

gle bought its patents. Like the phoenix, that was not the end for Moran. A few years later he opened Grove Ventures - a venture capital fund that has \$110 million under management and invests in deep technology startups. As an industry veteran, Moran uses his experience and fortune to help the new generation of entrepreneurs. Although he did not always succeed, he's still a highly respected and appreciated figure in Israel. In many countries, failure is a big shame and embarrassment. In those cultures, it's difficult for people to take the risk of founding a startup and that's a barrier in building an entrepreneurship ecosystem.

THE SHORTAGE OF HUMAN TALENT AND THE EXPENSIVE DEVELOPERS

It might seem like everything is bright and sunny in the land of startups and innovation. However, there are some challenges that shed the future. If there's one thing in common for every early-stage startup of three founders and a large R&D center in Israel, including Intel the largest tech employer with 12 thousand employees, it's this: They are all in need of talent - they would like to recruit more qualified employees than they can. The number of open positions in the tech sector in Israel is more than 15 thousand, according to The Human Capital Survey Report 2018, that was published by The Israeli Innovation Authority and Startup Nation Central. There are not enough engineers graduating every year to fill this gap.

In the meantime, as a result of the high demand, the salaries of the Israeli tech employees keep rising. For years now, the average tech salary in Israel has been double the average salary. That creates a situation of a dual economy - one for those who work in a global environment and earn high salaries that can afford a high quality of living, and the rest of Israel. For decades the share of employees who work in the tech sector has not grown and has remained at around 9-10% of the employees. This exclusive industry is dominated by men and lacks an equal representation of women, who account for only one-third of the employees in the tech and only one-fifth of the core R&D positions. The tech industry is also not diversified when talking about representing minorities in Israel, mostly Arabs and Ultra-Orthodox. However, this is slowly changing. For example, Arabs account for barely 3% of the tech employees, even

though they are 20% of the Israeli population. But today, they are 18% of Computer Science university students. Therefore, in the future, their representation in the tech industry would grow as well to their fair share.

The high demand is not the only reason why the talent in Israel is so expensive. According to executives in multinational companies, the employees in Israel are almost as expensive as those in Silicon Valley. Living in Israel is expensive, and Tel Aviv, where many of the tech employees live, was ranked the 10th most expensive city in the world by The Economist a few months ago. But not, the cost of the Israeli talent is rising due to another reason - the Israeli currency is getting stronger. Since the beginning of 2019, the Shekel (Israel's currency) has strengthened by 6% compared to USD. That means, that even though the productivity of the Israeli employees did not improve at all, their cost is higher. This is happening because both the multinational and the local companies sell their products and services outside of Israel in a foreign currency. But their expenses in Israel are paid with the Shekel. For the long term, this is a real concern that might have an impact on the competitiveness of the Israeli tech industry.

Israel was a pioneer in making innovation and tech a substantial growth engine. Some people argue that "this is the only business model suitable for Israel". But today, this approach is not so innovative anymore. Other countries have identified it and are investing money and effort in actively building their own startup and innovation sectors. Israel is still leading in R&D expenditure as a percentage of GDP, but other countries are catching up and closing the gap. Without long term planning, it would be challenging to maintain this position.

ISRAEL'S NATIONAL SECURITY CHALLENGES

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This article reviews the main challenges to Israel's national security. First, the strategic environment is briefly sketched. Subsequent-

ly, the social dimension of Israel's national strategy is analyzed. The war conducted against Iran and its proxies; the need to manage the conflict with the Palestinians; and the use of force are also presented here.

The Strategic Environment

Israel lives in a tough neighborhood presenting many national security challenges. While Israel is a strong country and its strategic position is better than ever, the prospects of significant improvement in its strategic environment are not very good. Primary among the growing challenges are the hegemonic ambitions of the Islamist Republic of Iran which seeks nuclear weapons, alongside attendant threats to Israel's civilian home front from the Iranian regime and its regional proxies.

