

BICOM Briefing

The 5th Netanyahu Government: An Interim Report

September 2020



Introduction: The Establishment of the Unity Government

Following three election cycles in which neither the bloc supporting Benjamin Netanyahu for Prime Minister nor the camp opposed to him were able to muster a 61 seat majority, a so-called National Unity government was sworn in as the country's 35th government on 17 May. (For more information on the Unity Government see [BICOM Briefing | The New National Unity Government](#))

Due to mutual distrust between the parties, a comprehensive (seemingly ironclad) agreement was drafted, which provided strong disincentives for either Likud or Blue and White to bring down the government. Under its terms, if one side were to leave the coalition and trigger elections, the leader from the other party would automatically assume the office of Prime Minister in a transitional government going into elections.



Yediot Ahronot 12/5: As Netanyahu looks on, Blue and White and Labour-Meretz-Gesher – who opposed him during the elections but later joined the government – burn their anti-Bibi signs.

The only scenario that would allow Netanyahu to continue as Prime Minister during elections is the failure to agree the state budget, which was supposed to be passed 100 days from the government's swearing in. Were the government to not pass the budget, the Knesset would automatically be dissolved, and Netanyahu would continue as Prime Minister until a new government would be sworn in (likely months) after the elections. This lacuna was to prove significant later as Netanyahu sought (and perhaps still seeks) a potential escape from the rotating prime minister agreement. Ultimately, a last minute compromise was proposed by MK Zvi Hauser from Derech Eretz that extended the budget deadline to 23 December.

While the government has racked up some successes, it has roundly failed to stem the spread of COVID-19 – which it was explicitly formed to deal with. Moreover, it has been beset by internal crises and mudslinging since its inception to the extent that it almost collapsed after 100 days.

Security Policies and Foreign Policy Achievements

Security activity in Syria – dubbed the 'Campaign between the Wars' – constitute a continuation of previous governments' long-standing policy, which seeks to weaken the Iranian presence in the war-torn country and prevent Hezbollah gaining precision guided missiles. Israeli airstrikes to target weapons depots have continued, with the most notable strike taking place in late July. Iranian personnel were reportedly killed, as was one Hezbollah operative, which subsequently raised the threat on Israel's northern border.

As part of its so-called 'equation policy' Hezbollah vowed revenge for the death of its operative. In the days following the strike in Syria, Hezbollah fighters crossed the border and approached a military base before being identified and forced to retreat by the IDF (which purposefully chose not to inflict casualties in order to reduce the threat of further escalation). It was thought that the huge explosion in the Beirut port may lead Hezbollah to prioritise domestic affairs. However, a speech by Nasrallah in which he explicitly vowed revenge as well as shots fired by the terror group at IDF troops on operational duty near the border point to a different conclusion. The IDF remains on high alert to thwart any further Hezbollah action.

The situation on Israel's southern border and the Gaza Strip also remains tense. Hamas has chosen to expand the use of incendiary balloons as a means of applying pressure on Qatar to

continue its financial aid and to push Israel towards advancing a prisoner exchange and long term humanitarian solutions for the area. In response, Israel struck Hamas sites, halted fuel transfers into the Strip, and restricted the fishing zone. It remains a truism that neither side wants war. But miscalculation – or an accident in which Israelis or Palestinians are killed – could generate escalation. On September 1, aided by Qatari and Egyptian mediation, Israel and Hamas agreed to renew a truce. But the worrying rise in the number of COVID-19 cases in the Strip (it is currently under complete lockdown and there are only 120 ventilators in the whole of Gaza) and the lack of resolving the area's underlying problems means violence could reignite.

The government's most significant security and foreign policy achievement has undoubtedly been the normalisation agreement with the United Arab Emirates, named the "Abraham Accords". Driven by converging interests regarding the threat from Iran, suspicion of Turkish regional policies, the wish to keep the US involved in the Middle East (and potentially wanting to hand President Donald Trump a foreign policy victory close to the elections), the two countries announced their intention to normalise relations. The UAE formally abolished the ban on doing business with Israeli companies, and on 31 August El Al made an inaugural flight to the UAE, taking a joint Israeli-US delegation for meetings with their Emirati counterparts. Officials discussed bilateral agreements in investment, tourism, direct flights, security, telecommunications, technology, energy, healthcare, culture, the environment, the establishment of reciprocal embassies, and other areas of mutual benefit. All sides reportedly hope a formal agreement can be signed in Washington in mid to late September.

