivations, which may derive from:

- The desire to give nuclear backing to its policy of revolution and aspirations for hegemony in the Gulf.
- Defensive motivations emanating from a feeling of strategic inferiority, from scars remaining from the war with Iraq and from the trauma of the swift conquests of Iraq and Afghanistan by the United States, who is now in a position to carry out a pincer movement around Iran.

The Iranian nuclear threat is today Israel's foremost strategic challenge.

- A series of considerations encompassing both international and internal national honor, including possession of a negotiating trump card (similar to that of North Korea).

Some argue that even if Iran's motivations are the result of its response to strategic threats, the character of the Iranian regime and the effect that the possession of nuclear weapons would have on it may cause it to follow a **non-defensive strategy**. It is precisely the weakness of Iran's conventional capabilities and its strategic concerns that may cause it to see its nuclear weapons as a tool in its current struggle, and not as a weapon to be used in extraordinary circumstances.

If Iran is successful in its bid to obtain the nuclear option there will be far-reaching consequences both in the Middle East and outside of it. The primary consequences will be:

- Amplification of the threat to Israel and undermining of the existing regional balance of power, so that beyond its traditional reliance on the United States, Israel will have to reevaluate its policies.
- **Collapse of the non-proliferation regime in the Middle East.** Many countries, especially the Arab Gulf states, may try to develop closer cooperation with the United States, though others – Egypt, Saudi Arabia, Algeria and Syria – may themselves follow the road to procuring nuclear weapons.
- The possible collapse of East Asian security agreements, which are based on a rejection of the nuclear option in exchange for an American security umbrella. Such a collapse may create three-way and even five-way combinations of either mutual interest or conflict in **nuclear policy** (China-Japan-United States, or South Korea-North Korea-China-Russia-United States). Signs of cracks in the security agreements are already apparent in South Korea and Taiwan.

If Iran were to realize its goal, Israel would be threatened and Iran's neighbors would be motivated to adopt the nuclear option as well.

It is possible to delineate three basic strategies for contending with the Iranian challenge:

- **The negotiating strategy** –The European method that is based on holding the “stick” – as large it may be – in the background, while at the same time offering a “carrot.” The most alluring carrot, it is argued, is recognition on the part of the United States of the legitimacy of the Iranian regime and the removal of trade sanctions.
- **Waiting** – The present strategy of the United States is repudiation of European efforts and support of opposition to the Iranian regime.
- **Strategy of military confrontation**, which is based on the assessment that it would be impossible to dissuade Iran from carrying out its plans and that Iran’s success would have tragic consequences. This strategy was more relevant a year ago, before the deterioration of the situation in Iraq. At that time, American presence there could have been the “stick,” to give deterrent backing to the “carrot”. American presence in Iraq, however, has changed from an asset to a liability. The surgical military strike option (the “Osirak Option”) is also not practical in Iran, since there is no certainty that all of the relevant facilities could be hit.

None of the strategies available for contending with Iran guarantee success.

If Iranian motivations are regional hegemony or the need to deter the American threat, is it likely that Iran will persevere in its nuclear armament. Such a strategy would force Iran to withdraw from the Non-Proliferation Treaty and demonstrate its nuclear capability. In this case, the only possibilities open to block Iran would be through sanctions, subverting the regime, or perhaps a military strike. There are those who believe that even a liberal and democratic Iran would be interested in nuclear weapons, though it is likely that such a regime would be more sensitive to its international standing and more transparent, both of which would make having a clandestine nuclear program more difficult.

If Iran’s primary motivations are political, it is likely to make do with nuclear ambiguity, unassembled weapons and undeclared capabilities. In this case Iran may still be open to a “grand bargain” that would include incentives that would bring it to renounce the nuclear weapon option. Even so, such a bargain is contingent on improving the bargaining position of the United States. The

United States needs, according to one opinion, to cooperate with European efforts by brandishing the “stick” while preparing for the possibility that it may also need to use the “carrot” in exchange for Iranian concessions.

The **United States** remains the only dominant power that considers itself obligated to respond to the important threats in the global sphere – **terror and the proliferation of weapons of mass destruction**. The question remains, to what extent is it possible to expect the United States to carry out pre-emptive actions? It must be noted that even during the Cold War era, first use of nuclear weapons was never rejected, and that neither presidential candidate ruled out pre-emptive conventional attacks, in as much as no president can justify refraining from action when there is an imminent threat to the United States. It is reasonable to assume, therefore, that pre-emptive actions carried out in areas remote from the United States (for instance, the bombing of a facility for producing nuclear weapons, or striking Al Qaeda operatives) will receive wide-ranging political support in the country. On the other hand, it would be **difficult to raise broad support** for actions that involve **comprehensive military campaigns and/or occupation, such as in Iraq**.

Terrorist Threats

In the past year, **Palestinian terrorism** has decreased. This should not be construed as the result of a lesser motivation of terrorist organizations to carry out attacks, but is rather due to improvement in the defensive capabilities of Israel in light of the continued construction of the separation fence, and enhanced intelligence capabilities. This superiority is based on cooperation between the different intelligence branches and the optimization of advanced technology, which together with suitable weapons make possible precision strikes on terrorist targets.

These capabilities were translated into extensive daily preventative actions. On the northern front, Israel’s responses to Hezbollah’s attempts at escalation somewhat restrained that organization, Syria and Iran. Nevertheless, terror – whether Hezbollah or Palestinian – is still considered by Syria and Iran to be a substitute for direct confrontation with Israel. There can be no doubt that those two countries have been responsible for attacks carried out inside Israel, and

The U.S. remains the only dominant power capable of reacting to the paramount threats in the international sphere- terror and proliferation of weapons of mass destruction.

The U.S. will find it difficult to enlist support for wide-ranging military campaigns or the occupation of Iran in order to prevent its nuclear programs.

The decrease in Palestinian terror is not a result of abating motivation, but of improvement in Israel’s defensive capabilities.

Israel's responses have made it clear to Syria that it would not come out unscathed in the event of a terrorist attack directed by it.

In addition to Israel's improved capabilities, the international campaign against terror, led by the United States, has made Israel's struggle easier. One school of thought sees this campaign as tipping the scales positively. The very existence of such an international campaign against terror is an achievement worthy of mention. The fact that Al Qaeda has not been able to carry out an attack against the United States since September 11 is an indication of the United States' success in developing its defensive barriers and carrying out preventative measures. The presence of foreign soldiers in Iraq and Southeast Asia is a result of the United States' success in eliminating Al Qaeda in Afghanistan. Should efforts to promote democracy in the Middle East bear fruit, it will contribute to the struggle against terrorism, and will prove that there is an ideological alternative to extremism.

These successes, however, are not enough. International decisions taken against terrorism must be made stronger and given teeth. Such validity can be expressed in international agreements that impose sanctions on countries that support terrorist organizations or refuse to cooperate in punishing them.

Israeli Strategies in the International Sphere

The changing strategic environment offers Israel the chance to promote its central foreign policy goals. Among Israel's primary goals are:

- The preservation and upgrading of its partnership with the United States.
- The deepening of its ties with the European Union.
- Affiliation with NATO.

In opposition to Israel's firmly established response that rebuffs international involvement in its conflict with the Arabs, and in spite of bitter experiences in the past, there are those who call to re-examine the traditional assumptions and the approach of "a People that shall dwell alone, and not be reckoned among the nations." The prerogative to act outside of international legitimacy is exclusively that of the only remaining superpower. Israel must therefore widen

the circle of participants in the political process with the Palestinians. This requires the actual participation of international bodies in the processes. Israel's willingness to include Europe and the international community in the political process could also yield advantages regarding the struggle against a nuclear Iran.

Upgrading the Partnership with the United States

Israel's special relationship with the United States is an essential component of Israel's strategic situation. Even so, since the mid-1980s there have not been any major operative changes in these ties, neither in the level of aid – which in actuality has eroded, and is comprised of higher military but lower overall aid – nor in the parameters of the ongoing dialogue within the various frameworks. Special relationships are built on strong foundations, but very few of them in the modern American experience enjoy the kind of consensus that exists in the depth of American support to Israel. Nevertheless, the changing reality in the United States and the deep split that was revealed during the American elections make necessary the continuous maintenance and constant care of the roots and branches of the special relationship.

In principle, we are faced with three options:

- **Continuing dependence on the pocket of the American people.** This can damage long-term relations with the United States, as well as the Israeli security economy and internal balance.
- **Formal upgrading of the relationship to a defense treaty.** The creation of formal obligations of the American security apparatus and military to the State of Israel will oblige the United States to put in place the required resources to back up the alliance. It may be difficult to convince the American security apparatus to commit itself to this.
- **The development of a wider system of relationships** in which the Israeli-American axis is part of a legitimacy-building process for the State of Israel in the international sphere, consolidating its strategic ties and strategically placing itself in the Western liberal democratic camp, along with other countries that it sees itself as being tied to. This approach should integrate well with strategic tripartite alliances between Israel, the United States and an additional country, which make a contribution to the strategic balance in

Israel can upgrade its relations with the United States to a defense treaty, or through strategic tripartite alliances.

the region. The additional country could be Jordan, Turkey or India for example. Israel would be able to integrate in a multilateral framework such as the dialogue that has begun with NATO on the basis of the Istanbul Initiative, the dialogue between the G8 nations and the “Greater Middle East,” or the “Forum for the Future” that was established by a G8 decision in June 2004.

Enhancing Ties with the European Union

From a European perspective, Israel and Europe share, in the full sense of the word, strategic challenges. They include:

- Threats such as proliferation of WMD and international terror.
- Perennial challenges common to developed societies, such as dependence on communications, transportation and information, natural resource management, identity issues, poverty, societal alienation and race-motivated hostility.

Expanded Europe has become a strategic player and cannot ignore the reality unfolding in other regions in the world. The crisis in the Ukraine brought to the fore the need for a European role, a need that is becoming apparent in other regions as well. In order for this to happen, however, there is a need for the development of new approaches and tools appropriate to the task. A milestone in developing such tools was the adoption in December 2004 of the joint European Security Strategy for tackling the challenge of terror and weapons of mass destruction.

Expanded Europe has become a strategic player and cannot ignore other regions. There is now an opportunity to strengthen its ties with Israel.

From a European standpoint, Israel has made a strategic decision to withdraw from its closest neighbors – the Palestinians. It is therefore in need of a network of ties with similar societies, along with strong strategic links with the West that would provide the country with the strength to take risks for the sake of peace.

From that perspective Europe is Israel’s natural ally – the country and its hi-tech companies are already players in the European arena. In the intergovernmental sphere, at the end of 2004 Israel signed the European Neighbourhood Policy agreement with the European Union, which includes a

wide range of issues: war against organized crime and illegal immigration, and cooperation in communication, transportation, energy and the environment.

In order to advance the relationship, there is a need to:

- Market the importance of the ties with the general public and not to suffice with agreements between representatives of the governmental institutions or politicians.
- Open strategic dialogues while avoiding artificial timetables.
- Motivate Europe into helping to pull Israel out of its isolation and make it a full partner in international institutions and a participant in the UN and other regional organizations.

In order to promote ties with Europe a strategic dialogue must be developed.

For the long term, there are visions of a Middle East Common Market with the participation of Israel, Jordan and Palestine, and close ties to the European Union; of a “Marshall Plan” for rehabilitation of the region; and of programs such as “Terra Sancta”, covering Israel’s multilateral ties with its neighbors (Palestine, Jordan, and Lebanon) and the European Union – at first as individual countries receiving preferential treatment and later perhaps as full members. For its part, Israel expects European leaders to make use of their political power and the economic aid they provide to the Palestinians to set an ultimatum for the cessation of terrorism, and threaten to withdraw aid and political ties if the Palestinian Authority does not do what is required.

For the long-term, there are those who propose a Middle East Common Market with Jordan and the Palestinian state, and close ties to the European Union.

Upgrading Relations with NATO

The issue of ties between Israel and NATO has been floated since the first days of the State. As long ago as 1953 Prime Minister David Ben-Gurion sought to tie Israel to NATO. NATO is a pivotal organization that will remain predominant for the foreseeable future. The line-up of states requesting to join NATO indicates that it is adapting to the new global reality. The organization acclimated itself to new theaters of action and new missions, ranging from involvement in Afghanistan to the beginning of involvement in Iraq.

From Israel’s perspective, the complexity of security challenges – primary among them international terrorism and the threat of nuclear proliferation – raises the need for cooperation, since it is difficult to imagine success against

those threats by individual nations on their own. The time has come for Israel to enter the wider framework of countries having a common set of values and challenges. Israel should join NATO because:

- As the organization draws nearer to the Middle East and its problems, Israel needs to build a stronger alliance with it.
- Israel has an interest in using NATO's umbrella for multilateral discussions with the Arab countries.
- In the face of difficult and historic political/security decisions, affiliation with NATO could supply Israel with both security and psychological backing, and contribute to its ability to make those difficult decisions.

From NATO's standpoint, its interests in the Middle East are growing, both separately from and in addition to the Israeli-Arab conflict. Positive considerations for the upgrade of these ties can be found on both sides of the Atlantic:

- **From the perspective of the United States** – NATO backing for America's security guarantee to Israel will strengthen the guarantee and may resolve differences of opinion between the United States and Europe regarding Israel. Curtailing differences between the United States and Europe regarding Israel will help create a united Western front against the Arab nations, who today are trying to maneuver between them. It can also be claimed that while NATO is expanding to Caucasia and incorporating countries such as Georgia, Armenia, and Azerbaijan, there is no reason for it to reject a country whose values and goals are much closer to its own.
- **From the European perspective** – Recognition is growing that Israel is a part of the West and party to those Western values such as democracy and liberalism that are under attack. From a Realpolitik point of view, the European Union should be interested in strengthening Israel's sense of security, so that it will be able to take the risks necessary for peace. Israel's affiliation with NATO would legitimize Europe's demand for increased involvement in the Middle East, and could directly improve its relationship with Israel. The argument frequently heard in Europe – that improved relations with Israel would hurt Europe's relations with the Arab world – may prove to be unfounded, and it is possible that if Israel were so

Affiliation with NATO may increase Israel's ability to make difficult and historic decisions.

strengthened, the Arab states would be spurred into rethinking their relationship with the organization.

Israel's membership in NATO need not wait for the conflict with its neighbors to be solved, since no stipulation exists for member states to be free of involvement in border conflicts. All that is required is common values and the willingness to fight for those values.

Israel's affiliation with NATO needn't wait for a solution to its conflict with its neighbors.

Membership in NATO may still be far away; it requires drastic change in strategy. Nevertheless, a range of options between membership and non-membership should be taken into account. There is no one model of affiliation with NATO: Sweden and Finland are integrated in NATO, except in its political aspects, and the option to become full members is open to them. Israel could also develop bilateral ties with NATO based on the Istanbul Cooperation Initiative. An Israeli model could be based on the Swedish model, the British model, or on a process that leads from the former to the latter.

Enhancing Israel's Capability in the Political-Ideological Front

Opposition to Israel has become a litmus test for the Western public that sees itself as politically progressive, much like the Vietnam issue in the 1960s and South African apartheid in the 1970s and 1980s. This is not only a marginal phenomenon: the comparison of Israel to South Africa and Nazi Germany is common not only in Europe, but also on American campuses. The hatred of Israel is also a common denominator for the Muslim community and the Left in the United States and Europe.

This comparison drives the demand for an economic and academic boycott of Israel, since such a boycott was instrumental in bringing down the apartheid regime in South Africa. The trend not to recognize Israel's right to exist as a nation is also reflected in the growing acceptance of the concept of an Israeli-Palestinian Federation based on *one man – one vote*, an approach that would essentially abolish Israel as a Jewish state.

Israel must do its best to **prevent the weakening of its “soft power”**; that is, the capability to achieve its goals through persuasion, on the basis of policy,

values and culture. This is not a matter of public relations or propaganda, but continuous efforts to nurture common values and interests.

Some possible approaches are:

- Intensifying collaboration with international organizations, while recognizing the increasing importance of international bodies.
- Nurturing common values with other cultures – Christianity, Islam, and the religions of Asia.
- Emphasizing the positive side of Israel, the existential narrative and background – that has nearly been forgotten – and its accomplishments in the fields of science, democracy, etc.

