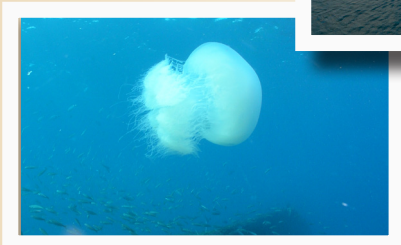
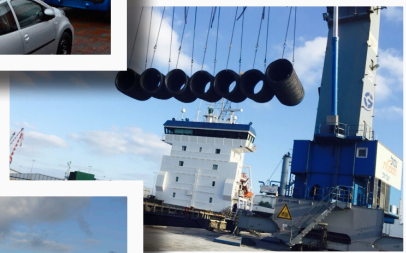
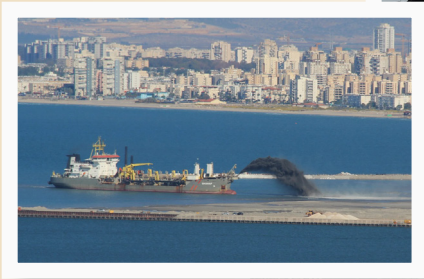


MARITIME STRATEGIC EVALUATION FOR ISRAEL 2018/19

Chief editor: Prof. Shaul Chorev

Edited and produced by: Ehud Gonen



Summary of the Strategic Evaluation and Policy Recommendations

Shaul Chorev

General Background

During the past year, the **contribution of the maritime domain** to Israel's resilience and security continued to grow. Due to the lack of an approved maritime policy and strategy, and despite the completion of the study carried out by the Planning Branch of the Ministry of Finance with respect to a maritime plan for Israel, a number of events during the past year have emphasized the need for an overall policy and strategy for the maritime domain:

- The public debate over the location of the production facility rig for the Leviathan gas field.
- The delay in completion of the Economic Waters legislation.
- The lack of a clear policy on Chinese investment in Israeli ports and the control over the operation.
- The acquisition process for navy vessels in order to protect the offshore gas infrastructure.
- The dispute over the demarcation of the maritime boundary between Israel and Lebanon against the background of the Lebanese government's intention to begin developing gas fields in its territory.
- The situation of Israeli shipping (commercial vessels and the manpower to operate them).

In the geopolitical realm, the **Eastern Mediterranean** and nearby areas continued to exhibit turbulence and instability. In the civil war in Syria, the regime continues to have the advantage as the situation approaches a conclusion and President Assad continues to maintain control. However the geopolitical outcomes of this war have created a new and more complex reality in the Middle East.

The **Iranians** continued their attempts to consolidate their presence and geopolitical influence in an area stretching from the Persian Gulf to the shores of the Mediterranean. Iran supports the Assad regime in Syria; it participated in the civil war on Russia's side; and it has exploited the situation in order to upgrade its status in the region almost to that of a regional superpower. This has been a long-time goal of the Iranians, which includes dividing the Muslim world between Sunnis and Shiites, and it is close to arriving at the shores of the Mediterranean.

In May 2018, US President Donald Trump announced his decision to cancel US participation in the nuclear agreement with Iran and to reinstate the **sanctions** that were imposed on Iran in the past. According to Trump, the nuclear agreement signed in 2015 between Iran on the one hand and the US, the EU, France, Britain, China, Russia and Germany on the other was violated by Iran, which led to the US withdrawal from the agreement. The first stage of the sanctions went into effect in May 2018 and the second in November 2018 and the US has announced that it expects Iran to return to the negotiating table.

At the summit between Erdogan, Putin and Rouhani which took place in April 2018 in Ankara, the three leaders discussed the commitment of Turkey, Russia and Iran to ensure the territorial integrity of Syria and to continue the local ceasefire. The three also discussed the issues of border security, the distribution of humanitarian aid and the formulation of a new constitution for Syria.

At the Helsinki summit which took place in July 2018 between Russian President Putin and US President Trump, Putin said that he and Trump had agreed to guarantee Israel's border with Syria according to the 1974 ceasefire agreement. The US President later added that Russia and the US are working together to ensure Israel's security. Nonetheless, this did not change the US policy to reduce its presence in the region as part of the increased priority it is giving to other regions and particularly in east Asia.

