

ALLIANCE IN CRISIS:

Israel's Standing in the World and the Question of Isolation

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Executive Summary

Israel's international standing has been the focus of attention for many years. Is Israel moving towards international isolation? Can one quantify the effects of the widely discussed boycotts on Israel's economy? What can be done to put an end to Israel's rapidly deteriorating relations with the US and Europe? These are questions that rightly occupy the thoughts of many Israelis as well as the country's leadership.

Yet despite the issues' importance, the conversation on Israel's foreign relations lacks depth and is often based on slogans rather than empirical data. The discussion oscillates between apocalyptic warnings on the one hand, and dangerous complacency on the other.

This report analyzes Israel's international relations with the goal of arriving at a clear understanding of Israel's current status in the world, and aims to identify the specific threats and opportunities it faces. It focuses on the three arenas of diplomacy, economics, and culture. The principle findings are as follows:

- Israel's international standing is an unprecedented success story. Since Israel's establishment, every head of state has understood the importance of ties with the US and Europe, especially given Israel's regional political isolation. The world has shown that it is interested in close ties with Israel. Israel's central role in the international community in a variety of fields – from science and culture to security and diplomacy – is a remarkable accomplishment.
- Apocalyptic scenarios of imminent isolation are exaggerated. An analysis of the diplomatic arena demonstrates that Israel is far from being isolated in the world; many countries maintain economic, cultural and diplomatic ties with Israel and are interested in furthering those associations. Contrary to popular perception and daily messages from the offices of government officials, Israel does not suffer delegitimization. Boycotting Israel (proper) is a relatively marginal phenomenon that has not been able

to gain mass popularity or even a foothold among the world's elite. This is because almost all those political actors who come in contact with Israel unequivocally accept its right to exist and do not doubt the justification for its existence. Israel and its allies share not only an ad-hoc strategic partnership but an ideological and moral partnership as well.

- Over the last decade, and particularly since Prime Minister Netanyahu return to the premiership in 2009, Israel has often overestimated its own international clout while underestimating the potential damage of deteriorating ties with the US and Europe. This miscalculation negatively affects Israeli decision-making, thus exacting a real and heavy price on Israel's economy and diplomacy. Without a change in policy, these costs are expected to rise in the future.
- Israeli foreign policy has exhibited another trend in the last decade: whenever a crisis occurs between Israel and one of its allies, Israel tries to shift focus away from the crisis by creating a new destination for Israeli foreign policy: India, Eastern Europe, South America, China and others. An analysis of these attempts shows that the idea that Israel can substitute traditional Western alliances for these new partnerships is unfounded.
- Israel's policy in the territories not only harms its relations with the world, but also the efficacy of its diplomacy. The Foreign Ministry and other diplomatic officials are compelled to operate within a schizophrenic foreign policy. On a formal level, they are required to maintain a stance of two states for two peoples, yet de facto, they invest a great deal of precious time and resources defending a policy of occupation that conflicts with this commitment.
- A potentially more significant phenomenon that results from Israel's deviation from the international consensus has been underway for years. Unofficial avoidance of engaging with Israeli institutions – taking up or extending invitations to Israeli academics, trading with Israeli companies, or participating in cultural exchange – is widespread yet entirely undocumented. This avoidance virtually always relates to Israeli

policy in the territories. It is motivated by various factors – from logistical headaches to security concerns to the Israeli government's overeager "branding" attempts – but it is clear that it has had and continues to have vast implications and unidentified costs.

- This analysis, using various parameters in three focus areas over the past number of years, demonstrates that virtually every incidence of Israel's less than optimal foreign relations is directly linked to its presence in the occupied territories. An international consensus exists that rejects Israel's policies beyond the Green Line, which by all a reasonable estimates, should not be expected to change in the future. The notion that it is possible to ignore this point of contention between Israel and the international community is irresponsible and not anchored in reality.

Responsible Israeli leadership must account for the dangers exposed by this rift with its allies. Simultaneously, it must internalize the notion that any solution to the Israeli-Palestinian conflict must fall in line with the values of Western democracies, and that a continued deferral of such a solution will result in ever-increasing costs for Israel and its citizens.

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Introduction

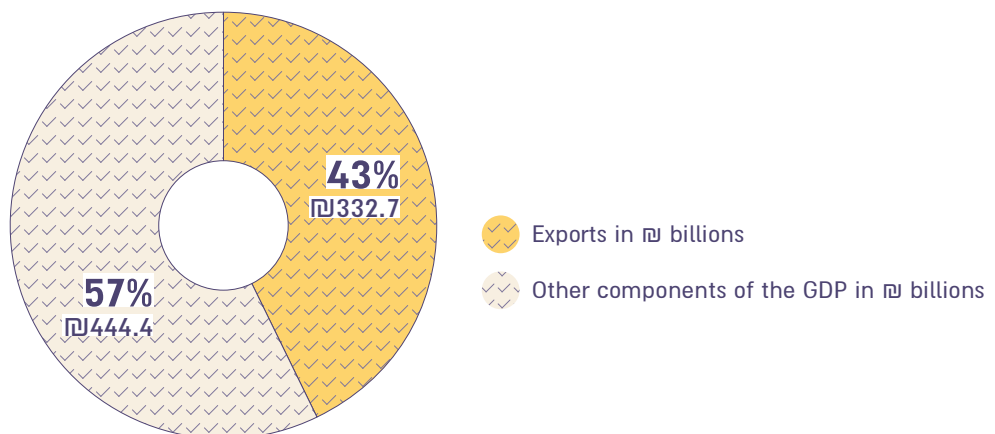
Recent years have seen an uptick in warnings about Israel's growing international isolation. These warnings have come from all corners of the political map as well as from outside of it – from prominent Israeli cultural, social and military figures.¹ The official stance of Israel's government is that this concern is unwarranted: Israel is not facing a wave of international isolation.² Israeli government officials acknowledge that many countries are pressuring them to change their policy and that the European Union recently announced a series of measures that sharpen the distinction between Israel proper and the settlements; however, they argue, this does not mean that Israel's standing in the international arena is weakening. According to the government, the opposite is true: Israel's situation has never been better, its position is sounder than ever, its involvement in international institutions is broader than ever and its diplomatic ties are more extensive than ever. For example, the Ministry of Foreign Affairs released a short film entitled, "Is This Diplomatic Isolation?" displaying pictures of the previous foreign minister and his deputy at the time shaking hands with diplomats and heads of state from around the world.³ Numerous articles claim that Israel is becoming more powerful and is no longer viewed as an isolated state. For example, Minister of Economics and Trade Naftali Bennett recently insisted that the State of Israel's international standing is excellent, and rejected the claim that Israel's international isolation is on the rise.⁴

Both sides of the argument agree that the process of Israel's isolation from the world – should this process indeed be taking place – would have dramatic repercussions. Israel is a small state with limited natural resources and substantial human, social and technological resources. Therefore, Israel's economic prosperity and security depend on its relationships with other states. These relationships are conducted on many levels – cultural, educational, social, commercial and economic – and affect the quality of life in Israel and the possibilities open to its citizens. Israeli exports account for about 40% of its GDP.⁵ Thus, nearly half of the economy depends directly on relations with customers

and suppliers from foreign countries, and nearly all of the remainder of the economy depends indirectly on these relations, as they are expressed in currency rates and demand for domestic trade. Full-blown international isolation of Israel would severely harm Israel's ability to use its primary resources – both human and economic – because the utilization of these resources is dependent on strong trade and research and development (R&D) ties with the West.

Israel also needs strong relations with the international community given its geographic location. Although the Middle East lacks political stability, it holds strategic importance for the world's economy and security. Accordingly, the region is characterized by frequent upheavals that include feverish international involvement. International isolation would severely hamper Israel's ability to influence the region's future and, consequently, its own. A recent example of this is Israel's efforts to prevent strategic weapons from reaching Hezbollah during the civil war in Syria. The attacks against weapon stockpiles in Syria, which the foreign media attributed to Israel, would not have been possible had it not acted in coordination with leading countries in Europe, the American government, and the Jordanian royal court. The absence of such close diplomatic relations with these powers would severely limit the extent of Israel's influence on security and economic developments in the region.

■ Figure 1: Exports as a percentage of GDP



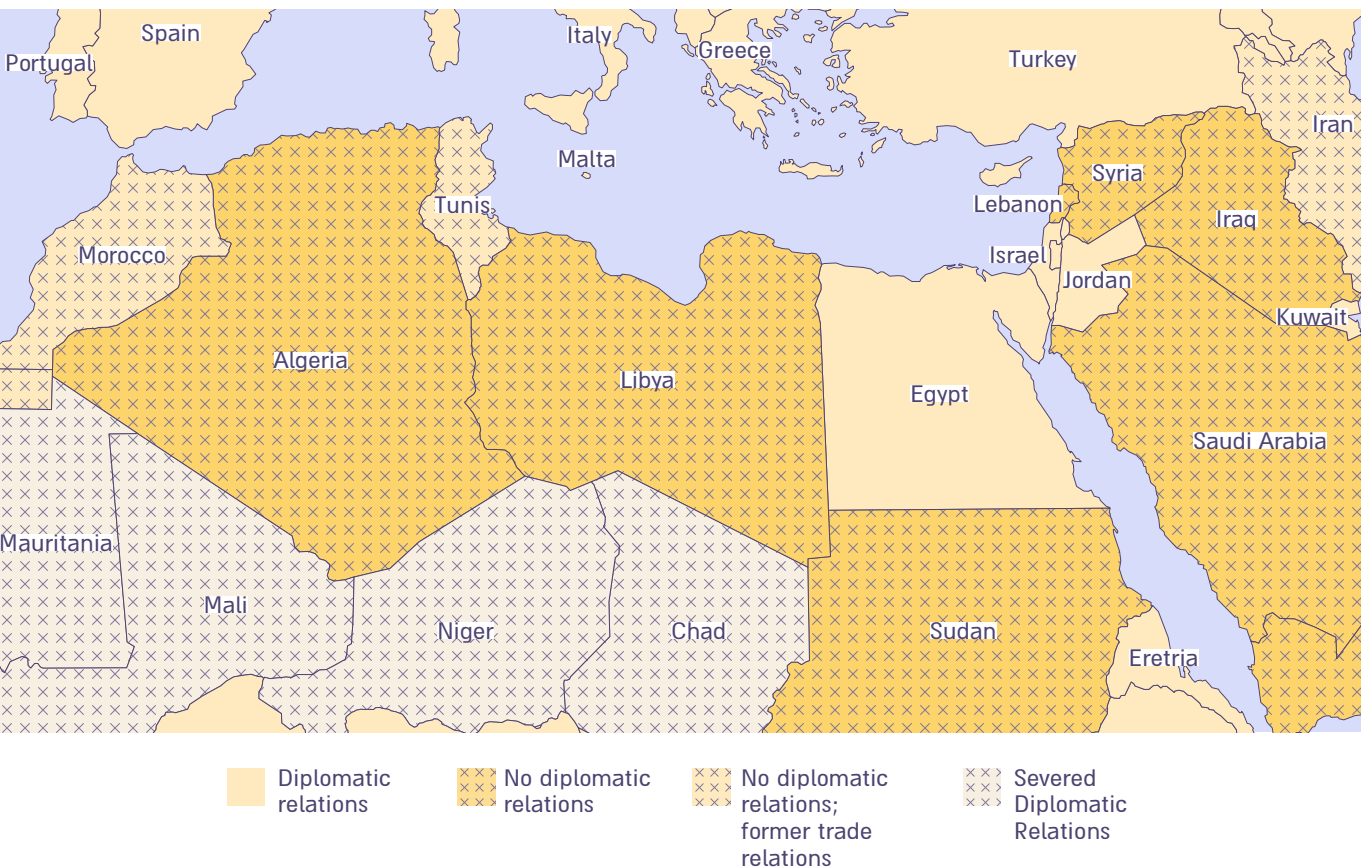
Finally, Israel's Declaration of Independence calls upon the international community "to assist the Jewish people in the building-up of its state and to receive the State of Israel into the community of nations." Israel's international isolation would constitute a failure of the State of Israel and of the Zionist movement to realize one of its main aspirations: establishing a state for the Jewish people that would be accepted as an equal member in the international community.

Therefore, the denial of substantial changes in Israel's international relations and their dangers could exact an unbearable economic, political, social, security and moral price from Israel society. The goal of this report is to put a stop to this dangerous denial: to recognize the problem of Israel's isolation, to examine it as part of the question of Israel's international standing, and to outline a solution to the current rising crisis. Israel's international standing is the result of an ongoing effort that has achieved great success; today those achievements are facing ruin. The analysis presented in herein points to an unequivocal conclusion regarding the reasons that have led Israel to the brink of crisis. The continuation of Israel's occupation of the West Bank⁶ and the Israeli government's persistence in pursuing the settlement project there – in violation of international law and Western consensus – are directly and exclusively responsible for the erosion of the state's international standing. As long as the settlements remain in place, the danger of Israel's isolation can be expected to intensify.

1 Geopolitical Isolation

Geopolitical isolation has characterized Israel since its establishment. The states in the region did not accept the UN decision to establish the State of Israel and employed military, diplomatic and economic measures to oppose it. In time, some of them came to terms with Israel's existence; some have even established commercial and diplomatic relations with it. However, most still oppose full normalization of relations with Israel. The peace accords Israel signed with Egypt and Jordan reduced the immediate battlelines, but did not lead to complete

■ ■ Figure 2



regional normalization. A look at the geopolitical map reveals that the range of isolation spans beyond Israel's immediate neighbors, and includes a broad swath of territory to the east and west of Israel.