The gradual American withdrawal from the Middle East initiated by President Barack Obama and continued by President Donald Trump, who has displayed isolationist instincts, gives Iran greater freedom of action. As result, Israel remains the only powerful strategic rival that can curtail Iranian ambitions. In addition, the clerics in Tehran see the Jewish State a religious sacrilege and this reinforces the determination to destroy Israel.

The Arab states are undergoing a deep politico-socio-economic crisis further undermining the states' capacity to deliver basic services and its monopoly over the use of force, allowing for the emergence of a myriad of militias. This situation also allows for the growing influence of radical Islamist movements that are inherently anti-Western and anti-Israel. The American 2003 invasion of Iraq destroyed the balance of power between Iran and Iraq, while the so called "Arab Spring" has reinforced the centrifugal trends in the Arab world. The fractured Arab world has lost the ability to withstand Iranian penetration and part of it, Saudi Arabia and the Gulf states, gravitates toward Israel, to enhance their chances to escape Iranian dominance. Lebanon, Syria, Iraq and Yemen have largely lost their independence and are under the influence of the Iran-supported militias that operate in their midst.

The only other regional power capable of resisting Iranian imperial schemes is of course Turkey. Yet, under the leadership of Recep Tayyip Erdogan, Turkey has adopted since 2002 an Islamist path, has entertained neo-Ot-



toman visions, and distanced itself from the West. It has also displayed greater hostility toward Israel. Ankara lends support to radical Islamist organizations, such as Hamas. It also defies the sanctions regime on Islamist Iran. Its military is deployed in Iraq, Syria, Qatar and Sudan. While, Turkey and Iran, the two rising non-Arab regional powers, do not see eye to eye on several regional issues, they have become foci of anti-Israel activities.

Egypt, historically an important regional power, is consumed by domestic problems and seems less willing and capable to throw its weight against Iran. Yet, it has a peace treaty with Israel and a close security cooperation in containing Islamist radicals in the Sinai and Gaza. Moreover, the Egyptian regime needs Israel to mute somewhat criticism about its human rights record in Washington and in Brussels. The good relations with Egypt are an important positive component in Israel's national security predicament. The Islamist prelude in Egypt (2012-2014), however, is a painful reminder that things might go wrong again.

In addition, for the foreseeable future, Israel faces a violent and intractable conflict with the Palestinians in the Hamas-ruled Gaza, and with the Palestinian Authority (PA) that rules in the West Bank. Israeli hopes for resolving the Israeli-Palestinian conflict evaporated and were replaced with a sober evaluation that the dysfunctional Palestinian national movement is not ripe for a historic compromise with the Zionist movement. As the Palestinian capacity to harm Israel is

rather small, most attention is given to the struggle against Iran.

National Cohesion

Israel must always be ready for war. This is the ultimate test for Israeli society, too. Therefore, the most important challenge facing any government in Israel is nurturing national cohesion; ensuring unity in the face of tests that the violent Mideast environment might engender.

Such social cohesion is important even at times of calm, due to its role in deterring Israel's enemies. Deterrence is based not only on sheer military might, but on the country's willingness to use force when necessary; and above all, on the capacity to bear loss and pain both at the frontlines and on the home front. Since peace for Israel is not yet around the corner, Israel's ability to present effective responses at times of crisis is crucially influenced by the level of cohesiveness of Israeli society. Deep social or political cleavages subvert morale and weaken resolve of the home front when under fire. This may encourage the enemy to attack.

In the past, military and diplomatic adventures led to deep social fissures, and to scars which have yet to heal. Worth mentioning are the 1982 Lebanon War, which at first was broadly backed by the public but soon gradually lost almost all support; the 1990s Oslo Accords, which from the start were extraordinarily divisive; and the 2005 disengagement from Gaza.

These political cleavages do not over-

whelm the basic bonds of solidarity which continue to characterize Israeli society. In fact, the results of the 2019 elections indicate the persistence of centrist impulses in Israeli politics and wide common denominators.

Such Israeli national cohesion must be preserved – even at the expense of adopting some constraints on the government's freedom of action, and even curtailing some military operations in order to maintain internal (and international) legitimacy. High-risk military operations, diplomatic gambles, and ambitious territorial changes are worth attempting *only* if they are likely to reap overwhelming strategic rewards.

