In its 67th year since independence, Israel has many reasons to look back with great satisfaction on major achievements at home and abroad. Yet the country has not reached a stage of stability either in ensuring long-term external border security or achieving internal harmony among its population. One of the comforting realities for Israel over the last few decades was that for better or worse the region had experienced very few changes. As it turns out, however, revolution and civil war were simmering under the surface. Since the beginning of the Arab Spring almost everything has been in a state of flux, posing new challenges to Israel, while some of the old challenges remain unresolved. Israel achieved a wide range of impressive political, economic and social accomplishments. However, its failure to ensure peaceful coexistence with its neighbours, a growing rift with the international community, especially its closest allies the United States and the EU, the country’s fragile democratic character and social coherence, growing economic disparity and prevailing corruption, pose enormous challenges ahead and threaten Israel's long-term well-being. Long before its inception, the country’s founding fathers harboured seemingly impossible aspirations, especially in a region which rejected the very Zionist idea of a Jewish state in the Middle East. They envisaged the formation of a Jewish, democratic, Western-style, prosperous welfare society within secure borders; a vision which seems under more scrutiny than ever.

The Domestic Scene

Israeli elections in March saw the return of Benjamin Netanyahu to the Prime Minister’s office for a fourth time. The March elections might not have produced decisive results – Israeli elections rarely do – but they positioned the Likud party in the best place to form a coalition. Gaining 30 seats, only a quarter of the total in the Israeli Knesset, the Likud party and its leader shoulder the excruciating task of forming a coalition with some incompatible partners. To shape such a coalition as both a functioning government and a reflection of the political agenda of the leading partner is an almost impossible task. Netanyahu’s relative success at the ballot box, despite very few achievements during his time as Prime Minister, was a result of his ‘never say die’ approach, politics of fear, which Netanyahu exploits to the maximum, and a not sufficiently appealing political alternative for Israeli voters.

The results of the elections represent a continuous fragmentation in Israeli society on a range of issues, including the peace process with the Palestinians, the Iranian nuclear programme, economic and social priorities, relations with minorities and the relationship between the State and religion, among others. Overall, these divisions created the perfect electoral environment for Netanyahu, which is high on rhetoric, inertia and political party manoeuvring, but low on the daring required to make strategic decisions. It also points to a fundamental weakness of the Israeli electoral system, which is unable to produce decisive results. Consequently, this results in dysfunctional coalition governments which are incapable of making far-reaching policies on the most critical of issues. It is a system which produces politicians rather than statesmen. While many blame the electoral system, one should not underestimate the divi-
sions and fragmentation that these election results epitomise in Israeli society.

**CHART 7** 2015 Israeli Election Results (Seats)

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likud Zionist Union</td>
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</tr>
<tr>
<td>The Joint List</td>
<td>24</td>
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<tr>
<td>Yesha Atis</td>
<td>13</td>
</tr>
<tr>
<td>Kulanu</td>
<td>11</td>
</tr>
<tr>
<td>Jewish Home</td>
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</tr>
<tr>
<td>Shas</td>
<td>8</td>
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<td>UTJ</td>
<td>7</td>
</tr>
<tr>
<td>Yisrael Beitenu</td>
<td>6</td>
</tr>
<tr>
<td>Meretz</td>
<td>6</td>
</tr>
<tr>
<td>Otzma Yehudut</td>
<td>5</td>
</tr>
</tbody>
</table>