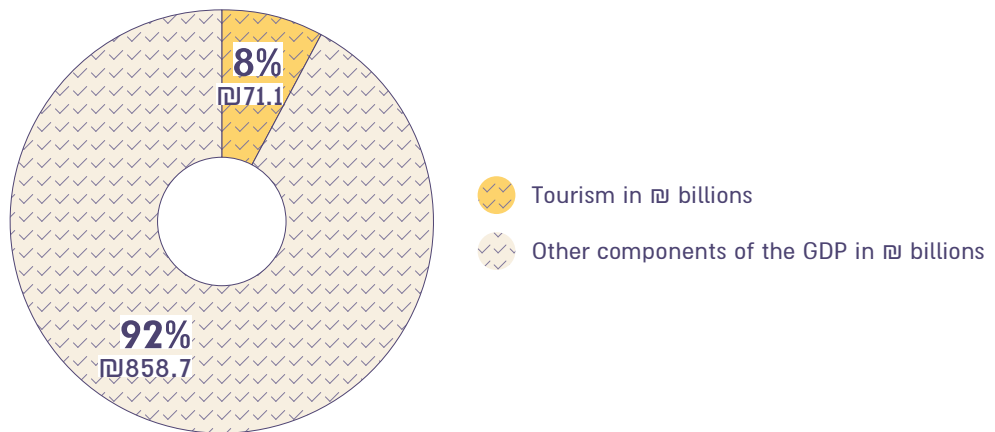
Geopolitical isolation affects Israel's international standing in a range of fields, even if not always to the same extent, as explained below.

1.1 Economic Significance of Geopolitical Isolation

The Middle East is an extensive commercial region that is officially closed to the Israeli economy. Business and commercial relations between Israel and the various states in the region exist – even with states that Israel is in conflict with – but these relations are limited in scope and are usually conducted under a veil of secrecy, which sometimes requires the creation of foreign subsidiaries and even separate lines of production, and moreover, they entail considerable political risk;⁷ each of these elements raises transaction costs. Moreover, in business relations with these states, Israeli companies are not entitled to the range of services provided by the state for commercial interaction with countries that have diplomatic relations with Israel (for example, assistance from trade delegations, foreign trade credit insurance, and so on).

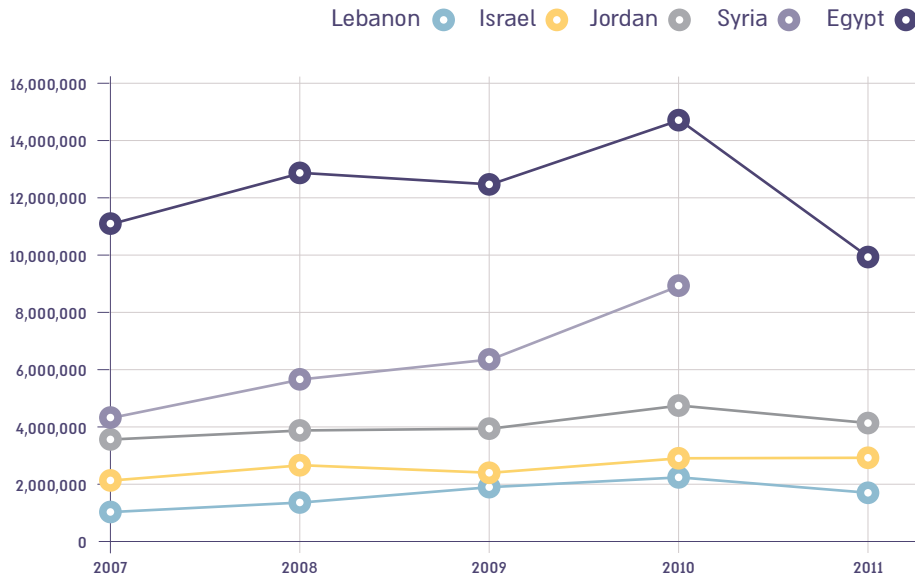
Though for much of its history, Israel served as a tri-continental crossroads, it does not currently exploit the strategic advantage its geographic location affords. Its inability to take advantage of its physical location for overland transport increases its dependence on maritime and air transport, which, in turn, raises the cost of transportation and energy consumption. The percentage of Israeli foreign trade transported via land is negligible; less than 1% of total trade takes place overland.⁸ This statistic means that Israel operates in most economic arenas as a point of origin or destination and absorbs the opportunity cost that arises from the frequent transfer of goods between ports and as a result of having to develop the associated transportation and communication infrastructure.

Figure 3: Tourism as a percent of Israel's GDP



Israel functions as a point of origin or destination in the field of tourism as well. The direct and indirect contribution of the tourism sector to the Israeli economy is estimated at 7.8% of the GDP and 8.2% of total employment.⁹ Even the open borders between Israel and some of its neighbors involve security restrictions on the passage of tourists. The effects of geopolitical isolation are evident in the disparity between Israel and its neighbors when it comes to both the volume and growth of incoming tourism. The number of tourists who entered Israel in 2010 (2.8 million) was about half the number of tourists who entered Jordan during the same period (4.5 million), about a third of the number of tourists who entered Syria (8.5 million) and about a fifth of those who entered Egypt (14 million). Between the years 2007–2011, incoming tourism to Israel grew by 36%, a similar rate to those of Jordan (33%) and Egypt (32%) and considerably lower than the those of Syria and Lebanon, where incoming tourism increased by more than 100% during the same period.¹⁰ The substantial growth in the number of tourists to Israel in recent years is due to an upsurge in religious tourism – primarily Christians making pilgrimages to Israel to visit religious sites. Pilgrimage tourism accounts for 22% of all incoming tourism to Israel. Finally, just 11% of incoming tourists to Israel enter via land crossings.¹¹ Geopolitical isolation prevents Israel from functioning as a transit state and from benefiting from the growth of regional tourism.

■ Figure 4: Tourists per year to Israel and its neighbors



1.2 Cultural Significance of Geopolitical Isolation

Israel's geopolitical isolation is also expressed in a cultural disconnect and alienation between Israel (or more precisely, Jewish Israeli society) and the Arab and Islamic states that surround it, despite a strong cultural affinity between these states and large sectors of Israel's population – an affinity that stems from historical, linguistic, social and artistic ties. With the help of digital communication, it is now possible to bypass certain previously insurmountable obstacles that made exchanges between these communities impossible. However, like in its economic relationships, these cultural connections remain individual, virtual and anonymous. Attempts to build public cultural relations and collaboration face the barriers of suspicion and hostility – including from those states with which Israel maintains diplomatic ties. For example, Ze'ev Revach's film, *Son of the Land*, released in 2012, documents the refusal of Moroccan actors to cooperate with an Israeli artist for political reasons.¹²

1.3 The Political Significance of Geopolitical Isolation

Regional isolation leads to sweeping opposition by Arab states and member states of the Organization for Islamic Cooperation to Israeli proposals and positions, thus severely limiting Israel's standing in international institutions. The existence of a regional coalition that criticizes and attacks Israel in various international forums intensifies the negative focus on Israel, damaging its image.

The United Nations serves as a foundation for global governmental institutions of various types. Various activities within the UN, including election to leadership positions, are usually conducted in the framework of "working groups." In the UN system, the three groups that enjoy numerical dominance – the Arab states (22), the Organization of Islamic Cooperation (56), and the non-aligned states (118) – demonstrate the magnitude of Israel's geopolitical isolation. These groups, in varying combinations, work to limit Israel's participation and influence in the international forums to which it belongs. Until the year 2000, Israel was the only state that did not belong to any working group at the UN because of its detachment from the regional group and lack of any other "natural" group with which to affiliate (on the basis of religious or cultural affiliation, for example). In May of 2000, Israel joined the Western European and Others Group (WEOG) as a partial member. The U.S. Secretary of State at the time, Madeleine Albright, said that Israel's participation in the group was an important step toward it assuming its natural place as a full partner in the United Nations. It should be noted that Israel's membership in the group is limited to activity in UN organizations in New York, and does not apply to activity in Geneva and other locations. Joining the WEOG group enabled Israel to submit and circulate proposals on various issues in the General Assembly for the first time. Membership in the group also provided a support base for upgrading Israel's standing in a number of sub-organizations in the UN. In 2003-2004, Israel submitted candidates for six senior positions in the UN and was twice appointed to the rotating presidency of the group.

Strategic relations with the countries of Western Europe paved the way for Israel to overcome, at least partially, geopolitical barriers in the UN General Assembly. Its relationship with the United States shields it from decisions of the UN's executive body, the Security Council. More than a quarter of the decisions for

which the United States cast a veto in the thirty-nine years between 1972 and 2011 were aimed at defending Israel, and included vetoing condemnation of Israel, demands to evacuate territories, and declared support for the Palestinians' right to self-determination.¹³

In addition, until the 1990s Israel had no diplomatic relations with most of Asian and African countries. In the wake of peace processes and the end of the Cold War in the 1990s, Israel underwent an unprecedented expansion of its bilateral relations. This trend came to a halt toward the end of the decade, however, and was reversed with the eruption of the second intifada in 2000. Ten states have since severed the diplomatic relations they had established with Israel.¹⁴

■ Figure 5: Significant Landmarks in Israel's International Standing



An additional factor that damages Israel's various bilateral relationships in the political sphere relates to the location of foreign embassies. Throughout the world, it is customary for embassies to be located in the capital city of the host state. Of the foreign embassies located in Israel, not a single one is situated in Jerusalem. In the past, several states opened embassies there, but by 2006, all of them had moved to Tel Aviv. The foreign consulates in Jerusalem operate mainly vis-à-vis the Palestinian Authority, and most are located in the eastern part of the city. This fact reflects the fundamental gap that exists between Israel and its friends, states that maintain full bilateral relations with it. In practice, the international community conditions its recognition of the Israeli claim to Jerusalem as its capital on the implementation of the two-states principle and the establishment of a Palestinian capital city alongside the Israeli capital.

Summary: Geopolitical Isolation:

Israel's geopolitical isolation reviewed in this chapter is the fundamental fact of Israel's foreign relations and international standing. Economically and culturally, Israel's isolation in the Middle East has turned it into a point of origin and destination and has prevented it from taking advantage of its location as a bridge between three continents. Politically, this geopolitical isolation imposes severe restrictions on Israel, as activity in the international arena is often conducted in the framework of regional coalitions. As a result of geopolitical isolation, the fact that Israel is a Middle Eastern state finds no positive expression in its economic, diplomatic, or cultural relations with the rest of the world.



Overcoming Isolation: Israel's Alliance with the West

Israel's regional standing has improved over the years. The improvement is expressed in agreements with Egypt and Jordan, in the cancellation of the Arab boycott in the framework of the Oslo Accords, and in the fostering of diplomatic relations and the opening of markets in most of the countries of Asia and Africa at the end of the Cold War. Nonetheless, throughout its history, the State of Israel has primarily coped with its geopolitical isolation by developing a sophisticated array of strategic relations with the West. As early as the 1950s and early 1960s, Ben-Gurion, worked hard to forge these strategic alliances, first with De Gaulle's France and subsequently with the United States.¹⁵ Over the years, Israel, Europe and the United States have made great efforts to institutionalize a strategic partnership that benefits both Israel and the Western powers.

2.1 Importance of Israel's Alliance with the West

Economics: Western Europe and North America are Israel's primary trade markets; these markets together account for about 70% of Israel's foreign trade (import and export). Israel's free trade agreements with the United States and the European Union are therefore essential elements of the commercial infrastructure that afford Israel its economic vitality. Relations with the United States and the European Union also serve as an important basis for the growth of technology sectors in Israel. These relations are the main sources of investment capital in research and development (via government funds or private investors) for startups and companies traded on foreign stock markets (the NASDAQ in particular).

Israel is a member in the world's three largest economic institutions: the World Trade Organization (WTO), the World Bank and the International Monetary Fund. As a small state, Israel's relative influence in these organizations is marginal, but it is represented in various forums, is successful in promoting its unique interests,¹⁶ and has received positive progress reports on its performance.¹⁷

Israel's admission to the Organization for Economic Cooperation and Development (OECD) in September 2010 marked a new peak in its international economic standing. Membership in this organization is not merely symbolic; it is the result of a long and complex diplomatic effort that required legislative and regulatory amendments. Membership in the organization is a basis for closer cooperation among its members – the world's leading democratic states – in all things related to setting standards in global policy and with respect to data sharing.¹⁸

Since the 1990s, Israel has greatly expanded the scope of its trade agreements. The free trade agreements in effect today encompass 65% of Israel's foreign trade and include nearly all of the Americas and Europe.¹⁹ Israel's main trade partners are the states of the European Union (34% of exports, 55% of imports) and the United States (35% of exports, 15% of imports).²⁰

The first free trade accord the United States signed was with Israel in 1985. Initially, the agreement gave Israel a significant advantage in that it provided access to the American market. The agreement also served as a basis to encourage trade between Israel and its neighbors in the framework of Qualified Industrial Zones (QIZ). Beginning in the late 90s, goods manufactured in designated industrial zones in Jordan and Egypt with a small amount of Israeli input benefited from the terms of the US free trade agreement with Israel. Over the years, however, the United States has signed free trade accords with many other countries including Jordan, eroding Israel's relative advantage to some extent.

