Strategic Survey for Israel 2009

Shlomo Brom and Anat Kurz, Editors

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Institute for National Security Studies

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THE INSTITUTE FOR NATIONAL SECURITY STUDIES
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Preface

Strategic Survey for Israel 2009, which continues the annual *Strategic Balance* series published by the Institute for National Security Studies, covers the period from the start of 2008 until mid 2009, an event-filled year and a half. In the course of this period, there were no fundamental changes in the basic relations among Middle Eastern states, or between these states and non-state entities in the region. However, some events and developments occurring in late 2008 and early 2009 embody the potential for processes of change.

To a great extent these potential processes of change are connected to the changes of government in Israel and the United States, in particular to the fundamental differences in approach of the new administrations compared to their predecessors' on issues of regional and global tension originating in the Middle East. The change of government in the US probably heralds the end of an era marked by the concerted attempt to alter the regional political and military balance through the use of force and/or democratization processes imposed from without, as well as by the failure of this attempt. The new administration in Washington, led by President Barack Obama, brings an essentially different approach to Middle East challenges from the one presented by the Bush administration. It has already signaled a new direction in the two arenas in which the United States is involved militarily – Iraq and Afghanistan – with decisions on withdrawing troops from Iraq and reinforcing the troops in Afghanistan. It has also announced a policy of dialogue and openness to negotiations with Iran and Syria. At the head of the new government established in Israel following the early elections

stands Binyamin Netanyahu, whose platform – greatly different from that of his predecessor – centers on a reluctance to commit to an accelerated political process towards a permanent Israeli-Palestinian settlement. This policy, contrary to the principles guiding the new American administration with regard to the Israeli-Palestinian conflict and the Iranian nuclear issue, is liable to arouse tension between the two nations.

Both of Israel's main conflict arenas, Syria-Lebanon and the Palestinian theater, were relatively stable or even deadlocked through most of 2008, though they retained the ongoing potential for conflagration. In the wake of the 2006 war, the Israeli-Lebanese border remained calm and without any violent incidents; there is also a fairly stable balance of deterrence between Israel and Hizbollah in Lebanon. Nevertheless, internal conflicts in Lebanon itself have the potential of spilling over into the Israel-Hizbollah dynamic. Elsewhere in this arena, negotiations between Israel and Syria were put on the fast track, but the talks did not come to fruition before Israel's change of government.

The Palestinian arena saw the further separation of the Gaza Strip from the West Bank. Meanwhile, relations between Israel and the Palestinian Authority were relatively stable. Israel and the PA succeeded in continuing to suppress terrorist activity on the West Bank. Similarly, there were ongoing negotiations between the two sides as part of the Annapolis process, though they too failed to arrive at the stage of binding agreements before the Israeli government fell. At the same time, the slow process of strengthening Palestinian security capabilities and renewing the PA's control of various areas in the West Bank continued. These were supplemented by fewer limitations imposed by Israel on the freedom of civilian Palestinian movement and measured restraint in Israeli security activity in the region. Nonetheless, the PA's political power continued to weaken, and the rivalry among its movements intensified. The security tension in the Gaza Strip sphere remained; periods of calm were interrupted by periods of violence, which peaked with the war that broke out in Gaza during the last days of 2008. This war may have far reaching potential implications for Israeli-Palestinian relations, primarily because the confrontation with Hamas increased the worries of the Israeli public about further withdrawals from the West Bank.

A global financial crisis erupted during the year, with significant implications for the economies of the regional states as well as for nations elsewhere that play a major role in the regional arena. It is still difficult to estimate fully the overall strategic effects – direct or indirect – of the crisis on the Middle East. Still, one may assume that there will be a reduction, at least temporary, in the ability to promote and back up agreements using economic incentives. The financial crisis, which varies from one state to another, is also liable to exacerbate socio-economic tensions in the region.

The articles compiled in this volume examine the various strategic developments in the Middle East of the past year and a half, with an emphasis on developments directly connected to Israel. The Israeli angle is evident both in the choice of topics and in the content of the articles themselves. The articles discuss the processes that took shape in the course of 2008 and early 2009, and the analysis of the developments is the basis for assessing their implications for the foreseeable future. Joining the analyses are conclusions regarding what policies would be best adopted in order to confront the challenges inherent in long term processes and developments in the Middle East itself and in the relevant international environment.

The first section of the volume, "Israel's Domestic Arena," deals with developments directly related to Israel and surveys political and government-related developments. Reviewing trends in Israeli public opinion that were brought to bear in the February 2009 general elections, the first essay attempts to assess the effect of these developments on the Israeli government's ability to function effectively. The second article in this section deals with a relatively new field: Israel's efforts to cope with the threats confronting the civilian front. These threats took on concrete form in ongoing attempted terrorist attacks and in the last two wars – in Lebanon in 2006, and in the Gaza Strip this past winter. The various defense systems and social services are the basis for examining the preparedness of civilian front defense.

The second section of the survey, "The Peace Process," is devoted to the political process, with emphasis on its two major channels: Palestinian and Syrian. Because of the growing importance of the greater Arab context to the political process, however, and against the backdrop of regional and international interest in the Arab peace initiative, this section of the

survey begins with an article devoted to the central question of how the Arab world views Israel's role in the Middle East. The article analyzes developments in the approaches of Israel and the Arab Middle East to one another, with the intention of mapping out Israel's room to maneuver in this complex and dynamic relationship. The Arab peace initiative, which in the last year received renewed interest, is the focus of this analysis. The other articles in this section focus on the two negotiations tracks and analyze the political processes as they unfolded in 2008. The essays explore the Israeli government's constraints and opportunities when embarking on renewed talks in both channels, as well as possible directions new talks are likely to assume.

The third section of the survey, "The Regional System," is devoted to regional events with direct ramifications for the Middle East in general and for Israel in particular, and the implications of regional developments for the international arena. It opens with an article devoted to Turkey and its increasingly important role in the region, which to a certain extent comes at the expense of the influence of the Arab nations, at least in the sense of mediation and assistance in conflict management. It is followed by an article on Syria, a state at a possible turning point that stands to alter the balance between the two central axes in the Arab world: the axis of resistance led by Iran, and the axis of pragmatic states headed by Egypt and Saudi Arabia. The third article deals with Iran and its growing involvement in the Middle East's crises and conflict arenas. The article explores the possibility of a dialogue between the United States and Iran from the perspective of regional dynamics, questioning whether negotiations with Iran can neutralize the nuclear challenge and at the same time confront Iran's regional hegemonic ambitions. This section of the survey concludes with an article that charts major developments in the military balance in the Middle East in 2008 and the first half of 2009. It reviews trends in military buildup in a tension-filled region that also has its share of violent non-state actors. These trends reflect the nature of the various conflicts in the region, the resources available to different elements, access to international arms suppliers, and local defense production capabilities.

The fourth section of the survey, "The International System," looks at global events with direct implications for the Middle East, and Israel

in particular. It begins with an article devoted to the world order and the Middle East, and deals with developments that affect the status of the international players and their policies in the region. A central conclusion of the analysis is that while the status of the United States in this region has been undermined in recent years, it is still the most influential external factor affecting the strategic balance in the Middle East. The second article surveys and analyzes the global financial crisis with an emphasis on regional implications. The last article in this section describes and analyzes the major developments that have recently taken place in the activities of al-Qaeda and its local affiliate organizations, and examines the threat these elements pose for Israel.

The survey concludes with an article summarizing the different developments taking shape in the Middle East and in the international arena with regard to the region, focusing on the direct implications for Israel and the preferred ways for Israel and its allies to respond. In light of the challenges posed by the conflicts in the Middle East and the obstacles to comprehensive resolutions, the conclusion of this analysis is that even partial resolutions can offer a measure of stability and open a door for hope towards long term solutions.

In addition to the work of the authors, significant contributions to the writing and compilation of this volume were made by Moshe Grundman, the director of publications of the Institute for National Security Studies, and Judith Rosen, the editor of INSS English publications. Our deep appreciation and heartfelt gratitude are extended to them

Shlomo Brom, Anat Kurz
June 2009

I
Israel's Domestic Arena

Public Opinion and the Political Arena

Yehuda Ben Meir

An article on domestic developments in Israel published last year in the INSS annual strategic survey noted that while 2007 was a good year for Israel, clouds appeared on the horizon towards the end of the year. These challenges, which emerged in 2008 in the areas of security, economics, political stability, and national resilience, are also on Israel's agenda in 2009.

Israel does not operate in a vacuum and is influenced in no small measure by outside forces and constraints over which it has no control. At the same time, its ability to deal with developments deriving from its surroundings is influenced first and foremost by all aspects of its internal situation. Israel is a central factor in the Arab-Israeli conflict equation, and its decisions, actions, and failures have a crucial effect on the situation in the Middle East. While Henry Kissinger's famous declaration that Israel has only a domestic policy and no foreign policy is both an exaggeration and true of most countries, internal processes play a particularly decisive role in defining Israel's approach to the challenges it faces.

The Ongoing Security Challenge

In 2008 Israel continued to deal successfully with the problem of terrorist attacks inside the country. The year saw one shooting attack in Jerusalem and there were a few bulldozer attacks that claimed lives, but overall Israel's citizens continued to benefit from the sense of calm and security that existed in 2007. In contrast, the Gaza Strip time bomb, which had

already worsened with the Hamas takeover in June 2007, exploded in late December 2008. Throughout the year it was clear that the mortar and rocket fire from the Gaza Strip on Sderot and other communities in the area had become a serious security problem. The fire did not claim many serious casualties or extensive property damage, but the ongoing exposure to shooting continued to disrupt everyday life. This had a demoralizing effect on the country at large and instilled a lack of confidence in the government establishment.

In June 2008 a ceasefire agreement was reached with Hamas that effectively suspended the firing and brought calm to the south. However, and perhaps predictably, the agreement did not last the negotiated six month period. The situation that emerged in the last month of 2008 became intolerable and on December 27, 2008, Israel launched a military operation against Hamas in Gaza – Operation Cast Lead. Thus at the start of 2009, two and a half years after the Second Lebanon War, Israel was involved in a complicated war on its southern border.

The Israeli government decided to embark on Cast Lead six weeks before the general elections to the Knesset. According to security sources, this was one of the reasons Hamas was surprised by the operation: Hamas believed that Israel would not start a military campaign – and certainly not an extensive one – prior to the elections and before a new government was established. Indeed, this opinion was held not only by Hamas. In the days leading up to Operation Cast Lead many commentators in Israel said that Israel – in practice, if not in theory – was in a sort of limbo, and that it was highly unlikely that a government in transition would take a political or security initiative of any significance in the midst of an election campaign. However, the willingness of the government and particularly of the two main parties that comprised it – Labor and Kadima, which vied for power with Likud – to take such a decision at such a time has a clear political element to it. First and foremost it indicated the ability of the Israeli leadership to take decisions even in complex circumstances. In fact there were many, particularly outside Israel, who wondered whether embarking on the campaign at such a time was connected specifically to the elections, in other words, reflecting the desire of the country's leaders to score points

ahead of the elections. This view was openly expressed by Hamas leaders and spokespeople, and by other elements hostile to Israel.

It appears that careful analysis leads to the opposite conclusion, namely, that the timing of the operation was chosen not because of, rather despite the proximity to the elections. The country's leaders knew that it was very difficult to foresee the effect of a military campaign on the elections and that its impact was far from clear. As with all military operations, the political risks entailed in such an operation were significant: its objectives were limited from the start, and were not meant to satisfy all of the public's wishes (including far reaching goals, such as defeating Hamas or bringing its control in Gaza to an end). Neither the military achievements nor the political achievements were guaranteed, and the risk of heavy losses among soldiers and civilians (whose impact on public opinion is great) always exists, as well as the risk of becoming embroiled in unforeseen problems. Add to this the critical and suspicious nature of the Israeli public, and the volatile nature of public opinion. There was of course great pressure on the government to respond to the ongoing violence, and it appears that it had no choice but to act. On the other hand, over the years Israeli governments have demonstrated that they can withstand public pressure and desist from embarking on extensive military operations. In light of this, initiating a military operation a month and a half before the elections testifies to the leadership's willingness to take political risks and make difficult decisions. This fact in itself conveys a message of deterrence.

From beginning to the end, Operation Cast Lead enjoyed massive support from the Israeli public. The Israeli public saw and still views Cast Lead as a just war, regarding both the justification for starting the war (the war was considered by all sectors of the Jewish public as "an unavoidable war"), and the way it was waged (acknowledging a proper use of force). A survey conducted the day after the campaign started showed that 81 percent of the Israeli public supported the operation, and 12 percent opposed it.[1] Based on the known opposite stances of the Jewish public compared with those of the Arab sector on Operation Cast Lead, one may assume that the vast majority of those who opposed the campaign were Israeli Arabs and that support for the operation in the Jewish public reached 90 percent. In contrast with the Second Lebanon War – in which support for the war

and for the political and military leadership eroded as the war continued – support for Cast Lead remained strong throughout and even after it ended. There was also a consensus among the Israeli public with regard to results of the operation. In a survey conducted on January 13, 2009,[2] five days before the ceasefire, 78 percent of the public felt that "the operation in Gaza was a success" against only 9 percent who defined it as "a failure" (13 percent replied "don't know"). Eighty-two percent replied negatively to the question "did Israeli use excessive military force?" against 13 percent who answered in the affirmative. Presumably very few of those answering in the affirmative were Jewish respondents. In a survey conducted at the same time,[3] 82 percent gave a "very good" rating and 12 percent gave a "good" rating to the military activity, 25 percent gave a "very good" rating and 35 percent gave a "good" rating to the accompanying political activity, and 86 percent said the home front defense was "very good" (58 percent) or "good" (28 percent).

The end of the operation did not meet the expectations of a large portion of the public, despite the fact that the leadership took pains (a clear lesson learned from the Second Lebanon War) not to raise undue expectations. Nonetheless, the public's stance on the operation was far more positive than at the end of the Second Lebanon War. Then, the attitude of the public to Resolution 1701 (which brought about a ceasefire and the end of the war) was largely negative. In January 2009, however, in a survey conducted the day the ceasefire took effect,[4] 36 percent said they supported the ceasefire; 50 percent opposed it; and 14 percent replied "don't know." In surveys published about a week after the ceasefire (and a few days of absolute calm), the picture was even more positive. In one survey,[5] 48 percent of respondents said the entire Gaza Strip should have been conquered, compared with 44 percent who said it was right to stop the campaign. In another survey,[6] 58 percent replied that "the decision by the Israeli leadership to agree to a ceasefire, and not to continue the war in Gaza, was a correct decision," compared with only 38 percent who said "the decision was incorrect."

However, the aftermath of Operation Cast Lead has been very different than that of the 2006 war. The Second Lebanon War ended with a ceasefire declaration on August 14, 2006; since then Hizbollah has not fired a single

bullet, not to mention missiles or katyushas. Other than two isolated shooting incidents before Operation Cast Lead and two incidents during the operation in Gaza, which were all carried out by small Palestinian organizations or organizations connected to al-Qaeda and not sanctioned by Hizbollah, there has been complete quiet in the north. Thus for nearly three years, calm has been maintained in northern Israel, the likes of which was not seen for three decades. In addition, the fact that Hizbollah did not instigate a confrontation throughout Operation Cast Lead proved to the Israeli public that Israeli deterrence vis-à-vis Hizbollah was largely restored in the wake of the Second Lebanon War. This has not been the case with regard to Operation Cast Lead. Complete calm lasted just four days after Israel declared a ceasefire, but during the first month after the ceasefire approximately 60 rockets and mortar shells were fired on Israel and a number of terrorist attacks were carried out along the border fence, one of which killed an Israeli soldier and wounded others. In the last two weeks of February 2009, close to 30 rockets, including enhanced Qassam rockets, were fired on Israel, and some managed to reach Ashkelon.

This led the Israeli public to question the achievement of the principal declared objective of the operation. In fact, over time the opposite public opinion has emerged with regard to the operation, compared with public opinion after the Second Lebanon War. The Israeli public, most of which viewed the Second Lebanon War as a failure and a missed opportunity, subsequently started viewing the results of the war more positively. Meanwhile, Operation Cast Lead, which during and immediately after the operation was considered a great success, in time has come to be seen as a missed opportunity, if not as a failure. In a survey conducted by the Tami Steinmetz Center for Peace Research on February 17 and 18, 2009[7] – one month after the end of the operation – only 39 percent of the Jewish public said they were satisfied with the results of Operation Cast Lead, compared with 25 percent who were disappointed (one third of the interviewees did not have a clear opinion on the matter). A strong reflection of the public's disappointment, particularly among the public targeted by the missile fire, is the massive support in the February 2009 elections for the Knesset among the Gaza area communities and the south in general for the right

wing parties, which contrasts with voting trends in the north and center of Israel.

From March there was a sharp drop in fire from the Gaza Strip, and the question is whether ultimately there will be long term calm in the south and the situation on the border with Gaza will be similar to that in the north. A prolonged ceasefire, regardless of whether it is backed by official consent from Israel and Hamas, would provide at least a partial answer to the public's uncertainty over the extent to which Israeli deterrence has indeed been restored in the wake of Operation Cast Lead.

The Economic Challenge

The economic situation worsened significantly along with the deterioration of the security situation. In recent years Israel experienced substantial growth; so too 2007 was an excellent year in economic terms in almost all areas, and growth continued during the first half of 2008. In the first six months of 2008 the economy grew by 4.6 percent and unemployment at the end of the third quarter was 5.9 percent, the lowest in 20 years. Nevertheless, in early 2008 it was clear that Israel would likely suffer from the recession that started in the United States, although the extent of the effect was unknown. No one then foresaw the intensity of the economic crisis that would emerge towards the end of the year.

The global crisis that erupted in September-October 2008 and changed the international picture also reached Israel, although Israel is in a better situation than the US and many other countries in the Western world. The Israeli banking system proved its robustness and has succeeded in coping with the crisis, even though the future of the non-bank credit system is unknown. However, the real economic crisis has also made its presence felt in Israel. This is reflected in a sharp decline in the level of growth, and in the continuing wave of layoffs. In 2009, for the first time since 2002, there is expected to be a drop in the GDP (the GDP dropped in the first quarter by 3.6 percent) and a considerable rise in unemployment, and businesses are likely to collapse. (The economic challenge is dealt with below in the chapter "Implications of the Global Economic Crisis," by Shmuel Even and Nizan Feldman.)

The Challenge of Government Stability

One of the principal problems Israel has faced in recent years is the lack of government stability and the ramifications for actual governance of the country. The challenge increases in view of the lack of public confidence in the establishment and the governmental systems. For several years now Israel has not had a stable government. Governments have changed every three years, and the expected term of office for a government minister is two years. Paradoxically (given the upheaval of the Second Lebanon War) 2007 ostensibly suggested greater governmental stability. The government enjoyed a clear and effective majority in the Knesset, and was faced by a divided (between right and left) and ineffective opposition. The prime minister managed to survive criticism by the Winograd Commission both on the decision making process that led to the declaration of the 2006 war and the way in which the war was conducted. He displayed impressive political maneuverability. There were even those who in contrast with previous assessments expected the government and the prime minister to remain in office until the legal end of the term in November 2010. This has not happened in Israel for a generation.

The prospects changed in 2008. The first factor was the resignation in January of Minister Lieberman and the departure of his party, Yisrael Beiteinu, from the coalition. Then, just before Independence Day, the attorney general announced he would launch criminal investigations of the prime minister, who was suspected of corruption. This led to the prime minister's resignation, and about half a year later a date was set for new elections, less than three years after the previous elections.

The sharp change of direction, from the prime minister's resignation to the scheduling of new elections, largely reflected the basic problem with the system of government in Israel. Ehud Olmert resigned when criminal investigations were initiated against him (a separate question is whether prior to an indictment his resignation was in order). In established countries, when the president or prime minister is unable to continue in office for personal reasons, the acting prime minister or vice president replaces him or his party selects someone to replace him. In 2008, the Kadima party democratically selected Tzipi Livni to serve as party chairperson and replace Olmert, and as was expected, the president asked her to form a new

government and present it to the Knesset. However, Livni was unable to form a government because each of the parties in the coalition demanded to reopen coalition talks and submitted new demands. Livni was unwilling to accept the extensive demands of the Shas party (both in financial and political terms) and therefore Israel went to the polls on February 10, 2009.[8]

The failure in governance is connected to the Israeli public's severe crisis of confidence in its leaders, the establishment, and the system of government. In Israel, as in other democratic countries, there has been a grave crisis of confidence among the general public for several years. However, since the Second Lebanon War the crisis of confidence in the establishment and governmental institutions has reached significant proportions. This phenomenon was already observed several months after the war. The annual poll conducted by the Institute for National Security Studies on national security and public opinion found that in February-March 2007 only 34 percent of the representative sample of the Jewish population of Israel said they relied on the government "to take the right decision on matters of national security."[9] The Israel Democracy Institute (IDI) charted[10] a significant decline in 2008 from 2007 in trust in governmental institutions. Trust in the police dropped to 33 percent (from 41 percent in 2007); the Knesset, 29 percent (from 33 percent in 2007); the media, 37 percent (from 45 percent in 2007); and the political parties, which in 2008 was only 15 percent. However, the most dramatic decline is in relation to the Supreme Court – 49 percent in 2008, which is a drop from 61 percent in 2007 and 80 percent at the start of the decade. The only institution that remained stable in terms of public opinion is the military: 72 percent expressed trust in the IDF (compared with 74 percent in 2007), but even this indicates a significant drop compared with a level of 90 percent less than a decade ago.

The lack of trust in the political leadership is significant. In the same IDI index, 90 percent of the Israeli public said the country is riddled with corruption (60 percent: to a great extent, 30 percent: quite a lot). In a survey conducted by Mina Tzemah at the end of December 2008, three days before the extensive military operation in Gaza,[11] 63 percent of the country's citizens said they "did not trust Minister of Defense Barak to manage the crisis in Gaza," compared with just 31 percent who said they relied on

him. Over 50 percent of the public said that political considerations, and not professional ones, fuel the decisions and considerations of Barak and then-Secretary of Transportation Shaul Mofaz on the crisis in Gaza. The problem indicated by the survey results is not only connected to these politicians but also to the entire political system: 72 percent of the public said that political considerations, and not professional ones, were the core of the ministers' criticism of Barak over the Gaza issue. The lack of trust and confidence and the cynicism of the Israeli public at the start of 2009 comprise a serious threat to Israel's democratic robustness.

The February 2009 Elections

The problem of governability and government stability, and the fundamental deficiencies of the system of government and elections in Israel were dramatized anew with the results of the February 10, 2009 general elections, where the results were not clear cut. The election process ran without hitches and the voting percentage – despite the stormy weather – even exceeded the percentage of the previous elections. The actual voter participation was 72 percent, lower than the level of some past years, but similar to voting rates in other Western democracies.

The final election results were published by the central elections committee 45 hours after the polling booths closed. The incoming Knesset comprises 12 parties, with seven parties having five or fewer members. In contrast with the past (as during the government of Yitzhak Rabin in 1992, or during Ariel Sharon's government from 2003), there is currently no party with 40 or more seats able to form a coalition with one or two small parties. There are two medium sized parties: Kadima with 28 seats and Likud with 27. There are three smaller parties with seats in double digits: Yisrael Beiteinu with 15 seats, Labor with 13, and Shas with 11. The remaining seven are the smallest parties.

The actual results indicate first that even though the country remains divided, the right wing bloc has gained in strength. In the outgoing Knesset, the right wing-religious bloc had 50 seats compared with 63 of the center-left wing bloc. The pensioners' party, with seven seats, did not formally identify with any bloc, but was largely seen as tending towards the center-left wing bloc. According to the results of the last elections, the political

focus has moved towards the right wing-religious bloc. This shift almost certainly reflects the disappointment of the Israelis with the peace process and with the results of unilateral withdrawals, as well as frustration with the security situation in the south of the country. On the other hand, the shift to the right may also very well reflect the wish for a change given dissatisfaction with the overall performance of the outgoing government. Interestingly, the gap between the blocs is smaller than what was expected from the surveys, and it is clearly reversible. A shift of only 5 percent in the voting can change the entire picture

Second, with one exception, the parties on the right and the left and the smaller parties sustained losses: Labor lost almost a third of its power, Meretz – on the extreme left – was almost obliterated, and the right wing religious Zionist parties and ultra-Orthodox parties lost seats (the extreme right wing National Unity Party dropped from six seats to four, a drop of one third). The two big winners were the centrist parties: Likud more than doubled its presence in the Knesset, from 12 seats to 27 seats, and Kadima, the incumbent party in power, maintained its share of the Knesset.

Third, the surprise of the elections was the achievement of Avigdor Lieberman's Yisrael Beiteinu party, which increased its representation by a third and became the third largest party. Yet while this was an important development, its significance should not be inflated, as occurred among the domestic and foreign media. Lieberman's party largely remains a sectoral party – around two thirds of its support comes from the community of immigrants from the former Soviet Union. Yisrael Beiteinu also took on a sizable share of the protest vote, a phenomenon that will not necessarily be repeated. In the final analysis, Lieberman won less than 12 percent of the votes.

There was no definitive answer as to who won the elections. Because of an advantage of a single seat, Tzipi Livni claimed victory both for Kadima and herself as the public's preferred choice for prime minister. On the other hand, Binyamin Netanyahu claimed that he won the elections, as he was favored by the right and religious bloc, which has a clear majority in the Knesset (65 seats compared with 55 of the left wing-center bloc), and that only he was capable of assembling a sustainable coalition. Ultimately, the president asked Netanyahu to form the government.

The main question for Netanyahu was what coalition to assemble – a narrow right wing based on 65 Members of Knesset (MKs) of the right wing-religious bloc or a wide national unity government, based on the four or five large parties in the Knesset (with the support of 80-90 MKs). During the election campaign Netanyahu emphasized his wish for a wide unity government and even said his big mistake in 1996 was that he did not assemble such a government. However, the need to ensure that he, and not Livni, would be entrusted by the president with the responsibility of forming a government, and his opposition to the idea of rotation of the office of prime minister, also forced him to reach various understandings with his "natural partners," in other words, the right wing-religious parties, which limited his freedom of maneuver. Following extensive coalition negotiations a sort of middle-road result was achieved. Netanyahu established a right wing coalition based on parties of the right wing-religious bloc, excluding the extreme National Union Party with four members – which remained in the opposition – but managed to bring in the Labor party. This development was a surprise, and was met with fierce resistance by about half of the MKs in the Labor party itself. The determination of party chairman Ehud Barak to join Netanyahu's government even brought party to the verge of a split.

On March 31, 2009 Binyamin Netanyahu presented his new government to the Knesset. The government has thirty ministers – the largest number in the history of the country. The coalition officially comprises 74 members, and in actuality 69 members (five MKs from the Labor party refused to join the government and announced they do not support the government and do not consider themselves subject to coalition discipline). The political significance of the coalition makeup is that other than Yisrael Beiteinu, no one party has the power to bring the government down. In addition, Netanyahu and Likud initiated a number of constitutional amendments designed to make it hard to topple the government or disband the Knesset. In view of these amendments the first real test of the Netanyahu government will be the 2011 budget. Overall, in the current political situation and except for unexpected political-security upheavals, the life expectancy of the Netanyahu government looks good.

It is still very difficult to assess what policy the government will actually follow in the political-security field and on all matters relating

to the Iranian, Palestinian, and Syrian issues. What can be said is that Netanyahu formed a government in which he is at the center in terms of political positions, with Likud figures and other parties to his right, and Likud figures and political parties to his left. This allows the prime minister ample room for maneuver and enables him to take far reaching political and security initiatives and measures. In view of the considerable gains of Yisrael Beiteinu in the coalition talks and in light of the various options enjoyed by the prime minister (including the remote but not impossible option of forming a national unity government with Kadima), Lieberman will presumably think twice before deciding to leave the government. The coalition structure, the fact that the vast majority of MKs from Likud were given appointments, and the high probability that the left wing opposition will support Netanyahu's political initiatives largely neutralize the impact of the more right wing and hawkish Likud MKs.

Conclusion

In an Independence Day interview, President Peres said that this year is the "crucial year." It is true that this has been said almost every year since 1967, but there is still a sense that this year will be if not a decisive year, at least a year in which important decisions are made. A new government that is supposed to serve for several years has been established in Israel with a relatively stable coalition. The expectation, both in Israel and the world, is that this government will take initiatives and spearhead moves in many fields. This expectation takes on even more importance in view of the change this year in Washington. President Obama, who seems intent on settling international disputes through dialogue, will be in office for four if not eight years.

During the coming year, the new government in Israel will have to deal with four main issues: the economic crisis; the political process with the Palestinian Authority led by Abu Mazen, including the situation in the West Bank; the security challenge in Gaza; and most of all, the Iranian issue. Israel's ability to contend with each of these issues is inextricably connected to the relationship that develops between Jerusalem and Washington. One may assume that this relationship will be heavily influenced by the positions, policies, and decisions of Prime Minister Netanyahu. Whether

the prime minister exploits his extensive room for maneuver and presents surprises in the political field, i.e., whether he acts like Menahem Begin and Ariel Sharon or like Yitzhak Shamir – only time will tell.

Notes

1 "Maagar Mohot," Channel 10, December 28, 2008.
2 Dialog Poll, *Haaretz*, January 16, 2009.
3 Teleseker, *Maariv*, January 16, 2009.
4 "Maagar Mohot," Channel 2, January 18, 2009.
5 A survey conducted by Mina Tzemah, *Yediot Ahronot*, January 23, 2009.
6 Teleseker, *Maariv*, January 23, 2009.
7 Peace Index – The Tami Steinmetz Center for Peace Research, February 2009.
8 The problem of governance in Israel does not just derive from the existence of a coalition government. The problem is deeper and is connected to Israel's actual political structure. Israel finds it difficult to arrive at clear decisions on the primary issues on its agenda, and particularly anything related to the national debate about the future of the territories and relations with the Palestinians. The crux of the matter lies not with the nation being divided on the issue, but with the absence of a political-governmental mechanism that is capable of allowing the government to reach a decision, especially when sharp disagreements divide the public. Such situations are frequent in most democratic countries, but these countries developed a system of government or system of voting that makes it possible to settle issues and to act. In presidential regimes (such as the United States or France) a president is elected – sometimes by a split vote – for a period of four or five years, and during this time enjoys a great deal of freedom of action. In many countries with a parliamentary regime (such as Britain or Germany) there is a bi-party or tri-party reality and a method of elections that generally allows one party to have a clear majority in parliament and set up a stable government for a long period with extensive freedom to act, even when it does not enjoy a popular majority. In all these countries stable governments or administrations are formed that are capable of implementing a plan of action and a defined and clear agenda. Although in the democratic world there are countries in a similar position to Israel, countries that suffer from a lack of governmental stability where it is difficult to settle national issues, the challenges faced by Italy or Belgium or Canada bear no resemblance at all to the challenges that confront Israel.
9 Yehuda Ben Meir and Dafna Shaked, *The People Speak: Israeli Public Opinion on National Security 2005-2007* (Tel Aviv: Institute for National Security Studies, Memorandum No. 90, May 2007).

10 Asher Arian, Tamar Herman, Nir Atmor, Yael Hadar, Yuval Laval, *The Israeli Democracy Index 2008: Between State and Civilian Society* (Jerusalem: The Israel Democracy Institute – Guttman Center, 5768 – 2008).
11 A survey conducted by Mina Tzemah, *Yediot Ahronot*, December 26, 2008.

The Civilian Front: Between Needs and Responses

Meir Elran

It is generally accepted that on the whole, the systems responsible for the civilian front functioned poorly during the Second Lebanon War. This article examines the extent to which the situation has improved since the failures of the summer of 2006. An analysis of the systems during Operation Cast Lead can answer this question at least partially and serve as a limited test of how much the gaps between the needs and responses were closed.

The problem with such a review is that there is no formal or accepted yardstick to analyze the degree of implementation of the lessons learned from past failures. In Israel, the field of civil defense still lacks a comprehensive approach that would reach necessary conclusions and take required actions. This is not to say that in the last two and a half years there have been no improvements in organizations that deal with the civilian front. On the contrary: the growing public awareness has created a new dimension of influence over the decision makers and functionaries, particularly at the Home Front Command, which was the target of extensive criticism following its poor performance in 2006. Still, the overall balance remains unsatisfactory, which is a reason for concern mainly because of the increased external threat to the civilian front.

This article identifies the threats to the civilian front and examines the investments made in building the responses to the growing risks.

Identifying the Threat

This article deals only with security threats to the civilian front. In principle, it would be proper to add risks posed by natural disasters, such as major earthquakes – which are rare in Israel – or large scale man-made disasters. Despite the differences in nature and ramifications of the various security and civilian risks, all deal with severe challenges to the civilian population and warrant similar planning, preparations, and responses in terms of mitigation, containment, rehabilitation, and reconstruction. Therefore, both in terms of efficiency, cost, and management considerations, it is important that the response to large scale disasters be dealt with in a unified form, whereby specific answers will be given to every dimension of threat against the civilian population. This concept of "all hazards" is accepted in most countries, including Israel, despite the limited reference here to non-security disasters.

The security threat against the civilian front falls into three major categories. Their common denominator is the process of creating the threat, which includes motivation, development of capabilities, planning, and launching explosives towards the target, usually a civilian population center or in rarer cases, sensitive infrastructure installations. Attacking population centers is usually intended to spark chaos and demoralization. In most instances, the main effect of the attack lies not in fatalities and direct damage, rather in the indirect blow to morale, the derailment of everyday routine, the creation of extended situations of uncertainty, frustration, and fear, and the weakening of the citizens' trust in their political leadership. All of these are intended to undermine national resilience.

Threat of direct terrorism

Terror attacks, which peaked during the second intifada, have in recent years been greatly suppressed, largely because of continuous IDF and General Security Services activity in the West Bank since the spring of 2002. Together with the security fence, this activity has succeeded in creating a reasonable prevention measure. As long as the basic security components in the West Bank remain unchanged, large scale terrorism on the scale of 2000-2004 will presumably continue to represent a potential threat, but will materialize only at a fairly low level.

High trajectory rocket attacks

In recent years high trajectory rockets, from Hizbollah in Lebanon and from Hamas and other organizations in the Gaza Strip, have posed the major threat to Israel's civilian front. In the Second Lebanon War and Operation Cast Lead the capabilities of the adversaries were indeed severely damaged. However, because of Hizbollah's quick regrouping and the apparent similar pattern in the Gaza Strip, the high trajectory threat remains the most relevant challenge in the foreseeable future. An improvement in the quality of the rocket weapon systems is to be expected, particularly in terms of range and precision. As such, more population centers in Israel will be under growing threat from both the south and the north. Even though the high trajectory weapon is, statistically speaking, of limited lethal potential, its main effectiveness lies in creating an anxious civilian atmosphere, interrupting the routines of communities over time, and challenging the decisions makers who are then required to provide an answer to this severely elusive challenge.

Even though the threat is presently more likely to emerge from Lebanon or the Gaza Strip, one should also consider a similar threat from the West Bank, should the security situation there change. In such a scenario, the center of the country, with its large and dense communities and main infrastructures, would be vulnerable.

Long range ballistic missiles

The main challenge of long range ballistic missiles fired at Israel stems from Syria and Iran. Both countries have the military capabilities to attack the civilian front in the entire area of the State of Israel, with a relatively high degree of precision and with conventional payloads of up to 1000 kg. Syria's unconventional capabilities, particularly chemical, pose a singular threat against the civilian front. When planning for the future, particular consideration should be given to the Iranian nuclear threat, which requires planning appropriate responses well ahead of time, also at the defensive level, considering its unique risks to the civilian front.

Assessing the Threat Responses

Since the Second Lebanon War many steps were taken to provide a response to the threat against the civilian front. Operation Cast Lead may serve as a test case for assessing the progress, even though the actual challenge from Gaza was rather limited and revealed only a fraction of a full-fledged threat against the civilian front, in particular in a scenario of a multi-front confrontation. This survey relates to the following levels of response and preparedness: the conceptual level, the degree of actual national investments, and the issue of responsibility.

The conceptual level

The distinction between the "front," the arena where the armed forces conduct the operations against the enemy, and the civilian "rear," though still widely held in Israel, is clearly anachronistic. In contemporary and future scenarios, the civilian population is and will remain at the eye of the storm of any military confrontation, and represents a central target – at times the exclusive target – of the enemy's attack. The question is to what extent Israel's decision makers and the upper echelons of the IDF and the defense establishment have internalized the significance of the change in the enemy's operational doctrine and its growing capabilities. The core of this transformation means that the IDF's clear military advantage might be challenged and perhaps become irrelevant if the civilian front is not sufficiently prepared for a massive and continuous onslaught.

The answer to this question is not unequivocal. While the awareness of the special needs of civil defense grew in Israel following the Second Lebanon War and Operation Cast Lead, it was not manifested in satisfactory practical terms. It is doubtful that there is indeed a full awareness in the highest echelons that in future confrontations, what happens on the civilian front will have no less of an effect on the outcome of the campaign than what happens on the military front. This is by no means an academic question. It requires a high degree of balanced national investments in the various components of the civilian front's operative preparations and capabilities, more than has been the case to date. It also requires the same measure of seriousness and professionalism that have characterized the preparedness of the security forces for the military front. This challenge is not trivial by

any means. The bureaucracy and political state of affairs of the civilian organs and agencies involved with the management of the civilian front adds to the complexity of realizing this vision, certainly in comparison with the much more cohesive military establishment. The picture emerging now is ambiguous. Quite a bit has been achieved and some of the improvements are in the right direction, but the overall trend in the government remains as traditional as ever: clear priority for investing in the military offensive basket over the defensive needs of the civilian front.

The investment level

Clearly there is not one single response to the range of threats posed to the civilian front. A balanced response would comprise multiple layers requiring investment in different fields. One of the main problems is that Israel does not have a single, central organ to be in charge of strategic planning, budgeting, and preparing and managing the civilian front. As long as this remains the case, each of the agencies involved will continue to deal with its own domain, with no central control and without a mechanism to determine a formal, long term set of priorities. Such a mechanism was – and still is – lacking, even after the establishment of the National Emergency Authority.

In practice, it is impossible to measure the extent of investments in the civilian front. This is especially true with regard to military expenditures, such as development of anti-rocket and anti-missile defense systems. In recent years there has been important progress in promoting active strategic defense, particularly with regard to the Iranian ballistic threat. There has also been some more hesitant progress in the development of active tactical defense systems against short range rockets (e.g., the Iron Dome system). The absence of such systems in the course of Operation Cast Lead was readily apparent. Greater efforts may now be expended in this area in order to reach rapid operational deployment of effective tactical defense systems.

Still less progress has been achieved in all matters of passive defense (bomb shelters, reinforcement of buildings, personal protection kits). This was true before Operation Cast Lead even with regard to the critical issue of preparing communities near the Gaza Strip and in the more distant centers,

where it became clear that the long range Grad rockets pose a real threat. The government's decision in December 2008 to budget the expansion of shelters at more than 600 million NIS was made after years of that region being targeted by rocket fire and after serious arguments between local leaders and the government ministries. It is still unclear whether this decision will be implemented in practice, and if so, to what extent and at what pace. The vital importance of sheltering devices, if only selective – e.g., in educational institutions – was well demonstrated during Operation Cast Lead. Full reinforcement of the schools within rocket range might have obviated the sweeping decision to suspend the entire educational system in the south and avoid its far reaching implications and impact on the daily routines in the entire region. The government's 2008 decision about the distribution of personal protection kits, based on the professional recommendation of the Home Front Command, has been delayed due to withholding of the required financing. The significance of these delays and the doubts about implementing decisions that have already been made is that preparedness in the area of passive defense is insufficient and does not meet the required needs.