Peace Plans

Main Characteristics

There are those who believe that at this time when, paradoxically, trust between Israel and the **Palestinians** has reached a new low after four years of Intifada, the political gap between the two regarding a settlement is at its narrowest since 1967, and there is a confluence of interests between Israel, the Palestinian Authority, Egypt and Jordan to promote **the peace process**. Today, the next step in negotiations is contingent on the decision of the Palestinians. The struggle within Palestinian society between the extremist forces, who reject peace with Israel, and the rational forces, who are ready to march forward to peace, has not been resolved.

There is a meeting of interests between Israel, the Palestinian Authority, Egypt and Jordan to promote the peace process.

The Arab world has yet to accept fully the concept of strategic peace based on acceptance of the existence of Israel and its right to exist as a state for the Jewish people. Even Egypt, which has had a peace treaty with Israel for more than two decades, has not yet accepted the concept; and the Palestinians, still locked in conflict with Israel, are even less capable of grasping the idea.

An historic turning point regarding the Israeli-Palestinian peace process came in President Bush's address in June 2002, when he declared that the Palestinians must root out terror before any negotiations can take place. This is in contrast with the European approach, which claims that terror will dissipate by itself when the Palestinians' political goals are satisfied.

There is wide agreement among policy-makers in the State of Israel. They believe that:

- The year 2005 will be a year of historic opportunity for relations with the Palestinians. This is because of Arafat's death and the possibility of a more moderate leadership taking over, the re-election of President Bush, Israel's success in reducing terrorism and signs of improved relations with Egypt.
- The majority of the public aspires to Israel's existence as a democratic Zionist Jewish state within recognized borders and with complete separation from the Palestinians, a situation which would secure a solid Jewish majority for coming generations within the country's borders.
- Israel has no interest in having control over the Palestinians. This principle is the basis for the strategic decision of the Israeli government to implement the Disengagement Plan.

The main elements of the Palestinian positions are:

- Half-hearted admissions that the "Palestinian leadership" (that is, Arafat), had made mistakes, and a will to make use of the process that Arafat's death put into motion.
- Firm opposition to unilateral policies, a call for coordination of future steps and attempts to disprove the feeling of the Israeli public that "there is no Palestinian partner."
- Demands to progress directly to a final settlement, to be based on the establishment of an independent Palestinian state.
- Various versions of the "right of return", ranging from adherence to the demand to implement the right, albeit in a weakened version ("while offering sufficient legal and actual guarantees to Israel"), to calling on the Palestinians to formally give up the demand for the right of return within the territory of the State of Israel.

The Road Map and Disengagement

The Road Map is an extension of President Bush's approach, and it is a sort of "management plan", one that defines **the path** to negotiations and not its outcome, and determines progress from phase to phase: not according to a timetable, but according to results. An additional and central component of the Road Map is the implementation of basic reforms in the Palestinian regime in

order to ensure that when the Palestinian state is declared it will be based on the rule of law, and operate according to standards that are acceptable to the Western world. This approach is a result of lessons the American government learned from Oslo: the peace cannot be built through a dictator (Arafat), or by replacing one dictator for another. It is no surprise that the Palestinian public, who was not able to taste the fruits of peace and only saw its leaders grow wealthy, has lost its faith in the concept of peace and directs its anger outwards – towards Israel.

The Disengagement Plan is a means of implementing that approach, and it was put forward only after the efforts of Abu Mazen failed during his first term as prime minister. The plan allowed Israel to come to an understanding with the United States on the basic principle that negotiations would not take place with the Palestinians until terrorism has been eradicated and a sound Palestinian government has been forged.

The Disengagement Plan is extremely controversial: its adherents see it as a measured and controllable step, reflecting the desire of the majority of the public and securing important political conditions; its opponents, on the other hand, warn that it will divide the nation, deteriorate security and bring about political pressures.

In his Herzliya Address, Prime Minister Ariel Sharon emphasized that if the government of Israel wants to take advantage of existing opportunities, it must take the initiative, the most important initiative being the Disengagement Plan. It will be implemented during 2005 – with decisiveness and without hesitation. The government of Israel recognizes the demographic reality that has developed on the ground, and calls to differentiate between goals worth fighting for, such as Jerusalem, the large settlement blocs and the Jewish character of the State of Israel, and goals for which the majority of the public is not willing to sacrifice.

The government of Israel considers the Disengagement Plan to be a step within the framework of the Road Map, although the Israeli interpretation of the Road

Map is different from the European interpretation:

- Israel sees the elimination of terror as a prerequisite for implementation of the Road Map, while the Europeans believe that halting terror (not necessarily elimination of its infrastructure) should be a process implemented parallel to Israeli implementation of elements of the plan.
- Israel sees in disengagement from Gaza an independent step, which, if it is successful and causes the Palestinians to take control over Gaza and prevent terror, will build trust between the sides, trust that would lead to further steps. Europe, however, perceives the disengagement as a first step, after which will follow further withdrawals.

Despite differences of opinion between the American and the European approaches, Israel has obtained strong American commitment that the European approach will not be allowed to become an alternative policy plan.

For adherents of disengagement, the commitments made by the President of the United States regarding refugees and the right to hold on to settlement blocs are important results of the plan. They also see other positive influences, both short and long-term:

- Physical separation from millions of Palestinians **will improve security** (though it may bring about a certain increase in the threat from artillery) and will enable Israel to significantly reduce security operations within the territory.
- The process has already earned Israel the support of the President of the United States, subdued international criticism regarding Israeli campaigns against Palestinian terror, and reduced (though not eliminated) Israel's legal and humanitarian responsibility for what happens on the ground.
- Along with the economic price of disengagement, there is a chance for improvement in the business climate, as well as in investment and trade.
- In the long term, the process will influence, among other things, environmental protection, the development of the Negev, development of infrastructure systems such as sewage and water, as well as the Israeli Arab population, which will also find itself separated from the Palestinians.

Adherents of the Disengagement Plan believe it to be a measured and controllable step, reflecting the desire of the majority of the public; its opponents warn of a schism in the nation, deterioration in security and further political pressure.

The **main arguments of those who disagree** with the Disengagement Plan are:

- The very act of leaving Gaza under the pressure of terror will justify in the eyes of the Arab and Muslim world the use of terrorism as the way to defeat Israel, and will therefore perpetrate terror. Losing control over the sea may pave the way for penetration of Al Qaeda and turn Gaza into a safe haven for that organization.
- The plan gives away the important “card” of withdrawal from Gaza without getting anything in return.
- Disengagement takes **Israel’s own security out of its hands** and places it in the hands of the Palestinians. It deprives Israel of the ability to fight terror as it loses control in the field. The plan does not include any reference to possible threats against the power plants in Ashkelon, Ashdod and Hadera, which will be within the range of Palestinian missiles.
- No solution has been found to the problem of water and underground water reservoirs in northern Samaria, which may reach the state of the underground water reserves in the Gaza area.

The Disengagement Plan is in principle divided into two main elements:

- The main unilateral element, in which Israel is the central player. This part includes three main features: The decision itself, defining both the exact territories from which Israel will withdraw and the comprehensive timetable, which is planned to be concluded before the end of 2005.
- The element of multilateral collaboration, which deals with the possibility of taking advantage of the first element to alleviate the plight of the Palestinian population in the territories that will be vacated, and as a consequence, improve Israel’s situation. The main players here are the Palestinians, the Egyptians, the donor nations and the international community.

The death of Arafat and election of Abu Mazen have made it possible to implement the Disengagement Plan in a “modified” way – with the cooperation of the Palestinians, **rather than as a unilateral step**. Israel is willing (even before the actual disengagement) to allow the Palestinians to take over responsibility for additional areas of Gaza and even West Bank cities, if they

The death of Arafat and the election of Abu Mazen have paved the way to carry out the Disengagement Plan with Palestinian cooperation, rather than as a unilateral step.

prove that they are capable and ready to prevent terror. Implementing the Disengagement Plan under terms of consent is preferable to unilateral action for the following reasons:

- It reduces uncertainty regarding the Palestinian side.
- It increases the chances for international and regional support of the step.
- It reduces the danger of alternative political processes that are not in Israel's interest.

Even without the agreement of the Palestinians, it is in Israel's interest to improve the lives of the Palestinian population not involved in terrorism. Barring the entrance of Palestinian workers to Israel and closing the Erez Industrial Zone were tough blows for the Palestinian population, which is unable to find alternative work.

With Israel's withdrawal from the Gaza Strip, the question of responsibility for the territory must be placed on the agenda. After implementation of the Disengagement Plan, the Palestinians will have full control of contiguous, populated and sustainable territory, free from Israeli disruptions to movement, and for the first time will be able to take their fate into their own hands. Israel, therefore, has an interest for the fate of the Gaza population after the withdrawal to become the responsibility of the Palestinians or of the international community. In contrast, however, the European approach will claim that Israel remains responsible for any humanitarian disasters that should occur in Gaza because it stubbornly refused to coordinate the process.

This issue also raises the possibility of **international involvement**. At an early stage, Israel's withdrawal will create a vacuum in several important security spheres, such as supervision of the Dahaniya Airport, the Philadelphi Corridor between Gaza and Egypt, and the Gaza port. It was suggested that a combined mission team made up of Israel, the Palestinians and international bodies trusted by Israel be formed.

Bilateral Permanent Peace Settlements

Along with the debates surrounding disengagement, and arising from the sense of opportunity, voices calling for formulation of the final status arrangement are again being heard.

The most prominent proposals are the “People’s Voice,” the “Geneva Initiative” (both of which are joint Israeli-Palestinian proposals), and MK Avigdor Lieberman’s “Plan for Exchange of Populations and Territories between Israel and the Palestinians.”

The following outlines the principles behind these proposals:

- **The existence of the State of Israel as a democratic Jewish state** requires the separation of Israelis from Palestinians by way of Israeli withdrawal from the Gaza Strip and sections, or all, of the West Bank, and the division of former mandatory Palestine between Israel and the Palestinians.
- **Acceptance of the existence of a Palestinian entity** (the Palestinian Authority, according to the Lieberman proposal; a state under the two others), in the West Bank and Gaza, and reduction or elimination of Israel’s responsibility over what takes place within Palestinian territory.
- **Confirmation of the principle of territorial exchanges** that would leave Israeli population centers (settlement blocs) in Israeli hands.
- **Acceptance of the division of Jerusalem.**

The difference between the three proposals is, *inter alia*, in different approaches to how to strike the balance between the goal of a democratic Jewish state and the goal of peace. The differences between the plans touch on three interrelated issues:

- **The territorial debate:** The People’s Voice and the Geneva Initiative propose territorial exchanges on a 1:1 ratio, while the Lieberman program calls for wide-ranging territorial exchanges, including the exchange of territories populated by Israelis in the West Bank with Israeli Arab communities (in the Triangle, Wadi Ara, and the Arab neighborhoods of East Jerusalem).
- **The character of mutual recognition:** The People's Voice states that “Palestine is the **sole** state of the Palestinian people, while Israel is the **sole**

state of the Jewish people.” The Geneva Initiative, in comparison, does not declare that the State of Israel is only the state of the Jewish people but states that, “The Jewish people have the right to statehood and the Palestinian people have the right to statehood, with Israel being the sole state of its people, and Palestine being the sole state of its people.” In comparison, the Lieberman plan determines that the two sides will declare that Israel is a Zionist Jewish state and that the Palestinian Authority is the homeland of the Palestinians.

- **The Palestinian Right of Return:** The People’s Voice rejects absorption of Palestinians within the State of Israel, while the Geneva Initiative draws closer to the Palestinian stand and sets up a mechanism to determine the number of Palestinians that will be allowed to “return.” In comparison, the Lieberman plan not only rejects the right of return to the State of Israel, but also revokes the citizenship of Israeli Arabs living in territories transferred to the Palestinian Authority, as well as those refusing to pledge allegiance to the State of Israel.

Jordanian Options

Israel and some extra-regional bodies have occasionally recognized the advantage of increased Jordanian involvement in the process and outcome of the negotiations. **Jordan** also has interests in the form the solution to the Palestinian problem takes and the nature of the Palestinian entity established in the West Bank:

There are advantages to Jordanian involvement in a settlement.

- It wishes to prevent the possibility of “Palestinization” of the Hashemite Kingdom.
- It is concerned that the “Intifada Syndrome” (collapse of political and social authority) will spill over eastward to Jordan; a concern that brought about the Jordanian announcement of disengagement from the West Bank in 1988 and increased as a result of the Al-Aqsa Intifada, the accelerated unraveling of the Palestinian Authority and Palestinian society and Israel’s unilateral disengagement.
- The severing of Israel from the Palestinians arouses in Jordan concern that a frustrated Palestinian population, including those deprived of their rights, will knock on its doors and threaten the stability of the kingdom. It is,

paradoxically, this concern that may cause Jordan to reconsider its future relationship with the Palestinians.

Within this framework, proposals are again being raised for Jordanian involvement in a settlement. Among them are:

- Jordanian involvement in a custodial regime during the interim period.
- Jordanian sovereignty over a Palestinian entity in the West Bank and Gaza in the framework of a Jordanian-Palestinian federation.
- An Israeli-Jordanian-Palestinian tripartite federation (such as in the Benelux countries).
- Ties between Jordan and Palestinian cantons.

Another approach, one proposed by the Israeli National Union Party, is based on the abolishment of the Trans-Jordanian and Hashemite character of the Jordanian kingdom and the definition of Jordan within its present borders as the “Palestinian State.” According to this approach, Israel would have sovereignty in all the West Bank and Gaza; Palestinian residents of the West Bank and Gaza would be citizens of a Palestinian-Jordanian state in which they would exercise their democratic rights; refugee camps would be dismantled and the refugees would be resettled outside the borders of Israel.

Multilateral Exchanges of Territory

The concept of **territorial swaps** is found in most of the peace plans. The underlying premise is the acceptance that the British Mandate borders, the 1949 armistice lines and the 1967 ceasefire lines should not be the decisive criteria for final status borders. Territorial swaps and re-drawing of borders between Arab states (Jordan and its neighbors) have taken place in the past with mutual consent. Regarding Israeli-Arab borders there are various approaches: The treaty with Egypt was based on the international border and, the treaty with Jordan on a modified British Mandate border, while Syria demands a return to the June 1967 lines. The principle of taking into consideration changes that have taken place and the existence of population centers has until now been anchored in all stages of negotiations, as well as in President Bush’s April 2004 letter. This is in addition to considerations relating to demography, security, the economy and natural resources.

Multilateral territorial exchanges broaden the range of possibilities for a settlement.

There is therefore logic in the principle that each side would retain its **entitlement** to territory, although the exact boundaries of that territory would be subject to modification along demographic and security lines, so that in the end each side would receive territory identical in size, though divided differently. This division would take into consideration the different level of importance each state may hold for a given territory, of special rights, economic concessions, tenancy and security arrangements that could conceivably be part of the compensation for territory, so that a given area could be exchanged for a territory smaller in size but greater in value for the receiving side.

In spite of this, the options available for bilateral territorial exchanges between Israel and the Palestinians and between Israel and Syria are very limited, and cannot provide a solution to all the needs; it is clear that bilateral swaps with the Palestinians cannot solve their need for territory in the Gaza Strip, and Israel does not possess territory contiguous with Syria that would allow it to trade for territory on the Golan Heights. Therefore, **multilateral territorial exchanges broaden the range of possibilities for a settlement.**

Plans for trilateral territorial exchange between **Israel, Egypt and Palestine** may provide a solution to Israel's need to keep within its boundaries sections of the West Bank, and to Palestinian needs for territory in Gaza. These are the main points of this plan:

- **Egypt** will cede to the Palestinians territory in the Sinai Peninsula, along the shore and south of it, which will be added to the Gaza Strip and will enable the construction of air and sea ports, industrial economic development, a tourist industry and room for hundreds of thousands of people in a system of municipalities.
- **Israel** will cede to the Palestinians, who will cede to Egypt, a large section of the Faran Desert and a corridor from that area eastward to Jordan, which will enable the laying of a road, communication lines, oil pipelines, etc., that will connect Egypt to Jordan and through it to the Arab world.
- **Palestine** will cede to Israel areas with large Jewish populations west of the Green Line (settlement blocs) and additional territory in the Jordan Valley. The Judean Desert will become a joint ecological preserve.