The existence of a pro-Western **Sunni coalition** led by Saudi Arabia, which is meant to check the spread of Iran and to counter Islamic terror, is being undermined by complex internal Arab relations. It does not appear that such a coalition is able to meet its objectives, not only because of the disputes among the Arab countries or because some of them are cooperating with Iran, but primarily because of the lack of confidence in American policy in the Middle East.

During the past year, there has been continuing deterioration in the relations between **Israel and Turkey**. The Turkish instruction to the Israeli ambassador to leave Turkey in May 2018, as well as the return of the Turkish ambassador to Israel back to Turkey for consultations, and against the background of protests on the border with Gaza, symbolize a new stage in the crisis between the two sides, even if economic relations remain reasonably strong. Hope had been pinned on an agreement to export gas from Israel to Turkey, which appeared to be the most logical and easiest to execute; however, it does not appear that this vision will be realized in the near future.

In **Lebanon**, Israel's northern neighbor, general elections were held in May 2018. Saudi Arabia injected a large amount of money in order to support the El Hariri camp while Iran sent funds and weapons to strengthen Hezbollah, as part of its view of Lebanon as a frontline base against Israel in a future war. According to the results of the election, the Hezbollah camp has gained in strength. Nonetheless, up until the time of writing, the efforts to form a government in Lebanon have not been successful. When a government is formed, two issues will become critical for Israel on the maritime front: Lebanon's desire to begin gas exploration in its maritime territory and the disputes regarding the demarcation of the maritime boundary between it and Israel.

Recently there were events in three **Persian Gulf states** which reflected a move toward normalization with Israel. The main event was the visit by Israeli Prime Minister Netanyahu in Oman at the end of October 2018. The Omani Foreign Minister even declared on several occasions that Israel is a Middle East country and should be accepted as such. The involvement of Qatar in the attempt to resolve the crisis in Gaza also pointed to the importance of these countries in regional diplomacy in general and in diplomatic matters related to Israel in particular.

The Southern Red Sea region and the Bab el Mandeb Strait, through which about one-third of Israel's maritime trade passes, are becoming increasingly important strategically. The region has in recent years become a dangerous area for shipping due to the increasing intensity of the civil war in Yemen and the fighting between Houthi rebels, who are supported by Iran, and Saudi forces. The conflict has led to a number of incidents in which the Houthis were involved and to the declaration by Iran, which supports the Houthis, of its possible strategic exploitation of the blockage of the straits to shipping.

In Israel's maritime domain, the Russian navy continued to maintain a presence and its foothold in Syrian ports has been consolidated. In 2017, the Russians renewed their leasing contract for the Tartus port for an additional 49 years, and they continued building infrastructures in the Russian section of the port. The Russian navy in the Eastern Mediterranean is based primarily on the Black Sea fleet and in mid-August 2018, prior to the attack of Assad's forces on the area of Idlib in northern Syrian, the Russian navy reinforced its deployment in the Eastern Mediterranean. This is essentially the largest Russian deployment in the region since Russia declared its active support for the Assad regime in 2015.

At the same time, there is a continuing reduction in **US maritime involvement in the region**, due to the preference being given to naval forces in other theaters and in particular east Asia (as part of the Pivot to Asia policy), which has led to the weakening of its status in the Mediterranean region. The deep structural crisis in the EU is influencing its global status, including in the Eastern Mediterranean.

Some of the strategic changes that are taking place in the region involve **risks to Israel** and in particular the strengthening of the Iran-Syria axis. This is leading to fear that Iranian forces will be deployed in the area of the Golan Heights, although other changes are creating **opportunities** that did not previously exist. The relations that are developing with Egypt, Saudi Arabia and the Gulf States constitute one of those opportunities, even if these countries condition the tightening of relations on finding a solution to the Palestinian problem.¹ Nonetheless, it worth mentioning that Israeli's military situation in the region remains strong and there does not appear to be any major military existential threat to it, including in the maritime domain.

This strategic evaluation is a **policy-oriented document**, rather than an academic one and accordingly we decided to summarize it in nine recommendations, most of which are directed at the political echelons and the various government ministries. All of the recommendations are on the level of the government's maritime policy.

First recommendation – Formulation of a maritime policy and strategy for Israel

A formal process should be initiated to identify the State of Israel's maritime interests and to establish a policy in all aspects of the maritime domain. It will then be possible to create a grand maritime strategy according to that policy, which will include defined objectives and ways of achieving them.

