



The Interdisciplinary Center Herzliya  
Lauder School of Government, Diplomacy and Strategy  
Institute for Policy and Strategy

## Herzliya Conference Series

on

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# The Balance of Israel's National Security

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The Fourth Annual Conference  
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## CONFERENCE CONCLUSIONS

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## **Preface**

The Fourth Herzliya Conference on the Balance of Israel's National Security was held during the week before Hanukkah, 2003.

The conference deliberations were a reflection of Israel's national agenda, and dealt with a variety of defense, security, political, economic, and social issues.

This document contains the main conclusions and recommendations that arose during the conference proceedings. The ideas within are presented according to the main themes of the conference, with no distinction made between the origins of the materials: findings of task force reports, lectures by Israeli or foreign experts, or speeches by political leaders.

The summary was written by Dr. Israel Elad-Altman and Dr. Shmuel Bar, with the help of Ms. Rachel Machtiger. The document is not a comprehensive summary of all the ideas that were brought up during the conference. Therefore the participants of the conference bear no responsibility for its content. Nonetheless, the summarizing is in itself useful, and therefore we offer this for your perusal.

Dr. Uzi Arad  
Conference Chairman

Herzliya, March 2004

# Main Points

The indices of national strength reveal:

- A drop in the GNP and standard of living, and an increase in public debt, unemployment, poverty, and social inequality;
- A decline in political stability, public oversight, the rule of law, government efficiency, and civil rights;
- A decline in the patriotism of the Israeli public and in its trust of political and public institutions.

Israel's strategic position, however, has improved over the last year, primarily as a result of U.S. strategy in the Middle East: the removal of Saddam Hussein from power, the dismantlement of Libya's nuclear program, and the U.S. administration's continuous pressure on Syria.

These factors, along with the robustness of the peace treaties with Egypt and Jordan and the stamina of the Israeli public in the face of the Palestinian terror, have raised doubts on the Palestinian side regarding the wisdom of continuing the strategy of armed conflict.

The reduced military threat against Israel has created new opportunities, directions, and the option of reallocating national efforts away from external threats and towards the exacerbating domestic challenges.

The difficulty in reaching a settlement with the **Palestinians** under Arafat or his potential successors has evoked a public debate both over the appropriate response to the challenge of the conflict, and the scope and urgency of the decisions to be made. According to one belief, time is working against Israel's interests as a result of the erosion in key elements of Israel's strategic strength. A view to the contrary claims that decisions taken under the pressure of terrorism will only exacerbate it. Hence, Israel should continue to manage the conflict along the current

**The indices of national strength reveal a decline in the economy, social cohesion and governance**

**Israel's strategic environment has improved but erosion of key elements of strategic power call for urgent decisions**

policy lines; that is, it should remain committed to the Road Map, but refrain from unilateral measures.

The completion of the security fence is vital to the protection of Israel's civilian population from terrorism, as intelligence alone cannot disrupt all attempts to infiltrate Israel. In addition, a variety of alternatives for managing or settling the conflict exist, including the Road Map, unilateral disengagement, various versions of incrementalism based on time frames for Israeli withdrawal and contingent on Palestinian behavior, territorial test cases (Gaza First, partial withdrawals, international trusteeship), and negotiating or imposing a final status settlement.

Of all these alternatives, that of unilateral separation is gaining political ground. It was endorsed by the Prime Minister in his Herzliya Address as the option to be implemented once it becomes clear that the Road Map cannot be realized.

The main advantage of unilateral separation is that each side is rid of the other. Israel will shorten its lines and enjoy enhanced security, while the Palestinians will have the chance to prove that they are capable of nation building. Its evident disadvantage is that it absolves the Palestinians of any commitment to prevent terrorism and incitement.

The difficulty in reaching a settlement with the Palestinians will remain even after the end of the Arafat era. The leadership will pass from the historic old guard of the PLO from outside the West Bank and Gaza, to the young guard, which represents forces within these territories. However, in light of the fragmentation of the Palestinian Authority, the ground will not be controlled by the political Palestinian leadership, but rather by a motley assortment of local warlords, each in his own turf. Israel will lack a clear address on the Palestinian side, either as a

**The security fence and unilateral separation are the answer to the deadlock, which most probably will remain even under a new Palestinian leadership**

credible interlocutor for a political settlement, or a focus for deterrent messages, and will have to deal with a multitude of local forces.

**Iran** encourages and deploys terrorism against Israel and is expected to achieve military nuclear capabilities within the foreseeable future, even if the agreement with the International Atomic Energy Agency (IAEA) will delay it. As a result, the strategic situation in the Middle East, and even beyond, will change drastically.

Acquisition of military nuclear capabilities by Iran – even if it maintains nuclear ambiguity – may deliver a fatal blow to the Nuclear Non-Proliferation Treaty (NPT) as it stands today, and encourage additional countries in the Middle East and beyond to act like Iran. The main alternatives for containing Iran's nuclear program are:

- A package deal between the U.S. and Iran, to include WMD, terrorism, the peace process, and human rights;
- Military action or a number of focused actions against Iranian nuclear targets;
- Deter or delay the program.

In any alternative, it is essential that:

- The fuel reprocessing program be dismantled and not just suspended;
- The entire fuel cycle is put outside of Iranian control in order to prevent Iran from using the fuel to produce fissile material, in the event that it withdraws from the NPT.

**Iran's nuclear program must be dismantled and the fuel cycle taken out of its hands**

Another approach is to initiate steps that will lead to a regime change in Iran, on the assumption that the success of the above alternatives cannot be guaranteed.

Israeli **force structuring** must take into account the reduced probability of a military conflict along its borders, as well as the increased burden

on the IDF in the war against terror and its need to counter WMD and missile threats.

The IDF should re-organize the Homeland Defense Command, redeploy bases, transfer functions to civilian authorities where possible and reduce the number of regional commands. The ORBAT of tanks, missile boats and attack helicopters can be reduced by about 15 percent, while maintaining the plans for acquisition of MRVPs, precision-guided munitions, advanced C4I capabilities, and space technology.

Regarding the restructuring of the **reserve corps**, the lack of proportionality of the burden of reserve service and the declining support reservists receive from their surroundings (employment, studies) needs to be addressed. The option of a large regular army (instead of compulsory service and reserves) is not suitable for the IDF. The solution lies in the growing number of enlisted men in combat units who later on become reservists, and in improving the service conditions and remuneration of called-up reservists.

Future planning of the **defense industries** according to changes in the strategic environment, must be based on the axiom that there will always be vital and specialized areas for which Israel will be unable to find solutions by outsourcing, even to the U.S. The areas in which local R&D and manufacturing are necessary should be clearly designated. Due to the long gestation period of specialized infrastructures for R&D vis-à-vis long-range threats (or rebuilding such infrastructures after they had been dismantled), Israel must preserve them.

**The defense industries should be allowed to maintain critical technological infrastructures**

Israel's relationship with the **U.S.** is a unique strategic asset and has reached a higher level of intimacy and cooperation than ever before. It must be cultivated through cooperation, building strategic understanding regarding the peace process, and maintaining credibility in dealings with the American administration.

**Israel should form triangles of strategic cooperation with the U.S. and a third country**

In order to maximize its sources of strategic power, Israel should widen the scope of its international strategic ties in a manner that would complement – and not contradict - its ties with the U.S. A possible paradigm of such relations may be triangles of strategic cooperation between Israel, the U.S., and a third country, such as Taiwan.

**Europe's** expansion poses dilemmas for the Israeli-European relationship. Israel can opt to:

- Preserve the status quo in its relations with Europe and forego the advantages which derive from closer ties;
- Rise to the challenge by setting a goal of becoming a full member of the European Union, or at least maximizing the advantages of the Association Agreement.

**Israel should maximize the advantages of the Association Agreement with the EU**

**Russia** is experiencing a growing nationalistic tendency with a strengthening of the old guard Communist bureaucracy and former KGB officials. A confrontational Russian attitude towards the U.S. and a renewed quasi-Soviet superpower approach may yield a rapprochement between Russia and Israel's enemies in the region. Israel should prepare for such negative developments.

The **United Nations** and its subsidiary organizations are a theater for political warfare against Israel, with characteristics of classic anti-Semitism, demonization, and delegitimization of Israel's right to exist. This should raise the question as to what extent – if at all – Israel should cooperate with the UN.

The importance of cultivating ties with evangelist **Christian groups** must be emphasized. These groups support Israel and wield influence in the United States, both in the administration and in the media.

The **Jewish People** in the Diaspora is a “hinterland” and a major element of Israel's national strength. But it is in constant danger of shrinking as a result of assimilation, rising rates of inter-marriage and lower birth rates, and acceptance of Jews in Western society. On the other hand, rising anti-Israel sentiment deters Diaspora Jews from standing up to be counted as Israel’s supporters.

**Anti-Semitism** in the West is increasingly channeled to physical threats on Jews because they are Jews. This violence is fuelled by the media's portrayal of the current conflict with the Palestinians, and by the spread of the radical Islamic weltanschauung. Beyond its moral responsibility to support the Diaspora, Israel has an interest in relying on it as a major source of political influence. To this end, Israel should help implement initiatives to support Jewish youth in the Diaspora, in order to strengthen Jewish identity and aid it in coping with a hostile atmosphere.

**Israel must assist the Diaspora in its struggle against anti-Semitism and cultivate young Jewish leadership**

Two basic approaches exist regarding the manner in which Israel should address the **socio-economic crisis** it is currently facing:

- One maintains that the root of the crisis has its source in the loss of personal accountability of the citizens in a welfare state, preventing them from extricating themselves from the poverty cycle. Therefore, according to this approach, the problem of poverty can only be addressed after economic reforms have been successfully implemented.
- The other claims that widening and deepening poverty is the real crisis, and demands that treatment of social problems and support of

weak sectors of society should be concurrent with the efforts to renew economic growth.

One of the causes of the stunted growth of the economy is Israel's **demographic composition**, that is, the low rate of participation in the work force, together with the high birth rate, in the Arab and ultra-religious sectors (which together account for one-quarter of the population). This can be changed by investment in education, modifications to the military service law, and restricting employment of foreign workers.

The **defense and hi-tech industries** can also play an important role in extricating the economy from the recession by:

- Increasing acquisitions from these industries by the IDF, which will also have an effect on increasing the exportability of those products; and
- Providing financing for exports to countries with large technology markets in order to enable these industries to take advantage of the potential of these markets.

Israel should take advantage of advanced technologies and invest in the efficient use of **energy** and in the development of new sources of energy, including joint projects with other countries. It should also encourage the development of the gas sector and revive efforts to economize in energy. These efforts will also have a positive impact on the environment.

Regarding the regulation of the **banking system**, different approaches exist with regard to the boundaries between regulators and the banks, and the effectiveness of regulation in promoting competition, protecting the consumer, and regulating the financial organizations that compete

**It is both necessary and possible to reduce the gaps in participation in the workforce and birth rates between the Arabs and the ultra-religious on one hand, and the rest of the population on the other**

with banks in the financial market. Comprehensive and modern banking legislation will address some of these problems.

The government should assist the financial market in becoming a true catalyst for growth by making the market more accessible and transparent, providing protection for investors and lenders, enhancing competition and the flow of information, and diminishing its own role in the market.

The **public health system** is in danger of collapse despite the high standard of medicine in Israel. In order to rebuild it, it must receive a larger portion of the national budget, hospitals should be privatized, the system should be made more efficient, and mechanisms should be set up for supervising the quality of services provided by hospitals and HMOs.

The **educational system** is also in need of drastic and urgent reform. There is consensus regarding the need to transfer authority from the Ministry of Education to the schools and to improve the standard of teaching and administration. A proposal for commencement of formal education at the age of four is in dispute.

Israel must focus national resources in the development of the **Negev**. Such an effort would draw young populations from existing centers of the information economy in the densely populated coastal plain.

The economic malaise and the sense of discrimination and deprivation that is rife among **Israeli Arabs** necessitate the urgent formulation and implementation of a comprehensive and clear public policy. A public council should be formed to formulate policy regarding the Arab sector, set priorities, and follow-up after implementation. It should develop a long-range strategy for the promotion of equality in privileges and duties for the Arab sector.

**To meet present challenges the health and educational systems must be overhauled**

The majority of the public feels that upholding the **rule of law** is not an important norm for the public leadership, and that in Israel "Each person does that which is right in his own eyes." These feelings are a reflection of a reality in which public figures do not cooperate with law enforcement authorities, which are under constant attack. The courts, the public prosecutor, and the police should be defended from such attacks, as they represent a core of the fundamental humanistic, liberal, and egalitarian values of Israeli society.

**Law enforcement bodies must be protected. Attacks on them are attacks on the fundamental values of Israeli society**

Above all, the assortment of problems and challenges point to an acute need for a **national leadership**, which can set proper priorities and implement courageous decisions despite a multitude of needs and limited resources. Israel, however, has been suffering for some time from a leadership crisis that manifests itself in the tendency to postpone critical political decisions, and in flawed public norms and public service.

Two urgent and necessary options are:

- A change in the system of government;
- Making the National Security Council into the central staff of the cabinet.

# The Indices of National Strength

Israel's national strength is measured by three indices that were presented at the Conference:

- The Herzliya 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 Haifa Indices. A subjective social index measuring the feelings and positions of the Israeli public towards its situation and the State and its institutions.
- The National Security Council (NSC) Indices. An additional subjective index, which focuses on the resilience of Israeli society in the face of the Intifada.

The objective index measures in quantitative terms the crisis in the economic social and governance spheres that Israel is experiencing:

- In the economy. Between 1990 (the base year) and 2000, Israel had made progress, reduced the gap between it and the developed countries, and widened the gap between it and the rest of the Middle East countries. Since 2000, however, there has been a sharp downward turn, characterized by a drop in the total and per capita GNP, and a rise in the public debt and unemployment. The economic index continued to drop in 2003.
- In social issues. Between 1990 and 1996 Israel had made progress, reduced the gap between it and the developed countries, and widened the gap between it and the rest of the Middle East countries. Since 1996 there has been a decline, characterized by chronic unemployment, an increase in poverty and inequality, and a decline in the standard of living and the rate of male participation in the workforce.