On a more positive note, the Home Front Command applied a number of important lessons, particularly in terms of investing in qualitative and quantitative improvements in the warning and information systems for the civilian population and in terms of cooperation with the local authorities. An example is the system of liaison units with the local authorities, which overall proved their value in Operation Cast Lead. The growing awareness of the centrality of the local authorities as the leader in managing emergency situations is one of the important emphases called for by the National Emergency Authority. This represents an understanding that the better prepared local authorities are for emergencies, the better they will function when emergencies happen – as was the case during Operation Cast Lead. Even if much remains to be done in this area and there has still been no real breakthrough in terms of appropriate budgeting for the actual needs of local authorities, particularly the weaker ones, one may conclude that in this vital area there has indeed been important progress since 2006.

Despite this somewhat optimistic note, the total picture in terms of investment in direct psycho-social management of civilian populations

under threat remains problematic. Some local authorities have taken important steps in terms of preparedness and strengthening operational capabilities for emergencies, together with the Home Front Command; some local authorities have set up professional agencies for dealing with their citizens in times of crisis. However, there has not been sufficient effort on the part of the central government to budget on a state level the required tools for the local authorities, except in some towns very near the Gaza Strip border. The events of Operation Cast Lead exposed this gap. The result is that relatively strong local authorities are acting with their own means to promote their capabilities. Weaker local authorities – and they are the majority – are doing much less and are leaving their residents with relative deficiencies in important areas.

Thus the trend of assigning relatively low priority to the civilian front continues. Closer scrutiny shows that the investment in military-affiliated active systems is relatively high, particularly regarding active defense systems against strategic threats. In comparison, the government allots relatively low priority to means and systems that are civilian and passive in nature and are designed to defend the population, mitigate the effects of an attack, and offer a second response to immediate and other victims.

The responsibility level

In Israel there is no official agency or ministry that has full responsible for preparing the civilian front for emergencies and for managing it during crises. In official reports dealing with the deficiencies of the system during the Second Lebanon War, the question of responsibility was noted as of key significance.

Aware of the problem, the Israeli government decided in 2007 to establish the National Emergency Authority (NEA, in Hebrew, "Rahel"). This was an important move, designed to set up a leading agency for managing the civilian front. However, the move did not provide an adequate response to the question of responsibility. The NEA – in its own view and in the view of others operating in this field – is not at the top of the pyramid, and is not considered a professional authority with political power capable of mobilizing budgets for building a comprehensive civil defense system. At present, the NEA serves at best as a staff agency striving to create a

comprehensive approach and to create a measure of coordination between the other agencies. It does represent the civilian front and its outstanding problems before the government, but it is doubtful whether given Israel's political and bureaucratic conditions, the NEA will have the necessary influence and power to make decisions and make a difference. It seems that as in the past, the Home Front Command will continue to serve as the focal point for the wide range of activities of the civilian front, both because of its legal status (determined by outdated legislation hailing back to 1951) and because of its organizational strength. The Home Front Command will apparently maintain its supremacy also as a result of its being part of the IDF, with all the public reputation and status. The tendency of some civilian agencies to distance themselves from assuming responsibility and their preference to act on the basis of military directives contribute to entrenching this state of affairs.

This picture was fairly consistent during Operation Cast Lead. While the NEA did stress the strengthening of local authorities, in practice most of the work was accomplished by the Home Front Command. During the fighting, the NEA tried to focus its efforts mainly on operating volunteer organizations. The result was that the Home Front Command remained the strongest and most influential agency affecting the management of the civilian front.

This pattern has several advantages. The events of Operation Cast Lead proved again that the IDF is capable of assembling in a relatively short amount of time the resources required to fulfill national missions, even if these are patently civilian. Whether it is appropriate that in times of national crisis military officials are the ones who decide on the daily routine of civilians is a different and open question altogether. For now, the law allows it and hence grants legitimacy to civilian agencies to avoid assuming responsibility for the security of the citizens and for the "emergency routine." However, the long term consequences remain problematic. In order to cope successfully with the challenges facing the civilian front, what is needed is a comprehensive civilian oriented response, led by the most senior civilian organ, which will lead the entire system, with all its components, including the Home Front Command and the Israel Police. It will have to be responsible for the adequate preparations for emergencies.

The leading body to manage crises on the ground should be the local authorities. The Home Front Command would join other agencies to work with the local authorities as an important professional resource providing its expertise and unique tools such as warning systems and rescue forces. The IDF and the police would also continue to provide available personnel in crises, according to the needs determined by local authorities.

Conclusions

The relatively successful management of the civilian front during Operation Cast Lead does not essentially alter the assessment that there has not yet been a sufficient transformation in the system responsible for this front. The challenge was limited, and therefore the preparations made since 2006, shortcomings notwithstanding, were sufficient.

What is required and has not yet been realized is the formulation of a comprehensive national systemic approach that would serve as the accepted basis for a legally mandated, central, and senior government agency. This agency would be in a political position to decide and enforce the set of responses to the challenges facing the civilian front. A combined balanced response would comprise various capabilities: deterrence, prevention, active and passive defense, and psycho-social care for the population under attack. Some of these components are already in various stages of development, such as strengthened warning systems, mechanisms for cooperation between the Home Front Command and local authorities, and improved civilian information dissemination systems. The problem is that these more advanced components do not coalesce in a combined effective system. As long as they remain organizationally unconnected, localized improvements do not provide a holistic response to the growing needs.

Israel does not exist in a vacuum. As proved by the campaigns of 2006 and 2009, the threats against the civilian front are increasing, and Israel does not appear to be able to overcome them solely through its military offensive might. The civilian front continues to be exposed to attacks by ever improving high trajectory weapons. Therefore, under current political and military circumstances, it is necessary to engage in a thorough process of constructing the entire range of capabilities for the civilian front. In this race, Israel is not in an auspicious position. The problem lies first and

foremost in the realm of its strategic approach to the question. In the test of investments, the progress Israel is making is too slow, particularly in three components: building an active-tactical defense system; strengthening the system of selective passive sheltering; and strengthening the mitigation and rehabilitation mechanisms for the civilians subject to a prolonged, casualty-ridden conflict.

Therefore, it is imperative to focus on renewed strategic planning for the civilian front. It must be manifested in an updated decision regarding the organization of the system; legislation reflecting the required structure of response and a centralized budgeting; and delegation of responsibilities to distinguish between the agencies responsible for preparedness and the ones responsible for managing crises and large scale disasters. Preparedness ought to be the purview of the state, which will formulate policies, set priorities, and allocate resources. Crisis management ought to be the purview of the local authorities assisted by the Home Front Command, the Israel Police, and the first response agencies (e.g., Israeli Red Cross, firefighters, and so on), as well as the volunteer organizations. Only such a combined response, side by side with the continuing efforts to build the IDF's deterrent, offensive, and defensive capabilities, may convince the public that the state is indeed tending to the public's personal welfare in realistic scenarios of future confrontations. Such a process is necessary not only in order to promote the level of preparedness of the civilian front; it is crucial also in order to build public trust in its leaders, which is a precondition for fostering national resilience.

II
The Peace Process

Israel through Arab Strategic Lenses: A Changed Reality

Ephraim Kam

Since it was founded, the State of Israel has sought both peaceful relations with its Arab neighbors and acceptance by the Arab world as a legitimate political entity. The assumption was that the process of integrating in the Middle East theater was essential for Israel's political and economic development, the mitigation of its security problems, and its guaranteed future. Until the 1970s, however, Israel was rejected by the Arab world, which found it hard to accept the resounding defeat of the 1948 war and still hoped to overturn its outcome. Even after the Arab humiliation in the Six Day War, the Arab world rejected every move towards acceptance of Israel. The most prominent expression of this rejection was the "three no's" of the Arab summit in Khartoum in September 1967: no peace, no negotiations, and no recognition of Israel. Despite the Khartoum resolution, however, the 1967 war proved to be a watershed in the Arab world's attitude towards Israel: from then on, the strategic objective of most of the Arab world – although not all – became reversing the results of the war, i.e., regaining the territories won by Israel in 1967. The goal of overturning the results of 1948, a code phrase in the Arab world for Israel's destruction, receded in Arab political discourse.

The signing of the peace treaty with Egypt in March 1979 created a dual expectation in Israel: peace with Egypt included positive components that would put it on a firm, lasting footing, and it would lead to peace agreements with other Arab countries and normalization between Israel and the Arab and Muslim world. This expectation has been realized only in

part. Peace with Egypt has been stable for thirty years, and even periods of severe confrontation between Israel and the Palestinians or wars in southern Lebanon have not damaged its foundations. Fifteen years after the peace treaty with Egypt was signed, Jordan signed a peace agreement with Israel, and several Arab countries have informal relations with Israel. No less important, leaders of all Arab countries, without exception, now accept the principle that the Arab-Israeli conflict should be solved diplomatically and not militarily, albeit on terms acceptable to them.

On the other hand, the peace treaties with Egypt and Jordan, not to mention relations with other Arab countries, remain cold. Egypt has made no serious effort to deepen the relationship and expand economic and technological cooperation, and Jordan is disappointed with the extent of its economic cooperation with Israel. More importantly, no effort has been made in either country to educate the public about the significance of true peace or to limit hatred and hostility towards Israel. In both Jordan and Egypt, as in other Arab countries, there are still numerous circles, among them intellectuals and academics, that express hostility towards Israel and object to peace with it. In neither country has the regime done much to change this attitude. Although the perception of Israel as a threat has ebbed among the Arabs in the last generation, most of the Arab world still sees Israel as a threat and adversary, and some even as an enemy. The Arab countries have done little to educate their publics to moderate their opposition to normalization of relations with Israel and emphasize that these relations also benefit the Arab world.

Normalization: Difficulties and Obstacles

Sixty years after Israel's founding and thirty years after the signing of the peace treaty with Egypt, progress in normalization between the Arab world and Israel continues to encounter a formidable obstacle: a large part of the Arab world finds it hard to accept Israel as an integral and legitimate part of the Middle East. Where the Arab world is concerned, Israel is an alien entity – the sole non-Muslim country in a Muslim region, a political entity founded by Western imperialism that deprived the Palestinians of their rights. This bias compounds the perception of Israel as a threat. Many Arabs believe that Israel wants to expand its territory to the extent that its

military power will allow, seeks (with the help of the US) to perpetuate its military superiority over the Arab countries, and is inclined to use military force to promote its interests. In their view, Israel wants to use peace and normalization as a tool to persuade the Arab countries to come to terms with its territorial conquests and its military and technological advantage.

The growth of radical Islamic movements in the Arab world in the past two decades has aggravated this perception. Extremist Muslim groups constitute the hardest core of opposition to peace with Israel, both in the Arab and Muslim countries and among the Palestinians. This opposition is a matter of principle: Israel seized land belonging to the Muslim nation, controls holy places sacred to Islam, and represses millions of Muslims under its rule. There is therefore no compromising with or accepting Israel's right to exist, and supporting infidels is forbidden by Islam. Not surprisingly, then, the leading opposition to Israel's existence is the radical Islamic (though non-Arab) regime in Iran, which promotes the continuation of armed struggle against Israel. Most of the Arab world disagrees with the radical Islamic movements and regards them as hostile and a threat to the Arab regimes themselves, but these movements have much influence on Arab public opinion, and the moderate Arab regimes are unable to ignore them and their anti-Israel stance.

The most difficult tactical problem in achieving progress in normalization remains the unsolved issues of the Arab-Israeli conflict: the Palestinian issue and the Syrian issue. Peace between Israel and Syria can in itself aid in further thawing Israel's relations with the Arab world but it is the Palestinian question that is critical to future relations between Israel and the Arab world, because Arab countries regard themselves as obligated to aid in the establishment of an independent Palestinian state. There is also a weighty emotional aspect to the Palestinian question that is absent from the Syrian issue: since the first intifada the Arab world has been exposed repeatedly to scenes of Palestinian suffering in the media and identifies with this population. For this reason, as long as the Palestinians do not have their own state, many will regard normalization with Israel as betrayal of the Palestinian issue, sanction of Israel's possession of Palestinian territories, and damage to the Palestinians' chances of obtaining their rights through negotiations.

Furthermore, over the past twenty years the Israeli-Palestinian conflict has escalated to a much higher level of violence and counter-violence, as reflected in the two intifadas and Operation Cast Lead in the Gaza Strip. These developments impact negatively on moderate countries, particularly Egypt and Jordan, because influenced by both Islamic groups and the harsh scenes on television, the publics there have pressured the regimes to help the Palestinians and downgrade their relations with Israel.

Israel and the Arab World: Positive Changes

Since the 1970s and especially since the early 1980s, important changes have occurred in the Arab world's attitude to Israel. First of all, most Arab leaders, state and non-state alike, have gradually reached the conclusion that Israel is a fact and cannot be destroyed, both because of its military power and due to the steady commitment of the US to its existence and security. Furthermore, Egypt's – followed by Jordan's – choice of peace with Israel and withdrawal from the cycle of war, combined with Iraq's downfall in its wars with Iran (1980s) and the West (1991 and 2003), have prevented the formation of an Arab military front against Israel. The collapse of the Soviet Union dealt the final blow to the military option against Israel by depriving Syria of strategic superpower backing, and leaving the US, with its special relationship with Israel, as the sole superpower. These developments led to the realization among Arab leaders that the conflict with Israel should be ended through diplomacy, because war was neither practical nor to the Arabs' benefit.

Second, in the first half of the 1990s, two new diplomatic channels developed between the Arabs and Israel: the Israeli-Syrian channel and the Palestinian channel. Although the Syrian channel has to date led to no agreement and the Palestinian channel has yielded only limited agreements and been accompanied by outbreaks of extreme violence between Israel and the Palestinians, the very existence of the process contributed to the legitimacy of dialogue with Israel and the creation among moderate Arab governments of an interest in encouraging this process.

Third, for several years a part of the Arab world has recognized increasing willingness by Israel to pay a higher price for resolution of the Palestinian issue and perhaps also of the Syrian issue. This was reflected

primarily in Israeli government support of a two-state solution and in the 2005 withdrawal from the Gaza Strip. Some in the Arab world claim that normalization of relations with Israel will be possible only after Israel withdraws from all Palestinian territory and solves the refugee problem, because otherwise a change in the attitude to Israel will harm the Palestinians and their bargaining power. Others assert that dialogue with Israel, even before it withdraws further from the territories, will help the Palestinians because it will be possible to influence and soften Israel's positions.[1]

Fourth, other threats and dangers to the Arab countries have emerged and command attention, some long term and others relatively new: the Iranian threat, particularly the possibility that Iran will obtain nuclear weapons; the crisis in Iraq and its effects on its neighbors; the strengthening of the Iran-led radical Shiite axis, including Shiite Iraq, Syria, Lebanon, and the Palestinian theater; the need to combat radical Islamic terrorism, including from al-Qaeda and its affiliates; and socioeconomic problems, aggravated by the current global economic crisis. Solution of the Israeli-Palestinian conflict would presumably facilitate dealing with the other problems.

The strengthening of Hizbollah in Lebanon and Hamas' rise to power in the Gaza Strip have also alarmed the moderate Arab governments. The Arab world regards these two developments as linked to Iran's efforts to expand its influence in the Arab world and establish footholds along the Mediterranean coast. The confrontations between Israel and Hizbollah and Hamas alarm the moderate governments, since they contribute to unrest in Arab public opinion and reinforce the radical trend. Therefore, although Israel was widely condemned by the Arab governments during both the Second Lebanon War and Operation Cast Lead, the moderate governments harbored silent hopes that Israel would deliver a military blow to the two organizations and thereby weaken them.

The Saudi Peace Initiative

The Saudi Arabian peace initiative was published in February 2002, when Crown Prince (later King) Abdullah was quoted in an interview to the effect that in return for Israel's withdrawal to the June 1967 borders, the Arab countries would agree to a comprehensive peace with Israel and

provide it with security guarantees.[2] The Saudi initiative became an Arab initiative when it was endorsed, with extensions and revisions, at the Arab summit in Beirut in March 2002. The initiative proposed a sweeping deal between the Arab world and Israel: Israel would withdraw completely from the Arab territories it conquered in 1967, including the Golan Heights and Lebanese territory that remained occupied, and return to the June 1967 lines; agree to the establishment of an independent Palestinian state in the territories conquered in 1967, with East Jerusalem as its capital; and reach a negotiated solution to the Palestinian refugee problem, according to UN General Assembly Resolution 194 of 1949. In return, the Arab countries would declare that the Arab-Israeli conflict was over, sign peace agreements with Israel, conduct normal relations with it, and provide it with security guarantees.[3]

The Arab initiative formally embodies the significant change in the Arab world towards Israel and the Arab-Israeli conflict. In place of the question of Israel's right to exist and Arab recognition, which dominated the resolutions of the 1967 Khartoum summit, the question of the Arab territories that Israel conquered in 1967 is the focus of the conflict. The formula stipulates that if Israel withdraws from these territories and the refugee problem is solved, the conflict will end. Furthermore, the Arab initiative offers Israel more than what individual Arab parties – the Palestinians and Syria – can give it as autonomous entities, namely peace and normalization with all Arab countries.

Despite the important change it represents, the Arab initiative has so far made no progress towards Arab-Israeli peace. The timing of its publication – at the height of the al-Aqsa intifada, when Israel and the Palestinians were not open to peace initiatives – was inauspicious. The Beirut summit passed several resolutions that appear to contradict at least part of the initiative. Some parts of the initiative were totally unacceptable to Israel, and its government, headed by Prime Minister Ariel Sharon, rejected it because the initiative appeared to be a package deal that included language unacceptable to Israel. It was claimed, for example, that solving the refugee problem according to Resolution 194 was tantamount to recognition of the refugees' right of return, and that the purpose of the initiative was therefore to detract from the Jewish character of Israel by returning the refugees. The

quid pro quo offered to Israel appeared to be overly general and vague, and some claimed that it was nothing but a Saudi Arabian exercise in public relations aimed at improving that country's image following the terrorist attacks of September 2001. The Palestinian side also expressed disappointment that the initiative did not explicitly mention the Palestinian refugees' right of return.[4] The Palestinians in any event did not have enough power to influence the initiative.

Although the Arab initiative did not restart the diplomatic process, it has since been revived and was reconfirmed at a summit in Riyadh in March 2007. The moderate Arab parties have tried to market the initiative to the Israeli public: Jordan distributed the resolution in Hebrew to the members of the Knesset in 2007, and the PLO published the initiative as an announcement in the Israeli press in November 2008. International parties have renewed their interest in the initiative. More importantly, the subject began to be raised in talks between members of Israeli and Arab governments, and Israeli president Shimon Peres praised the initiative in November 2008, saying that while it was not perfect from Israel's perspective, it merited examination as to its feasibility, including the possibility of conducting talks with a team acting on behalf of the Arab League.[5] Presumably the renewed interest in the initiative stemmed from rising concern in the moderate Sunni camp about the strengthening of the radical Shiite axis, and the drive to accelerate negotiations between Israel and both the Palestinian Authority (PA) and Syria.

Likewise, the Annapolis Conference, which was designed to jumpstart the peace process for a permanent settlement between Israel and the Palestinians and create a mechanism for expediting negotiations between the two sides, took place in November 2007. By that time, however, Hamas had already seized control of the government in the Gaza Strip, which greatly weighed the process down. The internal weakness of the respective leaderships, both Palestinian and Israeli, did not allow them to create a real process, beyond the bare fact of the negotiations between them.

The IDF's operation in the Gaza Strip in January 2009 damaged, at least temporarily, prospects for the Arab initiative and the ability to set in motion a peace process based on the initiative's principles. The emergency Arab summit that convened in Qatar in response to the operation called

for rescinding the Arab peace initiative, and Syrian president Bashar al-Asad declared that the initiative was dead. At the same time, this summit was not considered a binding meeting, because over one third of the Arab countries did not attend, among them key countries like Egypt, Saudi Arabia, and Jordan, as well as the PA. For this reason, this call is not an official cancellation of the initiative.

Israel in the Eyes of the Arab World

The changes that have taken place over the last generation in the Arab world vis-à-vis Israel, specifically the Saudi peace initiative, raise several questions for Israel about its attitude towards the peace process: what can the Arab world contribute to the peace process, beyond those directly involved, namely, the Palestinians and Syria,? What should Israel's expectations be? Can the Arab world aid the process before a breakthrough is achieved, especially when the Palestinians and Israel are still not ready to reach a comprehensive settlement? Can the common regional interests of Israel and the moderate Arab countries, including those involving the peace process, be exploited?

The Saudi/Arab initiative apparently reflects a genuine Arab interest in a diplomatic resolution of the Arab-Israeli conflict. The assertion that the initiative was a public relations ploy to improve Saudi Arabia's image is tenuous. Almost from the outset the initiative was an Arab initiative, not merely a Saudi Arabian one, and is presented as such. Indeed, Saudi Arabia had already proposed a peace initiative – the 1981 Fahd plan for a diplomatic settlement between Israel and the Palestinians. More important, the Arab initiative reflects the willingness of all leaders of Arab countries to end the Arab-Israeli conflict – particularly its Palestinian core – through diplomatic means on terms acceptable to the Arabs, and achieve a comprehensive settlement of the conflict with the help of international entities, headed by the US.

Those responsible for formulating the Arab initiative did not state what the Arab governments were willing and able to contribute to the peace process, beyond a general definition of the terms for a settlement, but several possibilities can be mentioned:

1. The Arab world already offers Israel a quid pro quo that the parties directly involved in questions of a settlement – the Palestinians and Syria – are unable to offer in the framework of a bilateral peace agreement: peace treaties and normalization with all Arab countries, and perhaps also regional cooperation mechanisms in various areas. This expansion of the scope of the peace agreements to include all Arab countries will lend the agreements additional stability and durability.
2. Arab countries can provide Israel with benefits even before peace agreements are reached with Syria and the Palestinians in order to assist Israel in taking difficult decisions. Several Arab countries have already done this by establishing informal relations with Israel.
3. The Arab world can provide support for the Palestinians when they are required to take difficult decisions in the framework of negotiations with Israel. This backing can strengthen the Palestinian leadership, mostly against the anticipated opposition among the Palestinian public.
4. The Arab world can pressure the Palestinians and perhaps Syria as well to show flexibility at key points in future negotiations with Israel in order to reach an agreement. This has not happened to date, but there were cases in the past in which Egypt pressured the Palestinian leadership to become more flexible.
5. It is possible that Arab countries will be willing to be included in peace arrangements, for example, peacekeeping forces or security arrangements. An example is Egypt's declared – though not yet proven – willingness to help prevent smuggling into the Gaza Strip, following Operation Cast Lead.
6. The support of the Arab world can weaken and thwart radical elements seeking to prevent the achievement of peace agreements or to undermine them. In this context, an arrangement with the Palestinians, and especially a peace treaty with Syria, can drive a wedge between Iran and Syria and weaken Hamas and Hizbollah, thereby contributing to an easing of the Iranian threat, even if the threat is not eliminated.

It is no accident, however, that the Arab initiative has been stalled for the past six years. In spite of its possible important contribution to future arrangements between Israel and the Arabs, the initiative has encountered major difficulties, beyond the fact that Israel and Palestinian and Arab

groups object to all or part of it. The main problem is that the Arab initiative cannot move ahead by itself; its progress depends on progress in the negotiations between Israel and the Palestinians and/or Syria. As long as these negotiations do not move forward in their own right, the Arab initiative cannot help or complement them. Meanwhile, there is almost universal agreement that the negotiations for a comprehensive settlement between Israel and the Palestinians are not on the verge of a breakthrough, in part because the Palestinians are not ready to establish a strong regime capable of implementing a stable settlement with Israel; because Hamas rules the Gaza Strip, which constitutes a significant obstacle to a comprehensive Israeli-Palestinian settlement; and because Israel is also a party to the dead end that the peace process has reached. An Israeli-Syrian settlement, although ostensibly simpler than an Israeli-Palestinian settlement, also depends first and foremost on decisions by the two sides to endorse the necessary concessions, while such decisions have not yet been taken.

Second, while the Arab world is likely to back the Palestinians in taking difficult decisions and perhaps also pressure them to reach a settlement with Israel, it is hard to believe that the positions of the Arab world will be much more flexible than those of the Palestinians or Syrians. Differences between the respective positions are minimal. Furthermore, it will be difficult to negotiate with all the Arab countries or their representatives – for example, with the Arab League – because the Arab countries will find it hard to reach agreement among themselves, and any common denominator is liable to be shaped by the more extreme positions. This is why Israel has consistently preferred to negotiate separately with Arab leaders rather than with an Arab collective.

There are other aspects to the Israeli position. It is not clear to Israel whether the Arab initiative is an integrated unit whose components are not open to negotiation, or whether it is a general framework facilitating dialogue. Moreover, following the meager results of the peace process with the Palestinians and their behavior over the years, it is unclear whether Israel still regards the benefit that the Arab initiative offers in normalization as sufficiently attractive.

The position of the Arab world in Israel's strategy also has a broader aspect. The moderate Arab camp and Israel currently share regional interests: curbing the Iranian threat, weakening the radical Shiite axis, and dealing with Islamic terrorism. To this can be added common economic interests. Nevertheless, it is hard to expect real cooperation between this camp and Israel, both because the Arab countries will be deterred from joint action with Israel on sensitive inter-Arab questions and are fearful of the response of the radical elements, and because they will regard far reaching policies with respect to Israel as inappropriate while the Palestinian problem has not yet been solved.

The conclusion is that there is willingness in the Arab world to contribute to progress towards a comprehensive diplomatic solution to the Arab-Israeli conflict, particularly to its Palestinian component. Potential also exists for cooperation with the moderate Arab camp in containing the threat of radicalism. In all probability, however, such measures will not be realized in the near future. Inclusion of the Arab world in the peace process can probably take place only after the direct principals in the negotiations – Israel, the Palestinians, and Syria – achieve real progress on their own, which the Arab world can then complement. Regional cooperation against the radical threat, if it ever happens, can occur only after a general settlement of the unsolved issues of the Arab-Israeli conflict emerges.

Notes

1 See "Debate in the Arab and Muslim World over Normalization with Israel," *MEMRI*, November 28, 2005.

2 Thomas Friedman, "An Intriguing Signal from the Saudi Crown Prince," *New York Times*, February 17, 2002.

3 See www.al-bab.com/arab/docs/league/peace02.htm for the official version of the initiative.

4 See Abdel Monem Said Aly and Shai Feldman, "Ecopolitics: Changing the Regional Context of Arab-Israeli Peacemaking," Belfer Center for Science and International Affairs, Harvard University, 2003, pp. 23-27.

5 www.yozmatshalom.com/links.html.

"Nothing is Agreed until Everything is Agreed": The Israeli-Palestinian Dialogue

Anat Kurz

The goal of concluding principles for a permanent Israeli-Palestinian settlement by the end of 2008 was announced in November 2007 at the Annapolis Conference. Sponsored by the US administration, the conference convened to draft a framework for dialogue between Israel and the Fatah-headed Palestinian Authority (PA), and a timetable for its completion. Disagreements about core issues of the conflict, however, remained unsolved. In addition, the split in the Palestinian arena, which delayed the institutionalization of the PA as the authorized representative for promoting a settlement, undermined the possibility of infusing the dialogue with practical content. The confrontation between Israel and Hamas, which escalated towards the end of 2008, likewise diverted attention from the political process, and its effect on the Israeli political system and the Palestinian theater cast doubt on the continuation of the dialogue outlined at Annapolis. The task thus facing Israel's new leadership and the PA is to focus on management of the conflict while striving to preserve the continuity of dialogue, despite the constant tension in the security sphere.

The Political Dialogue

Structure of the process

The process launched at Annapolis was designed to revitalize the Roadmap for an Israeli-Palestinian settlement, adopted by the Quartet in 2003. The

Roadmap outlined progress in three stages. The first included guidelines for suspending Israeli construction in the territories and improving the institutional, security, and civilian situation in the territories. The second focused on establishing a Palestinian state with provisional borders, and the third on formulating a permanent settlement. Unlike the Roadmap, the Annapolis formula rested on simultaneous progress in the first and third stages. This structural change acknowledged the limited ability to formulate an interim option, given Palestinian concern that a temporary situation would be institutionalized in the long term and Israel's concern over territorial concessions and the ensuing security risks in the absence of a Palestinian commitment to the end of the conflict. In view of the ongoing lack of progress in first stage of the Roadmap, the designers of the Annapolis initiative sought to build confidence among both sides in the viability of a settlement by means of direct progress towards articulating the principles of compromise.[1]

The American administration's interest in scoring an achievement in the Middle East by the end of George W. Bush's presidency dictated the choice of late 2008 as the deadline for completion of the Annapolis process.[2] Meantime, Hamas continued to consolidate its status in the Palestinian arena, which reached new heights following the June 2007 military coup in the Gaza Strip. Thus, added to the geographic split in the PA was a split between the government headed by Hamas in the Gaza Strip and the emergency government headed by Salam Fayyad that was convened by President Mahmoud Abbas. In the international arena, the rift between Hamas and Fatah was seen as an opportunity to promote the diplomatic process because it ostensibly freed Fatah's leadership from the need to take the Islamic opposition into account (it rapidly became clear that this idea was an illusion only). At the same time, Fatah's leadership, Israel, and the Quartet shared the concern that if Hamas extended its hold to the West Bank, there would be no influential Palestinian party supporting the vision a two-state solution. Hence the renewed dialogue between Israel and the PA, headed by President Abbas, was designed to provide Fatah with political capital that would unify its divided ranks, help recruit public support for the organization, and delay the advance of Hamas towards the Palestinian political helm.

In accordance with the structure agreed on at Annapolis, discussions took place on two tracks. One focused on the effort to achieve agreements on core issues, i.e., conflict solution. In this framework, teams dealing with various issues met regularly under the direction of Foreign Minister Tzipi Livni, head of the Israeli negotiating team, and Ahmed Qurei, head of the Palestinian negotiating team. Prime Minister Ehud Olmert and President Abbas met from time to time within the framework of a parallel track aimed at devising principles whereby the negotiating teams could reach understandings and formulating policy on current daily issues, i.e., conflict management. The US administration, notably Secretary of State Condoleezza Rice, who visited Israel and Ramallah frequently, and General Keith Dayton, who supervised the reform in the PA security forces, followed the conflict management and conflict solution processes closely.

Conflict management

Israel responded slowly to the American-supported Palestinian demand to remove roadblocks in the West Bank in order to facilitate a return, however token, to daily routine and reconstruction of educational, health, and commercial systems.[3] Explanations for the delays, couched in familiar security terms, were bolstered by the presence of the terrorist infrastructure of Hamas and other armed factions in the West Bank. Rocket and mortar fire from the Gaza Strip on the western Negev highlighted what was liable to happen in the wake of IDF redeployment in the West Bank. Palestinian prisoners were released infrequently, out of concern that those returning to their homes would rejoin the cycle of violence. In view of the PA's limited ability to control the belligerent factions, it was hard to counter Israeli arguments on the injustice and futility of a mass release. Israel thus retained the release of prisoners as a potential bargaining chip and used it as a periodic humanitarian gesture; its effect on the atmosphere at the negotiating table, however, was short lived. In addition, Israel did not evacuate isolated outposts, in order to postpone the inevitable public protest to a time when such a measure could be presented as part of a compromise settlement. Construction continued at sites that Israel would surely demand be retained in the framework of a permanent settlement – neighborhoods in East Jerusalem and Jewish settlement blocs.

At the same time, the reform in the Palestinian security forces – already outlined in the guidelines to the first stage of the Roadmap as part of comprehensive PA institution building – was advanced. The effort to rebuild the security forces, which was boosted following Hamas' takeover of the Gaza Strip, was given a further push under American auspices in the framework of the Annapolis process, in cooperation with the European Union Coordinating Office for Palestinian Police Support. Substantial financial aid for upgrading the security apparatuses was promised at a summit of the donor countries in Paris following the Annapolis Conference.[4] Courses given by the foreign advisory parties took place in Jordan and Jericho, and with Israel's approval, weapons and equipment were transferred to PA forces. When their training was completed, police units were deployed in Nablus, Jenin, and Hebron. They enforced law and order in the streets, disarmed independent belligerent elements, and engaged in the struggle against Hamas' military and institutional infrastructure. The units' achievements were considerable, and won praise from the Quartet.[5] Israel, however, needed more solid evidence of their ability to deal with belligerent factions without the help of backup before significantly reducing its military activity in the West Bank. On the other hand, Palestinian spokesmen persisted in claiming that the PA's ability to enlist public support for a determined battle against militant opposition forces would be limited as long as Israel did not reduce its presence in the area.[6]

The quality of life and standard of living in the West Bank has indeed improved since the Annapolis process was launched. Exports of local goods to Israel rose 25 percent, and unemployment fell from 25 to 19 percent. The number of trading and work permits granted to residents has risen,[7] and the removal of roadblocks has eased the movement of people and goods. However, the dialogue, which was designed to lead to a concrete improvement in daily life on the West Bank, remained frozen in a dynamic of conflicting expectations and mutual stipulations that developed over the years since the Oslo process and thwarted efforts to renew the dialogue after the outbreak of the second uprising in the territories. Indeed, this was also the case with previous attempts to achieve progress in the first stage of the Roadmap.

Conflict resolution

The contents of the discussions of the conflict's core issues remained secret. Most of the reports described various Israeli proposals that were rejected or else not approved by the Palestinian and the Israeli sides. Though not confirmed by the Israeli side, PA representatives reportedly rejected a map proposed by Foreign Minister Livni, in which large blocs of Jewish communities in the territories would remain in Israeli hands, and rejected a demand by Minister of Defense Ehud Barak that Israel establish inspection stations within the Palestinian state overlooking Ben Gurion Airport. Under American pressure to expedite the formulation of understandings, Olmert claimed that the gap over borders involved only 2-3 percent of the territory; this statement was not confirmed by an official Palestinian source. Palestinian spokesmen asserted that the gap between the two sides' positions on the issue of refugees had narrowed, although the parties still disagreed about the nature of the understandings on this critical issue.[8] In addition, the Palestinian side vehemently opposed any idea that would substantially detract from its sovereignty, and for instance insisted that complete demilitarization, as demanded by Israel, hinders efforts to deal with security threats in the Palestinian state and therefore the ability to implement a settlement.[9] Jerusalem was not discussed.

Given the gaps between the positions of the two sides and on the basis of "nothing is agreed until everything is agreed," endorsed by both Livni and Abbas, the only significant achievement that could be cited at the year's end was the very agreement to continue the dialogue.[10] This indeed was the main message given to representatives of the Quartet who convened in Sharm el-Sheikh on the first anniversary of the Annapolis conference and in a joint announcement praised the process.[11] In the absence of understandings that could be presented as part of a future settlement, Secretary Rice took comfort in the very existence of the process.[12]

Will the process continue?

The tension accompanying the negotiations increased when it became clear that the task would not be completed by the end of the Bush administration's term or the end of Olmert's term, and that Abbas' term, which officially ended in January 2009, required extension.[13] Consequently, disagreements

intensified between the Israeli and Palestinian attitudes concerning the immediate objective of the dialogue. In September Olmert still declared, "It is possible to achieve a settlement with the Palestinians by the end of the year."[14] His meaning, however, differed from the meaning of the term "settlement" as used by the Palestinian side; he sought to replace a detailed overall agreement with a statement of principles or "shelf agreement," to be implemented when conditions allowed.[15] At the same time, Israel rejected an American proposal for a transitional document, in which understandings would be summarized as a basis for continued discussion.[16] For his part, Ahmed Qurei warned that the alternative to a settlement was one state for the two peoples.[17] His words spoke to the latent threat in not reaching an agreed compromise on dividing the land. Olmert echoed this sentiment when he said that Israel should withdraw "from almost all the territories, if not from all of them" in order to ensure its security.[18]

The failure to conclude a comprehensive and detailed settlement before the end of 2008 seemingly presented an opportunity: the diplomatic process was freed of the time constraint. The time constraint was not included in two statements of international support for the Annapolis process published at the end of the year, the Quartet statement issued at the November Sharm el-Sheikh meeting, and UN Security Council Resolution 1850, passed in December 2008.[19] The concluding statement of the Quartet meeting was included verbatim in the Security Council resolution, which also noted the importance of the Arab peace initiative.[20] But the talks, which in any case were not close to formulating binding agreements, were suspended in late 2008 due to two developments that removed the political process from the Israeli and Palestinian public agendas. The confrontation in Gaza between Israel and Hamas intensified, and Israel was occupied by its forthcoming elections. The elections, which took place before the dust from the Gaza campaign had settled, strengthened the centrist and right wing parties. The elected prime minister, Binyamin Netanyahu, head of the Likud party, expressed intention to reassess the principles underlying the Annapolis process. In reaction to Netanyahu's refusal to commit to the principle of two states, Saeb Erekat, who replaced Ahmed Qurei as head of the Palestinian negotiation team, declared that dialogue would not be

renewed with an Israeli government that did not favor the establishment of a Palestinian state.[21]

International pressure may well enhance renewal of the talks. The peace process was placed high on the Obama administration agenda. Obama himself declared unequivocal commitment to the quest for a settlement on the basis of the principles formulated at Annapolis.[22] The position of the EU regarding the peace process is similar. In January 2009, against the backdrop of the Israeli-Hamas confrontation, discussions on upgrading relations with Israel were suspended. Javier Solana, EU High Representative for the Common Foreign and Security Policy, even went as far as declaring that the EU would reevaluate its approach toward Israel unless it was committed to the establishment of a Palestinian state.[23] Benefits that can be reaped by Israel and the PA from their commitment to the political process suggest ongoing relevance of the dialogue. Thus commitment to the process can enable Israel to rebuff expected pressure to ease its military and economic leverage in the West Bank, and particularly in the Gaza Strip. Commitment to the process has given Abbas' presidency international political support to compensate for the erosion of the legal basis for his rule, and deflects pressure from both Fatah and Hamas on postponement of the presidential elections. Furthermore, commitment to the process will continue to justify the generous economic aid granted to the PA since the dialogue process was renewed.[24]

Yet resumption of the dialogue in itself will not guarantee concrete progress towards a settlement. This is because the security tension between Israel and Hamas undermines Israel's already limited willingness to commit to a political and territorial compromise with direct and long term security consequences. Furthermore, the split in the Palestinian arena delays the institutionalization of the PA under Fatah leadership as the agreed representative for promoting a settlement, and reduces the chances that it will be able to guarantee implementation of an agreement.

Israel-Hamas, Hamas-Fatah

Between Israel and Hamas

Egyptian mediation efforts achieved success in June 2008. According to the understandings between Israel and Hamas, Israel was to gradually

remove its embargo of the Gaza Strip and refrain from military action in the Gaza Strip in return for a halt in the rocket and mortar fire by Hamas and other belligerent factions. After the ceasefire went into effect, however, smuggling of weapons into the Gaza Strip continued at an even greater pace. This activity, added to sporadic fire at the western Negev from the Gaza Strip and a deadlock in the Egyptian-mediated contacts toward the freeing of the Israeli soldier Gilad Shalit held by Hamas in exchange for the release of Palestinian prisoners held by Israel, gave Israel grounds for closing the Gaza border crossings, or rather, for not opening them. The dynamic of the ceasefire reflected a perpetuating deadlocked dynamic that developed between Israel and the Palestinians. Like the PA, Hamas sought concrete evidence of the slackening of Israeli pressure – in this case, the opening of the border crossings. For its part, Israel conditioned easing the pressure on an absolute end to the rocket fire and a halt in weapons smuggling to the Gaza Strip. Despite sporadic violations, relative quiet was maintained for five months, because of Hamas efforts to prevent rocket fire and because the bombardment did not cause any Israeli fatalities. In November 2008, however, the weakness of a ceasefire with no clear rules or mechanism for handling violations came to the fore. The IDF attacked a tunnel dug by Hamas under the Gaza Strip fence; massive rocket fire on Israel followed. In late December, after two months of escalating fire and threats of a strong military response, Israel mounted a major offensive in the Gaza Strip.