Recently **Syria** has shown signs of flexibility regarding the reopening of negotiations with Israel. There can be no doubt that the source of these signals is Syria's distress as a result of external pressure regarding Iraq, democratization and terror, its presence in Lebanon and its economic weakness at home. Israel is interested in peace with Syria, but at this stage it seems that the conditions are not yet ripe: Syria's actions do not match its words, and it continues to support terrorist organizations and to arm the Hezbollah. If conditions change, it would be possible to consider a settlement in terms of a trilateral agreement including Syria.

The boundary under dispute between Israel and Syria is the international border determined by the British Mandate and France, which was replaced in 1949 by the armistice line and demilitarized areas, and later in 1967 by the ceasefire line. Israeli withdrawal to the 1967 lines entails the relinquishing of strategic assets: presence on the ridges and control over the cliffs, and possession of territory east of the main sources of water – the Jordan River and the Sea of Galilee. Such a withdrawal also requires the evacuation of the population that has settled on the Golan Heights.

For Israel, a possible border, one that would safeguard Israel's main strategic assets, is the **“Golan Heights Border.”** In the northern Golan it could pass two kilometers from the international border, widening in the center to include an area contiguous to the Katzrin region, and pass east of the line of cliffs in the southern part of the Golan Heights. The Golan Heights Border would leave in Israeli hands about one-fifth of the Golan Heights, about two-thirds of its Jewish population, and its access to Mount Hermon, while solving the issues of the Shaba farm and Ajur village and excluding the non-Jewish population from Israel.

The Golan Heights Border will allow for a settlement with Syria without giving up strategic assets.

A possible plan for a multilateral territorial exchange between Israel, Syria and Jordan could be based on the following steps:

- **Syria** would relinquish to Israel about one-fifth of the Golan Heights (about 250 sq. km.) in the area west of the Golan Heights Border.

- **Jordan** would transfer to Syria territory of identical proportions, perhaps the territory along their common border that Syria conquered in 1970, populated with Syrians, and has now agreed to evacuate.
- **Israel** would compensate Jordan by transferring to Jordan territory of identical size in the Arava Desert south of the Dead Sea, and with rights of passage or rights to a sea port, whose economic value would be larger than the value of the territory relinquished by Jordan.
- The **Hermon area** would become a joint development and tourist area for Israel, Syria, and Lebanon.
- **Agreements would be reached for reducing forces and mutual disarmament** on both sides of the Golan Heights Border. Israel would recognize the importance of the Syrian need to defend its capital, while Syria would recognize the importance of Israel's need to defend both the security and ecology of sources of water.

Alternative plans can be played out separately or in different combinations. Implementation of all three plans would produce a new map, in which all the sides profit:

- **Israel** – improvement in its demography, reduced need to evacuate settlements, retention of strategic assets on the Golan Heights.
- **The Palestinians** – a viable state, including large areas for absorption of refugees in the Gaza Strip, and connection between the two parts of the country.
- **Jordan** – a valuable area in the Arava Desert and/or a port on the Mediterranean Sea.
- **Syria** – territory along its border with Jordan, economic advantages of peace, and joint projects in the Hermon area.
- **Egypt** – territory along the border with Israel and west of Jordan.

These major changes in the political borders of the Middle East could kindle similar creative thinking in other locations.

Government, Economy and Society

The Indices of National Strength

The resiliency of the nation is measured by the following indices:

- An objective economic, social and governance index representing an annual quantitative comparison of Israel vis-à-vis the twenty-six OECD countries, four Middle East countries and its own past performance (the Herzliya Indices).
- A subjective social index measuring the feelings and positions of the Israeli public toward its overall situation and towards the state and its institutions (multi-year University of Haifa study of the resiliency of Israeli society).

The quantitative index shows that the years 2003 and 2004 saw the beginning of an improvement in the economic index of national strength, though in 2003 social resiliency continued its downward trend, while the governmental sphere remained stable, though at a low level.

Between 2000 and 2002 Israel's economy began its sharp negative dive, mainly due to a drop in production and per capita income and an increase in public debt and unemployment. In comparison, economic data for 2003 show a positive upswing in the economic index, especially because of the drop in inflation after an unusual price rise in 2002. This trend continues through the early assessments for 2004, due to a rise in production and per capita income. In the last two years, the economic index of strength has risen by a cumulative rate of 0.8%. This improvement was higher than the average of the OECD countries.

For the social index, in comparison, 2003 data points to a continued decline, especially due to a rise in the rates of poverty and chronic unemployment. Thus, the trend that began in 1996 continues and is expressed in a rise in poverty, inequality and chronic unemployment, and in a drop in the standard of living and the rate of male participation in the workforce. In the social index, the gap between Israel and the developing countries has widened, while the gap between it and countries in the region has narrowed. It is not yet possible to say how the improvement in the economic index will influence the social index in 2004.

The economy is improving, yet social and governance indices of national strength continue to decline.

In the governance index, no serious changes were recorded in 2003, though the downward trend that has become more serious since 2000 continues, influenced mainly by a drop in political stability, prevention of corruption, the rule of law, governmental efficiency and the quality of regulation, representation and responsibility.

The subjective index found that in spite of the considerable fear the public has felt during certain periods since the outbreak of the Al-Aqsa Intifada, there still remains a high level of patriotism, militant stances and trust in the security and defence apparatuses. From this it is possible to surmise that the public has “learned to live” with terror, and that terrorist instigators have not realized their goal of damaging the morale and resiliency of the Israeli public. Thus:

- The index measuring the fear of terror shows a moderate and steady reduction since October 2003.
- The militancy index (that is, to what extremes the public is willing to go in order to appropriately respond to terror), shows a moderate rise among the Jewish population, the result of the sharp rise in the level of militancy among residents of Judea, Samaria, and Gaza (YESHA).
- The level of patriotism, that is, pride in belonging to Israel and commitment to continue living there, has remained stable among the Jewish population, while the downward trend of patriotism among YESHA residents has stopped. Identification with the State of Israel is becoming stronger among the ultra-orthodox.
- There is a moderate but steady reduction in the trust of the population in public institutions. The Jewish population still places its trust in the defense and security apparatuses – the IDF, the General Security Services, the Mossad, and to a lesser extent, the police. It shows less trust in civilian and political institutions, such as the Knesset, political parties and the media. The public’s trust in the Supreme Court also shows a downward trend, though it is higher than the trust it has in political institutions.
- In the index of national optimism- in other words, how the public sees the future of the nation and its chances of meeting the challenges it is facing, there is a recognizable positive trend that began in 2004, after a drop between April 2002 and October 2003. This rise has also begun among the

Terror has not destroyed national morale.

The downward trend in the public’s trust in the political system and its institutions continues.

ultra-orthodox, though a fall in this index was recorded among the population of Judea and Samaria.

Improving Government and Governance

Changing the Israeli System of Government

The indices of national strength, as discussed, show a wide gap between Israeli patriotism and hope for the future and Israeli trust in the political system. The weakening of the trust in political institutions is also expressed in the continued downward trend in the voting rate. The Israeli Prime Minister is finding it difficult to implement his Disengagement Plan, in spite of that fact that it has the support of three-quarters of the public and two-thirds of Knesset members.

***The Israeli
system of
government
must be
changed.***

The Israeli political system has failed because the political culture of Israel is ill-suited to the multi-party coalition system. Power is now determined by the central committees of the political parties. Since most Knesset members and government ministers are professional politicians, their political existence and advancement depend on the support of the central committees of their parties, a phenomenon that leads to corruption.

The present system creates political instability, given the short life spans of governments, which last on an average only twenty-two months. The result is the precedence of political party survival considerations over national-governmental considerations, fixation on short term actions, a dearth of vision and long-term thinking and a reluctance to promote reforms or plans that would take years to implement. Seventy percent of government decisions are not implemented.

Given not only that there are twelve political parties, but that they in many cases split internally into sub-parties, the coalition form of government is a serious hindrance to the ability to govern. Under conditions such as these the prime minister must actually manage coalition negotiations during the entire term of his government and devote a large part of his time to political survival, rather than to the future of the country.

Therefore, the system of government must be changed. One possibility to do so includes the following steps:

- Switching to the presidential system of government, in which it would be impossible to remove the president except with the consent of eighty Knesset members, while the president would be authorized to appoint ministers and the most senior echelons of the civil service.
- A quarter of the Knesset members would be voted upon in district elections, personally, instead of as party representatives.
- Political parties receiving less than five percent of the vote would be ineligible to enter the Knesset, so as to reach a point where there would be only two to three political parties.

The presidential system of government would create a more stable and efficient government than the present system allows for.

Improving the National Security Apparatus and National Intelligence

One of the reasons that governmental activities are ineffective is the existence of organizational problems in the upper echelons of the national security apparatus: The prime minister has no professional staff subordinate to him capable of integrating national security issues, advising him regarding these issues, preparing deliberations for either the national security or general cabinets, or synchronizing and making sure decisions are carried out:

- The prime minister's military secretary and political advisor do not constitute such a staff.
- The attempt to build a national security staff failed, among other reasons, because its existence was not anchored in law.
- The National Security Council (NSC) was established at the time to act as an advisory body within the Prime Minister's Office and carry out these roles, but it was unsuccessful in doing so.

Since the NSC was established, its heads and senior members have been divided in defining its goals (whether it should be a professional staff group, working on analysis, long-term strategic planning and production of the national assessment, or a staff concentrating on coordination and integration between the various offices); its sphere of duties (whether it should deal only with clear foreign and security issues, or with other issues as well), and to whom it should be subordinate (the prime minister or the cabinet secretariat).

The NSC is negatively influenced by the ambiguity that exists regarding goals, duties and lines of command.

Moreover, the fact that the NSC is physically located far from the Prime Minister's Office, and that some of its coordinating roles are still in the hands of those who had carried out those missions before the NSC was established, hinders its ability to integrate and coordinate national security matters.

A successful model is the staff of the National Security Council of the United States. Another model is the "Foreign and Defence Secretariat " in the British cabinet office. Of the two, the one more interesting to Israel is the British model, since the cabinet form of British government is closer to the Israeli form. Israel has much to learn from both models:

- The NSC should be a coordinating body.
- It must deal only with foreign and security matters.
- Its activities must center on assisting the political echelon and decision-makers regarding anything having to do with coordination, as well as advising, preparing and maintaining the functioning of the prime minister, the ministerial committee for security issues and the government when dealing with foreign and security issues.
- The NSC must be physically located next to the Prime Minister's Office.
- Council members must be chosen from among the outstanding figures in the security apparatus.

Therefore the following alternatives are suggested:

- The existing coordinating functions within the Prime Minister's Office must be assimilated into the NSC, as was done in the United States.
- If the present structure remains as is, there must be coordinated action between the coordinating secretariats and the NSC.
- A political-security staff could be established that would absorb the existing coordinating secretaries, with the NSC subordinate to it and acting as a professional staff to the head of the new staff.

A coordinating council for national security, subordinate to the prime minister, must be established.

The crucial point is that in order to establish such a body, and in order for it to function successfully, Israeli prime ministers must understand the danger involved in its absence, make the decision to establish it and back it up.

Another problematic issue in handling national security is national intelligence. Here also, the main problem is the lack of a body to integrate and coordinate

intelligence gathering operations and intelligence evaluation carried out by the various arms of the intelligence community.

There is a difference of opinion regarding what constitutes an appropriate level of integration within the Israeli intelligence community. As a result of the investigation into the functioning of American intelligence agencies after the events of September 11, 2001, the tendency in the United States is to centralize the intelligence community and establish a system that will be responsible for several types of integration:

- Among the various intelligence operations.
- Among the various intelligence gathering disciplines.
- Between the gathering and evaluation of intelligence.
- Between those who set the goals of intelligence gathering and the administrative bodies, so that resources can be speedily and flexibly allocated.
- Between the intelligence apparatus and policy-makers.

This must be implemented within a “lean” and “flat” organization, in order to reduce the workforce needed for coordination and integration.

There is school of thought that calls for the establishment in Israel of a community-wide apparatus for intelligence integration, coordination and unification, which will possess a comprehensive vision and depend on input from all the intelligence agencies, in order to be able to produce a national intelligence assessment. One possible model for Israel is the Joint Intelligence Committee in the British cabinet office.

According to a different approach, the trend towards centralization and integration in the intelligence community need not reach a point where the various intelligence agencies actually merge into one body, but instead should remain on the level of a general direction and integration of the intelligence material coming from the agencies. In this spirit, the Steinitz Committee of the Knesset, which investigated the functioning of the intelligence community regarding the events in Iraq, recommended the establishment of a secretary or advisor on intelligence for the cabinet and prime minister, and the formation of a ministerial committee for intelligence matters. A bill establishing the post of

Centralization of the intelligence community should be intensified by the establishment of a community-wide apparatus for integration.

the intelligence advisor has already been tabled in the Knesset, while the bill for a ministerial committee is in the final stages of preparation.

Innovative Methodologies for Detecting Threats and Opportunities

The methodologies used in the business world are also available to the national security sector for detecting threats and opportunities. One of them concentrates on mental models, on their importance and the need to change them. The following are several characteristics of mental models:

- They have a critical function: “What we see is what we think.”
- They may limit the ability to read a situation correctly.
- Changing mental models or creating a new portfolio of models is the key to identifying and exploiting opportunities and to changing the world around us.

Therefore, the mechanism being recommended includes the following steps:

- Recognizing both the force and limitations of mental models, and identifying the models used by the analyst.
- Testing the relevance of the analyst’s mental models given the changing environment, creating new models and opening an interactive portfolio of models.
- Overcoming barriers to change and reshaping infrastructure and thinking.
- “Changing the world” through quick action on the basis of the new mental models during ongoing trials and assessment and strengthening of the mental models.

Media, Governance and Society

In light of the centrality of the media’s influence on national strength, the question arises of whether in Israel the media is protected against attempts by both political and financial interests to control the hub of media decision-making. The question also arises of how it is possible to defend the media from governmental involvement when the electronic media is effectively subordinate to senior governmental functionaries.

There are those who argue that it is impossible to prevent the ties between the government and the media, and between capital and the media. In other

democratic countries as well governmental bodies are charged with regulating the media. Furthermore, there is no proof that a branch of the media subordinate to a governmental body will necessarily be influenced by it politically, the IDF radio station *Galei Tzahal* being an excellent example of this. The involvement of capital, economic considerations and business interests is inherent in commercial broadcasting.

There is no proof that a media subordinate to a government body will necessarily be influenced by it politically.

“Marketing content” is a recent example of attempts by business interests to encroach on editing considerations. There are those who believe that the antidote to this phenomenon and to the problem of political involvement in the electronic media is competition between the commercial television channels, which does not presently exist. In contrast, others argue that there is already competition, and the market is too small to sustain it; there are even those who believe that competition in television is destructive and destroys public discourse. In any case, the Second Authority for Television and Radio sees itself as being responsible for preventing “marketing content,” and operates accordingly.

Another way to contend with involvement of political and commercial interests in the media is to establish, alongside commercial television, strong public broadcasting, both in television and radio.

The Dinur Committee appointed by the Ministry of Industry, Trade and Labor plans to present to the cabinet a list of recommendations to reduce the level of government involvement in the Israel Broadcasting Authority and its activities.

