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## Case Analysis

# Israeli defense spending and the Arab revolts

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The Israeli security establishment predicts that the democratic revolts across the Arab world and their potential ramifications will impose a reformulation of the Zionist state's fundamental defense and security doctrines, as well as essential changes to the structure, preparedness and mobilization plans of the Israeli military; this will require an increase in the security budget, and a restructuring of its components so that it can respond to the anticipated threats. This study examines arguments presented by the leaders of the Israeli security apparatus in order to justify increased security spending in light of the Arab revolts, as well as the possible facets this increase will take, including the evaluations of economic experts and decision-makers in Israel, and their expected ramifications on Israel's economic stability and its social strength.

### **“Peace” and Israel's economic boom**

Official Israeli figures indicate that the signing of the peace agreements with Egypt and Jordan (Camp David with Egypt, and Wadi Araba with Jordan) represented significant turning points in the Zionist entity's achievement of substantial economic progress. The diminution of security threats on the southern and eastern borders allowed Israeli decision-makers to greatly decrease defense spending, and resources that had been allotted to security were diverted towards investment in civil infrastructure and advanced technologies, as well as other sectors. This led to a huge reduction in the size of the security budget relative to the national budget and GDP.

However, one of the consequences of the 1973 war was that, in order to avoid further military failures in the future, in 1974 then-Prime Minister Golda Meir's government made the unprecedented decision to almost double defense spending, so that it reached 47% of the national budget, and 37% of GDP, in order to cover the costs of restructuring the military.<sup>1</sup> In order to emphasize the extent of change the security infrastructure has undergone since this step, it is sufficient to point out that the defense budget for 2011, which amounts to 49.4 billion shekels (approximately USD 12 billion), the largest of its kind in Israeli history in absolute terms, represents just 15.1% of the national budget, and 6% of GDP, which is 864 billion shekels (approximately USD 201 billion). This is the smallest percentage of GDP allotted to defense ever recorded in Israel's history.<sup>2</sup>

After the economic crisis that overtook Israel following the 1973 war, economic experts referred to the ten years that followed the conflict as the “lost decade”; the interest Israel paid on its debt during that period was greater than the size of its total spending on education, health, social security, housing and welfare.<sup>3</sup> In other words, the increasing strength of Israel's military following the war came at the expense of economic growth, and the state almost declared bankruptcy. This would have occurred had it not been for a sweeping economic plan enacted by the national unity government in 1985.

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<sup>1</sup> Merav Arlozarof, “The Collapse of the Security Doctrine Usually leads to Economic Collapse”, *The Marker*, 31/1/2011. <http://www.themarker.com/markets/1.599447>

<sup>2</sup> Motti Busch, “Who Reveals the True Numbers of the Security Budget”, *The Marker*, 4/12/2011. <http://www.themarker.com/news/1.624815>

<sup>3</sup> Merav Arlozarof, op.cit.

Following the signing of the Camp David agreement, the decrease in defense spending enabled Israel to funnel resources to pay the interest on its loans, and divert some of the funds towards the health, education, and housing sectors. In other words, “peace” and stability helped enable Israeli decision-makers to follow a socioeconomic policy that established the foundations of a welfare state, making Israel more attractive to Jewish immigration. This development played a large role in improving the Israeli economy, enabling Israel to absorb waves of Jewish immigration from the former Soviet Union at the end of the 1980s and the beginning of the 1990s. Economic expert Shlomo Maoz argues that it was these waves of immigration that strengthened the economy, since they brought in many qualified workers and skilled technicians, particularly in the advanced technology sector, which led to a growth in exports and rapid economic development. During this period, the percentage of skilled scientific workers leaped from 10% to 20% of the total population. This in turn played a role in increasing export revenues; the latter grew from USD 50 billion a year prior to the immigration wave, to USD 80 billion after that.<sup>4</sup> Israeli analysts suggest that the signing of the Camp David agreement paved the way for the Palestine Liberation Organization’s (PLO’s) signing of the Oslo Accords, and Jordan’s signing of the Wadi Araba pact, which made possible further increases in the pace of economic growth.<sup>5</sup>

Economic experts exclude the period of the al-Aqsa intifada from this picture, since it affected the Israeli economy negatively. In the four years of the intifada, the Israeli economy lost approximately 12 billion US dollars, and the per capita GDP declined by approximately 1800 US dollars/year.<sup>6</sup> Undoubtedly, these figures lend credibility to the conclusion that the security situation and structure has a noticeable effect on economic activity.