Israel sought to create a situation in which the possibility of rocket and missile fire would be significantly contained and Hamas armament would be halted. This was the essence of the "new security reality" defined as the strategic goal of Operation Cast Lead, which was designed to ensure security calm for residents within firing range (which expanded from 16 to 40 kilometers during the lapsed lull), and to prevent escalation that would culminate in a renewed occupation of the Gaza Strip. An intense diplomatic campaign accompanied the military one. Israel faced international pressure to stop the offensive, motivated in large part by the heavy casualties and destruction in the Gaza Strip. Both Israel and Hamas rejected Security Council Resolution 1860, passed on January 8, 2009, which essentially called for an immediate ceasefire, prevention of the transfer of weapons

to the Gaza Strip, and an opening of the border crossings. A few days later, however, Hamas prime minister Ismail Haniyeh announced that his organization would accept any ceasefire initiative. In contrast to members of the Damascus-based Hamas political bureau – led by Khaled Mashal and supported by Syria, Iran, and Hizbollah – who called for continued fighting, the Hamas leadership in the Gaza Strip sought a lull that would make it possible to repair the damage caused to the organization's backbone during the fighting. On January 18, 2009, three weeks after the campaign began, assessing that Hamas would avoid blatant provocation, Israel declared a unilateral ceasefire. Hamas and other belligerent factions announced that they too would hold their fire.

Israel's decision to halt the fighting and withdraw from the Gaza Strip was facilitated by understandings reached with the US and Egypt and endorsed by the EU. Livni and outgoing Secretary of State Rice signed a memorandum on January 16 stating that the US would head a joint international effort to stop weapons smuggling into the Gaza Strip. This commitment, which ended a period of tension between the two countries following the US failure to veto Resolution 1860, was presented to President Obama, who took office on January 20, 2009. Israel also adopted an Egyptian initiative committing the latter to take measures to halt smuggling, formulate principles for opening the Gaza Strip border crossings, and promote understandings for a one year ceasefire. The Egyptian efforts to bring about a lull implied that the price the regime would have to pay in terms of the unrest caused by reining in Hamas and security coordination with Israel was preferable to those accompanying Hamas' continued stockpiling of arms, with its inherent potential for escalation and the expansion of Iranian influence in the Gaza Strip. This attitude was welcomed by the EU leaders, who met on January 18 in Sharm el-Sheikh to mark Israel's acceptance of the Egyptian initiative, and to express their intent to invest in reconstruction of the Gaza Strip. Following the conference, the European leaders proceeded to Israel. In a meeting with Olmert, they undertook to formulate security understandings in the spirit of the memorandum signed by Israel and the US.[25]

Hamas' leadership coordinated its ceasefire terms with Cairo and publicized them following the Israeli announcement. It thus was able

to portray the fighting with Israel as at least a moral victory. Yet firing from the Gaza Strip continued and was met with retaliatory attacks by the Israel Air Force, even as Hamas discussed terms for a lull and its duration. Similarly, the closure of the Gaza Strip continued: Israel continued to make its removal contingent on stopping Hamas rearmament and a total halt in shooting, while Hamas made a halt in its bombardment contingent on opening the border crossings.[26] As Livni said, Israel preferred to base a ceasefire on understandings "against Hamas, not with it."[27] This policy was adopted in opposition to the position of Defense Minister Barak, who favored a measured opening of the border crossings as a means of encouraging restraint by Hamas. Thus Israel chose the policy based on the assessment that the threat of response was sufficient to deter Hamas from firing. The continued bombardment, however, indicated that without agreed understandings that include a valuable incentive, a lull would be impossible to achieve.

Between Hamas and Fatah

Abbas participated in the Sharm el-Sheikh conference. At the same time, Qatar, which joined the camp led by Iran and Syria during the fighting in the Gaza Strip and severed its commercial ties with Israel, hosted a summit in support of Hamas. The Palestinian representative at the meeting in Doha was Khaled Mashal. This was a significant public appearance by the rival parties with competitive regional tendencies, highlighting the longstanding Palestinian factionalism and its regional context.

Abbas, the leader of the mainstream faction in the Palestinian national movement that for years was influenced by Cairo's political position, took part in the contacts preceding Israel's acceptance of the Egyptian initiative. Yet along with its support for Abbas' presidency and the Fayyad government, and despite its conflict with Hamas, Egypt has favored uniting the forces in the Palestinian theater as a means of calming the Israeli-Palestinian conflict and promoting the diplomatic process. Egypt's initiative therefore included the intention of rehabilitating the PA through a renewal of dialogue between Hamas and Fatah, followed by the formation of a unity government.

The rivalry between Fatah and Hamas, however, remained far from healed. For Hamas, the preconditions for an inter-party compromise are recognition by Fatah of Hamas' hold in the Gaza Strip and respect for the results of the January 2006 elections to the Palestinian Legislative Council. For his part, Abbas made coordination with Hamas contingent on the restoration of Fatah's rule in the Gaza Strip. Moreover, the parties were not quick to sit down to discuss principles of institutional cooperation between them or a change in the PLO's structure to include Hamas, let alone attitudes to Israel and the diplomatic process. Tension between the organizations was aggravated by the activity of the PA security forces in the West Bank. The measures taken against Hamas members thwarted Egyptian and Yemeni attempts launched in 2008 to mediate between the parties. The dialogue with Israel, at a time when Jewish settlements in the West Bank continued to expand, and particularly in view of the dragged out diplomatic process, provided a basis for the claim that the PA was in effect acting on Israel's behalf.[28] The June 2008 ceasefire was formulated without Fatah involvement – recognition of its inability to guarantee that it would be observed, and the ambivalence with which its leadership regarded a lull that would bring quiet to the people of the Gaza Strip but would also strengthen Hamas. Indeed, Hamas' leadership portrayed the lull as a direct result of its struggle against Israel, while the diplomatic stalemate did not allow Abbas to claim any comparable achievement. As expected, the Hamas leadership rejected the Egyptian proposal to involve Fatah in drawing up the terms for a renewed lull, in particular the possibility of PA forces taking part in guarding the Rafah border crossing.

The fighting exhausted Hamas both militarily and administratively, and cast doubt on its ability to enforce a lull on both the independent belligerent factions and the military arm of the organization itself. In addition, the confrontation with Israel demonstrated that Hamas' ability to simultaneously conduct a military campaign and protect the civilian population in the Gaza Strip was limited. Criticism of its leadership for what was interpreted as abandoning the people to face the Israeli response was inevitable. This criticism, however, was not translated into a strengthening of the PA to a degree that would enable it to spearhead diplomatic measures. The PA's inaction during the fighting, together with

its suppression of demonstrations of solidarity with Hamas and the Gaza population, aroused public criticism.[29] Inclusion of Fatah in patrolling the Rafah border crossing or in the reconstruction project in the Gaza Strip, should it come to fruition, would not cause Hamas to lose power in the area. Hamas' status in the Gaza Strip has won external recognition, as reflected in the demand that the organization give its consent to a lull, respect it, and prevent its violation by other factions. International entities involved in reconstruction in the Gaza Strip, both Arab and Western, will be unable to avoid coordination with members of the organization.[30] Moreover, it is possible that this coordination will advance the removal of the boycott against Hamas, without the latter complying with demands set by the Quartet as a condition for dialogue, and without the diplomatic process deriving any benefit from it. Nevertheless, a renewed lull in the Gaza Strip, if it occurs and persists, will not necessarily improve the chances of progress in the process, due to the significant difference between the security dialogue taking place between Israel and the PA and the dialogue between Israel and Hamas: a ceasefire in the Gaza Strip in which Fatah has no diplomatic influence, let alone enforcement capability, is designed as a goal in itself, not as part of negotiations towards a comprehensive settlement.

The balance of power in the Palestinian arena has a direct impact on prospects for the diplomatic process, just as the chances of progress in the diplomatic process directly affect the balance of power in the Palestinian arena. The Hamas takeover in the Gaza Strip brought Abbas back to the negotiating table with Israel. In March 2008, following an escalation in the confrontation between Israel and Hamas, contacts between Fatah and Hamas were renewed, albeit without success. Following the signing of the lull agreement in June 2008 and the prolonging of the diplomatic process, Abbas put out feelers as to dialogue with Hamas. This measure also failed to gather momentum. Nevertheless, the recurring proposals for mediation between the two organizations constitute a reminder that just as expediting the diplomatic process is Fatah's response to rivalry with Hamas, dialogue with Hamas is a response to diplomatic stalemate. In February 2009, following the diplomatic deadlock and erosion of its status, the Fatah

leadership accepted an Egyptian initiative for renewal of the national dialogue, though the talks reached yet another deadlock.

The split in the Palestinian arena is the root of the contradiction between the diplomatic process and a lull in the confrontation between Israel and Hamas, because a renewed lull strengthens Hamas and demonstrates the helplessness of Fatah. It likewise underlies the contradiction between the process and escalation of the confrontation between Israel and Hamas – a confrontation that harms Hamas but does not strengthen Fatah, and even weakens its standing. Finally, it dramatizes the contradiction between the process and reform in the PA-affiliated security forces, because this reform strengthens Fatah only provisionally, subject to progress in the talks. Without a promise of a diplomatic breakthrough, the PA is deprived of the possibility of exploiting differences within Hamas and encouraging moderate forces in the organization to join Fatah on the basis of even tactical agreement with its diplomatic strategy.[31] Coordination between the organizations, if achieved, will be guided by the goal of reconstruction in the Palestinian theater.[32] Against the backdrop of a diplomatic stalemate it is likely to be promoted by Fatah even at the price of suspending the talks between the PA and Israel. The erosion of belief in the vision of dividing the land into two states, evident among Fatah members in recent years, is also liable to facilitate rapprochement between members of the two camps on the basis of a joint struggle against Israel.[33] This development will present Israel with more serious security and diplomatic challenges than those currently originating in the Palestinian arena.

Conclusion

The interest that brought Israel and the PA back to the negotiating table in late 2007 still exists. Israel has come to recognize a diplomatic and territorial compromise as a solution for security, political, and social challenges. The PA, under Fatah leadership, chose the diplomatic process as a way to promote national aspirations, subject to the conditions created in the sphere of the conflict in recent decades, and in order to establish its leading position in the Palestinian arena. It is possible that border issues and security arrangements will be solved in the future, while more complex issues, above all sovereignty in Jerusalem and the refugee question, will be

brought up for discussion when the parties require a trade-off mechanism in order to formulate a comprehensive agreement. They will then be able to use existing formulas for a solution, such as the Geneva initiative or the parameters outlined by President Clinton. The road to this advanced stage, however, is still long.

Not only were disagreements on core issues still unsolved at the end of the year allotted by the Annapolis process for formulating an agreement, but progress in managing the conflict, designed to facilitate discussions pertaining to resolving the conflict, was slow. Furthermore, the fighting that broke out between Israel and Hamas reinforced the obstacles that had previously prevented progress in the talks. In late 2008, when Israel, the Palestinians, and international parties recognized that timetables for the diplomatic process had to be made more flexible, attention was diverted to the fighting in the Gaza Strip. In the midst of the fighting, it was impossible to concentrate on core issues in the talks, relieve Israeli concern about the security risks accompanying withdrawal from the West Bank, and recruit popular Palestinian support for an historic compromise. However, the echoes of the fighting, even if followed by a stable and prolonged lull, will make it difficult to expedite the process. If and when the dialogue is resumed, the Israeli government will have to deal with the same heightened public doubt about the security wisdom of withdrawing from the West Bank that contributed to the victory of the right wing bloc in the elections. On the other hand, the PA's scope for negotiating has shrunk. The military campaign in the Gaza Strip exacerbated the enmity between Hamas and Fatah, and so too the difficulty in establishing the PA as a national representative for negotiations capable of guaranteeing the implementation of understandings.

Given the lowering of mutual expectations of reaching a permanent settlement that can be implemented in the foreseeable future, it appears that all that Israel and the PA can hope for is to keep the dialogue on the agenda. For Fatah, the talks constitute justification for political and security coordination with Israel, and strengthen regional and international support for the PA in compensation for its weakened standing at home. For Israel, persisting in dialogue in cooperation with international initiatives, particularly in coordination with the American administration and Egypt,

answers doubts concerning its willingness in principle to move towards a settlement, and helps limit the damage to its image caused by the war in the Gaza Strip. An effective international effort to prevent the smuggling of weapons to the Gaza Strip, based on American, Egyptian, and European commitments that enabled Israel to declare a ceasefire in the Gaza Strip, will avoid the need to intensify the closure and reduce Hamas' ability to escalate the conflict in order to disrupt contacts between Israel and the PA. As shown again by the Annapolis process, without a tangible hope of finding a new political solution, it will be hard for Israel and the PA to overcome the initial barrier of the Roadmap, and without such progress, it will be hard for them to provide real grounds for hope of a breakthrough. Thus, measures aimed at lightening the burden borne by residents of the West Bank and reducing friction between them and Israel will help preserve the continuity of dialogue, even if it does not bring the diplomatic process to the comprehensive implementation stage.

Despite the removal of the time constraint from the diplomatic process one year after the Annapolis formula was agreed, the time factor should be taken into consideration by the negotiating teams. The danger to the process posed by the absence of a timetable is no less than that stemming from enforcement of a rushed, unrealistic timetable. The dragging out of talks will highlight gaps in fundamental positions, weaken those supporting an agreed compromise, and hasten the appearance of security threats likely to delay progress towards such a solution.

Notes

1 The Roadmap dealt with all the Palestinian territories. The Annapolis formula concerned the West Bank.

2 A concomitant goal was lowering the profile of the Israeli-Palestinian conflict, with the idea that settling the conflict would make it easier to deal with global challenges originating in the Middle East.

3 Following an explicit request by the secretary of state, Israel expressed willingness to remove 50 of 560 roadblocks scattered over the West Bank, *New York Times*, March 31, 2008. By September, a total of 100 roadblocks were removed, *Jerusalem Post online*, September 8, 2008.

4 This was assessed to require a $4 billion investment. See *Economist.com*, November 24, 2008.

5 Avi Issacharoff, "There is a Partner, But Who Cares," *haaretz.co.il*, September 15, 2008.
6 The US administration supported this argument (*haaretz.co.il*, June 16, 2008, September 9, 2008). See also a letter of complaint against Israel sent by Salam Fayyad to the OECD, *Jerusalem Post online*, June 3, 2008.
7 *Jerusalem Post online*, September 8, 2008.
8 Avi Issacharoff, "The US is Pressing for Formulation of an Israeli-Palestinian Document by September," *haaretz.co.il*, July 28, 2008; "Olmert proposed that Israel annex 7 percent of the West Bank, for which the Palestinians would receive 5.5 percent of the territory as compensation," *haaretz.co.il*, August 12, 2008. As reported by Aluf Benn ("The Israeli-Palestinian Negotiations: What Has and What Has Not Yet Been Agreed," *Mabat*, Issue 56, May 19, 2008), Israel wanted to retain 8-10 percent of the West Bank, while the Palestinian side wanted an agreement in which Israel will be left with 3.5 percent of the West Bank, in exchange for 2 percent in replacement territory and 1.5 percent in a secure passage between the Gaza Strip and the West Bank. The Palestinian side also demanded an elevated passageway, while Israel demanded that it be underground. Regarding the refugees, Israel wanted hazy wording about the number to be permitted to return to their homes, while the Palestinians wanted explicitly stated understandings (*haaretz.co.il*, June 2, 2008); an interview with Abbas – "Abbas: In any Agreement, We will Demand that some of the Refugees Return to Israel," Akiva Eldar and Avi Issacharoff, *haaretz.co.il*, September 12, 2008.
9 In response to the demand for demilitarization, Ahmed Qurei even presented a demand for a regular army (*Ynet*, May 15, 2008).
10 Livni, quoted in *Ynet*, April 30, 2008; report from the Quartet conference in Sharm el-Sheikh, US Department of State website, November 9, 2008, Abbas quoted by BBC, September 12, 2008.
11 Quartet Press Statement, US Department of State, Office of Spokesman, December 15, 2008.
12 After meeting with Abbas, Rice said, "I would like to remind everyone that this time last year, we…didn't have a peace process" (US Department of State, August 26, 2008).
13 Despite opposite in Fatah and protest from Hamas, Abbas signed a presidential order scheduling the presidential elections for January 2010, the scheduled date for elections to the Palestinian parliament (*haaretz.co.il*, September 23, 2008).
14 *Haaretz.co.il*, September 25, 2008.
15 *Jerusalem Post online*, June 23, 2008; *Newyorktimes.com*, September 1, 2008; *haaretz.co.il*, May 20, 2008; Aluf Benn, "Battle on Two Fronts," *haaretz.co.il*, September 1, 2008.

16 *Haaretz.co.il*, June 15, 2008.
17 *Haaretz.co.il*, September 3, 2008.
18 See Nahum Barnea and Shimon Shiffer's interview with Ehud Olmert, *Yediot Ahronot*, September 29, 2008.
19 *Security Council SC/9539*, Department of Public Information-News and Media Division, December 16, 2008, New York. The Arab peace initiative was adopted when published by the Security Council in March 2002 (Resolution 1397).
20 The formulation of the UN resolution encompassed an Israeli perspective with respect to a timetable. The American administration sought to anchor the Annapolis formula in a UN Security Council resolution immediately after the conference ended. The Israeli government opposed this because it did not wish to add a constraint to achieve progress in the initiative to those it already faced, even in the absence of any enforcement mechanism. Thus the American proposal was not submitted to the Security Council. Later, as a mark of the Bush administration's legacy, the proposal was accepted, although with no timetable except for supporting the Quartet's plan to convene a follow-up summit in Moscow during 2009. Israel did not object to this – evidence of recognition of the congruence between the principles of the Annapolis process and its long term political and security goals, particularly when the Security Council resolution did not state guidelines for immediate action.
21 Ma'an News Agency, February 22, 2009.
22 Speaking at the Turkish parliament, Obama said: "Let me be clear, the United States strongly supports the goal of two states, Israel and Palestine, living side by side in peace and security… That is a goal that the parties agreed to in the road map and at Annapolis. And that is a goal that I will actively pursue as president" (*Jerusalem Post* online edition, April 7, 2009). In response, Netanyahu said that "the government of Israel is committed to both these goals and will formulate its policies in the near future so as to work closely with the United States" (*haaretz.co.il*, April 7, 2009).
23 This announcement was made following the establishment of the government and Netanyahu's refusal to commit to a two-state solution (*haaretz.co.il*, March 17, 2009 and March 28, 2009). It contradicted an understanding reached in December between Livni and French foreign minister Bernard Kouchner that upgrade of Israel-EU relations would not be contingent on progress in the negotiations (*haaretz.co.il*, December 9, 2008).
24 At the conference of the donor countries in Paris in December 2007, the participants undertook to transfer $7.7 billion to the PA in installments by 2010. Most of the aid is designated to back the PA's current budget, i.e., to help calm economic and social unrest.

25 Barak Ravid, "European Leaders to Assist in War against Smuggling," *haaretz.co.il*, January 19, 2009.
26 During the discussions between Egypt and the two sides, Olmert announced that Israel would not open the border crossings before the release of Gilad Shalit. Egyptian spokesmen responded by accusing Israel of delaying the arrangement on a lull (*Haaretz*, February 17, 2009).
27 Interview in a news broadcast, Channel 2 TV, Israel, January 16, 2009.
28 *Haaretz.co.il*, May 4, 2008; *al-Quds*, September 8, 2008; *al-Ahram weekly online*, October 23-29, 2008.
29 *New York Times*, January 15, 2008; Agence France Press, January 15, 2008. These assessments of a weakening of Fatah's position were supported by the result of a public opinion poll in the territories (PSR Poll #31, March 9, 2009); support for Fatah dropped from 42 percent (Poll #30, December 2008), to 40 percent. Support for Abbas dropped from 46 to 40 percent, and support for Hamas increased form 28 to 33 percent.
30 Countries participating in the Sharm el-Sheikh conference to raise donations for reconstruction of the Gaza Strip undertook to transfer $4.4 billion over the next two years (*haaretz.co.il*, March 2, 2009).
31 The arguments in Hamas about cooperation with Fatah intensified following the Israeli campaign, in response to Tony Blair's call to include the organization in the diplomatic process (*Jerusalem Post online*, January 21, 2009).
32 Abbas: "We are not Asking Hamas to Recognize Israel," Ma'an News Agency, February 8, 2009.
33 "We are running out of time for a two-state solution," Akiva Eldar, *haaretz.co.il*, August 16, 2008; "The One-State Solution," Sari Nusseibeh, *Newsweek*, September 29, 2008.

Israel-Syria Negotiations: An Opportunity for Regional Strategic Change?

Shlomo Brom

The year 2008 was marked by renewed activity along the Israeli-Syrian negotiations track, due to a change in Israel's approach. In preceding years Syrian president Bashar al-Asad repeatedly stated his goal to renew negotiations with Israel, but Israel showed no interest. After Ehud Olmert assumed his position as acting prime minister once Prime Minister Sharon was incapacitated and even after he won the elections in March 2006 and established a coalition government, the policy he chose was at its core a policy of continuation. As such, he preferred to manage relations with the Palestinians by means of unilateral steps while giving a cold shoulder to the Syrians who continued to propose a renewal of negotiations.

The Changed Approach

Israel's policy change stemmed from developments in the Lebanese-Syrian arena and in the Gaza Strip. On the one hand, it became clear in both areas that the unilateral approach, even if it includes unilateral withdrawals and what is taken in Israel as gestures towards the other side, does not create a stable situation. This strengthened the notion that Israel cannot withdraw from territory it controls and hope it does not serve as a base for attacks against Israel without handing it over to a party committed to and capable of preventing violence and controlling the area. On the other hand it became clear that while Israel seemingly enjoyed strong deterrence and therefore

quiet along the Golan Heights, and while Hizbollah's provocations on the Lebanese border were at a controlled and tolerable level, the neglect of the Lebanese-Syrian front over time was in fact dangerous. The adversary on the other side has continued to arm itself and build better capabilities against Israel's civilian population, and ultimately these capabilities will manifest themselves unless the root causes of the conflict are dealt with.

Public dissatisfaction with how the Second Lebanon War was conducted and with its consequences heightened concerns about escalation on this front. It was assessed that the IDF's inadequate performance eroded Israel's deterrence with regard to Syria as well as Hizbollah, which therefore increased the possibility that Syria would try to launch a military move on the Golan Heights. President Asad strengthened this assessment with a string of statements in which he offered Israel one of two choices: resume negotiations and conclude a peace treaty with Syria, or confront a Syrian effort to "liberate" the Golan Heights by force.[1] All of these made it necessary to reconsider the correct way to stabilize Israel's northern border.

Another outcome of the Second Lebanon War was sharper Israeli focus on the Iranian threat and the role of Syria and Lebanon in that threat. In Israeli eyes the Second Lebanon War did not look like another round in the series of violent confrontations between Israel and factions in Lebanon, rather like the first round of a war between Iran and Israel waged by Iran's proxy – Hizbollah. This view obligated Israel to examine whether it was possible to deal with the Iranian threat in the arena close to Israel. The reality of the Iranian nuclear program strengthens this approach, specifically because of the time factor. If there is a way to disarm the Iranian time bomb or at least minimize its effectiveness via measures in the area close to Israel, it is preferable to do so before Iran has nuclear weapons and expands its hegemonic aspirations in the Middle East.

The concern following the war about erosion of Israel's deterrence on its northern front waned once it became clear that Syria had no intention of launching a military confrontation with Israel. Moreover, the behavior of Hizbollah and Syria indicated that despite the problems experienced by the IDF and the weaknesses that came to light in the war, overall the war strengthened Israel's deterrence on this front. This first emerged vis-à-vis Lebanon both in statements made by Hizbollah secretary-general Hassan

Nasrallah whereby had he known what kind of damage Lebanon would incur from the IDF's response, Hizbollah would not have tried to kidnap the soldiers, and in the quiet maintained on the Lebanese border since the war. As to Syria, the war actually dramatized Syria's military weakness and the price it might be required to pay in a war with Israel. Thus Syria has focused since then primarily on building its ability to extort steep prices from Israel and on defensive capabilities in order to deter Israel from initiating military moves against it. This balance of deterrence is apparent from Syria's lack of response to the reported attack on the secret nuclear reactor that was in advanced stages of construction in northern Syria, and in the Syrian attempt to downplay the significance of this attack in order to absolve it of the obligation to respond. Furthermore, Syria did not react to covert operations in its territory that suggest alleged Israeli involvement, such as the assassination of Hizbollah senior leader Imad Mughniyeh in Damascus. The absence of a violent response on the part of Hizbollah and Syria to Operation Cast Lead in the Gaza Strip also testifies to Israel's deterrence with regard to these players. Concern remains, however, about a flare-up of the Lebanese arena in some scenarios because Hizbollah may still react to Mughniyeh's assassination, and because developments in the Iranian arena and primarily an attack on Iranian nuclear installation by the United States or Israel can generate a Hizbollah response against Israel.

These developments spurred the renewal of negotiations between Syria and Israel. From Israel's perspective, the importance of attaining a peace agreement with Syria has grown because it serves to weaken the Iranian-Syrian-Hizbollah-Hamas axis by removing Syria from the constellation. On the other hand, Syria could then claim, both externally and internally, that Israel had finally succumbed to Syrian demands to renew negotiations because it was worried about Syria as a result of its failure in the Second Lebanon War, whereas from Israel's perspective it was easier to enter negotiations with Syria feeling it had rebuilt its deterrent capabilities rather than from a position of weakness. It has also been claimed that Prime Minister Olmert's decision to renew the negotiations with Syria stemmed from internal political considerations, in particular his desire to rehabilitate his status, which was badly damaged during the Second Lebanon War. This is a questionable thesis, as the change in Olmert's stance occurred

when he was already recovering somewhat from his political nadir. The negotiations were held through the mediation of Turkey, which at first relayed messages from one side to the other and afterwards organized talks to cultivate relations between the two sides, which sent delegations to Ankara. These talks were also conducted by means of messages relayed by the Turks, but the proximity of the delegations enabled a more efficient negotiations process. The negotiations were interrupted by the fighting in the Gaza Strip and were not renewed afterwards, as Israel was occupied with its election campaign and the elections themselves.

The International Response

The regional and international environment was less supportive of Israel's efforts. To the United States and to some extent also West European parties such as France, Israel, by renewing negotiations, was giving Syria a "free ride" and undermining the pressure on it to change its conduct on several issues. The first of these was its involvement in Lebanon's internal affairs, and in particular the suspicion that Syria was involved in the Hariri assassination and a long list of other political assassinations in Lebanon. The second was its serving as a support base for Sunnis fighting the United States in Iraq while using Syria as a logistical and financial rear and as a route for jihadist volunteers into Iraq.

Regionally too there was little support for a renewal of negotiations with Syria. Pragmatists in the Arab world are angry at Syria for its conduct in Lebanon and its alignment on the Iran-Syria-Hizbollah axis and do not want to relieve the pressure on it. In Lebanon, there are particular worries that Syria-Israel negotiations could end with both sides reaching a settlement at Lebanon's expense. Furthermore, the Arab world attributes greater importance to progress on the Israeli-Palestinian track and is concerned that conferring preferential status on the Syrian issue might harm the Palestinians' prospects.

Reservations by the United States are an important inhibiting factor. The negotiations between Israel and Syria are distinctive in that their main objective, from both sides' point of view, is not mutual relations, rather relations with a third party. From Israel's perspective, the chief goal is to weaken the radical axis that includes Iran and Hizbollah. From Syria's

perspective, the return of the Golan Heights is an important but less urgent goal: the chief goal is improved relations with the West and in particular the United States. Syria knows it is paying a steep price for its alliance with Iran, yet this same relationship may threaten the regime in the long term when it is no longer enough to mitigate Syria's chief problem – its problematic questionable economic future as a result of the depletion of its oil reserves. Because of this, Syria is not prepared for direct negotiations with Israel, unless the Unites States is also in the room.[2] For Israel too there is great importance to the American participation in the negotiations, because only the United States can compensate Israel for the strategic price it will have to pay in withdrawing from the Golan Heights. The refusal of the United States to be involved in the negotiations to date has not allowed the opening of direct and intensive negotiations and quicker progress.

In the internal political arena, the United States and Israel are both in a transition phase. President Obama's administration is in the protracted process of settling in, which in the United States is particularly long because the political system is such that a new administration replaces all personnel holding senior positions. In Israel, the results of the February 2009 elections may greatly affect the Israeli-Syrian track. Thus it will probably be necessary to wait until the middle of 2009 for these two main players to fully define their stances on the Syrian track. On the American side, the central question is what priority the administration will assign these negotiations.

Even at this early stage, it is fairly clear that the approach of Obama's administration to Syria will differ from its predecessor's. The administration will likely adopt an approach of dialogue with Syria that will resemble the recommendations of the Baker-Hamilton report of December 2006. Israeli negotiations with Syria with American participation are in keeping with this approach, and therefore presumably in the course of 2009 the United States will reverse its role, and instead of impeding the negotiations with Syria, will encourage and strive to advance them.

The extent of the Obama administration's proactive stance will largely depend on its priorities. One question is where the Arab-Israeli conflict is in the big picture of American priorities compared with issues of greater urgency, such as the economic crisis, Iraq, Afghanistan and Iran, American

relations with Russia, and more. Obama, already in his first remarks in office, made clear the importance he attributes to dealing with the Israeli-Palestinian issue and the Arab-Israeli conflict in general, and two factors in particular suggest that relatively high priority will be assigned to the Arab-Israeli conflict. The first is apparently the general approach among Obama's team that in the Middle East, everything is connected. This understanding also punctuated the Baker-Hamilton report, and its practical significance is that America's status in the Middle East and ability to realize its critical interests in regions far from Israel, such as Iraq and the Persian Gulf and perhaps even with regard to the war on global Islamic terrorism, require America to deal with the Arab-Israeli conflict. The second factor is the reentrance into the picture of key people who were previously involved in the peace process and are now in senior positions in the new administration. Senator George Mitchell was appointed the president's special envoy in resolving the Arab-Israeli conflict. General James Jones, the new national security advisor, already in his previous posting developed the concept of a comprehensive approach to solving America's problems in the Middle East, whereby processes involving Israel play a part in negotiations.

A second question is which track will be assigned higher priority – Palestinian or Syrian. The new administration may give preference to the Syrian track because chances for success are higher, whereas the Palestinians track seems mired in a dead end. On the other hand, it seems that the personal preference of many people in the administration and perhaps of Obama himself is the Palestinian track, because they feel its resolution is more important and will have a greater impact on the Middle East and the Islamic world in general than the Syrian track.

The Israeli Factor

The renewal of talks with Syria in 2008 prompted a strong public debate in Israel, because it was clear that negotiations that would end with an agreement would commit Israel to give up the Golan Heights. Those opposed argued that the Golan Heights are an important strategic asset and that evacuating the residents from the area would be too high and traumatic a price for the Israeli public. The benefit Israel was likely to get from such an agreement was not at all commensurate with its cost because Syria would

not want – and would not be able – to sever its strategic ties with Iran and Hizbollah, and the Golan Heights are in any case peaceful because Israel's deterrence with regard to Syria is still effective. Within Israeli government circles, however, there is steadfast support for renewing negotiations with Syria, and the push for progress along the Syrian channel is particularly strong in the defense establishment.[3] The underlying strategic philosophy is that negotiations with Syria and an agreement with it are an effective way of weakening the Iranian threat and stabilizing the situation with regard to Lebanon.

Experience in the peace process suggests that despite the great significance of the United States as supporter and facilitator of successful negotiations, the first prerequisite for progress is the desire of the two sides and their strategic decisions, which is also influenced of course by the American stance. Thus, the decisive factor as to the future of negotiations is likely the nature of Israel's coalition government. Any government established will have to decide whether to continue the negotiations with Syria and the negotiations with the Palestinians over a permanent settlement, and given the difficulty of conducting intensive negotiations, let alone implementing the agreements on two tracks simultaneously, how much weight to assign to each track. Syria is not making negotiations conditional on progress on the Palestinian track, and therefore in this sense it may be possible to prefer negotiations with Syria and slow down or freeze the negotiations with the Palestinians over a permanent settlement.

Because of the right wing nature of his coalition government, Netanyahu will not have a lot of freedom to maneuver on the Syrian issue, and he will find it difficult to continue the negotiations. Given the need to avoid friction with the new American administration, it may be that Netanyahu will actually give precedence to the Syrian negotiations, because this will allow him to postpone the pressures to give meaningful content to the Israeli-Palestinian negotiations in which he will likely be unwilling or unable to make progress. However, it is also highly doubtful that he will be able to conduct effective negotiations with Syria in light of the expected opposition of his coalition partners and within his own party. Yet if he nevertheless decides to do so and the negotiations end successfully, he will find it easier to pass the agreement generated by the negotiations

in the Knesset and also in a plebiscite, because the opposition will support an agreement and Likud almost certainly will split into factions for and against the agreement.

Paradoxically, it may be that Netanyahu will find it easier to conduct some political process on the Palestinian track than along the Syrian one, because there are no possible partial agreements in the Syrian track. Negotiations with Syria can take place only if there is basic willingness on the Israeli side to withdraw fully from the Golan Heights. In the Palestinian track, it is possible to conceive of scenarios in which, lacking options, the Palestinians will continue some sort of political process with Israel even in the absence of real negotiations over a final permanent settlement. This was likely the background to post-elections statements by Netanyahu associates whereby it was necessary to advance a partial agreement with Syria – Israeli withdrawal from parts of the Golan Heights in return for a non-belligerence agreement with Syria. This is an attempt to create a type of partial agreement, yet it is likely to fail given the rigid Syrian stance of refusal to discuss anything that is less than a full arrangement.

Regional Ramifications

Iran is aware that the price required of Syria, in exchange for an agreement that would restore the Golan Heights to Syrian sovereignty, is the severing of Syria's strategic ties with Iran, and therefore it is likely that Iran will labor to deter Syria from continuing the negotiations with Israel and certainly from concluding it successfully. However, it will try to ensure that these steps do not harm its future relations with Syria since given Iran's diplomatic isolation, these relations are important to it. This means that beyond the attempts to convince Syria not to pursue a peace agreement, Iran will apparently not take any sanctions against Syria. Iran can take indirect steps such as fomenting trouble in the Lebanese or Palestinian arena in order to create conditions that might hinder Israeli-Syrian negotiations.

Negotiations between Syria and Israel would also affect the Israeli-Lebanese system. On the one hand, Iran is liable to take advantage of this arena to undercut the negotiations. On the other hand, Syria itself would almost certainly work on behalf of restraint in Lebanon, and it is even possible that when the negotiations reach the stage of direct negotiations,

Lebanon might also join in.[4] This signals a change in approach as Syria, in previous negotiation stages, made negotiations with Lebanon conditional on the success of the negotiations with Syria. For its part, Syria will strive to take advantage of the negotiations with Israel and the renewal of the dialogue with the United States to strengthen its hold on Lebanon. This is liable to be a stumbling block in the course of the negotiations because the United States and the Europeans will not be willing to sell out Lebanon even if the strategic profits of driving a wedge between Syria and Iran are clear.

The negotiations with Syria and then Lebanon, and in particular if there is real progress towards an agreement, will pressure Hizbollah to weigh the implications for its own interests and its room for maneuvering. Hizbollah might seek to sabotage the negotiations because it will conclude that they might harm its own interests and its Iranian patron. On the other hand, Hizbollah's dependence on Syrian supply lines behooves it to tread lightly. Overall, it seems that negotiations will be an additional constraint making it difficult for Hizbollah to renew friction with Israel. The organization will likely focus on an attempt to influence Syria in a way that will not harm its own interests, and on thinking about the ways in which it can continue to retain its political power even in a reality of peace agreements.

An interesting question is if and how the global economic crisis might affect negotiations with Syria. If the crisis lasts, Israel will find it more difficult to bear the cost of implementing a possible agreement with Syria that would almost certainly entail withdrawal from the entire Golan Heights and require evacuating the residents, moving military installations, and constructing capabilities, particularly intelligence-related, that would offset the loss of the Golan Heights. The United States will find it difficult to assist Israel to the extent required in these areas. For its part, Syria may be disappointed by the limited willingness of America and the West in general to come to its economic aid as the result of an agreement with Israel.

Nonetheless, 2009 presents a window of opportunity for renewing direct negotiations with Syria and arriving at an agreement. Taking advantage of this opportunity will depend largely on internal developments in Israel. If pursued, it will have a great impact on the situation Israel faces with regard

to Iran and Lebanon. If it is not used, it might create increased tensions on Israel's northern front. Furthermore, Israeli decisions in this area will also affect the Israeli-Palestinian track. If Israel assigns high priority to the Syrian track, it is unreasonable to think that it will be able to make real progress simultaneously in negotiations over a permanent arrangement with the Palestinians, though it will still be possible to arrive at limited understandings and agreements in different areas with them. This fact will be an additional consideration in the Israeli decision about its conduct with regard to Syria.

Notes

1 See President Asad's speech before the Journalists Union given in Damascus on August 15, 2006, http://www.sana.sy/eng/21/2006/08/15/57835.htm; Ze'ev Schiff, "The Light in the Threats of War," *Haaretz*, June 7, 2007; Uzi Benziman, "You and the Coming War," *Haaretz*, December 13, 2006.

2 So, for example, in an interview given by Asad to the *Washington Post* on December 23, 2008, he clarified that Syria has two conditions for renewing direct negotiations: a promise that Israel will withdraw fully from the Golan Heights and American participation in the talks, http://www.washingtonpost.com/wp-yn/content/article/2008/12/23/AR2008122301998.html?sub=new.

3 "In 2000 the commander of the Northern Command, Ashkenazi, supported a retreat from the Golan Heights given an agreement with Syria. Apparently, he has not changed his mind." Amir Oren, "The Golan has a Price," *Haaretz*, February 16, 2007.

4 At a press conference called by Syrian president Bashar al-Asad with French president Sarkozy in Paris on September 3, 2008, he stated that he had come to an agreement with Lebanese president Suleiman with regard to Lebanon joining the talks at the stage of the direct negotiations, http://www.nrg.co.il/online/1/ART1/782/722.html.

III
The Regional System

Not Just a Bridge over Troubled Waters: Turkey in Regional and International Affairs

Gallia Lindenstrauss and Oded Eran

In recent years Turkey has attempted to establish its foreign policy according to the doctrine of strategic depth suggested by Ahmet Davutoglu,[1] former chief advisor to Prime Minister Recep Tayyip Erdoğan on foreign policy and today Turkey's foreign minister. This policy emphasizes that the importance of a nation in the international system is measured by its geo-strategic location and by its historical depth. Davutoglu claims that from this vantage Turkey's situation is unique because of its geographical location in a region connecting two continents and because of its historical links with the Balkans, the Middle East, and Central Asia.[2] The doctrine reflects a neo-Ottoman trend, as well as Turkey's desire to increase its soft power and influence in the international arena; its practical significance lies in the growing number of mediation initiatives Turkey has promoted around the world, particularly with regard to regional conflicts. Turkey's policy towards its neighbors has been termed "zero problems,"[3] as the objective was to try to invest great efforts in order to prevent possible crises along its borders.