The European Union, which grants Israel a unique status, is Israel's main trade partner with whom it has constructed its most extensive set of free trade agreements. The first of two seminal agreements is the EU-Israel Association Agreement, which was signed in 1995 and took effect in 2000. It aimed at establishing an ongoing political dialogue, the promotion of free markets and furthering cultural, social and economic interaction. The second agreement was struck in the framework of the European Neighborhood Policy and is a program of action. Israel is the only state defined as a "privileged neighbor" under this policy.²¹ On the basis of these two framework agreements, Israel has signed a series of specific accords with the European Union in a range of fields, including those designed for scientific and technological cooperation and mutual

liberalization of agricultural products.²² Thanks to this set of agreements, Israel today enjoys economic benefits in EU commercial markets, such as reduced import and export tariffs, access to internal European commercial markets, permits for an extensive exchange of wide-ranging information, and the gradual opening of the EU's support and assistance programs in the fields of culture, science, industry, education and the environment. The annual gain to the Israeli economy resulting from these agreements is estimated at hundreds of millions of euros.

However, Israel has no free trade agreement with any state in Asia, even though Israeli trade with Asia today accounts for 25% of its foreign trade, a number that is growing. The Foreign Trade Administration in the Ministry of Industry, Trade and Labor is in negotiations with China, India and South Korea, but so far there are no reports of significant progress.

Statecraft and Security: Israel was one of the first states recognized by the United States as a "non-NATO ally," a status that provides Israel access to military information and equipment, coordination and cooperation with the U.S. Department of Defense, and assistance in the development of military and space technologies. Cumulatively, Israel is the largest beneficiary of American foreign assistance since World War II; it receives over \$3 billion annually in defense assistance United States, and recently \$275 million was added to this sum as funding for the Iron Dome system.²³ Israel's direct connection with NATO has been developing since the mid-1990s, and it enables the formation of strategic partnerships and participation in exercises on a global scale. More limited scope cooperation takes the form of defense assistance from leading EU states, which provide advanced weaponry to Israel at steep discounts – the Dolphin nuclear submarine deal between Israel and Germany is a good example.²⁴ US and European support is particularly marked at the UN. As a result of being added to the Western Europe and Others geographic group in 2000, Israel is able to overcome its geopolitical isolation on some issues and involve itself in UN institutions. Moreover, the consistent US veto of Security Council resolutions aimed against Israel provides an important umbrella of protection.

Culture: The inclusion of Israel in various sports leagues in Europe, as well as in the Eurovision Song Contest, compensates to some extent for the cultural

elements of its geopolitical isolation and also reflects a sense of cultural affinity held by many Israelis. In a variety of fields – music, art, sports, academia and entertainment – many Israelis view themselves as belonging to Western culture. Similarly, Europe is a central destination of outgoing tourism from Israel; some 25%, or one million tourists, head to Europe annually from Israel.

While many communities and cultures in Israel are less inclined towards European or American culture, there is no doubt that Israel's close relations with Europe and the United States have shaped contemporary Israeliness. The West's profound influence can be seen in Israeli culture, economics and security methods, and, of course, in the way it conducts its diplomatic relations. Its alliance with the West has enabled Israel to be in the Middle East geographically yet reside in the West economically, culturally and militarily.

The Oslo Accords of the 1990s softened Israel's geopolitical isolation in a variety of ways, the most salient of which was the establishment of diplomatic relation with various regional states and the signing of peace accords with Jordan. In addition, the Arab Peace Initiative, which seeks a comprehensive regional resolution to the Israeli-Palestinian conflict, was recently re-ratified.²⁵ A solution to the conflict deemed valid by regional actors would facilitate a substantial reduction in Israel's geopolitical isolation and lessen its dependence on Western countries. However, at the moment, a regional thaw of this type is not on the horizon, and Israel's dependence on the West is only growing. In light of this dependence, and in light of the surging crisis of geopolitical isolation, it is worth asking: What are the foundations of Israel's close relationship with the West?

2.2 Foundations of Israel's Alliance with the West: Interests and Values

2.2.1 The United States

After years of partnership, the US-Israel bond is viewed as self-evident. Israel's Prime Minister has addressed the U.S. Congress to roaring applause by its members from across the political spectrum; he has declared that Israel has no

better friend than the United States and that the U.S. has no partner more loyal than Israel. The current US President, for his part, like many of his predecessors, has declared many times – most recently during his speech in Jerusalem – that the United States's commitment to Israel's security is "unshakable".²⁶

The affinity between Israel and the United States is not limited to the American leadership; it permeates the general public as well. Surveys show that among the American public, there is great fondness for Israel, especially when compared to the Arab states around it.²⁷ This fondness is not self-evident, especially considering that there have been years when the State of Israel did not enjoy widespread and unequivocal support in the United States. George Marshall, the American Secretary of State in 1948, opposed the call for Israeli independence – and he was not alone in the American administration.²⁸ The American position today – that Israel is an unshakable ally – has crystallized over the years, and is based on number of principles.

Shared Strategic Interests in the Middle East (U.S.)

In a position paper published by the Washington Institute for Near East Policy in 2011, researchers Blackwill and Slocombe argue that the United States benefits from the close ties between the two states and uses it to promote its interests.²⁹ The researchers point to several American interests in the Middle East:

- A. Preventing the proliferation of weapons of mass destruction, especially nuclear weapons;
- B. Combating terrorism and the radical Islamist ideology from which it is spawned;
- C. Promoting an orderly process of democratic change and economic development in the region;
- D. Opposing the spread of Iranian influence and that of Iran's partners and proxies;
- E. Ensuring the free flow of oil and gas at reasonable prices;

F. Resolving the Arab-Israeli dispute through a process of negotiations; and

G. Protecting the security of Israel

Israel, they argue, supports “virtually identical” interests:

A. To prevent nuclear proliferation, especially by Iran or terror groups;

B. To fight terrorism, radicalism, and what Israelis refer to as “global Jihad”;

C. To promote stability and the long-term development of liberal democracies in the greater Middle East; and

D. To maintain peaceful borders with its neighbors, including a peace agreement with the Palestinians based on a two-state solution.

Since the interests of the two states are so similar, the researchers argue, substantial collaboration has developed in recent decades, particularly in the field of security expertise.

While it is possible to find fault with these descriptions of shared US-Israel objectives, it is hard to deny that the two countries share an understanding of the elements that threaten them in the Middle East. This is the foundation for military and strategic cooperation, based on contending with common threats.

An Alliance of Shared Values – Democracy (U.S.)

In President Barack Obama’s 2012 AIPAC speech, he asserted that the “bond between Israel and the United States is rooted in more than our shared national interest; it is rooted in the shared values and shared stories of our people.”³⁰

According to Obama, the common values these nations share include “a belief that freedom is a right that is given to all of God’s children. An experience that shows us that democracy is the one and only form of government that can truly respond to the aspirations of citizens.”³¹ Throughout history, American presidents have voiced this value-oriented analysis. President Kennedy argued: “This nation,

from the time of President Woodrow Wilson, has established and continued a tradition of friendship with Israel because we are all committed to free societies that seek a path to peace and honor individual rights." George Bush Sr., in a similar vein, said, "The friendship, the alliance between the United States and Israel is strong and solid – built upon a foundation of shared democratic values, of shared history and heritage that sustain the moral life of our two countries."³² A report by the Israeli Ministry of Foreign Affairs recognizes this: "The alliance between Israel and the United States will always survive because it is built upon a firm foundation of democratic values."³³

Although the leaders of the two countries are occasionally asked to specify the democratic values upon which the countries' partnership is based, these declarations indicate that both countries view their alliance as based on common values and ideology.³⁴

2.2.2 Europe

Israel maintains relations with the institutions of the European Union, as well as direct relations with most of the states of Europe.

Shared Interests in the Mediterranean Basin (Europe)

Europe's interests in the Mediterranean Basin find their origin in historical, commercial, cultural and political sources. Historic governmental and trade relations are clearly evidenced by the network of ancient roads and ports spread across the seacoast. The countries of Europe, especially the southern ones, have always viewed the Mediterranean Sea and the territories surrounding it as their natural sphere of influence. This attitude has found expression in diverse relationships, from colonial control to tourism. The Mediterranean Sea still serves as a central channel for Europe's commerce with Asia via the Suez Canal.

The establishment of the European Union transformed Europe into an expanding bloc and raised questions about its borders to the south and east and the relationship between the Euro bloc and the distinct, less stable economies that

surround it. In 1995, the European Union launched the Barcelona Process with the goal of establishing stable and fruitful collaboration between the EU and the states of the Mediterranean Basin. In 2004, the decision was made to form the Union for the Mediterranean (UfM), to serve as a tighter organizational framework than the Barcelona Process. The UfM was officially established in 2008 and includes all European Union states and all Mediterranean states, including the Palestinian Authority and Jordan. Its goals are to facilitate cooperation on strategic issues such as security; development of transportation infrastructure, energy, commerce and communication; environmental protection; and the promotion of collaboration in education and research.³⁵ The UfM, to which the State of Israel also belongs, is a central component of the European Neighborhood Policy (ENP).

Israel holds an important position in the UfM. It enjoys a relative advantage when it comes to contributing to the organization's activity in various fields, ranging from security to advanced technologies, as well as in its ability to advance various processes in these areas. The UfM sees great importance in including Israel in the European neighborhood and is even prepared to pay a political price for this. The UfM makes a point of including Israel in its activities and generally refuses to surrender to the dictates of geopolitical isolation.

Shared History (Europe)

As in the case of the United States, the connection with Europe is bound up in emotional and moral identification. The foundations of this connection were laid in the first half of the 20th century. Three main factors contributed to this connection. First, a significant proportion of the State of Israel's founders were of European origin and shared European culture and values, which they instilled in the young state and its institutions. This fact is expressed in both a shared culture and personal and institutional connections spanning many years. Second, European states, and particularly the former British and French empires, have played and continue to play a role in shaping Israel's position on the geopolitical map. Consequently, Europe views itself as committed to Israel's prosperity as part of the general prosperity of the region. The third factor that cannot be ignored is the Holocaust and the feelings of responsibility and

guilt associated with its memory that have led European states, Germany in particular, to forge strategic relations with Israel. This memory finds expression in many contexts, both symbolic and practical.

Shared Values – Democracy (Europe)

According to the founding documents of the European Neighborhood Policy, a privileged status will be granted to neighboring states on the basis of a "mutual commitment to common values" (that is, human rights and democracy).³⁶ Israel's commitment to these values is a pillar of its relations with the EU; Israel's preferential status in the various agreements it holds with the European Union is based upon its commitment to democratic values and human rights. This is also the reason why the question of whether or not Israel is living up to universal democratic standards is often the focus of European disagreements with the Israeli leadership. Some European countries, for example, do not support the definition of Israel as a Jewish state because, by their reckoning, this definition violates Israel's democratic character.³⁷

Summary: Foundations of Israel's Alliance with the West

Strategic alliances with the West enable Israel to prosper and advance its interests, despite its geopolitical isolation. These alliances are also important to the West – to the United States and Europe alike. They are rooted in a shared worldview, and especially from a shared understanding of political legitimacy and its connection to civic equality. Without these shared values, the connection between Israel and the West would be a merely incidental, interest-based relationship, subject to shifting circumstance. The existing connection enables deep, long-term cooperation.

3

The Crisis in Relations with the West

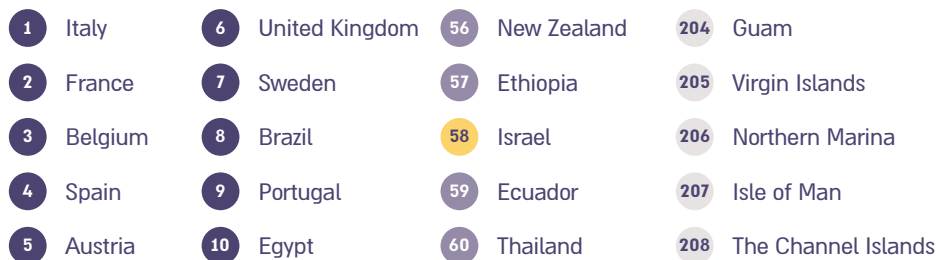
The information presented in the previous chapter indicates that despite Israel's regional isolation, it is not isolated in the international arena. Since its establishment, the State of Israel has successfully overcome its geopolitical isolation thanks to a strategic-values alliance with Western countries. Contrary to the delgitimization myth that has found purchase in the public discourse in recent years,³⁶ among the countries of the West – as in other developed countries within their sphere of influence – not a single state today doubts the legitimacy of the State of Israel, seeks to isolate it or disengage from it. In fact, the opposite is true: Western countries show themselves to be sympathetic to Israel, demonstrate interest in collaborating in trade, culture, science and security, and make considerable effort to include Israel in the international community. Nonetheless, an examination of Israel's international standing according to various parameters, reveals missed opportunities, limitations and failures. More importantly, the findings indicate that Israel's collaborative relationships with the West are faltering, a trend liable to deteriorate into a real crisis.

