



Middle East Programme Conference Report

'Israel in 2007: The Internal Dynamics of Social, Political and Economic Change'

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Introduction

In the aftermath of the Annapolis conference of late November 2007, and the renewed efforts to make peace between the Israelis and the Palestinians, the internal dynamics of change in Israel are of fundamental importance to those who wish to understand the current political situation in the Middle East.

Israel is currently experiencing a period of economic, social and political change, the consequences of which will shape the country over the decades to come. Israeli macroeconomic growth since 2003 has been unprecedented. The country's political system has been reinvented for the second time in two decades and has shown resilience in the circumstances of long term coalition government. Israeli society is currently experiencing the upheaval and diversity brought about by its expansive immigration policy for those who share the Jewish faith and heritage.

As security and military concerns continue to dominate the highest levels of Israeli policy-making and ordinary citizens are involved in national service, what are the prospects for a state which perceives itself to be under threat from its regional neighbours? What have been the causes of recent economic growth? Has recent prosperity been distributed equally among the population? And are internal debates a case of 'democracy trying to defend itself'?

Addressing such questions is crucial to Israel's future. Moreover, the issues of division and reconciliation, religion and nationalism, and fear and security, which lie at the heart of Israel's twenty-first century experience, will continue to exert a vital influence on the country's future. Israel is a complex and often misunderstood society and country. Its future is of vital importance to the future of both the Middle East and the world. Whether in the search for peace with the Palestinians, the potential for a nuclear Iran, or the future of Lebanon, Israel will continue to play a significant role in influencing and shaping the future of this troubled region. Understanding the nature of internal political, economic, social and cultural change in Israel, now and in the future, is of vital importance to us all.

The Israeli Economy

Professor Stanley Fischer, Bank of Israel

Dr Momi Dahan, Hebrew University of Jerusalem

Israel experienced a period of remarkable economic growth between 2003 and 2007 and is, in macroeconomic terms, punching above its weight as a developing country. Sixty years after its creation, and following a series of political transformations, the country appears to be on the road to sustainable prosperity. This is true at least for Israelis in the higher income brackets; lower down the wage scale, some analysts assert that a somewhat different reality exists.

Israel's economic growth since 2003 is all the more remarkable given the economic downturn which it experienced during the early 2000s, when the consequences of the second Intifada caused an economic downturn and created the deepest recession in the country's history. However there has been talk of an Israeli economic miracle during the past five years and rapid macroeconomic growth has provided the economy with a new sense of stability and confidence. According to Stanley Fischer, the reasons for this growth are the current stage of the economic cycle, government policy and decision-making, and the hard work of Israeli citizens. Ariel Sharon, during the last stages of his time in power, and Binyamin Netanyahu, as Finance Minister in 2003, saw themselves as playing singularly important roles in improving the state of the economy.

The growth rate of Israel's GDP since 2003 has been particularly notable. Having fallen as low as -0.4% in 2001, after a high of 8.9% in 2000, the rate of GDP growth has now levelled out at approximately 5.2% since 2004. Such progress is seen as one of the most reliable indicators of the economic recovery of the last five years, and looks set to continue, with the rate for 2007 forecast at 5.4% by the Bank of Israel. Furthermore, in terms of per capita GDP, Israel is currently at a level of \$23,000, similar to that of Portugal, Spain and Greece.

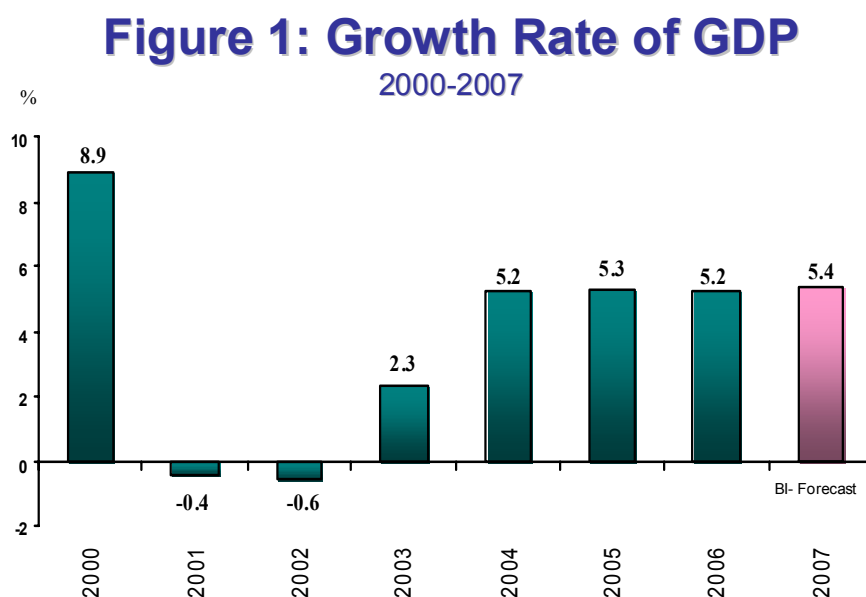


Figure 1: Courtesy of Professor Stanley Fischer, Bank of Israel

In addition to GDP growth, several other important economic indicators have shown marked improvement during the past five years. These include:

- Low inflation, which has been at an average of approximately 1% since 2003. This is a great change from the hyper-inflation of the early 1990s; at a level of 17% in 1992, this had fallen to 13% in 1996-1997. Israel now has a similar level of inflation to the United States.
- In terms of the exchange rate, the US dollar has been depreciating against the shekel. Meanwhile, Israel's Central Bank's interest rate is currently at approximately just 3% and it is believed that this rate will not change much in the near future.
- In 2003, the budget deficit was 5.4%; in 2005 it was 0.3%. The current forecast for 2008 is 1.6%.