The agreement may also facilitate the further thawing of relations between Israel and other Arab and Muslim countries. The Israeli government is confident that the agreement will pave the way for additional normalisation deals. Indeed, in late August, US Secretary of State Mike Pompeo visited Sudan, Bahrain and Oman (as well as Israel) in an effort to try and widen the circle of regional relations with Israel as part of Trump's peace plan. (for more information on the Trump plan see [BICOM Briefing | Breaking the paradigm? The Trump plan in historical perspective](#))

Despite initial optimism, significant question marks remain over whether any of these countries will follow the UAE's lead. In any event, formal relations with Saudi Arabia – which allowed El Al to fly over its airspace – will almost certainly have to wait for significant progress with the Palestinians (if not a peace treaty).

The agreement has undoubtedly further furnished Netanyahu's foreign policy achievements. Careful to keep the Defence Minister and Foreign Minister (both of Blue and White) out of the loop in order not to have to share any of the credit, Netanyahu initiated a public relations blitz to present the deal – based on what he termed 'peace for peace' or 'peace through strength' – as better than any of Israel's previous agreements, and himself as an unparalleled right-wing leader.

The accords have generally been welcomed in Israel, but domestic criticism has focused on the potential undermining of Israel's Qualitative Military Edge (QME). Nahum Barnea, a senior columnist and political commentator at *Yediot Ahronot* broke the story that Israel had given its consent (or removed its veto) on the sale of cutting-edge American weapons systems, primarily F-35 jets and sophisticated Predator and Reaper drones, that the Emiratis have been seeking to obtain for many years. Were this to be true, it would seemingly undermine the US commitment by law to maintain Israel's QME (which Congress defines as the US ensuring that Israel can defeat "any credible conventional military threat" while sustaining "minimal damage and casualties").

Netanyahu explicitly denied the story, calling it "fake news", but statements from Washington and Abu Dhabi suggest the deal will go ahead. UAE Foreign Minister Anwar Gargash said the agreement should remove "any hurdles" to acquiring the F-35s. And Trump himself said that the Emirati request was under review while Jared Kushner – one of the main players who pushed the Israel-UAE agreement – stated such a deal was now more likely.

Defence Minister and Alternate Prime Minister Gantz – who was not apprised by Netanyahu of the deal before it became public – has emphasised that “The F-35 is the most advanced plane in the world” and that its proliferation was “not good for Israel”. After meeting Kushner, Gantz emphasised his willingness to work in tandem with the American Administration to find the right avenues to ensure the preservation of Israel’s defence superiority, which he termed vital to regional stability.



Haaretz 27/8: About to give a F35 to UAE leader MBZ, Trump says “who said they wanted but didn’t yet get”.

Netanyahu’s right-wing pro-settler constituency is also incensed that the issue of annexation / applying sovereignty to parts of the West Bank is reportedly “off the table”. Netanyahu ran with a promise of “applying sovereignty in the West Bank” in the second and third election campaigns and continued to prioritise the policy after the government was sworn in. While he maintains that this issue is still very much on the agenda, both the UAE and Trump administration have publicly stated that its removal was an integral part of the normalisation agreement. Right-wing disappointment (and sense of betrayal) with Netanyahu isn’t significant in terms of eroding the general popularity of the agreement. But it could siphon off votes from the Likud to Naftali Bennett’s Yamina party if elections were to happen.

(For more on the Israel-UAE agreement see [BICOM Primer on the Israel-UAE Agreement](#) and [BICOM Podcast: A Historic Agreement between Israel and the UAE](#))

The Ongoing Economic and Health Crisis

While the normalisation agreement is undoubtedly a huge success for Netanyahu personally, the government he heads has failed in its handling of the Corona pandemic and the ensuing economic crisis.