**A consistent decline is evident in the economy, governance and social cohesion**

- In the area of government. Since 1996 (the base year) Israel has been in decline. The decline is comprehensive; it is characterized by deterioration in political stability (rated by experts as the most salient variable), in public integrity, in the rule of law, in government efficiency, in the quality of regulation, in representation, and in accountability. Since the Intifada erupted in 2001, there has been a sharp decline in civil liberties.

As a result of the world recession since 2000, all the Israeli indices have sharply declined, while in the developed countries they have either remained stable or risen moderately. In the Middle East, the world recession has had a lesser effect and the indices are relatively stable.

The subjective social index found that:

- Since October 2000, the Israeli public is in a constant state of anxiety with regards to terrorism. The highest level of anxiety was measured in April 2001 and since then there has been an incremental decline. By October 2003 the level of public anxiety was comparable to the level prior to the Intifada.
- The public tends to veer away from militant solutions. During the first year of the Intifada, there was a rise in the militancy of the public; however, since October 2001, it is in decline.
- An incremental but steady decline in the level of patriotism (the identification with the State and its values) of the Jewish public was noted and is a cause for some concern. In October 2003, the lowest level of patriotism for three years was measured. The level of identification of the ultra-religious sector with the State is considerably lower than that of the rest of the Jewish population.
- Public confidence in the country's political and public institutions is in constant decline. The defense/security institutions enjoy the highest level of confidence, and the Supreme Court enjoys the next

**Public confidence in the country's political and public institutions and the sense of patriotism, are in constant decline**

highest rating. The political parties receive the lowest level of confidence.

Observations regarding the effect of the Intifada on the public with regards to feelings of distress, consumption, the economy and crime reveal that:

- The behavior of the public is relatively stable and reflects a high level of social resilience;
- During some periods of increased terrorist acts the behavior of the public remained stable;
- During periods of increased terrorist activity at the beginning of the Intifada and in February–June 2002, the behavior of the public showed a sharp diversion from the norm; and
- There is a correlation between the behavior of the public and peaks in terrorist activity, as reflected in calls to hot- lines, a decline in hotel occupancy, travel abroad, cinema attendance, and fluctuations in crime. After these peaks, a return to the norm is observed.

**The behavior of the populace in the face of terror is stable; anxiety has declined**

A public opinion poll held in November 2003 indicated that:

- The average citizen declares his personal situation “rather good.” Two-thirds of the respondents said that their mood is “rather good” or above, an improvement over the last three years. Eighty-two percent are optimistic regarding the future, seventy-two percent are proud of the State of Israel, and seventy-two percent want to continue to live in it.

- On the other hand, the “State of the Nation” is defined by the average citizen as “not so good” and worse than in the past. Sixty percent fear that they or their families will be hurt by terrorist acts, while seventy-four percent see the general atmosphere in the country, and eighty percent see the economic situation, as the primary threat to the long-term strength of Israel.

# Defense and Security

## The Strategic Environment

The strategic threat to Israel can be measured in "hard" terms by the quantity and quality of the forces pitted against her by her enemies, and in "soft" terms by intentions and possible scenarios. According to both these criteria, Israel's strategic environment is more amenable than a year ago. Israel enjoys considerable deterrence vis-à-vis its adversaries, thanks to an image of both conventional and non-conventional power and American support of Israel's defense needs.

It is due to this image of strategic deterrence that Israel's enemies opt for sub-conventional warfare – terror and firing of rockets and missiles on civilian populations, perceived as Israel's Achilles' heel. Israeli deterrence against such a strategy is achieved by preemption and disruption, and by disproving, through the resilience of the public, the theory that Israel can be defeated by such attacks.

**In the face of Israel's deterrence, its enemies focus on missiles and terror**

Israel's strategic environment is composed of three concentric circles:

- The inner circle, threatened by terrorism;
- The medium-range circle, characterized by the threat of a conventional military offensive across one contiguous northern front (Syria-Lebanon), with the possibility of additional forces at the periphery, missile attacks, WMD and terrorism. This is in contrast to the past when the threat was of a massive offensive from two fronts (the southern and northern).
- The long-range threat, posed by states with which Israel has no common border, and characterized primarily by aircraft and principally long-range ballistic missiles, armed with non-conventional warheads, and including – in the future – nuclear warheads.

The positive aspects of the strategic picture are:

- The eradication of the Iraqi threat to Israel in a demonstration of American power and resolve. It removes the threat of an Eastern Front;
- Libya's decision to dismantle its military nuclear program, which is a significant achievement of Western efforts to curb the proliferation of WMD;

The stamina of the Israeli public in the face of Palestinian terror and the continued readiness of a large portion of the Arab world to recognize Israel's legitimacy, raise doubts among some Palestinians regarding the wisdom of continuing the conflict.

The characteristics of the strategic environment dictate the scope and urgency of the decisions to be made. One school of thought believes that time is not in Israel's favor, due to:

- A potential erosion of Israel's nuclear deterrence, as radical Middle Eastern countries (particularly Iran) progress towards military nuclear capabilities, and the possibility that the present pro-Western regime in Pakistan will be replaced by a radical Islamic regime.
- Erosion of the Jewish majority west of the Jordan River and a possible shift of Palestinian strategy from the goal of "two states for two peoples" to one bi-national state.
- Erosion of Israel's public image in the West, mainly in Europe but also in the United States, due to critical and biased media coverage of the Israeli-Palestinian conflict.
- Endurance of the close relations with the United States. While the Jewish influence in the United States may not have diminished (and in some cases may even be strengthening), the identification of American Jewish youth with Israel is diminishing. A decrease in the intensity of Jewish support of Israel will have an effect on the support of future U.S. administrations.

**U.S. steps vis-à-vis Iraq, Libya and Syria improve Israel's strategic environment but in the long run demographic, political and military developments are to its detriment**

- The growing strength of radical Islam. This trend has many causes; however, it is also fuelled by the Israeli-Palestinian conflict.
- The ongoing damage that the conflict causes to vital components of Israel's social and economic fabric, the growing influence of organized crime and the rising trend towards emigration of productive and creative members of society.

On the other hand, there exists an attitude, which maintains that decisions taken under the pressure of terror will only result in an increase in terror.

## **Trends in IDF Defense and Force Structuring Doctrine**

Over the last decades, total wars, characterized by nation-states pitting their armies against each other, have given way to sub-conventional low-intensity warfare between states and organizations. The main characteristics of these wars are:

- The futility of distinguishing between the "front" and the "home front," due to the presence of fighting forces among civilians. The commander does not ask anymore, "Where is the enemy?" but "Who in the given area is the enemy?"
- Complex issues of managing combat situations, including procedures for opening fire and implications of military acts on civilians from both sides. Civilians are also the objects of military actions; the warring sides attempt to influence their mind-set, morale, and feelings, and to cause them to put pressure on their leadership. Under these conditions, the domestic and external legitimacy of utilizing military force in civilian areas becomes a major consideration. This does not apply only to states; even Hamas requires external legitimacy and was pressured into agreeing to a *hudna* (cease-fire) when a proposal to outlaw it was debated in the European Union.

**Force building and management of military operations must recognize that the war takes place in a civilian environment**

- The objective of military actions becomes difficult to define; it is no longer destruction of the enemy or occupying territory, but vague objectives that are not achievable by military power alone. The army cannot live up to the expectation of its citizens to expedite an end to the conflict with minimum casualties, and simultaneously abide by humanitarian considerations.
- The international environment and the ubiquity of the mass media have become major considerations with direct implications for military actions.

The strategic reality which Israel faces calls for force structuring that will provide an answer to a variety of tasks – conventional warfare, border security, counter-terrorism in Israel and in the Palestinian territories, the threat of rockets and SSM, and non-conventional attacks. At the same time, force structuring must take into account technological developments, the lessons of wars – including Israel’s war against terrorism and the Gulf war – and budgetary restrictions.

These budgetary restrictions have dictated a number of significant cuts:

- Israel’s annual defense expenditure (less the expenses of private citizens and companies) is estimated at NIS 50 billion, or 9% of GNP. The difference between the budget proposed by the treasury and the existing budget is about NIS 7 billion.
- Budgetary cuts of this magnitude would be difficult, but not impossible, and could be achieved by implementing a strategy to increase efficiencies and reducing the ORBAT.

The IDF was quick to internalize the lessons learned by large military forces in other countries with regard to homeland security, counter-terrorism and conventional warfare. The main lessons are:

- Transforming the IDF into a smaller but more efficient military force with enhanced capabilities based on light and mobile forces and advanced technology. In the future, the IDF will continue to

emphasize acquisition of means for precise fire, mobility and improved C4I;

- Adopting a concept of joint forces, which has become accepted in Western armies, especially in the U.S.

The IDF should be encouraged to implement structural changes, among them:

- Restructuring (not abolition) of the Home Front Command;
- Relocating bases;
- Transferring tasks to civilian authorities, where possible;
- Reducing the regional commands (from three to one).

It is also possible to reduce the number of tanks, missile boats and attack helicopters by 15 percent. The plans for developing and procuring mini remotely piloted vehicles (MRPVs), precision-guided munitions (PGM), advanced C4I, and space technology should be maintained.

**The ORBAT of tanks, missile boats and attack helicopters can be reduced but programs for development of PGM and other force multipliers should be maintained**

## **The Reserve Corps**

In the process of adapting the military response to the changing environment, Israel must reassess the future of the reserve corps. The fighting force comprises about 30 percent reservists. These combat reservists carry the main burden, but face difficulties from public institutions, corporations and employers who are not supportive. This attitude is detrimental to the reserve corps and to the reservists' motivation to serve. In the context of reviewing the future structure of the IDF, it has been noted that:

- There is no possibility for transforming the IDF into a professional non-conscription military. Even now, the IDF finds it difficult to maintain the training level of the reserve corps and this difficulty would be magnified if the IDF would be based on a non-conscription

army alone. Such an army would also lower the quality of manpower and the “ethos” of national service.

- On the other hand, the growth in the number of enlistees in the fighting units who are later integrated into the reserve corps enables the IDF to lower the age of exemption from reserve duty from forty-five to forty, to improve the service conditions and perks of the reservists, to reduce the frequency that they are called up (to once every three years) and to define their tasks – as opposed to those of the regular army – in a more focused manner.

**The growing number of the younger age groups will enable the IDF to improve the service of the reserve corps and make it more professional**

The IDF is not the only army in the world with a reserve corps. Its uniqueness is in the way that its reserve corps is based on the enlistees of the regular army. Therefore a reform in the reserve corps calls for parallel reform within the regular army. The trends mentioned above will influence the regular army in a number of ways:

- The reserve corps will have unique and even elitist characteristics, different to those of the regular army;
- The specialization of the reserve corps may give rise to a more professional model in the regular army;
- As a result, the training of enlistees who will later be integrated into the reserves will have to be adapted accordingly.

## The Defense Industries

The defense industries play a pivotal role in the force structuring of the IDF and in Israel's deterrence image. Their tasks are:

- To provide local solutions, to supply essential components, and to free the IDF from dependence on foreign suppliers;
- To create “force multipliers” through original dedicated technological solutions, which will maintain a qualitative edge vis-à-vis the Western arms in the hands of Israel's adversaries.

Even though Israel does not have to fear a U.S. embargo, the arms that can be procured from the U.S. are developed in accordance to U.S. military doctrine. There will always be specific and critical Israeli needs that will not be fulfilled by foreign procurement.

The length of time needed to build an R&D infrastructure for advanced weaponry – or to rebuild one if it has been dismantled – can be as long as twenty years. Therefore, Israel cannot allow itself to give up these infrastructures. To preserve them, a policy is needed that will protect the defense industries from budget cuts that would surpass a certain limit, improve efficiencies, reduce redundancies, and define the industries as part of the national infrastructure.

Future planning of the defense industries must be based on precise mapping of the areas in which local Israeli R&D is necessary, based on the threat circles that Israel faces:

- Israel possesses the technological know-how to develop solutions for dealing with the short- and medium-range circles. In this context, Israel has scored impressive achievements in the development of solutions such as MRPVs, the Arrow anti-tactical ballistic system, and air-to-air missile technology. The defense industries must preserve this technological edge and the ability for independent

**Israel will always have needs that cannot be met by external procurement; it must therefore preserve its own indigenous critical infrastructures**

R&D that will allow for the rapid reallocation of resources for the development of solutions to new threats as they emerge.

- On the other hand, Israel suffers from considerable technological gaps with regard to long-range threats.

## **The Conflict with the Palestinians**

The conflict with the Palestinians has affected all areas of life in Israel: the personal security of the citizen, Israel's international status, the economy, and as a derivative of the economy, social and welfare issues. In the public controversy over the assessment of the significance of this challenge and strategies to address it, there was an almost unanimous consensus on:

- The imperative of a security fence;
- The poor prospects of reaching an agreement with Arafat in the short term. There is even an opinion that Arafat has abandoned the formula of “two states for two peoples” and has adopted a strategy of attrition, on the assumption that terror and demography will eventually bring about the disappearance of Israel as a Jewish state;
- The difficulty of reaching a settlement that can be implemented with the leadership that will succeed Arafat.

**Arafat may have abandoned the “two-states” solution, betting on the disappearance of the Jewish State due to demography and terror**

## **Dealing with Terror**

Palestinian terrorism, particularly suicide terrorism, poses a strategic threat to Israel. Israel's counter-terrorism policy has not been successful in eradicating it.

This cannot be attributed to poor intelligence or operational deficiencies, since intelligence alone cannot prevent all the attempts to infiltrate Israel. The integration of the two populations and the ease by which a Palestinian can enter Israel, make the task more difficult for the security forces.