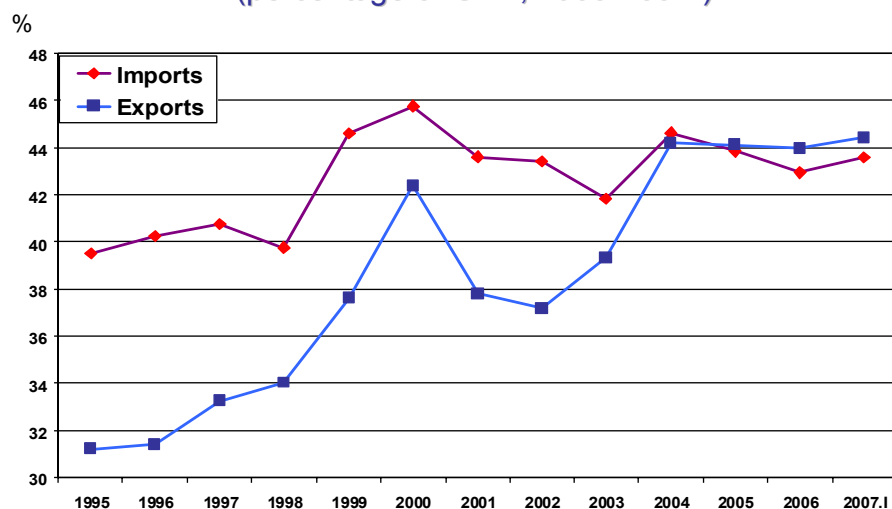
- The shekel's strength against the dollar has greatly benefited trade. Professor Fischer sees this phenomenon as a consequence of the dollar being weak rather than the shekel being strong, but the shekel's improvement is important nonetheless.

Another consideration is that the lower level of terrorist attacks in Israeli cities has helped to maintain continued economic stability. The recent construction of the wall around Jerusalem has certainly contributed to this improvement in security, although the long term effectiveness of this barrier must be questioned. There is clearly a vital causal relationship in Israel between terrorism and stability, in terms of both society and the economy. The noticeable downturn in the economy at the time of the second Intifada in the early 2000s, and the subsequent improvement in the economy during the current period of relative safety and security demonstrates a justification for the country's constant concern with its own security, and the need for an eventual resolution of the peace process. There is also a belief within Israel that the present stability and confidence is based in part on the current price of the US dollar. Once again, US influence is clearly apparent, not only in the aid it provides to Israel but also in its broader influence within the world economy. As a small economy, Israel cannot manufacture and produce enough to satisfy the demands of its population of 7 million. As a result, Israel must rely on international trade and foreign sources in order to cater for its citizens. Current beneficial trade relationships have clearly been of vital importance to recent economic growth.

The level of imports within the economy has not caused serious problems; indeed, exports have been rising steadily during the past twelve years, as shown in Figure 2. Moreover, domestic demand has provided a further impetus for economic growth. As this process continues, Israel is becoming a global creditor. The increasing openness of the economy has been a driver of progress since the mid-1990s and only 2000 saw a dip in this development. Given Israel's lack of natural resources, its major exports are largely services, consulting and research. Key exports are manufactured goods, especially high-technology goods such as computers, pharmaceuticals and defence equipment. This situation demonstrates how far the export market has developed since 1948, when oranges constituted 50% of Israel's exports. Given this situation, a high-technology industrial labour force has been a vital part of Israel's economic progress.

This, in turn, has emphasized the need to ensure that Israel's education system continues to train Israelis in such skills. There has also been a tremendous flow of foreign direct investment: in 2006 the level of this investment was exceptionally large – 16% of Israel's GDP. Israel has gained particular success through its technological expertise, and this remains high by international standards, higher in fact than Finland, Korea and the Republic of Ireland. Israel's research and development expenditure is again high by international standards. This situation has ensured that Israel rivals any other Western country in terms of the share of its population aged 25-64 which has a tertiary level education, according to OECD numbers. This progress is likely to continue in the future, but only if Israel continues to value the contribution of these industries to its economic growth and appreciates the importance of continuing to invest in its future by providing the best possible education, training and opportunities for its citizens.

Openness of the Israeli Economy (percentage of GDP, 1995-2007*)



*First half of 2007.

*Goods and Services.

Source: National accounts, CBS.