What can the future Israeli government do to nurture cohesion?

- After the intemperate election campaigns of 2019, the main political actors must restore restraint in public discourse and avoid demonization of political rivals. A national unity government could be useful in this context.

- Israel's response to the Trump administration's peace initiative should be designed to reflect the basic principle of preserving national cohesion. This means hewing to policies that enjoy nearly universal support within Israeli society.

- Unilateral withdrawals that would deepen divisions in society should not be contemplated.

- Building in Judea and Samaria settlements should be restrained, maintaining the present territorial footprint – the contours of which are generally within an Israeli consensus. In contrast, many more homes should be built in and around Jerusalem to strengthen Israel's hold on the broad Jerusalem envelope which lies at the heart of Israeli national consensus.

- The conflict with the Palestinians should be carefully “managed” (as explained below).

- Military force should be employed cautiously and undertaken only as a last resort.

- The government should prepare the home front to withstand a missile war.

Countering the Iran Threat

The Iranian existential threat to Israel is rooted both in Iran's ambitions for regional dominance, and in the extreme religious hostility towards Israel. Thus, the ongoing Iranian

quest for military nuclear capabilities is a security challenge of the first order. The July 2015 six-power nuclear accord with Iran, known as the JCPOA, actually preserved Iran's technological ability to break-out quickly towards acquiring nuclear bombs. Furthermore, it allowed Iran to progress with its missile program and did not stop its expansionist behavior.

Even if the route to nuclear weapons is taking much longer than many in Tehran might have expected, the plan has not been abandoned. It should remain Israel's basic strategic assumption that stable nuclear deterrence cannot be sustainable with a regime of this ideological bent, in a stormy and unstable region. Moreover, an Iranian nuclear umbrella would provide cover for extensive terrorist aggression and missile attacks on Israeli population centers. It is thus imperative to prevent Iran from obtaining a bomb. Moreover, it is unsafe to rely on the highly uncertain prospects for regime change in Iran in the near term. Nor is there any hope for a reduced level of hostility from the Islamic Republic towards the Jewish state.

Taken together, Iran's activities constitute a threat well beyond what Israel has faced in recent decades. This includes Iran's ongoing efforts to establish a military infrastructure for attacking Israel from Syrian soil, the presence of Iran in Iraq through control of Shi'a militias, its grip on Lebanon through Hizballah, and its influence in Gaza through control of Palestinian Islamic Jihad (PIJ) and assistance to Hamas. In addition, the Iranian presence in large parts of Yemen in support of the Houthis uprising gives Iran a chokehold on shipping lanes at the entrance of the Red Sea. Subversive Iranian terrorist activities and infrastructure have spread across the region and beyond it.

Tehran seems to have concluded – as American sanctions have dramatically cut Iran's oil exports and the IRGC was designated a terror group – that there is no point anymore in honoring the JCPOA; and the time may have come to generate a crisis, and further down the road to break-out towards a nuclear device.

In the face of further escalation and Iranian provocations, Israel must allocate the necessary resources to monitor as closely as possible all Iranian nuclear activity, in order to be ready on a short notice to translate such intelligence into the action necessary to foil

the Iranian nuclear project. In addition, it has to make all necessary preparations to undertake the disruption of the Iranian nuclear project. In parallel, Israel should continue its military efforts (“the campaign between the wars”) to prevent Iranian bases in Syria and Iraq – designed by Tehran to open another front with Israel and establish a hegemonic position in the region. The military efforts must be backed by a diplomatic campaign in the international arena, in conjunction with the US, in order to convince key actors that Iran's behavior is a global threat.

Israel must also be willing to bear the economic costs necessary to build the military capabilities for foiling Iran's nuclear project and for conducting a military campaign against Iran and its proxies. As the Iranian threat is quite vivid to most Israelis, the suggested course of action is well within a national consensus.