In the past year, the doctrine of strategic depth was reflected in several diplomatic moves initiated by Turkey: offers to mediate between the United States and Iran, continuing efforts to mediate between Syria and Israel, and what came to be called "football diplomacy" regarding Turkish attempts to improve its relationship with Armenia, culminating

in the historic visit by the Turkish president to Armenia. Beyond these, as part of Turkey's responses to the crisis in Georgia, Turkey drafted a proposal for a platform of cooperation and stability in the Caucasus, which included Russia, Turkey, and the nations in the southern Caucasus region. Turkey has also encouraged renewal of the talks between the adversaries in Cyprus in light of the presidential elections in the Greek part of the island in February 2008, which resulted in the rise of a moderate leader who supports a settlement. In addition to these initiatives, after more than forty years, Turkey was once again elected as a non-permanent member of the United Nations Security Council.

In contrast to these positive diplomatic developments, no progress was made in the past year with regard to the Kurds. The problem of terrorist activity on the part of the Kurdish Workers' Party (the PKK) remains and has even worsened, as has Turkey's typical response after PKK attacks, which consists of repeated entries of Turkish forces into Iraqi areas in order to pursue Kurdish fighters. In the past year, there was some progress in intelligence cooperation between the United States and Turkey regarding PKK activity in northern Iraq, and the United States viewed with understanding Turkish air and ground activity in the area. Nonetheless, it seems that despite American efforts to forge a closer relationship with Turkey, there was no essential change in the Turkish public's attitude towards the United States, at least not until Barack Obama became president. It seems that this election contributed to an improved United States image in Turkey.[4]

Turkey and its Immediate Surroundings

Turkey harbors significant concerns about the future of Iraq. The American goal is to withdraw from Iraq by 2011, but there are also calls from within the United States to accelerate the process. Turkey fears that Kurdish demands for a loose ethnic confederation in Iraq are merely a disguise for the Kurds' true intentions – to establish an independent Kurdish state. Yet while Turkey is vehemently opposed to this possibility, perhaps the establishment of such a state, over which Turkey would probably have more influence than any of the neighboring states, could strengthen Turkey's standing in the region. Even today, Turkish businesspeople are

highly invested in northern Iraq, and therefore their interest is to maintain stability in Kurdish areas.

To a certain extent, fears about the establishment of an independent Kurdish state also explain Turkey's efforts to forge a closer relationship with Iran, another country with vehement objections to the establishment of an independent Kurdish state and the presence of American forces in Iraq. In this context, Mahmoud Ahmadinejad's visit to Turkey in August 2008 was particularly significant. The visit was to Istanbul, not Ankara, and was defined as a "working meeting" rather than an official visit, so that Turkey could avoid the official ceremonies and Ahmadinejad could forego the obligatory visit to the mausoleum of Kamel Ataturk, the father of Turkish secularism.[5] Turkey's atypical flexibility on this issue suggests the high degree of importance it attributes to promoting its relations with Iran.

Also preoccupying the international community and touching on Turkish-Iranian relations is the Iranian nuclear issue. Turkey's stance is that at this stage, everything possible should be done to prevent a conflagration that could result from Israeli or American preventive action. The Turks are less worried about an Iranian nuclear threat posed against them, and more worried about the regional instability that might result from Iran's attempt to attain nuclear weapons. Prime Minister Erdoğan even identified somewhat with Iran's questioning the legitimacy of nuclear weapons states' attempts to prevent Iran from attaining these weapons. Nonetheless, it seems that in Turkey there is some disagreement over the significance of an Iran with nuclear weapons: the military and secular elites are worried by Iran's nuclear policies, whereas the leaders of the Justice and Development Party and new elite groups do not share these concerns. At the same time, despite the disagreement, there are no calls at present for Turkey to develop its own nuclear capabilities, which may be explained by the nuclear umbrella Turkey enjoys as a member of NATO.

A marked improvement has taken place in recent years in Turkish-Syrian relations, stemming from common interests with regard to Iraq's future and Syria's need to breach the international isolation imposed on it by the Bush administration.[6] This prompted Syria to present moderate stances with regard to Turkey, e.g., over the issue of allocation of regional

waters. Improved relations were also reflected by Turkey's central role in mediating between Israel and Syria. The diplomatic activity consisted of four rounds of indirect negotiations between the sides, and an intended fifth round was postponed because of the election campaign in Israel. In late 2008 Prime Minister Ehud Olmert traveled to Ankara to try to advance the negotiations with Syria. On the eve of his visit, at the annual international conference of the Institute for National Security Studies, Olmert said, "Removing Syria from the Axis of Evil is of supreme strategic interest for the State of Israel," and "a peace agreement with Syria can be achieved."[7] During his visit, Olmert met with Prime Minister Erdoğan, President Abdullah Gül, and then-Foreign Minister Ali Babacan, and there was reportedly progress towards the formulation of a mediation document that would allow for direct negotiations between the sides.[8] However, with the Israeli operation in the Gaza Strip in late December Syria decided to suspend the talks and Turkey withdrew from its role as mediator, though Erdoğan hinted that Turkey would once again fill this function and said, "Peace between Israel and Syria is not yet dead."[9]

Over the year there were few significant developments in Israeli-Turkish relations, but during Operation Cast Lead these relations suffered a significant blow. While in the past negative developments in Israeli-Palestinian relations have also almost always resulted in harsh criticism from Turkey, Olmert's visit to Ankara just a few days before the operation contributed to Turkey's feeling that it had been pushed into a corner. On the one hand, the impression was that Turkey perhaps knew of the operation in advance and did not prevent it, and on the other hand, if Turkey did not know about it, then apparently Ankara's importance was not as great as its leaders assumed. On several occasions during the operation and afterwards, Prime Minister Erdoğan spoke about Israel with great acrimony. He stated that an ongoing operation in Gaza would be "a crime against humanity," and that it reflected Israel's disrespect toward Turkey's attempts at mediation.[10] He also stated that Israel was committing inhuman acts in Gaza, which would cause its self-destruction.[11] After Security Council Resolution 1860 was passed, Erdoğan said that Israel should not be allowed into United Nations institutions as long as it fails to fulfill the immediate ceasefire called for by the resolution. President Gül warned that Israel's actions would destabilize

the region.[12] A severe diplomatic incident also took place during the session devoted to the fighting in Gaza at the economic forum in Davos, attended by Israeli president Shimon Peres and Erdoğan; Erdoğan left the session in protest over President Peres' remarks and because he was not given sufficient response time.

Concomitant with the political tensions, there were large anti-Israel rallies in Turkey and calls for severing all commercial and security ties between the two countries. In response, the Israeli public reacted with a popular cry on the internet not to travel to Turkey. In this respect, the Bnei HaSharon basketball team's visit to Ankara and its fears of stepping onto the court in front of the irate crowd in the arena left their marks on Israeli public opinion. Although Israeli tourism does not constitute a highly significant percentage of Turkey's total incoming tourism,[13] it has great importance in terms of direct contact between the two populations.

In addition to Turkey's extensive criticism of Israel, the central roles played by Egypt and France in managing and solving the crisis also contributed to undermining Turkey's role as chief mediator. Nonetheless, Turkey has not given up its attempts to mediate in the conflict; beyond the role played by the Turks in convincing Hamas to agree to a ceasefire,[14] Turkish president Gül participated in the Sharm el-Sheikh conference at the end of the crisis, together with senior representatives from the European Union and the UN secretary-general. Turkey views the refusal by Israel and part of the international community to negotiate with Hamas as a mistake, leading to a continuing deterioration of the situation in Gaza. The Justice and Development Party in many ways identifies with Hamas, because while both were elected democratically, both have the legitimacy of their rule questioned, partly because of their Islamic base.

Turkey and the European Union

While Turkey continues to grow closer to Middle Eastern nations, it seems that over the year no real progress was made in Turkey's efforts to enter the European Union. In fact, there was perhaps some regression in that process. In addition to the objection already existing in Europe to Turkey joining the EU, some internal developments in Turkey weakened the prospects. The ongoing struggle between the old secular elite and the army

leaders on the one hand, and the Justice and Development Party with its leanings to Islamic principles and the new elites on the other demonstrates the problematics of the Turkish democracy to many Europeans. This struggle took an acrimonious turn this year in a lawsuit submitted to the Constitutional Court in March 2008 against the ruling Justice and Development Party on the grounds of its deviation from the principle of secularism. In July 2008, the court ruled against the suit, yet at the same time, a majority of ten judges to one ruled that the policy of the Justice and Development Party does in fact not meet the principle of secularism. However, six judges – though a majority of seven was needed to arrive at such a decision – thought that this justified shutting down the party. Shutting down the party, which in the July 2007 elections won almost 47 percent of the vote, could have been destructive to Turkey's image as a democracy, and the fact that a single vote spared the party did not entirely prevent harm to this image. Also, the depth of the suspicion and mystery surrounding the extremist secular Ergenekon organization, some of whose members were arrested this year, aroused protest both in Turkey and abroad. It was claimed that the organization sought violent action to undermine political stability and bring down the Justice and Development Party. Some charged that the accusations against the organization were exaggerated, even fictitious, while still others stressed that the existence of such an organization – said to have members that include former senior military personnel and others from the secular elites – is evidence of a deep state in Turkey alongside the sovereign government.

In addition to the problems between the secular elite and the Justice and Development Party, a halt in reforms relating to the Kurds is another factor that will make it difficult for Turkey to prove that it meets the criteria for gaining acceptance into the EU. There is disagreement whether the cessation of the reforms stemmed from the Justice and Development Party's concerns that a controversial policy might cost it support in the March 2009 local elections or whether a more substantial change in the Justice and Development Party's policy has taken place.[15] Those who claim the latter even hint at a kind of agreement that was reached between the Justice and Development Party and the military establishment, whereby the Justice and Development Party would not introduce revolutionary policies

with regard to the Kurds and the military would not work to undermine the party.[16]

In contrast to these internal developments that Europe sees as problematic, the August 2008 crisis in Georgia demonstrated that Turkey remains important from the geo-strategic perspective vis-à-vis Russia, even in the post-Cold War era. Criticism of the West's weak response to the aggressive Russian policy against Georgia bolstered the claim that the EU can profit politically and militarily by deepening its relations with Turkey, Georgia's neighbor. The crisis in August also demonstrated the problem inherent in constructing pipelines for transporting energy resources that cross Georgia in order to bypass Armenia, embroiled in disputes with Turkey and Azerbaijan. The EU would now probably be interested in Turkey's help in solving the conflict in Nagorno-Karabakh because that conflict also makes the situation vis-à-vis Russia more difficult in the Caucasus region. Therefore, an improvement in Turkish-Armenian relations could contribute to willingness of the sides to make compromises in the dispute between Armenia and Azerbaijan, Turkey's closest ally. On the other hand, deterioration in Armenian-Azerbaijani relations is liable to help Russia's influence over the Caucasus grow because Russia is Armenia's ally.

Turkey's difficulties in gaining acceptance into the EU on the one hand, and the need to prevent Turkey's distancing from the West on the other, are increasing the odds that Turkey will be offered a "privileged partnership" with the EU, an idea supported by French president Nicolas Sarkozy and German chancellor Angela Merkel.[17] At the same time, it is not clear if Turkey will be willing to make do with a special status as opposed to full membership. Turkey claims that the impediments to meeting the criteria for acceptance into the EU do not justify the unwillingness of EU leaders to grant Turkey a commitment in principle to accept Turkey into their ranks. In fact, the question of Turkey entering the EU goes way beyond the question of economic and political profits. Accepting Turkey as an EU member touches on questions of identity that the Turks are struggling with, particularly in the present era. The EU countries will presumably make great efforts to add economic incentives to the "privileged partnership" and thus smooth the way for Turkey's acceptance of the idea, but the global economic crisis will make it difficult for now to put together a significant

economic incentive package. The economic crisis will probably also have a negative impact on economic growth within Turkey, and it might well be that this will have implications on the level of support the Justice and Development Party enjoys. In 2008, the growth level in Turkey decreased significantly as compared with the growth rate, which although positive did not allow for the creation of new jobs in sufficient quantity to cope with the problem of Turkish unemployment in general and the problem of unemployment among the younger population in particular.[18]

Looking Ahead

A concerted effort on both sides will be needed in the coming year to rehabilitate Israel-Turkey relations. Some of the deterioration in the wake of Operation Cast Lead may be attributed to a continuing process of distancing between the nations and the wane of common interests, but some stems from the more active role Turkey seeks in regional mediation and the challenges that this role confers on Turkey and other nations. Therefore despite Turkey's desire to present itself as a fair mediator, in extreme crises such as Operation Cast Lead the limitations of this policy emerge, with Turkey finding it difficult to maintain an impartial public stance. A possible solution is accepting Turkey as a "biased mediator" but one that "can deliver the goods," partly because of its good relations with Hamas and its improving relations with Syria and Iran. The important questions in this context are if Turkey is willing to play such a role and if Israel is prepared to accept harsh criticism from Turkey if it is backed by achievements.

One may anticipate that the good relations between Turkey and Syria and Turkey and Hamas will continue, whereas the relations between Turkey and Iran rest on shakier foundations, partly because of Iran's quest to exert greater regional influence. Indeed, it is unclear how much longer Iran can avoid interfering with Turkey's intentions to increase its own influence. This was apparent when Iran opposed any progress in the Israel-Syria peace talks mediated by Turkey. From Israel's perspective, the growing closeness between Syria and Iran, and the growing closeness of Turkey to both of these nations, are worrisome developments, whereas detaching Syria from the radical axis may contribute not only to a possible decrease in

the range of threats against Israel but also to rendering a blow to the radical axis itself. Moreover, as in the past, progress in the peace process may lead to improved Israel-Turkey relations. On the other hand, deterioration into violence, particularly between Israel and the Palestinians, is liable to broaden the damage already caused to these relations in the wake of Operation Cast Lead.

In terms of Turkish-American relations, Turkey anticipates that the Obama administration will depart from its predecessor's approach and put greater emphasis on real dialogue between the United States and its allies. The foreign affairs team put together by Obama – Secretary of State Hillary Clinton, National Security Advisor James Jones, and Secretary of Defense Robert Gates – may be expected to be attentive to Turkey's needs, in part because of Jones's prior functions in NATO and Gates's continued term as secretary of defense. At the same time, the possibility that the United States might recognize the events of 1915 as a genocide perpetrated by the Turks suggests a potential rift between the United States and Turkey. Because of a Democratic majority in both houses of Congress and a Democratic administration in the White House, and past support by Barack Obama and Hillary Clinton on the matter, Armenian groups in the diaspora have increased the pressure to reach this historic decision.[19] It has even been suggested that one of the reasons for the growing closeness between Turkey and Armenia in the past year was Turkey's concern that without progress in direct relations with Armenia it would be impossible to convince the Americans not to support such a decision.

In the coming year, the possible opening of a direct line of negotiations between the United States and Iran will in practice reduce the significance of Turkey as a mediator between the two nations. Also, progress in talks between Israel and Syria requires United States involvement, something that would again render Turkish mediation less important. Progress in Israeli-Palestinian negotiations too seems to depend more on the extent of the Obama administration's commitment to the process than on Turkey's involvement. Such developments might harm Turkey's prestige as mediator and its ability to realize its doctrine of strategic depth, yet they are at the same time in line with what is understood to be current Turkish interests –

the solution of conflicts between nations in its geographical proximity and its "zero problems" policy regarding its neighbors.

Notes

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Syria at a Crossroads

Itamar Rabinovich

The Ba'ath regime's primary concern is its own survival. After nearly forty years of rule by the Asad dynasty, it does not face any serious domestic threats, but it is fully aware of the underlying instability of a regime dominated by members of a minority community. Bashar al-Asad, who succeeded his father in June 2000 as Syria's president, is more sure-footed and in firmer control than he was a few years ago, but both his persona and the full scope of his ability remain enigmatic to Syrian and foreign observers alike.

Syria's strategic position underwent profound changes over the past two decades. It lost its international patron when the Soviet Union collapsed, and the effort to build an alternative relationship with the US has thus far failed. In 1979, a strategic alliance was formed between Syria and Iran that in recent years has become Syria's most important foreign relation. Within this relationship, the balance has shifted under Bashar al-Asad's rule, as a partnership of equals now seems more like a patron-client relationship. Yet straddling the line has been a hallmark of Syrian policy under the Asads, and Syria has tried to signal that it is not squarely within the Iranian camp. Other Arab countries, however, have not been so persuaded, and Syria's relationship with much of the Arab world has been strained.

In 1991, a Syrian-Israeli peace process began at the Madrid Conference. It has unfolded through several phases, but has not produced an agreement. Over seventeen years (1991-2008), Syria and Israel have negotiated with and confronted one other, and their relationship in the aftermath of nearly

two years of Turkish mediation could develop along either track: transition to direct negotiation or renewed and perhaps exacerbated conflict.

Against this backdrop, Syria's relationship with a few of its neighbors should be examined.

Israel. Bashar al-Asad is determined to regain the Golan Heights lost by his father (as minister of defense) in 1967. He prefers to do so through diplomacy and is willing to sign a peace treaty with Israel to that end. But should a diplomatic option fail, he is committed to resort to war and has indeed made a major investment equipping and rebuilding Syria's armed forces. He also continues the policy of keeping the pressure on Israel by proxy – Hizbollah in Lebanon and the rejectionist Palestinian organizations.

In recent years a paradigm shift in the contours of an Israeli-Syrian peace deal, sketched during the negotiations of the 1990s, has taken place. Israel is now less interested in a deal based on "the Golan for a peace treaty," rather "the Golan for a peace treaty and a strategic realignment" (namely, Syria's distancing from Iran, Hizbollah, and the rejectionist organizations). This may also be the position of the Obama administration. In that case, a renewal of the Israel-Syria negotiation and a US-Syria dialogue in 2009 would entail a real testing of Syria's willingness to go through a Sadat-like reorientation of policies in order to build a new relationship with Washington and regain the Golan Heights.

In September 2007 the world learned that in order to achieve "strategic parity" with Israel, Bashar al-Asad was willing to go as far as build a nuclear reactor with North Korean help. The site was destroyed by the Israel Air Force. Asad displayed self control and has thus far not retaliated, but the episode demonstrated the lethal potential inherent in the Israeli-Syrian conflict.

Lebanon. Consolidation and maintenance of Syria's hegemony in Lebanon since the late 1970s has been a major Syrian strategic asset. Syria sees Lebanon as part of (a virtual) Greater Syria, as part of its zone of influence, as an area crucial to its own defense, and as a staging area for pressuring Israel. Their common interests in Lebanon are a major component of Syria's alliance with Iran, and Hizbollah and its arsenal are a crucial dimension of Syria's defensive and offensive posture vis-à-vis Israel. In 2005, following

the assassination of former prime minister Hariri, Syria was forced to withdraw its military forces from Lebanon, but it has retained direct and indirect influence across the border. In addition, under Bashar al-Asad Syria's relationship with Hizbollah gradually evolved from a patron-client relationship to a strategic partnership.

Turkey. After decades of hostility Syria now enjoys a comfortable relationship with Turkey. The Kurdish underground was removed from Syria by Hafez al-Asad and Syria seems to have all but accepted Turkey's annexation of Alexandrette. On the Turkish side, an Islamic government unhappy with its relationship with Europe and the US is becoming more of a Middle Eastern power. Turkey has clearly enjoyed its ability to serve as a mediator between Israel and Syria.

Iraq. Bashar al-Asad did not want the US to invade Iraq, and once it did, did not want the US to be successful, retain a military presence, or enjoy political primacy east of his border. For a regime haunted by a siege mentality, the notion of being sandwiched between the US and Israel was unacceptable. Syria was sufficiently pitted against the Bush administration's Iraq policy so that the Damascus airport and Syria's border with Iraq became crucial links in the supply chain to the Sunni insurrection in Iraq. This was one of the major reasons for the animosity developed by George W. Bush towards Bashar al-Asad and his regime. Syria remains intensely interested in the course of events in Iraq, will monitor them closely, and will seek to influence them as the US seeks an honorable exit under the Obama administration.

Jordan. During the past few decades Syria's relationship with Jordan has gone through steep ups and downs, but as a rule tended to be negative. Currently it can be described as indifferent. Syria and Jordan belong to the two rival camps in the Middle East, but there is no active hostility between them.

The Palestinians. When Hafez al-Asad transformed Syria from a weak, semi-passive state to a powerful ambitious regional player, he came to view Syria's weaker Arab neighbors in the Levant – Lebanon, Jordan, and the Palestinians – as clients. Syria's efforts to bring the Palestinian national movement under its wing failed and it had to settle for the lesser role of

patron of the rejectionist Palestinian organizations. Typical of a country straddling the line, Syria in the 1990s was at once a participant in the Madrid process and a critic of Arafat's policy of pursuing the same course.

Currently, Syria continues to host the radical Palestinian organizations, supports and exerts influence over Hamas, and is critical of Abu Mazen and the Palestinian Authority for collaborating with the US and with Israel. Yet given the prospect of fully rejoining the peace process under the Obama administration, Syria also views the Palestinian Authority as a competitor for primacy in such a peace process. Overall during the latter part of 2008, Bashar al-Asad and his regime did well in their foreign policy. The transition to a public indirect negotiation with Israel blunted the edge of the Bush administration's effort to isolate and de-legitimize Syria and its ruler. France under Sarkozy took full advantage of the opportunity in order to enhance its role in the Middle East at Washington's expense; he invited Bashar al-Asad to Paris and helped him conclude an association agreement with the EU. Syria made some concessions in order to reach the Doha agreement on Lebanon and agreed for the first time in sixty years to recognize Lebanon's legitimacy and sovereignty by establishing diplomatic relations with Beirut. In return for these concessions it obtained further relief from a serious investigation of the Hariri assassination and further tacit international acceptance of its dual role as a member of the Iranian dominated "axis of resistance" (*muqawama*) and a potential fixer of the damage inflicted by that axis.

2009 may well be a watershed year for Syria. Should the US dialogue with Iran develop successfully or should an Arab-Israeli peace process be revived with a Syrian-Israeli track at its center or at least as part of it, Syria may well embark on a road leading to a new relationship with Washington, settlement with Israel, and a secure place in the mainstream of international life. But it is equally possible that a different scenario will unfold with Syria remaining a cardinal member of the radical camp in the Middle East, engaged in violent confrontations in the Israeli, Iraqi, and Lebanese contexts. Finally, Syria might also continue to straddle the line and remain a member of the Iranian axis while signaling its desire to bail out of it.

The Next Step on Iran: Negotiations through the Prism of Regional Dynamics

Emily B. Landau

Introduction

Efforts by the international community to confront and contain Iran's nuclear ambitions over the past seven years have been marked by tension between two focal points. The first has been the tendency to deal solely with the nuclear activity itself, through the prism of NPT provisions, with the goal of bringing/forcing Iran back into the fold of this international non-proliferation treaty (which Iran is party to as a non-nuclear state). The second tendency has been to include a wider spectrum of regional realities and state interests, with the understanding that these factors are inextricably linked to the nuclear challenge that Iran poses. So far the first tendency has been dominant: although international actors facing Iran no doubt understand the significance of the nuclear challenge's wider context, concrete efforts have nevertheless focused almost exclusively on the nuclear issue as such.

This near-exclusive focus on NPT-inspired efforts has inhibited progress on closing the Iranian nuclear file. It has proven virtually impossible to build an iron-clad case against Iran solely on the basis of NPT criteria, and this has resulted in valuable time lost in the efforts carried out since 2002 – time that was used by Iran to push its program forward, especially since mid-2005. Moreover, while at the practical level it was clear from the start that the issue was influenced by a full range of political considerations,[1]

at the normative level it continued to be viewed and treated strictly as a nuclear proliferation challenge. Therefore, even when political tools were used by international actors as part of the effort to confront Iran, this effort did not lead to a broader political/security dialogue; rather, these political tools were introduced as additional means of leverage on Iran in the effort to convince/pressure it to return to its NPT commitments.

This article contends that exclusive focus on the nonproliferation challenge and Iran's noncompliance with NPT provisions has run its course. Furthermore, there is evidence of late that the Obama administration, as it formulates its strategy on Iran, is shifting its focus to the wider regional picture in the Middle East.

The prospect of a broader context of inter-state relations and regional politics becoming part and parcel of a diplomatic strategy for confronting Iran's nuclear activities is a significant development. However, it has yet to be seen if the new strategies being devised will defuse the nuclear challenge – whether and how they will both effectively address Iran's plans to use its prospective nuclear status in order to further its political hegemonic goals in the Gulf and the wider Middle East, and assuage the ensuing fears throughout the region.

One implication of emphasizing the regional sphere in the discussion on Iran is that there is room for new and creative initiatives; response to the nuclear crisis would broaden to include Iran's regional interests as well as the inherent challenge that Iran poses to other states in the regional and even global sphere. Another implication of this shift in focus is greater attention to the fact that due to Iran's hegemonic ambitions, the level of regional support that Iran enjoys is an important variable to take into account when the US devises its broader diplomatic initiative.

Recent developments indicate that Iran's regional position has lost important ground. While Iran's ties with Syria and with proxies Hizbollah and Hamas have strengthened, Gulf states have been seriously alienated by statements hinting at Iran's belief that historically Bahrain is part of Iran, and by the intensifying dispute with the UAE over the sovereignty of three small islands in the Persian Gulf. Egypt in particular has become quite vocal in opposing Iran's radical approach to the region, especially against the backdrop of Israel's Operation Cast Lead. Future US dealings

with Iran will likely involve a delicate balancing act between effectively utilizing the regional opposition to Iran's hegemonic tendencies in the context of negotiations, and the tendency to strike a bilateral deal with Iran that would result in enhancing its regional clout at the expense of moderate status quo states in the region.

US-Iran Negotiations

Now that the nuclear crisis has attracted more intense US involvement, there is a greater possibility that the regional constellation will be the linchpin for negotiations. A broader agenda would most likely serve Iran's interests as well. Iran's preoccupation with its regional status suggests that it too would prefer to have a range of issues on the table. Among the issues that can be included are terms of the US withdrawal from Iraq and regional security in the Persian Gulf. At the same time, Iran's ties to Hamas and Hizbollah and Israel's security concerns must also gain a prominent place in such thinking.[2] In an interview shortly before his inauguration, perhaps in light of the war then underway in Gaza, Barack Obama said that he would confront Iran on its export of terrorism through Hamas and Hizbollah. Hints that Obama might be seeking to broaden the negotiations agenda beyond the nuclear issue – including discussion of "certain expectations in terms of how an international actor behaves" – underscore the new direction.[3]

However, to succeed in these negotiations, it is crucial that the US enter them with a strong hand. As Obama consolidates his new approach, there are some emerging problematic tendencies that touch on the question of US resolve. The new US administration initially clarified that it is not only poised to negotiate with Iran, but that it will do so without regard to the precondition that has prevented negotiations over the past three years, namely, Iran's immediate cessation of all activities related to uranium enrichment. Subsequent reports, however, already indicate further erosion of previous US positions on the negotiations before they have even begun. Thus in early April it was reported that as part of Obama's policy review, diplomats were discussing whether the US will have to ultimately accept the continued existence of Iran's uranium enrichment activities.[4]

In the months before Obama took office, a dominant theme for prospective negotiations with Iran was "bigger carrots and bigger sticks." The idea here is that negotiations would continue to focus on Iran's nuclear program, but that greater incentives for Iran would be on the table; in turn the punishment would be much more severe if it became clear that Iran was not dealing seriously with the US. Obama underscored this tendency in the aforementioned interview when he noted his intention to adopt a new emphasis on respect and a new emphasis on a willingness to talk with Iran; at the same time, he would also evince greater clarity with regard to US bottom lines. In his inaugural speech Obama introduced a new theme when he spoke of an "outstretched US hand" in return for an "unclenching of Iran's fist." Yet rather than infusing the emerging strategy with greater clarity, Obama's new slogan looked more like a diluted version of the "bigger carrots, bigger sticks" theme. It was even less clear what was to be demanded of Iran (i.e., what constitutes an unclenched Iranian fist).

In any case, both slogans are seriously lacking when it comes to the critical issue of *how* to negotiate with Iran. From what can be gathered so far, the lessons of past attempts to negotiate – especially between the EU-3 and Iran – have not been internalized. There is as yet no indication that the ideas that are crystallizing in Washington pay sufficient attention to the question of negotiations method and tactics.[5]

Whether Obama pursues the strategy of "bigger carrots and bigger sticks" or retains the image of an outstretched hand in return for Iran's unclenched fist, clearly there is a demand that Iran negotiate in good faith with the US, and an at least implicit threat of consequences if it does not. As such, the strategies depend for their success on an effective move from carrots to sticks if Iran does not negotiate seriously.[6] While this may sound like a reasonable approach – first accommodation, then harsh measures – once the sides become engaged in dialogue, making the call that "Iran is not serious" is not as easy as it sounds. The problem is compounded when it is not even clear what exactly is demanded of Iran. As the parties invest more and more in the diplomatic track, the incentive to keep negotiations alive grows stronger as well, and it becomes very difficult to define and agree upon the precise point they are acknowledged a failure.

This was a major sore point in the 2003-2005 Iran/EU-3 negotiations. Although less invested observers could discern evidence of the failure of these negotiations well before the summer of 2005, it was only when Ahmadinejad was elected president of Iran that the EU-3 admitted this reality. Once the new president began making outrageous statements with regard to Israel and the Holocaust as well as his intention to resume uranium enrichment full force, the Europeans were finally sufficiently disillusioned to pronounce the negotiations over.

When states are strongly committed to diplomacy and have invested much time and energy in its success, the impulse to cling to any evidence that there is still hope can be very powerful. This is especially the case when there is no more attractive alternative readily apparent. A similar dynamic was evident in the case of the Bush administration's commitment to negotiations with North Korea from 2003 through to the end of the administration's term in office. Even though there were many serious setbacks, including a nuclear test by North Korea, the US was reluctant to declare these efforts a failure.

Iran is already aware of the strength of its own bargaining position vis-à-vis the US offer of engagement. Iran's response to Obama's conciliatory message on the occasion of Iran's New Year was to turn the tables on the US; rather than relating to its own positions, Iran deflected attention back on the US, insisting that it provide proof of its changed policies. Moreover, Iran knows that its bargaining position vis-à-vis the US on the nuclear and broader regional issues will increase significantly once it is perceived to have acquired – or is one small step away from acquiring – a military nuclear capability.

As such, Iran's rational tactic at present would be to *not* engage the US seriously, but rather to use these negotiations to play for time, no matter what is placed on the table. To succeed in this, it might be enough for Iran to inject some small indications of a cooperative attitude at various intervals and junctures. Any measure of hope that this engenders will significantly reduce the prospect of the US concluding that diplomacy has failed and that greater sticks are necessary. Ultimately this would allow Iran to buy the time it needs to push its nuclear program forward to the point it desires,

thereby improving multifold its bargaining position – and the dangers to the Middle East.

To counteract this dynamic, a more effective strategy would be for negotiations to begin when Iran has already altered its assessment of its internal and regional strength, namely, when it has become convinced that it is weakened and that a negotiated settlement is preferable to the status quo. This would increase the chances that Iran would become a serious partner to negotiations. Because of the "negotiations pull" that will affect the US, this would require immediate pressure on Iran to bring about this change, rather than a direct plunge into negotiations and then a "wait and see" approach.

Assuming the US accepts the conceptual logic of "pressure before negotiations," it must take swift and concrete steps to increase such pressure, first and foremost to secure support from the permanent members of the Security Council for enhanced sanctions. A major effort would have to be made to improve the atmosphere with Russia, and to cut a deal that would result in Russian support for such sanctions.[7] Europe would also have to be brought on board for enhanced sanctions outside the framework of the UN Security Council.[8]

Regional Shifts?

The logic of this approach may be clear, but time is extremely short, and every day brings Iran closer to its goal and makes it less probable that additional pressure can realistically be applied in time. It is indeed highly unlikely that the US will take the necessary steps to significantly increase the impact of sanctions before initiating negotiations. At the same time, regional considerations are coming more and more to the fore, and there is a possibility that increased pressure on Iran will emerge from the regional context itself; this, due to shifts in regional politics over the past few years that Thomas Friedman calls the "new strategic ballgame in the Arab-Israel arena."[9]

Moderate Arab states began expressing initial concern with Iran's nuclear program in late 2005, but until recently they adopted a noncommittal approach. In late 2008, however, there were indications that they were distancing themselves from Iran in a more serious and public manner.

Two instances in particular underscored the growing impatience of these states with the pace of efforts to confront and contain Iran, including their fear that the US might negotiate a deal with Iran at their expense. In early November, five Arab states took a clear and open stand against Iran at the official level for the first time. On the sidelines of a meeting of the Quartet that took place in Sharm el-Sheikh, US and European officials met with the foreign ministers of Bahrain, Jordan, Egypt, Morocco, and the UAE. The Arab foreign ministers expressed their concern about growing Iranian influence in the Middle East and their desire to be better informed about the state of negotiations between the P5+1 and Iran.[10]

The following month this position was significantly enhanced when Arab diplomats from eight countries met with members of the P5+1. This large formal meeting took place at the UN on December 16. Again it was reported that the Arab diplomats expressed their concern about Iran's nuclear policies and regional ambitions, and their desire to meet regularly with the P5+1.[11] This time Iran reacted harshly to the reports, which underscored the significance it attaches to this very public Arab position. Iran's Parliament speaker, Ali Larijani, called on Arab states not to interfere in Iran's nuclear affairs, and the Foreign Ministry spokesman called the meeting a Trojan horse plot by the West in order to convince Arab states to side with them against Iran on the nuclear issue.[12]

The outcome of Operation Cast Lead exposed new and increased pressures on Iran. While the Israel-Hamas confrontation in Gaza temporarily deflected international attention away from the nuclear issue, this (at best) short term advantage for Iran paled in significance when compared with longer term implications of the actual outcome of fighting. If Iran was hoping to use its proxy Hamas to demonstrate its regional strength through its ability to incite violence in the Middle East, this ability was delivered a severe blow in the war in Gaza.

Not only did Hamas' poor performance fail to enhance Iran's strength; in fact, events served to expose Iran as a force of instability in the region that used its proxy to encourage violence with Israel and increase tension in the broader Middle East. The conclusion that could be drawn from this exposure – both in a Washington set to negotiate with Iran, as well as in the Arab world that has been hedging its bets – is that not only does Iran

have sinister plans in the regional sphere that should be opposed, but that its lack of success in pursuing them this time means that it can realistically be opposed in a more determined fashion.[13]

However, the effect on the US has not yet been felt, and Obama seems as determined as ever to engage Iran unconditionally. Conversely, the impact in the Middle East has been very noticeable. The increase in opposition to Iran among the moderate states in the region touches directly on the foundation that Iran is trying to establish for the enhancement of its hegemonic plans: bringing these states under its sphere of influence.[14] Egypt, and to a lesser degree Saudi Arabia, adopted a very strong position against Hamas in the winter 2008-2009 Israeli-Palestinian military confrontation. The criticism of Hamas was clearly in accordance with Egypt's interest, but at the same time was very unpopular with the so-called Arab street. In the weeks following Operation Cast Lead, Egypt's willingness to follow its interests in rejecting radicalism, rather than adhering to popular opinion that opposes Israel no matter what, targeted Iran. Mubarak declared that he would not allow Iran to rehabilitate Gaza, and Egypt's foreign minister referred to Iran's attempts during the war to push it to actively confront Israel. In a strongly worded message, Aboul Gheit reconfirmed Egypt's rejection of Iran's embrace of radicalism, and underscored Egypt's strategic choice to follow the path of peace.

It will take time for the full impact of the Gaza war on regional dynamics to become clear. For one, the radical/moderate lines in the Middle East have been somewhat blurred by divisions that were exposed among the moderates themselves, for example, the different positions expressed by Egypt, Jordan, Turkey, and Qatar.[15] At the same time, the Egyptian-brokered ceasefire did much to enhance Egypt's regional stature. What is clear, however, is that those states that began to oppose Iran more vocally before the war have continued and accelerated this trend in the ensuing months. Increased concern has been voiced among Persian Gulf states, and the Saudi foreign minister went so far as to call on Arab allies to unite against Iran, which, he claimed, would seek to dominate the Middle East once armed with nuclear weapons.[16] Significantly, Secretary of State Clinton reassured the Gulf states in early March that the US will consult with them with regard to its prospective dialogue with Iran.

The Gulf states harbor two related concerns: first, that advancing a US initiative will in itself lift pressure from Iran's nuclear program and embolden it to expand its influence in the region. The fact that the US is dependent on Iran's help in Iraq and Afghanistan contributes to its confidence and boldness.[17] The second concern – in light of what is perceived as Obama favoring Iran and Syria over the US' traditional Arab allies – is that a deal will be reached between the US and Iran that sets out the terms for sharing influence in the Gulf, leaving the Arab Gulf states outside the fold. According to one source, the Persian Gulf states lose no matter what, whether there is a US brokered deal with Iran, or whether military action is taken: "Following the loss of their investments and revenues in the recent financial crisis, their territories will be the battlefield for any war or their resources will be looted in case influence is shared."[18]

Conclusion

The Obama administration will almost certainly seek negotiations with Iran; this is likely one of the top items on its foreign policy agenda. While it would be most logical to begin with strong pressure on Iran in the form of sanctions, there is probably not enough time for this, and new and harsh sanctions could also be regarded by the US as contradicting its stated intent to pursue diplomacy.

The new administration should at the very least be aware of what Iran will almost certainly be trying to achieve in these negotiations – namely, buying more time to improve its bargaining position – and expose Iran's expected foot-dragging as soon as possible. On the positive side, due to pressures that originate from the region itself and especially due to the ramifications of the latest war in Gaza, the US could still find itself in a better position to pressure Iran, as Iran's interest in concluding a deal that improves its regional image and standing has increased. This opportunity, however, needs to be skillfully played by the US and otherwise will be easily squandered. Initial indications of Obama's emerging strategy on Iran do not bode well in this regard.

Finally, assuming Iran does have some incentive to negotiate more seriously, a broader agenda for talks with Iran would open up more opportunities for bargaining and could create the space for a deal that

would not only contain the nuclear issue, but create the basis for an Iranian interest in upholding the deal over the long term. This will not be an easy negotiation, and fears of the Arab Gulf states in particular that the US will go too far in responding to Iran's regional demands are not without basis. Israel too needs to prepare itself for the broadening of the agenda to ensure that its core security concerns are taken into account by the US.

Notes

This essay went to press before the June 2009 presidential elections in Iran.

1 Political considerations include the interests and motivations of Iran, and the varied interests of the strong states that intervened in the process of confronting Iran's ambitions (EU-3, US, and the five permanent members of the UN Security Council). Perhaps the starkest manifestation of the political nature of the process of dealing with Iran are the many political statements on Iran that have been issued over the past seven years by IAEA director-general ElBaradei, even though this organization is specifically mandated to deal solely with technical issues related to compliance with safeguard agreements.

2 Emily B. Landau, "Now is the Time to Talk," *Haaretz,* July 11, 2008; and Oded Eran, Giora Eiland, and Emily B. Landau, "Let Russia Stop Iran," *New York Times,* December 21, 2008.

3 See "Obama Vows Swift Engagement with Iran," AFP, January 11, 2009.

4 Daniel Dombey, "US May Cede to Iran's Nuclear Ambition," *Financial Times,* April 4, 2009. See also David Sanger, "US May Drop Key Condition for Talks with Iran," *New York Times,* April 14, 2009: "The Obama administration and its European allies are preparing proposals that would shift strategy toward Iran by dropping a longstanding American insistence that Tehran rapidly shut down nuclear facilities during the early phases of negotiations over its atomic program."