Figure 2: Courtesy of Professor Stanley Fischer, Bank of Israel

Despite this progress, however, challenges remain. High levels of unemployment continue to be a problem: while unemployment has fallen to

7%, it stood at 11% during the last recession. Thus, while progress has been achieved, this situation must be improved if the Israeli workforce is to maximise its potential. In addition, Israel is engaged in a continuing struggle with poverty. The official rate has risen steadily since 1997, and has had an impact on two groups in particular – the Jewish ultra-Orthodox and the Arabs. In terms of inequality, the poverty rate of Jewish citizens in 2006 was at 15%, while in the case of the ultra-Orthodox, the level is currently up to 50%, while for Arabs it stands between 36-56%. Poverty is highest among those with low educational skills, those with large families and lower wage earners. One reason for this situation is cultural differences – for example, due to religious and cultural issues, Arabs tend to have larger families and fewer Arab women take on paid work. While a similar situation can be seen among the ultra-Orthodox Jewish population, it is clear Israel's Arab population is currently experiencing a significant level of economic distress. This remains a serious issue which has not yet received the attention it requires.

There are also serious problems within the education system. According to international tests and measures, educational standards in Israel are declining. One problem appears to be the size of classes in schools; in comparison, only Japan and Korea have higher numbers of children in their classes, Discipline, however, is believed to be better in Japan and Korea. According to the OECD, in addition to a recent teachers' strike, the relatively low level of government spending per student during the last decade may also have contributed to the decline in standards. If Israel's economy is to continue to expand and achieve stability and growth in the long term, then improving the country's education system for all its people, regardless of ethnic or national backgrounds, will be an absolute necessity.

Security is a key factor in Israel's economy. The structure of spending in Israel is markedly different from the rest of the West. In all, the current level of Israel's GDP given over to the defence budget is 8%; by comparison, the current level in the US is approximately 4%. Given that military draftees do not even receive wages at the market rate, the level of expenditure is clearly extraordinary. Moreover, given that the economy is managing to grow at such a fast rate, despite this level of spending, would GDP growth rates reach 6-7% without such high military spending?

Furthermore, should peace be achieved in the future, Israel's trade in the Middle East would be likely to increase significantly. This is especially true given the current security barriers that exist between Israel and her neighbours. Israeli trade with Jordan, Egypt and a potential new Palestinian state could be huge in the future. More importantly, in the case of a two-state solution, Israel's strong economy could provide a useful impetus for the growth of a nascent Palestinian state. While the size of Israel's economy currently lies between \$160-170 billion, the size of the Palestinian economy is currently at about \$8 billion - around 5% of the Israeli economy. This disparity tells us a great deal about the current political and economic situation in the Middle East. In a comparative example, there is a larger gap between Israel and Palestine than between the US and Mexico. While it should not be assumed that the Palestinians would necessarily want Israeli help, there can be no doubt that Israel would be in an economic position to provide it.

Importantly, Israel's lack of agricultural potential, due to limited its natural resources, has ensured that the economic focus has been on technology and highly skilled exports. Agriculture currently makes up 2% of Israeli GDP, and could not be relied upon to drive economic success in the same way that Western countries have relied on it in the past. Another important factor has been US aid to Israel and its vital influence on the Israeli economy. From 2008, this aid will be entirely military, but previously it also included civilian aid. This aid has ensured that the economy has had a buffer against economic failure but has also enabled Israel to develop the huge military capacity which currently dominates its budgetary and governmental concerns. In the short term, this military aid is vital in ensuring that Israel can continue to maintain its current security situation and keep its military forces at a level sufficient to protect the country. In the long term, should peace be achieved, this military dependency might end. There can be no question that this money could, and perhaps ought, to be spent elsewhere in the Israeli economy and society. The miracle of the Israeli economy has thus been its recent growth, despite the security situation and the internal problems which the country currently faces.

Israel's recent economic growth has brought stability and the potential for sustainability to the country's macroeconomic future. At a lower level, however, rather than decreasing the gap between rich and poor, the process of economic growth has, in the view of some, deepened the wealth

stratification within Israeli society. This phenomenon shows no sign of abating; in fact, it is likely to continue during the coming years unless the nature and character of economic policy changes.

Israel's greatest internal concern is its own security. In a region in which large majorities in neighbouring countries oppose Israel's very existence, such concerns are not without reason. A further consequence of military expenditure has been that non-defence spending has been lower in Israel, on average, than in Europe. The most damaging consequence of this development has been that many in the country are being left behind in economic terms and that the extraordinary economic progress since 2003 has not been matched by the creation of greater prosperity for all.

In contrast to previous years, the Israeli economy is now using the US economy, rather than European economies, as its role model. The first fiscal rule in current Israeli macroeconomic policy is the need for a low budget deficit. In specific terms, the deficit should not rise above 1.6% of GDP: this target is more stringent than that agreed by most European countries under the Maastricht Treaty. This policy has been justified due to the level of public debt. The second main fiscal rule has concerned total government expenditure, and the level of expenditure that has been earmarked for public services. As such, this expenditure has fallen during the past five years, and in the view of Dr Momi Dahan, this has led to endemic inequality, especially for Arab citizens, who constitute 20% of the total population of Israel.