The growing level of threat and uncertainty requires close coordination between the Israel and the US. So does the prospect of forcing Iran back to the negotiating table, where the regime is likely to do its best to mislead the West into another faulty deal. Still, if US pressure on Iran should falter, Israel could be left alone in facing Iran's dash for the bomb. The need to take military action would then fall on Israel's shoulders.

Managing the Conflict with the Palestinians

The events commonly referred to as the “Arab Spring” and the rise of radical Islam prove that the Palestinian problem is not the root of regional instability. Other geopolitical developments, such as the increasingly belligerent policies being adopted by Iran and the election of Donald Trump as president of the US, further reduce the amount of attention being paid to the Palestinian issue. Consequently, the futile attempts to find a “solution” to the Palestinian-Israeli conflict have lost some of their urgency; and the issue has become less of a priority for the international community.

Meanwhile, the PA is a failing political entity which finds it difficult to sustain stable state structures. Its authoritarian regime lacks mechanisms for peaceful and legitimate transfer of power. PA President Mahmoud Abbas is 83 and in fragile health. A succession struggle has begun and the ensuing turmoil for Pales-

tinian leadership has thrown the entire future of the PA into doubt. Moreover, the Palestinian schooling system and media propagates abysmal hatred toward Israel and Jews. In Gaza, Hamas leaders continue to view their movement as jihadist in nature. And though they have displayed an occasional willingness to negotiate with Israel via Egypt, Hamas continues to adhere to genocidal intent towards Israel.

Therefore, the prudent course for Israel is to pursue a policy of “conflict management” regarding the Palestinian issue. This approach is predicated on the (widely shared Israeli) assessment that the Palestinian national movement is not yet ready to reach a historic compromise with Israel; and especially not so until the Fatah-Hamas divide is overcome. Alas, the gaps between Israel's minimum-security requirements and the PA's steadfast calls for expansive and almost-runaway statehood are too wide to be bridged soon.

Under these circumstances, Israel's goals on the Palestinian front should be realistic. Jerusalem should strive to reduce levels of violence to a minimum and patiently wait for broader regional events to develop that might create new diplomatic opportunities.

The effective management of the conflict with Palestinians means a policy of carrots and sticks. This policy includes the following:

- Israel should draw on the economic elements of the Trump peace plan to better respond to the needs of the Palestinian population, including increased investment in infrastructure and the development of a local job base. Local Palestinian leaders should be rewarded for behavior that facilitates easing of tensions. Significantly, Israel should focus on rewards that directly benefit the Palestinian people, not Ramallah's kleptocracy.
- The judicious use of force against Palestinian incitement and/or violence is crucial to maintain quiet and keeping Israel's deterrence. At the same time, Israeli security forces must distinguish between terrorists, who should be targeted and neutralized swiftly, and the general population.
- Israel should improve governance in Area C to block the development of Palestinian projects that threaten Israeli strategic interests (particularly in areas such as E-1 near Jerusalem, the Jordan Valley and the southern Hebron foothills). Whether Israel seeks to annex parts of Area C or hold Area C as a

bargaining chip for future negotiations, good governance is the best way to block foreign interference in Area C.

- Israel's settlement policy should be restricted to territories deemed vital to national security and that are broadly within the Israeli consensus. These territories include greater Jerusalem, as well as the Jordan Valley.

- Diplomatic efforts should be made to increase the international community's understanding, particularly the US, of Israel's security imperatives regarding the Palestinian issue.

Unilateral Israeli withdrawals in the West Bank (Judea and Samaria) will not enhance Israel's security. Israeli withdrawals from Lebanon and Gaza only perpetuated and even exacerbated conflict between Israel and its neighbors. Unilateral withdrawals in Judea and Samaria could lead to Hamas dominance in these areas and whet Palestinian appetites for more concessions, while dangerously deepening the divisions within Israeli society.

At the same time, Israel should be careful about extending Israeli law to settlements in Judea and Samaria. Such a move should be considered only regarding areas about which there is a broad Israeli national consensus, and in any case must wait until the expected American peace initiative is exhausted.