In order to strengthen awareness of the maritime domain, we presented the Center's previous annual report to Israeli President Reuven Rivlin on June 10th 2018. He welcomed the activities of the Center in deepening awareness among the Israeli public and the recognition of how important the maritime domain is to Israel's security and resilience. The President welcomed the establishment of the Maritime Policy & Strategy Research Center and encouraged its staff to continue studying the

1 In a speech given in Assiut, Egyptian President Abdel Fatah al Sisi said that "if we can solve the Palestinian issues, peace would be much warmer... I would ask that Israeli leaders allow the broadcast of this speech since this is a genuine opportunity." Walla News, May 17, 2016. <http://news.walla.co.il/item/2962078>.

maritime domain, to serve as a center of knowledge on the subject and to encourage the public discourse on these issues.

One of the positive developments during this past year was the completion of the **Policy Paper for Israel's Mediterranean Maritime Domain**² by the Planning Authority of the Ministry of Finance. It is written in the spirit of similar processes in other Western countries and therefore the document relates more to maritime spatial planning rather than maritime policy and strategy. For example, the document does not relate to the Gulf of Eilat and the Red Sea, through which about one-third of Israeli commerce passes; there is no discussion of protecting essential marine infrastructures; there is no priority given to infrastructures that will be built on artificial islands; it does not mention the strategic need for Israeli shipping capability; there is no discussion of the demarcation of Israeli maritime boundaries; and no goals or vision were formulated for the export of natural gas that can provide guidance to the next Israeli government (the 35th). The work being carried out by the National Economic Council and the staff of the Prime Minister's Office should include the formulation of a maritime policy and strategy for Israel as one of the subjects to be discussed by the next government.

Second recommendation – Securing shipping to and from Israel

Israel's geopolitical situation requires an infrastructure of commercial and military vessels to fulfill both civilian and military needs. The Israeli shipping industry is in continual economic competition with, on the one hand, the commercial fleets of countries with a long maritime tradition and on the other hand countries that allow shipping under flags of convenience. This competition has led to a deterioration in the state of Israeli shipping, from the perspective of both the number of Israeli ships and shipping manpower. Therefore, it is important to establish a minimal number of vessels (a "critical mass") for the Israeli commercial fleet that will ensure essential shipping during wartime both to and from Israel and to establish a policy for operating an essential commercial fleet and the ports during an emergency. The capabilities that are required to accomplish this should be determined and an operating plan should be formulated.

The existing infrastructure in Israel's ports for **general cargo**, which constitutes about one-half of Israel's trade, is in need of an upgrade (as was carried out for container traffic) and a designated plan should be drawn up to deal with this issue.

2 Policy Paper for Israel's Maritime Domain in the Mediterranean – in the Stage II report, first draft for comments, October, 2017.

In order to support Israeli shipping, effort should be invested in advancing legislation regarding the tonnage tax, which includes a clause that will require shipping companies to invest in the training of an Israeli officer corps.

In view of the growing cyber threat in general and the threat to Israeli shipping and ports in particular, a plan is needed for the protection of the Israeli commercial fleet and ports against cyber attack.

There is a need for long-term planning of where and when to build **future ports** which are intended to serve the State in its centennial year (2048). The Maritime Policy & Strategy Research Center considers itself to be a partner in this strategic process, which is being led by the Israel Ports Company.

Third recommendation – Examination by the defense sector of the naval buildup of power and acquisition processes

The naval buildup of power that was approved in recent years by the government is meant to compensate for the lack of Israel's strategic depth by means of a fleet of submarines and the protection of Israel's economic waters, in particular the gas facilities, by means of, among other things, the Saar 6 ships.

During the past decade, flaws and deficiencies have been found in a number of areas:

- Inefficient and unsystematic acquisition processes in the navy and the Ministry of Defense.
- Changes in the defensive envelope of the gas facilities in the Leviathan field which will move them closer to shore, which brings into question the need for ships that have are able to provide solutions far from Israel's shores.

The defense sector and the navy need to draw the relevant conclusions and to create mechanisms and processes that will prevent these situations in the future.

Fourth recommendation – Development and exploitation of offshore energy resources and protection of the environment

Under the geopolitical and market conditions that are expected to prevail in coming years, the government and the gas companies should focus effort on **developing the local and regional gas sector** rather than on searching for distant export markets.