The reforms that were introduced in 2003 in order to help bring the country out of its economic problems were very much based on a philosophy of self-help and on a conservative, free market approach to economic and social advancement. While these reforms have helped improve the situation, there can be no doubt that inequality and poverty have been the by-products of this economic climate. Indeed, stringent policy on the budget deficit has ensured budget cuts which are hurting education and health – cuts which in reality have most affected those at the bottom of the wealth ladder. One of the symptoms of this set of economic policies has been a reduction of up to 50% in welfare payments, on the basis of the assumption that Israelis working more will help to solve the economic malaise of their poorer counterparts. This has been a central tenet of the right wing belief that self-help and lower

welfare payments are the most effective way to reduce poverty and unemployment. While a fully-fledged welfare state may not be the answer to the problems of inequality and poverty in the long term, what is certain is that the lack of welfare and public service provision in Israel during recent years has helped to make such problems endemic in Israeli society. Instead of a move towards greater prosperity for all, a situation has emerged in which the rich are getting richer and the poor are getting poorer.

How should the government proceed in order to solve these problems of inequality and poverty? Improvements in the education system would certainly be a vital first step in this process. Another necessity is the need to convince many Israelis that there is a serious poverty problem within their country. While many know that the poverty level is high and growing, there is little understanding of what the best type of action would be to combat the situation. Indeed, there is widespread annoyance about the perception of poverty and inequality. Israeli government action is certainly required, otherwise it will fall to civil society organisations and groups to attempt to deal with the problem. While such groups would undoubtedly help, this would not provide the same impetus to action and centralised leadership that an effective government policy would provide. Dr Dahan's recent research has shown that Arabs are three times more likely to be poor than their Jewish counterparts.

Two key policy elements relate to levels of poverty amongst Israel's Arab population: Israel has the lowest transfer welfare payment in the Western world; it also requires the highest level of public expenditure on education. As such, skills-based technological change will be important as a vehicle for the development of the economy and as a method to challenge the level of poverty and inequality for many of Israel's citizens, especially the Arab population. A further important aspect of the situation is that Arabs perceive themselves to be poor if they are poor, whereas many Jewish citizens, especially the ultra-Orthodox, do not believe that they are poor. This cultural difference likely serves as a further element in the misunderstanding of Arab poverty in Israel.

Israel's recent economic growth must, therefore, be put in perspective. A recent Bank of Israel report, on the period 2003-2007, concluded that most of

the economic growth of this period was due to the international economic cycle and improved security against terrorism. This viewpoint belies the belief that economic transformation has been achieved through the reforms of 2003. Ultimately, Israel must decide what type of economic system it wishes to establish. Both the American and western European models may be applicable but a shift towards the American model appears to have taken place. Ultimately, the decision will have ramifications for the future of Israeli society as well as its economy.

The Political Process: How Resilient and Responsive?

David Landau, Haaretz

Professor Gideon Doron, Tel Aviv University

While economic progress has been the subject of considerable discussion in Israel during recent years, politics and political considerations remain the central concerns within Israeli society. As the recent Annapolis conference and subsequent negotiations have demonstrated, the peace process with the Palestinians remains the dominant concern within the political arena. Indeed, the achievements and failures of this process will likely determine the position of Ehud Olmert and his supporters as they have staked their political future on its success. Olmert's own level of support for this position among the populace does not bode well for him should the negotiations prove unsuccessful. The dominance of the Israeli-Palestinian issue in the mindset of the international community, however, should not obscure the great complexity of Israel's political system and current political environment.

Israel's multi-party system has existed since the state's establishment in 1948. This system has had the overall effect of paralysing the effectiveness of the Israeli government. However, from a democratic perspective, the competition and choice offered to the electorate by this system is enviable. On the negative side, proportional representation has run riot in the political system. Israel is the only country in the world to have reformed its political system twice within a decade. The second unparalleled aspect of the Israeli political system is that the party at the helm of government may not exist in

the next election. In the current political climate, the number of parties in existence may vary between ten and twenty-one. Indeed, since 1949, no party has ever gained an absolute majority in the Knesset – instead, coalition government has become the dominant form of government in the country. In this sense, it is perhaps remarkable that the Israeli government has managed to achieve anything at all on a long term basis.

As further evidence of this, since 1949, there have been 30 governments, each with an average life span of 18 months. During this period, only two Knessets completed their legal term of office. Long term planning is thus hard to achieve and implement. However it is only more recently that this reality has come to cause particular problems. In the 1950s and 1960s, for example, longer projects were possible because one party was consistently winning the elections. As this is now no longer the case, competition is much more common.

There are generally thirty to forty parties competing in each election; it is thus a very open system. Moreover, Israel runs on a national list – the Netherlands is the only other country to do so. While voters know the party leaders, the actual candidates for the Knesset are not necessarily known to them. As a result, many do not know who they are voting for. There is, therefore, a lack of personal accountability to voters under the current political system. There are also no primaries – members of the Knesset depend on their party leader or a group of leaders putting them on the list. As a result, members switch parties if their current party chooses not to support them. Party discipline, as well as accountability, also suffers under the current system.