3.1 Israel's Diplomatic Standing

Globalization Index

The KOF Index of Globalization ranks 181 countries by their globalization in three spheres – economic, social and political; it is a comprehensive and

■ Figure 6: Political Globalization Index 2013



■ Figure 7: Ranks on the Political Globalization Index in 2012



accepted index.³⁹ The political KOF measurement is calculated based on data for diplomatic representation, membership in international organizations and agreements, and support for peacekeeping forces.⁴⁰ In the 2012 index, Israel was ranked 58th out of 181 for political globalization – 29th among the 34 OECD states (which garner most of the top 30 spots on the list), and 5th among Middle Eastern countries.⁴¹

This data indicates that Israel is less integrated in international institutions and maintains fewer bilateral relations than most countries in its reference group.

NATO

Another field of diplomatic cooperation is Israel's limited involvement in NATO. In recent years, the impact of the Israeli-Palestinian conflict on Israel's relations with NATO has been complex. On the one hand, cooperation with NATO remained intact during Operation Cast Lead (2009) and in its wake; NATO's Secretary General even came to visit Israel during the fighting. On the other hand, the Secretary General made it clear that any NATO involvement as an international force in Gaza and the West Bank would have three conditions: a peace accord between Israel and the Palestinians, a request from both sides for NATO involvement, and approval by the UN Security Council.⁴² In April 2012, the Israeli newspaper *Haaretz* reported that Turkey objected to Israel's participation in a NATO conference to be conducted in Chicago in May of that year. Indeed, while Israel did not participate in the conference, NATO denied that its nonparticipation was due to Turkey's objection.⁴³

In any case, it seems that Israel's acceptance into NATO as a full member is not on the agenda. Most of the places where NATO is needed and operates are inaccessible to Israel as a result of its geopolitical estrangement, and NATO as an international peace keeping force between Israel and its neighbors or the

Palestinians has long hinged upon the signing of a peace accord that facilitates a two-state solution. Although Israeli and American leaders have called for Israel's acceptance as a full NATO member since 2007, the accepted premise is that there will be a solution to the conflict with the Palestinians based on the principle of two states is a basic condition for such a development.⁴⁴

The European Union

Israel's standing in the European Union also faces difficulties. Each country that receives money from the EU has an Action Plan, agreed upon by Brussels and the target country, which charts the conditions of their relationship. The importance of this plan should not be underestimated; it outlines all fields of economic integration in European markets, as well as shared arenas of security and political action.⁴⁵ In addition, it defines cultural and social ties in science and academia, as well as cultural partnerships.

In November 2007, Israel asked the EU for a significant upgrade that would enable Israel to gain full integration in the EU's economic and security mechanisms when it came to regulation, management, domestic economics and more.⁴⁶ After a process that lasted approximately a year and a half, the EU states agreed unanimously to approve the upgrade. The fact that the EU agreed to such significant integration is noteworthy, particularly for those who claim that Europe promotes an anti-Israeli agenda. No other country has received this type of integration in the EU.

However, in 2009, during Operation Cast Lead, the upgrade was frozen. Although the process had been put on hold due to the military incursion into Gaza, it remained frozen after its conclusion due to Israeli policy in the territories. Benita Ferrero-Waldner, the European Commissioner for External Relations at the time, wrote: "That offer still stands [...] we need visible evidence of the new government's seriousness in pursuing the path of peace. Undermining the viability of a negotiated settlement, in particular by expanding illegal settlements and security perimeters, is unhelpful."⁴⁷

Israel was quick to respond: It threatened to exclude the Europeans from the

peace process if Europe continued to attack Israel publicly.⁴⁸ Israel asked for more time to devise a new outline for continuing the process with the Palestinians. Four years later – about a week after the EU made the decision to implement its settlement policy – Israel began another round of negotiations with the Palestinians under American mediation. However, many in the international community and in Israel remain skeptical as long as Israel's Prime Minister continues to refuse to reveal his intentions regarding the necessary conditions for a permanent status agreement. In the meantime, the loss to the Israeli economy – and no less important, damage to its political partnership with Europe – is immense. Even if Europe changes its mind about the upgrade in the future, Israel will not be able to recoup these years and the hundreds of millions of euros lost.

International standing and influence

Israel today is considered a problematic, even intransigent, state in the international arena on all matters pertaining to human rights, the treatment of refugees, self-determination and disarmament. The policies and positions Israel adopts when it comes to Palestinian's rights in the West Bank and Gaza often stand in contradiction to accepted global norms. The non-aligned countries' diplomatic attacks on Israel also make it very difficult for Israel to exert influence in these areas. In general, Israel finds itself on the defensive, justifying itself in the international arena where the decisions on these issues take place.

Israel also clashes with the West in the legal arena. The international consensus from a legal perspective is that the West Bank is occupied territory, where sovereignty belongs to the Palestinian people. This fact leads to recurring friction with foreign courts of law, particularly in Europe. The most striking example is the ruling of the International Court of Justice (ICJ) that the route that the separation barrier takes between Israel and the Palestinian Authority (partly on territory beyond the Green Line) is illegal. Such rulings have a sizeable impact on the international standing of the State of Israel. Unlike other UN organizations considered politically biased against Israel, the ICJ is known as an objective body. Israel's ability to present itself as a law-abiding state has been seriously impaired, and the damage its image has suffered is pronounced.

Another expression of the diplomatic crisis can be seen in the numerous

condemnations of Israel's actions and activities. Every American president since 1967 has called for a halt to settlement construction. Many European leaders, as well as the EU itself, have denounced Israeli settlement activity on a number of occasions. In December 2012, the UN Security Council (including Britain, France, Germany and Portugal) strongly censured Israel's decision to build 1,500 new housing units in the Ramat Shlomo neighborhood in East Jerusalem. The spokeswoman for the U.S. Department of State added that the United States was deeply disappointed by Israel's actions and that these "plans of new construction run counter to the cause of peace. Israel's leaders continually say that they support a path towards a two-state solution, yet these actions only put that goal further at risk."⁴⁹ The EU's High Representative for Foreign Affairs and Security Policy, Catherine Ashton, has also repeatedly expressed disappointment over the continued construction in the settlements, which complicates efforts to reach an accord and is in violation of international law.⁵⁰ Furthermore, only this past May, the US Secretary of State reprimanded the Israeli Ambassador for Israel's legalization of outposts,⁵¹ and the British Foreign Minister, during his visit to Israel in the same month, said that Israel is losing support in Britain and other European countries due to its continued construction of settlements, which they condemn. The Minister added that, despite his country's collaboration with Israel in many fields, they are unequivocally opposed to the settlements.⁵²

Thus, we can see that, even if practical support for Israel has not stopped, Israel's name has been marred in recent years by dint of an ever-increasing official international position that condemns its control over the territories.

3.2 Israel's Cultural Standing

The current crisis also affects Israel's cultural standing. The leading international organization in the field of culture is UNESCO, and five UNESCO conventions constitute the foundation of international cultural diplomacy. Israel has ratified one of the five (1954) and signed another (1972). The Institute for Cultural Diplomacy (ICD) maintains an index that ranks countries by the degree to which they are involved in cultural diplomacy; it awards two points to a country for each ratified covenant and one point for each one signed. Israel, with three

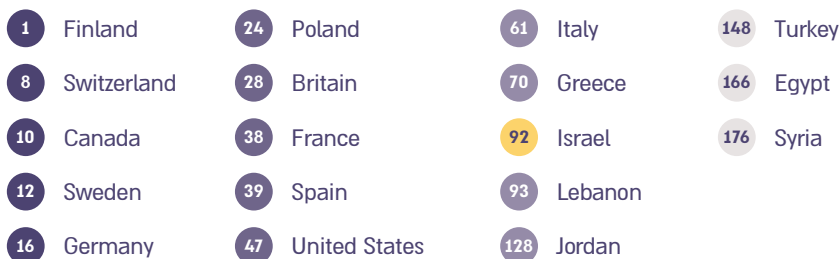
points, is ranked third from last, beneath all of the OECD states in the index and lower than all Middle Eastern states on the list, with the exception of the United Arab Emirates (UAE), which also has three points.

Israel's minimal involvement in UNESCO reflects a long-standing tension regarding the status of the West Bank, and particularly East Jerusalem. It would seem that the tensions reached a new high in 2011 when the organization welcomed the Palestinian Authority as "the State of Palestine" when it joined the 1972 Convention Concerning the Protection of the World Cultural and Natural Heritage. Israel reacted by writing a note of opposition to the convention and by freezing its annual UNESCO membership payment of \$2 million, though it did not sever its relations with the organization or recall its ambassador.

Freedom of the Press

Another measurement that sheds light on the crisis of Israel's international standing is the Reporters Without Borders' Press Freedom Index, which is based on comprehensive surveys of the extent to which states are involved in hampering news coverage within their borders. In 2011–2012, Israel was ranked 92nd in the index out of a total of 179 countries.⁵³

■ ■ Figure 8: Press Freedom Index 2011–2012



This represents a steep decline in ranking since 2008, when Israel was ranked 46th. Israel's ranking is lower than any other OECD country except Turkey, but higher than most of the states in the Middle East. This index is unique in it ranked Israel twice, distinguishing between Israel proper ("Israeli territory") and Israel in the occupied territories ("extra-territorial"). The only state besides Israel to receive

such double ranking is the United States. For 2011-12 freedom of the press in the occupied territories, Israel ranked 133rd – below Lebanon, the UAE, Qatar, Oman, Jordan, but still above the Palestinian Authority, Saudi Arabia, Egypt, Syria and Iran. In the latest ranking, In the latest ranking for 2013, the rank of Israel and the occupied territories was combined; consequently Israel fell to 112th place.⁵⁴

According to the Freedom House "Freedom in the World" index, Israel is ranked as "Free"; it received the highest freedom ranking ("1") in political rights and a lower ranking ("2") in civil liberties. This ranking places Israel below most of the OECD countries (all of the states except for Greece, Hungary, Mexico, South Korea and Turkey received a "1" ranking on both parameters) and a very high position relative to the other states in the Middle East.

In the 2012 "Freedom in the World" report, Israel was cited as a country where freedom is in decline. The reason given was Israel's slew of legislative initiatives aimed at organizations calling to boycott Israel:

Israel's relations with Palestinians in the West Bank and Gaza Strip, and with other countries in the region, worsened as the year's tumult raised expectations and shook old assumptions. Israel also faced condemnation for a series of measures that were either introduced in the Knesset or signed into law and were seen by critics as threats to freedom of speech. One measure that was enacted called for punishment of those who support boycotts against Israel or its institutions, including universities and businesses located in West Bank settlements.⁵⁵

In this context, it is worth noting that Freedom House's criticism is directed towards the State of Israel within the Green Line, not the territories beyond it. In other words, policy in the territories is not only detrimental to Israel's standing in the world, but also harms a Israel proper, which is compelled to defend those policies.

Cultural exchanges

In recent years due to political considerations, a clear trend curbing Israeli

cultural exchanges with Europe and the United States has emerged. Two effects of this trend are distinguishable:

Declared Political Boycott: The cultural arm of the Boycott Divestment Sanctions (BDS) movement against Israel has achieved more success than its economic arm.⁵⁶ Thus far, the latter has only succeeded in imposing boycotts on commercial activity in the West Bank, while the calls for a cultural boycott have been answered in two ways: First, via boycotts of cultural events abroad in which Israelis participate and second, via the refusal of cultural figures to visit and perform in Israel.⁵⁷ Notably, there is a qualitative difference between exporting and importing culture. The boycott of Israeli culture overseas – highly limited in scope – exists only when an event is held with Israeli government funding and with its official support, and ultimately consists primarily of media attention. Furthermore, the European Union's new restrictions on its future support for cultural collaboration with Israel also pertain only to organizations and institutions located over the Green Line. On the other hand, refusal to appear in Israel has gained more traction, particularly among artists identified with anti-war political activism. Still, it seems that organized attempts to boycott Israelis who participate in cultural, athletic or academic events abroad have not achieved ongoing success nor do they enjoy the support of leading institutions or "mainstream" artists in the international cultural arena who continue to include Israel and its artists in their work.

Silent Boycott: A more significant, though less documented, phenomenon is the silent boycott. Israeli professionals in the fields of culture, art and academia say they frequently encounter refusals from international entities to participate in cultural exchanges with Israel (whether inviting Israelis abroad or they themselves participating in events in Israel) out of a desire to avoid the negative political baggage these exchanges entail. **It should be noted that virtually all of this baggage relates to Israeli policy in the territories.** In general, the motives underlying these silent boycotts include a moral objection to Israeli policy; a fear of "drawing fire" (as a result of public pressure exerted by boycott organizations); aversion to security risks, of the "headache" of logistical difficulties and unpleasantness involved in border security checks; and sometimes also revulsion from the "bear hug" the government of Israel gives when it markets cultural exchanges in order to promote its national brand.

This type of boycott is silent in the sense that it is mostly conducted outside the media spotlight, in professional correspondence or personal conversations. It is not accompanied by ideological declarations or a principled commitment to boycott, but is rather a boycott of avoidance. This phenomenon, which has vast – albeit undocumented – reach in the fields of culture, art, entertainment and academia, highlights one of the unidentified costs producing Israel’s image problem, an outcome of the sweeping opposition to Israeli policy towards the Palestinians.