5 See joint Brookings and Council on Foreign Relations report with recommendations for the new Obama administration: *Restoring the Balance: A Middle East Strategy for the Next President,* 2008.

6 For example, see Richard Haass: "What would also help would be to make clear that Iran would face additional sanctions, including constraints on its ability to import refined petroleum, *if it refused to accept a fair and reasonable compromise*" (emphasis added), in "We Must Talk Iran Out of the Bomb," *New York Times,* December 23, 2008.

7 For a succinct formulation of the contours of a possible deal, see Amitai Etzioni, "The Mother of all Deals," *Huffington Post,* December 16, 2008.

8 In fact, what would be needed is for the US and other Western powers to reassess the prevailing wisdom regarding the role of sanctions and other forms of pressure on Iran in context of the overall effort to contain its nuclear ambitions. The common tendency is to view sanctions and negotiations as alternative routes for stopping Iran's nuclear program, meaning that those seeking to confront Iran make a choice either to apply pressure or turn to diplomacy. This, however, is a false dichotomy. Not only are these not alternative routes, but they are actually complementary. The role of sanctions and credible threats of military force is to *facilitate* negotiations. Pressure needs to be put in place before dialogue begins in order to shape Iran's rational assessment of the current situation and alter it in a way that Iran comes to prefer negotiating seriously now, before it reaches its goals in the nuclear realm.

9 Thomas L. Friedman, "Israel's Goals in Gaza?" *New York Times,* January 14, 2009.

10 The Jordanian foreign minister was quoted as saying that the nuclear crisis became a crisis for the West, but for many Arab states the Iranian surge for hegemony has become a crisis. See: "US, EU Officials Meet with Arabs on Iran," AP, November 9, 2008, and "Arabs Lament Lack of Dialogue on Iran Nuclear Crisis," AFP, November 9, 2008.

11 "Arabs Want Meetings on Iran's Nuclear Program," *New York Times,* December 16, 2008.

12 "Larijani Cautions Arabs of Interfering in Iran's Nuclear Case," Fars News Agency, December 26, 2008, and "West Unable to Form Regional Front Against Iran," Fars News Agency, December 23, 2008. See also "Iran Not to Change Strategies Towards Persian Gulf States," *Iranian Students News Agency,* where a senior advisor to Ahmadinejad said that despite "what strangers do" there will be no change in relations with the Persian Gulf states.

13 A *Wall Street Journal* editorial from January 5, 2009 ("Obama's Iran Diplomacy Needs a Hamas Defeat") explained that "the President-elect says he intends to pursue a grand bargain with Iran, and the mullahs are going to be more interested in diplomacy if their military proxies have been defeated."

14 There are indications that Iran was aware of this delicate regional political dynamic: two weeks into the Gaza operation and fearing an Israeli victory, Iran tempered its support for Hamas. According to a report in the *New York Times,* Iran understood that "a Hamas defeat by Israel would deprive [it] not only of a valuable proxy force on the border of Israel but of a trump card to play with Washington, and it would further alienate it from the leadership of Egypt, Jordan and Saudi Arabia." See "Iran Gives Hamas Enthusiastic Support, but Discreetly, Just in Case," *New York Times,* January 13, 2009.

15 This point is raised and discussed by Zvi Barel, *Haaretz,* January 16, 2009.
16 See "GCC Worried over Change in US Policy," *Middle East Newsline,* 11:87, March 4, 2009; and Nicole Stracke, "GCC and the Challenge of US-Iran Negotiations," Gulf Research Center, March 5, 2009.
17 Abdullah al-Shayji, "Iran Strikes While the Iron is Hot," *Gulf News,* March 2, 2009.
18 Abd-al-Bari Atwan, "Israeli Hysteria and Iran is the Cause," *Al-Quds al-Arabi Online,* February 27, 2009.

Trends in Military Buildup in the Middle East

Yiftah S. Shapir

The Middle East remains one of the world's stormier regions, with fault lines running across ethnic groups, nation-states, communities, and religions. Even a cursory overview of the region yields a long list of active and nascent conflicts. Many countries in the region view Iran's growing strength in the nuclear realm as the most severe threat to their security. Over the course of 2008 Iraq witnessed an improvement in security, but there is still no guarantee that this achievement is stable or that it will be possible to maintain it once American forces leave the country. At the same time, the conflict in Afghanistan is intensifying anew, and the growing involvement of NATO and US forces is expected to increase even further. Over the last three years, Israel was involved in two armed confrontations that were characterized as wars, both against sub-state organizations and elements supported by Iran. The weight of non-state players in military confrontations is growing, and military confrontations between countries are becoming rarer.

Against this background, there is little wonder that the Middle East remains a region characterized by ever-growing national armed forces and non-state militias, and remains one of the largest customers of various types of weaponry. The largest purchases of armaments in the world, with the exception of the superpowers, are made by the countries in this region. The growth of military strength is dictated by the nature of the military confrontations at hand and the specific military doctrines they generate; the

resources at the disposal of the various players; their access to international arms suppliers; and their own production capabilities.

Changes in Confrontation and the Philosophy of Warfare

Over the last thirty years, it has become increasingly clear that the nature of warfare is undergoing a radical change. Enormous battles between two regular, mechanized, and well-equipped armed forces of the industrial age have become a thing of the past. In fact, the Yom Kippur War in 1973 was the last time classic battles of this kind were fought, either in this region or beyond. Other types of warfare, of an absolutely different kind, have taken their place.

One type, commonly called the Revolution in Military Affairs (RMA), rests on three main components: the use of precision guided, long range weapons; absolute intelligence superiority throughout the battle arena; and systems of Command, Control, Communications, Computers, and Intelligence (C^4I) that allow for integration of all the other elements. The war in Iraq in 2003 proved the absolute superiority of a military that adopted this approach over a traditional mechanized military.

How has this development affected the global arms market? Many countries have indeed shifted their purchasing interests into RMA-relevant areas. They prefer buying long range precision guided munitions (PGMs) and platforms capable of carrying them, in particular fighter planes. For example, Israel and the United Arab Emirates bought F-16s of the most advanced types, and Saudi Arabia recently ordered Typhoon fighter jets. Israel also recently announced its intention to procure the more advanced F-35 planes from the United States (Turkey too is expected to equip itself with these soon). In addition, countries are acquiring reconnaissance and intelligence systems and are investing in C^4I systems. On the other hand, they are investing less in battle tanks. Overall, however, an RMA approach is complex, sophisticated, and beyond the reach of most Middle Eastern countries.

Another development in the nature of warfare has resulted from the weakening of states and the appearance of more and more armed non-state entities. These elements are engaged in fighting both inside the countries from which they operate, against the central government or rival militias,

and outside, whether with the active support of the host country or, having no other choice, with its reluctant compliance. Such militias generally use simple armaments, and their methods include both terrorism, such as booby trappings, car bombs, and suicide bombers, and guerilla warfare. The existence of such militias and terrorist organizations has obviously affected the light arms market where the militias (usually illegally) buy weapons, but is has also had an impact on the weapons purchases of regular states forced to cope with this form of warfare. Such investments include equipment for special forces as well as protective and security equipment for facilities and populated areas that are liable to be vulnerable to such forms of warfare.

Other nations have concluded that they are incapable of keeping up with prosperous and sophisticated countries arming themselves for RMA-type warfare. They have chosen instead to adopt alternative capabilities for asymmetrical conflicts. In effect, these nations have two options. The first is to equip themselves with weapons of mass destruction and ballistic missiles. Such means are primarily intended to threaten the enemy's civilian rear and serve mainly as a deterrent. In the Middle East, Iran, Syria – which built up its ballistic missiles and chemical (and perhaps also biological) means – and Iraq (in the past) typified this approach. The second option was to develop guerilla and subversion warfare capabilities, both via special units of their own and by operating and supporting external militias. Thus, for example, Syria supports Hizbollah in Lebanon, an organization that provides its Syrian patron with a means of pressuring Israel.

Another development in the field of asymmetrical warfare is the increasing use of high trajectory weapons, in particular rockets and mortars. These are not new weapons; rockets were already in use in World War II (and mortars are as old as firearms themselves). However, they have proven themselves as an excellent means of exerting pressure on countries by harming the civilian populations, without allowing the country under attack to neutralize completely the capabilities of the attacker. Even though Israeli towns and villages were attacked by high trajectory weapons in the past (settlements in northern Israel were attacked by Grad rockets launched from Lebanon twenty years ago), recent years have seen quantitative and qualitative changes as well as a change in awareness, and the high

trajectory weapon has emerged as one of utmost strategic importance. The 2006 Second Lebanon War and years of Grad rockets fired at townships on the Gaza Strip border have proven the value of this type of weapon. The lessons of these wars have also affected the arms market. On the one hand, countries such as Iran and Syria have decided to arm themselves heavily with rockets, while on the other hand, the need to develop defense systems against short range high trajectory weapons, systems that in the past were never considered necessary, has grown.

Financial Expenditures

In the last two years, Middle East countries continued to be among the leading weapons purchasers in the world. According to data provided by the research service of the United States Congress, between 2004 and 2007 weapons contracts totaling $63,055 billion – representing 30.26 percent of all weapons contracts in the world – were signed with Middle Eastern countries. According to the same source, between 2000 and 2003, contracts with nations in the regions totaling $33.287 billion were signed, representing 22.55 percent of the weapons sales in the world. The difference between the two numbers indicates a growth in the role played by the region on the world arms market, as well as the growth of weapons sales around the world.[1]

These numbers demonstrate that Middle East states remain at the top of the list of weapons purchasers in the world (though certain Asian countries lag behind the Middle East by only a few percentage points). These massive investments in security testify to the complex geopolitical situation of a region that suffers from a large number of ongoing conflicts and from a large measure of involvement by extra-regional elements due to the region's importance and its resources, oil in particular.

The countries of the Middle East continue to be divided into three types: oil states that can finance their growing military strength from their own resources; states enjoying American financial aid to purchase weapons, such as Israel, Egypt, and Jordan; and states that do not have significant sources of oil and do not receive financial assistance. The latter have severe limitations on their military buildup, and are forced to focus on their most crucial areas. An example is Syria, which gave up any attempt to balance

its military capabilities with Israel's and therefore developed a doctrine of asymmetrical warfare enabling it to grapple with its security challenges using only meager resources.

In recent years, weapons purchases by the countries in the region increased, and in the five years since Operation Iraqi Freedom in 2003 this growth is notable for a variety of reasons. While America's military involvement in the region eliminated the Iraqi threat, it also ignited a period of Iraqi instability, which affected the sense of threat throughout the region. The elimination of the Iraqi threat also increased the threat perception from Iran among many in the region. This threat has several components: first, Iran's increasing military strength, especially its naval force in the Gulf, which might threaten shipping (and in particular the flow of oil) through the Straits of Hormuz; second, Iran's nuclear ambitions, exposed to the world in 2002; third, the country's armament with long range missiles; and fourth and above all, its involvement with and assistance to non-state entities involved in a number of Middle East conflicts – in Iraq, Lebanon, and in the Israeli-Palestinian arena.

Since the middle of 2008 there has been a dramatic shift in this state of affairs. Oil prices dropped and the economic crisis, full-blown by the end of 2008, began to make its mark. However, it is still hard to estimate the direct effects of the crisis, as arms deals that were already signed are not easily influenced by extreme changes on the capital markets. These deals are usually large and complex, and are spread out over many years. Just as nations are in no hurry to sign huge arms deals, they are in no hurry to cancel or reduce them even in times of economic crisis. Furthermore, several countries in the region base their arms purchases on foreign aid, particularly from the United States – Israel, Egypt, Jordan, Iraq, and Lebanon receive American aid. In late 2007, as part of American efforts to cope with the Iranian threat, the United States offered to sell advanced weaponry to a number of Gulf states for a total of some $20 billion. This proposal came on top of the significant aid given over the years to the Iraqi government to help it rebuild its armed forces. These efforts were reflected by some large weapons orders for Iraq at the beginning of 2008. An additional factor behind the increased arms purchases was the improved economic status of most of the region's nations, at least until mid-2008.

In this period, these countries reaped the benefits of the global economic boom; the oil producing nations in particular enjoyed the sharp spike in oil prices that hit $140 a barrel. Despite the global economic crisis and the fact that a new administration recently entered the White House, it is safe to assume that such aid will continue to flow in the next few years as well.

Nevertheless, the depth of the current crisis and the predictions that it might last for a relatively long time increase the probability that the situation will change in the next few years. It is almost certain that new deals – even those that were in an advanced stage of negotiations – will not be signed, and even signed deals may be cancelled or reduced.

Characteristics of the Weapons Market

The Cold War era in which the nations of the region divided among the two blocs is long past. So is the time when Soviet advisors dictated to countries and their leaders what their doctrine ought to be, what their militaries must look like, and what types of weapons they must buy. The arms market as a whole has become much more competitive throughout the area. A small number of suppliers vie for the large deals, and winning a tender is not a given. Several other factors also have an effect, as described below.

Local industries and sales within the region

Several regional countries have developed local military industries, both for their own markets and for sales abroad. The most highly developed nation in this sense is Israel, which produces numerous types of the most advanced equipment on the world market. The Merkava Mark IV is one of the most sophisticated battle tanks in the world, and the industry has also started to manufacture the Namer infantry fighting vehicle (IFV) based on the Merkava hull. However, within the last year the primary achievements of the Israeli defense industry lie mainly in missiles, electronics, and optronics. Israel produces surface-to-air, air-to-air, and anti-tank missiles, guided bombs, and anti-missile defense systems: the Arrow ballistic missile defense system against mid range missiles is already operational, and two anti-rocket systems against short range rockets, David's Sling and Iron Dome, are under development. Israel also has a sophisticated aerospace industry and produces both satellite launchers (the Shavit) and satellites of

various kinds – the Amos communications satellites, and the Ofek, Eros, and TecSAR lines of surveillance satellites. Israel produces guidance and target acquisitions systems for fighter planes and ground and airborne radar systems, including airborne early warning (AEW) and surveillance planes.

At the same time, because of its political situation, Israel does not sell military equipment within the region, with the exception of Turkey and sales intended for use by the American forces in Iraq. These forces use, among other items, made-in-Israel uninhabited aerial vehicles (UAVs) and modular armor for vehicles.

Turkey, which also boasts a strong military industry, does sell arms within the region. Turkey assembles F-16 fighter planes and some of the region's countries (such as Egypt) have purchased their F-16s through Turkey or had them upgraded there (Jordan). Other than that, Turkey sells mainly armored personnel carriers and light armored vehicles to a number of countries in the region (e.g., Jordan, United Arab Emirates, and Iraq).

The UAE boasts a rapidly developing defense industry. In the last decade, the UAE has invested enormous amounts of money in establishing a large and highly diversified defense industry. Most of this industry is government-owned and enjoys both large government investments and offset agreements.[2] The industry also benefits from technology exchange contracts as part of their weapons sales. In addition to the government-sponsored industry, some privately owned industries operate in the UAE; these are trying to gain a foothold in the weapons market, particularly in the Persian Gulf states. A central axis of the UAE defense industry is the Abu Dhabi Ship Building Company, which constructed and sold a number of patrol, logistics support, and landing vessels to several of the Gulf states. This industry's flagship is the Baynunah corvette (designed by the French CMN shipyards). Because of this project, the Emirates are also developing the ability to assemble and integrate sophisticated command and control systems. Other fields pursued by the UAE defense industry are the manufacturing and assembly of light armor, and the development and production of UAVs.

Other industries, more limited in scope, exist in Egypt, where the M1A1 Abrams main battle tank (MBT) is assembled; Saudi Arabia; and Jordan.

However, the ambitions of these countries to establish developed military industries have so far not met the expectations.

Finally, the Iranian defense industry takes pride in its ability to manufacture any piece of military equipment and to give the Iranian armed forces – the armed forces and the Revolutionary Guards – self-sufficiency in every aspect of armament. Iran declares its ability to produce fighter planes, tanks, submarines, and missiles of every kind. While significant portions of these are empty declarations, the Iranian defense industry has proven its abilities in several fields. Its prominent achievements lie in the areas of rocketry and aerospace. The Shehab-2 and Shehab-3 missiles may have been produced with the massive assistance of North Korea – the basic Shehab-3 was actually identical to the Korean Nodong missile – but since the end of the 1990s Iran has independently developed new models and types of missiles. Its last two successes were the testing of the Sejil (previously called Ashura), a solid fuel two-stage ballistic missile. This type of missile was first tested in November 2007 and seems not to be operational yet. The other success was the launch of the Omid satellite, produced in Iran, on the back of the Safir-2, a liquid fuel two-stage satellite launcher.

Iran's military industry has been successful in the naval area, and it produces small patrol boats as well as mini submarines. Overall, however, the industry has limited sales. It transferred rocket artillery and coastal anti-ship missiles to Hizbollah in Lebanon, and has sold light patrol boats to Syria.

Technological exchanges

One of the primary issues for any country trying to establish a defense industry is access to different technologies. At times this issue becomes a source of dispute, as countries with a defense industry that purchase weapon systems also demand access to their technologies as part of the weapons deal. Egypt, for example, purchased the know-how to build the M1A1 tanks it uses. Sometimes, the seller's consent to provide the technology to the purchasing country is the factor that clinches the choice of supplier. For example, Turkey chose to cancel its billion dollar deal with the US to buy attack helicopters because the United States refused to allow

the Turks access to the mission control software of the AH-1Z Cobras, and instead ordered the Agusta T-129 helicopters from Italy.

Upgrades

An additional characteristic of the Middle East weapons market is the drive to upgrade old weapon systems instead of purchasing new ones. This phenomenon, not unique to this region, is particularly prominent in the field of aerial systems. Given that the primary advances in aerial weapons over the last number of decades were in the field of armaments and electronics rather than new platforms, air forces prefer to upgrade their capabilities by installing new avionic systems and weapons on old platforms. However, in comparison with the first half of this decade, there has been a decline in the number of deals involving upgrades of old weapon systems and it seems that at least in this region, this market has reached its saturation point. Whatever could be upgraded has already been upgraded, and other systems have gone past the point at which it is possible to retrofit them.

Primary Weapons Suppliers

United States

The United States continues to be the most important weapons supplier to the Middle East. From 2004 until 2007 it signed contracts to supply weapons to Middle Eastern countries (excluding Turkey) for a total of $20.655 billion. However, the United States does not only sell weapons to the region's nations; some of them also receive financial aid in significant amounts to buy weapons in the US. At the top of the list is Israel, which received $2.4 billion last year, a sum that is set to increase gradually over the coming ten years. Israel is followed by Egypt, which receives $1.3 billion a year. Iraq, Jordan, Lebanon, Tunisia, and Yemen are additional aid recipients. These countries receive some of the aid in the form of financial grants and some in the form of American military overstocks.

In July 2007 President Bush announced the large scale sales of weapons to the area in an attempt to enlist the support of the region's nations for his anti-Iran policy. This included the continuing aid to Egypt, the gradual increase in aid to Israel, and the announcement of weapons deals for some $20 billion to the Gulf states: Saudi Arabia, the UAE, Bahrain, Kuwait,

Qatar, and Oman. At the time of the announcement, the particular weapon systems were not specified, but in the year following it became clear that the primary aid to the Gulf states will be in the form of air defense, in particular the upgrade of existing Patriot missile systems with the addition of GEM-T missiles and guidance systems and PAC-3 missile interceptors. The UAE will also be the first country outside the US to equip itself with THAAD anti-ballistic missile systems. In addition, some countries in the region were sold GPS-guided JDAM bombs. These steps demonstrate the importance the US attributes to weapons sales as a means for enlisting support among the region's nations for its policies and for keeping its allies under its umbrella.

Aside from air defense systems, the United States supplies most of the fighter planes in the regions, particularly various models of the F-16, which is the backbone of many Middle Eastern air forces (Bahrain, Egypt, Israel, Jordan, Oman, Turkey, and the UAE). The country that most recently announced its intentions of buying F-16s is Morocco, which until now used primarily French-made equipment. Until lately, the F-16s were among the most advanced models the US sold in the region, but last year the United States announced its willingness to sell the F-35 to the Israeli air force. In the coming decade, F-35 fighter jets presumably will enter the service of other air forces in the region.

The United States also sells helicopters to the region. In recent years, the Apaches were the most popular, and many of the region's countries that had bought them in the past upgraded them to the AH-64D standard, even though not all the countries received the Longbow radar system as part of the upgrade package. Among the countries using this helicopter are Israel, Egypt, Kuwait, and Saudi Arabia. The fighter jets and helicopters come with the various armament features, and in the last two years the up-to-date JDAM bombs were sold to several of the region's nations (Saudi Arabia, UAE, and Morocco, as well as Israel). Still in the aerospace domain, C-130J transport planes and E-2C Hawkeye 2000 surveillance and control planes have also been sold (to Egypt and UAE).

The United States also sells equipment to ground forces in the region, and here the main customer has been – and remains – Egypt, which buys and assembles the M1A1 Abrams tank. Another important customer for

American ground equipment is Iraq, which is procuring MBTs and many types of armored personnel carriers (APCs) to rebuild its military. The US does not lead sales in naval equipment, though at the moment three combat ships are being built for Egypt, while Israel ordered two new littoral combat ships (LCS). The United States, however, does sell various naval systems for ships built elsewhere.

Russia

At the beginning of the decade, it seemed that Russia was resuming its place on the Middle East weapons markets. A large deal worth $7 billion signed with Algeria about three years ago was seen as an important milestone in this breakthrough. The deal involved air defense systems, T-90 tanks, and advanced fighter planes – the MiG-29SMT and Su-30. Yet while the deal is soon to go through, Russia is encountering numerous problems. For example, Algeria returned the MiG-29s that were supplied and asked to have the entire contract nullified, as the planes did not – according to the buyer – meet the requisite standards. No other large weapons deals have gone through to date. In particular, large deals with Syria and Iran that were repeatedly under discussion have not been clinched. For now, Russia provides regional nations mainly with air defense systems, such as the TOR-M1 mobile short range anti-aircraft missile systems, the Pantsyr S-1 system, a small, mobile system equipped with both cannons and missiles for precision defense supplied to the UAE and Syria, and the S-300 PMU-1 system (a long range anti-aircraft missile system) promised for now to Iran, though it is not yet clear if the deal will actually go through. Other Russian-made systems sold to nations in the region are light helicopters and transport planes.

A particularly unusual step taken by Russia, part of its efforts to regain a foothold on the Mediterranean's eastern shores, was a proposal to supply Lebanon with ten MiG-29 fighter planes for free. Because Lebanon's air force has not flown fighter planes since the First Lebanon War (and even then the aircraft at its disposal were fairly outdated), the significance of the proposal – should the Lebanese government decide to accept it – is the establishment of an assistance program consisting of training, maintenance,

and other flight functions required to operate an aerial combat base to number dozens of Russian officers and soldiers.

Russia is proceeding with its plans to make installations in the Syrian port of Tartus serviceable and to upgrade them as a permanent maintenance base for the Russian fleet ships operating in the Mediterranean.

The European Union

European countries have a long history of military connections with Middle East states. Many Middle East states even viewed Europe as a preferred alternative to the United States, as the European equipment was on the one hand considered to be of the same quality as the American equivalents (unlike the Russian equipment, considered inferior to the American), and on the other hand had fewer strings than those attached by a superpower. Thus European equipment was purchased, at times along with American equipment and at time in competition with American companies for the same tenders.

The biggest transaction of a European country with a Middle Eastern country is the sale of Typhoon planes to Saudi Arabia. This is an enormous transaction with an estimated worth of some $7-$9 billion (its precise value has not been disclosed) between the Saudi Arabian government and the British company BAE for the purchase of 72 Typhoon planes. (The plane is actually manufactured by a consortium of several countries, including Germany, Italy, and Spain.) This transaction aroused a heated debate involving bribery accusations against the company. The signing of the deal was made possible only after Prime Minister Blair ordered an end to the investigation of corruption in the company.

France, on the other hand, has not yet had any success in selling fighter planes in the Middle East. It efforts to sell the Rafale to Morocco failed when Morocco decided finally to buy the American F-16. France sold FREMM frigates to Morocco and continues to promote these frigates to Algeria as well. French-made ships have been sold to the UAE (which also acquired the technology and is now building these ships at home), and in recent years to Kuwait as well.

Significant Weapons Purchasers in the Gulf

Saudi Arabia

While in recent years Saudi Arabia has enjoyed increased oil revenues, it has also felt threatened both by the growing strength of Iran and by the activity of al-Qaeda in its midst. This combination propelled a new round of large scale rearmaments. Saudi Arabia, like other countries in the Gulf, prefers to divide its arms purchases among several vendors so as not to become dependent on any one supplier. Thus, the Saudi military is equipped with both American and French-made products, while its air force flies planes made in the United States and in Great Britain.

The most prominent deal in recent years was the purchase of 72 Typhoons ordered from Great Britain at a cost of $7-$9 billion. At the same time it was purchasing these up-to-date planes, Saudi Arabia also ordered upgrades for its Tornado and for its F-15Ss combat aircraft. Additional arms orders include M1A2 tanks from the US, as well as upgrades for existing tanks, a transaction of some $3 billion. Of the extensive military aid package to Saudi Arabia announced by President Bush in July 2007 the only deal made was a transaction to buy JDAM type GPS-guided bombs, which aroused a political controversy in the US but eventually did not encounter Congressional opposition.

Because Saudi Arabia's income depends almost exclusively on oil, it is possible that the current economic crisis will affect the chances of these deals actually taking place, whether in whole or in part.

Iran

Even though Iran is in the midst of a long process of rearming its military and news about large arms deals with Russia appear regularly in the media, these deals have not in fact materialized. Recent transactions between Iran and Russia involved primarily air defense systems: Iran took delivery of 29 TOR-M1 short range anti-aircraft missiles, and allegedly may receive some of the Pantsyr S-1 anti-aircraft systems sold to Syria. Likewise, in recent months it was made public that Russia agreed to supply Iran with the S-300-PMU-1 model of long range air defense systems (despite the pressure on Russia against sales to Iran).

At the same time, Iran continues to rearm itself with the assistance of local development and manufacturing. In the field of long range missiles, Iran has made progress in two different directions: on the basis of liquid fuel technology, Iran developed the Safir-e Omid satellite launcher, a liquid fuel two-stage missile that launched the Kavoshgar research capsule and the Omid satellite in February 2009. At the same time, Iran is at work developing a two-stage, solid fuel powered surface-to-surface missile intended to reach a range of up to 2,000 km. This missile, alternately known as Ghadr, Sejil, and Ashura, was tested for the first time in November 2007 (and again in May 2009), and may enter operational service within a few years.

It is harder to estimate Iran's true capabilities in other fields. On the one hand, the Iranian media reports regularly about the development of innovative weapons systems – tanks, armored personnel carriers, fighter planes, helicopters, various missiles (sea-to-sea, air-to-air, anti-tank), and more. On the other hand, it does not seem that Iran is in fact capable of producing all the types and models it professes to produce in significant quantities. Without a doubt, Iran is capable of producing several models of artillery rockets, and perhaps even anti-tank and sea-to-sea missiles (based on Russian and Chinese models). However, there is no evidence that Iran is producing fighter planes with real capabilities of engaging in a modern battle.

Iraq

Iraq is in the process of rebuilding its army. This is taking longer than expected, and has been accompanied by a host of problems – recruitment of suitable personnel, graft and corruption in questionable arms deal, and more. In purchasing, the Iraqi army is mostly engaged in the most basic outfitting of a military, because little of the old Iraqi armed forces remained. Today, Iraq is buying primarily armored personnel carriers of various types and from various sources; the air force has purchased mainly helicopters and transport planes. Also in recent years, Iraq bought light surveillance planes from the US and Jordan; REVA armored personnel carriers from South Africa; and BMP-1 armored personnel carriers and T-72 tanks from drawdown of countries that joined NATO. In late 2008,

Congress was asked to authorize a number of large arms acquisitions valued at several billions dollars that will ultimately include M1A1 MBTs, several hundred Styker and Guardian APCs, AT-6B training planes, and Bell 407 helicopters armed with Hellfire missiles. These transactions, if materialized, will go through over the span of at least five years.

UAE

The UAE armed forces are among the militaries that have grown most significantly in recent years, and they continue to equip themselves intensively. The UAE, like other Gulf states, prefers to deal with a variety of vendors, and buys primarily from the US and France, though it is willing to do big business with Russia as well.

After the supply of the newest fighter jets was completed (the UAE beefed up its air force with 63 Mirage 2000-9 from France and 80 F-16 E/Fs – a model developed specifically for the Emirates), the country continues to procure equipment for the air force, the navy, and for the air defense forces. It signed a deal to upgrade 30 Apache helicopters to the AH-64d model, and ordered three Airbus A330 refueling aircraft.

The Baynunah ships project has been underway for several years. These corvettes were designed in France, and the first of them is being built by the CMN shipyard in France. The rest will be constructed in Abu Dhabi by ADSB. Despite the French design and local manufacture, some of the armaments will actually be American-made. Thus, for example, the UAE has ordered RAM missiles from Raytheon Corporation to defend the ships against cruise missiles.

In air defense, the UAE is soon supposed to receive the Russian-made Pantsyr S-1 systems, mobile air defense systems developed in Russia at the UAE's request and with its funding. However, the UAE will make its main investment in air defense systems and ballistic missile defense systems in the coming years in deals estimated at some $9 billion, to include upgrades for the Patriot missile batteries it already has and purchases of the PAC-3 missiles (for missile interception) for these batteries. The UAE's purchase of the THAAD anti-missile missile from the US is a transaction estimated at about $7 billion.

Because the UAE's income depends to a large extent on oil revenues, it is possible that the current economic crisis will affect the viability of these deals, either in whole or in part.

Significant Weapons Purchasers in the Levant

Egypt

Egypt, like Israel, benefits from steady American defense aid, and receives $1.3 billion a year. An agreement signed in 2007 ensures Egypt the continuation of this aid at least until 2018. This aid enables Egypt to purchase American-made weapons without having to worry about the global economic upheaval. Egypt's primary purchasing agreements in recent years have included AH-64D Apache helicopters (though the acquisition of the Longbow radar system for these helicopters has not yet been approved) and additional M1A1 tanks. These tanks are bought as kits for assembly in Egypt. Since starting to purchase these tanks, the Egyptian defense industry has assembled 880 such tanks, and the most recent transaction, now underway, includes an additional 125 tanks.

Nevertheless, Egypt has not given up its freedom to buy weapons from other sources within its financial limits, and is negotiating with Germany to buy Type 214 submarines (a model quite similar to the Israeli "Dolphin class" submarines). In addition, Russia upgraded Egypt's aging air defense systems bought in the 1960s and 1970s from the USSR.

Israel

Israel enjoys American military aid of $2.4 billion a year. This sum is intended almost in its entirety for military growth. On the basis of an agreement reached with the US in August 2007, this aid is slated to increase gradually and will total, in the decade ending in 2018, $30 billion. Israel's rearmament is therefore a fairly predetermined and continuous process and does not portend any unexpected reversals. Thus, Israel is also less affected than other nations by drastic changes in the global economic situation.

After the Second Lebanon War, the IDF invested large sums in restocking weapons and munitions, and as part of this step it also purchased large quantities of modern types of weapons, such as the GBU-39 small diameter bombs and a very large quantity of GPS-guided JDAM bombs.

As for large arms deals, Israel has completed its intake of all 100 Sufa F-16I fighter jets, and also took delivery of five Nahshon planes (Gulfstream G550), some intended for intelligence gathering (going under the name of Eitam in the air force) and some for aerial command and control missions (known in Israel under the name Shavit). The planes were bought in the US and arrived in Israel starting in 2005, where Israeli-made systems were installed.

Israel announced its intention to equip itself with F-35 planes in the coming decade, but negotiations are still underway on the terms of the deal. In addition, the Israeli air force requested nine advanced C-130J transport aircraft, estimated at $1.9 billion. Also, the air force intends to replace its Tzukit training planes that have served it for over 40 years with the American-made Beechcraft T-6 Texan II (which will be named Efroni in the IAF).

Israel ordered two more Dolphin submarines, which are being constructed in Germany, and is weighing the option of outfitting itself with LCS corvettes from the US, a transaction worth $1.9 billion.

In some areas, Israel is rearming on the basis of local development and manufacturing, starting with anti-ballistic missile and rocket defense systems. Israel decided to buy more Arrow batteries in addition to the two operational ones it already has, while at the same time having the entire Arrow project undergo a process of upgrading to help it achieve greater success in handling the long range missile threat. Similarly, Israel is investing in three additional active defense systems. Two of them are based on local development and production: David's Sling, meant to defend against rockets and missiles with a range of 40-200 km (particularly heavy rockets of the kind fired from Lebanon in 2006), and Iron Dome, meant to defend against short range rockets and missiles such as the Qassams and Grads fired from both the Gaza Strip and Lebanon. These systems are intended to become initially operational in the next few years. The third system is the Phalanx based on the high firing rate Vulcan which will be procured from the US.

Second, Israel continues to develop and outfit itself with space assets: in 2007, the Ofek-7 satellite, replacing the outdated Ofek-5, was launched into space, and at the beginning of 2008, using an Indian Polar satellite

launcher (PSLV), the TecSAR surveillance satellite was launched, allowing for visual intelligence gathering by day or by night and in any kind of weather.

Third, Israel has no serious competition in the field of UAVs, and lately the air force has deployed the new Shoval and Eitan long endurance UAVs, capable of remaining in the air for extended periods of time at high altitudes; both are intended to fulfill extended missions – over 40 hours long – and will undertake reconnaissance and intelligence gathering missions. Side by side with the larger UAVs, IDF units are being outfitted with the Skylark-I mini UAVs, made by Elbit. These are small, quiet, and easily operated mini UAVs, operated by soldiers in combat units for the purpose of intelligence gathering from "the other side of the hill" at short distances (up to 10 km). Recently, the Skylark I LE, which has somewhat extended endurance, was chosen as the model with which to equip other units.

Fourth, Israel has expanded its acquisition of self-produced weapon systems for the ground forces. One of the lessons of the Second Lebanon War led to the military starting to equip itself with the Namer IFV, based on the hull of the Merkava MBT. In addition, both the Merkava Mark IV and, in the future, also the Namer will be equipped with the Trophy, an active anti-tank defense system.

Syria

Syria has not purchased main weapon systems in many years. Since the collapse of the Soviet Union, Syria has not bought a single fighter jet or a single ship. Instead, the Syrians have chosen to rely on an array of surface-to-surface missiles, which they continue to develop with Iranian assistance, as well as to develop unconventional capabilities, mainly chemical weapons.

In recent years, Syria has begun to emphasize the expansion of its arrays of anti-tank missiles and artillery rockets, the majority of which are also locally produced. Hizbollah's success in the summer of 2006 was a lesson Syria studied carefully. In contrast to most of the region's countries, Syria has chosen to base its security on the capability of posing a threat to the enemy's civilian population with large numbers of high trajectory weapons and heavy anti-tank missile deployments. This enables it to defend itself

effectively and exact a costly toll if the enemy (Israel) should respond with a coordinated ground attack.

Jordan

Jordan too is one of the countries benefiting in recent years from significant American aid, though of much smaller scope than the aid extended to Israel and Egypt. Jordan's important acquisitions deals in recent years include an expansion of its F-16A/B plane ORBAT through the purchase of used planes from Holland and Belgium. Other older F-16s, integrated in the past, will be upgraded by Turkey.

Significant Weapons Purchasers in North Africa

Algeria

Algeria is in the midst of a large weapons transaction (of some $7 billion) with Russia. As part of this deal, Algeria has received T-90 tanks, and MiG-29 SMT and Su-30 fighter planes. It is also supposed to take possession of long range S-300 PMU-2 anti-aircraft missiles, Pantsyr S-1 anti-aircraft systems for point defense, and Yak-130 training planes. In place of the MiG-29s Algeria received and returned to Russia, it may receive additional Su-30 MKA planes or MiG-35s. For its navy, Algeria issued a tender for four frigates, with France, Germany, and Great Britain competing for the deal. Algeria also benefits from a small amount of American military aid (for a total of $700,000 in 2008), and it purchased night vision equipment and Beechcraft 1900D surveillance planes from the US.

Conclusion

An article written for the 2005-2006 volume of the INSS annual strategic survey discussed extensively the RMA effect on the armed forces of the region. At that time, the region's forces were still captivated by Operation Iraqi Freedom in 2003, when 23 divisions were completely wiped out in a matter of weeks by a modern and much smaller military employing aerial force, precision weapons, and full intelligence control of the battle zone. Since then, this revolution has lost some of its luster, whereas the notion of asymmetrical warfare has gained in importance. The two campaigns Israel fought in the interim have proven the ability of a small, semi-regular force,

armed with artillery rockets, to attack the civilian population, while it itself fights from within a supportive civilian population and enjoys its shelter.

Nevertheless, in the field of military purchasing, the picture has changed only slightly. Arms deals are long term affairs, and years pass from the decision to purchase a particular system until it is integrated into service, and certainly a long time passes until a country decides to buy a different system to replace the first one. Therefore, it is hard to predict an immediate change. Still, at least in Israel and in Syria, it is clear that the lessons of the Second Lebanon War have started to be felt: Israel continues to equip its military with advanced fighter jets, surveillance and early warning planes, and satellite capabilities, but has also accelerated the rate of outfitting the military with anti-rocket systems and with armored personnel carriers and armor, which one may have thought were hopelessly out of date, yet turned out to be indispensable in an asymmetrical confrontation with a well equipped non-state enemy. Syria has accelerated enlarging its stock of rockets and anti-tank measures. Hizbollah and Hamas, the non-state entities buoyed by the successes of asymmetrical engagements, continue to rearm themselves in those areas.

It seems that weapons purchases in the Middle East will level off in the coming years. States with financing capabilities will continue to arm themselves with precision guided weapons systems, aerial warning systems, and intelligence, even if they were not totally successful in buying and internalizing the full range of RMA capabilities. However, the importance of means of fighting terrorism, defenses against rockets and missiles, and fortification of population centers will continue to grow as the threat of terrorism and guerilla warfare from within and without the region's nations grows.

Finally, the economic crisis will likely be felt sooner or later. Oil prices that dropped dramatically in the second half of 2008 acutely affected the oil producing countries' abilities to invest in weapon systems. Oil-less nations in the region were usually supported from the outside, and so they too are liable to suffer from their sponsors' lack of generosity. What remains an interesting question is the special assistance some of the region's nations receive from the United States – Israel, Egypt, Jordan, and Lebanon. Today, aid to Israel and Egypt is ensured by 10-year agreements. Time will tell if

the economic crisis in the US creates political pressure to cancel or reduce these agreements.

Notes

1 One must also factor in the decrease in the value of the dollar, as the numbers appearing here are in current prices. The data is from the CRS report to the Congress of October 2008, which did not include Turkey as a part of the Middle East region. The percentages appearing herein were calculated by the author, and were not taken from the charts in the CRS report (which calculates them as percentages of the total "regional sales" – sales that do not include sales to Europe and North America).

2 Offset agreements are agreements where the seller is obligated to invest a certain percentage of its proceeds in an arms sale deal on the purchasing country's market. Such agreements have become an important feature of every weapons sale, especially with nations with a strong defense industry. In many cases, the seller is also committed to buy certain components for its weapon systems sold by the local industry. Such agreements characterized the arms deals with Israel and with Turkey, and with other countries as well. In a few cases, stiff competition between weapons manufacturers pushed the offset agreements beyond 100 percent of the value of the deal.