These idiosyncrasies of the Israeli political system reinforce party division and sectarian interests: consequently there is little chance for real alliances and thus, at election time, there is perhaps too much choice. Furthermore, the proportional representation system is very generous, which means that small parties – single-issue parties – can create technical blocks. There are several of these blocks, which lead to the collusion of a number of parties; it is thus difficult for politicians and parties to agree on anything. Indeed, as a result of this situation, it is possible for an individual to hold high level posts, even without widespread support, rising to become the leader of a party, for

example, or the Minister of Defence. Finally, when it comes to the elections themselves, in order to maximise their political chances, coalition partners leave the coalition near to elections in order to pursue their own goals. This fractured and imperfect system certainly provides an abundance of choice; however in terms of accountability, continuity and sustainability, the Israeli political process is less successful.

In the view of Professor Gideon Doron, one of the central explanations for these political problems is that Israel has neither a constitution nor a constitutional tradition. The lack of constitutional anchors and characteristics has come to harm the fractured political process, and has ensured that, in Professor's Doron's view, the government and people have become outcome-orientated rather than process-orientated in their political views. The examples of the Labor, Kadima and Likud parties are particularly informative: the Israeli Labor party has nineteen seats in the Knesset and is split internally into two further parties within itself, one of which is in government and the other of which is in opposition. In the case of Kadima, ten of its members are still looking towards Likud for the next election, but in the meantime are biding their time and opposing Kadima policies. In addition, Prime Minister Ehud Olmert is not popular with the Israeli people. However this should not be a surprise as Israeli prime ministers have, historically, never been popular. In Olmert's case, only 30% of the population voted for him, meaning that 70%, nearly three quarters, of the population did not select its current main political leader.

In addition to political upheaval and instability, the rising involvement of the judiciary and notably the Supreme Court, within public life, has been particularly significant during the past year. Some have seen this as the 'over-judicialisation' of politics and public life. This has been a long term development and the involvement of the Supreme Court has grown a great deal during the past decade. While the separation of powers continues to work effectively in Israel's political process, there is a danger that this development is starting to damage the process. Many Israelis are concerned by this development, as they expect the Supreme Court to bring issues to public knowledge, not to rule the country. Indeed, such opposition is similar to the situation in 1999 when three quarters of ultra-orthodox Jewish citizens voted against the Supreme Court, in an attempt to bring it down as a political player. In the absence both of a government with greater legitimacy and of

real political debate, it has fallen to the Supreme Court to decide on key political issues. This reality, however, has led to discomfort in society over the Supreme Court having taken power in the vacuum in Israeli political life. The situation has reached the level of a free-for-all in the Supreme Court, where people can bring any accusation they like and have their case heard. Personal vendettas and the desire for revenge rage as well, for example, in the recent actions of Minister of Justice Friedman.

An example of this phenomenon is that the last four prime ministers have been under investigation while still in office. Furthermore, four successive Ministers of Justice have been subject to investigation for criminal activities while still in office. The case of Chaim Ramon is a specific example of this phenomenon: a senior minister who had abused his position and was hauled before the courts, has now returned as Deputy Prime Minister, despite having been convicted of criminal offences of a sexual nature. This is a disturbing trend, both in the potential it provides for corruption and misbehaviour at the highest levels of Israeli politics, but also because it demonstrates that the judiciary has risen to extraordinary prominence in the country's governance.

Despite these problems and contradictions, Israel's political process has been resilient during the past year but further issues still remain on the horizon. The Annapolis Summit of November 2007 and the attendant negotiations have presented both sides with a vital opportunity to push for peace. In the Israeli case, this has been underscored by the fact that the recent dominance of moderate forces and personalities on the Palestinian side means that viable and lasting progress needs to be achieved now.

Furthermore, it is clear that Israeli society must adapt to the situation it faces. In late 2007, Prime Minister Olmert summed up the situation when he said that, in the absence of a two state solution, the existence of Israel would be under question. This acknowledgement of the existential problem that Palestinian demographics pose to Israel is something that is required at all levels of Israeli society, if long term peace and security are to be achieved, and if Israel is to remain intact. Olmert's suggestion that Israel must act decisively now rather than be overtaken by demographic change ought to provide the impetus for a real debate in Israel about the likely realities of its future.

One of the fundamental obstacles to the peace process, however, has been the lack of willingness of both parties to listen to the wants and needs of the other side. In order to make real progress, concessions will have to be made and mutual understanding will need to be fostered. Indeed, even after recent negotiations, old problems continue to reappear. Just two days after the Annapolis conference, for example, a pre-1938 map appeared on Palestinian television. Until such views change, little progress is likely to be made.

Israel's fractured and divided politics also stand in the way of such progress. Indeed, Olmert's own position is threatened if the current negotiations fail. Moreover, he also faces the problem of not even necessarily representing a majority within the Knesset, due to the divided nature of the Israeli political process and system at this point in time. Despite the rejoicing at the resumption of the peace process, it will take real consideration and conciliatory action on both sides for any progress to be made during this current round of talks. Recent upheaval also reinforces this sense of an unresponsive political process within Israel. Long strikes and university and secondary school closures caused disruption in late 2007, despite all sides knowing that such action was extremely damaging.