Completion of the security fence is the “order of the day”, as it was shown clearly that in areas where the fence existed, it had a greater deterrence effect on potential terrorists. The effects of the fence, when completed, will include:

- A drastic reduction in the ability of terrorists to infiltrate Israel, and consequently, the channeling of terrorism towards the settlements and IDF forces;
- A reduction in the number of illegal Palestinian workers in Israel, which will further exacerbate the economic situation within the Palestinian area;
- Allowing Israel to reduce current defense spending on counter-terrorism, while enhanced security inside Israel may reflect positively on the Israeli economy as a whole.

**The security fence will reduce infiltration into Israel for terrorism and illegal work, and reduce spending on active preventive security**

Politically, the fence will be perceived – whether Israel declares so or not – as Israel’s concept of a future border.

The Palestinians themselves, despite their present vehement opposition to the fence, may profit from the resulting reduction in Israeli security activities (closures, freedom of movement etc.), both from the point of view of the population’s day-to-day life and in an improved capability of the PA to enforce its authority on the ground.

## **After Arafat?**

When PA leader Yasser Arafat eventually leaves the stage (probably only after his death or incapacity), a new chapter will open in Palestinian political history, one that will entail new realities and bring to the fore new forces. There is little belief that President Bush's demands for far-reaching reform in the PA will be implemented; that Arafat will, of his own accord, give up any of his authority; or that he will be deposed by any other Palestinian figure within the leadership. Even his deportation

would not severely impair his control over the PA, and may even enhance his international standing.

Regarding the probability of forming a succession of leadership after Arafat, it appears that the Palestinians will attempt to put in motion a formal succession process. The old guard (the leadership of Fatah and the PLO from the days of Jordan, Beirut and Tunis), however, has no candidate who would be acceptable to all factions and regions, or who might be perceived as a symbol in the way Arafat is seen. There is also no person who controls all regions of the West Bank and Gaza.

It is, of course, possible, and even likely, that the Palestinian leadership will nominate one or more candidates as successors to fulfill Arafat's formal capacities. These successors can be chosen out of the senior figures in the PA, the security apparatus, former prisoners, and financiers in the PA and from abroad, and the Islamic forces. But these successors will probably hold titular authority alone, and their nomination will only serve as an interim step on the way to a fundamental change in the structure of Palestinian politics. In the final analysis, with Arafat's demise, the founding generation of the Palestinian movement will also leave the stage and the leadership will pass over to the younger generation from the West Bank and Gaza.

A future Palestinian entity will take the form of a paralyzed coalition of local interest-driven warlords and powerless political figures. Israel will not profit from the absence of an effective Palestinian leadership. Under such circumstances, Israel will lack a Palestinian address, either as a credible interlocutor for a political settlement, or a focus for deterrent messages, and will have to deal with a multitude of local forces.

**After Arafat,  
the emergence  
of an effective  
united  
Palestinian  
leadership is not  
to be expected**

The leaders of the West Bank and Gaza tend to represent the practical interests of their locality, and less the narrative of the defeat of 1948 and the demand for the right of return that Arafat represents. There is an opinion that the Palestinians are, of all the Arab nations, ripest for democracy, and the leadership crisis after Arafat's demise may provoke an outbreak of the mass dissatisfaction that exists against the corruption in the Palestinian regime. However, in the absence of a strong liberal civil society that can lead such unrest, the Islamic movement – primarily Hamas – will be the main beneficiary.

Israel cannot create a Palestinian leadership of its own liking; however, it can strengthen or weaken Palestinian leaders who will emerge. The levers that Israel has to influence such developments include:

- Security measures such as redeployment, removing roadblocks, transfer of areas to the PA, renewal of safe passage arrangements between the West Bank and Gaza, and the use of force against Hamas and Jihad;
- Political measures such as removal of illegal settlements, freeing prisoners, allowing local or general elections, relocation of settlements, gestures in Jerusalem;
- Economic measures such as transfer of funds, authorization of projects, and other gestures.

In the long run, building a Palestinian leadership that strives for peace and stability and is capable of a policy towards that end demands:

- Economic and social reform within the PA;
- Cutting the violence-prone elements off from sources of economic power;
- Dismantling economic monopolies, and infusion of fresh local economic forces;
- Restoration of the old economic elite and turning their positive economic clout into political influence.

**The WB/Gaza leadership that will succeed Arafat will be more pragmatic, but will lack the ability to impose its authority. Israel will lack an address for deterrence or negotiations**

**Israel has political, security-oriented and economic levers of influence in the WB/Gaza**

**The Palestinians must implement economic and social reforms and remove the violent elements from economic power**

## **Alternatives for a Palestinian Settlement**

Most of the Israeli public and its leaders have acknowledged the fact that a settlement with the Palestinians will call for giving up the dream of Jewish sovereignty over all the Land of Israel and even dismantling existing settlements east of the green line. But it is also widely believed among Israelis that this cannot be put into practice without a genuine and credible Palestinian partner who possesses both the desire for peace, and the ability to take the necessary steps towards it.

The alternatives for an agreed settlement between Israel and the Palestinians are:

- **The Road Map** – a security-first, scheduled, but performance-based concept. It enjoys international backing and has been formally accepted by both sides of the conflict. However, its vagueness regarding specific issues, the triggers for implementation of the intermediate goals (PA reforms, a cessation of terror, freezing or dismantling settlements) make it difficult to implement. Nevertheless, it is widely agreed that Israel should continue to support the Road Map so as not to bury a plan that was endorsed by President Bush (especially not in an election year).
- **Incrementalism** – A step-by-step process based on open and long-term milestones, which would allow the conditions for final-status negotiations to mature. Opponents of this alternative claim that it will be perceived by the Palestinians as a continuation of Israeli occupation and would, therefore, further erode confidence on both sides.
- **Gaza First** – a territorial rather than time-based milestone, with the objective of serving as a test case and building confidence. It is based on a coordinated Israeli withdrawal from Gaza, creation of a

“mini-Palestinian State,” and continuing negotiations over the West Bank. However, Gaza is a very different area from the West Bank, so that a model developed there might not necessarily apply to the second arena. The Palestinians may also view Gaza First as a ploy that will facilitate Israeli control over the West Bank.

- **Final Settlement** – This alternative is based on the assumption that the political input necessary to reach a final settlement is not significantly greater than that needed to reach an interim settlement, while the obstacles, which are bypassed during the interim stages, re-emerge to hinder the process. However, the lack of confidence that exists between the two sides has increased over the last three years, and the probability that a final settlement would generate violent clashes within both societies make this alternative untenable.
- **Trusteeship** – a regime formed by one or a group of foreign countries without Israeli participation for a set period of time, or alternatively, performance-contingent, in order to allow an independent Palestinian state to be formed. On the face of it, there would be an advantage in having law and order enforced by an external force, since such a regime might produce a more civilized Palestinian regime than would emerge otherwise. On the other hand, such a regime may lead to a situation similar to the one currently unfolding in Iraq.
- **Imposed Settlement** – An approach that some analysts have arrived at based on the conclusion that the sides to the conflict are incapable of taking the appropriate steps on their own, and that external intervention is, therefore, necessary. Even the supporters of this concept, however, have not been able to break it down into details, and its detractors warn that it may be a road to increased violence.

If the sides do not pursue one of these alternatives, the status quo will remain in place. This, however, is not a realistic long-term option, for no status quo based on a cycle of violence will remain stable forever; the

cycle will eventually escalate and cause the sides to look for other alternatives.

## **The Plan for Unilateral Disengagement**

As a result of the above, **Unilateral Disengagement** enjoys growing public support in Israel, as expressed in the conference by both political leaders and senior security officials. It was adopted by the Prime Minister in his “Herzliya Address” as the “no alternative option” that Israel will have to implement if and when it becomes clear that the Palestinians cannot or will not implement their commitments to the Road Map. The conditions for implementing this plan will develop with the completion of the security fence.

The elements of the plan for unilateral disengagement, as presented by the Prime Minister are:

- Redeployment of IDF forces along new security lines;
- Relocation of settlements in order to reduce the number of Israelis living among the Palestinians. The settlements that will be re-located will be those in areas in which Israel will clearly not remain in any final settlement scenario;
- Completion of the security fence and other physical obstacles;
- Distinction between the disengagement line, which will be a temporary security line, and the final borders of the State of Israel;
- Reinforcement of Israeli control over those areas which will remain in Israeli hands in any future settlement;
- Humanitarian gestures to ease life for those Palestinians who are not involved in terrorism, including coordination with Jordan and Egypt for freer passage of people and goods through the international borders;
- Implementation of the plan in coordination with the United States.

The advantages of unilateral disengagement are that each side separates from the other, Israel will enjoy enhanced security, and the Palestinians will have the opportunity to prove themselves in nation building. Unilateral disengagement, however, will also free the Palestinians of any responsibility or commitment. As a number of areas claimed by the Palestinians will remain in Israeli hands, efforts to perpetrate terrorist attacks will continue and the Palestinian entity may well link up to another radical element in the region (Iran, Syria). There is also the risk that the Palestinian entity will turn into a “failed state” and require international intervention.

**Disengagement will provide Israel with enhanced security but free the Palestinians of any obligation to prevent terrorism and incitement**

## **The Iranian Challenge**

### **The Iranian Nuclear Program**

Among the negative factors in Israel's strategic environment, Iran is prominent both as a hostile regime which encourages terror against Israel, and as a country which may achieve a military nuclear capability in the near future and thus drastically change the strategic face of the Middle East and other regions.

The discussion of the Iranian challenge hinges on two core issues:

- The status of the Iranian nuclear program and options that the international community and the U.S. have to disrupt it;
- The stability of the regime, and the potential for replacing it with a moderate and democratic regime that would not be hostile to Israel.

Iran's acceptance of the additional protocol of the NPT may delay its possession of fissile material for a bomb. However, there are those who claim that the arrangement with the IAEA itself may clear the way for Iran to obtain fissile material through the plutonium route, since:

**Iran's agreement with the IAEA allows it to continue to procure nuclear weapons**

- It would only take half a year for Iran to build, with material available in the open market and for a low cost, a facility for extracting plutonium from the Bushehr reactor;
- At any given time, the Bushehr reactor will hold enough fissile material for fifty plutonium-style bombs, and Iran already possesses the reprocessing technology.

The non-conventional threat from Iran is not limited to its efforts to achieve a nuclear capability. Iran's ballistic missile program is patently designed to carry a non-conventional warhead to ranges that far exceed Iran's bordering neighbors. Therefore, Iran's program is of great concern to European interests as well.

An Iranian military nuclear capability, even if Tehran maintains "nuclear ambiguity" and refrains from declaring its capabilities, will greatly affect the strategic balance in the Middle East and even beyond:

- Such a development may deal a fatal blow to the NPT in its present form. It may encourage other countries in the Middle East to follow Iran's example: Egypt will view a nuclear Iran as a strategic threat to the Arab world and may itself then abandon the NPT. A nuclear Iran may also cause Saudi Arabia to turn to Pakistan for strategic cooperation in this area.
- Such a blatant failure of the NPT after India, Pakistan, Iraq and North Korea, may put the entire treaty in question. If the treaty falls apart, the nuclear option may be brought up again in other countries.

Such developments are not dependent on the type of regime ruling in Tehran. While nuclear weapons in the hands of the present regime will be seen as a threat of the highest order, even if the regime were changed the very existence of an additional nuclear power in the region will prompt other countries to look for a suitable response.

## **Alternatives for Containing Iran’s Nuclear Program**

In examining alternatives for disrupting the Iranian military nuclear program, a number of issues should be taken into consideration:

- Iran’s nuclear ambitions are not regime-dependent; they are part of a strategic doctrine that existed in the days of the Shah and enjoys wide support in the Iranian public. Nevertheless, it is evident that nuclear weapons in the hands of the present regime will represent a significantly greater threat than in the hands of an alternative regime which might not be anti-Western and anti-Israeli;
- The efforts of the American administrations over the last decade to stop foreign technological support (primarily Russian) to Iran have failed and, as yet, there is no international support for severe sanctions on Iran;
- The West has a history of inconsistency in maintaining pressure and sanctions.

Unlike North Korea, Iran has a need for international legitimacy; denial of this legitimacy is a heavy sanction. Both the uranium route to fissile material and the plutonium route, by way of the Bushehr reactor, should be blocked. In order to effectively disrupt the Iranian nuclear program, the entire fuel cycle has to be removed from Iranian possession so that Iran will not have the option of pilfering fissile material or using fuel in the reactor if and when it decides to withdraw from the NPT.

The alternatives that arise from this situation are:

- A comprehensive package deal between the United States and Iran, which would encompass all the areas of controversy: WMD, terror, the Middle East peace process, and human rights. It seems unlikely that the Iranian regime would accept such a deal, or adhere to it, if it were accepted;

**Political efforts, pressures and sanctions have not deterred Iran and at present the U.S. is not prepared to use force**

- Regime change by offering moral and material support to the democratic forces in Iran;
- Military operations such as destroying the Bushehr reactor or other acts of sabotage, including pinpoint disruption of key elements of the nuclear program;
- Reinforcing the NPT;
- “Delay or Deter” in order to prevent the materialization of the Iranian nuclear threat as long as the U.S. is involved in Iraq.

Two distinct schools of thought emerged regarding the preferred course of action:

- One school, citing the limitations of all other alternatives and assuming that the window of opportunity for blocking the Iranian program will remain open for some time, opts for the delay and deter course of action;
- The opposing school warns of overweening confidence in intelligence estimates that may result in a strategic blunder. According to this approach, the window of opportunity is already closing, and the West cannot maintain pressure for an extended period of time. Therefore, Iran should already be made to realize the price that will be extracted – not by the United States alone, but also by its allies – for continued obfuscation. This approach claims that it is not enough for Iran to acquiesce to challenge inspections; a permanent inspection team has to be stationed inside Iran and efforts should be stepped up to change the regime.