When the government was formed, Israel was facing a serious economic crisis brought on by the coronavirus pandemic. Approximately 1 million people were out of work, and the unemployment rate stood at 27 per cent at the end of April.

Netanyahu’s caretaker government was considered to have succeeded in bringing the health crisis under control. From a peak of 765 cases a day in early April, the decision to shut the country down and enact social distancing restrictions resulted in a significant drop of the number of active COVID-19 cases. In mid-May, when the coalition government was sworn in, the number of active cases was around 10 a day and approximately 60 people were on ventilators.

Netanyahu called Israel’s coronavirus policies a ‘great success story’ and boasted that foreign leaders were calling him seeking advice on how to deal with the virus. He also fondly posted articles and graphs which suggested Israel was best in the world in its response to the pandemic.

However, while the government vowed to prioritise dealing with the COVID-19 virus and its economic consequences, the crisis has significantly worsened. By the second week of September, there were over 27,000 active COVID-19 cases, nearly 500 people in serious condition in hospital, and over 100 on ventilators. During a seven week rolling average, Israel had the largest per capita rate of cases in the world, and the country’s deaths rate has now overtaken 1,000. Unemployment remains at over 20 per cent with some 800,000 Israelis jobless.

Netanyahu has tried to ally criticism by spearheading an economic stimulus programme. The programme has distributed more than NIS 6.5bn (£1.44bn) to eligible citizens, although it was criticised by Finance Ministry officials who warned Israel about becoming Venezuela, which suffers from extremely high inflation. Moreover, there has been significant criticism from several sectors – including the self-employed, entertainment, and small businesses – who complain they

have not received the adequate compensation package they were promised.

But the government is still struggling to make and implement crucial decisions regarding lowering the COVID-19 infection rate and cutting the chain of infection, and it was also criticised for wasting time during the key months between the first and second wave. During this time, it failed to establish a sufficiently strong and effective epidemiological organisation that could test, trace and isolate new cases.

The government has also made several other mistakes in dealing with the crisis including:

The belated appointment of a Coronavirus Commissioner. In late July, four months after the pandemic first hit Israel, and following weeks of governmental infighting, Netanyahu and Minister of Health Yuli Edelstein appointed Ichilov Hospital CEO and former director general of the Ministry of Health Prof. Ronni Gamzu as the head of the new task force to combat COVID-19. The appointment came after Prof. Gabi Barbash – who was thought to be first choice for the post – declined the position due to disagreements about the powers he would have. After additional delays, the government accepted Gamzu's proposal that responsibility for severing the chain of infection was taken from the Health Ministry and given to the Defence Ministry. However, the coalition has still failed to formally agree what powers he should have (nor does he even have a letter of appointment).

Fear of upsetting some of the coalition's political base – primarily the ultra-Orthodox – has delayed the implementation of Gamzu's recommendations. The Commissioner's so-called traffic light plan has been unpopular with ultra-Orthodox members of the government and decisions to close down several 'red cities' was reversed after ultra- complaints.

The plan gives communities a colour according to three criteria: the number and rate of increase of new weekly patients per 10,000 people, the rate of infection, and the number of people who test positive out of those undergoing screening. But political infighting has made it difficult to implement. Another controversy has been whether to allow thousands of religious Jews to fly to Ukraine to pray at the tomb of a Hasidic Rabbi in Uman. Former Health Minister Yaakov Litzman, of the ultra-Orthodox UTJ party, called on Gamzu to resign for requesting the Ukrainian President prevent religious Jews arriving (it remains unclear as to whether Gamzu sent the letter unilaterally or after receiving Netanyahu's consent). The Blue and White party has backed Gamzu. But Netanyahu – likely influenced by political-coalitional considerations – has given him only lukewarm support, while other Likud MKs continue to blast the commissioner for his recommendations. The threat of a complete lockdown, which Governor of the Bank of Israel Prof. Amir Yaron estimated would cost NIS 30 billion in economic damage, continues to be discussed if the number of daily cases – currently over 3000 – remains high.