The government should encourage the use of gas in additional sectors of the economy (agriculture, industry, transportation and residential) by means of incentives and

primarily by making it easier for users to hook up to the gas system through a scaling back of regulation.

The disappointingly small number of companies that participated in the tender for maritime exploration in 2017 is an indication that foreign companies are not particularly enthusiastic about operating in Israel in the absence of special incentives and that the exclusion of local companies from the tender significantly reduces the chances of its success.

A policy should be established that will incentivize local and foreign investors to invest in the development of gas fields and will reduce the economic risk to which the State is exposed. The guidelines of this policy should be transparent to the public. In addition, a clear policy should be taken with FDI into Israel.

The decision to move Leviathan's production facility closer to the shore and the ensuing public protest illustrated the lack of a national authority that can take into account a variety of considerations in a decision of this type. It would be worthwhile designating such a body which will facilitate a balanced analysis of the various factors that affect the development of the gas fields and the vulnerability of the infrastructure.

The Maritime Policy & Strategy Research Center carried out a study during the past year that looked at the vulnerability of the various alternatives for the maritime natural gas handling and storage facilities as a result of security threats.

In this context, the rapid technological progress in all aspects of natural gas production facilities (such FPSO ships as a substitute for the production facility) should be monitored and the new methods should be adopted if they promise greater balance between economic, strategic and environmental considerations.

The policy should be transparent to the public and should take into account the protection of the environment both on land and at sea, including heritage and archaeological sites.

It would also be worthwhile formulating an environmental policy that will protect the ecological system. This should be accomplished by means of a program that will identify the environmental factors related to offshore natural gas that need to be taken into account, including readiness for incidents and accidents that might be caused by the development and production of offshore gas.

Fifth recommendation – Development of professional manpower to deal with Israel's new maritime challenges

A program should be established for the necessary investment of public resources in the education system in order to build a professional infrastructure that can deal with the challenges and opportunities arising from the maritime domain. This program will include the areas of energy production, energy development, protection of the ecological system, including the industries that must deal with these issues, and also the establishment of a “maritime cluster for Israel” that will constitute a platform for discourse among stakeholders. These steps will contribute to, among other things, Maritime Domain Awareness, which is almost non-existent today.

Maritime education and training in Israel on various levels (high schools, training of officers for the commercial fleet and academic programs) have declined in scope and cannot meet the needs of the State of Israel as a nation that is totally dependent on seaborne trade. A program should be established to rehabilitate these capabilities.

As a first step in this direction, Haifa University opened a graduate degree program in the 2018-19 academic year, which included a minor in national security and maritime strategy studies, within the School for Maritime Sciences. The program is intended for the naval officers, government officials and gifted students who have completed an undergraduate degree in Political Science or International Relations. The program needs to be marketed among those who would benefit from it, so that the number of participants in the program will grow in the 2019-2020 academic year and will include representatives of all the institutions it is meant to serve.

Israel is recognized worldwide as the startup nation in many areas of technology. Nonetheless, entrepreneurship in maritime technology has not yet found its place and ways should be found to encourage entrepreneurship also in this domain.

Sixth recommendation – Formulation of a foreign policy in the Eastern Mediterranean and preservation of essential security interests in the region

During 2018, **Russian presence and activity** increased in the Eastern Mediterranean. Its maritime presence continued to constitute a fundamental component in Russia's efforts to consolidate its influence in the arena. The Russian presence creates new rules of the game in the entire Middle East and these have a major influence on Israel's ability to freely operate in the region.

The relations with Russia deteriorated following the downing of an IL-20 plane by Syrian anti-aircraft fire during an attack by the Israeli air force in the area of Latakia in September 2018.

The increasing Iranian influence in Syria and South Yemen, which also includes the activity of Iranian forces in the region, is a threat to Israel. The possible activity of the Iranian navy from Syrian ports or in the Southern Red Sea would constitute an even greater threat.

Israel must maintain its freedom to operate in order to counter the Iranian intention to strengthen its foothold in the region and in particular its interest in creating a maritime stronghold in Syria.

To this end, Israel must try to solidify this relationship, with the assistance of the US and Russia, which will include the use of coordination mechanisms that have been created together with Russia, with the goal of maintaining Israel's freedom to operate.

It is mentioned that the response by the Israeli Prime Minister to the Iranian threat to restrict freedom of passage in the Southern Red Sea, which was made in the summer of 2018, be backed up by an overall naval strategy, in order to deal with the issue by way of a maritime coalition of Western forces in the region or independently.