What, therefore, are the hopes for the future of the Israeli political process? A constitution is on the agenda, as a potential 60th anniversary gift from the prime minister. Although it is currently under discussion and being drafted by a group of experts, there has been little real discussion of such a possibility in Israeli society. Those on the left, for example, do not believe that it is necessary. However, what is certain is that change is required. Another proposal is that perhaps a presidential system might be more applicable and effective. This idea has garnered support from key figures such as Ehud Barak, Ariel Sharon and Binyamin Netanyahu, i.e. those people who have a sense of the need to execute policy efficiently and support it effectively. The stability and independence that such a system might achieve could go some way towards ensuring that the Supreme Court and the military are not the only stable parts of the Israeli political system.

Most importantly, Israelis and their leaders need to combat the serious issues within their own parties and parliamentary system. In the current situation, when large coalitions are required to govern the country, a situation develops in which politicians do not know who they can rely on. In this environment, political survival, rather than peace and government, has become the dominant concern of the country's politicians. In order to bring about change, members of the Knesset will have to be convinced that it is in their own interests to cooperate. A crisis of the political process may be required in order for Israelis to take such problems seriously. For while a creative political system has emerged within Israel, one in which many people have a voice: it is a system which has found neither stability nor legitimacy. Effective government has been an aspiration rather than a reality. The miracle of Israeli democracy is perhaps that, despite the problems it has experienced and the contradictions inherent in its very nature, it has managed to remain a democracy since its establishment sixty years ago.

The Demographic Challenge: Diversity and Unity within a Changing Nation

Nadia Hilu, MK

Professor Gadi Ben Ezer, Tel Aviv College of Management

Demographic tensions are beginning to rise to the surface within Israeli society. After sixty years of immigration, Israel finds itself with wide diversity and growing divides amongst its minorities. Differences of religion, nationality and ethnicity are assuming greater significance. Similarly, there is considerable diversity in the experiences of immigrants in Israel. Differences in lifestyle, living standards and treatment at the hands of the state are ensuring that assimilation into Israeli society is often a long and drawn out process. Despite the economic progress made since 2003, inequality remains rife in certain parts of Israeli society. Some minorities within Israeli society face disadvantages and barriers to advancement which are not generally acknowledged or understood outside of their own group.

Arab Israelis currently face particular hardships. While the failure of the Israel-Palestine peace process draws attention at an international level, Israel's Arab population is currently experiencing no less important

challenges. The disparity of wealth and opportunity within the country, and the continuing tension between inclusiveness and inequality are coming to define the nature of society. At the heart of this tension is the notion that while Israel defines itself as a Jewish state, this view is not held among its Arab citizens. In the Israeli state, Judaism is the nationality and the religion; however, Arabs many of – whom are Muslims – are not included in this definition, which excludes minorities, especially in terms of religion.

Arab Israelis currently constitute a significant proportion of Israeli society: out of a total population of 7.2 million, 1.4 million, or 19%, are Arab. Of the 1.4 million Arabs in Israel, 83% are Muslim, 8.7 per cent are Christian, and 8.3% are Druze. The birth rate is higher amongst Arabs than amongst their fellow Israeli citizens: in 2006, the Arab birth rate was 2.6% whilst the Jewish rate was 1.5%. At the current birth rate, it is conceivable that Arabs will eventually come to outnumber Israelis in Israel.

While immigration increases the Jewish population regardless of the low Jewish birth rate, a clear paradox is emerging: while Israel is ostensibly the country of the Jewish religion and its nationality is Israeli, in the near future, Arabs may soon outnumber their Jewish counterparts in the Israeli population. This poses a significant challenge to the Israeli state – in such a situation, will power reside with the majority population, or will a situation emerge, similar to that which existed in Iraq before the fall of Saddam Hussein in 2003-4, where the population with political power will be the minority? In the Iraqi case, Sunni Muslims were the minority population, but they held on to power in Iraq at the expense of the Shi'a majority.

Unemployment is higher and job opportunities are lower amongst Arab Israelis. The rate of women working is 50% among Jewish citizens, and only 22% among Arabs. Arabs also experience a higher rate of poverty, with two thirds of Arab children defined as poor. Within the private sector, furthermore, there is prejudice against Arabs. There are some companies which have no Arab employees whatsoever. This situation must change in order to provide real equality of opportunities. Arabs were present at the country's creation, should this not mean a greater say and influence in the course of Israeli affairs than that which they currently enjoy? Given their increasing numbers

and demographic strength, Arab citizens may become more strident in their call for increased involvement in public and government affairs.

The Arab-Israeli conflict exerts a clear influence on the course of Arab-Jewish relations within Israel. Many believe that it is only once a permanent peace has been achieved that Arab-Jewish issues within Israel will be able to be addressed. However, this issue ought to be addressed soon; it cannot simply be put off indefinitely. More immediate action would certainly help to resolve serious issues which are currently facing Israeli society. For example, according to the Israeli Association of Civil Rights, in 2006, only 50% of Jewish Israelis thought Arabs deserved equal rights, and that Arab emigration ought to be encouraged. Such views represent a worrying phenomenon which has led to a rising hatred of Arabs among Jewish citizens. Discrimination and mistreatment of Arabs goes beyond societal schisms and Arab land is confiscated. While new Jewish towns are built, no new Arab towns are being built.