Even if the international community (or at least that part of it which is determined to fight nuclear proliferation) would find ways to block the Iranian nuclear program, it will have to deal with the growing demand for nuclear reactors for inexpensive and clean electric energy. Even with the present scope of nuclear activity under IAEA supervision, it has been proven a number of times in the last decade that the existing safeguards are not sufficient to prevent intentional sidetracking of fissile materials

**It is not enough to suspend the enrichment program; the program has to be dismantled and intrusive inspection implemented**

for a military nuclear program. One approach maintains that it is possible to base an effective system on the present one and on the basis of an agreement between the eight countries producing nuclear reactors. Such a system should focus on control of the fuel cycle for the reactors and include:

- Making the sale of a reactor conditional on complete control of the source country (one of eight countries which manufacture reactors) over the entire fuel cycle. Under such a system, there would be no justification for reprocessing facilities outside those eight countries. Without such a facility in the client countries, it will be impossible to hide a secret facility under the guise of a legitimate one. Hence, it will be easier to uncover illegal facilities.
- Upgrading safeguards on the reactors themselves (an easier task than supervision of enrichment facilities).

**Sale of nuclear reactors should be contingent on total control of the manufacturing country over the fuel cycle**

## **The Prospects for Regime Change in Iran**

There has been for years a hidden assumption that a regime change in Iran will occur before the maturation of the Iranian military nuclear program. Today, it is clear that this assumption is untenable; while the Iranian people do not wish to be ruled by this regime, it has for the most part been unwilling or unable to change it through democratic means.

Therefore, in the debate regarding the prospects of a counter-revolution in Iran that would lead to a democratic government, there are two main views:

- According to one, the people of Iran are tired and do not wish to engage in a conflict with the regime. The United States is still bogged down in the war in Iraq, and therefore, the strategy should be based on continuous international pressure on Iran until the situation in Iraq stabilizes, and only then to deal with Iran.

- The other attitude maintains that democratization in Iraq and Iran is interdependent: as long as the present regime is in place in Tehran, it will attempt to prevent the United States from achieving its goals in Iraq. Furthermore, it is claimed that the unrest in Iran is reaching a boiling point, which is averted only by the absence of external support. A clear policy on the part of the United States could bring it to that point.

# **The International Arena**

## **Israel – U.S. Relations**

Israel's relationship with the U.S. is a unique strategic asset. Today these relations stand at one of the highest levels of friendship and cooperation ever enjoyed. The apocalyptic fear of abandonment of Israel by the U.S. is unfounded.

The U.S. administration is called upon to take decisions on a regular basis in support of Israel. It also pays a regular price for that support – a political price – and there are those who may say a price in terms of its own security due to the resulting hostility of extremist elements towards it. The support of the United States is a derivative of:

- The issue. In patently security issues, the administration tends to support Israel; it does not do so when the issue appears to derive from domestic Israeli considerations;
- Integrity and credibility of the relationship. The sense within the administration that Israel acts with complete integrity and good faith is of highest importance.
- Israel's readiness to cooperate with the U.S. in promoting the peace process.

## **Diversification of Strategic Relations**

Despite its close relations with the U.S., Israel should strive to diversify its strategic relationships, on the condition that such additional relationships would not contradict relations with the United States, but would rather complement and enhance them. A possible paradigm is that of triangles of strategic cooperation between Israel, the U.S., and a third country on the basis of a common worldview and common interests. In developing such relations with a third country, the following elements should be considered:

**Israel should diversify its strategic relations in coordination with the U.S. An example of such relations is Taiwan**

- The necessity of close coordination with the U.S., inter alia, due to the high level of U.S. technology in most Israeli hi-tech products;
- The danger of leakage of technology to hostile Middle Eastern countries. A diversification policy must be based on an in-depth analysis of areas in which Israel can export products and technologies without posing a risk to Israel's own defense interests. These areas can include complete defense systems, joint R&D projects, and intelligence cooperation;
- The stability of the political, economic, military and cultural community of interests;
- Moral considerations;
- The life expectancy of the partner regimes;
- The ramifications of such relationships on other foreign relations, as well as with the U.S.;
- Economic compatibility.

Taiwan is a country with such a potential for better relations in both the defense and technology spheres. However, it is situated in a distant region and strategic relations with it pose a problem for Israel's relations with China. The U.S. support of Taiwan makes partnership with it a possible channel for a strategic diversification that would not encumber the relationship with the United States.

In assessing this relationship, some of the considerations should be the growing importance of the Asian economic region, including Taiwan, and the similarity between the two countries in terms of economic behavior, entrepreneurship and reliance on human capital and the hi-tech industry.

The conditions for cooperation between the two countries are favorable in light of the fact that they both rely on technologies of U.S. origin, and the Israeli approach of compensating numerical inferiority with a

technological edge. Technological cooperation can take place in a number of areas: missile defense and C4I. The main consideration against such cooperation is the Chinese position.

## **The European Union**

Israel's relations with the E.U. are characterized by two contradictory trends:

- Alienation, resulting from historic tragedies, and present-day conflicts in light of E.U. positions on the Middle East;
- Close economic relations due both to the fact that Israel is the market for half of European exports to the Middle East, and to political and cultural familiarity – even stronger than with many of the East European countries that are candidates for membership in the Union.

The Middle East already resides inside Europe itself in the form of large Middle Eastern minorities in all the E.U. countries. Upon the accession of Cyprus to the E.U., Israel and the E.U. will become even closer geographically. If Turkey joins the Union, Europe will again be a permanent force in the Middle East neighborhood.

Israel may steer relations with the E.U. in one of three directions:

- Maintain the present course and forego the advantages of rapprochement with Europe;
- Strive for full membership in the E.U. If such a goal were to be achieved, it would strengthen Israel's international status and deterrence vis-à-vis its neighbors. However, such a step is not feasible today, and even if it were, it would reduce Israel's room to maneuver in vital areas of security, and raise demands for modification of the key principles in Israel's political make-up, which define it as a Jewish State.

**Israel should exploit the advantages of the association agreement with the EU**

- Take full advantage of the Association Agreement in a manner that would allow a quantum leap in relations, without having to make difficult decisions. Such a step calls for a dialogue based on trust at all levels – the leadership, the bureaucracy, the academic community and the general populations. It is contingent on confidence-building measures, enhancing awareness and mutual respect, and building a mechanism for dialogue on all these levels.

The optimal choice is to promote a dialogue with the E.U. by taking full advantage of the Association Agreement.

## **Pro-Israeli Christian Groups**

In an atmosphere of growing anti-Semitism, international hostility towards Israel, and difficulties in Israel's public diplomacy, it is even more essential that Israel cultivate its ties with groups that possess political influence that can strengthen the commitment of their countries to Israel. A prominent group of this type, which Israel has not cultivated sufficiently until now, is that of the religious Christians in the U.S. This group is comprised of various streams – Evangelists, born-again Christians, and others. Most of them are constant in their support of Israel, based on their belief that such support brings them divine blessing. Their members are, for the most part, right wing both in U.S. and Israeli terms. Their membership is estimated at sixty to seventy thousand, most having higher education, high incomes and influence in the media. They are located both in the U.S. and in other countries, including South America.

**Pro-Israel  
Christians are a  
lever of  
influence, which  
should be  
mobilized**

Israel has refrained until now from taking full advantage of the potential for influence of these groups. To do so, Israel must first be aware of their existence, be grateful for their support, and exploit their media for Israel's public diplomacy campaign.

## **Widening the Scope of Foreign Policy**

Israel's foreign policy has been overshadowed since its inception by security considerations. Frequently, it has been designed in defense establishment circles and not in the Foreign Ministry or other relevant civilian ministries. This has affected Israel's ability to wage its political campaign, impaired its ability to exploit military achievements, or to develop close relations with countries on a political basis alone. Lately, there is a growing awareness of the significance of the political dimension and a favorable international climate for Israel's security. Nevertheless, Israel's foreign policy has as yet to complete the process of "civilianization", and it is important to continue on this track.

## **The UN and the International Community**

The United Nations and its subsidiary organizations are at the epicenter of a campaign with the objective of delegitimizing Israel's right to exist by promulgating documents and resolutions that are characteristically anti-Semitic, present Israel as a source of all evil, and compare Israel's acts – either explicitly or implicitly – to those of Nazi Germany. They also distort facts regarding Israel, accept any Palestinian claim without proper investigation, and judge Israel out of the context of the deeds of the other side that Israel is reacting to. One recent manifestation of this attitude on the part of the U.N. is the campaign it is waging against the security fence and Israel's counter-terrorism policy against "ticking bombs." It focuses on criticism against Israel while ignoring other conflicts – some even more worthy of international attention – in other areas of the world (about 30 percent of the resolutions of the U.N. Committee on Human Rights and 60 percent of the emergency sessions of the General Assembly were directed against Israel).

The campaign waged in the U.N. against Israel carries many of the characteristics of classic anti-Semitism. Examples are the refusal of the

**In the face of the involvement of the UN agencies in political warfare against Israel, the involvement of the UN in the peace process should be reconsidered**

U.N. – with the acquiescence and occasional cooperation of Europe and the U.S. – to include condemnation of anti-Semitism in resolutions condemning racism and intolerance. Acts of anti-Semitism towards individual Jews have acquired a measure of political correctness and become a controversial issue.

As a result, there is a view that Israel should not consider the U.N. as a fair, even-handed, and legitimate broker in any peace process, and need not feel obliged to cooperate with it.

## **Whither Russia?**

The conventional wisdom, especially since 9/11, has been that Russia is moving towards cooperation with the West and the U.S. and a liberal economy. In fact, the trend in Russia is towards extreme right wing nationalism, coupled with a comeback of members of the old communist regime and former K.G.B officials. After the last parliamentary elections, the liberal parties are no longer represented at all in the Russian Duma, where 20 percent of the seats went to the nationalist right, with an agenda of renewal of Russia's "superpower" status. This attitude manifested itself in Russia's relations with the "axis of evil" countries: rapprochement with Iran (including transfer of nuclear technology) and with North Korea, and open sympathy towards Iraq during the war.

For the time being, no significant shifts in Russia's attitude towards the Middle East should be expected. However, in the long run, the strengthening of the old K.G.B. bureaucracy does not bode well for Israel. A confrontational Russian attitude towards the U.S. and renewed "superpower" approach to the Middle East may yield a rapprochement between Russia and Israel's enemies in the region.

Israel should prepare itself for such developments.

**Russia may revert to a confrontational stance towards the U.S. including in the M.E.; Israel should be prepared**

## Anti-Semitism

The hostility towards Israel in the international arena has many of the traits of classic anti-Semitism. The legitimization for anti-Semitism is manifest in two main sectors:

- The intellectual left in Europe sees Israel as a remnant of colonialism and an apartheid state, destined to disappear. This attitude is spreading in the academic world in the United States. With it come the gradual demonization of Israel, boycotts, and de-legitimization of Israel's very right to exist. The portrayal of the conflict with the Palestinians in the mass media and Western public opinion is an important cause of this phenomenon. Hostility towards the Jew is also a familiar response to feelings of alienation and loss of identity in a growing and unifying Europe.
- Among Muslims in the West, this new anti-Semitism is fanned by the spread of radical Islamic ideologies, in which the war against the Jews is no longer just for a "free Palestine", but part of an eschatological Armageddon, in which the Muslims have a duty to free the world of the Jews.

The extreme expression of this hostility is the demand for divestiture of Israel in the European and American academic world and the refusal of professors to advise Israeli students.

Anti-Semitism has also manifested itself lately in physical threats against Jews. Until recently, it was widely accepted that this phenomenon existed only on the dark side of European society, and was not politically tolerated. The legitimization of political anti-Semitism however, has removed inhibitions regarding behavior towards individual Jews as well. Out of fear of physical attacks, Jewish communities are placing greater emphasis on collective security and there is a growing

**Legitimization  
of political anti-  
Semitism  
undermines the  
security of Jews  
in the Diaspora**

tendency of Jews in the Diaspora to hide their Jewish identity. This phenomenon is, for the time being, directed towards Jews; however, there are those who see it as a harbinger of wider anti-democratic trends.

## **Jewish Leadership in the Diaspora**

The Jewish People in the Diaspora provide an important contribution to the national strength of the State of Israel. It is Israel's demographic hinterland and the source of aliya, as well as being the vanguard of Israel's political struggle. However, this strategic asset is diminishing constantly due to two parallel and seemingly contradictory trends:

- Assimilation and the acceptance of Jews in Western society;
- Growing anti-Semitism, which deters Jews from publicly supporting Israel.

The importance of the Jewish People as a “force multiplier” in Israel's political struggle is prominent on university campuses: petitions against Israel are met with counter-petitions and no demand for divestiture of Israel has been accepted in a Western university. However, while the campaign against Israel has found professors who are willing to dedicate themselves to this goal, the description of Israel as a violator of human rights and the comparison with apartheid South Africa and Nazi Germany deter senior academicians, including supporters of Israel, from getting involved in the public debate on Israel's side.

Israel must support the Diaspora in its fight against anti-Semitism, preserve its support of Israel, and maximize this asset as a source of political power.

Israel must provide the young generation of the Diaspora with a motive to preserve its Jewish identity and an ability to cope with the hostile atmosphere. To this end, focus should be placed on cultivating the future leadership of the community, primarily the body of active Jewish students in the universities, which is estimated at about 650,000 students. Some of the ways this can be done include:

**Israel must support the Diaspora in its fight against growing anti-Semitism and cultivate the next generation of Jewish leaders**

- Exposing Jewish students – as early as high school – to the Israeli experience, in order to reinforce their affinity with Israel;
- Cultivating Jewish advocacy groups which should work on campuses against manifestations of anti-Semitism and anti-Israel propaganda;
- Bringing Israeli students to campuses abroad for public diplomacy;
- Creating a network of Jewish and Israeli professors on campuses to lead the campaign;
- Generating commitment on the part of Jewish communities to cultivate Jewish interests on campus.

# The Economic Aspect

## The Defense Industries as Generators of Economic Growth

The defense industries in Israel are among the primary generators of economic growth, and have much potential. They directly employ about 10 percent of the manpower in the industrial sector, and their revenues account for about 17 percent of total Israeli exports, not including diamonds.