IV
The International System

International Involvement in the Middle East

Roni Bart and Limor Simhony

The United States remains the most influential international element in the Middle East. This is so notwithstanding its relative weakening internationally and the slow move of the international system towards a more multi-polar dynamic, the involvement of additional actors in the Middle East, and the American failures in the region. The influence of the United States is based on its political, economic, and military weight; its determination to persevere in its involvement and spearhead processes; and the fact that states in the region simply need the United States. For the most part, other international elements conduct their Middle East policy in coordination with or with reference to American policy.

Europe strives – at times successfully – to exert influence, but this is at best a tenuous goal, as Europe is not a united element in the field of foreign policy and defense. It is hard pressed to realize the same kind of potential for cohesive action in the international arena that the European Union enjoys with regard to internal matters (the economy, citizenship, social and legal issues). There is frequent tension and competition between diplomatic institutions and officials; there is no continuity in moving processes forward because of the rotation of the EU presidency every six months; the need for consensus is limiting; and above all, there is a serious difference of opinion about priorities between the "leaders" of the EU and the other EU states, between East and West, between those pulling towards the center and those with a tendency to independence. As a result, a unified stance is usually based on a moderate and relatively weak common

denominator (e.g., policy towards Russia) or on passive resistance (e.g., the response to the American invasion of Iraq). On the other hand, activist and strong leaders of the large EU states – Tony Blair in the past and Nicolas Sarkozy today – have definitely succeeded in wielding influence, at times thanks to their personalities and at times by leading the entire EU. In the Middle East, Europe usually supports American political objectives, while maintaining an ongoing attempt to refine and/or improve methods of action – to play Athens to America's Rome.

For its part, Russia has based the rehabilitation of its status as a superpower on defying the United States, which is perceived by Russia as a threat and a power interested in a weak Russia. In only a few issues of importance to national Russian interests, such as control and oversight of nuclear materials/arms or the war on Islamic terrorism, does Moscow cooperate with Washington. By and large, however, the general trend is to reconstitute Russia's might while thwarting America's policies (in Eastern Europe), present a neutral alternative to Western ideology (in Asia and Africa), and/or challenge the United States (in Latin America). At the same time, it is important to Russia to demonstrate responsible participation in every political process and in constructive multinational efforts. In this way Russia is trying to regain its influence in the Middle East. Russia views the region as very important not because of its energy sources but rather because it is the locus of highly significant geopolitical processes and because of the region's effect on Russia's own Muslim population. The Russian strategy is to nurture ties particularly with regional elements that the Bush administration opposed in order to remain the only international player with connections to all the region's elements. In this fashion, Moscow encourages the radical anti-Western axis, and at the same time, tries to build for itself the role of mediator.

China too is against uni-polar hegemony, but defiance is not its style. The leading principle in Chinese foreign policy is the notion of peaceful development: managing its growing power while (as opposed to most rising nations in history) soothing the qualms of its neighbors and other powers, possibly the United States in particular. China has uncompromising stances regarding issues directly affecting it: Taiwan, Tibet, and pressure to democratize. Beijing also takes a direct interest in

issues that are geographically close: the Korean peninsula, Central Asian states, and Japan. China is investing heavily in developing ties that will allow it access to energy sources and raw materials. Beyond this, China avoids taking a stand, opposes international intervention in internal matters of problematic nations (Burma, Sudan, Zimbabwe), and tries to embrace the international consensus. This policy is noticeable in the Middle East as well, and thus there is no tension between China and the United States in the region. A good example from the recent past is the Chinese stance on the American invasion of Iraq: China opposed it, but left the task of leading the opposition to France and Russia, so that its relations with the United States were not affected. China has recently increased its presence in the Middle East (by means of economic delegations, a special regional envoy, observers in Lebanon), but at this stage its involvement is cosmetic rather than indicative of active involvement.[1]

The common model functions as follows: the United States leads the international political activity in the Middle East; Europe supports (Afghanistan) or encourages (the Roadmap, negotiations with Iran); and Russia seesaws back and forth (limited contact with Hamas) or opposes (sanctions against Iran). The capability by others of pursuing independent action is very limited; essentially, nothing can be done in the region without the US. Yet except for cases in which the United States decides on independent American military action, international elements can indeed slow down, deflect, and on rare occasions, even halt the United States. This explains why the Bush administration failed to meet its objectives in the Middle East regarding issues for which international cooperation and support were critical to success, e.g., the Iranian challenge.

More than seven years after the overthrow of the Taliban government, Afghanistan is more than ever in a precarious and potentially reversible state, al-Qaeda still enjoys a place of refuge, and the fighting has spread to Pakistan. The policy toward Iran failed: Tehran is actively pursuing its nuclear program, and the diplomatic-sanctions route has failed miserably. In Iraq, the military successes of the surge have provided a ray of light, but according to administration spokespeople, the situation is "fragile and reversible."[2] The Annapolis process between Israel and the Palestinians failed in terms of the timetable (a shelf agreement by the end of 2008). The

sides do not share an idea of how to overcome the Hamas obstacle. The United States boycott of Syria also failed – not only France, but even Israel ignored the boycott, and in Lebanon, the United States was in effect forced to support Hizbollah's joining the government as a party with veto power. Perhaps above all, at least from President Bush's perspective, the vision of democratization, defined in 2002-2003 as the cornerstone of American policy, was effectively taken off the table three years ago. By the end of 2008, all the important issues had scored either non-successes in achieving stated objectives (Afghanistan, Iraq, the Annapolis process), deadlocks (Syria), or failures (Lebanon, Iran).

This is a situation that President Barack Obama intends to change, primarily by dialogue with adversaries and multilateral listening/cooperation instead of the Bush approach, which focused largely on self-reliance. This change, which will be dramatized as America tries to cope with current Middle East issues, will also affect the overall international involvement in the region. The article below analyzes American policy regarding the central issues on the Middle East table, with an emphasis on the transition from Bush administration to Obama administration policies.

Afghanistan-Pakistan

In September 2008, Chairman of the Joint Chiefs of Staff Michael Mullen declared publicly: "I am not convinced we are winning in Afghanistan."[3] This is an understatement. In terms of security, 2008 was the worst year for the United States since it toppled the Taliban regime in 2001. Today the Taliban dominates more than half the country (outside the cities), particularly in the south and east, while local warlords rule most of the rest of the country. Thus the central government is capable of enforcing its will only in the capital, Kabul. This situation explains President Karzai's attempt in the second half of 2008 to induce the Taliban, or at least the relatively moderate wings within it, to negotiate a settlement: immunity and government positions in return for halting terrorism, severing ties with al-Qaeda, and providing intelligence about terrorists.[4] This attempt, America's silent agreement to the move, and the Taliban's refusal are perhaps the best indicators of the balance of power and general trends.[5]

At the same time, al-Qaeda, the Taliban, and their allies in Pakistan have grown in strength and are using their power against American and NATO forces in Afghanistan. The problem is focused primarily in the northern province of Pakistan, a semi-autonomous tribal region where extreme Islamic movements have traditionally had a stronger hold than the central government. Their success there is evident both in the blocking of the strategic Khyber Pass, essential to supply convoys for the Western forces in Afghanistan, and in stopping the Pakistani army, which is untrained in fighting terrorism and guerilla warfare. In fact, three mutually supportive terrorist efforts are operating in Pakistan: the struggle of the extreme Muslim movements against the government; the war of the Taliban and its allies against Western forces in Afghanistan and the Pakistani forces assisting the United States; and the anti-Indian activities as part of the struggle to bring Kashmir under Muslim control. An example of the interface between the three was the showcase terrorist attack in Mumbai in December 2008. When the possibility of responding militarily against Pakistan was under discussion in India, Pakistan warned that it would redirect its forces from the Afghani front in the west to the Indian front in the east. As if taking an orchestrated cue, the Pakistani Taliban offered to enter a ceasefire and join a united struggle against India.[6] Thus, the problem of the Taliban and its supporters, which until recent years was contained within Afghanistan, becomes linked to the conflict in Kashmir. This in fact is but one aspect of the Pakistani problem. From the point of view of the United States and the world, this is a country where all the ominous scenarios converge: three-pronged Islamic terrorism; a weak government rife with corruption in the midst of an economic crisis, overturned in the occasional military coup; a government that does not fully control its Inter-Services Intelligence agency (ISI), which partly supports terrorism aimed at Kashmir and Afghanistan; and nuclear capability, with components sold in the past, liable to fall into less responsible hands should the regime be further destabilized, and liable to come into play against the Indian nuclear enemy as part of another round of warfare.

In the United States, the Democrats have long claimed that the situation has deteriorated dangerously because the Bush administration focused on the wrong front – Iraq. As promised, the newly elected president has put

Afghanistan at the top of his list of priorities while implementing a new strategy based on a six-tier approach. One, Afghanistan is no longer to be considered by itself but rather as part of a greater Afghani-Pakistani complex. (In fact, in light of the accelerated deterioration of the situation in Pakistan, the reference to the "Af-Pak" arena that was born in January has changed and people now speak of "Pak-Af," or even about Pakistan as a critical problem in its own right.) This approach is evident in President Obama's appointment of Richard Holbrooke as special envoy to the region, as well as the summit President Obama held with the presidents of Pakistan and Afghanistan in early May. Two, the American objectives no longer specify democratization, rather aim to "disrupt, dismantle, and defeat al-Qaeda." The third tier is strengthening the 30,000 American troops already stationed in Afghanistan with about 20,000 soldiers. (There are also 38,000 NATO soldiers in Afghanistan, but the United States' allies are refusing to reinforce them or to cancel operational limitations on their service personnel there.) The fourth calls for increased investment in the civilian-economic-reconstruction side in order to earn public support in both countries for the governments rather than for opposition organizations. The fifth, an effort to expand the circle of support by means of an international regional conference held in March-April, raised billions of dollars to support the Afghani economy. The sixth is a change in military strategy and tactics evident also in the surprising decision made in mid-May 2009 to replace the American commander in Afghanistan. The Obama administration hopes that this new approach will spearhead a change in the central front in the war against terrorism.

However, there are three major difficulties on the American road to success, at least in the immediate future. At the military level, the surge in American forces will not be completed before the summer, and will not have its greatest impact in 2009. Because the Taliban forces understand this, one may assume that they will make supreme efforts during this year, so that in the very short term the situation is liable to deteriorate even further. Similarly, the American military intends to attempt the strategy of cooperating with tribes and former insurgents, a strategy that was successful in Iraq. However, it is not clear to what extent it can be implemented in Afghanistan, where the tribes are more divided and more supportive of

al-Qaeda.[7] To date, strengthening the forces and using tactics developed in Iraq have not had an impact.

The second difficulty is that even the relatively focused objective of the Obama administration seems too ambitious. It is of course possible to "disrupt" the activity of al-Qaeda in a considerable way; it is not entirely clear how to "dismantle" it, never mind how to "defeat" a terrorist and guerilla organization in this part of the world. And third, there are serious doubts about the will and/or ability of the two local governments to lead the struggle effectively. In Afghanistan, President Karzai has not demonstrated any desire to root out the corruption endemic in his regime. In Pakistan, it is not yet clear whether the determined local military campaign against the radicals waged – surprisingly – by the government was a stand-alone event or the harbinger of an important change. In either case, doubts about both the ability of obtaining the goal and about the allies are causing practical reservations even on the part of President Obama's Democratic supporters. While the military budget was authorized without hesitation by Congress, the requests for military and civilian aid to Pakistan and Afghanistan were not. The relevant committees are demanding that the administration formulate parameters to measure the conduct of both countries. Even military spending for Pakistan, defined by the Pentagon as urgent, was not approved because of concerns that the money would be funneled towards conventional armament (against India) or towards the nuclear program, instead of towards training and means of warfare to combat the Taliban and al-Qaeda. In any case, some Democrats have already issued warnings to the effect that if within a year it is still not possible to see the light at the end of the tunnel, it will be necessary to change course and to leave the region.

Thus the situation in Afghanistan and Pakistan will likely worsen before it can possibly start to improve. On the military level, the United States has internalized the severity of the problem and is taking a series of steps to ensure more effective responses; this is possible particularly because of an improvement in the situation in Iraq and the intention to withdraw troops from there. On the political level, the United States will need diplomatic sophistication to balance between maximum cooperation from the Pakistani government in battles against both the Taliban and anti-

Indian terrorism on the one hand, and retaining the two governments as effective allies on the other. The reinforced front against the Taliban and al-Qaeda is expected to become Obama's war, and it may be assumed that the Pak-Af issue will continue to head the American administration's agenda.

Iraq

The United States began to withdraw its troops from Iraq in 2008. The first stage involved withdrawal of some 30,000 soldiers who participated in the surge. The more significant stage was evident in the agreement reached at the end of the year between the two governments about the continued American military presence in Iraq. Based on this agreement, the withdrawal of American forces began in January 2009; by June, the fighting combat units are to have left the cities and villages; and by the end of 2011, the withdrawal from all of Iraq is to be completed.[8] In addition, limitations on the forces' activities will be imposed; such limitations are to strengthen the Iraqi government's control of security and are an expression of reconstituted Iraqi sovereignty.[9]

This process is possible because of the continuing improvement in the security situation. In 2008, the number of incidents dropped by about 80 percent; the average monthly toll of Iraqis killed went from 3,500 to 500; and the number of Americans killed in a month fell from 100 to 20. Similarly, there has also been a significant political improvement. While formally speaking only a single issue was resolved – the holding of local elections in January 2009 – a modus vivendi has been achieved even for the issues that have not yet been formally resolved in law. This modus vivendi is more or less acceptable to all sides (shared control of the energy sector, the inclusion of Sunnis in the public sector) or has led to the postponement of decision making in a way that has prevented flare-ups of hostilities (the status of Kirkuk, changes in the constitution). The successful integration of Sunnis in the political system, the surge, the implementation of the strategy of collaborating with Sunni tribes against al-Qaeda, and the surprising determination demonstrated by Iraqi prime minister Nouri al-Maliki in the struggle against Shiite militias have all generated American-Iraqi success in the security sphere.

As such, the Obama administration inherited a rather convenient situation. Obama the candidate pledged the withdrawal of the American forces from Iraq within sixteen months of taking office (i.e., by the spring of 2010), but later in the campaign spoke more about making the rate of withdrawal contingent on the military's recommendations and the conditions on the ground. In this spirit, the president announced in February that the forces would be out of Iraq within 18 months, i.e., the "battle mission in Iraq will conclude" in August 2010. Because the timetables are set on the basis of flexible mission descriptions, they are not carved in stone. Technically, the cities and the country as a whole have too much infrastructure and equipment and too many soldiers, and it will be impossible to withdraw them in an orderly fashion within six or eight-ten months, respectively. Operationally, the Iraqi forces will not be capable of carrying out the task of securing Iraq on its own within these timetables. It is already clear that in June 2009 more than 10,000 American soldiers will be left in the cities. Their function will undergo reformulation – from "combat fighters" to "instructors" or "advisors," even if they continue to carry out their original missions.[10]

The military exit from Iraq is very high on America's list of priorities and on Obama's political agenda. Nonetheless, once the president makes the decision in principle about the rate of the withdrawal, the issue will keep the Pentagon busy but will not overly concern the White House or the State Department unless there is an unforeseen deterioration in the situation. The issue will become acute once again in 2010-2011, when it is time to discuss leaving an American force in Iraq after withdrawal, and if so, what its tasks and scope would be. By contrast, the administration will be called upon to deal quite intensively with an aspect that today is not receiving enough attention: the implications of the American military exit on the political arena in Iraq, and as a result, on American diplomacy.

Decreasing the number of American forces will reduce American influence on the intra-Iraqi scene. Even in the course of negotiations about an agreement, the Iraqi government proved its ability to stand up to the United States and forced significant concessions (especially with regard to limitations on American activities) on the Bush administration. To date, American influence has been highly instrumental in creating and

maintaining "fragile and reversible" cooperation between the three Iraqi sectors.[11] In the absence of this influence, the Shiites are liable to be tempted into aggression, the Sunnis to succumb to paranoia (justified or not), and the Kurds to overweening ambition. The risk exists, despite the fact that the manner in which the agreement with the United States was authorized arouses guarded optimism: instead of unilateral or violent moves, the issue was handled in political-legal-parliamentary steps that would not shame any democratic coalition government. Of notable mention is the Shiite majority, which heeded the directive of Ayatollah Sistani to approve the agreement with only a consensual majority. If this is a sign of things to come, it is possible that five years from now – as was the hope of President Bush – there will be a more or less functional democracy there. In any case, in the coming year or two, the administration will require highly sophisticated diplomacy to maneuver between the three sectors and the influences and interests of Iraq's neighbors in a balanced way. The United States will have to pressure the Shiite majority in order to protect the Sunni minority, at least enough so as to prevent a renewal of a Sunni locus of terrorism and pacify Iraq's Sunni neighbors, but not so much as to open the door to increased Iranian influence in Baghdad. Similarly, the United States will be required to support the Kurds' desire for autonomy and expand their geographical area just enough so as not to arouse retaliatory steps from within Iraq or from Iraq's neighbors.

In conclusion, it appears that the American military withdrawal from Iraq will proceed cautiously and will not encounter security difficulties. The United States will have to make a serious effort to ensure that this step does not result in intra-Iraqi or regional chaos, which would halt the withdrawal or show that it was fundamentally erroneous.

Iran

Efforts to stop the Iranian nuclear program during 2008 stagnated: Europe and the United States continued to declare Iranian military nuclear capability unacceptable and continued to offer negotiations should Iran decide to suspend (not stop) its uranium enrichment program. Iran continued to declare that it would never concede its right to independent nuclear capability and therefore it would not suspend the program. The

United States and Israel continued to announce that the military option was on the table. Iran continued to claim that it was not afraid. The Security Council did not even meet to discuss a fourth resolution on sanctions after the weak resolution that was adopted in March 2008.[12] When the United States tried to promote a significant move toward sanctions beyond the framework of the United Nations, Europe was unresponsive.[13] The engagement by the EU and IAEA director general Mohammed ElBaradei with Iran continued to not bear any fruit. By contrast, the Iranian nuclear program was far from stagnant.

The American carrot (incentives package) and stick (sanctions) strategy failed. The first stick – a military attack – was something Tehran was not worried about; the message from both the outgoing and incoming administrations in the last year was that "another war in the Middle East is the last thing the United States needs" and that "a war against Iran would be disastrous."[14] The second stick was not painful enough: the weak sanctions imposed do not cost Iran enough to make it change its policy; Russia and China are opposed to making the sanctions stricter; and Europe is not prepared to downgrade its economic ties with Iran beyond whatever is called for by the Security Council resolutions. The international community effectively blocked the United States.

Obama the candidate agreed with President Bush, both about the goal of preventing Iran from achieving military nuclear capability, and about diplomacy as a preferred means to attain this goal. However, he was scathing in his criticism of Bush's failure, which he attributed to the decision to boycott Iran. At the beginning, Bush made any negotiations contingent on stopping the enrichment program; afterwards, he indirectly supported the efforts of the EU-3; and only in 2008 did he agree to mid-level meetings and only in a multilateral setting.[15] Obama promised to initiate direct bilateral talks with Tehran, both out of a hope that this may lead directly to a diplomatic solution, and as justification for applying painful sanctions or even engaging in a military move should the dialogue fail. At least to date, he is standing by this promise.

When formulating this new policy, the administration apparently decided very early on not to take major steps before the Iranian elections in June 2009, perhaps in order to prevent President Ahmadinejad from

scoring propaganda points. As such, Washington emitted a softer tone to affect the atmosphere. The president's reference to the nuclear threat came without the standard line that "all options are on the table." The president sent special New Year's greetings to the Iranian people in which he called for "a new beginning in the relations" based on "mutual respect," and in which for the first time he used the term "the Islamic Republic of Iran," implying there was no intention to generate a regime change in Tehran. Several steps were also taken on the diplomatic level. In March-April, Iran was invited to an international regional conference on Afghanistan, where representatives of Iran and the United States met face-to-face; American diplomats throughout the world have been given permission to talk with Iranian representatives without prior approval from the State Department; and in April the United States announced that it would join on a regular basis the groups of states conducting negotiations with Iran (President Bush sent a representative just once, and of a lower rank than the other representatives.) All signs, including those coming from Tehran, indicate that after the elections, a direct and significant dialogue will commence between the two nations.

Extending an invitation to direct talks will not be enough. The administration will have to infuse it with content, because Iran has already rejected a number of incentives packages offered by Europe and the United States. Several suggestions and ideas have been raised, beyond the familiar economic incentives: to refrain from efforts toward regime change in Tehran; to recognize Iran's status as a key player in the region; to give Iran American security guarantees; to offer Iran something in exchange that would justify conceding the security and prestige associated with nuclear capabilities; and/or to agree to uranium enrichment on Iranian soil and make do with tight controls and oversights that would prevent spillover into a military program.[16] The hope apparently is that if a comprehensive detailed package is offered publicly by the United States, and at a time of dramatic decreases in the price of oil that are weakening Iran, there is a chance that Tehran will respond positively.

The potential for direct dialogue between the United States and Iran will be determined by a number of key points. One, in order to begin negotiations it is necessary to overcome the conditionality barrier, because

Iran rejects every Western demand to suspend, even temporarily, the enrichment program as a precondition for dialogue. If Obama indeed intends to hold talks with no prerequisites, this would represent a major achievement for Iran that would undermine the US's common denominator with at least part of Europe. (It may be what French president Sarkozy had in mind when he described the stance of candidate Obama as "utterly immature" and "empty of all content."[17]) The United States may suggest a partial suspension or steps such as not adding any more centrifuges.

Second, it is already clear that the administration has no intention of advancing negotiations and sanctions at the same time, because the latter will be presented as contradicting the good intentions inherent in the former. On the other hand, it is hard to assume that Iran will agree to a more flexible stance without the potential of force hovering over the negotiations, especially as it is clear that Russia and China will prevent painful sanctions from being authorized in the Security Council, certainly within a reasonable amount of time.

Third, the technological clock is ticking, in particular from Israel's perspective. President Obama has avoided and will likely continue to avoid setting target dates for concluding the talks, but in the summary of his meeting with the Israeli prime minister he said that it would be possible to assess the situation by the end of 2009. It is hard to believe that this will actually happen. Tehran has demonstrated its expertise in foot-dragging, and the West has shown its capacity for endless patience. It is safe to assume that at any point in time, including the end of 2009, Iran will be able to present a stance that would prevent the door slamming shut on the dialogue. That would certainly keep Russia and China from joining in a new decision on sanctions.

Finally, the objective of the new administration is apparently more modest than that of its predecessor. While President Bush spoke about preventing the enrichment of uranium, President Obama speaks only about arms development. If these hints are significant, it may be that the United States would be prepared to settle for Iran becoming a "threshold state," i.e., a state with strong potential to develop nuclear arms, seemingly neutralized by international oversight and control. It is doubtful that Israel would agree to this. It is possible that because of these concerns, the

administration sent first Dennis Ross and later Secretary of Defense Gates to hold a round of talks with Arab allies. These four points – prerequisites for dialogue, the potential use of sanctions as a threat, a timetable, and defined objectives – will determine the American outline for action with regard to Iran.

In conclusion, in the second half of 2009 the Iranian nuclear program will be the focus of the major American diplomatic effort. The effort will be made not just vis-à-vis Iran but also – and perhaps primarily – vis-à-vis the international community, and will be a critical test of the new administration's approach of dialogue and multilateralism. In light of the American estimate that it will take Iran another two to three years to realize its military nuclear capability, one may assume that the administration will not concern itself with the military option during the coming year, and will continue to convey a message of restraint to Israel.

The Israeli-Palestinian Conflict

From the American and international community's perspective, 2008 was a year of non-success; in fact, in terms of the Annapolis process timetable – a shelf agreement by the end of the year – 2008 may even be called a failure. First of all, two visits by President Bush and six visits by Secretary of State Condoleezza Rice did not manage to inject the parties to the negotiations with a sense of urgency regarding the track dealing with the permanent settlement.

Second, the situation is only slightly better with regard to the implementation of Stage 1 of the Roadmap. Israel has not evacuated the unauthorized outposts and has not frozen construction in the settlements, despite a certain harshening of the American tone of criticism on the issue.[18] From the perspective of the international community and in particular that of Tony Blair, the Quartet's envoy to the Middle East, Israel is far from doing enough to improve the fabric of Palestinian life, especially with regard to removing roadblocks and stimulating economic development. On the other hand, the Palestinian Authority has not done enough in terms of governmental-administrative reforms and in terms of centralizing various security mechanisms. Despite progress in this area, the PA is still far from demonstrating full commitment to the struggle against terrorism.

A significant improvement occurred in the realm of internal security, in the form of Palestinian police units that successfully took responsibility for Jenin and Hebron. These are the fruits of efforts by US Lieutenant General Keith Dayton; he has worked to build up the Palestinian security forces and estimates that years will pass before Palestinian abilities in this field will be able to back up a permanent settlement.[19]

Third, none of the parties involved has any substantive idea on how to overcome the Hamas obstacle. The international community has upheld the Quartet's stance from the spring of 2006: Hamas will be defined as a partner for talks only after recognizing Israel, renouncing terrorism, and honoring signed agreements. In the meantime, the organization has largely avoided fire towards Israel since Operation Cast Lead, and perhaps more scrupulously since Egypt stepped up its activities after the discovery of Hizbollah cells supporting Hamas in the Sinai Peninsula.

The Israeli-Palestinian conflict is near the top of the new administration's list of international priorities. Taking precedence are issues such as the economic crisis, Afghanistan-Pakistan, Iran, and relations with Russia. As promised, the issue is pursued with "active and aggressive involvement," to quote the president's comments on his second day in office when he appointed George Mitchell as his special envoy to the region. Obama views the conflict as an open wound poisoning American policy in the Middle East and interfering with the ability to enlist support for American policies among Arab governments (especially with regard to Iran), therefore pressuring Washington to invest more efforts into resolving the conflict.[20] The perception that the conflict is the major problem in the Middle East is evidently stronger in Obama's administration than in his predecessor's.

There is continuity in the balance (unusual on the American political landscape) shown by Obama as a candidate on the Palestinian issue, in the messages conveyed by the administration during the days leading up to the Israeli elections and the establishment of the new government, and the stance taken during the president's first meeting with the prime minister. One may assume that Netanyahu's political-ideological identity and particularly his avoidance of embracing the "two states for two peoples" formula have strengthened – and facilitated – Obama's tendency to show a relative distancing from Israel. Obama is still apparently committed

to Israel's security and prosperity, but in the widely covered summary of the meeting between the two leaders what stood out most was what was not said: there was no mention of the "friendship/longstanding and close alliance based on shared values and interests" and there was no mention that the Israeli prime minister is a friend and/or partner in the attempt to achieve peace. The issue placed squarely and bluntly in the center by President Obama, the need to freeze the settlements, is an Israeli commitment emphasized time and again by high ranking members of the administration, and accompanied by hardly any reference – certainly not of similar intensity – to Palestinian commitments. This approach correlates with reports in the Israeli media that the administration did not include/update/share with Israel its dispatch of high ranking personnel to the Middle East for consultations about the Iranian question. The signs thus are that Israel is not enjoying its favored status in the American administration in the sense of prior consultations and political consideration/patience.

Following his meetings with Presidents Abbas and Mubarak, President Obama delivered an important speech intended for the Muslim world. The administration may next present a detailed political plan for dealing with the Arab-Israeli conflict. On the basis of ideas raised to date and George Mitchell's record, it is possible to estimate that this plan will include three principles: first, adherence to the framework of Stage 1 of the Roadmap as a channel for confidence building measures. Alongside the usual demands of the Palestinians (reforms, fighting terrorism), the main burden of proof will be on Israel. It will be required to evacuate the outposts and freeze construction in the settlements, decrease significantly the number of roadblocks in the West Bank, and open border crossings to the Gaza Strip. This time, the framework will be accompanied by a detailed timetable for implementation and/or a control and response mechanism. In contrast to the original Roadmap and in accordance with the Annapolis process, realizing these steps will not necessarily be a precondition for renewing the negotiations over a permanent settlement. Second, the political process will likely be expanded to a regional circle by an almost complete adoption of the Arab peace initiative (except for the question of the refugees), and a call will go out to the Arab states to implement normalization steps toward Israel in the course of the process and not only at its end, and to express their

willingness to involve the United States in some way in the negotiations between Israel and Syria. Regional involvement is important to the United States, both as part of its regional coalition building against Iran and in order to encourage Israeli flexibility and concessions. Third, this plan will include a significant emphasis on strengthening the Palestinian economy, administration, and security services, in part based on Prime Minister Netanyahu's stress on "building the Palestinian state from the bottom up." The administration will also presumably be interested in including a significant step regarding the Gaza Strip, but this is contingent on the ability of Hamas and the PA to reach some sort of working relationship.

This American plan or a similar one will be received warmly by the Palestinians and the Arabs, who will make every step of their own contingent on Israel's fulfilling its commitments, especially regarding the settlements. The Netanyahu government will not want and will not be able to freeze Israeli construction in the West Bank totally. The future of the political process will be determined to a large extent by the stances of Netanyahu and Obama on this question. The Israeli prime minister will have to decide if he prefers conducting long and exhausting negotiations leading to a commitment he has no intention of honoring, or rejecting outright the demand for a total freeze. The American president will have to decide if this issue, both inherently and as a symbol of its determination with regard to Israel and responsiveness to the way the winds are blowing in the Arab-Muslim world, is in fact the key to progress. The strong support of Israel's friends in Congress for the administration's stance on the settlements during Netanyahu's visit to Washington, as well as the sympathetic responses of AIPAC to Vice President Biden's reference to the issue demonstrate that the president will have no domestic political problem in case he decides to insist on a freeze of settlement construction.

Regarding the other interlocutor, the problem will not be disagreement with the Palestinians but rather the intra-Palestinian conflict. In the past, Obama has referred to the vital need for solving that conflict so that Israel will have a negotiating partner.[21] Considering his basic bent for dialogue with adversaries, it may be that there is a hint here of a preference for a Palestinian unity government (contrary to the stance of Bush and Israel). Mitchell too has dropped the same hint. However, it is mainly up to

Hamas and Fatah, and Hamas' position regarding Israel is not the major impediment to an arrangement between the organizations. Furthermore, any American attempt to impose flexibility here will be rejected by Israel and may feed a confrontation between Israel and the administration.

In conclusion, the United States is trying to manage a diplomatic process in which the Palestinian side largely cannot make progress and the Israeli side largely does not want to. With the Palestinians, it is unclear whether there will be anybody to talk to before and after January 2010, the scheduled date of the PA elections. With the Israelis, there is a risk that relations will develop into the Clinton-Netanyahu model or even the Bush-Shamir one. The future portends a vigorous and exceptional American effort, but it is hard to be optimistic about its outcome.

Syria

America's boycott of Syria failed in 2008 after Israel began indirect negotiations with Damascus and France freed it from international isolation. The boycott policy was an outgrowth of the United States' many grievances against Damascus: support for the insurgents in Iraq; help for jihadist terrorism;[22] destructive interference in Lebanon's affairs (support for Hizbollah, almost certain involvement in the murder of Hariri and others, the long delay in choosing the new president); hosting Hamas and other Palestinian rejectionist organizations; an attempt to develop a covert nuclear program; and tight coordination with Iran. While Syria has made some effort to close its border with Iraq to infiltrators and its representatives have participated in regional conferences on the subject, this was too little from the Bush administration's perspective. This was reflected by the lack of continuation of high level contacts between the nations (there was one meeting between the Syrian foreign minister and David Walsh, the American representative); the American attack in eastern Syria in October 2008 (which seems not to have been the first of its kind);[23] America's avoidance of supporting Israeli-Syrian negotiations despite the public appeal of Syrian president Bashar al-Asad; and the continuing American sanctions against Syria because of its definition as a terrorist sponsoring state. This policy, however, failed: Syria did not conform to American expectation, yet it managed to escape its isolation.

Former prime minister Ehud Olmert did not convince President Bush to invest in severing Syria from the radical Iran-Hizbollah-Hamas axis.[24] Netanyahu will apparently not try to follow suit, but Obama does not need to be convinced: he and his advisors seem to be aware of Syria's importance in terms of regional spoiler value. The new president, who believes in dialogue with adversaries, argued before taking office that the United States must support Syrian-Israeli negotiations, both to weaken the radical axis and to help Israel after it decided that this was in its own best interests. Even before the American elections, Obama's associates told the Syrian ambassador in Washington that Obama would work towards bringing Syria closer to the international community and that he would support negotiations between Israel and Syria.[25] And indeed, the new administration did initiate upgraded talks, and twice in his first three months in office Obama sent two senior officials to Damascus. Yet while the talks were described as having constructive potential, in mid May, according to procedures anchored in law, President Obama renewed the sanctions against Syria, seemingly because of dissatisfaction with Syrian conduct concerning Iraq and Lebanon. Likewise, Syria was not mentioned at all by President Obama in the remarks concluding Netanyahu's visit to the White House.

As is the case with Iran, it is very possible that the United States will strive to reach a grand bargain with Syria that would cover all the issues on the table between the two countries: Syria would stop its support for terrorism on all fronts (Iraq, Hizbollah, Hamas, global jihad), would sever itself from the axis with Iran, and would stop interfering in Lebanese affairs; and the United States would rescind the isolation and the sanctions (and agree to Syria joining the World Trade Organization), and actively support Syrian-Israeli negotiations, including a full Israeli withdrawal from the Golan Heights. In such a scenario, the main problem might actually be on the less important front – Lebanon. Syrian interests in Lebanon are vital to Damascus, possibly more so even than the recovery of the Golan. By contrast, the new administration has already shown its interest in a Lebanon free of foreign interference by means of visits by Secretary of State Clinton and Vice President Biden to Beirut. Washington apparently has no intention of selling Lebanon out to the Syrians.[26]

At this stage the Obama administration has rejected the advice to start with Syria, in the sense of focusing on it as a regional key with regard to Iran and the Arab-Israeli conflict.[27] There is no doubt that the United States will make an effort to include Syria in the regional mosaic it is constructing. However, Damascus must prove its willingness to change direction through action before Washington takes concrete steps that are in Syria's interest.

Conclusion

American policy in the Middle East underwent a change in 2009, from neo-ideological rhetoric and unilateral contrarianism to emphasis on pragmatic bi/multilateral dialogue. This is not to say that the Bush administration abstained from dialogue, as evidenced by the work with the Sunnis in Iraq, the start and maintenance of the Annapolis process, support for the European effort to engage with Iran, and the patience demonstrated in the Security Council with regard to sanctions against Iran. However, the basic approach, certainly until 2005, comprised "you're either with us or against us" and an unusual reliance on force to effect political change. The Bush administration was revisionist in the sense of aspiring to change the status quo, even at the expense of tensions and confrontations, on the assumption that change, while perhaps chaotic at the outset, would eventually bear fruit.

By contrast, the Obama administration is spreading an aura of calm through virtually all of the Middle East: a noteworthy attempt at direct negotiations with Iran; accelerated withdrawal of the American forces from Iraq; dialogue with Syria; and extensive and intensive American involvement in the Israeli-Palestinian conflict. Even in Afghanistan-Pakistan, where the intention is actually to expand the military effort, the United States will apparently also expand its effort at dialogue with some of the problematic tribal factions.[28] The international community of course will be pleased to find a more attentive ear in Washington. The big question is whether this approach will prove itself in the mid and long term. As of mid 2009, Obama may have effected a change in the international atmosphere toward the United States, but Europe has nonetheless not agreed to send reinforcements for the troops in Afghanistan, Russia has

not changed its conduct in Eastern Europe or with regard to Iran, and the Security Council is impotent regarding the escalation in North Korea (a phenomenon to which Iran is surely not blind).

At this stage it seems that the administration will attempt to join policy principles with respective issues so as to form a comprehensive regional strategy. The keystone of this strategy will be Iran, because it is seen as the most important issue and impacts on all the others. By the end of the year the administration will have to decide if there is a serious chance of arriving at an understanding with Tehran. Such an understanding would have a calming effect on other sectors, but its price will be recognizing Iran's regional status and its interests in Afghanistan, Iraq, and Lebanon. To weaken Iran and enlist support against it, whether in the form of support for dialogue or in the form of an alternative to its failure, the United States will try to tempt Syria and make major progress in the Israeli-Palestinian process. In the comprehensive package, President Obama is putting great efforts into drawing closer to the Muslim-Arab world, as indicated in his first interview as president, which he granted to al-Arabiya, and his speeches in Istanbul and Cairo.

An integrated regional strategy should derive from a comprehensive worldview. In the last sixty years, there were two periods in which American foreign policy was based on a comprehensive serious worldview: the architecture constructed by Harry Truman's administration after World War II (reconstruction and inclusion), and the careful Metternich-style balance of power embraced by Richard Nixon and Henry Kissinger. The organizing principle of Bush in the post-9/11 world was war on terrorism and efforts to democratize nations, as two sides of the same coin. It is not yet clear whether Obama and his team have an organizing principle or a bent towards formulating one. If there is, clearly it will not be the same as Bush's. In the meantime, it seems that the administration is trying to construct an international agenda based on pragmatic dialogue, one that recognizes that the United States is not capable of coping with all the challenges on its own, and not even together with only its traditional allies.[29] (It would be somewhat ironic, historically speaking, were Obama to implement the promise made by candidate Bush in 2000 for a more

modest foreign policy.) This line is clearly expressed in the American policy in the Middle East.

In any case, changes in American policy have two major implications for Israel. First, Israel has a permanent interest in seeing American policy succeed: the stronger the status of Israel's only ally, the better. Furthermore, it is important to Israel that Pakistan stabilize rather than deteriorate, lest nuclear capabilities fall into destructive hands; it is important to Israel that the efforts in Afghanistan against the Taliban and al-Qaeda succeed; and it is important to Israel that Iranian influence not grow in Iraq and/or that part of Iraq not become a safe haven for Sunni jihadists. Above all, it is important to Israel that the United States succeed in somehow stopping the Iranian nuclear program. Second, Israel must draw the right conclusions from the fact that the Bush era is over. Boycotting Yasir Arafat, unilateral withdrawal, a continued embargo on the Gaza Strip, and long military campaigns against Hizbollah and Hamas – all of these were comparable with the previous administration's unilateral, confrontational approach. This is no longer so. In a world of engagement, Israel will have to be careful that it is not called on to pay the price. More important, Israel must contribute its share to the stabilization of the Middle East.

Notes

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Current Trends in al-Qaeda and Global Jihad Activity

Yoram Schweitzer

Introduction

In recent years, a serious academic discussion about the al-Qaeda organization (or AQC – al-Qaeda Central) has been underway, one that has also found its way into the popular media. It has focused on whether AQC has ceased functioning as an active organization and turned into an icon only, and whether its role as leader of the global jihad has been assumed by a mass movement run by a network of people, groups, and organizations whose members have undergone a process of self-radicalization.[1] A response to this question may be found in an analysis of the activities of al-Qaeda and its affiliates, but also depends on understanding the concept of struggle according to al-Qaeda and its relationship with its affiliates. Al-Qaeda views itself as the leader of the global jihad movement and as a role model for its affiliates. As such, the organization has sought to stage dramatic and innovative terrorist attacks that pave the way for its collaborators, without insisting on exclusivity for acts undertaken in the name of global jihad. Moreover, al-Qaeda has encouraged independent activity, which is often carried out without its approval or knowledge.