Calcalist 26/8: Netanyahu and Finance Minister Yisrael Katz throw money around under a sign saying Budget 2020



Calcalist 8/9: Netanyahu lies down in order to help the Ultra-Orthodox evade the Commissioner's traffic light plan.

Demonstrations and Netanyahu's Corruption Trial

Against the background of the government's handling of the health and economic crises is Netanyahu's corruption cases and his appearances in court. Having initially been delayed by two months due to lockdown, the Prime Minister's trial on charges of bribery, fraud and breach of trust opened in May (with masks and social distancing) in the Jerusalem District Court before being adjourned.

In a significant decision, the judges later decided that the evidentiary phase of the trial would begin to be heard in January 2021 and convene three times a week. While the Attorney General has stated Netanyahu will not be termed incapacitated, the timing of the trial and pace of evidence has reportedly worried him.

The combination between the government's failure to combat the coronavirus and Netanyahu's corruption trials have generated a wave of protests in Jerusalem, Tel Aviv, Caesarea and on bridges and highways across the country. While the Black Flag, Quality Government and 'Chozeh Chadash' [New Contract] movements had been demonstrating against Netanyahu's alleged corruption for over a year, the demonstrations received a significant boost by the government's failure to stem the tide of COVID-19. The Netanyahu family have termed the demonstrators anarchists and aliens, but thousands of people from all walks of life have joined. Half a dozen different grassroots groups have been encouraging the protests. But the vast majority are unaffiliated, fed up with what they perceive as Netanyahu's corruption, the government's response to the public health and economic crises, its detachment from the public's woes, and greater needs for social justice.

The Battle over the Budget

As the government's first 100 days drew to a close another crisis ensued over the inability to pass a budget, without which the Knesset would have been automatically dissolved and new elections called. Formally, the disagreement between Likud and Blue and White was over whether to pass a one-year budget for the rest of 2020 (Likud's position), or a two-year budget for 2020 and 2021 as stated in the coalition agreement (Blue and White's position).



Haaretz 12/8: Netanyahu tries to break up the rotation agreement while Gantz tries to hold it together

However, many believe the crisis was generated by Netanyahu who sought a way to force elections in order to prevent the implementation of the rotation agreement with Gantz in November 2021. Because the scenario of failing to pass the budget is the only issue that allows Netanyahu to enter an election campaign remaining Prime Minister, it was seen as a convenient (and perhaps final) opportunity for Netanyahu to prevent vacating his seat for Gantz.

The crisis was temporarily averted by a bill that delayed the need to agree a budget until 23 December. The so-called "Hauser compromise" (after the MK who proposed it) averted the automatic dissolution of Knesset. The postponement was intended to allow the sides to focus on fighting the coronavirus and the winter flu season, more time to agree on a budget and arrangements bill to stabilise the Israeli economy, and to form a committee for senior appointments, including the next police commissioner, state prosecutor and attorney general. In the meantime, the government will work off a month to month 1/12 of the 2019 budget, although this is unsuitable for the current crisis.

Looking Ahead: The Beginning of the End or the End of the Beginning?

While the 'Hauser compromise' averted elections for now, it did nothing to resolve any of the government's underlying policy disagreements. In this context, rather than ending the crisis, the compromise has only postponed what many believe will be the government's ultimate collapse.

Less than four months into its term, the National Unity Government is barely functioning, with mutual distrust and recriminations sky high. The weekly Cabinet meeting was cancelled for four weeks in a row and Netanyahu and Gantz do little to hide their mutual disdain. With Likud still insisting on passing a budget for just 2020, the head of the budget department in the Finance Ministry, Shaul Meridor – one of Israel's most powerful civil servants – announced his resignation on 30 August. In a letter, Meridor accused the government of "trying to change budget estimates in order to create fictitious sources (of funding) to allocate additional budgets," adding that "policy is characterised by narrow, irrelevant and short-term decision-making