In terms of percentage of GNP, Israel spends more on defense than any other country in the world. Therefore, defense acquisitions from the local industry are an asset that can be translated into exports and economic growth. The defense industries are primarily export orientated (exports from the defense industries represent about five times the sales to the IDF). These exports, however, are contingent upon development of platforms and combat systems for the Israeli defense establishment, and on proving their worth by being purchased and used by the IDF. For this reason, the most effective way to increase defense exports is to increase orders from the Israeli defense establishment for development of new systems. Defense acquisitions by the IDF are an investment that provides a profit of about 20 percent to the national economy. In cases of highly exportable products (those which can be exported for five times the sales to the IDF), the profit to the national economy in a period of high unemployment stands at about 150 percent.

The high rate of government ownership of the defense industries (about 70 percent) is in stark contrast to the lack of such ownership in the U.S. It is perceived as harming the versatility of the industries and therefore, there is wide support for privatization. Regarding merging the industries into large conglomerates, there are differing opinions:

**Increasing local procurement from the defense industries is a lever for increasing exports**

- Supporters of mergers show that savings will reach about \$170 million per annum (before taxes) in administration and marketing alone. Mergers will also create a corporation with annual revenues of approximately \$4.2 billion, making it the tenth largest corporation in the world. They emphasize that this is the only area in which Israel has the potential to reach a critical mass on the international scene, and would increase competitiveness and boost exports.
- Opponents claim that such mergers would cause the industries to lose the versatility and rapid response capabilities that are characteristic of small industries.

## **Hi-Tech and Socio-Economic Development**

The hi-tech industry in Israel will continue to be a cornerstone for the growth of Israel's economy:

- A high correlation exists between the performance of the Israeli hi-tech industry and that of the global hi-tech market; the crisis, which the former has gone through, is an extension of the world crisis. The world hi-tech market has begun to recuperate and Israeli corporations are following suit;
- Acquisition of hi-tech products by large conglomerates in the world has grown steadily over the last decades and has not been hit by the occasional crisis in the market.

Even when growth expectations for the world market are low, Israeli corporations will be able to exploit segments of the market for increased growth. Even sectors that are not growing have certain areas for growth for Israeli companies, since these companies represent only 2 percent of the total market in which they operate. Since large portions of the market are held by small companies, there is wide scope for enlarging the market share of Israeli companies.

The global hi-tech market remains the primary generator for growth in Western economies where society is geared to technology, and Israel can profit from this.

The government of Israel can support the hi-tech industry and the Israeli economy in general by:

- Assisting the hi-tech industry in maximizing the potential of countries with high growth rates in the technology market, such as China, India and Russia, by providing financial packages for these countries to purchase technology from Israeli companies;
- Investing in education.

The Israeli hi-tech community, in its turn, could benefit Israeli society by:

- Increasing the involvement of the hi-tech sector in closing gaps in education and in absorbing immigrants from the developed countries;
- Leaving its ivory tower and passing on its management culture and advantages to other sectors of the economy.

## **The Energy Industry**

If a regional peace agreement is ever reached, Israel's energy industry will possess new solutions to its current problems: diversification of sources of fuel and its products, entrance of international energy companies into the Israeli market, connecting with a regional electric grid and to regional oil pipelines, and attracting foreign capital to the Israeli energy market. As long as there is no settlement, however, Israel's vulnerability in the area of energy and advantage in the area of technology require an increase in its efforts to find solutions for efficient utilization of energy, and the development of new sources of renewable energy. This can be achieved by:

**Government aid to the Hi-Tech industry to exploit the high-growth markets in China, India and Russia will increase exports to these countries**

- The government encouraging the formation of hi-tech energy corporations in the area of renewable energy sources and efficient consumption of energy;
- Joint projects with other countries on the basis of development funding from those countries;

The discovery of renewable sources of energy and natural gas will also be beneficial to the environment and to public health in light of the correlation between disease and energy pollution, and damage caused to the environment by the increase in the amount of energy produced in Israel (Israel is a signatory to international conventions in this area).

**The efforts for developing efficient energy and renewable sources should be redoubled**

The discovery of gas in Israel provides an opportunity for development of indigenous energy. Israel should:

- Remove obstacles to the development of this sector;
- Expedite the building of an infrastructure for transporting gas;
- Prefer local gas and give incentives for exploration.

At the same time, the trend to save energy should be reinforced. Israel can save 20 percent on its energy consumption (i.e., USD 500 million per year), and could contribute to the environment through proper guidance, enforcement and encouragement.

A long-term plan prepared by the Ministry of National Infrastructure proposed the following alternatives for the future of electricity in Israel:

- Keeping the status quo;
- Limited divestment, by which the conduction and distribution of electricity will be concentrated in one company and the production will be split into a number of competing private companies;
- Full diversification of both production and distribution with management of the system and conduction under a government monopoly.

The main alternatives for the fuel sector according to the plan are:

- The status quo, without separating the refineries;
- Separating refineries without horizontal integration up to the marketing phase.

In order to improve the likelihood of reform in the electricity sector, which the Knesset voted on in June 2003, it will be necessary to increase reserves (3-5 percent today) and to issue stock in the electricity company to the public (due to its problematic financial structure).

## **Bank Regulation and the Financial Market**

Regulation of the banking system was examined from the point of view of its effects on the strength of the financial system, which has a pivotal function in the welfare of the country and its economic stability. Regulation according to international criteria is important in light of globalization, transparency, and relations with foreign banks. An important achievement of the Israeli banking system is its comprehensive and rapid response to money laundering. For the banks, in contrast with other sectors, regulation not only restricts freedom of operation, but also serves as a standard, which promotes client confidence.

There is a debate regarding the effectiveness of the regulatory system in Israel. According to the IMF, Israel possesses commendable professional regulation and a satisfactory legal framework for regulation. Israel has also shown itself to conform to the international criteria.

Regarding the appropriate extent of intervention of the regulatory bodies in the decisions of the bank, a number of questions emerge:

**The IMF:  
Israel  
conforms to  
the  
international  
regulatory  
criteria**

- It can be claimed that in-depth regulation transfers the responsibility from the managers and directors of the banks to the Bank of Israel, in the event that a bank which adheres to such regulations encounters difficulties or insolvency;
- If the board and management assess that it is worthwhile to take a certain risk, can the regulatory body intervene and prevent it? According to the IMF, the regulatory body should not direct the bank to refrain from taking risks, but rather advise it to make sure it has the capital to cope with the ramifications of the risk.

It is claimed that a conflict of interest exists regarding the two aims of the regulator: to preserve the stability of the bank and to provide consumer protection. While some may claim that proper implementation of the former task entails, by definition, the performance of the latter, others say that in Israel competition and protection of the client are secondary, and there is not enough protection.

There is a demand to impose greater regulation on insurance companies and other financial bodies that compete with the banks in the financial market, in order to provide the same level of consumer protection enjoyed by the clients of banks.

Some of the criticism the banking system has regarding current regulation is that it is based on the Banking Act of 1941, which despite being updated, remains old-fashioned. As a result, the regulatory body has much discretion, perhaps more than necessary. New and modern banking legislation is required which will clearly define the relationship between the regulatory body and the banking system.

The strength of the capital market and its sophistication has a direct effect on the economic welfare of the country:

**A modern bank legislation should be enacted that would explicitly define the relationship between the regulator and the banks**

- In principle, a developed capital market is instrumental to a better allocation of capital and distribution of risk, thus encouraging investment, availability of information, and efficiency of exploitation of capital. Governments can assist by improving access to the financial market, protecting investors in order to encourage them to participate in the market, reducing government participation, and increasing competition, the flow of information and transparency of the market;
- The capital market is a source of economic growth. Growth is the result of business initiative, which is in need of a number of supporting factors characterizing a sophisticated capital market: a proper distribution of risks, flow of information, transparency, and regulation of companies, that result in competition and lower costs of capital.

**A modern sophisticated capital market is necessary for economic growth**

Another potential lever for growth is to attract international investments in buy-outs. According to international experts, there is a demand for investment in Israel, especially in the areas of privatization and deregulation. However, in order to exploit this potential, it is necessary to create an environment that supports buy-outs, primarily in the area of taxes and regulation.

# **The Social Aspect**

## **Socio-Economic Policy and its Effects**

Two basic approaches were apparent at the Conference:

- According to one approach, social cohesion is disintegrating as a result of growing gaps in the standard of living and income. Israeli society is moving from a worldview based on welfare, equality and mutual responsibility, to pure capitalism. The move to an ideology that claims that the state is not responsible for the well-being of its citizens, and brands the welfare state as irresponsible, may result in emigration, the shirking of military service and even rebellion in certain sectors. Israel has already crossed the red line of social strength when, according to the forecast of poverty for 2004, every fifth family, every fourth individual, and every third child in Israel will live below the poverty line.
- The other approach claims that the real distress is not poverty, but the loss of personal accountability of the citizens for their own fate, which prevents them from extricating themselves from the poverty cycle. The socio-economic gaps are increasing despite the increase in social security allocations. The role of the state is to support those who are disadvantaged, not those who are able to work but prefer to remain unemployed. The poverty cycle must be broken by cutting social security payments and diverting these funds to the genuinely needy. In addition, it is necessary to dismantle the monopolies, among them the Port Authority and the fuel and postal services, and to reduce the high level of taxation required to subsidize the monopolies and social security. These steps, if applied, will take the country out of the crisis. Continuing this path will bring about even better results next year.

Some see economic liberalization as a source of power for the ability of the country to face military conflict: economic liberalization is necessary

not only to supply the material resources for the military conflict, but to guarantee the social liberty, the self-confidence, the initiative, and the social resilience necessary to withstand the long and difficult conflict.

The effects of downsizing the welfare state can be minimized by

- Integrating the civil society in the decision-making process for social affairs;
- Integrating welfare, education and health services at the national level, and forming a social affairs council for setting national priorities in social matters;
- Forming a national council against poverty.

The figures concerning the distress of children and youth – Israel’s future human capital – show that in 2002, 28 percent of the children in Israel lived in poverty-stricken families. In 2003, that figure rose to 31 percent. Sixteen percent of them – 350,000 out of 2.2 million children in Israel – are considered “endangered” children, a third of them are considered “highly endangered”. The welfare services treat only a part of this population, and in the last two years welfare budgets have been cut. Meanwhile, adolescent crime has increased and violence and drug abuse among young people has worsened. Without proper intervention, the number of children in distress will rise and the number of students in institutions for higher education will decline, resulting in a decline in the rate of participation in the workforce.

Some solutions to the challenge regarding children and youth are:

- To enact a children's rights act;
- To define goals for reducing the number of children under the poverty line;
- To perform a professional estimate of the effects the economic plans have on children welfare, and to identify ways to reduce them.

**A Children's Rights' Act should be passed and the number of children under the poverty line reduced**

An analysis of the linkage between poverty and participation in the workforce, and the move from welfare to gainful employment shows that raising the rate of participation in the workforce will not solve the problem of poverty, as it is only one of the factors involved. In implementing this policy, the following steps must be taken:

- To take timing into consideration. Such a policy is ineffective when the labor market cannot absorb the unemployed;
- To focus on those who are most likely to succeed;
- To co-opt the clients and create motivation;
- To provide them with the opportunities to improve their skills;
- To form support systems for the diversion from welfare to work.

Community strength is another instrument for enhancing social strength. Community integration and empowerment of the members of the community, along with allocating goals and social tasks for, by, and within the community, will enhance social strength. It is also necessary to improve the cooperation between the state authorities, the local community, the IDF, and the local government.

Regarding the role of organizations belonging to the civil society in social welfare, opinions vary. These organizations are supposed to complement or substitute for government bodies, and to provide a safety net to the population in distress. In practice, their effectiveness has been reduced, due to their divisiveness and sectoralism, and their dependence on government resources. Only if these organizations succeed in

creating their own force, will they be able to contribute to social strength.

## **The Demographic Structure**

Among the causes of the low rate of growth of the Israeli economy is the rate of participation in the workforce, which is low in comparison to the developed countries (54 percent as opposed to 58 percent in the EU, and 65 percent in the U.S.). As a result, the GNP per capita is low, government debt, the deficit, and taxes are high, and sufficient resources for investment in national infrastructure do not exist. The participation of the majority sector of Israeli society is comparable to that of the EU, 58 percent; however, among the ultra-religious the rate is 45 percent, and among Israeli Arabs, only 39 percent.

The rate of birth rate is very high in comparison to the West. The percentage of children below the age of 15, who do not contribute to the GNP, and at the same time consume national resources, is higher than in most Western countries. The birth rate of the Arab sector (19 percent of the population) is 4.4 children for each woman, and among the ultra-religious it reaches 5.8, whereas among the rest of the population, it stands at 2.3.

If these trends continue, they will result in an annual decline of 0.4 percent in the per capita growth of Israel. On the other hand, if participation in the workforce, the birth rate and wages in the Arab and ultra-religious sectors were to equal the level of the majority population, it would result in growth of approximately 20 percent in GNP per capita.

These statistics have social implications as well. The Arab and ultra-religious populations receive government support as a result of their low income, and this is becoming an increasing burden on the majority

**If the proportion of the ultra-religious and the Arabs in the workforce and their birth rate were on par with the rest of the population, GNP would rise by 20%**

population. A social crisis may ensue, in which the majority population decides that it no longer desires to provide such welfare support. A reality of “two states” will emerge, and those with higher earning potential will emigrate.

The available solutions are:

- Investment in education, a shift to a longer school day, and increasing education in areas in which earning potential is high;
- Amendments to the National Service Law: the Tal Act and national service in lieu of military service will bring about increased participation of the ultra-religious in the workforce;
- Ending the employment of foreign labor. Foreign labor lowers the rate of participation in the workforce in the lower wage sectors, prevents the shift to advanced technology in labor-intensive branches, and perpetuates the exploitation of cheap labor;
- Building day-care centers that will allow women, mainly in the Arab sector, to go to work.

Improvements in education will raise the output per employee in these sectors, will cause salaries to rise, and will provide an added incentive to seek employment. As these populations increase their participation in the workforce, the birthrate will drop and should, within 10 to 20 years, reach that of the majority of the population. GNP growth per capita will rise, income inequality will be reduced and, as a result, the burden on the majority population will decrease.