**The Peace Process**

US Secretary of State John Kerry led nine months of intensive diplomatic efforts to bring peace between the Israelis and Palestinians, which ended in a stalemate at the end of April 2014. For all intents and purposes, no peace negotiations have resumed since then and the probability of a peaceful settlement of the conflict seems as remote as ever. There are basic disagreements on most core issues, including Jerusalem, resolving the plight of the Palestinian refugees, security arrangements, Jerusalem and the Israeli settlements. The Israeli government’s single most provocative policy, which casts severe doubts as to whether Israel is negotiating in good faith, is that of the constantly expanding settlements. 48 years after the occupation of the West Bank, more than 500,000 Jewish settlers are living in settlements across the West Bank; a fact which renders the prospect of a viable Palestinian state almost non-existent. A right-wing coalition in Israel will only exacerbate this situation beyond repair. Prime Minister Netanyahu argues that there is no Palestinian partner for peace, but few would doubt that the Palestinian President Mahmoud Abbas is keen to sign a peace agreement. He might not be the most powerful of leaders, or easiest of partners, but he is a partner nevertheless. Last summer’s war in Gaza, demonstrated the consequences of a lack of peace, not to mention holding nearly two million people under siege. The division between the West Bank and Gaza makes the situation even more complex and difficult to resolve. Moreover, the Hamas government in Gaza is oppressive and thrives on the conflict with Israel. It also serves as an excuse for the Israeli government to avoid negotiating peace with the Palestinians. In the absence of peace and hope for the Palestinians, a third Palestinian intifada (uprising), is a realistic possibility. The preferred course of action for the Palestinians is to put Israel under international scrutiny and pressure. Returning to the Security Council and requesting recognition for a Palestinian state, referring Israeli politicians and military commanders to the ICC for war crimes and crimes against humanity, encouraging the BDS (Boycott, Divestment, and Sanctions) and civil disobedience are all non-violent options for the Palestinians in order for the dream of an independent Palestinian state to remain a possibility. This might leave Israel internationally isolated and exposed.

**The Iranian Nuclear Programme**

Few can doubt that Israel’s foreign policy in 2015 is to a large extent dominated by its opposition to the Iranian nuclear programme and to any agreement negotiated and signed between the P5+1 and Iran. Since the late 1990s Israeli leaders have perceived and portrayed Iran, especially one with nuclear military capabilities, as an existential threat. The aim was to mobilise the international community to take tough measures against Iran in order to stop it from developing nuclear weapons. However, negotiations over the last 18 months have yielded an interim agreement and a framework for a long-term agreement which leaves Israel somewhat isolated internationally. It is hard to imagine any agreement on the Iranian nuclear programme that Israel and its Prime Minister would find acceptable. The Israeli elections are behind him, leaving him in a comfortable position to form a new coalition government with an even more hawkish outlook of international affairs than his previous one. Unlike his U-turns regarding some of his behaviour during the election campaign, he is not apologetic about his
stance on Iran and hardly seems bothered as to whether this stance will deepen his rift with the US administration and President Obama. The interim agreement and the framework for a final agreement include Iranian guarantees not to pursue nuclear military capability. However, Israel will continue to voice its opposition to the agreement insisting that the Iranians cannot be trusted and that the circumscribed 15-year commitment is too short. Netanyahu and his political allies in Israel perceive the agreement as a great victory for Iran, which will strengthen its position in the region, and hence threatens Israel’s existence. One would expect Netanyahu to continue his efforts to avert this agreement through the US Congress, where his main allies are calling for tightening sanctions against Iran instead of rapprochement with Tehran. The military option against Iranian nuclear installations has never been a realistic one, but if a final agreement is signed with Iran, a military attack on the country would be in bold defiance of the UN Security Council itself.

**Economy and Society**

Netanyahu’s governments since 2009 were able to shelve decisions on some of the most important and urgent matters, thanks to a growing economy, which rode the world’s economic storm almost unscathed. Nevertheless, Israel is a country of contradictions and its economy is no exception. What seemed, until quite recently, a very successful strategy to avoid the world recession has started to wobble. For a decade or more Israel managed to perform an economic miracle, but not without a social price. Israel became a member of the OECD in September 2010 on the basis “…that Israel's scientific and technological policies have produced outstanding outcomes on a world scale.”¹ The country has 4,000 active high-tech companies. More than 90 of these trade on the NASDAQ Stock Market and are valued at $40 billion, second only to China outside North America.² Last year it ranked number one among OECD countries in expenditure on Research and Development as a percentage of GDP – at 4.2% – and ranked in the top 15 countries in the world in innovation.³ According to the Israeli Central Bureau of Statistics, the total exports of the ICT industry are estimated to be worth $16.1 billion a year, almost 21% of the country’s total value of exports in 2013.⁴ Experts argue that the Israeli society and economy are almost geared towards innovation and enterprise, as it had to respond quickly to waves of immigration in terms of job creation and the building of infrastructure.