Al-Qaeda, well aware of its limited power and resources, has always viewed its own terrorist acts and the terrorist acts it encourages others to undertake as a tool to launch an historic process whose final objective is restoring Islam to its former primacy and glory. Al-Qaeda does not feel it necessary to carry out many attacks, and prefers to focus on a limited number of showcase attacks. Terrorism, viewed by al-Qaeda as "propaganda in

action," is the first in a chain reaction meant to enhance its destructive and moral effect and launch a sophisticated, global propaganda system. This system is directed by the organization with the assistance of its production company, al-Sahab, through internet sites and Arab satellite channels headed by al-Jazeera. It is no coincidence that al-Qaeda contributes as many resources and efforts to al-Jazeera as its does to terrorist attacks.

The discussion that follows focuses on the central arenas where al-Qaeda and its global jihad affiliates were active in 2008; an assessment of the expected trends in their activities in coming years; and an examination of the threat they represent to Israel's security. The terrorism threat to Israel from al-Qaeda and other global jihadists largely depends on the status of these groups vis-à-vis the intensive global system laboring to eliminate them. Despite their centrality in al-Qaeda's enemy ideology and rhetoric, Israel and the Jews do not top the list of priorities of al-Qaeda or its affiliates, particularly because of the limits of these organizations to operate against an array of enemies deployed on many fronts. To date, not many Israeli or Jewish targets have been attacked.[2]

Al-Qaeda and their Affiliates: Theaters of Activity

In recent years, al-Qaeda and its affiliates have focused their activities primarily in Iraq and the FATA (Federally Administered Tribal Areas) border region between Afghanistan and Pakistan, as well as other local arenas.

Iraq

The American-led coalition invasion into Iraq supplied al-Qaeda with a golden opportunity to extricate itself from its difficult position and the pressure exerted on it after the severe blow it and its Taliban sponsors suffered following the 9/11 attacks.

Al-Qaeda did not invest the bulk of its resources or dedicate its most senior commanders to the war in Iraq, and most have remained protected in Afghanistan and Pakistan, particularly in the border area between them. However, al-Qaeda commanders have invested significant informational/propaganda efforts to stress the extreme importance of the campaign in Iraq as the central arena for the contest between the Islamic world, led by global jihadists, and the West together with its Arab allies. With the assistance of

recruiting and logistics networks directed by supporters around the world, the struggle in Iraq has become a locus attracting Muslim volunteers worldwide seeking to join the jihad activity there. Moreover, the fighting in Iraq over the past five years has largely drawn the coalition forces' attention away from their initial objectives and depleted the resources – in terms of money, manpower, equipment, and time – allocated to wage a focused war against al-Qaeda bases in Afghanistan and Pakistan.

The massive presence of Western forces in Iraq has helped al-Qaeda operate its affiliates in the country against the invaders. The fact that "the distant enemy" (i.e., the United States and its allies) came to a region considered to be holy Muslim ground (*wakf*) in the heart of the Arab Levant gave al-Qaeda home court advantage in attacks. In addition, it helped strengthen its basic narrative: the prosecution of a holy war by means of legitimate "armed military resistance." Al-Qaeda took advantage of this opportunity to prepare highly skilled cadres with combat experience and train them in terrorist and guerilla warfare for future use in the global jihad. Furthermore, the fighting in Iraq afforded al-Qaeda an opportunity to demonstrate and entrench the act of self-sacrifice to Allah (*istishhadia*) that has become its trademark through intensive use of suicide attackers, most of them from the ranks of the foreign volunteers, who were sent to their targets by al-Qaeda in Iraq[3] (figure 1).

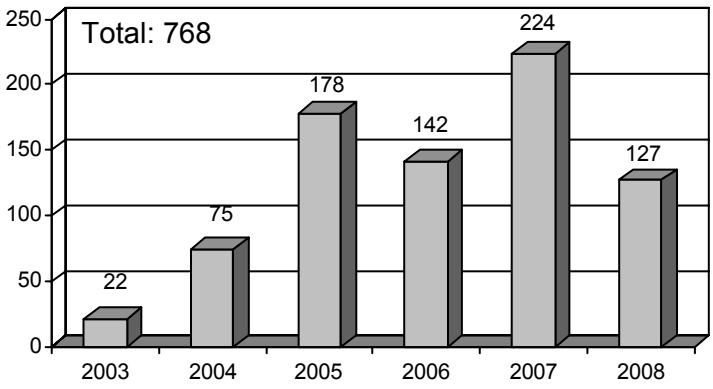

Figure 1. Suicide Attacks in Iraq 2003-2008

Source: Terrorism and Low Intensity Warfare Project database at the Institute for National Security Studies

The fighting in Iraq has provided al-Qaeda's elaborate and effective propaganda machine with a wealth of visual material documenting the terrorist and guerilla activities against the foreign forces. In recent years, these materials have served al-Qaeda in its psychological warfare as it celebrates its heroic narrative of the "Muslim mujahidin" rendering powerful blows against the invading "infidels." There is no doubt that the raw materials photographed during the fighting in Iraq, posted on many internet sites around the world identified with the global jihad, represent one of the concrete achievements of the organization and are likely to serve it in the future.

The removal of Saddam Hussein from power in Iraq did not hurt al-Qaeda, as it had in any case viewed him as one of the heretical Muslim leaders who do not lead their lives according to the laws of Islam. However, the rise of the Shiites to the top of the Iraqi regime and their cooperation with the United States and its allies turned them into a legitimate target of attack. Many Iraqi citizens, particularly those who joined the new regime and the security and police forces, were also placed on al-Qaeda's enemy list in Iraq and massive terrorism was used against them.

Al-Qaeda operatives' murderous activities and provocative conduct in Iraq against the local population have angered many Iraqi citizens. Thus starting in late 2005,[4] a rift gradually occurred between al-Qaeda operatives in Iraq and the heads of the Sunni tribes there who until then cooperated with them. The revolt of these Sunni tribal leaders, dubbed "the revival of the Anbar movement," was supported and funded by the US and coalition forces that were strengthened by the surge,[5] and with the help of Iraqi security forces, bore fruit and helped to weaken al-Qaeda. Last year symbolized a further and more advanced stage of al-Qaeda's weakened capabilities in Iraq. Based on more recent assessments submitted by senior American officers and administration personnel, a guarded analysis suggests that the organization is on the brink of collapse in most parts of Iraq.[6]

Another expression of the organization's weakness and the blow rendered to its operatives is the rise in 2008 in al-Qaeda's use of female suicide bombers, the highest in comparison with previous years (figure

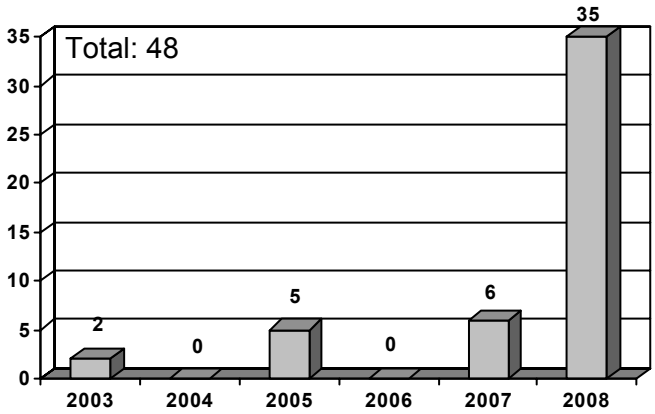

Figure 2. Female Suicide Bombers in Iraq, 2000-2008

Source: Terrorism and Low Intensity Warfare Project database at the Institute for National Security Studies

2). Such a step usually attests to operational difficulties in organizations dispatching suicide missions. In addition, al-Qaeda's declaration of the establishment of Islamic alternatives in Iraq in 2005, supported by AQC, has remained an empty slogan, in part because of the organization's current distress.

Afghanistan, Pakistan, and the FATA border region

In recent years al-Qaeda has strengthened its hold on the FATA no man's land and enhanced its infrastructure there. The area is formally under Pakistani sovereignty, but functions largely as an ex-territorial autonomous region with the central government in Islamabad wielding no authority over it, both because of its topography and its unique ethnic composition. As far as is known, this is the area where Bin Laden and most of the senior al-Qaeda operatives are in hiding, along with members of the former Taliban regime who fled there in late 2001. This region serves as a base for the planning of the joint activities of al-Qaeda and the Afghani and Pakistani Taliban.[7] Since this is presumably the al-Qaeda and Taliban stronghold, the past year saw clashes between Pakistani military forces and Taliban and al-Qaeda fighters. Furthermore, judging that Pakistan has not taken sufficient steps against al-Qaeda and the Taliban, the US has carried out aerial attacks there.[8]

Over the last two years the relationship between al-Qaeda and the Afghani and Pakistani Taliban has grown much closer, to the extent of establishment of joint war rooms, joint planning and participation in raids, and joint fighting against Pakistani regular forces.[9] The most obvious expression of al-Qaeda's influence on the activities of the Afghani and Pakistani Taliban was the upgrading of the terrorist attacks perpetrated by these elements within Afghani and Pakistani cities. The two organizations added suicide bombing to their repertoire and made it into a primary combat tactic. This was particularly obvious in Afghanistan, which until recent years did not suffer from this type of activity, not even during the ten years of warfare against the Soviet military (1979-89), during the civil war that raged until the Taliban took charge, or during the years of Taliban rule. Starting in 2005, with al-Qaeda's assistance and encouragement, Afghanistan was flooded by a wave of dozens of suicide bombings (figure 3), and in some cases it was possible to trace the direct involvement of senior al-Qaeda personnel.[10] The total of 249 suicide bombings in Afghanistan in 2005-2008 is an extraordinarily high number relative to other arenas in the Middle East and around the world, with only Iraq in the same league. Most of the suicide bombers, young Pakistanis recruited at *madrassas*, are joined by a small number of foreign volunteers dispatched by the Taliban, with al-Qaeda's fingerprints all over this activity.

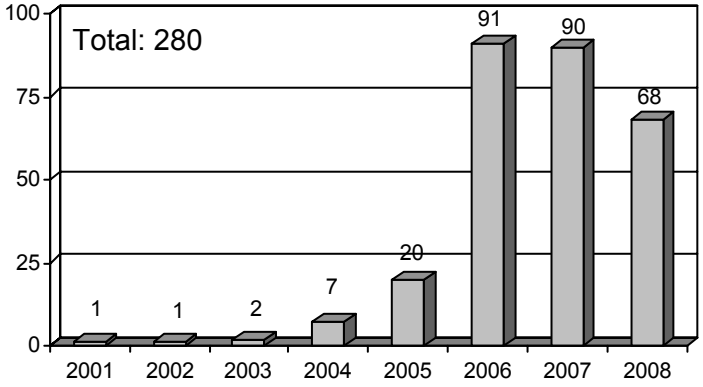

Figure 3. Suicide Bombings in Afghanistan, 2000-2008

Source: Terrorism and Low Intensity Warfare Project database at the Institute for National Security Studies

Pakistan too, which in the past experienced only a small number of sporadic suicide bombings within its borders, has over the last two years seen a sharp increase in the number of suicide attacks carried out under the influence of the association between al-Qaeda and the Pakistani Taliban (figure 4). Al-Qaeda has been directly linked – and took public credit – for the suicide attack that took place at the Danish embassy in Islamabad on June 2, 2008, in which eight people were killed and twenty-seven injured.[11] Al-Qaeda had specifically threatened Denmark in response to a cartoon in a Danish newspaper that the organization deemed an insult to Islam and offensive to the prophet Muhammad.[12] Furthermore, al-Qaeda, led by the head of the organization's operational division in Pakistan, Osama al-Kini,[13] staged a brazen attack at the Marriott Hotel, which killed fifty-four, including five foreigners – among them the Czech ambassador – and injured 266.[14]

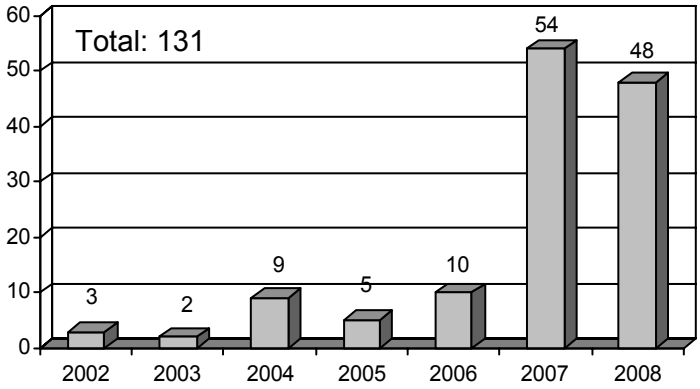

Figure 4. Suicide Bombings in Pakistan, 2000-2008

Source: Terrorism and Low Intensity Warfare Project database at the Institute for National Security Studies

Al-Qaeda Influence on Terrorism in Other Arenas

Al-Qaeda has invested significant efforts in uniting the various jihad movements under a single umbrella organization. This was meant to close ranks among the militant Islamic organizations that identify with the idea of global jihad so as to be better able to plan and coordinate their activities

and promote their joint agenda. This trend is not new, and occurred already when the organization started to launch independent suicide bombings in 1998. That same year al-Qaeda launched the umbrella organization called the International Front for Jihad against the Crusaders and the Jews, and in June 2001, the formal unification between al-Qaeda and the Egyptian Islamic Jihad, commanded by Ayman Zawahari, was made public, and Qaedat al-Jihad was founded.

In recent years, al-Qaeda has also established relationships with various umbrella organizations, in particular with al-Qaeda in the Islamic Maghreb, which includes operatives from Algeria, Morocco, Tunisia, and Mauritania, and of course al-Qaeda in Mesopotamia (al-Qaeda in Iraq), which includes Iraqi, Kurdish, and Jordanian operatives as well as volunteers from other Muslim countries. By virtue of these alliances and through their reciprocal ties with al-Qaeda,[15] these organizations have upgraded their level of operational activity. This has expanded their scope of activity and the inclusion of strategic, political, and financial targets for attack, such as political leaders, energy targets, infrastructures, tourist areas, and international and foreign military forces, with of course suicide bombing – al-Qaeda's trademark – as the preferred method.

While al-Qaeda's activity in Iraq since the 2003 war is well known, its activity in the Islamic Maghreb has aroused growing interest in recent years because of the rise in volume and quality of operations. Its major though not exclusive locus of activity has been Algeria. Since the local organization announced its unification with al-Qaeda in January 2007,[16] it has upgraded the level of its targets to the most senior echelon of the Algerian regime (the president and prime minister) and the country's institutions (the Supreme Court). Furthermore, it has extended its activity against foreign and UN targets.[17] After the unification, the organization started to stage suicide attacks along the al-Qaeda model. Al-Qaeda had similar influence on the Moroccan branch of the umbrella organization, and it too has intensified its activity in recent years, with several attempts at suicide bombings against targets in the Moroccan regime and security establishment as well as activity against foreigners.[18] Some were realized and some were foiled.[19] Additional terrorist activity was carried out by the umbrella organization in Tunisia (the hostage taking of Austrian

tourists) and Mauritania (a shooting attack against the Israeli embassy in Nouakchott).

Another al-Qaeda theater has been the Arabian Peninsula.[20] In Saudi Arabia, authorities succeeded in foiling terrorist activities of the local branch of al-Qaeda by arresting many members of the organization and by launching an aggressive counter-propaganda and reeducation campaign within areas supporting al-Qaeda in the Arabian Peninsula. Further south, the activity of Islamic Jihad in Yemen (IJY) stood out in particular this year. Even though this organization is not under the direct command of al-Qaeda, it did adopt al-Qaeda's agenda, especially after 2007 when Bin Laden's former secretary became its leader.[21] Along with attacks against senior governmental targets in Yemen, the organization staged a dramatic suicide attack against the American embassy in Sana'a in September 2008, killing nineteen.[22] In his annual security estimate, the head of the CIA noted that global jihad organizations are growing stronger in both Yemen and Saudi Arabia.[23]

Africa too is an important arena of activity for al-Qaeda, and the organization, as it is wont to do, is nurturing its prior connections with local organizations and former operatives to help carry out attacks in Kenya, Tanzania, and Somalia. The breakdown of the central government in Somalia has encouraged the growth of local jihad organizations, some of which have carried out suicide bombings against institutional targets including the presidential palace, and foreign targets such as the Ethiopian embassy and UN offices in which twenty-eight people were killed, including a senior in the Somaliland (Somalia's northern provinces) government and UN personnel.[24]

The Islamic Jihad in Uzbekistan (IJU) is another organization to whom al-Qaeda has grown closer and that has accordingly refined its activity to match the agenda of global jihad. This organization broke away from the Islamic Movement of Uzbekistan (IMU) because of internal differences as to whether to focus on the Islamic agenda in Uzbekistan or to dedicate itself to global Islamic activity, and in recent years has operated in the FATA region alongside Taliban and al-Qaeda forces.[25] Its operatives have participated in attacks in Uzbekistan, Germany, Pakistan, and Afghanistan. For example, the attack in Afghanistan was committed by a German citizen

of Turkish descent who carried out a suicide bombing against American soldiers.[26] Also, a dramatic attack against American targets in Germany, including a military base and a club frequented by American soldiers, was foiled.[27] The attack was supposed to be carried out by a terrorist network recruited, trained, and operated from afar by the organization. In Europe, security forces still view terrorist networks directed by al-Qaeda and global jihadists as an acute threat, after the exposure in 2008 of a number of terrorist networks in Belgium, Spain, Germany, and Turkey.[28]

Al-Qaeda, Global Jihad, and Israel

Activity against Israel and Jews abroad

Al-Qaeda's difficulties in carrying out dramatic and spectacular terrorist attacks against its enemies abroad and its focus on central arenas of battle where it is active has also affected its ability to act against Israel, certainly within Israeli sovereign territory and against secured Israeli targets abroad. On the other hand, attacking Jewish targets throughout the world is easier because of the relative weakness of their defensive measures and because they represent an attractive target for al-Qaeda. Nonetheless, because of its priorities, it seems that al-Qaeda has been forced, at least for now, to leave these targets to its ideological affiliates.

Even when al-Qaeda's mechanism for foreign operations was at the peak of its activity, the organization's attacks were few but particularly painful. Among the most prominent were: the 2002 suicide bombing of the Tunis synagogue that killed fourteen (none of the casualties were members of the Jewish community); suicide attacks on two synagogues in Istanbul that killed twenty-seven, six of whom were Jews (2003); the suicide attack on Israeli tourists at the Paradise Hotel in Kenya, with thirteen dead, three of them Israelis, two of whom were siblings, and a concomitant failed attempt to bring down an Arkia airplane using surface-to-air missiles (2003). In addition, a number of attacks planned, directed, or assisted by al-Qaeda were foiled; most noteworthy of these were the attempts in Australia (2000), Singapore (2001), and Thailand (2002).[29]

In 2008, there were two attacks against Israeli targets abroad, not by al-Qaeda operatives but through its affiliates. The first attack was carried out by a cell that fired at the Israeli embassy building in Nouakchott,

Mauritania. In the attack five people were wounded, all local citizens and workers. Al-Qaeda in the Islamic Maghreb took responsibility for the attack.[30] The second attack took place in Mumbai and was carried out by Lashkar al-Toiba as part of a wide scale operation directed against local Indian and tourist targets, which included the Chabad House, associated with Israel. The attack ended with the death of over 160 people, among them some thirty foreign citizens, including six Israelis and Jews. To date, it has not been possible to establish al-Qaeda's direct involvement in the operation, but it is known that Lashkar al-Toiba has contact with al-Qaeda and that in the past, its people gave logistical support to the attack on the synagogue in Tunis. Furthermore, the organization has of late expanded its activities and upgraded its targets in accordance with the global jihad agenda.[31] In recent years Bin Laden and his deputy Ayman Zawahiri, al-Qaeda's most prominent spokesman, launched only intense verbal attacks against Israel and Jews. These attacks have of course been made in the context of Jews belonging to the "Crusader-Jewish pact" against Muslims, and in particular in light of Israel's policy with regard to the Palestinians.[32] Because Israel is seen by al-Qaeda as entirely dependent on the United States for its existence, the organization views the weakening and expulsion of the United States from the Middle East as the move that will necessarily bring about the disappearance of the Zionist entity. This is another possible explanation for Israel's relatively low place on the organization's list of terrorist priorities. On the other hand, al-Qaeda understands very well that any terrorist attack carried out against Israel will reap significant propaganda value in terms of the public opinion of the Arab and Muslim world, whose support is especially important in light of the increasing criticism of the organization regarding its attacks that fail to discriminate between civilian, Western, and Arab targets and have caused a large number of Muslim casualties.

Al-Qaeda seeks to encroach on Israel

It seems that through its regional affiliates, al-Qaeda has intensified its efforts to penetrate Israel's borders in order to inflict harm on Israeli citizens. It has also tried to attack Israelis visiting Arab countries that have diplomatic relations with Israel.[33] A few years ago a number of attacks

against Israeli tourists, attributed to global jihadists, were carried out in Jordan and Egypt, and especially in Sinai.

Rockets fired in the past towards Israel from Jordan and Lebanon should be seen in this context, and Lebanon continues to be the arena for global jihadists involved in rocket attacks against Israel. In 2008 too, a number of rockets were fired towards northern Israel from Lebanon; the launches were attributed to the al-Ansar Divisions identified with global jihad.[34] During the IDF operation in the Gaza Strip (December 27, 2008 – January 17, 2009), a number of rockets were fired from southern Lebanon towards northern Israel, while others were discovered before being launched.[35] At this stage, it is not clear if the attackers were global jihadists, but the threat of continued rocket fire towards Israel remains. Interestingly, Bin Laden, who views Lebanon as a convenient springboard to harm Israel, has violently condemned Hizbollah and Iran, calling them allies in the American-Israeli plot in planning the Second Lebanon War whose purpose was ostensibly to prevent al-Qaeda and its affiliates from approaching Israel from Lebanon's southern border by means of the subsequent ceasefire agreement formulated in UN Security Council Resolution 1701.[36] While his notion of a fourfold plot sounds surreal, it reflects his frustration with his affiliates' limitations in attacking Israel from Lebanon, and at the same time clearly expresses his intentions. Another arena for locals identified with the global jihad stream is the Gaza Strip, where there are a number of groups such as the Army of Islam (relying mostly on members of the Dughmoush clan), the Sword of Islam, and the Army of the Believers – al-Qaeda in Palestine. These groups, whose size is unknown or estimated to consist of a few dozen operatives at most, engage in sporadic activity, from firing Qassam rockets and kidnapping foreign citizens to burning schools, harassing internet cafés, and acting as the morality police.[37]

Al-Qaeda's hope that Hamas' June 2007 takeover of the Gaza Strip would allow its own supporters more convenient access to engage in anti-Israel activity was not fulfilled. Because of its desire to be the sole ruler of the Gaza Strip, Hamas has prevented groups in the Strip identified with global jihad to act against Israel autonomously and without its permission, out of concern that such a situation might embroil it with Israel at a disadvantageous time and place. Speaking to the Knesset Foreign Affairs

and Defense Committee, the head of Israeli intelligence said that while Hamas has enabled al-Qaeda operatives from abroad to enter the Gaza Strip[38] and has even allowed groups identified with it to shoot rockets towards Israel from time to time, whenever any of them has challenged its authority, Hamas has not hesitated to use brutal force to suppress the challenge, as happened with the Dughmoush clan.[39]

In the past year, attempts to band together into cells to carry out attacks were exposed also in the West Bank region and among Israeli Arabs of Bedouin descent identified with global jihad, but these were foiled in time.[40] The difficulties al-Qaeda has in operating against Israel across Israel's borders stems from the fact that Israel's neighbors, foremost Egypt and Jordan, who are also fighting the growing threat of global jihad against their own regimes and within their sovereign territories, are acting decisively to stop al-Qaeda activity and to protect their citizens and the tourists visiting their countries. Syria and Lebanon are likewise engaged aggressively in attempts to foil global jihadist intentions to operate against Israel within their own territory and areas they control, out of a concern of entering into confrontations with Israel. Even Hamas acts aggressively in the same spirit, and it seems that it will continue this policy into the future as well, unless circumstances change radically.

Conclusion

Loci of global threats

From the vantage point of late 2008, it is clear that despite the ongoing efforts of the international coalition against terrorism to overcome al-Qaeda and its affiliates, these are still far from conceding defeat and may be expected to be the primary threat in terms of international terrorist activity in the years to come. The main threat from terrorist organizations such as al-Qaeda and its affiliates stems from their desire to affect the entire system of international relations and to undermine the current world order. To do so, they do not hesitate to carry out mass terrorist attacks of a level unknown in the past against anyone opposed to their worldview and chosen path.

There are a number of critical threat areas with long term significance from al-Qaeda and their cohorts in the coming years:

Intensified activity in uncontrolled areas in fragile states.[41] Al-Qaeda and global jihadists are particularly active in places where there are Muslim populations and the central government lacks full control and effective enforcement capabilities. They take advantage of this situation to foment trouble among the local populace and to recruit volunteers into their ranks. It thus appears that in the coming years the central arena of struggle of al-Qaeda and its Taliban partners will likely be in the border area between Pakistan and Afghanistan. Al-Qaeda is preparing for the intensification of the expected war against it and its Taliban associates on the part of NATO forces, the United States military, and Pakistani forces, reflected in the declarations of senior American officials in the new administration and in the decision to send thousands more American soldiers into the region.[42] Al-Qaeda is also expected to contribute to the ongoing spate of suicide bombings in Afghanistan and Pakistan in order to undermine the stability of the ruling regimes of these countries.

Activity to undermine the regimes of central Muslim states, primarily Pakistan – a nuclear weapons state. A primary threat coming from al-Qaeda and its affiliates in Pakistan, Afghanistan, and the border area is that the security situation in Pakistan and its surroundings may deteriorate and ultimately result in the rise to power of radical Islamic elements instead of the current president, Zardari. Such a scenario is liable to allow radical elements access to the country's arsenal of nuclear weapons.

Absorbing new cadres from Iraqi alumni and sending them to the West. Al-Qaeda can be expected to assimilate into its ranks new volunteers from all over the world, and in particular fighters who are veterans of the war in Iraq in order to send them into areas of conflict involving Muslims. At the same time, it will likely train the most suitable new recruits to operate under the cover of their foreign citizenships, European or other, to carry out terrorist attacks abroad, whether under the command of al-Qaeda's dedicated terrorist mechanism abroad or as part of independent global jihad terrorist networks.

Efforts to carry out showcase, mass casualty attacks in a Western country. An attack on that order of magnitude would again place al-Qaeda on the map of international terrorism and serve as model for its affiliates.

Al-Qaeda's success in carrying out a dramatic large scale terrorist attack in the near future is largely dependent on its ability to rehabilitate its special division for terrorist attacks abroad. This group was heavily damaged in recent years by the assassinations and arrests of many of its senior commanders and most experienced veteran operatives. It would seem that al-Qaeda is not going to relinquish the notion of staging such an attack, despite the constraints and pressures applied to it, in order to continue fulfilling its vanguard role. It largely depends on the creation of the suitable operational conditions in one of the arenas where the organization is active. In its annual security estimate, the CIA estimated that al-Qaeda was preparing for a dramatic, spectacular attack.[43]

Continued efforts to undermine the stability of the "heretical" regimes in Middle Eastern countries to replace them with Muslim regimes ruled by Islamic law. On the basis of the "Zawahiri doctrine," al-Qaeda is expected to continue assisting terrorist acts of global jihadists against the leaders of regimes and central government institutions in the Middle East as well as Africa in order to replace them with regimes that uphold Islamic ritual law. Attaining the rule of one or more primary Muslim countries to establish an Islamic regime is one of the cornerstones of Zawahiri's philosophy expressed in his book, *Knights Serving under the Flag of the Prophet.*

Loci of threats against Israel

As long as these trends remain unrealized, the challenge presented by al-Qaeda and its associates to Israel is not aggravated beyond the challenges from other hostile elements surrounding the country.

A practical change in al-Qaeda's priorities. If al-Qaeda changes its priorities and declares Israel to be the next primary arena for global jihad, allocates it resources and manpower, and find its call is answered by its affiliates, the threat level against Israeli interests is liable to worsen. From the present vantage point, it does not seem that al-Qaeda has such intentions or abilities.

The highest risk to Israeli and Jewish targets is outside the borders of Israel and is linked to the widened circle of attackers. The attack in Mumbai by one of al-Qaeda's affiliates that hitherto had never directly

attacked a target identified with Israel is a further reminder that there is a risk that other organizations from the same ideological stream will join the circle of terrorists attacking Jewish or Israeli targets abroad. It is difficult to estimate how the horrific photographs from Operation Cast Lead together with the venomous anti-Israeli commentary broadcast via propaganda networks, especially Arab and Muslim media, might affect the decision of al-Qaeda leaders, who also joined in these attacks,[44] to translate this propaganda into action and try to extract revenge from Israelis and Jews. It is possible that al-Qaeda or its affiliates might decide to take advantage of the anti-Israel atmosphere to attack targets identified with Israel in order to earn propaganda points sure to accrue from such actions, and in order to refute claims against them that they are doing nothing to assist the Palestinians other than provide verbal support. Kidnapping of Israelis by factions identified with global jihad, a threat that skyrocketed in the past year,[45] continues to represent a steady threat because of jihadists' desire to demonstrate their willingness to assist the Palestinians and because of their understanding that such actions would touch a particularly sensitive nerve in Israeli society.

The threat to Israel from global jihadists from across its own borders. This threat is ongoing but is not expected to become more severe unless there are significant changes in Israel's relations with its neighbors, because of the mutual interest of Israel and its neighbors to avoid embroilments between them.

Egypt and Israel see eye-to-eye on the question of the danger posed by the strengthening of global jihadists in Egyptian territory and particularly in the Sinai region. Sinai is not well controlled by Egypt, and therefore the region is prone to trouble. Nonetheless, recently the region has become the focus of more attention on the part of the Egyptian security services and greater vigilance on the part of Israeli intelligence and security services, which repeatedly issue warnings to Israeli citizens to avoid visiting recreational sites in Sinai.

Jordan and Israel also share a common interest in preventing any global jihadist activity within the kingdom and from it against Israel, and cooperate closely in order to foil any such eventuality.

In *Lebanon* there is a danger of escalation by global jihadists who have intensified their activities in both northern and southern Lebanon and who from time to time even launch rockets towards Israel. The ability of the Lebanese military to stop their activities will determine the level of threat that these represent for Israel. Paradoxically, Hizbollah shares Israel's interest in preventing the strengthening of global jihadists in Lebanon and having them engage in activity against Israel, especially if this is liable to lead to an armed conflict with Israel, which is not to Hizbollah's advantage.

Syria too does not allow global jihadists to operate against Israel from its territory, first because Syria does not allow any element to operate from within its borders against Israel lest this embroil Syria in a confrontation, and second because it views the jihadists as a threat to Syria's own regime. In the course of 2008, Islamists carried out a number of severe terrorist attacks against the Syrian regime. Nonetheless, the Syrian regime enabled global jihadists to use its territory as a passageway to the fighting in Iraq, and therefore particular alertness on Israel's part is required lest these elements attempt to operate against it, against Syria's wishes, and especially if the political contacts between Syria and Israel succeed in advance of a final settlement within the next few years.

Despite the hostility and violent clashes between *Hamas* and Israel, Hamas' primary interest is presumably in preventing independent activity against Israel that is outside its own control on the part of al-Qaeda and global jihadists operating in the Gaza Strip. This interest outweighs Hamas' desire to harm Israel, and therefore, unless Hamas-Israel relations suffer a steep deterioration, global jihadist organization in the Gaza Strip, and certainly al-Qaeda itself, will not be granted a free hand in operating against Israel from there.

The threat of a showcase terrorist attack on Israeli territory. Despite the limitations regarding the possibility of al-Qaeda or its affiliates staging a dramatic attack on Israeli sovereign territory, it is clear that such an operation continues to represent a desirable goal on their part. Their ability to realize such intentions depends largely on their ability to receive internal assistance, e.g., from Israeli Arabs, Palestinians entering Israel as laborers or as illegal residents, or as has already happened in the past, through

foreign citizens.[46] To date Israel's security services have succeeded in foiling these intentions, but obviously there is clear and present danger. In recent years, the initiative to act against Israel has come primarily from local Palestinians, and their contacts were in the main with junior ranks of global jihadists and not with al-Qaeda itself. Should this relationship develop, especially with al-Qaeda's mechanism dedicated to staging attacks abroad, the threat level will of course rise.

In conclusion, it seems that Israel's central security challenge is to identify changes in al-Qaeda's agenda in terms of escalating its intentions to act against Israel, and to identify changes in global jihad factions in neighboring countries as well as changes in the regimes' desires to prevent anti-Israel operations from their territories. Although Israel is not high on al-Qaeda's list of priorities, it must prevent the organization from scoring a dramatic terrorist attack, such as a mass casualty attack on a crowded means of transportation (as in Mombassa in 2002), or a fatal attack on an Israeli or Jewish target abroad, and of course prevent the kidnapping of Israelis abroad. A successful attack of that nature would give al-Qaeda and global jihadists leverage to apply pressure on Israel in light of the country's well known sensitivity to the lives of its citizens.

Notes

The author would like to thank Sean London for his help in gathering materials and data.

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20 http://www.aawsat.com/english/news.asp?section=2&id=15805/.
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Implications of the Global Economic Crisis

Shmuel Even and Nizan Feldman

The world is currently in the midst of a deep economic crisis, the first such crisis of the information age. Economic crises of this kind usually entail two components, a financial crisis and a real economic crisis developing in its wake. The financial crisis stems from a failure in the functioning of the financial system. It is manifested in tremendous monetary losses, in the crash of financial institutions, in the loss of trust in the system, and in low financial supply (a slowdown in the flow of money). The lack of financial oxygen causes increasingly more companies to cancel projects and lay off workers. At the same time, the blow to private savings on the capital market and the loss of employment security cause the public to reduce spending on goods and services. Thus the real economic crisis is created, expressed in a sharp downturn of consumption and product, a rise in business bankruptcies, a reduction in the nation's income from tax revenues, a sharp increase in unemployment, a rise in poverty, and so on.

Crises of this magnitude affect countries' ability to realize their national objectives in a wide range of areas, and may harm their ability to function effectively or even threaten internal stability. The current crisis, at least from the financial viewpoint, is considered the worst since 1929. Then the financial crisis led to the Great Depression, the deepest economic crisis of modern times, which ended only with World War II. The social and political implications of the Great Depression facilitated the rise of fascist regimes, headed by Nazi Germany, and the rise of support for Communism. Today, and unlike in the past, the leaders of the countries with the largest markets

(the G-20) are working vigorously and in coordination with one another in order to halt the economic decline, and are not waiting for the free market to revive itself.

The following essay surveys the world financial crisis and its ramifications for Israel's strategic environment.

The Economic Crisis around the World

As a result of the financial crisis that began in 2007, the American market, together with the economies of the European Union bloc and Japan, skidded into an official recession (i.e., a situation in which negative growth is recorded for two consecutive quarters) in the second half of 2008. So, for example, from the start of 2008 until April 2009 unemployment in the United States shot up from 4.9 to 8.9 percent. In May 2009 the number of those who claimed unemployment benefits reached a peak of 6.66 million. In March 2009, 130,831 bankruptcies were declared in the United States – a rise of 46 percent compared with March 2008 and of 81 percent compared with March 2007. From the beginning of 2009 until the middle of April, 25 banks failed in the United States, compared with 25 for all of 2008, and three for 2007. As a result of the crisis in the large economic sectors, the situation of other countries has worsened as well, and some have required assistance from the International Monetary Fund. In the first quarter of 2009 GDP in the US dropped 1.6 percent (compared with the previous quarter).

Other developed countries are experiencing a dramatic economic low. In Germany, for example, in the first quarter of 2009 the GDP dropped 3.8 percent (compared with the previous quarter); in Italy, 2.4 percent; in Britain, 1.9 percent; and in France, 1.2 percent. The OECD forecast of May 2009 envisions a 4.3 percent decline in the product of member states for 2009, and a drop of 0.1 percent for 2010. OECD predicts that the US will experience an economy recovery before Europe, due to the package of economic incentives offered by the administration and because the financial crisis in the US is at a more advanced stage. Because of the crisis in the large economic groups there has also been a definite worsening of the status of the developing countries, and several have required assistance from the International Monetary Fund. For China the situation is different.

Although it has not escaped an economic slowdown, it is considered one of the few large countries that will enjoy relatively large growth this year – about 6 percent.

The strategy for the various countries trying to cope with the crisis is based mainly on plans for rebuilding the financial systems and stimulating market activity. At the G-20 conference on April 2, 2009, British prime minister Gordon Brown said that the sum total of economic stimuli on the part of various countries around the globe for the next two years is expected to reach $5 trillion. Another important factor in coping with the crisis is reducing the cost of money (i.e., interest). The largest central banks in the West have lowered their monetary interest almost to zero. This is an aggressive treatment approach whose scale has never before been attempted in the history of economics. This treatment demonstrates the depth of the problem as well as the desire to achieve quick solutions, before the damages due to the crisis deepen. Nevertheless, there are also severe side effects, such as a steep rise in government debt and budget deficits, as well as the danger of a future outbreak of inflation.

The end of the first quarter of 2009 shows some positive indicators in the financial system, such as steady rises in the worldwide shares market, the renewed issue of bonds, a decline in the inter-bank interest rate, and an improvement in the financial reports of a number of large banks in the United States in the first quarter of 2009, compared with the 2008 fourth quarter reports. These indicators are attributed in part to the massive influx of funds to the banks and the low interest rates.

Against this backdrop, on April 14, 2009 Federal Reserve Chairman Ben Bernanke stated: "Recently we have seen tentative signs that the sharp decline in economic activity may be slowing, for example, in data on home sales, homebuilding, and consumer spending, including sales of new motor vehicles. A leveling out of economic activity is the first step toward recovery."[1] A similar sentiment was voiced on May 11 by his colleague Jean-Claude Trichet, president of the European Central Bank, who said that the world economy is near a turning point.

Not all experts share this optimism. Prominent among the less sanguine is the economist Nouriel Roubini, who was one of the few to foresee the crisis. On April 8, 2009, Roubini estimated that we cannot yet see the light

at the end of the tunnel, and that the Wall Street bear market is not yet over. In mid April he said that the rate of global shrinking of economic activity had indeed slowed down in recent months, but the decline in activity continued. The problems of the financial sector in the United States have not yet emerged fully, and the total sector losses are expected to grow to $3.6 trillion, compared to the $1 trillion loss to date. He estimated that in 2010, the rate of unemployment in the United States is liable to exceed 11 percent and the rate of growth will be only about 0.5 percent.

Strategic implications

Despite the fact that the crisis started in the United States, its standing as a world power has not been affected. Indeed, what stands out is the administration's ability to put strong measures in place, so that the American economy is likely to be the first to emerge from the crisis. On the other hand, the crisis has sharpened the problematic status of the EU (i.e., a uniform economic policy does not suit every country), and has emphasized the weakness of nations suffering from shaky economic mechanisms (such as Russia).

China is maintaining its strength. Although the economic slowdown has not passed it by, China is considered one of the few large countries that in 2009 will enjoy a relatively high growth rate in comparison with the rest of the world. At the same time, the crisis has emphasized the economic interdependence between the United States and China. For China, the United States represents a major export market and a source of new technologies, and thus is an important factor in Chinese growth. On the other hand, for the United States, China is a source for cheap goods, investments, and financing of the American national debt (China is America's biggest creditor, holding Treasury bonds valued at over $740 billion). At the same time, there are those who view China and other developing nations in East Asia as a danger to employment and growth in the United States, because the United States is incapable of competing with those countries' cheap manufacturing capabilities. This phenomenon causes a tremendous trade imbalance between the US and China.