These issues will not go away. While Israel defines itself as a Jewish state, 20% of its population is not Jewish. Moreover, the belief that these problems will be resolved after solving the Israeli-Palestinian conflict is complicated by the view of many Arab Israelis who see their future in Israel, even if a Palestinian state is created. Instead of a policy of 'wait and see', it seems certain that greater efforts at integration on both sides will be necessary in the near future. Yitzhak Rabin was the only prime minister who made clear efforts to achieve integration but since his assassination, no further substantial progress had been achieved. In terms of education and health – two key examples of the state providing for its citizens – Arabs receive unequal treatment. Inclusion is surely the best policy to move forward: it is necessary to move beyond the current situation of equal laws but unequal implementation, where de facto discrimination remains commonplace.

Immigration has become a constant fact of life in Israel today. The chance to migrate to Israel, and live with one's co-religionists, has been a compelling ideal in Israel's history. As a result of this development, diversity and differences have become increasingly prominent in the country. Within the Jewish majority, cultural diversity has become increasingly apparent.

The case of the migration of Ethiopian Jews to Israel provides a particularly important case study concerning the realities of migration into the country and the development of Israeli society amid such diversity. Ethiopian Jews number 110,000 in Israel today, 30,000 of whom are children who were born in Israel after their parents' migration. They began to arrive in Israel during the 1970s, and thus have been part of society for some thirty years – half of the period since Israel's creation.

The long process by which Ethiopian Jews travelled to Israel has taken on great historical importance within the Ethiopian community, and has become known as 'the journey'. Between 1977 and 1985, 20,000 Jewish citizens left Ethiopia, aiming to return to the home of their ancestors and flee the destruction and devastation which was rife at the time in Ethiopia. This was a secret and illegal exodus, which occurred suddenly, as a result of necessity. The journey that followed was traumatic and extremely difficult. First, they moved to Sudan, where they stayed for an average of one or two years, and then they moved on to Israel. Rape, incarceration and torture were commonplace as they left Ethiopia and during their time in Sudan. Such was the hardship of this journey that it has come to occupy an honoured and almost sacred place in the consciousness of Ethiopian Jews living in Israel. The mythology of the journey has ensured that it has become a symbol of both collective and individual importance.

Three central themes emerge from conversations with those who survived and those who had succeeded the original migrants. These three themes are: Jewish identity; suffering; and bravery and inner strength. The Ethiopian migrants encountered significant issues of hardship which included difficulties in observing Jewish law in Sudan, especially in terms of food and burial rights. Moreover, many were wounded during the journey, with some dying as a result of their injuries and not even getting past the 'halfway house' of Sudan.

Thus, suffering, bravery and persecution became key aspects of the stories and memories passed on by those who had experienced the 'journey'. A parallel link was also discerned with the Biblical exodus from Egypt, with the

Ethiopian Jews being guided by God to God's country, enduring tremendous suffering and arriving in Israel with a heightened sense of Jewish identity. As a result of the difficulties and suffering of the 'journey', many perceived that they had already earned their entry to Israel and that they ought to be welcomed home from their exile. However, it soon became clear that the hope and promise which life in Israel had held for the Ethiopian Jews would, in reality, be very difficult to achieve. The sense of belonging which they craved was to be unfulfilled during the years that followed; indeed, many Ethiopian Jews are still searching for this today. For many, their strong Jewish identity was being challenged. Expectations and dreams did not meet with reality.

Israel was not as many of the migrants had expected it to be. Disenchantment with the patterns and realities of daily life was mixed with difficult experiences of discrimination. Little concern was shown for the suffering of the Ethiopian Jews: many Israelis began to suspect that these new Jewish migrants had come because of hunger and a desire to be provided for by the Israeli state, rather than to escape oppression and to live better lives in the Jewish state, as they had hoped: if there was no food in Ethiopia, why complain in Israel? Misunderstandings such as these, had a considerable impact during the years that followed. As such, few cared for the suffering and difficulties the Ethiopians had experienced during their journey. While they had reached their 'promised land', it was the process of integration that was to prove a much lengthier challenge.

As discrimination became a part of their lives, many began to bring the myth of the 'journey' to be a dynamic force in their lives, both as a system of communication with their past, in order to provide solace and, more importantly, a reason for their current situation. The myth took on three functions: reaffirming identity; achieving cohesiveness; and providing a source of strength. This difficult process of integration, rather than bringing Ethiopian Jews to play a central role in society, was instead to ensure that cultural distinctiveness became the defining aspect of their integration. Instead of achieving the sense of belonging they desperately craved through their complete integration into Israeli society, they would achieve it through the myth of the 'journey'. This has thus determined their place in Israeli society.

Above all, the issue of skin colour has been a defining feature of the discrimination against Ethiopian Jews which has become commonplace. It is this factor which ensures that Ethiopians are seen as immigrants, even if they are born in Israel. This discrimination has become part of the education system as well and ensures that Ethiopian Jews face a large barrier to societal improvement within their own country, like their Arab counterparts. After the great progress that was made under Yitzhak Rabin, when 17 billion shekels were spent on education, the last five years have seen educational standards for Ethiopian Jews deteriorate. Ethiopian ghettos have become commonplace in Israeli towns; most cannot afford to live in cities such as Tel Aviv.