Tourism

Recent years have also seen a substantial change in the field of tourism. Over 40% of incoming tourism to Israel arrives from European states, but since the year 2000, European tourism has grown by only 2%. Tourism to Israel dropped 14% from Britain, 37% from the Nordic countries and 42% from Holland. During this same period, tourism from Russia quadrupled: In 2000, tourists from Russia comprised 3% of all tourists in Israel; by 2012, Russian tourists (mostly Christian pilgrims) accounted for 16% of all incoming tourism. Since tourists from Russia spend less money in Israel than European tourists, this change has far-reaching economic significance. As mentioned above, direct and indirect tourism inputs are estimated at about 7.8% of Israel’s GDP and the tourism industry contributes 8.2% of total employment.

■ Figure 9: Trends in incoming tourism from 2000



3.3 Israel's Economic Standing

Globalization

KOF Index of Globalization: In order to calculate a country's globalization score, the KOF Index of Globalization weighs variables like foreign trade (import and export), foreign investment (incoming and outgoing), and payment to foreign workers as a percentage of GDP, as well as variables that have to do with restrictions and taxation on the import and export of goods, capital and knowledge. Israel ranked 24th in economic globalization on the KOF Index in 2013 – 14th among OECD states and 3rd among the countries of the Middle East – trailing Bahrain and the UAE in 9th and 11th places, respectively.⁵⁸

This high level of globalization is a fundamental characteristic of small states like Israel, whose development depends more heavily on connections with the global economy and where a more substantial portion of the GDP is tied to trade and foreign investment. Indeed, all of the OECD countries ranked above Israel are relatively small.

An additional index that reflects Israel's international image in the economic field is the global Corruption Perception Index, compiled by Transparency International.⁵⁹ This index examines the level of subjective corruption – i.e. the prevailing perception among experts and businesspeople as to the level of corruption in the state. By this index's measurement, the lower the state's ranking, the greater the corruption. In 2011, Israel was ranked 36th in the Index (its lowest ranking ever), 25th among OECD countries and 3rd in the Middle East, below Qatar and the UAE.

■ Figure 10: Overall Globalization (from KOF Index of Globalization)



Credit rating

Israel's credit rating according to Standard & Poor's (S&P) credit rating company is A+. The highest rating is AAA; the A+ rating is defined as a medium-high rating. Israel is ranked in 32nd place, with Chile and Slovenia.⁶⁰ According to a report by the Adva Center, this ranking is worrisome primarily because of the wide gap between this credit rating and Israel's 17th-place ranking on the Human Development Index.⁶¹ According to the author of the report, "the primary reason for the relatively low credit rating is the instability in the region in general and the Israeli-Palestinian conflict in particular. A low credit rating means paying higher interest on loans the government takes from abroad, and also on loans that business people take from abroad."⁶² The S&P credit rating agency explained that it "would consider raising Israel's rating if Israel would work to reduce the security threat it faces. Deterioration in the security situation is liable to create pressures to lower Israel's rating."⁶³

Trade agreements

Israel's full array of trade agreements with Europe distinguishes between products of the territories and products from within Israel. According to agreements with the EU, Israeli products are exempt from customs duties, but products from the territories are not granted the same exemption, as the territories are not considered part of Israel.⁶⁴ The damage this does to the Israeli economy is twofold. First, since 2007, Israel has compensated industrialists and farmers from the territories with tens of millions of shekels annually for their losses in the European market.⁶⁵ Despite the distinction between products made in the territories and those produced in Israel, some Europeans are now calling for limiting trade with Israel more generally given the possibility that settlement products might find their way to Europe as Israeli products.⁶⁶ International restrictions in the economic realm apply not only to relations with Europe, but also to relations with the United States, which stipulates its loan guarantees are not to be invested in the settlements.

Israel's agreement with the OECD also pertains only to the area inside the Green Line. In all OECD publications, a note appears stating that the data provided by

Israel should not be interpreted as an expression of the OECD condoning Israel's conduct in the territories:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.⁶⁷

It is also worth taking note of the EU's Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA), an agreement aimed at receiving European standard certification for Israeli products (currently only for pharmaceuticals, but with the option for expansion in the future). The agreement avoids the need for products to undergo further standards testing in Europe, which otherwise would be a significant export cost. The agreement was signed in 2010 and could have injected hundreds of millions of euros into the Israeli economy since.⁶⁸ However, in the case of this agreement, the European Parliament refused to ratify the process, which was consequently frozen for two years before finally being approved on October 22, 2012.⁶⁹ Here too, the explicit reason given for freezing the process was the contradiction between Israeli policy and the international consensus – that is, the fact that Israel maintains a military regime over the territories. This was a blow to Israeli industries in general, not only industries located in the territories.

Another example of the impact of the crisis in Israel's international standing can be seen in the economic opportunities that came out of the European Parliament's decision in 2007 to establish a free trade zone with states of the Mediterranean Basin. The decision cites the Oslo process as a basic component in the European Neighborhood Policy and stipulates, *inter alia*, that the freeze in diplomatic process between Israel and the Palestinians is an obstacle to promoting free trade in the region. The decision explicitly demands that Israel release the tax revenues it had collected on behalf of the Palestinians, and requests that all goods produced in the occupied territories be labeled separately from Israeli products.⁷⁰

Economic boycotts

Although the Foreign Trade Administration department within the Ministry of Industry, Trade and Labor is responsible for collecting information and handling the needs of companies that encounter overt boycotts, there is no official data on the scope of such boycotts or their impact on Israel's image. Estimates from the Israeli Chamber of Commerce based on the reports of the boycotting organizations themselves show that, unlike in the cultural arena, there is no substantial damage being done to Israel's trade.

It would seem that publics in countries that trade with Israel, like their governments, are not interested in boycotting Israel; on the contrary, there is an effort to integrate Israel as fully as possible. Nonetheless, there is growing support for boycotting settlement products, or at least establishing a legal, principled separation between those items produced in Israel proper and those produced beyond the Green Line. This trend is expressed, for example, in the fact that all of the achievements of the BDS movement have had to do with business activity beyond the Green Line,⁷¹ as well as the private and public initiatives of various countries to label settlement products.⁷² This trend peaked with the recent decision by the European Union to add a paragraph to all future agreements signed with Israel stipulating that the agreements not apply to Israeli organizations and institutions in the West Bank.⁷³

In April of 2013, thirteen countries of the European Union⁷⁴ called for the implementation of the decision to label Israeli products originating in the settlements in order to enable consumer choice as to whether or not to boycott them. Upon request of the United States, the implementation of the decision has been postponed for the time being.⁷⁵ This is a temporary postponement; the EU is expected to decide to label settlement products in the near future.⁷⁶ Meanwhile, the EU approved another decision in July 2013 that requires Israel, in any future agreement, to recognize regions beyond the Green Line – the West Bank and East Jerusalem – as occupied territory and to note that any such agreements will not apply to them.⁷⁷

The economic arena, too, is subject to the worrisome phenomenon of silent boycott. This undocumented phenomenon reveals itself again and again in

conversations with Israeli diplomats and businesspeople. This includes cases in which there is no declared or explicit refusal to do business with Israel, but rather an abstention or a preference for business partners from other countries in order to avoid the political risk involved in doing business with Israel. Israeli companies that trade in Europe, Asia and Africa tend to operate under a "foreign" brand in order to avoid identifying with their country of origin. Here, too, there has been no systematic collection of data and it is difficult to estimate the extent of the impact. However, anecdotal evidence abounds – businesspeople who trade globally readily attest to the phenomenon's magnitude. Interviews and anecdotal case studies suggest that this type of silent economic boycott may be widespread have real repercussions for the Israeli economy.

Summary: The Current Crisis and International Consensus

In all fields examined herein, both existing and anticipated obstacles are directly linked to Israel's control of Palestinian territories and populations. The unavoidable conclusion is that Israel's control over the territories undermines its economic, political and cultural achievements in the international arena. Prevailing opinion in the international community is that Israeli control of the Palestinian population can be justified only if such control is temporary and only as long as there is no viable alternative. Much of the activity carried out by Israeli security forces is not acceptable in the eyes of the international community: the restriction of Palestinian movement in the territories, Israeli economic and administrative control, and the lack of proper rule of law are frequently condemned by the international community. The very notion of ongoing military control of a civilian population is seen as illegitimate. But most of all, there is sweeping opposition the world over to Israeli settlement activity in the West Bank (and in the Gaza Strip until 2005). The settlement of Jews in areas captured in the 1967 Six Day War is regarded by international consensus as contrary to international law, which prohibits "the transfer, directly or indirectly, by the Occupying Power of parts of its own civilian population into the territory it occupies."⁷⁸ In addition, consensus in the West is that the settlements constitute an obstacle to resolving the conflict between Israelis and Palestinians.

The continuation and deepening of Israeli control in the territories generates recurrent crises between Israel and the international community, including its closest friends.

Yet the West's criticism of Israeli settlements is based on the same principle that underlies its acceptance by the West. As we have seen, Israel's commitment to the values of democracy, human rights and adherence to international law is one of the foundations of its alliance with the West. But these values themselves are also the basis of the West's opposition to Israel's military control in the territories and its control over the Palestinian population. The West's connection with Israel and the West's criticism of Israel derive from the same principles. Therefore, there is no reason to believe that Israel can maintain its ties with the West while continuing to control the territories in flagrant opposition to international consensus. When Israel rejects the democratic critique of the occupation, it also rejects the support of its greatest friends since its founding.

Moreover, the international commitment to ending Israeli control over the territories and establishing an independent Palestinian state makes Israel dependent upon the Palestinians and their leadership. International consensus compels every Israeli leader to declare his or her commitment to partition and the establishment of a Palestinian state. The world tolerates continued Israeli control only when there is no viable alternative. As long as Israel can claim that it is committed to the establishment of a Palestinian state, that it genuinely aspires to achieve this goal, and that the Palestinian side is the impediment, it can stand up to the international consensus. But as the world's faith in Israel's commitment to this solution wanes and the claim that the Palestinians are not cooperating loses credibility, Israel finds itself in a head-on collision with international consensus.

This process can be demonstrated by comparing Britain's attitude toward Israeli academic institutions (in Israel proper) and its attitude toward academic institutions in the territories. In 2006, following the decision by a UK teachers' union to encourage the boycott of Israeli academic Institutions, the UK Foreign Office issued a statement opposing boycotts of Israel, arguing that such measures are counterproductive, and emphasized the importance of academic

collaboration.⁷⁹ In this way, the British government stopped the spread of the boycott.

However, the British government took an entirely different stance when it came to Israeli academic institutions in the territories. In the summer of 2012, the Netanyahu's government supported upgrading an academic center, located in the settlement of Ariel, to an official university. Britain quickly responded with public condemnation in which the British Foreign Secretary argued that this upgrade would "lead to the creation of Israel's first university beyond the Green Line, in a settlement illegal under international law." The Foreign Secretary also linked the two types of cases, noting: "It comes at a time of rapidly expanding cooperation between UK and Israeli universities, and when the British government has taken a firm stand against those who seek to undermine Israel's legitimacy by boycotting educational and cultural institutions."⁸⁰ Britain's message is clear: international support for Israeli academia is contingent upon Israeli academic institutions not being built within occupied territory. British opposition to the 2006 upgrade did not contradict British support for Israeli academia, it reflected the principles upon which such support is based.

The European Union also abstains when it comes to supporting the movement to boycott Israel, but in April of this year the EU considered requiring members to label settlement products, and it recently decided to distinguish between Israel and the settlements in all future agreements signed with Israel.⁸¹ International consensus clearly distinguishes between the legitimacy of Israel and Israeli institutions on the one hand, and settlements and the Israeli presence in the territories on the other.

A final example is a letter, sent by prominent European leaders to the EU's foreign affairs chief, Catherine Ashton, in April of this year, bemoaning European passivity with respect to Israel's occupation and the settlements. The letter urged European leaders to adopt a tougher policy, while maintaining a distinction between Israel within the Green Line and the settlements beyond it. The leaders leveled severe criticism at Israel for its conduct in the territories and held it responsible for its activities there.⁸²

If shared values and strategic partnerships with the West strengthen Israel, the opposite is also true: discord, stemming from these same values, between Israel and the West on the issue of territories and settlements, hurts Israel. The inconsistency between Israel's policy and international consensus has led to a situation in which state entities refrain from cooperating with Israel because such cooperation might be interpreted as support for Israel's policy of occupation. Israel's de facto annexation of the West Bank leads to its decline into international isolation, a decline that jeopardizes Israel's most important strategic asset.



Solving the Crisis

4.1 Israel's Response and the Deepening Crisis

Since 1967, Israel's official position has been that Israeli control over the territories is temporary. When the peace process began in the 1990s, an additional element was added to this official stance: The occupation will cease fully upon the establishment of a Palestinian state. The successive governments of Israel have consistently argued that the reasons for the continuation of Israeli control in the territories do not depend on Israel. Israel points to regional instability, a lack of responsible Palestinian representation, unreasonable Palestinian demands, Palestinian "refusal" to recognize the State of Israel as a Jewish state, and so on, as obstacles to negotiations that would otherwise lead to a resolution of the conflict – the end of military control of the territories and over the Palestinians, and the establishment of an independent Palestinian state.

In this way, Israel confirms the international consensus and claims to operate according to it. However, as suspicion grows that Israel is not interested in the two-state solution, it is compelled to exert greater diplomatic efforts. These efforts aim to portray, on the one hand, Israel's attempts to advance negotiations and the two-state solution, and boost its image as a Western, democratic, liberal, prosperous and peace-seeking state, on the other.