Maintaining economic and social stability in the US is a primary objective of Obama's administration, but the administration is not

neglecting its foreign policy, including efforts in the Middle East. Moreover, despite American budget constraints, it would be reasonable to assume that American military aid to Israel and other countries in the region will not be affected, in light of America's foreign policy needs and the desire of the administration to help the American arms industry at this time.

Trends in the Global Oil Market

Oil is one of the factors connecting the Middle East with the global market, as it boasts some 60 percent of the world's proven oil reserves. Over the last decade, until July 2008, there was a long, steady rise in oil prices. The average cost of OPEC oil in July 2008 stood at $131 per barrel – an all-time high, even in real terms. The main reason for this was the rapid growth of the global market, which caused a significant increase in demand by East Asian countries, but other factors were at play as well: oil price speculations, fears regarding a possible confrontation between the United States and Iran and the subsequent supply shock, and more. At the same time, there was a dramatic increase in the costs of other raw materials and in the cost of agricultural produce, which increased inflation in different countries around the world.

After the high of July 2008, the trend reversed itself – a result of decreasing demand and expectations of negative growth for the global market. In December 2008, the average cost of OPEC oil for the month dropped to $38.6 per barrel.

Based on forecasts published by the International Energy Agency on May 14, 2009, world demand for oil in 2009 will average 83.2 million barrels a day, 3 percent less than in 2008. At that time, the cost of oil stood at about $58 per barrel. The price of oil is projected to climb when the global economy rallies, but in the meantime there are companies that have already decided to suspend or cancel projects to discover new oil fields and to improve production.

Strategic implications

The extreme swings in the cost of oil make even clearer the need for developing alternative fuel sources, both for economic reasons and for political ones, especially since most of the world's oil reserves are located

in unstable regions or in the hands of regimes in conflict with the West. Therefore, the oil consumers, including Israel, would be wise to invest in developing alternatives to oil despite the fact that the current plummeting of its cost renders such moves economically less worthwhile in the short run.

The drop in oil prices reduces the economic profitability of building infrastructures for atomic energy, thereby undermining arguments put forth by states seeking to develop nuclear capabilities, primarily Iran. In addition, the drop in oil prices does not reduce the importance of the Persian Gulf as the chief source for energy in the world because it still contains most of the world's proven oil reserves. Therefore, the US will find it difficult to withdraw fully from Iraq without solutions that will ensure the stability of the region.

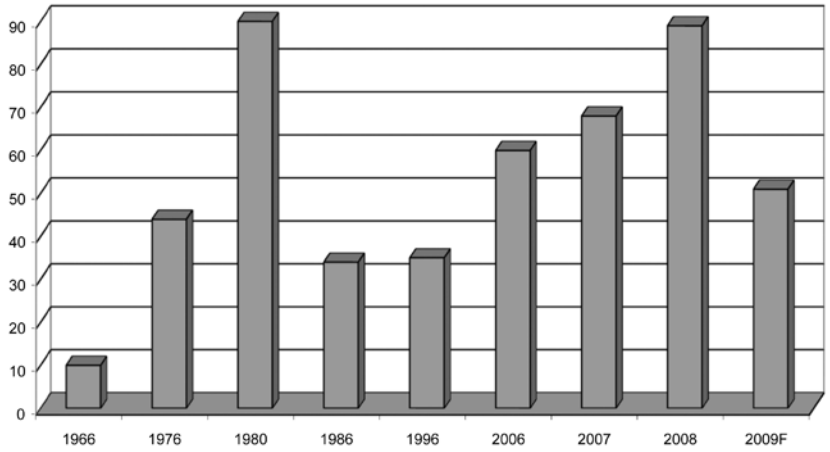

Figure 1. Annual Average OPEC Oil Prices
(in $, per barrel, in fixed prices, 2009)
Source: OPEC data until 2008;[2] 2009 – authors' projections

The Effect of the Crisis on Regional Markets

Saudi Arabia and the Gulf States (GCC member nations) have been affected by the crisis in two areas: a decrease in their revenues from oil exports and a decrease in the value of their assets invested abroad. Based on estimates by the International Monetary Fund, the growth in their economies in 2009

will reach approximately 1.5 percent. These estimates assume that the average price of a barrel of oil will not go below $50, but, even if it drops lower, GCC members have the tools to temper the impact of the decline. The rise in the cost of oil until the middle of 2008 increased these states' revenues from oil exports, bringing them to a total of $2.2 trillion since 2003. The aggregate surplus of the last five years in the current accounts of the GCC members is over $900 billion. Large slices of these surpluses were used to purchase various assets all over the world and also to reduce the government debts. This activity was undertaken primarily by sovereign wealth funds. Because these funds are run without transparency, it is only possible to estimate the extent of the wealth they represent and the damage they have absorbed in recent months. Based on the most conservative estimates, the extent of foreign assets belonging to GCC member states stood at some $1.2 trillion at the end of 2008. Despite the erosion in the total value of foreign assets, since September 2008 estimated at between 15 and 25 percent, the wealth in these funds helps the Gulf states take stabilizing steps. In fact, in early 2009 the governments have instructed some of the funds to infuse capital into the local stock markets and central banks. All of these allow Saudi Arabia and the Gulf states a significant amount of room for maneuvering.

The manner in which the Gulf states choose to use their assets also depends on their desire to leverage their wealth in order to advance political interests. Many times in the past, the purchase of company stocks in the West by Arab oil states was met with suspicion, lest a foothold in the large financial institutions and conglomerates serve as a means for achieving their political objectives. Today it seems that the global financial system's thirst for liquidity has increased the attractiveness of the capital in the Gulf states' wealth funds, and the need for credit has muted the voices objecting to the phenomenon. Evidence for this may be found in Prime Minister Brown's November 2008 visit to the Gulf, when he invited the capital funds to expand their activities in the British market. Similarly, some figures in the International Monetary Fund and the World Bank have in recent months implored the Gulf governments to join forces in the efforts to rescue the international financial system by injecting capital from their

funds and increasing their quotas in the International Monetary Fund's reserves.

The Gulf governments, which in 2008 made a number of investments in large American banks[3] and other large companies, are for many reasons in no hurry to inject a lot of money into strategic purchases, not least of which because of the economic risks inherent in such investments. The decrease in oil prices and the losses they accrued because of the financial crisis also increased their need for risk management. Nonetheless, the appetite of the Gulf states for investing in the West has not been sated. So, for example, in March 2009, the Aabar Fund, an Abu Dhabi investment fund, bought 9.1 percent of the stock of the German automotive giant Daimler. Such purchases, along with various statements issued by the managers of some of the large funds, suggest that the funds will take advantage of the opportunities embedded in the crisis in order to buy large chunks of other companies in the West at bargain prices.

Table 1. Revenue from Oil Exports by the Large Arab Producers[4]
(in $billions, in current prices)

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008** (est.)	**2009** (forecast)
Saudi Arabia	63.8	82.2	110.8	161.7	188.4	206.4	292	148
Iran	19.2	26.1	34.2	53.2	59.1	64.9	91	46
Iraq	12.5	7.5	17.7	19.0	27.5	37.3	52	27
UAE	21.7	25.1	38.0	49.9	69.8	74.5	105	53
Kuwait	14.0	19.0	26.6	42.4	53.1	60.0	85	43
Qatar	6.8	8.8	11.6	17.5	24.2	27.8	39	20
Libya	9.4	13.5	16.8	28.3	36.9	39.8	56	28
Algeria	12.3	16.4	23.0	32.8	38.3	44.2	62	32
Total OPEC	211.9	258.1	364.7	535.6	650.2	731.1	1034	522

Source: OPEC data until 2007, and authors' estimates

The shifts in the income and wealth of the oil states indirectly affect the oil-less states in the Middle East (e.g., Jordan and Lebanon) and the smaller oil producers (Egypt and Syria) that rely on remittances transfers from workers in the Gulf states to their home countries, international trade, and

project financing. The economic crisis somewhat lessens the contribution of the oil producers to the economy of the other states.

The *Iranian* economy largely depends on the global energy market. Iran exports some 2.5 million barrels of oil per day and its oil export revenues represent about 80 percent of total exports earning. The surge in the global energy market allowed Iran's economy to grow in the last five years at an annual average rate of over 5 percent, but Ahmadinejad's promise to distribute the oil profits to all Iranian citizens was not fulfilled. The unemployment rate remains high (12.5 percent, according to official data), and in 2008 the rate of inflation hit more than 25 percent mid-year. In addition to the increases in the cost of goods on the global market, one may attribute some of the inflation in Iran to its monetary policy (interest rates significantly lower than inflation) and to international sanctions. The financial campaign headed by the United States reduces the ability of Iranian financial institutions to make international transactions and contributes to rising prices because it has raised the country's import costs. The drop in the prices of goods globally has had the opposite effect on Iran. On the one hand, the drop in prices on the world market directly contributes to a drop in Iran's cost of importing food and raw materials. On the other hand, the drop in oil revenues has forced the government to cut back significantly on the extensive subsidies it has been providing. Ahmadinejad, who in November announced that Iran will continue to flourish even if the cost of a barrel of oil drops to a mere $5, later admitted that the decrease in oil prices will force a drastic reduction of Iranian subsidies and cause an increase of taxes.

The drop of oil prices has indeed had a negative impact on Iran's economy. However, it still has foreign currency reserves that may allow it to blunt the effect of international pressures. Total Iranian foreign currency reserves at the beginning of 2009 stood at $96 billion. This sum can fund Iran's imports for a long time, even without any income from exports (in 2008, Iranian imports were estimated at $67 billion). Nonetheless, the economic crisis is making the loss of revenue resulting from the economic sanctions more painful than before.

The global economic crisis has changed the challenges faced by the *Egyptian* and *Jordanian* economies. If in the middle of 2008 inflation

appeared to be the central threat to their economic stability, their greatest challenge in mid 2009 is to cope with the slowing growth. The crisis has some contradictory effects: on the one hand, rapid inflation may be expected to become more moderate in light of the drop in the cost of goods and real estate, but on the other, a decrease in investments and economic activity is liable to damage growth and increase unemployment. The level of integration between the financial systems of Egypt and Jordan and the global financial system is not high, and therefore one may assume that the local banks are not exposed to toxic assets.

In the energy field, Jordan is an absolute oil importer whereas Egypt is a net oil importer (consuming more oil than it produces), so that in terms of trade balances both countries are benefiting from the decrease of oil prices. Nevertheless, there is a correlation between the situation of the oil states in the Gulf and the ability of the other countries in the region to grow, and therefore the expected economic slowdown of the Gulf states, because of the drop in energy costs, will affect Egypt and Jordan as well.

As a result of the crisis, there is a flight of the capital (some of it speculative) that in recent years fueled the Egyptian and Jordanian real estate sector. This phenomenon probably stems from the drop in the flow of investments coming from the Gulf states to the countries in the region. Similarly, the crisis, also affecting global and Arab tourism, will reduce the foreign currency incomes of the two countries. Their revenues are also liable to be negatively affected by the decrease in trade passing through them (the Suez Canal in Egypt and the Aqaba Port in Jordan).

The combined effect of these phenomena may be lessened because of the decrease of food and oil prices, which will cut costs on imports of consumer goods and production inputs. The global decrease in the cost of goods has already eased the rate of inflation in the region (according to the IMF's April 2009 outlook, this year it is expected to reach 12 percent in Egypt and 4 percent in Jordan).

The Egyptian government comes to the crisis in a relatively good state because in recent years it managed to maintain reasonable deficits of 6 percent in its GDP. The Jordanian government also succeeded in the last year in cutting fiscal spending and reducing its public debt. The relatively reasonable fiscal state gives the two governments ample room for maneuver

in the course of the coming year. At the same time, the measure of their ability to blunt the economic-political pressures created by the global crisis depends on the depth and duration of the crisis. In any case, at this stage it does not seem that the economic crisis is endangering the internal stability of the two countries. However, its ramifications are liable to arouse successive waves of criticism aimed at the economic liberalization steps announced by both governments.

The financial crisis has only limited direct effect on *Syria's* economy, as its financial system is small and centralized. In 2008, the Syrian market grew relatively rapidly – 5 percent – but this year growth is expected to be much lower. The Syrian market's major problem is not necessarily connected to the global crisis, rather stems from the thinning out of its oil reserves and the decrease in oil production and exports. In 1996, the rate of production stood at 600,000 barrels per day; today it is less than 380,000, and this number is expected to drop more. If one considers the payments by foreign oil companies, Syria, possibly as early as 2007, turned into a net oil importer. The thinning out of its oil reserves will enlarge the deficit in the current accounts of the balance of payments, and therefore also Syria's dependence on external sources of capital. At this stage, the effect of the drop in oil prices on Syria is negative but limited. As long as the economic depression continues, Syria benefits from the drop in prices of raw materials and imported goods.

Syria's ability to make essential changes in its economy is affected by its international standing. In recent years Syria has tried to interest companies in investing in the country, but only a few Western companies have been convinced and the primary growth in foreign investments in Syria has come from GCC members, Iran, and Turkey. The economic depression may decrease the flow of investments from these countries. This is one of the central reasons that the possible thaw in the strained relations with the United States is so essential to Syria's economy, especially at this time. Similarly, an improvement in relations between the countries may pave Syria's way to membership in the World Trade Organization. In 2001 Syria applied for membership in the organization but was rejected, in part because of American opposition.

The improvement noted in the last year in Syria's relations with the EU is a positive development for Syria's economy. On December 14, 2008, the sides initialed an updated version of the 2004 trade agreement, whose implementation was frozen after the murder of Rafiq al-Hariri. The updated agreement states that the sides will strengthen their cooperation in a range of areas and will establish a free trade area within twelve years. The EU is Syria's main trade partner, and therefore the removal of tariffs on a string of agricultural products is vital to Syrian interests. The implementation of the agreement is planned for this year, but depends on the approval of all 27 EU member states. Though most are tending towards supporting the ratification of the agreement, there are certain internal issues that may deter some states. Therefore, they are expected to present Syria with various demands; for example, Britain is demanding that Syria prevent the infiltration of terrorists from its territory into Iraq.

The *Lebanese* economy, unlike Syria's, is open and maintains extensive contact with countries abroad. This enlarges Lebanon's negative exposure to the crisis on the global market in the fields of banking, foreign investments, the national debt cycle, and tourism, which is an important source of revenue. In 2009, the growth of the Lebanese economy will be significantly lower than the rapid growth it experienced in recent years (8 percent in 2008, 7.5 percent in 2007). In 2006 Lebanon suffered from an economic freeze (zero growth) because of the Second Lebanon War. Nevertheless, the decrease in oil prices and other import goods contributes to the economy and it seems that Lebanon is weathering the crisis well.

The *Palestinian Authority*: Since Hamas' takeover of the Gaza Strip, Israel and the international community have been working with the Palestinian economy on two contradictory efforts. On the one hand, they have strengthened Abu Mazen's camp, through the infusion of money by the international community to this camp, the removal of roadblocks, and the provision of employment for Palestinians from the West Bank in Israel. On the other hand, Israel and Egypt work against Hamas in the Gaza Strip by the imposition of an economic embargo, with the international community withholding the infusion of cash to the Gaza Strip. As a result, the gap between the economic status of the West Bank and the Gaza Strip has grown wider.

Since the outbreak of the al-Aqsa Intifada, the basic condition of the Palestinian economy has been difficult and the current crisis is contributing its share. The drop in the price of food and fuel is helpful for the Palestinian economy, but the PA is expected to be negatively affected by the economic situations of the Persian Gulf, Jordan, and Israel. This also goes for the income of Palestinians supported by these economies. The scope of aid in 2008 was estimated at $1.5 billion, a large sum when compared to the Palestinian GNP, estimated at only $5 billion, demonstrating the Palestinians' dependence on external aid. Based on estimates by the World Bank, external aid is preventing the majority of the population of the Gaza Strip from falling into dire poverty (i.e., difficulty in attaining a basket of basic goods).

Table 2. Arab States and Iran: Government Debt as a Percentage of Product

	2004	2005	2006	2007	2008 (estimate)
Kuwait	27.9	11.8	8.5	7	5
Saudi Arabia	65	38.9	27.3	18.7	10.7
UAE	8.5	9.2	10	10	9.6
Iran	26.3	23.7	19.7	17.2	13.4
Jordan	91.8	84.2	81.5	79.7	65.3
Egypt	112.9	112.8	98.8	88.7	81.9
Syria	73.2	23.3	19.4	17.2	–

Source: IMF[5]

Strategic implications

Overall, the global market crisis is harming all the economies of the Middle East at some level or other. At this stage, various countries are coping successfully with the crisis and no threats against their stability have surfaced. Nevertheless, the challenges these regimes face are significant, and their ability to cope with them successfully depends in part on the following factors: the duration of the crisis and its intensity, the success of the financial policies of each of the countries, the statistics base (e.g., a high rate of unemployment in some states even before the start of the

crisis), the attitude and behavior of the oppositions to the crisis, and the power of the regimes.

Iran: The economic crisis makes no significant difference with regard to the nuclear issue. At first glance Western countries may find it easier to toughen the sanctions against Iran because of the oil market situation. However, they would likely be less motivated to do so because of their own economic crisis. Similarly, the concern about an outbreak of inflation becoming more potent a threat because of the stabilizing steps taken by governments around the world may reduce the incentive to take preemptive steps that are liable to cause a renewed increase in energy costs. Tehran has the economic capability to withstand sanctions much more severe than those currently in place, at least in the next few years. Nevertheless, increasing the economic pressures on Iran may serve as (another) consideration in its deliberations in favor of a resolution to the issue.

Syria: The effects of the crisis on Syria in the coming year will be limited, but Syria's economic situation has elements supporting a change in policy towards the West, including a negative economic horizon (primarily because its oil sources are drying up), and the difficulty in seeking assistance from nations that in the past supported it, given its poor relations with the Arab Gulf sates and Russia's economic situation.

Lebanon: The susceptibility of the Lebanese economy to the crisis and the harsh criticism leveled at Hizbollah because of the damage done to the country during the Second Lebanon War support the avoidance of military confrontations. Nonetheless, this is not its exclusive consideration.

Egypt and *Jordan*: The economic situation is one of the important parameters affecting their long term stability given their statistics bases (e.g., Egypt's relatively low standard of living and Jordan's demography). At present, there are no signs of the influence of the crisis on their internal stability, though waves of criticism are liable to be leveled at the government by the public and the opposition.

GCC members have sustained large fiscal losses due to the crisis but their situation is relatively good, considering the rise in oil prices over the last five years and in light of the tremendous foreign currency surpluses they have amassed. Even today, oil revenue represents a source of potential inter-Arab assistance that may be used in political settlements should these

states so desire. It is precisely the economic depression that may make the assistance more attractive to the Palestinians, Syria, and Lebanon. These funds could finance solutions such as rehabilitating refugee camps in Arab countries and the territories, constructing an underground or aboveground passageway between the Gaza Strip and the West Bank, a water desalination plant in the Gaza Strip and the means for moving the water to the West Bank, and more. At first glance, the probability of realizing such assistance seems low in the foreseeable future, but it may be applicable in the long term, because it serves the interests of the Arab oil states also striving for stability in the Middle East and is in line with the Saudi Arabian inclination to advance political processes. It may be possible to see the $2 billion assistance pledged by GCC member states for the reconstruction of the Gaza Strip as a sign of things to come in this direction.

The Palestinian economy: The situation is greatly affected by the political split in the Palestinian arena and by policies towards Israel, Egypt, and the international community. The political boycott of Hamas and the economic embargo on the Gaza Strip, compared with increasing support for the PA in the West Bank, have widened the economic gap between the Gaza Strip and the West Bank. The damage incurred by the military confrontation with Israel, along with the ongoing economic distress, has worsened the crisis in the Gaza Strip. This trend is expected to continue as long as the political situation in the Palestinian arena itself and the Israeli-Palestinian arena remains unchanged. Moreover, the gap between the West Bank and the Gaza Strip will continue to grow if the policy of "economic peace" is applied to the West Bank.

The Effect of the Crisis on the Israeli Economy

The most immediate manifestation of the crisis on the Israeli economy is an end to the period of rapid growth. The Israeli economy tends towards exports and is highly dependent on the global economy. After five years of rapid growth, the second half of 2008 saw a sharp slowdown in the Israeli economy. The overall growth rate for 2008 reached 4 percent; however, in the last quarter of 2008, the economy froze, compared with growth rates of 5.4 percent for 2007 and 5.2 percent for 2006.

In 2008 GDP totaled 714 NIS. The forecast by the Bank of Israel regarding product growth in 2009 (from January 25) stands at –0.2 percent. That is, per capita growth in 2009 will be near minus 2 percent, compared with 2.8 percent in 2008. The slowdown is the result first and foremost of the situation of the global economy but there are additional factors, such as the lack of structural changes and additional growth engines that would support continuing rapid growth. It seems that even without the current crisis, the 2009 growth rate would have been lower than in recent years and reach only about 3.5 percent (the growth prediction for the 2009 Israeli economy according to the draft of the budget prepared in mid-2008). The Bank of Israel's forecast for growth in 2010 stands at 1 percent.

Expressions of the economic crisis in Israel

Worse macro statistics: Based on reports by the Central Bureau of Statistics, in the first quarter of 2009 there was a drop in annual terms of 3.6 percent in GDP, 4.2 percent in business product, and 4.3 percent (6 percent in per capita consumption). In addition, the exports of goods and services dropped by 14.4 percent in the first quarter of 2009 over the previous quarter (a 46.3 percent reduction if calculated annually); and the imports of goods and services (except for defense imports, airplanes, and diamonds) dropped by 21.4 percent (61.9 percent in annual terms).

A wave of employee layoffs: In March 2009, 20,072 employees lost their jobs, compared with 11,856 in March 2008. This represents a record number of layoffs for a single month. The growth in the scope of layoffs reflects the hi-tech sector, traditional industries, various trade branches, real estate, and finance.

The public's savings have been significantly affected as a result of the losses on the capital markets. In the course of 2008, the pension funds lost close to one fifth of the value of the assets deposited in them. The improvement on the capital market in the first quarter of 2009 has offset some of these losses.

A sharp decrease in profits in many Israeli companies: The freeze in raising capital on the Israeli stock exchange and abroad and the growing difficulty in getting bank credit have limited their ability to operate and

recycle debt. Many companies, especially in real estate, are hard pressed to repay loans, and some have been forced to regulate their debts.

A decrease in national tax revenue and a sharp rise in the government spending deficit: In March 2009 the Finance Ministry estimated that the state's revenue from direct and indirect taxes would total about 160 billion NIS in 2009, some 40 billion NIS less than government estimates of August 2008.

Table 3. Growth in Israel

% of real change in product in relation to the previous year (growth)	
2003	1.8
2004	5.0
2005	5.1
2006	5.2
2007	5.4
2008	4.0
Forecast 2009	-1.5

Source: Central Bureau of Statistics and Bank of Israel Forecast[6]

Israel began dealing with the crisis relatively late compared with countries abroad**.** In November 2008, the Olmert government formulated a response to the crisis, which included making guarantees available to banks in order to facilitate loans to mid-sized and small businesses, establishing leverage funds to assist Israeli businesses to recycle debt, rolling out a financial safety net for people age 57 and up who meet certain criteria, and more. In addition, the government planned to enlarge spending on infrastructures through budgetary projects (principally transportation) and extra-budgetary projects (principally water desalination and energy).

On May 13, the Netanyahu government approved a two year budget for 2009-2010. The 2009 budget is 316.6 billion NIS, and the budget deficit will be limited to 6 percent of the product. The 2010 budget is 321.5 NIS, and the budget deficit will be limited to 5.5 percent of the product. The defense budget for 2009 was reduced by some 1.5 billion NIS (about 3.1 percent). The budget reflects the tension between three principal needs: the

need to realize various national objectives; the need to preserve financial stability; and the need to maintain the political coalition.

For its part, the Bank of Israel is making full use of the tools at its disposal. In April 2009 it reduced the annual interest rate to an unprecedented low of 0.5 percent, compared with 1.75 percent in January 2009 and 4.25 percent in January 2008. At the same time, the bank is purchasing long term government bonds in order to reduce interest rates for the long term.

On the positive side is the discovery of natural gas in Israel. Occurring simultaneously with the crisis and unrelated to it, the beginning of 2009 saw an historic development in Israel's energy market as the result of the discovery of a large reserve of natural gas at the Tamar 1 drilling site (90 km west of the Haifa coastline) in January, and an additional, smaller reserve at the Dalit 1 drilling site (60 km west of the Hadera coastline) in March 2009. These discoveries come on the heels of previous gas finds in the Mediterranean off Israel's coasts, staring with the first discovery of a large gas reserve in 1999, west of Ashkelon's coastline. According to estimates by the discovery teams, the amount of gas at Tamar 1 is at least three times the amount discovered in the past off Ashkelon and Ashdod (the Yam Thetis site), and the value of the gas is estimated at some $15 billion. On January 18, 2009, after the companies reported on the discovery of gas at Tamar 1, Minister of Infrastructures Binyamin Ben Eliezer announced: "If drilling at the Tamar site actually produces the estimated amounts, then Israel's dependence on other supplies will decrease, though not disappear altogether."

Implications for Israel

To date, the Israeli economy is showing much stability, relatively speaking, and the stability of Israel's financial system does not seem to be in question. Nevertheless, Israel's economy in the coming year will be affected first and foremost by the state of the global economy. Until the global economic crisis has passed, Israel must focus its efforts on minimizing damages and preventing effects of the crisis. In addition, Israel would do well to preserve the startup industry and continue to develop the human capital technology, which is a financial and strategic asset for Israel, and develop the energy industry, since energy prices are expected to rise again.

Table 4. Defense Burden in Israel

	local defense spending (% of product)
2003	6.8
2004	6.2
2005	6.0
2006	6.0
2007	5.8
2008	6.0
2009 forecast	5.9

Source: Central Bureau of Statistics[7] and authors' prediction

Conclusion

At the point in time where the world is now, it is difficult to forecast the political and social implications of the current economic processes. Even if the present crisis has already peaked, it is doubtful if the real economic crisis has peaked, and thus certain parameters such as unemployment may yet worsen.

The state of Israel's economy will be affected primarily by the state of the global economy. The end of the world economic crisis depends on several factors, first and foremost the success of the Obama administration. The recovery of the global market depends primarily on the recovery of the American market; recovery of the American market depends primarily on restoring the faith of the American public in the country's economic mechanism; and restoring the American public's faith in the economy depends primarily on President Obama's leadership and his professional team. Thus far President Obama has displayed determination and the ability to take difficult decisions quickly. In recent months he has conveyed guarded optimism. In a speech given on April 14, 2009, he defined the situation as follows: "There is no doubt that times are still tough. By no means are we out of the woods just yet. But from where we stand, for the very first time, we are beginning to see glimmers of hope."[8]

Notes

1 http://www.federalreserve.gov/newsevents/speech/bernanke20090414a.htm.
2 Organization of the Petroleum Exporting Countries, *OPEC Annual* Report *2007* (Vienna, 2008); Organization of the Petroleum Exporting Countries, *World Economic Outlook 2008* (Vienna, 2008).
3 For example, an investment fund in Abu Dhabi injected $7.5 billion into the financial giant Citigroup in the form of debentures for conversion, giving it the right to exchange the loan for 4.9 percent of the capital of the bank stock.
4 The data include income from the export of crude oil, oil products, and natural gas liquids.
5 International Monetary Fund, *Regional Economic Outlook: Middle East and Central Asia* (Washington, DC, May 2009).
6 Central Bureau of Statistics, *Macroeconomics Statistics Quarterly* (Jerusalem: October-December 2008); Bank of Israel, *Economic Developments in Recent Months 124: January-April 2009* (Jerusalem: June, 2009).
7 Central Bureau of Statistics, *National Accounts 1995-2007* (Jerusalem: January 2009).
8 http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-on-the-Economy-at-Georgetown-University/.

Conclusion

Risks and Opportunities: The Era of Interim Solutions

Oded Eran

As the first decade of the 21st century draws to a close, the question marks are more numerous than ever with regard to the stability of western Asia. The United States and its allies in Afghanistan are far from able to describe their efforts there as a success. The ability of Pakistan's central government to actually govern and preserve the state as a single unit is in doubt, as is its ability to prevent part of its nuclear cache from reaching the hands of Muslim extremists. The danger of know-how and hazardous materials falling into the hands of terrorist organizations currently based in regions beyond the Afghani-Pakistani border is growing.

Iran is striding unhindered towards full uranium enrichment capability, and this brings it ever closer to the capability of manufacturing nuclear weapons. It has ignored three Security Council resolutions and stymied the efforts of the European Union and the United States to halt its nuclear and missile activities. This defiance, taken together with Iran's support for armed sub-state organizations in the region, e.g., Hamas and Hizbollah, has already spurred anxiety among the Arab regimes in the Persian Gulf and the Middle East and made them hope for some kind of operation that would halt the Iranian nuclear armaments race. By means of its nuclear

activities, but primarily because of its close connection to Syria, Hamas, and Hizbollah, Iran has succeeded in dictating the Middle East agenda. Its strong and unlimited support for these elements allows it to influence possible progress in the Arab-Israeli peace process.

The withdrawal of American forces from Iraq, scheduled to begin this coming year, will almost certainly have implications for the stability of Iraq itself and for the region as a whole. The shockwaves are liable to reach even states that do not share a border with Iraq. Of particular interest is the effect of the withdrawal on Iran's regional geopolitical standing and the way that regional countries will relate to the United States. The sharp decline in oil prices has made Iran more vulnerable than before, but it has also weakened the moderate Arab states.

This is part of the current landscape confronting the new governments in Israel and the United States. Both countries are facing political-security decisions that will have far reaching implications for the future of the Middle East. These questions as well as the future of the Arab-Israeli peace process will naturally stand at the center of the bilateral dialogue between the US and Israel.

The idea of the two-state solution developed into a political initiative when the Palestinian national movement recognized the right of Israel to exist as a sovereign state (1988). All three major efforts since then to translate the idea into reality have failed. The Oslo Accord (1993) was a framework agreement and did not deal with the solution itself, rather hinted at it. The Camp David talks, along with the advance and subsequent negotiations and proposals (2000-2001), in particular the Clinton parameters, were conducted on the clear premise that a Palestinian state would arise in their wake. The third attempt, which began in November 2007 at the international conference in Annapolis, was based on the accepted idea and terminology of "two states for two peoples."

If the intention of the second Palestinian intifada, which erupted in late 2000, was to force the withdrawal of Israeli troops from the West Bank, it failed. On the other hand, terrorism in Israel's large cities severed or at least weakened the connection between Israel proper and the territories. Israelis' inclination to distance themselves from the large Palestinian cities was amplified and concretized by the security fence and other physical

barriers. Thus rather unintentionally, the twofold Israeli dilemma has grown even more acute: if the majority in Israel desires to maintain the country's Jewish and democratic character, it cannot achieve this by controlling another nation, or alternatively, by granting equal rights to the Arab population of the territories, which would join the Arab population in the State of Israel of the pre-Six Day War lines. The second dilemma, stemming from the first, is how to put into practice the two-state solution when fundamentalist Islamic forces in Palestinian society are growing ever stronger, and having taken over the Gaza Strip, dream of doing the same in the West Bank. Even those supporting the two-state solution cannot ignore the risks and dangers Israel would be assuming should it accept the establishment of an independent, sovereign Palestinian state on its southern and eastern borders.

The combination of a fence that represents a significant barrier to terrorist activity against Israel with other preventive activities within the West Bank has proven to be effective. It has also repressed and distanced the Palestinian problem and reduced the pressure on Israel to find a long term solution to the relationship between Israel and the Palestinian entity. It is hard to imagine that the new Israeli government will embrace the understandings arrived at by previous Israeli negotiators; on the other hand, the constraints on the PA will not allow it to make unequivocal decisions about a permanent settlement even if the new Israeli government expresses its willingness to continue with the negotiations at the point they ended. Given this situation, the American administration must decide how to continue the process, despite the inauspicious circumstances. The successive failures – Oslo, Camp David, and Annapolis – provide no incentive for a fourth attempt in the foreseeable fortune based on the same underlying assumption, i.e., that it is possible to arrive at a permanent settlement of the Israeli-Palestinian conflict. This is a risk that the new administration, laden with a host of problems from Afghanistan to Iraq to Iran, would do well to avoid.

The Obama administration, which has promised to give serious attention to the Israeli-Palestinian issue, will have to weigh whether it is preferable to find a way to make gradual progress towards a permanent settlement based on the two-state principle. The new government in Israel

has not committed itself to the principle, but has expressed its willingness to advance the negotiations, and the prime minister has stated a number of times that he wants to improve the PA's economic situation, while making it clear that he does not view that as a substitute for political negotiations. This rather murky formulation allows for a great deal of creativity, with the United States identifying the political spheres of flexibility of both sides, Palestinian and Israeli.

At the same time, the administration will have to decide on the extent of the attention it invests in a political process between Syria and Israel. In this case, too, the starting conditions do not promise an easy task. Since the last direct negotiations, in 2000, the Iran-Syria connection has grown ever closer, and it is through this connection that Iran supports Hizbollah. Syria has also strengthened its precision missiles capability, and Israel's security requirements have changed in the last decade. The new Israeli prime minister declared during the election campaign that "Gamla will not fall again," and the political platform of its coalition partner Yisrael Beitenu states that negotiations with Syria will be conducted on the basis of "peace for peace." For his part, Syrian president Basher al-Asad continues to declare his desire to renew the negotiations immediately and arrive at a settlement within a short period of time.

Should negotiations be renewed, Israel will demand that Syria take definitive decisions such as severing its ties with Iran and all else that has made Syria a central link in Iran's subversive activities in the region. The question is whether Asad will take any such decisions before the withdrawal of American forces from Iraq and the Iranian-American dialogue gets under way. An additional and not insignificant point is the role of the United States in negotiations between Syria and Israel, if and when renewed. In the last round, Turkey filled the role of mediator in indirect negotiations. Passing the torch to the United States will require arriving at an understanding with Turkey in order to prevent friction with a state that in the past has demonstrated its sensitivity when it comes to perceived affronts to its status in the Middle East.

Against the backdrop of the Middle East peace process and the withdrawal of the American forces from Iraq, it appears that Iran occupies a central role in the potential of the United States to spearhead complex

moves. This invites the question whether the order of things should be reversed, i.e., first bring about deterrence with regard to Iran and stop the activity that threatens the region's regimes as well as the political process between Israel and its neighbors. Success in halting Iran would increase maneuverability in relation to all sides in the political process and would reduce Israel's aversion to taking risks in both arenas of the political process. On the other hand, lack of success in a dialogue with Iran will have significant negative effects on the United States' ability to steer political moves, in particular in the field of agreements between Israel and its neighbors. The Iranian card plays a central role on the Syrian-Israeli negotiations channel, and therefore dealing with Iran seems a prerequisite to a renewal of negotiations. In contrast, the Iranian issue affects the Palestinian channel to a lesser degree, and it is possible to progress even if the process is not defined as negotiations over a comprehensive permanent settlement. As a preliminary move, Israel and the United States will have to arrive at understandings regarding central issues, in particular the question of settlements and the willingness of Prime Minister Netanyahu to advance the economic development of the Palestinian Authority.

In tandem with the activity on the Israeli-Palestinian track, regional activity in the form of the working groups established by the Madrid Conference in 1991 should be renewed. This process is important on several levels. Renewed regional cooperation may serve as a counterweight to Iran's subversive activities, and it is also one of the central components of the 2002 Arab initiative. Nonetheless, both the Israeli government and the Arab League are liable to find themselves in an embarrassing situation if the international community, via the Quartet, for example, proposes the renewal of some of the regional working groups on the basis of Madrid Conference decisions and the Arab initiative. Israel is likely to oppose the renewal of the working groups because of some objectionable statements that form part of the Arab peace initiative, such as the formulation with regard to the Palestinian refugees, while the Arab League is likely to oppose concessions to Israel necessary to turn the Arab initiative into the basis for renewing the working groups. It is true that Israel supports the renewal of regional cooperation and has even appointed a cabinet minister with responsibility for this specific issue, but neither this government nor

its predecessors ever adopted the Arab initiative in toto. Furthermore, the Arab League made normalization of relations with Israel conditional on a full withdrawal to the 1967 borders, a just solution to the refugee problem, and the establishment of the Palestinian capital in East Jerusalem, and in its view, the activity of the regional working groups is a component of normalization. Nonetheless, it is possible that precisely this "balance of problematics" will allow the process to progress, a process that while not a substitute for direct negotiations does have the potential for advancing the process of resolving the Israeli-Palestinian conflict.

Along with the diplomatic efforts to identify and foil Iranian activity, it is necessary to increase cooperation on the issue of terrorism. Egypt's efforts, intensified since the beginning of 2009, have started to bear fruit in the form of limiting the attempts to smuggle Iranian arms into the Gaza Strip. The fact that Egypt joined the active warfare against the Iranian effort to maintain and support its allies is most significant, as it is the most critical component in Iran's access to the Gaza Strip.

A related development is the steady improvement in the functioning of the PA security forces in some of the major Palestinian cities. This improvement, which harbors much potential for the creation of Palestinian governance of the West Bank, also creates a certain risk for Israel, because Israel will be forced to respond favorably to this improvement in a way that will harm neither the PA's increasing law enforcement capability nor Israel's critical security interests. At this stage, it is clear that the joint Palestinian-Israeli work is what is preventing the West Bank from becoming the locus of subversive activity, as was the case during the first years of the second intifada. However, to the extent that the PA's governing bodies and law enforcement services are strengthened, the pressure on Israel will grow to reduce the volume of its direct activity in the West Bank.

Another crucial link in the axis of action against Iran is Jordan. The successful preventive efforts in the Sinai Peninsula are liable to push Iran towards relocating its activities to Jordan so as to create a supply pipeline to Hamas. The Jordanian authorities are, along with Israel, presumably aware of this possibility and are preparing to counter it.

The Iranian-American dialogue, if and when it begins, is liable to generate amorphous results that do not respond to the Israeli demand to

deny Iran unequivocally any ability to achieve military nuclear capability. Such a possible outcome would occur if the United States agrees to allow continued enrichment in Iran with both an Iranian commitment to not reach the stage of manufacturing nuclear weapons and tight oversight arrangements. This outcome resembles the so-called Japanese model. It would present Israel with a most difficult dilemma. Any solution acceptable to the United States will be acceptable to the international community. Even the Arab states, especially those along the Persian Gulf coast, will be hard pressed to criticize it aloud. From Israel's perspective, this solution would be a non-solution, and Israel is liable to find itself in a position of having lost justification for taking independent action against Iran. It would also demand of Israel a high political price in the form of concessions in the Arab-Israeli conflict arena.

The cumulative picture is one of a chain of challenges spread out from Pakistan in the east to the shores of the Mediterranean in the west. What most of these challenges have in common is the lack of ability to reach a comprehensive satisfactory solution. If this conclusion is correct, the most optimistic forecast of mid 2009 is of partial solutions allowing for partial stabilization of the situation; these would offer hope that more positive conditions emerge that will eventually allow for progress towards viable long term solutions. In light of the great risks inherent in the current situation – the destabilization of Pakistan, the trickle of hazardous materials into the hands of terrorist organizations, the deterioration of the situation in Iraq and its surroundings, and another flare-up in the Israeli-Palestinian and/or Israeli-Lebanese conflict – even partial solutions are inviting.

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