## The Public Health System

Israel's rating in public health expenditure, doctors per capita, and medical centers is high even in comparison to the OECD countries. However, the proportion of public expenditure as a part of the entire expenditure on health is decreasing, while private expenditure on health is rising. Private expenditure per capita on health in Israel is one of the highest in the world. One of the reasons for this is that the National Health Law did not take into consideration the integration of new technologies and the increase in life expectancy. The number of beds per capita has gone down from 3 in 1975 to 2.1 today, which is one of the lowest rates among the OECD countries. Israel's public health system is in danger of collapse.

Restructuring of the public health system in Israel calls for:

- Increasing the relative part of the national budget allocated to health;
- Privatization of hospitals;
- Enhancing efficiency of the health system;
- Forming mechanisms for supervision of the quality of service.

Other possible avenues for action include:

- Better definition, by government, of the limitations of expensive treatments;
- Standardization by the various medical funds of plans for management of illnesses of those 20 percent of the patients who consume 80 percent of the budget, and outsourcing surgery and psychological and rehabilitation treatments.

**To prevent the collapse of the public health system, it should be allocated a larger part of the public budget and hospitals should be privatized**

## **The National Education System**

The poor achievements of the educational system in Israel do not correspond to the high level of investment in it. Therefore, a fundamental reform is necessary. The various plans for reform address the following needs:

- To improve the standard of teaching;
- To delegate authority from the Ministry of Education to the schools, to increase the authority of principals, and to form a school directorate;
- To operate national feedback as a quality control mechanism;
- To operate a core plan.

One reform plan proposed that the goals of the educational system should be both excellence and equality. It proposed also:

- A new structure based on beginning first grade at the age of four and matriculation at the age of 16. Between the ages of 16 and 19 students will either complete their matriculation exams or begin higher education. Another option was proposed in which first grade will begin at the age of five, and three weeks will be added to each school year.
- Reforming the schools as independent units: the Ministry of Education will set policy (“what” should be achieved), will fund the school and assess it; whereas the school will decide the modalities of operation and will be accountable for the results;
- Enhancing the status and authority of principals. They will be authorized to hire and dismiss teaching staff, manage the school budget, and raise funds from the outside;
- Transferring the responsibility for teacher-training to the Planning and Budgeting Committee, and accepting individuals with higher education degrees in various subjects and who possess a teaching certificate, as teaching staff;

- Providing greater freedom to parents to choose a school;
- Allocating different time to each student according to his needs.

According to another plan it is also necessary to:

- Demand that all teachers have at least a B.A., as well as a teacher's certificate.
- Demand that principals pass a management course, along with holding teaching qualifications.
- Form a National Education Authority that will formulate a credo and core program for the educational system. The plan should divide studies into three steps according to their importance for the students' future:
  - The first step should include subjects such as Hebrew, English and mathematics that are an essential basis for all other subjects, as well as norms, behavior, and values.
  - The second step should include subjects that provide the student with an identity and tools to get along in society, such as citizenship, history, science, geography, literature and Bible studies.
  - The third step should include all the subjects that are not a necessary condition for the students' success in society, but enrich the student and provide specialization.

**The education system requires multi-annual budgetary framework**

The Ministry of Education opposes the proposal to begin schooling at the age of four or five, but accepts the concept of pluralism and transfer of authority from the Ministry to teachers, parents, and students as long as a certain standard – the common "core plan" for all schools – is maintained, which will include base studies such as the humanities, exact sciences, and foreign languages. It views GMAT as another essential means to balance decentralization and delegation of authority

to the school level; and aims to improve the professional level of teachers and the curriculum by:

- Raising teachers' incomes and workload. The number of teachers will be reduced and the workweek will be only five days;
- Setting teacher tasks in addition to the teaching itself, e.g., social management of the schools, one-on-one communication with pupils;
- Building achievement-based promotion, and professional and personal training programs;

The Ministry Aspires to implement a tailor-made study program for each pupil. It will attempt to set a long-range framework for the education budget, since the educational system calls for long-range planning.

## **Development of the Negev**

The Negev comprises 60 percent of the territory of Israel, but only 8 percent of the population lives in it. Without the Negev, the density of the population of Israel is higher than Belgium and Holland, the most densely populated countries in Europe. The Negev and the Galilee are also the main centers of poverty in Israel. If this situation continues, Israel will become highly populated in the coastal area, and the Negev will be home to the Jewish poor and Bedouins alone.

The challenge is to develop in the Negev quality industries, which will attract youth who might otherwise choose to live in the Coastal areas or to emigrate. There exist already scientific infrastructure and proven expertise in specialized fields like biotechnology, on which one can build further. Yet, it takes a national level decision to focus development efforts in the Negev, which means, inter alia, providing the largest possible tax exemptions for that goal.

**A national effort should focus on developing the Negev**

## **Minorities in Israel – The Israeli Arabs**

The relations the State of Israel has with its Arab citizens is a cardinal national matter. It has not received the attention it deserves, and as such, presents a threat to the cohesiveness of Israeli society. The feelings of alienation and hostility which fester among Israeli Arabs are closely linked to the growing phenomenon of their recruitment to terrorist organizations. In order to neutralize these factors of extremism, Israeli Arabs must be integrated into the fabric of Israeli society.

The distress of Israeli Arabs derives, according to one view, from continuous neglect by Israeli governments, which widened the gap between Jews and Arabs. The Israeli governments did not keep their promises to bridge these gaps, perceived the Arab community as a “problem” both from the point of view of security and economics, and formed their policies accordingly.

On the other hand, there is a claim that the deterioration of the Muslim population – which is the majority of the Arab population in Israel – is the result of its own extremely high birth rate, and not of government policies. Muslim countries such as Egypt and Iran, which also suffered from high birth rates, succeeded in reducing these and serve as an example (regarding birth rates, see the chapter on demography).

It has also been claimed that Israeli Arabs have adopted the Palestinian national ethos, which denies the legitimacy of the State of Israel as a Jewish state and attempts to undermine its Jewish character, thus exacerbating tensions with the Jewish populace.

Israeli Arabs have less faith than the Jewish population in the Israeli legal system. Studies have shown that Arabs are indeed discriminated against in the courts; whether the judge is a Jew or an Arab, it is more

likely that the accused will receive a harsher sentence if he or she is an Arab. The ethnic origin of the victim is usually irrelevant when the judge is Jewish, but an Arab judge is more likely to pass a harsher sentence when the victim is a Jew than when the victim is an Arab, whether the defendant is a Jew or an Arab.

Proposals for dealing with this complex issue include:

- Forming a public council that will establish principles for policy for the Arab sector, set priorities for the government to deal with, and follow-up implementation of decisions;
- Formulating a long-term strategy for promoting equality of rights and duties for the Arab sector;
- Implementing government decisions regarding land and planning in 32 towns, on which decisions have already been made.
- Forming a government or public body for training, direction, oversight, and supervision of the Arab local authorities;
- Formulating educational programs on the traditions, culture, and history of the two peoples of the country, and inculcating the programs;
- Encouraging the study of the Arabic language in schools;
- Maintaining joint workgroups.

**A long-term strategy is required to promote equality of Arab citizens in both rights and duties**

It is also recommended that an official government framework be formed for development and management of programs for teaching coexistence in Israel. Education for coexistence should be universal, but only 1-2 percent of the pupils in Israel participate in such programs.

## The Rule of Law and National Strength

The rule of law is an important element of national strength, but is not self-evident. It is an imperative that the rule of law be inculcated and honored first and foremost by those who hold power. It is noteworthy that:

- Of all three branches of government responsible for the rule of law, only the judiciary follows this imperative;
- Recently, ministers and public figures who are supposed to act as an example to the citizens they represent, have not paid due respect to the law;
- Government figures have refrained from cooperating with law enforcement agencies and have behaved as if it were an obstacle to beware of, and not a road sign to obey;
- During recent years, Israel has been witness to a nexus of money, government and crime.

A study surveying popular opinion between 2000 and 2003 found that:

- Less than half of the respondents thought that the Israeli police were performing their job fairly well;
- The rate of confidence of the Jewish sector in the courts went down from 75 percent in 2000 to 53 percent in 2003, and in the Arab sector from 58 percent to 43 percent.
- Ninety-two percent of the ultra-religious respondents, 64 percent of the hard line settlers in the West Bank, and 61 percent of the Arab respondents agreed with the statement that “religious law has precedence over the laws of the State.”
- In all the years of the survey, between 47 percent and 68 percent of the respondents agreed to the statement that in Israel "each person does that which is right in his own eyes." In 2003 the majority of respondents agreed with the statement “observance of the law is not an important norm for the public leadership in Israel”.

**The upcoming nominations in the law enforcement establishment should enhance the ability of the system to fight for the rule of law**

The stronghold of the rule of law – the judiciary – is under attack. The fight for the defense of the judiciary should be seen as a fight for the protection of the basic set of values of Israeli society – humanism, liberalism, and egalitarianism.

The upcoming nominations of judges to the Supreme Court, the attorney-general's office and the police should be used to enhance the rule of law, and to guarantee that it will remain fearless and will fight to instill norms of correct and worthy behavior.

# **The Imperative of National Leadership**

Israel is witnessing a leadership crisis that has been happening for a considerable amount of time, but lately has become even more evident against the background of the crisis in the spheres of the peace process, politics, economy and social affairs. The combination of the two creates an existential threat to Israel.

In a reality of enormous needs and restricted resources, the country needs leadership that is able to set suitable priorities. The crisis in the peace process is the most urgent, for delay of the crucial decisions in this area is seen as a failure of leadership and increases the threat to the existence of Israel as a Jewish and democratic state.

In the domestic political arena capricious and chaotic norms have taken root. These norms will not allow the growth of a true democratic culture, based on an enlightened civil society, nurtured by a steady flow of credible information. The civil service in Israel lacks long-range planning, transparency, and regular procedures. As a result it has lost the confidence of the public and become unstable. There is no formative leadership with the ability to generate a basic change.

One urgent need is to transform the National Security Council into the central staff of the government. Its responsibilities and scope should be:

- To receive all intelligence input;
- To perform for the national leadership the integration and synthesis of the positions of all the relevant bodies, and to present the advantages and disadvantages of each;
- To provide decision-makers with the required information necessary to make correct decisions;
- To ensure the implementation of the decisions after they are made;

**The National Security Council should be the central staff of the government**

- To serve as an independent supervisory body ensuring the precise and high quality implementation of government decisions.

A necessary condition for the success of such a body is full cooperation with it by the decision makers and their offices.

A second avenue for action is to change the governmental system. The Knesset Constitutional Committee is already working on a consensual constitution. The chapter dealing with government will be a central theme in this constitution. However, governmental reform is needed whether it comes as part of a constitution or not. On this issue there are differing views:

- One proposes the transformation of Israel into a presidential regime by separate votes for the Knesset and a president.
- Another proposes ways to strengthen the parliamentary system and the prime ministerial regime.
- A third proposes changing the basic law so that the head of the largest faction in the Knesset will automatically become the candidate for prime minister, the bar for dissolving Knesset will be raised to 60 members of the house, and the entrance bar for a party will be raised.

It is proposed that one system be agreed upon that will be based on a presidential regime within the structure of a parliamentary one, to maximize the “presidential potential” of the parliamentary regime, similar to the British model. It is proposed that such a plan be prepared and presented to the public and the Knesset by the date of the fifth Herzliya Conference.

**Everyone agrees on the need to change the governmental system. Voices vary on how**

But who is a leader? What is leadership? It was suggested that a real leader:

- Is the first to see what has to be done and to develop a vision and a goal;
- Knows how to lead others to achieve the vision and goal by putting forward an operational plan;
- Is characterized by the strategic dimension of blazing the trail, in contrast to the bureaucracy, which deals in the operational dimension of continuing on the road.
- Knows how to take responsibility;
- Sees not only what is self evident, but also the contrasts and the conflicts that accompany any strategic decision, the costs and the achievements involved, and the complex picture in its totality.

The mission of the national leader is to properly diagnose a change in the national environment, to create a strategy to accommodate such a new reality, and to lead the society (in the case of a political leader) or the company (in business) through the difficult and painful process of accommodation. The leader will have failed if he diagnosed the changes incorrectly and assessed that the challenges ahead are no more than technical problems. The leadership crisis derives from the fact that the people themselves prefer leaders who offer them easy fixes, and not those who show the way to painful changes.

The true leader is one who does not give in to the public demand for an easy fix, but is willing and able to lead the public in coping with harsh reality, to find ways to survive it, and even to flourish within it. In the Israeli reality, this means the ability to lead the people in coping with the painful necessity of giving up part of a historic homeland in order to preserve the other part.

A mark of leadership is the ability to make decisions. Without it, Israel finds itself in situations that it did not choose, and cannot mobilize the social energy and human capital to perform those tasks which it performed so well in the past: building a society of immigrants based on cohesion and solidarity. The political decision is not only in regard to the borders of the State of Israel and its security, but concerns the quality of its society. Israel is in need of leadership that will make decisions that will lead to a durable settlement with the Palestinians. If such a settlement emerges, Israel will be able to move on to the great tasks of settling the Negev and the Galilee and building an economy, society, and government that will revive its attraction as a magnet for aliya and be a center of Jewish life.