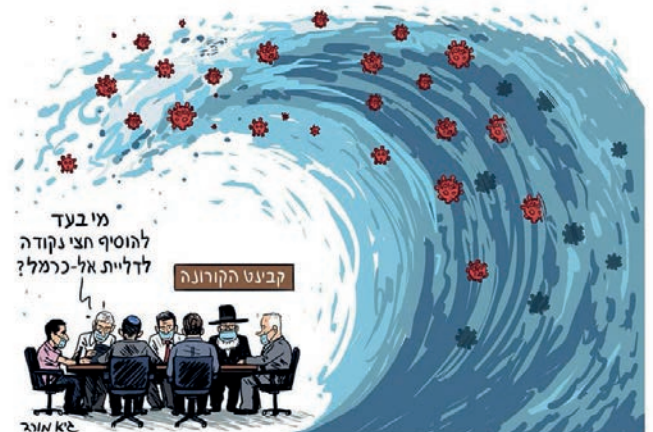
Yediot Ahronot 26/8: With Netanyahu and Gantz completely bounded together, Hauser – holding his compromise paper and a stopwatch – says '120 days...GO'

while professional staff are silenced, blatant disregard is shown toward staff work, policies are rash, and normal budgetary tools and norms are ignored."

It is difficult to envisage Likud and Blue and White agreeing on a process of appointing three key positions in law enforcement. These positions, the Police Commissioner, the State Attorney and the Attorney General will all play a major role in Netanyahu's corruption. Likud is seeking to dissolve the professional commission that recommends these high-ranking appointments and allowing the Cabinet to appoint them, a position Blue and White stringently opposes. The current Attorney General, Avichai Mandelblit, has argued that Netanyahu is barred from making police and judicial appointments due to his ongoing trial, a view the Prime Minister rejects.

As the school year and the High Holidays approach, daily COVID-19 rates are at record highs and the government has failed to seriously discuss – let alone implement – Gamzu's recommendations. Gamzu's traffic light plan includes limiting the opening and running of schools in red zones. Yet political infighting – and Netanyahu's fear of alienating the ultra-Orthodox parties – has prevented its full implementation.

Demonstrations continue and may even increase once the evidentiary stage of Netanyahu's trial begins in January. The optics of Netanyahu attending court as a defendant and the practical aspect of him spending time in court will increase questions over his and the government's abilities to function effectively. In any event, the court case will likely dominate the news agenda.



Yediot Ahronot 8/9: As the pandemic threatens to engulf the country, the Corona Cabinet debates inane points

Towards a fourth election in two years?

New elections are very possible but not inevitable. Blue and White's strategy is seemingly to insist on the fulfilment of the unity government agreement in all its particulars. The party's electoral strength has nosedived since it facilitated Netanyahu staying as Prime Minister (against its electoral promises). But while Gantz may have accepted his chance of becoming Prime Minister is slim, he sees his role as being the 'responsible adult' in the government. Netanyahu's calculus is likely directed by what gives him the best chance of political survival. The government's mishandling of the public health disaster, the high unemployment, and the perception shared by many that the budget crisis was based on politics, rather than policy, means Likud may suffer if elections take place soon.

The right-wing pro-Netanyahu bloc may be crumbling. Moreover, the so called right-wing nationalist bloc, comprised of Likud, two ultra-Orthodox parties Shas and UTJ, and Yamina – which prevented the opposition replacing Netanyahu – could come apart. Yamina, still smarting from being left out of the government, has vowed to recommend their own party leader, Naftali Bennett for Prime Minister in the next elections. And anger over limiting Jewish worshippers to Uman and full or partial closures of red cities may put Netanyahu's alliance with the ultra-Orthodox parties on shakier ground.

Ultimately, elections are a risk for Netanyahu until the economic and health crisis improve. Given these calculations, initiating an election by failing to pass the state budget in late December would be a high stakes gamble for Netanyahu. But once the lacuna in the unity agreement is closed (by passing a budget for 2021), Netanyahu may find his options of remaining Prime Minister past November 2021 as slim, especially with evidentiary part of his trial due to start in January 2021. In this context, he may believe the risk is worth the potential reward, especially as no other constellation of parties has a good chance of establishing a coalition.

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[For more information please contact:](#)

Ronie Gazit

020 7636 5500

Ronieg@bicom.org.uk