

The Army and Society Forum

THE ISRAEL DEFENSE FORCES AND THE NATIONAL ECONOMY OF
ISRAEL



The Israel Defense Forces



The Israel Democracy
Institute

The Israel Defense Forces and the National Economy of Israel

An Article Summarizing the Seventh Session
of the Army and Society Forum

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Introduction*

The subject of the seventh session of the Army and Society Forum of the Israel Democracy Institute, held in Summer, 2003, was “The Israel Defense Forces and the National Economy of Israel.” This session was held in the eye of the storm – that is to say, during the government debate on the 2004 state budget, a debate which naturally included a discussion of the defense budget. The session was attended by senior officers of the Israel Defense Forces officers headed by the chief-of-staff, the staff of the Israel Democracy Institute, academic researchers and public figures from various sectors of Israeli society.

A variety of opinions and approaches, summarized in this article, were expressed during the session. The present article is based on the participants’ comments and on the preparatory material distributed to the participants prior to the session.

Appendix A includes the session program; Appendix B provides a list of invited guests, according to the different discussion groups; Appendix C lists the background material distributed to the participants.

* We wish to thank Lieut. Col. Hadas Ben Eliyahu and Major Yehudit Sher from the IDF Department of Behavioral Sciences for their assistance in preparing this article.

What is National Resilience?

The Inter-Relationship between the Components of National Resilience

From a broad perspective, the components of national resilience may be divided into several principal categories: military (or physical) security, economic might, social cohesion, political and social stability, psychological health and well-being, levels of education and technology; and quality of life.

Due to its centrality in Israeli life, national resilience is often identified with military security. However, the other components of resilience are of key importance in two main respects. First, these components are important in and of themselves. Economic, social or political instability may cause internal rifts within the nation, just as a military threat may cause damage from the outside. Second, each of these components has an indirect impact on the others. For example, the larger the country's gross domestic product, the more resources it can allocate to defense without affecting other objectives: in other words, the larger the economic pie, the greater the ability to increase defense spending during periods of heightened threat. A high standard of living fortifies the resilience of the population and offers a measure of compensation for security tensions. Reducing economic and educational gaps, the quality of health care, and other factors, all contribute to the enhancement of social stability. On the other hand, an outbreak of dissent caused by the explosion of social tensions could, for example, lead to a reduction in domestic and foreign investments and tourism. Social tensions also have direct ramifications for defense, since a sense by some members of society that they suffer from discrimination

The Connection between Security Perceptions and Defense Expenditure

LONG-TERM PLANNING IN THE IDF

The required level of defense expenditure is defined on the basis of long-term planning by the Israel Defense Forces. Long-term planning takes into account several dimensions, and raises difficult dilemmas. In the following section, we shall attempt to discuss the complex considerations involved in the development of this type of planning.

Elements to be considered in the context of long-term planning

1. Circles of threat: Threats from terror and guerrilla warfare are to be found in the closest circle of threat; that from the neighboring states in the second and from such nations as Iraq, Iran and Libya in the third. Today, although the threat from Israel's neighbors (the second circle) has grown weaker relatively speaking, the threat from the first and third circles has increased greatly. (In the case of the third circle, while it is true that the threat from Libya and Iraq has declined, the threat from Iran has become more meaningful). Moreover, the struggle against terror and guerrilla warfare requires capabilities in such fields as targeted killings, highly sophisticated intelligence, electronic surveillance and the use of specially-trained units – all of which are expensive to maintain.

2. Priorities between branches of the armed forces: The differential investment in each of the three branches of the armed forces – air force, navy and land forces – reflects the operational perception that applies at a given point of time, one which varies with

The Decision-Making Process in Preparing the Defense Budget

HISTORICAL REVIEW

In order to examine the manner in which the complex considerations and dilemmas discussed above are reflected in the work of the IDF, we shall begin with a historical review of the interface between the army, the economy and Israeli society during four key periods of Israel's history. This review is intended to provide a basis for identifying historical patterns and an understanding of the background to the current decision-making processes involved in the development of the defense budget.

First period – 1948 to 1967, from the establishment of the State of Israel through the Six-Day War.

This was a formative period, characterized by a mobilized society and a broad national consensus, particularly with regard to defense issues. In economic terms, this period saw rapid growth in excess of an average of ten percent per year. Defense expenditure constituted 7.5 percent of the GDP (including military imports but excluding US aid). Two prominent formative events took place during this period:

1. The chief-of-staff, Lieut.Gen. Yigael Yadin, resigned from his position following cuts in the defense budget. This was the only time in Israeli history that a chief-of-staff has taken such a step. In 1952, Levi Eshkol had taken over as minister of finance. The Israeli economy faced profound problems: the population of the country had doubled, and there were significant demands for employment, infrastructure and housing for new immigrants. One of the first steps Eshkol took in