# Conference Program

**Tuesday, December 16, 2003**

## Opening

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

Ms. **Yael German**, Mayor of Herzliya

Prof. **Abraham (Rami) Friedman**, Dean, The Lauder School of Government Policy & Diplomacy, The Interdisciplinary Center Herzliya

## The National Scoreboard

- ❖ International and time-series comparison of Israel's standing in the economic, social, and political spheres
- ❖ Comparative in-depth surveys of Israeli society
- ❖ Overall strategic assessment of Israel's situation

“The Herzliya Indices”, Task Force Report

Prof. **Rafi Melnick**, Arison School of Business, The Interdisciplinary Center Herzliya

“The Haifa Indices”, Task Force Report

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

“The National Security Council Indices”, Task Force Report

Col. (res.) Dr. **Reuven Gal**, Deputy Head, National Security Council, Prime Minister's Office

“The Changing Strategic Landscape”,

Maj. Gen. **Giora Eiland**, Head-Designate of the National Security Council, Prime Minister's Office

## Defense Challenges

### The Palestinian-Israeli Impasse: Alternative Options and Approaching Decisions

- ❖ Review and assessment of the state of warfare against terror
- ❖ Regional processes and their impact on the Palestinian-Israeli issue
- ❖ Alternative diplomatic and political options
- ❖ The future of Palestinian leadership

Chair: Mr. **Ehud Olmert**, Deputy Prime Minister and Minister of Industry, Trade, Labor and Communication

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“There is Life After Terror”,

Mr. **Avi Dichter**, Head, Israel Security Agency, (Shin Bet)

“Alternative Options for Resolving the Israeli-Palestinian Dispute”

Prof. **Steven L. Spiegel**, Burke Institute for International Relations, UCLA

Discussant: Dr. **Shmuel Bar**, Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

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“IDF: The Military Posture and the New Defense Doctrine,”

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

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## The Iranian Challenge

- ❖ Iran’s nuclear program and its effort to acquire military nuclear capability
- ❖ International and US approaches to the Iranian nuclear program
- ❖ Regime stability and political undercurrents in Iran

Chair: MK Brig. Gen. (res.) Dr. **Ephraim Sneh**, Knesset Foreign Affairs and Defense Committee and Chair, Subcommittee for Defense and Security Doctrine

“Heading Off an Iranian Nuclear Weapons Capability”

Mr. **Robert Einhorn**, Center for Strategic & International Studies (CSIS)

“Putting More Muscle into the International Effort to Stop an Iranian Nuclear Bomb”

Dr. **Patrick Clawson**, Deputy Director, The Washington Institute for Near East Policy

“How to Liberate Iran”

Dr. **Michael Ledeen**, American Enterprise Institute for Public Policy Research (AEI)

Discussants: Mr. **Gideon Frank**, Director General, Israel Atomic Energy Commission

Ms. **Thérèse Delpech**, Center for International Studies and Research

(CERI)

## Lunch

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“Main Issues in Israel's Defense Doctrine”

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

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## Force Structure and the New Defense Posture

- ❖ New look into force-structure planning
- ❖ Budgetary constraints and IDF’s missions in the evolving strategic landscape
- ❖ Possibilities and trends in Israel’s military force structure in face of technological innovation and the lessons of the War in Iraq

Chair: MK Dr. **Yuval Steinitz**, Chair, Knesset Foreign Affairs and Defense Committee

“Joint Force Building”

Gen. (Ret.) **Jim Jamerson**, Vice President for Middle East and Africa, Lockheed Martin Corporation

Tuesday, December 16, 2003

“The Defense Budget and Force Structure”, Task Force Report  
Maj. Gen. (res.) **Eitan Ben-Eliahu**, CEO & Founder, Sentry Israel  
MK Maj. Gen. (res.) **Matan Vilnai**

“Approaches to Force Structure Planning”  
Maj. Gen. **Dan Haloutz**, Commander-in-Chief of the Israel Air Force

Discussants: Rear Adm. (Ret.) **John F. “Dugan” Shipway**, Vice President of General Dynamics and President of Bath Iron Works  
Mr. **Danny E. Sebright**, Associate Vice President, The Cohen Group  
Mr. **Carl Banner**, Maritime Systems and Sensors, Lockheed Martin Corp.

## A Reserve System for the Future IDF

- ❖ Alternative options for the future structure of IDF reserves
- ❖ Military, economic, and social implications

Chair: MK **Haim Ramon**, Knesset Foreign Affairs & Defense Committee and Chair,  
Subcommittee for Manpower

“Positioning the Reserve Service in an Up-to-Date Defense Doctrine”  
Maj. Gen. **Gabi Ashkenazi**, Deputy Chief of General Staff, IDF

“IDF Reserve Corps – Enduring Realities”  
Maj. Gen. (res.) **Gideon Sheffer**, Vice President, Elbit Systems

“IDF Reserve System and Israeli Society – Trends, Reforms, and Necessary Measures”  
Brig. Gen. Dr. **Ariel Heiman**, Chief Reserve Officer, IDF and Ministry of Defense

“Structural and Societal Implications of the IDF Reserve Corps Reform”  
Prof. **Stuart A. Cohen**, The Begin-Sadat Center for Strategic Studies (BESA), Bar-Ilan University

“The IDF Reserve Corps and Israeli Society: Will New Reforms Exacerbate the Problem?”  
Dr. **Yagil Levi**, Department of Sociology, Political Science, and Communication, The Open University of Israel

## The Prospects for Israel’s Defense Industries

- ❖ The role of defense industries as a component of force structure and as a building block for economic, technological, and educational growth
- ❖ The defense industries’ ratio between investment and exports
- ❖ Preserving the qualitative edge of the defense industries in a time of budgetary cutbacks

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

“The National Role of the Defense Industries”, Task Force Report  
Mr. **Moshe Keret**, CEO, Israel Aircraft Industries (IAI)  
Mr. **Nir Gilad**, Former Accountant General, Ministry of Finance  
Dr. **Yacov Sheinin**, CEO, Economic Models

*Tuesday, December 16, 2003*

“The National Contribution of Israel’s Defense Industries”

Mr. **Eliezer Sandberg**, Minister of Science and Technology

Discussants: Mr. **Joseph Ackerman**, President and Chairman of the Board, Elbit Systems

Mr. **Giora Shalgi**, Director-General, Israel Armament Development Authority  
(Rafael)

## **Dinner**

Chair: Mr. **Shabtai Shavit**

“Ben-Gurion and His Legacy”,

Mr. **Shimon Peres**, Former Prime Minister

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**Wednesday, December 17, 2003**

## **International Challenges**

### **Dilemmas and Special Alignments in Israel's Foreign Relations**

- ❖ The anti-Israeli and anti-Jewish campaign in the UN and the international arena
- ❖ Dilemmas of Israel's foreign policy in dealing with special conditions and relations, and the diversification of its international relations
- ❖ Moscow's perspective on Israel and the Middle East
- ❖ Taiwan's special status and relations with Israel

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

“The United Nations Agenda and Israel”

Prof. **Anne Bayefsky**, Columbia University and York University

“Anti-Semitism in the International Arena”

Mr. **Abraham H. Foxman**, National Director, Anti-Defamation League

“Taiwan-Israel Relations: A Strategic Outlook”

Dr. **Kuo-Hsing Liu**, Executive Secretary, Research and Planning Board, Ministry of Foreign Affairs, Taiwan

Discussant: Mr. **Chun-pu Hu**, Director, Research and Planning Board, Ministry of Foreign Affairs, Taiwan

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Mr. **Benjamin Netanyahu**, Minister of Finance

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### **Assessing Israel-US Relations**

- ❖ Israeli-American agenda for 2004
- ❖ Christian friends of Israel in the US as allies
- ❖ US presidential elections – political undercurrents

Chair: Mr. **Natan Sharansky**, Minister of Diaspora, Society and Jerusalem Affairs

“Obstacles and Risks in Israel-US Relations”

Mr. **Dan Halperin**, Founding Director-General, IFTIC

“The Worldwide Evangelical Christian Community: Israel's Strategic Friend or Threat?”

Rabbi **Yechezkel Eckstein**, President, The International Fellowship of Christians and Jews (Hakeren L'yedidut, Israel)

“Why Evangelical Christians Support Israel”

Dr. **Pat Robertson**, Chairman, Christian Broadcast Network

Discussant: Amb. **Yoram Ben-Zeev**, Deputy Director-General of North American Affairs, Ministry of Foreign Affairs

## Israel and the New Europe: Options and Opportunities

- ❖ Alternative frameworks for deepening Israeli-European relations
- ❖ The European Union and Israel in face of the 'Wider Europe'
- ❖ Israel's potential partnership with European organizations and the enlarged North-Atlantic alliance

Chair: Ambassador **Yoav Biran**, Director-General, Ministry of Foreign Affairs

"The Compatible Incompatibility",

Ambassador Dr. **Oded Eran**, Ambassador of Israel to the European Union

"Toward a Strategic Partnership",

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

"Israel and the EU's New Neighborhood Policy",

Dr. **Michael Leigh**, Deputy Director General, DG External Relations (RELEX), European Commission

Discussants: Ambassador **Giancarlo Chevallard**, Head, The Delegation of the European Commission to Israel

Dr. **Ronald Asmus**, The German Marshall Fund of the United States

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Mr. **Joschka Fischer**, Vice Chancellor and Minister of Foreign Affairs, Federal Republic of Germany

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"Israel's Foreign Policy",

Mr. **Silvan Shalom**, Deputy Prime Minister and Minister of Foreign Affairs

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## Lunch

## Economic Challenges

## Changing Realities for the Middle East in Global Energy Markets

- ❖ The post-Iraq global energy market – directions and trends
- ❖ Developments in Israel's national energy policy

Chair: Mr. **Joseph Paritzky**, Minister of National Infrastructures

"Future of the Global Energy Market"

Dr. **Edward Morse**, Executive Advisor, Hess Energy Trading Company

"Oil as a Strategic Resource in Regional and World Power Games", Task Force Report

Mr. **Yashar Ben-Mordechai**, Director-General, Oil Refineries Ltd. (ORL)

"Master Plan for the Energy Market through 2025"

Col. (res.) **Eli Ronen**, Director-General, Ministry of National Infrastructures

Wednesday, December 17, 2003

“Reforming Israel’s Utility Market”,  
Prof. **Haim Ben-Shahar**, Tel Aviv University

Discussants: Mr. **Amir Makov**, Chairman, Israel Institute of Petroleum and Energy  
Dr. **Miriam Haran**, Director General, Ministry of the Environment

## Regulating the Banking System

- ❖ Various perspectives and comparative analyses of the state of regulation in the Israeli banking system;
- ❖ Is banking regulation in Israel excessive, sufficient, or inadequate?

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

“The Principles of Banking Regulation and their Implementation”

Mr. **Yoav Lehman**, Supervisor of Banks, Bank of Israel

“Is there too Much or too Little Regulation and Supervision in Israel? An Opinion Based on International Standards”,

Dr. **Liliana Schumacher**, International Monetary Fund

“Banking and Regulation”,

Mr. **Eliezer Yones**, Former Director-General, Bank Hapoalim

“Financial Market Accessibility and Economic Development: An Overview of the Evidence”

Prof. **Oded Sarig**, Dean, Arison School of Business, The Interdisciplinary Center Herzliya

Discussants: Mr. **Zeev Abeles**, Chair of the Board of Directors, Union Bank of Israel and  
Former Supervisor of Banks

Dr. **Yoram Turbowicz**, Former Director-General, Investments Division of  
Bank Discount

## Corporate Initiatives for Economic Growth and Social Development

- ❖ The hi-tech sector as a stimulus for economic growth and social development – funding the hi-tech industry through international transactions
- ❖ Deregulation and foreign investments in Israel
- ❖ How to enhance the Israeli health system
- ❖ Regional development as a catalyst for national development

Chair: Mr. **Dan Naveh**, Minister of Health

“The Hi-Tech Industry – An Engine for Economic and Social Development”, Task Force Report

Mr. **Eli Ayalon**, Chairman of the Board and CEO, DSP Group Inc.

“Buy-Outs, Deregulation, and Privatization”,

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

Wednesday, December 17, 2003

“Bargain Medicine: Anatomy of a High Quality Healthcare System. Valiantly Operating with Inadequate Funding, or Socialism in Action: How to Over-promise and Under-deliver”

Mr. **Kenneth Abramowitz**, Managing Director, The Carlyle Group

“Developing the Negev: An Engine for National Progress”

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

Discussant: Ambassador **Yossi Gal**, Deputy Director-General for Economic Affairs,  
Ministry of Foreign Affairs

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## **Dinner**

“Economic Liberty as a Security Strategy”,

Mr. **Christopher DeMuth**, President, American Enterprise Institute for Public Policy Research (AEI)

“Solidarity and Human Decency in Conflict”

Prof. **Shlomo Avineri**, Department of Political Science, The Hebrew University of Jerusalem

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**Thursday, December 18, 2003**

## **Societal Challenges**

### **Social Disparities and National Cohesion**

- ❖ The impact of the economic situation, social inequality and terrorism on Israel's cohesion
- ❖ Communal resilience – its national impact
- ❖ The labor market – getting back to work
- ❖ Deprivation of children – scope, implications, and corrective measures.

Chair: Mr. **Zevulun Orlev**, Minister of Social Affairs

“Social Policy and National Cohesion”, Task Force Report

Prof. **Abraham (Rami) Friedman**, Dean, The Lauder School of Government Policy & Diplomacy, The Interdisciplinary Center Herzliya

Dr. **Yigal Ben-Shalom**, Director-General Designate, National Insurance Institute of Israel and Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

Dr. **John Gal**, The Paul Baerwald School of Social Work, The Hebrew University of Jerusalem

Dr. **Momi Dahan**, The Hebrew University of Jerusalem

Prof. **Hillel Schmid**, Dean, The Paul Baerwald School of Social Work, The Hebrew University of Jerusalem

“Communal Resilience: Social Challenges in Building National Resilience”

Ms. **Dalia Lev-Sadeh**, Ministry of Social Affairs

Discussant: Col. (res.) **Etti Peretz**, Chairperson, Union of Social Workers in Israel

### **Demography and Economics**

- ❖ What is the effect of fundamental demographic features on the rate of economic growth?
- ❖ How will they affect growth in the future?

Chair: Mr. **Meir Sheerit**, Minister in the Ministry of Finance

“New Demographic Trends and their Economic Consequences”, Task Force Report

Dr. **Yacov Sheinin**, Director-General, Economic Models

Discussant: Mr. **Yossi Hollander**, Chairman, JACADA

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Prof. **Arieh Eldad**

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## Israeli Arabs: Bridging the Gap

- ❖ An integrative minorities policy for Israel: constitutional and policy implications
- ❖ Revisiting some of the problems in the Israeli Arab minority and in its relations with the State.