The Israeli Economy in Light of Internal Processes and Global Change

Sources of Israel’s Future Economic Power

The indices of national strength show, as mentioned, improvement in the economic index, an improvement that began in 2003. But what are the long-term trends for the Israeli economy? The demographic-economic forecasts presented at the 2003 Herzliya Conference showed a 0.4% annual reduction in economic growth if the current trends for natural population growth and participation in the workforce continue. What will the sources of growth be in

the future? The data that follow and their significance are based on projections of the Israeli economy through the year 2025, carried out in order to examine the possibilities for economic growth and the central “growth generators” for the purpose of planning long-term economic policies. These are the results of the projection:

- The workforce, presently some 2.7 million workers, is expected to rise to 4.3 million by 2025. This is a net rise of about 60%, a figure unknown in the rest of the Western world.
- Israel’s economy will have to find employment for 1.5 million new workers, reduce unemployment figures by about 100,000 and allow for a rise in the standard of living.
- Over the past twenty-five years, per capita production has risen in Israel at an average rate of only 1.5% annually. If economic growth continues at this rate, by 2025 Israel will have fallen to twenty-sixth place in the world (as opposed to twenty-second place today), the tax burden of the “majority” groups will have risen, and its proportion of the population will have been reduced from today’s 75% to 69% (presently 19% of the Israeli population are Arabs and 6% are ultra-orthodox Jews). A serious social crisis is expected.
- The rapid expansion of the workforce requires an immediate move to an accelerated and sustainable path of economic growth. The organizational changes recommended here would make possible the development of an economy that could employ 4.3 million people in 2025, and accelerate the rate of growth to 6%, bringing Israel to sixteenth place in the world within twenty years.
- A variety of technological industries will need to act as generators of growth. Their exports (55-70% of total exports) would be the source for the import of consumer products, investments and raw materials. By 2025 Israel will need to export technological products worth \$133 billion.

In order for the Israeli economy to employ its workforce of 4.3 million in 2025, it must now move to an accelerated rate of growth based on the technological sector.

The present economic plan – streamlining the public sector, lowering the incentives for not working, and reducing the number of foreign workers and the tax burden – is a step in the right direction. The plan, however, does not call for the infrastructure construction required for such accelerated economic growth. A suitable infrastructure is a necessary condition for developing the

technology sector. Existing infrastructures (physical, educational, tax structure, bureaucracy, investment incentives) are not equipped to sustain this development. Therefore, the existing economic plan must be supplemented by NIS 50 billion for infrastructure investment, using extra-budgetary means. These investments would result in immediate and significant growth and could act as the primary stimulator of growth.

NIS 50 billion must be added to the present economic plan for infrastructure investments.

At the same time, the following measures must be taken:

- A revolution in education, in order to produce each year the 18,000 graduates in the exact sciences and engineering that are required for the technological industries (presently there are only 9,000 such graduates each year).
- A set of incentives for the civilian technological sector, in order for it to see Israel as its main base of operations.
- Investment in education, which will include – in addition to a long school day and the redirection of child benefit payments to this purpose – the establishment of daycare centers for children under the age of five, and the raising of the education level of minority groups to match the requirements of the modern market. Such a path would lower the high birthrate among those groups and increase their participation in the workforce, boosting economic growth and removing the burden of supporting them from the shoulders of the rest of the population.

To meet the demands of the technological sector, the number of graduates in the sciences must be doubled.

One hi-tech sector that could become a critical source of economic strength is **global services** – an industry created as a result of globalization and technological progress in information and communications. This means, for example, back office, or even head office services for multinational corporations, marketing services, distribution, warehousing, and sales of digital media (for example, the film industry, television and music, digital publishing houses and video games), as well as advanced technological support services.

Israel has positive relative advantages for attracting global service industries: Human assets, technology, knowledge of languages, creative thinking, initiative, international exposure, international reputation in science and technology, and ties to the developing world.

But in reality, because of high taxation, Israel is not able to attract the global service industry. Multinational corporations in the United States and Europe move their international operations to countries with low tax rates. In 2002, American corporations earned \$255 billion outside of the United States, \$160 billion of them in places having low taxes, with three countries – Ireland, Bermuda, and Holland – creating 30% of that income, since the effective tax rate in those countries was between 2 and 9%. Therefore, in order to bring this industry to Israel, the corporate tax levied on it must be lowered to a level making it competitive with low tax-rate countries.

The global services industry could be a main source of acceleration. Favorable tax rates must be levied on this industry and investments made in R&D.

Favorable tax terms for the global service industry in Israel would boost income from taxes, reduce unemployment, increase exports, bring in foreign currency, and allow for the employment of sectors that must be brought into the workplace, like ultra-orthodox Jews, specifically ultra-orthodox women.

In addition to laws lowering taxes, the government would be able to help by building a broadband internet infrastructure, bolstering education that would support this industry, and joining entrepreneurs in marketing the industry to Jews around the world.

In order to promote development in the technology sector, the budget cut from the Chief Scientist's Office must be reversed – in 2002 the budget stood at NIS 1.8 billion, while now it stands at only NIS 0.9 billion.

In planning sources for future economic strength, it was suggested that **a strategy of industrial clusters** be adopted. A cluster is a geographical concentration of companies dealing in a certain field, and with them various types of organizations connected to that field, for example, suppliers, services, support industries, and scientific and research institutes. In the United States, for example, companies that manufacture medical equipment are centered in Massachusetts, the drug industry in New Jersey and Pennsylvania, the bio-tech and software industries in Boston and the Silicon Valley, cellular equipment in Minneapolis, and so forth. The power of clusters lies in the fact that the value of the whole is worth more than the sum of its parts, making industrial clusters the organizational model best suited to global corporations.

Industrial clusters are the organizational model best suited to global corporations.

In Israel three clusters stand out:

- The security cluster: As a result of investments in R&D in the various branches making up this cluster, it developed two sub-clusters that in turn became independent: electronics and communications.
- The health cluster: As a result of developments in the medical and drug sectors, the production of chemical raw materials became a sub-cluster; the same is expected to happen in the bio-tech industry.
- The services cluster: Many branches could develop from here – financial services, medical services, etc.

From the government's perspective on sources of future Israeli economic strength, the following points must be emphasized:

- A favorable climate for investment and workers must be created, and to this end a participation exemption law is being prepared to encourage companies whose operations are abroad to establish their headquarters in Israel and develop within it activities, while paying almost nothing in taxes.
- In order to lower taxes, government expenses must be decreased by encouraging people to work by reducing the value of the welfare allotments they receive. This kind of cutback creates growth, because it shifts people from dependence to work and pulls people out of poverty, since workers upgrade themselves in their salaries.
- An increase in Israel's attractiveness requires the opening of the monopolies that exist in the banking sector and the ports. Breaking these monopolies could happen by consent, according to the "Irish model": The unions in Ireland, for lack of other options, accepted reforms, since they correctly understood the balance of forces at work. The unions also contributed positively to the process by not demanding a raise in the minimum wage, preferring to bring the unemployed into the workforce rather than protecting union members who already had jobs.
- It is the nature of hi-tech industries to employ a limited number of employees. Therefore, in addition to encouraging such industries to relocate to Israel, it is important to support sectors that could provide many employment opportunities, especially in areas where Israel has a relative advantage, such as tourism and leisure.

- Reform in land management must also be carried out, to free the construction industry from the monopoly held by the Israel Land Authority.

Lifting Barriers to Financial Markets Active Outside of the Banking System

A balanced and competitive financial market is crucial to economic growth, which requires the ability to raise capital for investment. This can happen only if alongside the financial market based on the banking system, alternative financial markets exist.

The absence of a financial market in addition to that based on the banking system is a barrier to growth and increases the chance of financial crisis.

Banks in Israel provide three-fourths of the credit volume, as opposed to the United States, where banks provide only one-fourth. In other developed countries too the non-bank credit market is much larger than it is in Israel. The implications of this situation are:

- High price of capital, which slows economic growth.
- Increased exposure of the banks and increased risk of a financial crisis.
- Absence of correct indicators from the financial market to investors and firms.
- Lower attractiveness of the market to foreign investors.

The following are the reasons that alternative financial markets have not developed in Israel:

- One school of thought believes that alternative financial markets would not be competitive with the banks; that is, that there is no economic reason for their existence.
- Another school of thought believes that they would not be able to contend with the centrality of the banking system and with the aggressive pricing policies of the banks, in addition to all the difficulties and barriers that exist in the process of raising capital on alternative markets. That is, the non-bank markets have not been tested on equal competitive terms.

In the spring of 2004, the Israel Securities Authority activated a market framework for bonds issued without a prospectus to institutional investors, but the framework failed. The possible reasons for this were:

- The small size of the Israeli economy.

- Lack of governmental support and inadequate coordination between the bodies involved in the financial market.
- Various limitations, such as the inability to offset financial stock losses against income from interest and dividends, as is true in more sophisticated markets in the world.

The Israel Securities Authority is active in extending the financial market in the following ways:

- Expanding the supply of financial products on the market.
- Extending the circle of players in the market (especially adding pension funds and major foreign investors).
- Improvement in the trade and accounting infrastructure, as well as removing barriers that make raising capital difficult.
- In general terms, increasing public trust in the financial market; specifically, improved reporting of corporations and how they are run.

Regulatory and bureaucratic obstacles must be removed in order to develop a financial market outside of the one based on the banking system.

An additional barrier to the development of a non-bank financial market in Israel is the regulatory system and the rules that affect players such as insurance companies, on the assumption that they are not yet mature enough to manage long-term capital. This approach must be changed so that the same rules apply to these players as to the banking system.

The Future of the Defense Industries

The defense industries and military R&D add considerably to Israel's strength, with exports reaching \$3 billion a year, and defense R&D making major contributions to civilian industries.

These exports make up 75% of the production of the defense industries, requiring them to improve their competitiveness on the global market. They are actually less efficient than their competitors in the world: their ratio of sales to number of workers is very much below the global average. The result will be their diminished ability to invest in R&D and marketing, causing a further decline in competitiveness.

The predominant cause of this situation is the extent of government ownership of the defense industries - 67% - in comparison with zero government ownership in the United States and 6% in Europe. The privately owned defense industries in Israel, as in the rest of the world, are more efficient, have higher growth and are more profitable than the industries that remain under government ownership.

Another cause of reduced competitiveness is redundancy and waste of resources between the various industries. According to a presentation at the 2003 Herzliya Conference, theoretically, the merging of all industries into one would save about 10% of their basic expenses. In light of the disadvantages relating to merging all of the industries into one large industry, an alternative would be a merger of two or three companies.

In order to prevent the deterioration of the defense industries in Israel, the following steps must be taken:

- In the first phase, government involvement should be reduced to 40% from the present 67% (while determining which assets of the state will remain under its ownership and not be sold, and that no economic measures will be imposed on them).
- In the second phase, a process of mergers should take place to create a competitive structure.

In order to improve the competitiveness of the defense industries, they must merge and undergo privatization.

The Ministry of Defense is planning to carry out the following steps:

- During 2005, privatization of almost all of the Israel Defense Industries.
- Making a stock issue for a major portion of the Aircraft Industries.
- Within five years to have only 35%-40% of the defense industry in governmental hands, with the rest privatized.

The Structure of the Fuel and Refining Market

Oil Refineries Ltd. is the only company that refines crude oil in Israel, yet its prices are under supervision, and its level of efficiency is comparable to the average in European companies. Today most of its products are exposed to competition from imports, as a result of the construction of the off-loading port in Ashkelon and of a refinery in Alexandria, as well as the introduction of

natural gas, which competes with fuel oil and diesel for industry. There is currently no justification to break up Oil Refineries Ltd., since it has lost its former power as a monopoly.

There is also nothing to prevent it from being privatized, and there is agreement on this issue between the company and the government, though the necessary regulations and decrees concerning the future structure of the industry have not yet been determined, making privatization premature at this point.

Israel as a Two-Way Strategic Bridge for Oil Movement

Israel's location between the Persian Gulf and the Mediterranean Sea gives it advantages as a strategic bridge. The oil pipeline built at the end of the 1960s between Eilat and Ashkelon (the Eilat-Ashkelon Pipeline Company) was used until 1979 to bring oil arriving in Eilat to consumers in the Middle East. Since July 2003 it has operated under a different approach: the flow has been reversed; that is, the oil now flows from Ashkelon to Eilat for the purpose of transshipping oil loaded in the Black Sea from Russia and the Caspian Sea countries to destinations in Asia, especially China and India. The project is based on the following data:

- A considerable increase in demand for oil in the Southeast Asian countries.
- Improvement in relations between Israel and Russia and countries of the former Soviet Union.
- The relative advantages it has in comparison to other possibilities for transport – in large tankers around the Cape of Good Hope, or in small tankers through the Suez Canal.

The project should be beneficial to Israel in several ways:

- As a source of economic profit to the nation.
- As a focal point for profitable business activities in the southern region.
- As an oil reserve in times of crisis.
- In promoting a certain balance against the rising dependence of the countries of Southeast Asia on Arab oil.
- In contributing to the improvement of relations between Israel and Russia and former Soviet Union countries.

The pipeline itself could create cooperation between Israel and countries in the region (Jordan, Iraq and Saudi Arabia), so that within its framework, Arab oil would flow through Jordan to Eilat and from there to Ashkelon.

The Future of Human Resource Capital

Any strategy for future economic development must take into consideration the condition of the country's human resource capital. Regarding the level of higher education, especially in the sciences, Israel still ranks high in comparison to the world's advanced nations:

- It is in third place in the world in the percentage of its citizens aged 25-64 holding bachelor degrees and the percentage of GNP budgeted to higher education, and it leads in the percentage of the national budget directed to education.
- Israel makes up 0.1% of world population, but it produces 1% of the scientific publications published worldwide.
- It is ranked third in the world for the number of articles published in professional literature per million residents, fifth in the number of citations per million residents, and in computer science it ranks first place in the number of citations per million residents.

Israel still ranks high in its level of education, though a change for the worse is becoming apparent.

However, a change for the worse is becoming apparent:

- The scientific brain-drain is increasing.
- The percentage of the GDP budgeted for higher learning is decreasing (from 2.3% in 1995 to 2.0% in 2004).
- The number of students registering in the sciences in universities is falling rapidly, and many researchers are over fifty-five years of age.

Social Security in the Age of Globalization and Economic Reforms

The Division of Responsibility for Welfare between the State and Civil Society

The dispensing and financing of welfare services for Israeli citizens by non-governmental organizations is growing more extensive as the involvement of the government shrinks. Nevertheless, the government transfers to these organizations around NIS 5 billion a year, 2% of the county's budget. The

business sector supports activities relating to social responsibility to the tune of about a quarter of a billion shekels per year.

The cutback in the state's share of responsibility for the welfare of its residents, and the way it has come to share this obligation with the rest of society, gives rise to ethical and moral misgivings:

- By apparently renouncing its responsibility over the welfare services it is supposed to provide its citizens, the state itself contributes to a drop in feelings of belonging, patriotism and social unity, and endangers national strength.
- Only the state is responsible for providing welfare services, and when non-governmental organizations fill the vacuum that is formed by its withdrawal, they are actually helping the government evade its responsibilities.
- According to a different viewpoint, placing all of the responsibility for welfare on the state has led to individuals losing their sense of responsibility for others and for society, which is, among other things, a central tenet in Jewish tradition. Activities of non-governmental organizations express to a certain extent the fulfillment of individuals' responsibility towards their fellow man.

From a more practical perspective several questions arise:

- Who determines the national agenda for activities of NGOs?
- Who decides which projects should be undertaken, assesses the successes and failures, and is responsible for success or failure?
- Who determines the criteria for funding organizations, and who supervises them?

The more NGOs become active in providing for the welfare of Israel's residents, the more organization and efficiency is required of them.

In addition, many of the undertakings of NGOs are characterized by deficiencies and difficulties:

- Waste of resources caused by the failure to coordinate between organizations, and between organizations and the government.
- Lack of planning and consistency: over-activity becomes activity that is fragmented and not continuous.

- Lack of supervision over the organizations' activities and the remuneration packages of their staff.
- The diminished sense of responsibility within local governments for their residents as a result of dependence on external bodies for help.

In order to contend successfully with the above issues, these and other steps must be taken:

- A survey must be made of all these organizations, including the location of their activities and the range of their endeavors.
- A survey of government and business sector support of these activities should be carried out.
- A "stamp of approval" should be created for organizations active in this sphere.
- A public committee made up of representatives of the organizations, heads of local municipalities, and the civil service should be established.
- In addition, on the national level, a pact should be devised between the organizations, the local municipalities, and the government.
- On the local level, establishment of "round tables" forming a link between local government, residents, and the organizations would guide and supervise activities in the community, including signing the "local pact."

It was also suggested that the splintered activities of the organizations be made more efficient by focusing them on defining and fulfilling (together with the government) specific long-term national goals; for example, reducing poverty among children by 10% within five years by establishing a joint council of the organizations and the government.