Israel's foreign policy is indeed inconsistent with its policy in the territories, particularly when it comes to the expansion of settlements. However, Israeli foreign policy has been slowly changing over the last few years. The gap between Israel's actions and its declarations is narrowing as Israel retreats from its official commitment to the two-state solution. In Netanyahu's 2009 "Bar-Ilan speech", delivered two months after he was elected Prime Minister, he declared: "...if we get a guarantee of demilitarization, if the Palestinians recognize Israel as the Jewish state, we are ready to agree to a real peace agreement, a demilitarized Palestinian state side by side with the Jewish state."⁸³ Netanyahu himself said

the next day that he made the speech following international pressure.⁸⁴

Since his Bar-Ilan speech, Netanyahu's government has continued, and even accelerated, construction in the West Bank. Senior government ministers and prominent members of Knesset from Netanyahu's party have repeatedly declared their opposition to the establishment of a Palestinian state.⁸⁵ Gabriela Shalev, Israel's ambassador to the UN from 2008-2010, commented on a speech by then-Foreign Minister, Avigdor Lieberman, two weeks after she stepped down from her position:

Lieberman came, went up to the dais at the UN and said the exact opposite of two states for two peoples (...) I thought to myself: What would I have done had I been there? Got up and walked out? Never. After all, there's the Israeli flag. And the man stood there and made a speech for Yisrael Beiteinu, the opposite of what Bibi [Netanyahu] had said and what I had echoed.⁸⁶

The governments in which Lieberman served in 2009 and 2012 have taken additional steps that are incompatible with the aspiration to establish a Palestinian state. The government has promoted curricula in which Israeli public school children are taken to tour the territories,⁸⁷ upgraded the academic center in Ariel to a full university,⁸⁸ and tightened Israeli control in Area C. The clearest expression of this trend is the Netanyahu government's repeated attempts to legalize illegal outposts. These efforts, inter alia, led to the formation of a committee chaired by Justice Edmond Levy, who, in stark contrast to international consensus and the Israeli judicial system's official stance, determined that the West Bank is not "occupied territory", but is rather a part of sovereign Israel.⁸⁹ Even after peace talks between Israel and the Palestinians began again in the summer of 2013, Israel continued to expand settlements, including those in East Jerusalem.⁹⁰

Israel's split diplomatic personality

The vacillating policy imposes an ongoing burden on Israeli diplomacy, and

exacts a heavy political price. Netanyahu's third government has refrained from officially adopting the two-state solution, and ministers in senior positions frequently declare their opposition to this process. Danny Danon, the Deputy Minister of Defense, has expressed his view on this issue on a number of occasions and said that he "opposes the establishment of a Palestinian state; the idea of two states is not good."⁹¹ He also stated "[t]he government will oppose a two-state solution and will do everything to block an attempt to establish a Palestinian state."⁹² Recently, Minister of Economy and Trade Naftali Bennett said that, "the attempt to establish a Palestinian state is over."⁹³

Both the Israeli government's actions and official declarations since Netanyahu's election have produced an inconsistent foreign policy. It is a foreign policy full of contradictions, which serves to reinforce the international suspicion that Israel is not committed to a resolution of the conflict and thus not aligned with international consensus. **Israeli diplomats are forced to explain and defend two polar agendas when it comes to the territories: First, an agenda that affirms international consensus and aspires to create a Palestinian state, which includes a continuous call for negotiations without preconditions. And second, an agenda which justifies and defends ever-intensifying Israeli control over the territories.**⁹⁴

In 2010, for example, during the visit of U.S. Vice President Joseph Biden in Israel – a visit aimed at renewing negotiations – Israel's Ministry of the Interior announced the construction of 1,600 new housing units in East Jerusalem. Biden responded by saying that "[t]he substance and timing of the announcement [...] is precisely the kind of step that undermines the trust we need right now."⁹⁵ The announcement constituted a blatant violation of Israel's official commitment to the two-state solution.

In March 2011, Ilan Baruch, Israel's then-ambassador to South Africa, quit his post in protest over the government's policies. In a letter he sent to the Foreign Ministry's employees, Baruch described the strain under which Israeli foreign policy operates and the challenge it produces: "The first Netanyahu government projected its estrangement from the Oslo agreement, even if officially – and for lack of any other choice – it remained committed to it from a policy perspective." Regarding the governments of Barak, Sharon and Olmert, Baruch wrote that, in

the diplomatic arena, they operated from a position of declared recognition that the conflict had no solution other than an end to the occupation and the creation of the conditions for two states for the two peoples. "Despite their devotion to the settlement enterprise, these governments also dedicated themselves to cautiously strengthening the peace process," he wrote. Baruch added that,

In the last two years, voices questioning the possibility of resuming talks toward a regional peace, as well as those seeking to eradicate such a possibility, have grown stronger in Israel. The second Netanyahu cabinet, much like the first - despite the 'Bar-Ilan speech' - is seen as holding on to the status quo and as deserting the diplomatic effort toward a permanent agreement. Since the government was sworn in two years ago, its members have voiced a persistent reluctance to the international demand to withdraw from occupied territories, a disavowal of the Annapolis understandings, as well as a disregard of the Road Map for Peace and the Arab peace initiative. Consequently, a malignant dynamic has formed, which threatens Israel's international standing and undermines its legitimacy - not just of the occupation - but of its very membership in the comity of nations.⁹⁶

The contradictions in Israeli foreign policy are reflected not only in high-level diplomatic relations but also in Israel's conduct as it relates to the European and American public. For example, in 2009, the Israeli Ministry of Tourism published an advertisement in Britain that featured a boy snorkeling in the sea with the title "Experience Israel". The lower right section of the advertisement featured a map of the State of Israel that included the territories of the West Bank, the Gaza Strip and the Golan Heights, with no visible borders. The British Advertising Standards Authority received many complaints demanding the removal of the advertisement because it creates the misleading impression that the occupied territories are part of the sovereign State of Israel.

EXPERIENCE
Israel

Few countries pack so much variety into such a small space as Israel. The energy and excitement of **Tel Aviv** and the rich cultural experiences of the **Dead Sea** and **Jerusalem** with the sun and relaxation of **Eilat** make Israel the ideal multi-centre break.

Tel Aviv - The 24-hour city
Visit Old Jaffa's cultural streets • Party in the bars and clubs that bring this city to life at night • Indulge in the boutiques and many markets • Relax on the beach

Jerusalem - Every stone tells a story
Experience the holiest city in the world • Visit the walled city and the Western Wall • See the Church of the Holy Sepulchre • Appreciate the Dome of the Rock on Temple Mount

The Dead Sea - The lowest point on Earth
Follow those from ancient times and float in these remarkable mineral-rich waters that provide world-renowned health benefits

The Sea of Galilee - Peace and tranquility
Discover sites of historical and biblical significance • Enjoy hot springs and national parks

Eilat - The original Red Sea resort
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Ministry of Tourism advertisement in Britain in 2009, subsequently updated as a result of public complaints that it fails to draw borders.

The Ministry of Tourism heard these complaints and withdrew the advertisement.⁹⁷ A similar series of events occurred in 2011, and the Ministry of Tourism again acceded to the British request to change the advertisement. According to the ASA, the Israel Government Tourist Office (IGTO) responded as follows:

A bold, broken, black line identified the Golan Heights and acknowledged the political controversies in that area. They also said Gaza and the West Bank were clearly identified by a bold, broken, black line and the inclusion of the words Gaza, Judea and Samaria. They said the area to which the (advertisement) related was clearly highlighted in green and noted the map did not include the word Israel, outside of the heading.⁹⁸

In other words, the Ministry of Tourism chose to relate to the territories beyond the Green Line as outside of sovereign Israel.

While the Ministry of Tourism distinguished between different sides of the Green Line, a campaign conducted in Israel aimed to blur that very same border. The minister of education at the time, Gideon Sa'ar, announced a new program of studies that would include a visit to the city of Hebron and study of "the return to Judea and Samaria." The programs' declared objective was "to strengthen the [student's] bond to [our] heritage deep-rooted in the mount."⁹⁹ Thus, as Israel declared to the world that it is separate from the West Bank and that its presence there is temporary, the Ministry of Education worked to indoctrinate Israel's future generations with the notion that the West Bank was an essential part of their state.

The gap between Israel's foreign and domestic policy will inevitably result in crisis. In time, Israelis who are convinced of their sovereignty over the territories will not accept a foreign policy that contradicts this belief, and Western countries will see this gap as a sign that stated Israeli foreign policy does not reflect its true stance.

Reorienting

Concurrent with Israel's gradual and confused retreat from its official two-state position, it reoriented its position on foreign affairs. In a 2011 article entitled "Isolation? What isolation?" former Deputy Foreign Minister Danny Ayalon explained: "More nations than ever before understand that our reoriented foreign policy is opening up more doors, and we are ensuring greater integration than previously".¹⁰⁰

Indeed, Israel's foreign policy "reorientation" was evident during the previous Netanyahu government. The essence of this new direction a move away from partners who hinge their support for Israel on ending the occupation. The turn Israel has made toward new partnerships over its strategic partnership with the West indicates that the government recognizes the limitations these strategic

partnerships impose and is therefore trying to develop new ones.

For example, Netanyahu's government has invested efforts in strengthening ties with the political and religious far right in the United States and in Europe. This includes efforts aimed at the American lobbying group Christians United for Israel (CUFI). This group works hard to promote Netanyahu's policies in the United States, but it is also identified with the American far right; its leader and founder, John Hagee, has supported various Republican political candidates. In the summer of 2011, MK Danny Danon invited the extreme right-wing television personality Glenn Beck to Israel, demonstrating the strong ties forged between the Israeli government and the extreme right in the United States.¹⁰¹ On the eve of the elections in the United States, Danny Danon published a book criticizing President Obama's attitude toward Israel. In the book and in interviews with the media, Danon called upon U.S. citizens to vote for the Republican presidential candidate because Barack Obama has "adopted all the demands of the Palestinians."¹⁰²

Netanyahu himself is considered to be close to many Republicans and is supported financially by Sheldon Adelson, a major donor to the Republican Party and principal funder of Mitt Romney, the 2012 Republican presidential candidate. During the course of the U.S. presidential campaign, Netanyahu demonstrated great affinity for Romney and even attacked Obama's conduct in the Middle East on various occasions. David Remnick, Editor-in-chief of *The New Yorker* magazine, wrote in September 2012 that "Netanyahu seems determined, more than ever, to alienate the President of the United States and, as an ally of Mitt Romney's campaign, to make himself a factor in the 2012 election—one no less pivotal than the most super Super PAC."¹⁰³ These positions and actions exact a high political price that the entire State of Israel pays. Joe Klein, the political columnist at Time magazine, said:

As for Israel, and the Deputy Speaker of the Knesset (Danny Danon) and the Prime Minister, I don't think I've ever, in the forty years I've been doing this - and I'm trying to search my mind through history - have heard of another example of an American ally trying to push us into war as blatantly, and

trying to influence an American election as blatantly as Bibi Netanyahu and the Likud party in Israel is doing right now. I think it's absolutely outrageous and disgusting. It's not a way that friends treat each other. And it is cynical and it is brazen.¹⁰⁴

Senator Barbara Boxer, who identifies as "one of Israel's staunchest supporters in Congress," sent a letter to Netanyahu expressing deep disappointment over his remarks which "call[ed] into question [U.S.] support for Israel."¹⁰⁵ Obama won the presidential election and Netanyahu put Israel's relations with the United States at risk without achieving his hoped-for results.¹⁰⁶

In the United States, this new Israeli foreign policy weakens Israel's connection with the Democratic Party and its supporters; in Europe, it weakens Israel's relations with the institutions of government in various countries. Harsh signals and statements by the Israeli government aimed at European governments and the European Union have become almost routine.

The shift in diplomatic orientation has failed in both channels. In Europe, Israel's diplomatic failure came to light with the Palestinian bid at the United Nations for non-member observer status. In September 2011, the Palestinian Authority appealed to the UN requesting recognition as a full member state. When it became clear that most member states would vote to approve the Palestinian request, Netanyahu asserted that most of the world is not important to Israel, only the "moral minority" – i.e., the United States and Europe. Still, less than three months later, in December 2011, and in keeping with their declared policy and in accordance with the agreements Israel has signed, the European countries denounced Israel's construction in the settlements. The Israeli Ministry of Foreign Affairs attacked the denunciation, and announced that states like Britain, France and Germany have "lost their credibility and become irrelevant."¹⁰⁷ The "moral minority" had become "irrelevant" overnight.

In Europe, as opposed to the United States, not only do the left and center adopt a tough line against Israel's policy in the territories, so does the moderate right. A striking example of this is the Israeli government's complex relationship with

the current German government headed by Angela Merkel, who represents the moderate right. Merkel has often spoken critically about construction in the settlements and has even expressed doubt as to Netanyahu's seriousness in advancing negotiations with the Palestinians.¹⁰⁸ The right-wing Nicolas Sarkozy, France's previous president, also demanded that Israel stop construction in the settlements.¹⁰⁹

In the absence of European support for the government's policy, Likud MKs began to approach extreme right-wing elements in Europe as new potential partners. In 2010, Ayoob Kara, who served as deputy minister for development of the Negev and Galilee in the previous government, met with the leader of the Austrian Freedom Party, Heinz-Christian Strache. The Austrian leader declared: "We support Israel in its war on terror so that the Holocaust will not repeat itself, and we will back any step it takes in defending its security and citizens."¹¹⁰ This visit elicited copious condemnation and calls to dismiss the MK who, according to the critics, met with a "neo-Nazi."¹¹¹ The denunciations came mainly from members of the centrist Kadima party, while the Likud Party and the Netanyahu government chose not to respond.