As part of the Israeli effort to achieve a long-term ceasefire with Hamas and as part of the plan for the development of Gaza and the improvement of Gaza's economic situation, a commercial port that will serve Gaza and the expansion of the fishing zone for Gazan fishermen can serve as important components. A solution of this type must of course be accompanied by appropriate security arrangements that will prevent the smuggling of weapons to the terrorist organizations in Gaza.

The Maritime Policy & Strategy Research Center feels that it is important that the port be built in Gaza itself and that one of the more attractive alternatives is an artificial island that is connected to the shore and which will meet the need for security inspections of cargo.

Seventh recommendation – Establishment of a body and a process that will examine the involvement and activity of foreign companies in Israel's ports and their effect on Israel's security

In August 2018, the Strategic Evaluation carried out by a joint working group of the Hudson Institute and the Maritime Policy & Strategy Research Center examined the **Chinese interests** in the Mediterranean and the Red Sea. The insights reached included the following:

- The Chinese initiative to build and operate ports all over the world has an economic motive but also political and military aspects that are related to the Chinese strategy of combining military and civilian infrastructures.
- Israel must define the desirable extent of China's involvement in the Israeli economy, while preserving Israel's security interests.
- There is currently no formal interministerial process for examining the national security aspects of foreign investment in the Israeli economy, beyond purely commercial interests. It is recommended that investments over a certain size and in certain sectors be examined in the aforementioned framework, which will be under the auspices of the National Security Council.

It is recommended that Israel reexamine the contract for operation of the Hamifratz Port in Haifa by a Chinese company from a national security perspective and that changes be carried out if necessary, with the goal of preventing or at least reducing the accompanying risks.

Eighth recommendation – Advancement and consolidation of the Israeli maritime law

Since the previous report, there has been progress in the advancement of the proposed Economic Waters Law, 5777 – 2017, according to the version that was approved by the Ministerial Committee for Regulation, and it was approved on First Reading by the Knesset on November 13, 2017.

At this point in time, the proposed legislation is being prepared for Second and Third Reading in the Finance Committee. There have been three professional discussions of the law's various clauses.

It is important to formalize the application of Israeli law in the coastal zones at this point in time since not passing the proposed legislation is liable to expose the country to legal claims, which will require that the Planning and Building Law, 5725 – 1965, be applied to the development of the gas fields that are outside the territorial waters. In its present form, this law is not appropriate to the character of offshore activity.

The examination of the law's clauses in the Finance Committee and their approval should be completed without delay.

An attempt should be made to reach agreement on the disputed areas of overlap with the Exclusive Economic Zones of neighboring countries (and in particular Lebanon),

including referral to arbitration processes involving a third party, according to the rules of international law.

In the absence of agreement on maritime boundaries and extra-territorial resources, the employment of mechanisms that are consistent with international law should be considered. This includes, among other things, a mechanism of express consent as a condition for the development of extraterritorial reservoirs and/or the consideration of models for prevention and/or deterrence of the theft of State resources.

The preparation of the policy document by the Planning Authority of the Ministry of Finance should be completed in the near future. It is important that the policy document be approved by the government prior to and/or in synchronization with the approval of the proposed law by the Knesset.

Professional manpower should be trained in order to deal with matters related to maritime law within international organizations.

Practices and methods that are used in the development of offshore energy infrastructures in the Western world should be adopted. This will make it possible for a democratic country to find the right balance between the exploitation of its energy resources and to use energy profits correctly in order to strengthen the economy, the education system and the protection of the ecological system.

Ninth recommendation – Integration of the Maritime Policy & Strategy Research Center within national research studies

The examination of strategic and foreign policy issues in the maritime domain requires special multidisciplinary knowledge that is not currently available in Israel.

The Maritime Policy & Strategy Research Center is, among other things, an independent multidisciplinary knowledge center for maritime strategy, in the broadest sense of the term, with emphasis on Israel and its maritime environment in the Eastern Mediterranean and the Red Sea.

Over the years, the Center has developed extensive relationships that can contribute to the international maritime strategic discourse that Israel is a part of.

This situation presents the State of Israel with the possibility of exploiting the professional and scientific knowledge that already exists at the Center and investing the resources required in order to allow its researchers to carry out high-quality applied research in relevant topics and in this way to strengthen Israel's maritime status.