It was likewise suggested to support the activities of volunteers in Israel, so they can fulfill their potential, and to mobilize Jewish and Christian communities in world so that they can feel a part of the building of the Israeli nation.

The activities of non-governmental groups should be focused on long-term national goals, such as reducing poverty among children.

The Role of the Business Sector in Welfare

Business initiatives in the private sector are a primary driving force for creating employment and economic growth, but in order for them to develop they must have an environment that will allow them to operate. Such an environment includes low taxes and a reduced governmental role, though these conditions could also widen the economic and social gaps. Therefore, while there is a need to create an environment that will promote business initiatives, there is also a need for one that will take care of the low income citizens.

In order for the system to be fair, a series of steps must be taken to create both equality of opportunity and a feeling of social obligation within the business sector, which must rise at the same rate that the government's involvement in welfare drops. They include:

- Granting incentives for investment in the poorest regions.
- Focusing venture capital funds to these areas.
- Philanthropy: modern entrepreneurs are more willing than in the past to invest part of their profits in society.
- Banks must be convinced to fund projects in poverty-stricken areas.
- Associations must be established to train people who want to serve society as well as achieve financial success.

In the new socioeconomic reality the need for the social involvement of the business sector intensifies.

The obligation of the business sector to the welfare of Israeli citizens is not only a matter of philanthropy: assisting in education, helping troubled youth and strengthening the community improves the reputation of businesses, heightens customer loyalty, attracts more workers and contributes to the “soul” of the business – that is, the contributors also profit.

A New Approach to Social Welfare

The social welfare apparatus in Israel is influenced by the global events which have characterized the last decades, including:

- Longer life spans, meaning an increase in the percentage of retirees among the population and their longer benefit periods.
- The modernization of the workplace and increased unemployment.
- Widening social gaps and a rise in the rate of poverty.
- Changes in family structure – more single-parent families.

The approach and structure of the social insurance system must be made to conform to new societal needs.

The system is also influenced by processes and phenomena unique to Israel:

- Absorption of large numbers of new immigrants during the last decade, which means an increase in people looking for work, as well as the number of people receiving pensions who were not insured in their home countries.
- The existence of sectors suffering from especially high rates of poverty - Arabs and the ultra-orthodox.
- The security situation, which has resulted in increased numbers of casualties from terror attacks and damage to the economy.

Whereas between 1960 and 2003 the population of Israel increased from 2.2 million to 6.7 million, the processes and phenomena mentioned above contributed to sharp surges in the following areas:

- The number of pensioners rose from 47,000 to about 600,000.
- The number of families receiving child benefits rose from an estimated 40,000 to 940,000.
- Unemployment rose from 4.6% to 10.7%.
- Benefits paid by the National Insurance Institute rose from 1.7% of the GNP to 8.9%.

This dramatic rise in security and social expenses was not the product of long-term planning and public debate, but of political and populist considerations and private laws, characterized by swings. After expanding services dramatically during the 1990s, benefits were sharply reduced in this decade. Consequently, social welfare in Israel is in danger:

- Regarding the state: because of the lack of long-term planning and decisions made according to political considerations.
- Regarding recipients: they feel insecure because they cannot know what tomorrow will bring, and are not able to plan for the financial needs of their families.

Therefore, the National Insurance Institute recommends carrying out reforms that will concentrate on designing a new social pact, including in the following spheres:

- Values: more stability and certainty, and less influence by political interests.

- Budget: instituting different principles for budgeting two separate aspects – the insurance aspect and the social welfare aspect.
- Structure of the National Insurance Institute: differentiating between the social insurance system and the social welfare system.

The crux of national insurance reform: separation between insurance and social welfare.

The social insurance component will operate from an inter-generational long-term perspective; for example, pension funds will be aided by actuary reports and demographic forecasts developed especially for this end, and will be based, among other things, on the following mechanisms:

- Collection of insurance premiums from the public and defined government obligations.
- Legislative safeguarding that will allow minimal changes.
- Long-term budgetary obligations of the state.

On the contrary, **the social welfare component** will take into consideration societal goals and the current economic situation, will be aided by a socioeconomic model that will refer to the social gap and the rate of inequality and poverty, and will be based on, among other things, two principles:

- Activities as a part of the current state budget.
- Consideration of the condition of the economy and the state's means.

Long-term planning will make possible the setting of clear goals – goals for curtailing poverty, inequality, and unemployment, while also allowing social policies to be established.

There is opposition to the separation of the social insurance and social welfare components, whose adherents argue that it is impossible to tie the hands of the government by having an autonomous organization in charge of social insurance, since the government covers a very large part (about NIS 20 billion per year) of the outlay of the National Insurance Institute, in addition to payments made by employees and employers. Is it at all possible to separate these two components? Is it possible, for example, to differentiate between unemployment benefits and income subsidies? Opponents of the recommendation say that it is impossible to sever social insurance from socioeconomic policies, and that the insurance mechanism, therefore, must remain within the sphere of governmental policies.

Israeli Arabs: Promoting Civil Equality and Economic and Social Development

While failure to implement governmental decisions is a characteristic not only of decisions regarding Israeli Arabs, it is possible to identify clear obstacles to the implementation of policies ensuring the equal treatment of the Arab population. The most significant of these are:

- The definition and reality of Israel being a Jewish democratic state.
- The stereotypical attitude of the Jewish majority towards the Arab population.
- Nationalist attitudes and patterns of violent struggle within the Arab public, which leads to alienation of the Jewish public.
- A lack of information and/or willingness among the bureaucracy to implement policies promoting equality.
- The characteristics of Arab municipal politics.

The Lapid Committee, which was appointed by the government to recommend ways of implementing the recommendations of the Official Commission of Inquiry into the Events of October 2000 (the Or Commission), recommended, among other things, appointing an authority that would deal with problems of the Arab sector. The government approved the recommendations; however, the authority has yet to be established. Therefore, there is presently no body in the Israeli government whose sole mission it is to deal with the problems of the Arab public.

In order to promote the civil equality of the Israeli Arabs, it is recommended:

- To establish a national partnership between the government, leading Arab figures, social welfare organizations and the business community for the promotion of civil equality.
- To establish a governmental authority that will supervise the enforcement of laws and regulations relating to equality and safeguard the participation of Israeli Arabs in processes relating to policy planning.
- To implement governmental decisions regarding the raising of public awareness and tolerance.

It is both necessary and possible to remove most obstacles standing in the way of the implementation of government policies regarding the equality of Israeli Arabs.

- To carry out reforms within the Arab education system and create legitimacy of the learning and use of Arabic language and culture in the Jewish schools and among government authorities.

The Arab public must also be helped to contend with the economic conditions in Israel. This population is more economically dependent than any other part of the population on the public sector – the local municipalities and education, health, and welfare systems. Therefore, cutbacks in the public sector negatively impact the Arab population more than they do the general population.

In contradiction to expectations, peace with neighboring countries did nothing to improve the economic situation of Israeli Arabs; in fact, the opposite is true – it brought about increased unemployment, since many labor-intensive factories were moved to neighboring Arab countries. This and other causes, including the decrease of agriculture as a source of income, has brought about the following phenomena:

- 47.6% of Arab families live under the poverty line.
- Of the thirty municipalities in Israel defined as having high unemployment rates, twenty-five are Arab.
- Of the 300,000 Arabs employed in Israel, only 200 work in hi-tech.

Therefore, the following steps are recommended:

- Supporting initiatives of business people within the Arab population and promoting Jewish-Arab economic and business cooperation, making it easier for Arab businesses to penetrate the Jewish market.
- Aiding Arab entrepreneurs, who face problems more difficult than those of Jewish entrepreneurs, since most businesses in the Arab sector are family owned.
- Aiding in the mobilization of sources of finance, including changing the attitude of the banks, which show exaggerated caution in relations with business people from the Arab sector.
- Encouraging the employment of Arab women (whose rate of participation in the workforce is only 17%), by, among other things, the following actions:

Entrepreneurs within the Arab population must be supported and conditions must be created to encourage Arab women to enter the workforce.

- ✓ Professional training.
- ✓ Creating favorable working conditions for women, including daycare centers and fair wages.
- ✓ Integrating Arab women into governmental institutions and government corporations.
- ✓ Support for opening joint Jewish-Arab industrial zones.
- ✓ Support for initiatives in the hi-tech sector.

Development of the Negev: A National Challenge

There is widespread agreement in Israel that there is a need to develop the Negev and turn it into a region that will attract population, and that this should be considered a paramount national challenge. The development of the Negev and the strengthening of the southern periphery of Israel have been presented for years as a national vision and mission. This vision has been translated by various groups into a series of plans, though in reality the mission has not been fulfilled. The poor image of the Negev and its geographic and perceived distance from the economic, business, employment, educational, and political centers of activity in the center of the country, and the lack of a central steering force, have intensified the process of its deterioration and contributed to the emigration of its residents, especially the stronger among them.

The primary obstacle to developing the Negev is the fact that the state has never managed to clearly define the goals or supply the leadership required to funnel the activities of groups, such as Jewish communities abroad and the private sector in Israel, that are interested and able to cooperate in implementing the vision but are in need of government leadership and direction.

The primary obstacle to developing the Negev is the lack of government leadership.

The attempts of such groups to initiate and promote Negev development projects have been disrupted because of the fact that there is no one address but rather a multitude of government bodies that deal with the issue, and because of conflicts of interest that are impossible to resolve within the governmental system. Many plans exist, but there is no one plan that is agreed upon and coordinated by all the bodies involved.

In addition, budgetary policies of the government frequently go in the opposite direction: The NIS 120 million that the government was to budget for Negev development in 2005 was cut to NIS 40 million, and the establishment of a law school in the Negev was not approved.

Other obstacles include:

- Difficulties in developing attractive public services as a result of the economic and functional limitations of the local governments.
- Land policies that are an impediment to the preparation of a national program for the Negev as part of a comprehensive nation-wide policy.
- Statutory and planning hurdles, which are especially felt in the absence of a comprehensive approach to planning, and insufficient attention paid to sub-development issues in the Bedouin sector: land, unrecognized villages and enforcement of laws against illegal construction.
- Environmental barriers that limit development.

Thus, there is a need for a national plan that will put forth a vision and translate both new ideas and those based on past programs into one master national plan composed of a series of detailed programs, stages of implementation, priorities and steps backed by mechanisms, resources, coordination and balance between the participants, as well as long-term commitment. The project will be based on the following resources:

- The willingness of governmental bodies to recognize strategic development as an inter-ministerial and long-term national plan of massive proportions.
- Mobilization of all the bodies involved in the development process and creation of broad coalitions committed to the plan.
- The creation of attractive and competitive conditions in housing and employment opportunities, as a factor in attracting residents, investors, industry and commercial interests to the area.
- Development of educational services and improvement of the educational system in the Bedouin sector.
- Development of a transportation infrastructure.

An inter-ministerial, long-term national plan is required to mobilize all bodies involved in the developmental process and create competitive conditions in the Negev.

It is vital to offer tax breaks to attract investment, and to invest in both the Bedouin sector and the rail infrastructure.

The private sector could fill an important function by investing in development, but in order to do so, appropriate legislation must be enacted in which the government commits itself to large investments and grants the favorable tax rates that are required to draw investment to the region.

Massive investments (including foreign capital) must be made in the Bedouin sector: in infrastructure, education, employment, and law and order. It is recommended that an authority be established to concentrate all issues regarding the Bedouin population.

A central component in developing the Negev is the improvement of the transportation infrastructure, with emphasis on the rail system. The opening of new lines, the upgrading of existing ones, and an improvement in service would connect the southern municipalities with the center of the country and with one another. It would provide an economic, social and cultural boost, improve accessibility to places of employment, create new employment centers in the outlying areas, and encourage relocation of the productive workforce from the center of the country to the periphery.

The Jewish People, Judaism, and National Strength

Trends and Continuity in the Jewish World and Its Ties to Israel

Jews in the West live with two contradictory realities:

- On one hand – acceptance by their local societies has led to intermarriage and to their young people being distanced from a Jewish lifestyle and Jewish education. They have become assimilated and prefer small families. The result is a decrease in the number of Jews in the Diaspora.
- On the other hand – enmity towards Israel and Jews has intensified, especially in institutes of higher learning.

For these reasons steps must be taken to strengthen the ties of Jewish youth in the Diaspora with the Jewish People, enrich the Jewish-Zionist education they receive and increase the involvement of world Jewry in shaping the face of Israeli society. Academic institutions, which for Jewish youth serve as significant waystations in the formation of their identity, must be made the focal point of these efforts and for forging the future leadership of Diaspora Judaism. An effort should be made to involve Jewish students in Jewish activities on campus, and to expose them to Israeli society and history.

New ways must be developed to institutionalize the ties between Diaspora Jews and Israel.

In addition, efforts must be made to realize the potential for mutual cooperation and ties in learning and science, economy, and culture between Israel and the Diaspora. It is important to emphasize this positive dimension as a basis for cooperation, and the unity of goal and action, rather than the negative dimension of anti-Semitism and enmity towards the Jewish people and Israel.

There is an urgent need to build new paths for establishing ties between Jews in Israel and the Diaspora. One of the ideas that has been proposed is the Israeli President's "Second House" initiative – a parliament of Diaspora Jews who would serve as an advisory body to the Knesset.

Some argue that this idea is problematic. The Second House could not qualify as an official institution since non-Jews would be excluded from membership while Israel contains a non-Jewish minority, and because some of its members

would not be Israeli citizens. An alternative idea is a “Council of the People” – an assembly of the Jewish People that would function alongside the president and engage in designing joint policies for the future of the Jewish people.

Whatever framework will be decided on, the goal is the same: to give expression to and intensify the involvement and shared fate of Diaspora Jews and the Jews of Israel.

Another way to strengthen ties between Diaspora Judaism and Israel (one that has already proven itself effective) is to bring young Jewish people to Israel for educational visits. The most prominent of the programs developed is the *Taglit* Birthright Israel project, the result of a partnership between the Israeli government, Jewish philanthropists, the Jewish Agency, Keren Hayesod and Jewish communities. Since it was established six years ago, the project has brought 70,000 young Jews to the country for educational visits. Other programs, affiliated with the IDF, such as *Marva* and Israel Experience, brought 2500 young people to participate in the military during 2004.

Developing Secular Jewish Culture in Israel and in the Diaspora

About one-third of first grade pupils in Israel come from the Arab sector and one-fifth come from the ultra-orthodox sector: one of every two first-grade pupils in Israel is not a Zionist. The one that is a Zionist is being educated either in the state school system or in the state-religious school system. What is the Jewish culture that is being imparted to secular pupils in Israel? And what makes up the Jewish culture being imparted to secular Jewish young people in the Diaspora, the same young people who are not a party to the experiences and learning that Israeli young people absorb as a function of their being raised in Israel?

Jewish culture is not an intrinsic component in the formation of identity among secular Jewish youth in Israel and in the Diaspora.

Ten years ago the Ministry of Education formed the Shenhar Committee as a result of the feeling that the identity crisis prevailing among secular Israelis was leading to doubts regarding the justification of Zionism and the State of Israel among Israeli young people. This feeling impairs collective Israeli-Jewish unity because of the alienation from Judaism felt by a major part of the

secular public and the ignorance of secular pupils regarding Jewish subjects. The committee called for the education system to adopt a proactive policy that would make the culture of the people of Israel and its heritage into a meaningful, positive, non-alienating component in the formation of the independent identities of secular youth.

Today, there are about fifty organizations in Israel that deal with imparting Judaism as a culture and with the formulation of Jewish identity within the secular population. Until now, however, the educational system has not implemented the recommendations of the Shenhar Committee:

- The resources required to carry out the recommendations have not been allocated.
- Judaic studies classes are losing students, since Judaism as a subject of study is no longer drawing new students. There is a shortage of qualified secular teachers, leading some non-religious schools to recruit religious teachers.

In the spirit of the committee recommendations, what is now needed is to:

- Make the state non-religious schools a focal point for developing opportunities for celebration of Jewish-Israeli culture free from dependence on the authority of *halacha* (Jewish law), deepening the bond to Jewish heritage and its development from a variety of aspects while appraising and implementing innovations.
- Impart to pupils studying in the state non-religious system the variety of viewpoints and opinions of Diaspora Jews and their cultural achievements.