One of the most acute expressions of the diplomatic failure of the second Netanyahu government occurred during its final days. On November 29, 2012, the Palestinian Authority was accorded the status of a "non-member observer state" at the UN by an overwhelming majority, with 138 countries voting in favor, 9 voting against and 41 abstaining.¹¹² Nearly all of Israel's friends and partners voted in favor or abstained, despite a massive lobbying campaign by Israel. In response to this failure, the government announced it would begin construction in the E1 zone, which links Jerusalem to the settlement of Ma'alei Adumim and is an obstacle to the territorial contiguity of a future Palestinian state.¹¹³ This hostile reaction did not change the international stance, and only led to another round of denunciations of Israeli policy. In February 2013, for example, the UN secretary general, Ban Ki-moon, issued a report that severely criticized Israel's decision to renew construction in this zone.¹¹⁴ Nearly all of Israel's allies share this view.¹¹⁵

This trend continues today. In early July 2013, the European Union's leadership issued practical guidelines derived from the previous EU decisions that



distinguish between Israel and the settlements. According to these guidelines, any agreement Israel signs in conjunction with the EU will require an explicit declaration in writing that the agreement does not apply to Israeli organizations and institutions in the territories.¹¹⁶ The impassioned responses of the Prime Minister, who complained that the Europeans were trying to dictate Israel's borders,¹¹⁷ and of Minister of Economics Naftali Bennett, who called the European decision "an economic terror attack,"¹¹⁸ did not contribute to resolving the crisis. Despite massive Israeli pressure, the Europeans refused to postpone the official publication of the new guidelines, and they were issued on time.¹¹⁹

The examples cited above indicate that Israel's response to the diplomatic crisis only exacerbated the situation, further undermining its credibility regarding its commitment to the two-state solution and generating an image of a state that conducts itself capriciously and inconsistently, one that is difficult to rely upon and dangerous to assist.

4.2 Grace Period: Window of Opportunities for Resolving the Crisis

Despite the current crisis, Israel has yet to lose the loyalty of its closest friends in the West. However, there are several signs that US and European support for Israel is weakening; Israel's present status is highly fragile.

An indicator of this fragility in the Israel-U.S. relationship are the remarks by former American Secretary of Defense Robert Gates, who said that Israel is "an ungrateful ally" of the United States and that Netanyahu was "endangering his country by refusing to grapple with Israel's growing isolation and with the demographic challenges it faces if it keeps control of the West Bank. Gates also complained about Netanyahu's objection to the United States selling weapons to countries in the region.¹²⁰ This instability also finds expression in the experts' calls to redirect U.S. foreign resources to other regions after ten years of directing them to the Middle East.¹²¹

Europe's present support for Israel is also unstable. As noted above (section 2.2.2), the European leadership has traditionally empathized with Israel for many reasons, including Europe's role Jewish history in the 20th century, but over time, the occupation seems to play a larger role in determining European attitudes towards Israel. A public opinion poll conducted over a range of European countries and published in early 2011 shows a clear, growing concern about Israel's ongoing occupation and an increasing sense of sympathy for the Palestinians.¹²² This fact enables European leaders to say things they have never said before. At the start of 2012, the leader of the social democratic opposition in Germany labeled the situation in Hebron "apartheid."¹²³ This statement is noteworthy because this was an election year in Germany. The ability of a key leader to aim such scathing criticism at the occupation prior to elections speaks volumes not only about the leader himself, but also about the new public discourse in mainstream European politics.

A survey conducted for the BBC in May of 2012 found that world public opinion on Israel has been growing more negative over the years. The principle reason for this deterioration is, according to survey participants, Israel's "foreign policy".

Israel is one of the lowest-ranked countries in terms of public opinion, together with Iran, Pakistan and North Korea.¹²⁴

Shifts in the opinions of world Jewry in general and in American Jewry in particular also contribute to instability in Israel's standing. In 2010, journalist Peter Beinart wrote an article in *The New York Review of Books* entitled "The Failure of the American Jewish Establishment."¹²⁵ Beinart argued that young American Jews are disengaging from Israel as a result of the Jewish establishment's inability to contend with criticisms of Israeli policy. Most Jews in the United States (including non-establishment Jews) stand by the image of democratic Israel as presented by the Ministry of Foreign Affairs. But from a political and economic perspective, many Jewish institutions in the United States effectively support the Israeli policy of annexation, which stands contrary to democratic values. Beinart argues that by supporting undemocratic Israeli activity, the Jewish establishment in the United States is abandoning the majority of U.S. Jewry, especially young Jews. Perhaps Israel will continue to find advocates for its policies among American Jews, but those advocates will represent a narrow segment of right-wing, religious American Jewry, a segment that does not represent the majority, and certainly does not include those who identify with the American Democratic Party.

Israel's current shaky international standing also stems from the political instability of its neighboring countries. Forces that ruled the region for decades – the Mubarak regime in Egypt, for example – and seemed likely to rule for many more years, have given way to opposition forces or ongoing power struggles. Syria, another example, is immersed in a bloody civil war that is liable to spread to other states. These changes have elicited frightened responses in Israel. Pundits have coined the term "Islamic winter," and entrenched the view that the revolutions in the Arab world constitute an existential threat to Israel.¹²⁶

In addition, the Palestinian leadership today is highly divided, and some claim that the current leadership does not accurately represent a substantial segment of the Palestinian public. Still, it is possible to identify certain new strategies the Palestinian leadership is adopting, strategies primarily aimed at mobilizing international pressure on Israel that would compel it to establish

an independent Palestinian state. So far, the Israeli government has regarded this strategy as a threat and has portrayed the Palestinian struggle via diplomatic means as illegitimate. Yet the Israeli attack on the legitimacy of Palestinian diplomatic struggle is destined to fail, as the principles for which the Palestinians are fighting are principles that Israel officially accepts; they include things like the evacuation of settlements and the development of Palestinian state infrastructure. Israel's insistence in summarily rejecting these Palestinian demands, while concurrently maintaining a commitment to these very same demands, testify to the fact that the Israeli leadership has no long-term strategy.

The state of the world economy can also contribute to the instability in Israel's standing. Israel's main strategic partners have had to contend with severe economic crisis in recent years. If this crisis persists and grows deeper, these countries will be more likely to alter their priorities and commitments.

In sum, an assessment of the factors that contribute to Israel's status in the world indicates that Israel's window of opportunity to advance diplomatic action in order to maintain its international standing and prevent further isolation is limited. Israel is currently in what might be termed a "grace period" in which it still enjoys the support of historic allies while regimes in surrounding states are absorbed in domestic battles. However, as Israel fights to preserve the status quo and control the territories while quietly nurturing the settlements, regional and global entities do not remain unmoved. The day of reckoning for this grace period will ultimately come. In order to ensure its future, Israel must take swift action to end its control over the West Bank.



Summary and Conclusions

For the reasons cited above, the continuation of the status quo is cause for concern: Israel's inconsistent conduct is liable to lead to an erosion of the Western support it so critically needs. However, the causes underlying this instability also present an opportunity. Should Israel choose a goal consistent with international consensus, tensions will dissipate and Israel will be applauded; in fact, almost any concrete plan that goes beyond futile negotiations and gives practical expression to the end of Israeli control over the territories can be expected to benefit Israel. The European political center will be able to support Israel and distinguish itself from the anti-Israeli left. Moreover, such a step by Israel would draw a clear line between opposition to Israel's existence and opposition to the occupation. The US President would win political points and avoid having to explicitly clash with other UN states every time Israel requires defending. World Jewry would again be able to identify Israel with democratic values and not be forced to choose between supporting one or the other. Adopting a practical plan that enables the Palestinians to live under the rule of law would also be a first step toward forging friendly relations with newly emerging regimes in the region.

Abandoning the project of annexation of the West Bank and recognizing the futility of the Israeli settlement project would not only help to extract Israel from its current crisis, but also boost its standing to an as yet unprecedented level. Practically, given the support that Israel still enjoys and its relative economic stability, Israel has all the tools for taking the lead on a process that would end its control over the Palestinians in a way that would both satisfy the international community and not endanger Israeli security interests. Security, economic, cultural and diplomatic gains would quickly follow.

Policy Recommendations

1. It is essential for the entire Israeli political spectrum to recognize the deterioration in Israel's international standing and the danger of growing isolation that hovers over it as well as the practical repercussions of this deterioration. Those who refuse to do so jeopardize the prosperity and even future existence of the State of Israel.
2. The primary cause for the decline in Israel's international standing is the settlement project, which a sweeping international consensus opposes. Even those who do not hold that all settlements should be immediately evacuated must realize the high price of continued control over the territories.
3. The second factor underlying the decline in Israel's international standing is the ongoing military occupation in the West Bank. Since the occupation will be terminated in the framework of a comprehensive peace accord, significant progress along this path does not only depend on Israel. Even so, when conducting negotiations, steps should be taken that advance Israel's interests in the international arena, clearly demonstrating its aspiration to reach a two-state solution. The following steps are thereby required:

A. Halting the various measures of annexation: Israel must desist from taking steps that are interpreted as reflecting its intention to perpetuate its control of the West Bank or to annex its territories to Israel. Inter alia, the government of Israel must refrain from promoting infrastructure that links Israel with the territories, such as the plan for the new railroad lines recently approved by the Civil Administration.¹²⁷ It must also loosen its stranglehold on Palestinian life in Area C.¹²⁸ Above all, government initiatives for new construction in the territories, such as the tenders for construction in Area E,¹²⁹ must be canceled.

B. Freezing construction in the settlements: Even without negotiations on the horizon, and certainly when they are (as is presently the case), Israel should freeze all construction in the settlements. In addition to Israel's commitment on this issue within the frameworks of the Oslo Accords

and the Road Map, the continuation of construction in the settlements is a “red flag” to the world, signaling Israel’s intention to maintain its grip on the West Bank and directly affects its international standing and the extent of its isolation.

C. Advancing the Evacuation-Compensation bill: Like the legislation enacted prior to the withdrawal from the Gaza Strip, members of Knesset should advance similar legislation that would guarantee the rights of those who voluntarily leave settlements in the West Bank. This proposal would enable those who are already interested in vacating their homes to do so. More importantly, it would demonstrate the seriousness of Israel’s intentions regarding the two-state solution and ending its control in the West Bank to the world.

D. Battling illegal outposts: Today, the State of Israel directly and indirectly supports some 130 outposts established after the signing of the Oslo Accords. These are outposts that the state itself defines as illegal. Even prior to more comprehensive evacuations, law enforcement authorities in Israel must do their utmost to put an end to the absurd situation in which the state provides considerable funding and resources to an organized enterprise that it defines as illegal. This fight must include budgetary transparency with respect to state funds invested in the West Bank. It must block the provision of educational services and infrastructure to the outposts, and actively enforce Israeli planning and construction laws.

E. The public diplomacy staff in the Prime Minister’s Office should launch an official campaign to mobilize Israeli public opinion in support of a lasting peace accord with the Palestinians.

F. Respond positively to the Arab Peace Initiative, while linking a peace accord with the Palestinians to upgrading Israel’s relations with the European Union and the United States, as well as the forging of full economic and cultural ties with the countries in the region.

Notes

1 · For example, under the headline "Israel's Isolation: No Less Serious than War," Amos Gilad was quoted as saying that the leadership of the Palestinian Authority "is now preparing an international attack against Israel" after September, and that "Israel's isolation in September, the beginning of isolation, is no less serious than war." (Ravid, Barak. "Top defense official: Israel faces isolation 'no less serious than war,'" *Haaretz*, April 4, 2011, available at <http://www.haaretz.com/news/diplomacy-defense/top-defense-official-israel-faces-isolation-no-less-severe-than-war1.354069-> (accessed July 1, 2013)); *New York Times* columnist Thomas Friedman warned that Israel's growing international isolation is liable to also endanger the United States as a supporter of Israel. (Friedman, Thomas. "Israel: Adrift at Sea Alone," *New York Times*, September 17, 2011, available at <http://www.nytimes.com/18/09/2011/opinion/sunday/friedman-israel-adrift-at-sea-alone.html> (accessed July 5, 2013)); In an interview with the *Los Angeles Times*, former Minister of Defense, Ehud Barak, noted that a "daring" peace initiative by Prime Minister Benjamin Netanyahu is vital for Israel's security and international standing, and that without such an initiative, Israel could face increased isolation and protests (Sanders, Edmund. "Israel's Barak says Netanyahu must take 'daring' steps toward peace," *Los Angeles Times*, May 19, 2011, available at <http://tinyurl.com/nhu7n9r> (accessed July 5, 2013)); Finance Minister Yair Lapid declared in mid-July 2013 that the European Union's decision to only support Israeli institutions and organizations located within the Green Line "is part of a long series of decisions that lead to Israel's isolation in the world. Time is not on our side, and every day that Israel is not engaged in peace negotiations is a day in which our international standing is damaged further." (Moran Azoulay and Yoav Zetan, "Lapid: Each day without negotiations harms our international standing," *Ynet* [Hebrew], July 16, 2013, available at <http://tinyurl.com/ntrsf44> (accessed July, 1 2013)); Justice Minister Tzipi Livni, who has been charged with handling the negotiations, also declared on July 17, 2013 that "the EU's decision is a first step in Israel's isolation from the world" and that it should be seen as a "wakeup call" (Interview on "Good Morning Israel," *Army Radio* [Hebrew], July 17, 2013, available at <http://glz.co.il/~22792-1064he/Galatz.aspx> (accessed July 1, 2013)); Livni also warned in early July that Europe views Israel's activity in the West Bank as colonialist and is liable to impose a boycott on its products (Ravid, Barak. "Livni: Europe views Israel as colonialist and is liable to impose a boycott on its products," *Haaretz* [Hebrew], July 1, 2013, available at <http://www.haaretz.co.il/news/politics/1.2060305> (accessed July 1, 2013)).