Chair: Ms. **Tzipi Livni**, Minister of Immigrant Absorption

The Report of the late Prof. **Ehud Sprinzak** י"ד, Founding Dean, The Lauder School of Government, Diplomacy and Strategy, The Interdisciplinary Center Herzliya  
Prof. **David Nachmias**, The Lauder School of Government, Diplomacy and Strategy, The Interdisciplinary Center Herzliya

“Policy on Minorities: The Israeli Arabs”, Task Force Report  
Maj. Gen. (res.) **Uzi Dayan**, President, Zionist Council in Israel  
Mr. **Shouki Hatib**, Chairman of the Monitoring Committee of the Israeli Arabs

“Adopting the Iranian and Egyptian Models”  
Dr. **Yitzhak Ravid**

“National Minorities in Israel and Abroad”  
Dr. **Alexander Jakobson**, The Hebrew University of Jerusalem

“The Imperative of Institutionalizing Coexistence in Israel”  
Mr. **Alan B. Slifka**, Founder & Chairman of the Board, The Abraham Fund Initiatives

“Beyond Minorities – The Future of Diversity Policies”  
Prof. **Mari Fitzduff**, Brandeis University

Discussants: Dr. **Hanna Swaid**, Head of the Arab Center for Alternative Planning  
Mr. **Dan Schueftan**, National Security Studies Center, University of Haifa

## The Legal System and the Rule of Law

- ❖ The rule of law and law enforcement vis-à-vis elected officials
- ❖ How do enforcement procedures and enforcement of law towards officials affect public attitudes?
- ❖ Is the law equal to all?
- ❖ Terrorism and the rule of law

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

“The Rule of Law and National Resilience”, Task Force Report  
Adv. **Dan Meridor**  
Prof. **Arye Rattner**, Dean, Faculty of Social Sciences, University of Haifa

“Defending Against Terrorism Within the Rule of Law”  
Prof. **Alan Dershowitz**, Harvard Law School

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## 13:30 Lunch

Mr. **Yosef Lapid**, Deputy Prime Minister and Minister of Justice

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### Transforming the Education System

- ❖ How to upgrade the education system, improve scholastic achievements, and maximize the contribution to the economy, national security, and society – without increasing the budget
- ❖ Measures to improve the curricula and the management of the education system, and to enhance the status of teachers

Chair: Ms. **Limor Livnat**, Minister of Education and Culture

The Herzliya Plan: "Transforming the Education System", Task Force Report  
Dr. **Shimshon Shoshani**, Director, Taglit-Birthright Israel

"Structural Reform in the Israeli Education System", Report of the Forum for National Responsibility,  
Maj. Gen. (res.) **Herzle Bodinger**, President & Chairman, RADA

Discussants: Prof. **Yakov Katz**, Chairman, Pedagogical Council, Ministry of Education  
MK **Ilan Shalgi**, Chairman, Knesset Education and Culture Committee  
Mr. **Aharon Fogel**, Chairman of the Board, Ness Technologies

## Leadership Challenges

### Building Future Jewish Leadership

- ❖ The Jewish world agenda and future challenges for Jewish leadership;
- ❖ Training and nurturing leadership for Diaspora communities and campuses.

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

"To Ennoble and Enable",  
Mr. **Richard Joel**, President, Yeshiva University and Former President, Hillel – The Jewish Foundation for Life

"Preparing Jewish Leadership for the Campus"  
Dr. **Alan Hofmann**, Director General, Jewish Zionist Education Department, The Jewish Agency for Israel

Thursday, December 18, 2003

“From Campus to the Community: the Parents and Politicians of Tomorrow”

Mr. **Alan Senitt**, BICOM and Former Chairman of the Union of Jewish Students of the UK and Ireland

“Latest Developments and Changes in the Russian Political Landscape: What can be in store for Israel?”

Mr. **Evgeny Kiselev**, Editor-in-Chief, “Moskovskiye Novosty”

## Imperatives for National Leadership

- ❖ What is required of Israel’s national leadership in moments of fateful decisions?
- ❖ The management culture and long-term planning in national leadership – characteristics and imperatives
- ❖ Lessons in public leadership from abroad, and their applicability to Israel
- ❖ Leadership and the office of Prime Minister in Israel – functions and staff

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

“Leadership as Management”, Task Force Report

Mr. **Eli Hurvitz**, Chairman, Teva Pharmaceuticals Industries Group

“The Challenge of Leadership”,

Prof. **Ronald Heifetz**, The John F. Kennedy School of Government, Harvard University

## 19:30 Closing

Chair: Ambassador **Zalman Shoval**, Chair, Board of Governors, Institute for Policy and Strategy, The Interdisciplinary Center Herzliya

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

“The Herzliya Address”

Mr. **Ariel Sharon**, Prime Minister

Dinner

Farewell

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

# Task Forces

## The Herzliya Indices

Prof. **Raffi Melnick**, Chair  
Ms. **Leah Achdut**  
Dr. **Michel Strawczynski**  
Dr. **Zalman Shiffer**  
Mr. **Tommy Steiner**  
Dr. **Ofer Zeller Mayer**

## The Haifa Indices

Prof. **Gabriel Ben-Dor**, Chair  
Dr. **Ami Pedahzur**  
Dr. **Daphna Canetti-Nisim**

## New Demographic Trends and their Economic Consequences

Dr. **Yacov Sheinin**, Chair  
Mr. **Yariv Segev**

## The Rule of Law and National Resilience

Prof. **Amnon Rubinstein**, Chair  
Adv. **Haim Ben Ami**  
Adv. **Nava Ben Or**  
Prof. **Israel Gilead**  
Adv. **Yair Hurvitz**  
Adv. **Dan Meridor**  
Prof. **Arye Rattner**  
Adv. **Jacob Rubin**  
Prof. **Ron A. Shapira**  
Adv. **Amnon Zichroni**

## Transforming the Education System

Dr. **Shimshon Shoshani**, Chair  
Mr. **Shmuel Abuav**  
Dr. **Uzi Arad**  
Mr. **Nachum Balas**  
Ms. **Gila Ben Har**  
Adv. **Haim Ben Ami**  
Prof. **David Chen**  
Mr. **Ron Nachman**  
Prof. **David Nachmias**  
Mr. **Aharon Fogel**  
Dr. **Tali Freund**  
Maj. Gen. (res.) **Yehuda Segev**  
Prof. **Ozer Schild**

## The National Security Council Indices

Col. (res.) Dr. **Reuven Gal**, Chair  
Brig. Gen. (res.) **Meir Elran**

## The High-Tech Industry – An Engine for Economic and Social Development

Mr. **Eli Ayalon**, Chair  
Mr. **Avi Ifergan**  
Mr. **Yair Seroussi**  
Ms. **Ilana Treston**  
Mr. **Yehuda Zisapel**

## The National Role of the Defense Industries

Mr. **Moshe Keret**, Chair  
Mr. **Joseph Ackerman**  
Adv. **Danny Biran**  
Maj. Gen. (res.) **Herzle Bodinger**  
Mr. **Nir Gilad**  
Mr. **Hezi Hermoni**  
Mr. **Giroa Shalgi**  
Maj. Gen. (res.) **Gideon Sheffer**  
Dr. **Yacov Sheinin**  
Mr. **Doron Suslik**  
Col. (res.) **Jacob Toren**  
Mr. **Ezra Shafrut**

## Social Policy and National Cohesion

Prof. **Avraham Friedman**, Dr. **Yigal Ben-Shalom**, Co-Chairs  
Ms. **Leah Achdut**  
Adv. **Haim Ben Ami**  
Dr. **Momi Dahan**  
Prof. **Abraham Doron**  
Dr. **John Gal**  
Prof. **Yaacov Kop**  
Mr. **Arnon Mantver**  
Prof. **Yona Rozenfeld**  
Mr. **Yekoutiel Sabah**  
Prof. **Hillel Schmid**

Oil as a Strategic Resource in Regional  
and World Power Games

Mr. **Amir Makov**, Chair  
Mr. **Yashar Ben Mordechai**  
Col. (res.) Dr. **Shmuel Even**  
Mr. **Yossi Gilben**  
Mr. **Amos Granit**  
Mr. **Shmuel Klempner**  
Dr. **Amit Mor**  
Col. (res.) **Eli Ronen**

Policy on Minorities: The Israeli Arabs

Maj. Gen. (res.) **Uzi Dayan**, Chair  
Mr. **Hussam Abu Baker**  
Mr. **Zvi Aldaroti**  
Mr. **As'ad Azaiza**  
Adv. **Haim Ben Ami**  
Adv. Dr. **Yehuda Ben-Meir**  
Mr. **Moshe Gavish**  
Mr. **Shouki Hatib**  
Ms. **Nadia Hilu**  
Dr. **Rassem Khamaisi**  
Mr. **Dan Pattir**  
Dr. **Hanna Swaid**  
Dr. **Yitzhak Ravid**  
Dr. **Elie Rekhess**  
Prof. **Amnon Rubinstein**  
Adv. **Wafa Zoubi-Fahoum**

Building Future Jewish Leadership

Brig. Gen. (res.) **Efraim Lapid**, Chair  
Ms. **Carole Solomon**  
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Mr. **Marc Gold**  
Mr. **Mandel Kaplan**  
Mr. **Brian Kerner**  
Ms. **Julia Koschitzsky**  
Mr. **Daniel Soloduch Springberg**  
Mr. **Jacob Solomon**  
Mr. **Ilan Wagner**  
Dr. **Yehuda Weinroub**

The Defense Budget and Force Structure

Maj. Gen. (res.) **Eitan Ben-Eliahu**, Chair  
Col. (res.) **Michael Altar**  
Adv. **Haim Ben Ami**  
Maj. Gen. (res.) **Yaakov Amidror**  
Maj. Gen. (res.) Prof. **Isaac Ben-Israel**  
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Mr. **Moshe Keret**  
Maj. Gen. (res.) **Menachem Meron**  
Maj. Gen. (res.) **Alex Tal**  
Maj. Gen. (res.) **MK Matan Vilnai**  
Col. (res.) **Itamar Yaar**  
Maj. Gen. (res.) **Shlomo Yanai**

Palestinian Leadership in the Post-Arafat  
Era

Dr. **Shmuel Bar**, Chair  
Maj. Gen. (res.) **Yaakov Amidror**  
Dr. **Yuval Arnon**  
Dr. **Gershon Baskin**  
Adv. **Haim Ben Ami**  
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Prof. **Shaul Mishal**  
Dr. **Reuven Paz**  
Mr. **Danny Rubinstein**  
Dr. **Nachman Tal**  
Mr. **Jacob Yaniv**

Leadership as Management

Ms. **Dalia Rabin-Pelossof**, Chair  
Dr. **Uzi Arad**  
Maj. Gen. (res.) **Eitan Ben-Eliahu**  
Maj. Gen. **Giora Eiland**  
Mr. **Eli Hurvitz**  
Mr. **Isaac Levanon**  
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Prof. **Gabriel Sheffer**  
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## **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.

This year marks the tenth anniversary of the Interdisciplinary Center Herzliya. Under the headline "A Decade of Leadership" the IDC will conduct a series of events and conferences, including the Fourth Annual Herzliya Conference. In addition, this year the IDC is inaugurating a series of research publications entitled "Reinventing Israeli Government" on reforming government and public administration in Israel.

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 Institute for Policy and Strategy (IPS), the International Policy Institute for Counter-Terrorism (ICT), the Caesarea Edmond Benjamin de Rothschild Center for Capital Markets and Risk Management, the Rich Center for the Study of Trading and Financial Markets and the Global Research in International Affairs Center (GLORIA).

## **The Lauder School of Government, Diplomacy and Strategy**

The Lauder School was founded in 1999 by Ambassador Ronald S. Lauder. The Lauder School's objectives are to offer future leaders a relevant and appropriate education for the 21st century and to educate dedicated students for positions of leadership, responsibility and public service. Founded and formerly headed by the late Professor Ehud Sprinzak, the Lauder School provides students with the skills to create lasting solutions in national and local levels of government in Israel. 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 Policy Institute for Counter -Terrorism (ICT); The Global Research in International Affairs Center (GLORIA).

This year many students from all over the world have begun to study in the Lauder School of Government, Diplomacy and Strategy's International Program. The program focuses on topics related to security and Middle Eastern studies and is taught by Israel's most prestigious and recognized academic experts and professionals.

# The Institute for Policy and Strategy

The Institute for Policy and Strategy (IPS), established in 2000, is part of the Lauder School of Government Policy & Diplomacy at the Interdisciplinary Center Herzliya (IDC). IPS seeks, as its primary function, to contribute to the enhancement of Israel's national policy and to the upgrading of its strategic decision-making – through rigorous policy-driven analysis and by engaging decision-makers involved in the execution of policy.

In pursuit of these objectives, IPS conducts research on a broad analytical scope including diplomacy and foreign policy, defense and strategy, intelligence and policy-making, natural resources and geo-politics, economy and technology, society and national cohesion. IPS focuses on identifying emerging issues and future trends. It encourages the placing of issues in their larger contexts and the development of innovative methodologies for their analysis. These, in turn, are expected to yield integrative and multidisciplinary packages of concrete policy proposals.

The combined product of the IPS endeavor is aimed at being of value to the formation of a “grand strategy” for Israel, that is, a comprehensive and coherent course of action, predicated on the prioritization of objectives and the balancing of means to larger ends.

To carry out this work, IPS commissions task forces and advisory panels of highly-qualified individuals. To impact policy, it convenes executive roundtables, symposia, and conferences. The annual *Herzliya Conference Series on the Balance of Israel's National Security* is the flagship of IPS activities.

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Senior Research Fellows: Dr. **Shmuel Bar**, Ms. **Rachel Mechtiger**, Dr. **Yigal Ben-Shalom**, Mr. **Benny Briskin**, Mr. **Isaac Levanon**

Research Fellows: Ms. **Nancy Pomagrin**, Mr. **Tommy Steiner**, Mr. **Avi Ifergan**

Research Assistants: Ms. **Gili Rachamim**, Ms. **Orly Lotan**, Ms. **Noga Issacson**

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