

Israeli Outlook (Part II):

Politics and Economics

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Brief Analysis

Behind the headlines of today's political difficulties in Israel lies a series of problems that are the product of the country's new election law. Last May, for the first time, Israel elected its prime minister through a direct mandate. As a result, the position of the prime minister is now more analogous to that of the U.S. president. The role of Israeli ministers, however, is not akin to that of their U.S. cabinet counterparts. Whereas the latter are usually appointed because of professional talents, Israeli ministers are always politicians who run Knesset campaigns and are accountable to their parties. This has left Israel with a hybrid presidential/prime ministerial system which still has not figured out the proper balance of power between the prime minister and his ministers. Many of Israel's political problems today stem from the difficult process of sorting out the new power arrangements created by these changes.

Adding to these difficulties, the prime minister has not yet articulated a clear political strategy to his ministers, further complicating the government's decision-making process. Ministers have voted against policies, even though they agree with them, because they do not see how individual issues fit into any larger vision. The Bar-On affair is also a product of the poor decision-making and lack of communication within the Likud-led coalition. Immediately after the nomination of Roni Bar-On for the position of attorney-general, Israeli news agencies alleged that there was a criminal connection between the appointment and a coalition compromise—either the extension of amnesty for MK Aryeh Deri or the Shas party's vote in favor of the Hebron agreement. Though the criminal investigation is still underway, it is clear that if the prime minister or other ministers even had information about criminal activity, the current government will have difficulty remaining in power. If no criminal complicity is discovered, Netanyahu still needs to work out the relationships between himself and his ministers. Nevertheless, despite the lack of a strategy and the threat of scandals, Netanyahu's government will survive because no other coalition can continue the peace process and maintain a broad consensus over the long-term.

The Role of the Yisrael B'Aliyah Party

Although many feared that Sharansky's party, Yisrael B'Aliyah—which represents the concerns of Israel's new Russian immigrants—would merely create a "Russian ghetto" in Israel, the party has helped first-generation immigrants integrate quickly into Israeli society and become actively involved in the government decision-making process. The constituency of Yisrael B'Aliyah feels that the party fulfills its main demand for equality in Israeli society, even though they may not yet all have adequate housing or employment. The party also makes new immigrants feel more at home with Israel, even before they arrive. The challenge of the next five to ten years will be bringing 1 million more Jews from Russia to Israel and fighting the prejudices which create conflict between the immigrants and wider Israeli society.

The new aliyah has helped Israel become an integral part of the global economy and an industrial superpower. The increase in the calibre of the labor force is directly related to the wave of Russian immigrants to Israel. Israel now has twice as many scientists, engineers, and doctors per worker than the United States and three times more than

Germany. Only the United States has a higher number of annual "high-tech" start-ups than Israel.

Russian-Israeli Relations

In the early 1970s, Sharansky cautioned the KGB against treating Jewish dissidents as the enemy because Russia's Jews would eventually leave the USSR and Moscow would then need them as a "bridge to the West." Twenty-five years later, Sharansky, in his capacity as Israel's minister of trade and industry, returned to Russia with a group of industrialists-in some ways fulfilling this prediction. In his negotiations with the Russian government, Sharansky was able to offer direct guarantees on short-term investments in Russia. This is the first time the Jewish state has extended these government incentives without the backing of the private sector.

The West needs to build and maintain channels to Russia, because in ten to fifteen years Russia will be a superpower again. Israel believes that it can make a major breakthrough in the Russian market and Yisrael B'Aliyah's coalition agreement with Likud includes a promise to develop strategic cooperation and closer relations with Russia. The former Soviet citizens do not agree with Russian policy-for example, arms sales to Iran-and do recognize some instability at the top levels of the government. But they are convinced that the "virus of freedom" has changed Russian society and rid it of the unconscious fear of saying something that is not permitted. Although the chance of Russian reversion to communism is slim, Israel, as well as Western nations, must take concrete steps to help ensure that Russia remains democratic.

For its part, Moscow recognizes the possibilities of economic cooperation with Israel. According to Sharansky, Russian Foreign Minister Yevgeny Primakov referred jokingly to Israel's new Russians as Moscow's "fifth column." Although this overstates the relationship between the Russian emigrants and the Russian state, Israel possesses a huge market for Russian products. More than 20 percent of Israelis speak Russian as their first language and Israel is therefore an avid consumer of Russian cultural and intellectual exports such as newspapers and theater. As an indication of the burgeoning Israeli-Russian business relationship, Russian and Israeli companies held seminars on telecommunications, agricultural technology, and medicine during Sharansky's visit to Moscow and twenty Israeli businessmen remained in Russia to continue negotiations on joint ventures after the ministerial-level meeting had finished.

Trade in the Middle East

By comparison, although trade between Middle Eastern nations has increased in the last few years, it still does not reflect the potential for joint ventures in the region. Israel, whose major trading partners are the United States, Europe, South Korea, and Japan, believes that its neighbors must receive the "fruits of cooperation." Therefore the Ministry of Trade and Industry supported renegotiating the Israeli trade agreement with Jordan. The Israelis began proposing new, generous improvements but the Jordanians did not respond positively because of the political climate. After ministerial meetings at the Cairo Economic Conference, the Jordanians and Israelis finalized a protocol on improvements. The new agreement abolished the slow "back-to back" transport system in favor of the "door-to-door" method. The "back-to-back" system-Jordanian trucks unloaded goods at the Israeli border and Israeli trucks reloaded these goods and transported them to the port of Haifa-was a response to the threat of terrorist attacks. Thanks to cooperation and trust between the Jordanian and Israeli secret services, the first normal border between an Arab country and the Jewish state has been opened. Amman can now transport goods directly to Haifa. Unfortunately, however, until economic cooperation is separated from political concerns, similar progress in trade relations with Egypt and the PA seems remote.

This Special Policy Forum report was prepared by Rachel Ingber.

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