- 2** · Arguments supporting this stance were presented in a number of articles, including: Gold, Dore. "Is Israel Truly Isolated?" *Yisrael Hayom*, September 15, 2011, [English version] available at http://www.israelhayom.com/site/newsletter_opinion.php?id=493 (accessed July 1, 2013); Dore Gold, "Is Israel Isolated?" *Jerusalem Center for Public Affairs*, September 18, 2011, <http://tinyurl.com/onpj5pf> (accessed July 1, 2013) (Hebrew); Ayalon, Danny, "Isolation? What isolation?" *The Jerusalem Post*, September 10, 2011, available at <http://tinyurl.com/ogfgzjs> (accessed July 5, 2013); Rindsberg, Ashley, "Is Israel Really That Alone?" *The Huffington Post*, September 20, 2011, available at <http://tinyurl.com/ojaeozr> (accessed July 5, 2013).
- 3** · "Is this what you'd call 'Diplomatic Isolation'?", YouTube, published April 25, 2012, available at http://youtu.be/Nge_RGJ5oBc (accessed July 5, 2013).
- 4** · An interview with Naftali Bennett by Effi Triger, "Our situation in world global opinion is better than some of us think," *Army Radio* [Hebrew], July 8, 2013, available at <http://glz.co.il/-22140-1064he/Galatz.aspx> (accessed July 1, 2013).
- 5** · "Gross Domestic Product and Uses of Resources, in the Years 1995-2011(1)," Central Bureau of Statistics, Statistical Abstract of Israel 2012, available at <http://tinyurl.com/pdpbkxa> (accessed July 1, 2013).
- 6** · "Occupation," a term taken from international law, is the temporary governing by a foreign power aimed at returning control to "the natural sovereign." Thus, the description of the military control of the Palestinians as "occupation" has enabled Israel to continue to declare its commitment to the values of the West without committing to a date on which Palestinians would live as citizens with equal rights in their state (or in Israel).
- 7** · Sadeh, Shuki. "Under Ahmadinejad's nose: How Israeli products enter enemy states," *TheMarker* [Hebrew], January 5, 2012, available at <http://www.themarker.com/markerweek/1.1609709>, (accessed on July 1, 2013).
- 8** · "Foreign Trade and Statistical Data," Israel Ports: Development & Assets Company Ltd. [Hebrew], available at <http://tinyurl.com/o2ndoms> (accessed on July 1, 2013).
- 9** · "Travel & Tourism: Economic Impact 2013, Israel," World Travel & Tourism Council, available at http://www.wttc.org/site_media/uploads/downloads/israel_2013.pdf (accessed July 1, 2013).

10 · "International tourism, number of arrivals," The World Bank, 2009-2011, available at <http://data.worldbank.org/indicator/ST.INT.ARVL> (accessed September 2, 2013). The data for this report was compiled prior to the Arab Spring and has not been updated for the year 2011.

11 · Stupak, Adam. "Tourism to Israel 2011: A statistical report," (June 2012), Ministry of Tourism [Hebrew], <http://tinyurl.com/nb2wb5k> (accessed July 1, 2013).

12 · "Promo for Son of the Land," YouTube [Hebrew], available at http://www.youtube.com/watch?v=5m2o6TllpQU&feature=player_embedded (accessed July 1, 2013). Further evidence of the cultural disconnect can be seen in a clip published on the MEMRI website. The clip shows an Egyptian "candid camera" program in which local actors are told during a television interview that the program will be broadcast on an Israeli channel, and they respond angrily and violently: "Egyptian Actors Pranked on Candid Camera Turn Violent When Told TV Channel is Israeli", *MEMRI*, available at <http://www.memritv.org/clip/en/3504.htm> (accessed July 5, 2013). A more profound aspect of the cultural price of the disconnect between Israel and the Arab and Muslim world can be seen in the film "Charlie Baghdad" from 2002, which describes the history and decline of the Israel Broadcasting Authority's Arab orchestra.

13 · Of the 202 Security Council resolutions the United States vetoed between the years 1972-2011, 49 were aimed directly against Israel (as condemnation of policies towards the Palestinians or as demands to evacuate territories occupied since 1967); nine resolutions called for fulfilling the Palestinian right to self-determination and improving the living conditions of the Palestinians. For details, see: "US vetos at the UN Security Council," available at <http://www.phon.ucl.ac.uk/home/geoff/UNresolutions.htm> (accessed July 5, 2013).

14 · These states are Morocco, Mauritania, Niger, Venezuela, Nicaragua, Bolivia, Qatar, Bahrain and Oman. For example, see: "Mauritania and Qatar freeze their relations with Israel," *Ynet* [Hebrew], January 16, 2009, available at <http://www.ynet.co.il/articles/0,7340,L3657343,00-.html> (accessed July 1, 2013).

15 · For example, see Shalom, Zaki. "Building Israel's independent deterrent force: Continuity versus change," *Ma'arachot* [Hebrew] (October 2011), pp. 18-19, available at <http://www.maarachot.idf.il/PDF/FILES/113004/4.pdf> (accessed July 1, 2013).

16 · A good example is the 2005 discussion conducted at the WTO regarding the acceptance of Saudi Arabia into the organization. With the support of the United States, Saudi Arabia's membership in the organization was made conditional upon revoking the secondary and tertiary aspects of the Arab boycott on Israel. Another example can be seen in Israel's relations with the World Bank: despite the fact that the organization reports that Israel's policy in the territories hinders the bank's activities aimed at supporting the Palestinian Authority and its population, this criticism does not prevent Israeli suppliers from competing for the bank's tenders or to Israel's activity in providing assistance in the framework of the organization.

17 · The WTO's latest trade estimate for Israel was made in 2006 and noted that Israel is succeeding in advancing reforms needed to promote trade and growth, and is improving its economic standing through a series of free trade accords. For more information, see: "Trade Policy Review, Report by the Secretariat: Israel," World Trade Organization, December 22, 2005, WT/TPR/S/157 (accessed September 2, 2013).

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19 · The countries that have signed trade agreements with Israel include: the United States, the European Union, the EFTA states, the Mercosur states, Canada, Mexico, Turkey, Jordan and Egypt; Foreign Trade Administration – 2010 Annual Summary: Leverage for Growth in the Global Market," Ministry of Industry, Trade and Labor [Hebrew], July 2011, p. 14, available at <http://tinyurl.com/pf5al7l> (accessed July 1, 2013).

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22 · "Agreements," Delegation of the European Union to the State of Israel, available at http://eeas.europa.eu/delegations/israel/eu_israel/political_relations/agreements/index_en.htm (accessed July 1, 2013).

- 23** · For more information, see: "Foreign Operations," U.S. Department of State, Congressional Budget Justifications, Vol. 2 (2013), available at <http://www.state.gov/documents/organization/185014.pdf> (accessed July 5, 2013).
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- 25** · See: "The Arab Peace Initiative: Israel's Strategic Loss and a Historic Opportunity," *Molad*, available at <http://www.molad.org/images/upload/files/The-Arab-Peace-Initiative-Final.pdf> (accessed September 2, 2013).
- 26** · "Full text of Obama's speech in Jerusalem: 'So long as there is a United States of America, ah-tem lo lah-vahd'," *Haaretz*, March 21, 2013, available at <http://www.haaretz.com/news/obama-visits-israel/full-text-of-obama-s-speech-in-jerusalem-so-long-as-there-is-a-united-states-of-america-ah-tem-lo-lah-vahd1.511078-> (accessed July 1, 2013).
- 27** · This, for example, according to a poll conducted by CNN in November 2012, available at <http://i2.cdn.turner.com/cnn/2012/images/19/11/rel17a.pdf> (accessed July 1, 2013).
- 28** · Malka, Haim. "Crossroads: The Future of the U.S.-Israel Strategic Partnership," July, 2011, Center for Strategic and International Studies, p. 3., available at http://csis.org/files/publication/110908_Malka_CrossroadsUSIsrael_Web.pdf (accessed July 1, 2013).
- 29** · Robert D. Blackwill and Walter B. Slocombe. "Israel: A strategic Asset for the United States," (November 2011) The Washington Institute for Near East Policy, available at <http://tinyurl.com/ndq4ahb> (accessed July 5, 2013).
- 30** · "Shared Values," *AIPAC: The American Israel Public Affairs Committee*, available at <http://www.aipac.org/learn/us-and-israel/shared-values> (accessed July 5, 2013).
- 31** · For the text of the speech, see: "Transcript of Obama's AIPAC speech," available at <http://www.politico.com/news/stories/73588/0312.html> (accessed July 1, 2013).
- 32** · For English text, see "U.S. Presidents & Israel: Quotes About Jewish Homeland & Israel," Jewish Virtual Library, available at <http://www.jewishvirtuallibrary.org/jsource/US-Israel/presquote.html> (accessed December 12, 2013).

- 33** · "Israel and the United States: Friends, Partners, Allies," Israel Ministry of Foreign Affairs, January 1, 2007, available at <http://tinyurl.com/ovc7gjr> (accessed July 5, 2013).
- 34** · In addition to the two governments' shared values, many groups in the United States identify common values with Israel on religious grounds. Today there are religious groups in Israel and in the United States that forge significant strategic alliances. For example, the largest pro-Israel lobby in the United States is not Jewish; it is Christian Zionist ("Mohr, Samuel. "Understanding American Christian Zionism: Case Studies of Christians United For Israel and Christian Friends of Israeli Communities," *Journal of Politics and International Studies* (Summer 2013), 9, p. 299, available at <http://www.polis.leeds.ac.uk/assets/files/students/student-journal/sum-130930/13-sum-13mohr.pdf>). Rather than supporting Israel as a democratic state and a state of refuge— as nearly every political side does— evangelical groups principally identify with the American extreme right and do not condition their partnership with Israel based on values and democracy.
- 35** · For details about the organization, see: Union for the Mediterranean, <http://ufmsecretariat.org/objectives/> (accessed July 1, 2013).
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- 37** · Gideon Kutz and Eli Bardenstein, "Defining Israel as a Jewish State – is Problematic," *NRG* [Hebrew], July 19, 2011, available at <http://www.nrg.co.il/online/1/ART527/261/2.html> (accessed July 1, 2013).
- 38** · See: "Building a Political Firewall against The Assault on Israel's Legitimacy: London as a Case Study," *The Reut Institute*, November, 2010, available at <http://www.reut-institute.org/data/uploads/PDFver/20%20101219London20%Case20%Study.pdf> (accessed July 1, 2013).
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- 40** · The components of the ranking and their respective weight are: Embassies in Country (25%); Membership in International Organizations (28%); Participation in UN Security Council Missions (22%); International Treaties (25%).
- 41** · The states with which Israel has established diplomatic ties over the years actually rank higher than it does on the index: Egypt sits in 13th place, Morocco in 31st, Tunisia in 37th and Jordan in 38th.
- 42** · Oren, Amir, "NATO chief: We provide forum, not forces, to Israel and Arabs," *Haaretz*, January 9, 2009, available at <http://tinyurl.com/nohrmxn> (accessed July 5, 2013).
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- 44** · Lipman, Jennifer. "Call for Israel to join NATO", *The Jewish Chronicle*, February ,8 2011, available at <http://www.thejc.com/world-jewish-congress/44854/call-israel-join-nato> (accessed January 5, 2014); "Lieberman: Israel should join NATO, EU," *Israel Today*, January 2, 2007, available at <http://www.israeltoday.co.il/default.aspx?tabid=178&nid=10954> (accessed January 2014 ,5); Nassar, Galal. "When Israel joins NATO," *Global Research: Centre for Research on Globalization*, February 4, 2010, available at <http://www.globalresearch.ca/when-israel-joins-nato/17427> (accessed January 5, 2014); Penketh, Anne. "Should Israel join NATO?" *British American Security Information Council*, February 11, 2011, available at <http://www.basicint.org/news/2011/should-israel-join-nato> (accessed January 5, 2014).
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- 71** · Examples: A boycott of the multi-national company Veolia Transport, which is involved in building the light train in Jerusalem. The reason given for the boycott was that the light rail connected Jerusalem neighborhoods beyond the Green Line with those inside of it; A boycott in Belgium of the Belgian bank Dexia, which granted loans to settlements, led the bank to end its contracts with settlements; A boycott of Elbit

Industries, which produces surveillance systems for the separation barrier, and Africa Israel, which builds in the settlements; also see: "BDS successes and developments in Europe and around the world," <http://tinyurl.com/oau6vpa> (accessed July 5, 2013).

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