Some contend that the Dovrat Commission for reforms in the education system did not adequately discuss the need to include Judaism, “Israel-ism” and democracy in the curriculum, and some of its recommendations could actually lead to the opposite result; for example, the appointing of regional education administrations that would enjoy relative autonomy and also be responsible for the pedagogical aspects in their region.

It is actually in the Diaspora where the systematic activities of a fund supporting research, knowledge and learning of cultural Judaism are bearing

Secular Jewish culture must be developed and imparted to young people in Israel and in the Diaspora as a central component of their identity and spiritual world.

fruit. Among other accomplishments, in the United States this fund has opened university courses dealing with Jewish history from the cultural perspective, which it supports by providing curricula and other learning materials. Concurrently, there is the “Anthology of Judaism as Culture and Civilization” project, as well as research and study programs both abroad and in Israel dealing with cultural Judaism and the meaning of secular Judaism.

The basis for this activity is the premise that most Jews are secular, and that they are not able to introduce specific Jewish meaning into their lives, since they never learned how Judaism can connect with their worldview and lifestyle. Therefore, the goal is to aid secular Jews, especially the youth, in understanding who they are, the secular meaning of life and the historical, philosophical and intellectual origins of Judaism as a secular culture. In this view, Judaism as a secular culture is a dynamic response to the challenges of the modern era.

An additional way of meeting the challenge is the systematic distribution of Israeli cultural and literary products among Diaspora Jewry, distribution of Diaspora cultural works in Israel, creation of tools and frameworks for discourse on the joint cultural experience, and clarification of the secular meaning of Judaism.

Conference Schedule

MONDAY, DECEMBER 13, 2004

Strategic Shifts and the Balance of National Security

Opening of the Fifth Herzliya Conference

"Defining the National Agenda"

Dr. **Uzi Arad**, Conference Chair and Head of the Institute for Policy and Strategy,
The Interdisciplinary Center Herzliya

"From State to Community Council"

Avraham Bigger, Deputy Chairman, Caesarea Foundation Edmund Benjamin
de Rothschild

"The Record of the Herzliya Conferences"

Brig. Gen. (Res.) **Amos Gilboa**

The Herzliya Indices and the Balance of National Security

"Assessing Israel's National Security"

Maj. Gen. (res.) **Giora Eiland**, Head of the National Security Council, Prime Minister's Office

"The Herzliya Indices" – A Task Force Report

Prof. **Rafi Melnick**, Dean, The Lauder School of Government, Diplomacy and Strategy, The
Interdisciplinary Center Herzliya

"The Social Component of National Security" – A Task Force Report

Prof. **Gabriel Ben-Dor**, Director, National Security Studies Center,
University of Haifa

Discussion

Society, Media, and Governance

Ehud Olmert, Deputy Prime Minister and Minister for Industry, Trade, Employment and
Communications

A Media Roundtable Discussion

"Media and State, Media and Wealth: Reciprocal Relations"

Chair: **Dan Shilon**, Television and Radio Newscaster; Editor-in-Charge, *Koteret*

Col. **Avi Benayahu**, Commander, IDF Radio

Ben Caspit, *Ma'ariv* Daily Newspaper

Dr. **Ilana Dayan**, Anchor, *Uvda* Current Affairs Program, Channel 2

Jacob Eilon, Nightly News Anchor, Channel 10 Network News

Yoel Esteron, *Ha'aretz* Daily Newspaper

Sever Plotzker, Chief Economic Editor, *Yedioth Ahronoth* Daily Newspaper

Mordechai Sklar, Director-General, The Second Authority for Television and Radio

Chaim Yavin, Anchor, Israel Television Channel 1

Discussion

National Intelligence and Decision-Making at the Top

Chair: Adv. **Dalia Rabin-Pelossof**, Chair of the Executive Committee,
The Yitzhak Rabin Center for Israel Studies

"National Intelligence - Lessons Learned and Future Challenges"

Prof. **Phillip Zelikow**, Executive Director, 9/11 Commission, Director of the Miller Center of Public Affairs, University of Virginia

"National Security Councils – A Comparative Perspective"

Dr. **Uzi Arad**, Conference Chair and Head of the Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

"Legislative Proposals for the National Security Council Law"

Dr. **Yehuda Ben-Meir**, Law Offices of Lipa, Meir and Partners

Dr. **Yuval Steinitz**, Member of Knesset, Chairman, Foreign Affairs and Defense Committee

Discussion

Lt. Gen. (res.) **Shaul Mofaz**, Minister of Defense

Lunch

"Future Directions in American Foreign Policy"

Amb. Dr. **Richard N. Haass**, President, Council on Foreign Relations

Afternoon Sessions

Nuclear Proliferation

Chair: Dr. **Uzi Arad**, Conference Chair and Head of the Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

"The Second Nuclear Age – A New Look at Arms Control and Counterproliferation"

Prof. **Paul Bracken**, School of Management, Department of Political Science, Yale University

"Iran's Nuclear Posture"

Prof. **Shahram Chubin**, Director of Research, Geneva Center for Security Policy

Dr. **Ariel (Eli) Levite**, Principle Deputy Director General (Policy), Israel Atomic Energy Commission

Discussion

Monday, December 13, 2004

Global Trends and Strategic Changes

"The Rise of Asia"

Stanley O. Roth, Vice President, Asia International Relations, Boeing Company

"Global Trends – An American Perspective"

Ambassador Dr. **Robert D. Blackwill**, President, Barbour Griffith and Rogers International;
Former Deputy National Security Advisor for Strategic Planning and Presidential Envoy to Iraq

Max Boot, Olin Senior Fellow, National Security Studies, Council on Foreign Relations

"India's Strategic Role in the Global Arena"

General (Retd.) **Ved Prakash Malik**, President, ORF Institute of Security Studies, India

"Global Trends – A European Perspective"

Prof. **François Heisbourg**, Directeur, Fondation pour la Recherche Stratégique, France

Discussion

Lt. Gen. **Moshe Ya'alon**, Chief of General Staff, IDF

Dinner

Opening Ceremony

Lighting of the 7th Hanukah Candle

Prof. **Uriel Reichman**, President, The Interdisciplinary Center Herzliya

Yael German, Mayor of Herzliya

H.E. **Moshe Katzav**, President of the State of Israel

Awarding of The Friendship Prizes by Rabbi **Yechiel Eckstein**, President,
The International Fellowship of Christian and Jews (Hakeren L'yedidut, Israel)

TUESDAY, DECEMBER 14, 2004

Harnessing Social and Economic Resources – National Strategies

Morning Sessions

Human and Social Resources – Comparative Indices

Chair: Prof. **Rafi Melnick**, Dean, Lauder School of Government, Diplomacy and Strategy, The Interdisciplinary Center Herzliya

"Measuring Scientific-Technological Progress in Israel"

Prof. **Baruch Raz**, Director, MTN Technology Ltd.

Mr. **Daniel Doron**, Director, The Israel Center for Social and Economic Progress

"Improving Social Indices"

Dr. **Daniel Gottlieb**, Senior Advisor to the Governor, Bank of Israel

"Defining and Quantifying Poverty"

Prof. **Jack Habib**, Director, Myers JDC Brookdale Institute

Government and Civic Society: Allocating Responsibilities

Chair: Prof. **Yuli Tamir**, Member of Knesset

"Who is Responsible? The State and Civic Society" – A Task Force Report

"The National Friendship Foundation as a Model for Enlarging State Funding Through the Influence of NGO s"

Rabbi **Yechiel Eckstein**, President, International Fellowship of Christians and Jews, U.S.A.

"Philanthropy Cannot Replace the State"

Elie Elalouf, Director, Sacta-Rashi Foundation

"Sderot – A Case Study"

Eli Moyal, Mayor of Sderot

"Distribution of Responsibility – An Industrialist's Point of View"

Elisha Yanay, Chairman and General Manager, Motorola Israel

"National Partnership or Communal Paternalism – The Demise of the Welfare State?"

Dr. **Yigal Ben-Shalom**, Director-General, National Insurance Institute of Israel

Discussion

Mr. **Steve Malanga**, Senior Fellow, Manhattan Institute for Policy Research

Tuesday, December 14, 2004

Social Security: A New Paradigm

Chair: Dr. **Yigal Ben-Shalom**, Director-General, National Insurance Institute of Israel

"Social Security in Israel – A Proposal for Reform"

"A New Deal in Israel?"

Dr. **Neri Horowitz**, Head, Programs for Senior Civil Servants; Mandel Leadership Institute; Ben Gurion University of the Negev

"Social Security in Israel – From Past to Future"

Yael Andorn, Deputy Director, Budget Department, Ministry of Finance

Discussion

Sources for Future Economic Growth

Chair: **Yossi Hollander**, Chairman of the Board, Jacada

"The Economic Model"

Dr. **Yacov Sheinin**, President, Economic Models

"The High-Tech Industries"

Elisha Yanay, Chairman and General Manager, Motorola Israel

"Biotechnology"

Mr. **Eli Hurvitz**, Founder, Chairman of the Board, Teva Pharmaceuticals Industries Ltd.

"Global Services"

Shlomi Fogel, CEO, Ampa Ltd.

Discussion

Lunch

Benjamin Netanyahu, Minister of Finance

Afternoon Sessions

The Defense Industries

Chair: Maj. Gen. (res.) **Amos Yaron**, Director General, Ministry of Defense

"Future Structuring of Israel's Defense Industries"

Maj. Gen. (res.) **Herzle Bodinger**, President and Chairman of the Board of Directors, RADA Electronic Industries

"Israeli Defense Industries in the Global Arena"

Joseph Ackerman, President and Director, Elbit Systems Ltd.

"The Role of the Mid-Size Defense Company"

Mark S. Newman, Chairman, President and CEO, DRS Technologies, Inc.

"The Development and Acquisitions Factor in the Domestic Defense Budget"

Col. (res.) **Jacob Toren**, Chairman, Rafael

Discussants: **Moshe Keret**, President and CEO, Israel Aircraft Industry

Brig. Gen. (res.) **Arie Mizrachi**, Chairman of the Board, Israel Military Industry

Developments in the Energy Sector

"The Oil and Refineries Market"

Ohad Marani, Director-General, Oil Refineries Ltd.

"Israel as a Two-Way Strategic Bridge for Oil Movement" – A Task Force Report

Maj. Gen. (res.) **Oren Shachor**, President, Eilat-Ashkelon Pipeline Company

Discussant: **Amir Makov**, Chairman, Israel Institute of Petroleum & Energy

Removing the Barriers in the Financial Markets

Chair: Prof. **Amir Barnea**, Founding Dean, Arison School of Business, The Interdisciplinary Center Herzliya

Dr. **Meir Sokoler**, Deputy Governor, Bank of Israel

Shaul Bronfeld, Managing Director, Tel Aviv Stock Exchange

Nir Gilad, Former Accountant General, Ministry of Finance; Deputy to Director General, Migdal

Moshe Tery, Chairman, Israel Securities Authority

Mr. **Yuval Bronstein**, Senior Deputy, Accountant General, Ministry of Finance

Discussion

Tuesday, December 14, 2004

National Policy Towards Israel's Arab Community

Chair: **Ami Nahshon**, President and CEO, The Abraham Fund Initiatives

"Barriers in the Implementation of the Government's Policy Towards the Arab Citizens of Israel"

Dr. **Elie Rekhess**, Senior Research Fellow, Dayan Center for Middle Eastern and African Studies, Tel Aviv University

"Socio-Economic Shifts Within Israeli Arab Society"

Dr. **Ramzi Halabi**, Director-General, Arab Businessmen Club

Dr. **Hanna Swaid**, Head, The Arab Center for Alternative Planning

Yosef (Tommy) Lapid, Member of Knesset, Chairman of the Shinui Party

Discussion

Dinner

Lighting of the 8th Hanukah Candle

Sir **Ronald Cohen**, Founding Partner and Chairman, Apax Partners Worldwide LLP

Shimon Peres, Member of Knesset, former Prime Minister

WEDNESDAY, DECEMBER 15, 2004

Upgrading Israel's International Status and Strengthening its Strategic Partnerships

Morning Sessions

Upgrading the Strategic Partnership with the U.S.

"Re-Energizing U.S.-Israeli Special Relations"

Col.(res.) Dr. **Eran Lerman**, Director General, Israel and Middle East Office, American Jewish Committee

"A Defense Treaty with the United States?"

Prof. **Amnon Rubinstein**, Dean, Radzyner School of Law, Interdisciplinary Center Herzliya

"American Jewry and Israeli-American Relations"

Malcolm Honlein, Executive Director, Conference of Presidents of Major American Jewish Organizations

Countering the Anti-Israel Campaign

Chair: **Shula Bahat**, Associate Executive Director, American Jewish Committee

"Reconstructing the Myth of Zionist Racism"

Prof. **Robert Wistrich**, Head, Vidal Sassoon International Center for the Study of Anti-Semitism, The Hebrew University of Jerusalem

"Israel and the World: Getting the Message Right"

Dr. **Frank I. Luntz**, President, Luntz Research Companies

Dr. **Herbert London**, Hudson Institute

"Coping with the United Nations"

Prof. **Anne Bayefsky**, Senior Fellow, Hudson Institute

Discussion

"National Security Policy from a Foreign Policy Perspective"

Ambassador **Ron Prosor**, Director General, Ministry of Foreign Affairs

Wednesday, December 15, 2004

Deepening Israel-EU Relations

Chair: Ambassador **Ran Curiel**, Deputy Director-General for Western Europe, Ministry of Foreign Affairs

"Israel's European Option"

Ambassador **Marc Otte**, European Union Special Representative to the Middle East Peace Process, Council of the European Union

"Israel and the European Union – New Members' Perspective"

Ambassador **Dr. Janusz Reiter**, President, Center for International Relations, Warsaw, Poland

"A Transatlantic Perspective of EU-Israel Relations"

Karsten D. Voigt, Coordinator for German-American Cooperation, Federal Foreign Office, Germany

Israel and the Euro-Atlantic Community - Upgrading Relations with NATO

Chair: Ambassador Dr. **Oded Eran**, Israeli Ambassador to the European Union

Dr. **Ronald D. Asmus**, Senior Transatlantic Fellow, German Marshall Fund of the United States

Ambassador Sir **Peter Ricketts** KCMG, NATO Permanent Representative of the United Kingdom

Bruce P. Jackson, President, Project on Transitional Democracies

Dietmar Nietan, Member of Bundestag, Germany

Maj. Gen. (res.) **Matan Vilnai**, Member of Knesset

Discussion

Lunch

Silvan Shalom, Minister of Foreign Affairs

Afternoon Sessions

Trends and Continuity in the Jewish World

Chair: **Sallai Meridor**, Chairman of the Executive, Jewish Agency for Israel and the World Zionist Organization

"The Future of the Jewish People"

Avi Pazner, World Chairman, Keren Hayesod

"Bringing Judaism Closer"

Rabbi **Chaim Druckman**, Director, Conversion Administration, Prime Minister's Office

"A Turning Point in the Identity of European Jewry"

Prof. **Shmuel Trigano**, Université de Paris, France

Discussion

Soft Power Within the Jewish People

"The Soft Power of the Jewish People"

Adv. **Isaac Molho**, Jewish People Policy Planning Institute

"Strategies to Augment the Soft Power of the Jewish People"

Prof. **Yehezkel Dror**, Founding President, Jewish People Policy Planning Institute

"Science as a Source of Jewish Strength"

Prof. **Moshe Kaveh**, President, Bar-Ilan University

"The American Jewish Communities as a Strategic Network"

Brig. Gen. (res.) **Nachman Shai**, Senior Vice President and Director General, United Jewish Communities Israel

"A Council for Dialogue – the Jews and Israel"

Ambassador Gad Yaacobi

Discussion

Solidifying Israel-Diaspora Connections

Chair: **Natan Sharansky**, Minister for Diaspora and Jerusalem Affairs

"Israel-Diaspora Relations: Taglit birthright israel As a Model"

Dr. **Shimshon Shoshani**, Director, Taglit birthright israel

"Ten Days to Launch a Life-long Connection to Israel: The Impact of Taglit birthright israel"