Nevertheless, Israel’s strengths in economic growth are, alas, also its vulnerability. It is vulnerable to any change in international conditions, let alone its own domestic fragility. Nearly 60% of Israel’s exports go directly to Europe and the United States.⁵ Exports at 40% of the GDP, with a high proportion of high-tech goods such as electronics, pharmaceuticals, and military equipment, created a dependency on the recovery of world markets from the longest global recession in living memory, not to mention an almost complete dependency on being a major energy importer.⁶ These factors have political-diplomatic implications beyond the obvious economic ones, and also expose the country to external pressures on other issues.

Furthermore, despite the impressive macro figures, including a high level of Foreign Direct Investment (FDI), many segments of Israeli society failed to enjoy the fruits of economic prosperity because this prosperity relied on a relatively narrow sector of the economy. In addition, very little policy and budgetary attention was paid to growing disparities and injustices coupled with low social mobility. Moreover,

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¹ Accession: Estonia, Israel and Slovenia invited to join OECD, www.oecd.org/about/membersandpartners/accessionestoniaisraelandsloveniainvitedtojoinoecd.htm
⁶ The discovery of two major gas fields, first Tamar 50 miles off the Israeli coast with an estimated 8.3 trillion cubic feet of gas, and then a year later the discovery of Leviathan next to Tamar with an estimated 16 trillion cubic feet of natural gas, has the potential of transforming Israel into a net energy exporter.
constant neglect of the lower-middle and middle classes, which carry most of the social economic burden in terms of generating wealth, taxation and military service, bred malaise. Recent figures show that a fifth of Israelis live below the poverty line, more than double the figure for OECD countries (11.1%). Israel’s poverty levels are only surpassed by Chile, Mexico, the United States and Turkey. Those most affected by poverty are the ultra-Orthodox Jews and the Arabs. In 2013, one in three children lived in poverty, and the inequality in income distribution was the fifth worst in the Western world. The Gini index for Israel, which measures income inequality, stands at 39.2 (compared to an average among OECD countries of 31.0). For a country mired by so many external and domestic challenges and consequently in particular need of a cohesive society, these figures are alarming.

In Conclusion

The March election results spelled continuity rather than change for the foreseeable future. Though the makeup of the new Israeli Knesset does not suggest that it is veering to the right, the power configuration in the Parliament leaves most of the power in the hands of Prime Minister Netanyahu and those who hold a more hawkish worldview. This could only lead to further stalemate in peace negotiations with the Palestinians, the expansion of Jewish settlements in the West Bank, the continuation of the Gaza blockade, and, as a consequence, the risk of a third intifada and international isolation. In the same vein, Israel’s outright rejection of any agreement with Iran on the latter’s nuclear programme, leaves the country in direct confrontation with the P5+1 and most of the international community. This might have a great impact on the country, considering the increase in voices calling for BDS (Boycott, Divestment and Sanctions) against Israel and for the indictment of a number of politicians and military commanders for crimes against humanity and war crimes. The challenges at home are by no means any easier, especially in the wake of a highly divisive election campaign. Addressing social and economic injustices is paramount, not to mention the related issue of relations between state and religion, particularly with regard to taking urgent steps to ensure equality for Israel’s Arab minority. These international and domestic challenges require a stable, competent and inspirational government, which the elections seem not to have produced.

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8 Ibid.