Building a Strong Military force

Israel has to prepare the army for the next war. Therefore, the Israel Defense Force (IDF) and the government must consider very carefully what type of war that is going to be. Since 1982, the IDF has not had any conventional large-scale wars against adversaries armed with tanks and aircraft, but only "small" wars. Most chances are that this tendency will continue, due to the absence of adversaries with large conventional armies.

Yet, Israel must prepare for a large-scale war as well. A military confrontation with Hezbollah in Lebanon is a high-probability scenario. Destruction of the 120,000 missiles arrayed against Israel will require a large-scale ground invasion of southern Lebanon. And Syria, licking its wounds after years of civil war, is about to build a new army.

Egypt, too, has a large and advanced conventional army, and it has built a considerable logistical infrastructure in Sinai. Egypt might change its policy toward Israel if the Muslim Brotherhood returns to power, turning the

Egyptian military into a serious challenge. In addition, Israel must maintain and improve its ability to project power far and wide, especially if the time comes to deal with the Iranian nuclear threat.

Identifying the nature of the next war, largely an informed historical gamble, directly affects the building of the army's order of battle. A small country like Israel, and even bigger and richer countries, cannot build an army for all likely future scenarios. Therefore, it builds a mix of capabilities that can best deal with the expected next war. The mix of the order of battle cannot be changed quickly, since procurement and training with new platforms need time. Taking into consideration the dangerous and volatile strategic environment, Israel must strive to have large security margins.

In recent years, the ground forces have been neglected. Tank formations were shut down and reserve units in the ground forces did not train sufficiently. The IDF must be ready to carry out deep and swift ground maneuvers, for several reasons. First, even in fighting a non-conventional army, it is important to capture territory used as an operational base by the non-state actor. Controlling this territory denies its freedom of action. The reduction of missile and rocket fire on Israeli citizens can only be achieved by ground forces who act to destroy enemy launching sites.

Second, the capacity for ground maneuver is central to achieving deterrence. The enemy may be able to absorb immense damage from the air, but its very survival as a governing entity or its hold over territory is not in danger. In contrast, the loss of significant territory does constitute a real threat to the enemy. Should Israel neglect the capacity to maneuver, its enemies will conclude that Israel's ability to harm them is limited.

Indeed, some of Israel's enemies today believe that Israel's fear of ground warfare and its unwillingness to suffer casualties suggests weakness in Israeli society. To restore deterrence, Israel must not shy away from a demonstration of its capacity for ground maneuver and achievement of decisive victories.

Third, ground maneuver must be the IDF's main tool in winning a campaign against a conventional army. It should be borne in mind that building army ground forces is a complex process which takes time. Neglecting

IDF ground maneuver capabilities is therefore a dangerous gamble.

Ground maneuver also has a moral dimension. It is the duty of government to remove any threat to the home front as quickly as possible. A situation in which civilians become the IDF's shield (i.e., the home front takes casualties so that the IDF can avoid ground maneuver) is unacceptable. This amounts to abandoning the civilian population.

Conclusion

Israel lives in a dangerous environment. Use of force is part and parcel of the rules of the game in the Middle East and far reaching goals, such as politicide, are entertained by several entities. This situation is not going to change in the near future. Therefore, Israel must be ready to deal with the challenges delineated above. In final analysis, it is Israel's military capability backed up by a strong society that will keep the Jewish state secure.

AMERICAN-ISRAELI RELATIONS IN THE AGE OF TRUMP BUILDING ON QUICK SAND

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These are days of uncertainty for America and Israel. The results of a second round of elections in Israel have been inconclusive and it is unclear who will succeed in forming a government and when. On the other side of the ocean, Donald Trump is facing real challenges, unrest at home, growing prospects of his impeachment, crisis in his relations with Turkey and Iran, and it is unclear if he will pay the same attention to the US relations with Israel

By late October President Donald Trump's "deal of the century" designed to resolve the Israeli-Palestinian conflict had yet to be published as, even though he had promised to do so after Israel's September elections. US Secretary of State Mike Pompeo stated that it would be disclosed "within