Prof. **Leonard Saxe**, Heller School for Social Policy and Management, Brandeis University

Brig. Gen. **Ilan Harari**, Chief Education Officer, IDF

Discussion

Culture and Education in the Jewish World

Chair: **Tzipi Livni**, Minister of Justice, Minister of Absorption, and Minister of Housing and Construction

"The People of Israel or the Israeli People"

"Jewish Heritage Education"

Prof. **Aliza Shenhar**, President, Emek Yezreel College

"Sea Change in the Jewish Consciousness of Secular Youth Recent Years"

Ehud Prawer, Deputy Head of the National Security Council for Domestic Policy

"New Direction in American Universities – Teaching Judaism as Culture"

Daniel Posen, Managing Director, Posen Foundation

"The Dovrat Report and the Future of the Jewish People"

Dr. **Zvi Zamaret**, Director General, Yad Ben Zvi

"A Cultural, Qualitative Dimension"

Yitzchak Livni, Chairman, Channel 2 News Company

"The Coalition Committee on Civil Marriages"

Ronnie Bar-On, Member of Knesset, Chairman, Knesset House Committee

Dinner

"Domestic Policy and Foreign Policy in a Changing World"

Ambassador **Zalman Shoval**, Chairman, Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

"A New World Order: Global Government Networks"

Prof. **Anne-Marie Slaughter**, Dean, Woodrow Wilson School of Public and International Affairs, Princeton University

Awarding of a Scholarship Award in memory of the late **Ehud Sprinzak** ז"ל, by **Eti Livni**, Member of Knesset

THURSDAY, DECEMBER 16, 2004

National Challenges and Alternative Strategies for the Arab-Israeli Process

Morning Sessions

The National Challenge of Developing the Negev

Chair: Ambassador **Ronald S. Lauder**

"'Blueprint Negev' – The Vision and the Reality"

"The Negev Facing a Major Breakthrough"

Prof. **Avishay Braverman**, President, Ben-Gurion University of the Negev

"Israel Railways Moving South"

Moshe Leon, Chairman of the Board, Israel Railways

"Developing the Negev: From Stagnation to Action"

Shmuel Rifman, Chairman, Regional Councils of the Negev

"Incorporating the Bedouins and Closing the Gaps: The Key to Realizing Ben Gurion's Vision",

Talal Alkrinawi, Mayor of Rahat

"KKL - A Base for Joining Forces to Develop the Negev"

Yehiel Leket, World Chairman, Keren Kayemeth LeIsrael, Jewish National Fund

"Developing the Negev: Why We Will Succeed Today"

Haim Blumenblat, CEO, Daroma Eidan HaNegev

Discussion

The Road Map and the Disengagement Plan

Chair: Dr. **Israel Elad-Altman**, Director of Studies, Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

"The Road Map"

Adv. **Dov Weissglas**, Special Advisor, Prime Minister's Office

"The Disengagement Plan as a Molding Force on the National Level"

Col. (res.) **Itamar Ya'ar**, Deputy Head of the National Security Council for Defense Policy

Discussion

"The Disengagement: A Road to Peace"

Ambassador **Terje Rød-Larsen**, United Nations Special Coordinator for the Middle East Peace Process

Thursday, December 16, 2004

Jordanian Alternatives

Chair: Dr. **Shmuel Bar**, Senior Research Fellow, Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

"Jordan as a Palestinian National State – A Base for a Regional Settlement"

Binyamin Elon, Member of Knesset

"The Comeback of the Jordanian Option – An Historical Perspective"

Dr. **Dan Schueftan**, Center for National Security Studies, Haifa University

Frank J. Gaffney Jr., President and CEO, Center for Security Policy, Washington DC

Discussion

"International Security Involvement – The Conceptual Framework"

Pinhas Meidan-Shani, Expert on negotiation and conflict resolution

Hanni El-Hassan, Member of the Central Committee of Fatah

Lunch

Nicolas Sarkozy, President, Union pour le Mouvement Populaire, France

Afternoon Sessions

Lt. Gen. (res.) **Ehud Barak**, former Prime Minister

Bilateral Final Status Plans

Chair: Dr. **Israel Elad-Altman**, Director of Studies, Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

"Territorial and Population Swaps Between Israel and the Palestinians"

Avigdor Liberman, Chairman, Israel Beteinu Party

"The Geneva Initiative"

Dr. **Yossi Beilin**, Chairman, Yachad Party

Yasser Abed Rabbo, Head of the Palestinian Peace Coalition, Member of the PLO Executive Committee

"The People's Voice"

Maj. Gen. (res.) **Ami Ayalon**, Chairman of the Board, Netafim

Dr. **Sari Nusseibeh**, President, Al-Quds University

Discussion

Thursday, December 16, 2004

Final Status Plans: Multilateral Arrangements and Territorial Swaps

Chair: **Israel Elad-Altman**, Director of Studies, Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

"Multilateral Territorial Swaps – Geographic, Demographic and Economic Perspectives"

Prof. **Gideon Biger**, Department of Geography, Tel Aviv University

Israel Harel, Columnist, *Ha'aretz* Daily Newspaper

Discussion

Lord **George Weidenfeld** of Chelsea

Summing Up

Dr. **Uzi Arad**, Conference Chair, Head of the Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

Prof. **Jerry (Yoram) Wind**, Lauder Professor and Director, SEI Center for Advanced Studies in Management, Wharton School, University of Pennsylvania

Dinner

Festive Closing Ceremony

Prof. **Uriel Reichman**, President of The Interdisciplinary Center Herzliya

Ambassador **Ronald S. Lauder**

"The Herzliya Address"

Ariel Sharon, Prime Minister of the State of Israel

Farewell: Dr. **Uzi Arad**, Conference Chair, Head of the Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

Task Forces

The Herzliya Indices

Prof. **Rafi Melnick**, Head of Task Force
Ms. **Leah Achdut**
Dr. **Michel Strawczynski**
Mr. **Tommy Steiner**
Dr. **Zalman Shiffer**

The Haifa Indices

Prof. **Gabriel Ben-Dor**, Head of Task Force
Dr. **Ami Pedahzur**
Dr. **Daphna Canetti-Nisim**

Israel as a Strategic Bridge for Oil Movement

Maj. Gen. (res.) **Oren Shachor**, Head of Task Force
Mr. **Yossi Gilben**
Dr. **Shmuel Even**

Israeli-Palestinian Peace Plans

Dr. **Shmuel Bar**
Dr. **Israel Elad Altman**
Dr. **Uzi Arad**
Prof. **Gideon Biger**
Ms. **Orly Lotan**
Ms. **Rachel Machtiger**

Seminar on the Development of the Negev

Mr. **Russell F. Robinson**,
C.E.O., Jewish National Fund,
Head of Task Force

The Development of the Negev as a National Challenge

Ms. **Nili Shchori**
Mr. **Haim Blumenblat**
Mr. **Be'eri Holtzman**
Mr. **Nehemia Hassid**
Amb. **Daniel Mokady**

Ensuring Jewish Continuity

Brig.Gen. **Ephraim Lapid**, Head of Task Force
Dr. **Misha Galperin**
Mr. **Marc Gold**
Mr. **Robert Goldberg**
Mr. **Allan D. Hoffman**
Mr. **Mendel Kaplan**
Mr. **Brian Kerner**
Ms. **Julia Koschitzky**
Mr. **Daniel Soloducho**
Ms. **Carole Solomon**
Mr. **Jacob Solomon**
Dr. **Yehuda Weinraub**

Government and Civic Society

Prof. **Yuli Tamir**, Head of Task Force
Ms. **Janet Aviad**
Ms. **Lea Bender**
Mr. **Elie Elalouf**
Ms. **Dvora Ganani-Elad**
Dr. **Neri Horowitz**
Ms. **Rachel Liel**
Ms. **Michal Maor**
Mr. **Nissim Matalon**
Mr. **Ran Melamed**
Ms. **Lili Weinstein-Yaffe**
Mr. **David Zilbershlag**

Territorial Swaps Between Israel, Syria and Jordan

Dr. **Uzi Arad**, Head of Task Force
Prof. **Gideon Biger**
Dr. **Shmuel Bar**

The Institute for Policy and Strategy

The Institute for Policy & Strategy (IPS) was established in 2000 as part of the Lauder School of Government, Diplomacy and Strategy at the Interdisciplinary Center Herzliya (IDC). Its primary objective is to engage in research activities which contribute to Israel's national policy and to the upgrading of its strategic decision-making process. The range of IPS projects encompasses a variety of issues crucial to Israel: diplomacy and foreign policy; defense and strategy; intelligence and national policy; infrastructure and natural resources; the Jewish people; economics, science and technology; welfare, social policy and education.

IPS conducts research on a broad analytical scope, concentrating on identifying emerging issues and trends. It also invests in improving analysis and in innovative methodologies. IPS is characterized by its variety of disciplines and inputs, its interdisciplinary, integrative, comprehensive and future-oriented approach.

IPS cultivates close working relations with governments and active publics, think tanks and research institutes around the world. It convenes meetings with experts and holds seminars and debates. The annual Herzliya Conference on the Balance of Israel's National Security is the flagship of IPS activities.

IPS Founder and Head of the Institute: Dr. **Uzi Arad**

Chairman of the Board of Directors: Ambassador **Zalman Shoval**

Board of Directors: Prof. **Amir Barnea**, Prof. **Moshe Barniv**, Mr. **Avraham Bigger**, Maj. Gen. (res.) **Ilan Biran**, Prof. **Galia Golan**, Prof. **Rafi Melnick**, Prof. **Uriel Reichman**, Dr. **Mordechai Segal**, Maj.Gen.(res.) **Shlomo Yanai**

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			Mr. Sa'ar Shafir
			Ms. Ety Zigelbaum

The Interdisciplinary Center Herzliya

The Interdisciplinary Center (IDC) Herzliya, Israel's first unique and innovative private educational institution was founded in 1994. Modeled on distinguished private universities in the United States, IDC is a non-profit corporate entity, taking no direct government subsidies, and dedicated to the pursuit of excellence in research and education. Founded by renowned Israeli scholar Professor Uriel Reichman, IDC aims to create an Israeli university where personal achievement goes hand-in-hand with social responsibility. IDC's innovative approach is fundamentally different from other academic institutions in Israel due to its interdisciplinary spirit and strong social commitment.

The Interdisciplinary Center seeks to train Israel's leaders of the future, to nurture a business, political, technological and judicial leadership of the highest caliber. In order to achieve these goals the IDC provides a unique and innovative interdisciplinary education, which combines academic study with practical training. Since its inception in 1994, world-class faculty from leading universities in Israel and the world contributed their rich experience in order to research, develop, enhance, and teach the curriculum of the IDC.

Three thousand students are currently enrolled at the IDC. Bachelor's and master's degrees are awarded by the IDC's five internationally recognized schools: the Radzyner School of Law, the Arison School of Business, the Efi Arazi School of Computer Science, the Lauder School of Government, Diplomacy and Strategy and the Raphael Recanati International School.

IDC's renowned research centers include the International Policy Institute for Counter-Terrorism (ICT), the Institute for Policy and Strategy (IPS), the Caesarea Edmond Benjamin de Rothschild Center for Capital Markets and Risk Management, The Center for European Studies, the Global Research in International Affairs Center (GLORIA) and the Rich Center for the Study of Trading and Financial Markets. On its tenth year anniversary IDC inaugurated a series of policy papers on "Re-inventing Israeli Government" suggesting a reform in Israel public administration.

The Lauder School of Government, Diplomacy and Strategy

The Lauder School of Government, Diplomacy and Strategy was founded in 1999 by Ambassador Ronald S. Lauder, modeled after the foremost international Schools of Government and based on the recognition of the needs of government, administration and the private sector in the modern era. The school aims to prepare a future leadership for the State of Israel. Founded and formerly headed by the late Professor Ehud Sprinzak, the Lauder School provides students with skills to develop political, administrative and social aspects of governmental systems and trains them to fill senior positions in all branches of government. The Lauder school of Government, Diplomacy and Strategy is currently headed by Prof. Rafi Melnick.

A wide range of research activities is conducted by institutes under the auspices of the Lauder School: The Institute for Policy and Strategy (IPS); The International Institute for Counter-Terrorism (ICT); and The Global Research in International Affairs Center (GLORIA). Students from all over the world study in the Lauder School of Government, Diplomacy and Strategy's International Program, which focuses on Security issues and on the Middle East, taught by Israel's leading academic experts and professionals.

THANKS TO THE PRINCIPAL SUPPORTERS OF THE HERZLIYA CONFERENCES



The Caesarea Edmond Benjamin de Rothschild Foundation

*In appreciation for its longstanding
support of the Herzliya Conferences*

The Foundation operates towards realizing the House of Rothschild's vision to develop Caesarea as a unique settlement, as a regional industrial center and as a national tourism center based in the Old City of Caesarea and on the splendid coast of Caesarea. Part of the profits of the Foundation are donated yearly towards the promotion of higher education in Israel, support of cultural institutions and general assistance to the neighboring areas of Caesarea.

Ambassador Ronald S. Lauder

*In appreciation for his ongoing support
of the Institute*



International Fellowship of Christians and Jews (Hakeren L'yedidut, Israel)

*In appreciation for its support of the
social-welfare issues*

The International Fellowship of Christians and Jews, based in Jerusalem and Chicago, promotes better understanding and cooperation between Jews and Christians and builds broad support for Israel and other shared concerns. In recent years, the Fellowship has contributed over \$100 million towards more than 400 projects helping Jewish immigration, absorption of immigrants and social welfare, poverty and security needs in Israel and the Former Soviet Union.

THE INSTITUTE FOR POLICY AND STRATEGY AND THE HERZLIYA CONFERENCE EXPRESS THEIR GRATITUDE

FOUNDATIONS



Friedrich-Ebert-Stiftung in Israel

The Friedrich-Ebert-Stiftung (FES) is a private, independent non-profit organization with its roots in the German and international social democracy. The FES office in Israel contributes to enhancing German/European - Israeli relations, promoting peaceful coexistence between Israel and its neighbors, and strengthening Israeli civic society.



Keren Kayemeth LeIsrael

Jewish National Fund

Keren Kayemeth LeIsrael – Jewish National Fund, was established by Theodore Herzl over 100 years ago, at the 5th Zionist Congress. The purpose was to create a national fund that would fulfill the Zionist vision of bringing back the Jewish People to their Homeland by purchasing and developing land in Eretz Yisrael.

Today, at the beginning of the 21st century, this goal still serves as the ideological and result oriented platform on which the principles of KKL-JNF are based. **The achievements of KKL-JNF, as the caretaker of the land of Israel on behalf of all the Jewish People and as the oldest environmental movement in Israel,** are evident throughout the country. These include more than 650,000 acres purchased, 1,000 towns and villages established, 220 million trees planted, 165 water reservoirs built, tens of rivers rehabilitated, more than 500 parks and recreation areas developed and the many educational activities inculcating love of the Land and the Zionist Heritage.

Our actions demonstrate the enormous impact of KKL-JNF on the development of the modern State of Israel, as partners with the People of Israel and the Jewish People. KKL-JNF will continue to fulfill its mission to develop, settle, build, protect and create – as the caretaker and guardian of the Land of Israel for the Jewish People everywhere.



הקרן לחינוך של לאוניד נבזלין
The Leonid Nevzlin Education Fund

Leonid Nevzlin Education Foundation

Leonid Nevzlin's Education Foundation, which is a collective philanthropic endeavor of Mr. Leonid Nevzlin, Mr. Mikhail Brudno and Mr. Vladimir Dubov, sponsors academic projects and studies in Israel and abroad. The foundation specializes in the study of Judaism, recruiting gifted young people to philosophical studies, and creating favorable conditions to promote philosophical studies among Israeli academics. The Foundation's project list includes: a program to save Beth Hatefutsoth (The Museum of the Diaspora); an international program for the study of Eastern Europe Jewry's history and culture, with designated centers in Jerusalem, Moscow and Vilna; an academic curriculum for the study of the contemporary Jewish civilization at the Tel-Aviv University; The Nevzlin's Research Program in Contemporary Jewish Civilization; grants for young scholars and Tel-Aviv University's teaching staff; educational programs in Yad Vashem; "A Year in the Homeland" program for students from all over the Diaspora, and other projects.