As a consequence of these issues, there is a growing emphasis on maintaining a distinct Ethiopian culture and community within Israel. It is the strength of these local communities, held together by the mythology of their ancestors' 'journey' to Israel, which is ensuring that this cultural distinctiveness remains and is becoming an increasingly important fact of life. If Ethiopian Jews were provided with a real chance to properly integrate into Israeli society – perhaps stemming the current realities of cultural distinctiveness and isolation – it is possible that the racism and discrimination of the present and the past may be eliminated and replaced not only by the hope but by the reality of a better future.

Lessons from the Past for Future Development? Examining the Israeli Cultural Experience

Joseph Cedar, Film-maker and Director of *Beaufort*

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Beaufort refers to the Beaufort mountain fortress in Lebanon – an extremely historic place, which had been conquered many times by a variety of forces. The mountain was captured by Israel in 1982 and its conquest was claimed as a great victory for Israel. This became emblematic of the detachment of

the Israeli leadership from the battle. However, the battle was a mistake. Subsequently, the Israelis turned the fort into a concrete city, and then blew it up when they left in 2000.

The film tells the story of a bomb disposal expert brought to the fort not long before the Israelis abandoned it. The film's main concentration is the army, and its role and the perceptions of the army within Israeli society. Given Israel's constant concern with security, the army is clearly one of the key facets within Israeli society. When the film was released, it sparked a tremendous emotional debate in Israel which intensified when it was discovered that some of the actors who had played the parts of the soldiers had avoided military service.

One of the main questions the film aimed to ask was 'who are the role models in Israeli society?' – 'are they people ordinary Israelis ought to respect?' In the view of the director, in the case of the army and the military more generally, military service is clearly a rite of passage. The film was a reaction to his anxieties and dilemmas, nothing more; it was not intended to question the nature of Israeli foreign policy, neither was it a vehicle for him to suggest new ways in which to deal with the threats Israel faces.

The film caused great controversy on its release, undeniably owing to its portrayal of the military and of Israeli military policy during the last thirty years. One movement alluded to by the film was the 'Four Mothers' protest group, which set itself up to protest at the deaths of their sons during military service and against the dominance of the military in Israeli public life. Such mothers had identified with the film and its human angle, in their recognition of the needlessness of their children's deaths.

The 'Masada' myth – giving lives to ensure that national pride is not lost – is a centrally defining feature of the importance of the military in Israeli society. This myth is often seen as an important shared symbol and story to emulate in Israel's current incarnation – it plays on the ideas of military service, giving one's life for one's country and not surrendering the cause of freedom. This myth combines with the importance of school, family, and social pressure to

ensure that it is extremely difficult to question the role and the nature of the military in Israeli society.

Ziv's father's monologue is a key part of the film: it reflects a conversation with Joseph Cedar's own father in reference to his own military service. Cedar told how he had been overcome with fear and self-realisation whilst in the army to the extent that he was afraid to do his job. The monologue deals with the responsibility of parents to teach their children the value of life. Ziv's father believed that he had abandoned his child. At the time of the film's release, Israel was returning to war in Lebanon, and thus the issues brought up in the film were extremely controversial and have remained extremely significant.

Music has provided a particularly accurate and relevant reflection of cultural developments which have occurred in Israeli society as a consequence of immigration and the proliferation of distinct cultural forms. A natural result from the huge ethnic, national and racial diversity within Israel's population has been the development of highly distinctive cultural and musical diversity within the country. Music certainly provides a crucial viewpoint from which to observe the considerable diversity in Israeli life.

Music played a number of important roles in the lives of new immigrants in Israel. At first, it helped to build the language skills of new immigrants, and helped to teach them about Israeli culture. An appreciation of the importance of agriculture and a love of the land emerged, and singing about this helped to build a shared community. This ensured that new immigrants became part of a process which would allow them to be an integral part of Israeli society: this process was a gradual one and its evolution was far from planned.

Rebellion has been an important part of the Israeli musical experience during the past six decades. Israel's musical heritage also testifies to a lack of integration – for example, some Russian concerts are hosted in their native language. However, Israeli national pride is still important – these concerts open with Jewish folk songs, for example, but these songs do remain in the Russian musical style. This does not serve to question the affiliation of the Russian immigrants to Israel, but expresses a particular relationship with

Israeli culture – i.e. these immigrants are Israeli, but their Israeli identity is mediated via Russian culture.

There is a central paradox in Israel's experience with music: while music has been vital in creating a national consciousness among Israelis, it has also been a key vehicle for freedom of expression such as the expression of such pluralism in Jewish and Arab exchanges, including Barenboim's Arab and Israeli orchestra and mixed rap performances. Ethiopian music also emerged with the arrival of Ethiopian immigrants. There is a definite mixture of styles, and music is making a difference in the public-cultural sphere.

The religious/secular divide is important in Israel. There has been a mainstream allergy to religious things and religious music often does not appeal to a mass audience by its very nature. Religious music is a difficult art form – to understand it requires the listener to be located within it. Indeed, there has been a lack of desire to cross the bridges of the religious-secular divide in society, although the trend towards crossovers is increasing.