The Posen Foundation

The Posen Foundation serves as an advocate to promote Jewish education for secular Jews. The Foundation is committed to the development of curricula, teaching strategies and reference works to train a cadre of secular Jews, who will be professionally equipped to teach precepts of Jewish civilization, history and culture to children at all school levels. The Foundation supports academic research into diverse aspects of Jewish identity, promotes international symposia and colloquia, and endeavors to raise awareness among secular Jews as to their role in acquiring Jewish knowledge for themselves and their children.



Door of Hope International

The Door of Hope International was created to address the basic needs of people living in under-developed parts of the world by providing food and medicine and to work in those regions to develop infrastructure that promotes long-term political and economic stability. Job creation is fundamental to our success, and we work to establish communications, transportation, and other networks that make lasting economic growth possible.



The Abraham Fund Initiatives

The Abraham Fund Initiatives works to advance coexistence, equality and cooperation among Israel's Jewish and Arab citizens by creating and operating large-scale coexistence initiatives and by funding grassroots projects that promote its vision of shared citizenship and opportunity for all of Israel's citizens.

GOVERNMENT MINISTRIES



Ministry of Defense



Ministry of Foreign Affairs

ISRAEL NATIONAL SECURITY COUNCIL



National Security Council, Prime Minister's Office

ORGANIZATIONS



The American Jewish Committee

The American Jewish Committee protects the rights and freedoms of Jews the world over; combats bigotry and anti-Semitism and promotes human rights for all; works for the security of Israel and deepened understanding between Americans and Israelis; advocates public policy positions rooted in American democratic values and the perspectives of the Jewish heritage; and enhances the creative vitality of the Jewish people. Founded in 1906, it is the pioneer human-relations agency in the United States.



The National Security Studies Center

The National Security Studies Center at the Haifa University was established in 2000. The center systematically follows the principal trends in Israel's national security issues with the aid of comprehensive and continuous studies and surveys. Center studies focus on the concept of national security, the question of the national resiliency of Israeli society, relations between the society and the security establishment, the study of terror, and on tracking extremism and political violence in Israel. Decision-makers and state bodies that shape thinking and policy in the area of national security regularly receive the help of the Center and its senior researchers when formulating their conceptions and policy.



The Jewish Agency for Israel

The Jewish Agency, active in more than 60 countries around the world and throughout Israel, is the world's major global Jewish partnership organization. Through its three historic mission areas - Aliya, Rescue and Immigrant Absorption; Israel-centered Jewish Zionist Education and Identity; and Partnership with Israel, for Israel, the Jewish Agency works to strengthen the Jewish people wherever they live, thus helping to secure our Jewish future. The Jewish Agency works in partnership with the world Jewish community through its constituent organizations: the World Zionist organization, the United Jewish Communities (UJC)-Federations of North America and Keren Hayesod-United Israel Appeal (UIA).



Taglit-birthright israel

Taglit-birthright israel is creating a network of support and understanding for Israel throughout the world. It brings to Israel tens of thousands of disengaged Jewish young adults on a first-time educational trip to strengthen their Jewish identity and invigorate the world Jewish community. Since its inception in the year 2000, **Taglit-birthright israel** has brought to Israel more than 70,000 participants from 40 countries. **Taglit-birthright israel** is an innovative enterprise of leading Jewish philanthropists, the Government of Israel and world Jewish communities (North American Jewish Federations through the United Jewish Communities, Keren Hayesod, and the Jewish Agency for Israel).



The Yitzhak Rabin Center for Israel Studies

The Yitzhak Rabin Center for Israel Studies was established by act of law in 1997, to commemorate the legacy of Prime Minister Yitzhak Rabin and to examine the lessons that Israeli society must learn from his assassination, its circumstances and implications. The Center seeks to be home and stage to perpetuate the memory of Yitzhak Rabin's life and accomplishments as soldier and statesman, in the areas of society, peace and security. The Center aims to enhance and improve leadership and public discourse for a better, more tolerant Israel, in the spirit and vision of Yitzhak Rabin. The Center seeks to sanctify his memory on the altar of peace and act within Israeli society to preserve his memory and murder, in order to reinforce values of democracy and equality.

Taipei Economic and Cultural Office in Tel-Aviv



European Union-Israel Forum

The European Union-Israel Forum is a framework to promote dialogue, understanding, and closer ties between the European Union and Israel. The Forum was initiated by the European Union in consultation with the

Government of Israel and inaugurated in Jerusalem in 1999. The Forum is governed by a board consisting of business people, academics, officials and media figures from Israel and Europe. The underlying belief guiding the Forum activities is that deepening European-Israeli links is in Israel's as well as Europe's interest.



The Israel Institute of Petroleum and Energy

In appreciation for their support of the session on Energy Policies.

The Israel Institute of Petroleum and Energy was established in 1964, for the purpose of advancing and enhancing the technological and economical knowledge of petroleum and energy in Israel. The Institute's professional activity includes an information center, professional committees, testing and research lab, water pollution by fuels prevention department, education center and courses and seminars on petroleum and energy. All the large energy and infrastructure companies in Israel are members of the Institute. Oil Refineries Limited & Eilat Ashkelon Pipeline Co. Ltd support the session together with the Israel Institute of Petroleum and Energy.



The Bank of Israel

The Bank of Israel is a professional, nonpolitical body which today plays a central role in formulating and directing economic policy in various areas. The Bank is responsible for conducting monetary policy, setting the interest rate and attaining the objective of price stability, supervising and regulating the banking system, managing Israel's foreign exchange reserves, monitoring trade in the foreign-currency market in Israel, issuing currency, regulating the country's payment systems, and acting as the government's banker. The Governor also serves as economic advisor to the government.



TEL-AVIV STOCK EXCHANGE

The Tel-Aviv Stock Exchange

The Tel-Aviv Stock Exchange, founded in 1953, is owned by its member firms and is regulated by the Israel Securities Authority. The Exchange provides a highly advanced electronic trading system for shares, bonds, treasury bills and derivatives. All trades are cleared and settled by the TASE Clearing House. The TASE offers international investors a combination of attractive investment opportunities and a full complement of market services.

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SIEMENS Siemens Israel

Siemens Israel is the local arm of Siemens AG. The company combines tradition, quality and capabilities which were accumulated over 157 years, to suit the local market's needs. Siemens Israel is mainly active in the fields of Power Generation and Distribution, Automation and Control, Transportation, Communication, and Medical Solutions.

IDB Group

IDB Holding Corporation Ltd. is one of the largest enterprises in the private sector of Israel's economy. Its business interests, through its companies, encompass a broad cross-section of Israel's economy, including insurance and the capital markets, communications and high-tech industries, retail trade and industry, real-estate development and tourism.



IBM

IBM is the world's largest information technology company, with 80 years of leadership in helping businesses innovate. Drawing on resources from across IBM and key business partners, IBM offers a wide range of services, solutions and technologies that enable customers, large and small, to take full advantage of the new era of "on demand" e-business.



The Boeing Company

With a heritage that mirrors the first 100 years of flight, The Boeing Company provides products and services to customers in 145 countries. Boeing has been the premier manufacturer of commercial jetliners for more than 40 years and is a global market leader in military aircraft, satellites, missile defense, human space flight, and launch systems and services. Total company revenues for 2003 were \$50.5 billion.

The Israel-Boeing tie is an extraordinary partnership, benefiting from 57 years of working together. Boeing contracts with Israeli companies for their expertise in technology and manufacturing of aerospace-related products in agreements totaling \$1.9 billion. Boeing is the IAF supplier of the F-15I fighters, Apache Longbow helicopters and various “smart” munitions. Boeing is also the sole supplier of commercial aircrafts to the Israeli airlines: El Al, Arkia and Isrir.



Lockheed Martin

Headquartered in Bethesda, Md., Lockheed Martin employs about 130,000 people worldwide and is principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services. The corporation reported 2003 sales of \$31.8 billion.



Israel Aircraft Industries (IAI) Ltd.

Israel Aircraft Industries (IAI) Ltd. is the largest aerospace and electronics company in Israel, which deals with the engineering, development and manufacturing of corporate jets, upgrading and reinforcement of military and civilian planes, conversion of passenger to cargo planes, manufacturing of parts, development and manufacturing of satellites, and designing new weapons, radars, electrical and electro-optical systems as well as other advanced technological systems. The company employs over 14,000 workers and has an annual revenue exceeding \$2 billion and backlog orders exceeding \$4.5 billion. It is active in more than 90 countries.



Elisra Group

Elisra Group, at the forefront of technology, develops and provides highly advanced superior solutions to armed forces and security organizations all over the world. Elisra Group’s EW, INTELLIGENCE, COMMAND, CONTROL AND COMMUNICATION systems are integrated within dozens of manned and unmanned platforms for effective protection against variety of threats.



Elbit Systems

Elbit Systems is a leading defense electronics company, engaged in a wide range of defense related and homeland security programs for the IDF and

for customers worldwide. The company's activities encompass the areas of aerospace, land and naval systems, advanced electro-optic technologies and command, control, communications, computers and intelligence (C4I) systems and programs.



Rafael Israel Armament Development Authority Ltd.

Rafael Armament Development Authority Ltd. designs, develops, manufactures and supplies a wide range of advanced defense systems. These leading edge products include naval, air and ground precision guided weapons, electro-optical systems, Electronic Warfare (EW) Systems, Command, Control, Communication, Computers and Intelligence (C4I) Systems, acoustic defense systems, armored protection systems and space systems. The company has also formed partnerships with civilian counterparts to develop commercial applications based on its proprietary technology.



Tadiran Communications Ltd.

Tadiran Communications Ltd. is recognized for its advanced, field proven communications solutions for the modern battlefield. More than four decades of experience support its ranking among world leaders in its field, with equipment and systems deployed with the Israel Defense Forces, and military organizations of over 50 nations. The company shows impressive and continuous financial growth.



The Eldan Group

The Eldan Group is one of the leading companies in the country's car-rental market. It was established in 1965 in the port city of Ashkelon, by the Group's owner and chairman, Mr. Joseph Dahan. The Group operates in a number of sectors: car rentals, vehicle sales, operational fleet management for leading Israeli companies, the hotel industry, at home and abroad, and in property management. The company recently acquired Europcar in a transaction that changed the face of Israel's car-rental sector. Eldan has a staff of 550 and 32 branches located throughout the country. Dun & Bradstreet ranks Eldan as the 53rd largest company in Israel.

The Portland Trust

Portland Trust

The Portland Trust was established in Britain in 2003. It is committed to driving initiatives that promote economic development, moderation and the resolution of conflict in the Middle East.

Britain is uniquely placed to play a positive role in the region by virtue of its historical ties and its special relationship with the USA. The Portland Trust supports this role.



The Central Bottling Company Ltd.

The Central Bottling Company Ltd. (CBC) is a private Israeli company which holds the Coca-Cola franchise for Israel. Established in 1967, CBC is now among the ten largest Coca-Cola single-plant bottling facilities in the world. CBC has shown a steady growth pattern since its establishment and its distribution system is considered to be the most advanced not only in Israel, but also among the top five in the world. This year, CBC acquired the Tara dairies. The company manufactures and/or markets the following brands: Coca-Cola, Diet Coca-Cola, Fanta, Sprite, Kinley Soda, Nestea, Prigat, Neviot, Carlsberg, Tuborg, Guinness, Malty, Ocean Spray, Smirnoff Ice, and others.



NDS Technologies Israel Ltd.

NDS, a News Corporation company headquartered in the United Kingdom, is a leading supplier of open, end-to-end pay TV solutions for secure delivery of entertainment and information to television set-top boxes and IP devices. Today, almost 50 million subscribers use our secure conditional access systems worldwide.

אמפא גרופ
Ampa Ltd.

Ampa Group

Ampa Ltd. and its investee companies are engaged in a number of business areas that include the manufacturing, importing, marketing and service of consumer products in Israel and abroad, development of real estate, investments, financial services and leasing.

COOPERATING INSTITUTIONS



The Municipality of Herzliya



Israel Railways

Israel Railways is presently undergoing extensive growth which is expected to intensify in the coming years. Israel Railways is valued as an essential national asset as it continues in the development of infrastructure and operation of additional lines, with the intention to shorten the distance between the suburbs and the center and to contribute to economical growth, to improvement of quality of life and to decrease the Israeli socio-economic gaps.

LUZZATTO & LUZZATTO

Luzzatto & Luzzatto

Luzzatto & Luzzatto is a family firm growing out of the well-known Studio Luzzatto, established in Milan, Italy, in 1869. The firm began its activities

in Israel in 1976 and is today one of the leading Israeli patent law firms. It is managed by Dr. Kfir Luzzatto, the great-grandson of the founder, Riccardo Luzzatto, and by Dr. Esther Luzzatto and Ms. Michal Hackmey. The firm serves a wide range of Israeli and foreign clients, operating in all fields of technology.

Mr. Haim Chechik and Mr. Zadok First were made partners of the firm in 2001, and in 2004, Prof. Emanuel Manzurolla also became a partner. Ms. Michal Hackmey, who joined as a partner in 1999, previously managed the Jerusalem-based firm of A.E. Mulford, established in 1929, which she had joined in 1979. Luzzatto & Luzzatto, whose main offices are situated in the Omer Industrial Park, maintains branches in Jerusalem and Ramat Gan.



IDF Radio

93.9 FM Northern Galilee

96.6 FM Jerusalem and environs

100.7 FM Mitzpe Ramon

102.3 FM Haifa and Beer Sheba and environs

104 FM Center and Eilat



Israel Electric

The Israel Electric Corporation (IEC)

The Israel Electric Corporation (IEC) was founded in 1923 by Pinchas Rutenberg, who became its first managing director. During its 80 years of activity, which began even before the establishment of the State of Israel, the company has laid the entire infrastructure of the electricity sector. The IEC generates, transmits and distributes electricity, and is responsible for supplying reliable, efficient electricity at a reasonable price to the nation at all times. The company is subject to the Electricity Law, and operates under the auspices of the Israel Public Utility Authority (PUA). The IEC recorded revenues of NIS 13.1 billion in 2003, which is a 9.8% increase over the previous year. Gross profits for the year reached NIS 6 billion, 0.9 billion more than in 2002. The company's output per employee continued to be among the highest in Israeli industry.



Ifat Group

Ifat Group is Israel's leading information center. Operating since 1947 and a member of the International Association of Information and Media Companies (FIBEP), Ifat Group has a staff of over 250 skilled workers, employed in the following group companies: Ifat Media Information, Ifat Advertising Monitoring, Ifat Advanced Media Analysis, Ifat On Disc, Dekel Ifat and Ifat Mivzakei Shilton.



Channel 2 News On Your Mobile Phone



The Daniel Hotel

The Daniel Hotel is numbered among Israel's leading hotels in the corporate sector, with a wealth of experience in organizing conferences and seminars. The Daniel Hotel complex includes the Shizen Lifestyle Spa Hotel, designed in the spirit of the Far East. Both hotels are managed by HEI Hotels Ltd, under the ownership of the Zabłudowicz Group (Tamares).



Federman & Sons (Holdings) Ltd.

The group is fully owned by Mr. Shali Federman (ex-"Elite" partner) and deals in agricultural inputs (fertilizers) and food products (roasted coffee). In the food business, the group controls "Landwer Coffee Ltd.", the oldest local coffee roaster. In recent years, the company upgraded its production facilities and deepened its involvement not only in the retail sector but also in Horeca (hotels, restaurants, cafes). The group manages and distributes high quality international brands such as "Illy Espresso", "Rombouts Filters", and locally renowned "Landwer".



Industries Association

Metal, Electrical and Infrastructure Industries Association operates a Forum of Defense Industries. The Forum encompasses Israeli leading companies in the defense sector, along side hundreds of industrial plants that serve as a supporting industry in this field. The main objective of the Forum is to upgrade the status of Israeli defense industries in order to become a manufacturing basis to national security while promoting defense industries interests in Israel, as well as worldwide. Industrial exports of these industries, employing about 50,000 workers, stand at 16% of total national exports, with the highest rate of added value in industry.