### **The fate of the peace treaties and defense spending:**

In this section of the study, I will lay out the strategic risks that the Arab revolts could hold, and their consequences on the level of defense spending, as estimated by analysts and the security and economic elites in Israel. The revolts occurring across the Arab world have provoked fears among the decision-makers and economic elites that the transformations resulting from these revolts will threaten the achievements Israel has attained from the peace agreements. The Israeli elites view the ongoing events in the Arab world as a threat to the Camp David agreement, which allowed the Zionist entity to decrease its defense spending and increase its investment in civilian sectors that promote development and keep away the ghost of economic stagnation.

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<sup>4</sup> Tani Goldstein, “Had it not been for the Russians, We would have been Twenty Years Behind”, *Ynet*, 5/12/2010. <http://www.ynet.co.il/articles/0,7340,L-3842545,00.html>

<sup>5</sup> For example, see, Omer Gendler, “The Security Budget will Increase, and Israel’s Relations to the United States will be Strengthened”, personal blog, 28/2/2011. <http://omergendler.blogspot.com/2011/02/defense-budget-will-increase.html>

<sup>6</sup> Samuel Iven, “Security Expenditures in “Israel”: Givens and Implications”, translated by the Zaytouna Center for Studies and Consulting from the Israeli National Security Research Center, 5/6/2010. <http://www.alzaytouna.net/arabic/?c=201&a=114136>

Oded Eran, chair of Israel's National Security Research Center, believes that between the signing of Camp David in 1979, and the outbreak of protests demanding change in Tahrir Square on January 25, 2011, there were absolutely no doubts about Egypt's commitment to the accord. Eran states that repeatedly surprised when the Egyptian regime continued to adhere to Camp David despite Israel's bombing of the Iraqi nuclear facilities in 1981, its invasion of Lebanon in 1982, the outbreak of two intifadas in Palestine, the second war on Lebanon in 2006, and the war on Gaza in 2008. In fact, instead of genuinely protesting Israel's behavior, Egypt worked hard to pacify Arab states when Israeli practices provoked anger across the region.<sup>7</sup> Eran would not be surprised if Egypt reneged on the Camp David agreement now, basing his conclusion on the results of a public opinion poll conducted by the Pew Research Center that showed that 54% of the Egyptian population consider the annulment of the Camp David agreement as necessary, versus 36% who consider its maintenance as essential.<sup>8</sup>

Dan Eldar, who has previously held leadership positions in the Mossad and who currently works as a lecturer in Middle Eastern Studies at Tel Aviv University, reaches the same conclusion as Eran, indicating that the removal of Mubarak's regime will allow the expression of a deeply rooted enmity towards Israel that lurks in the Egyptian unconscious. He believes that the Islamists' integration into Egyptian political life will lead to their alliance with the military leadership, predicting that such an alliance will hasten the demise of the Camp David alliance.<sup>9</sup> The Orientalist scholar Alexander Belli believes that the next Egyptian regime will refrain from cancelling the Camp David agreement in order to avoid losing international legitimacy, but that it will work to weaken it until the responsibility for cancelling it falls upon Israel.<sup>10</sup>

Due to these fears, the Israeli military elite and a number of economic experts and influential businessmen believe that the threats that could be brought forth by the Arab revolts will impose radical changes on the size and structure of the defense budget, in addition to a radical restructuring of the Israeli priority ladder. This has been clearly expressed by Benny Gantz, the Israeli military's chief of general staff, who said that the changes that are occurring in the Arab world demand the allocation of extra resources to the military, arguing that these transformations had increased the levels and dimensions of threats on all the front lines.<sup>11</sup> Similarly, the former head of Israeli military intelligence, Amos Yadlin, has called for an

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<sup>7</sup> Eran Oded, Egypt-Israel-United States: Problems on the Horizon? *INSS Insight*, No. 255, May 15, 2011. <http://www.inss.org.il/publications.php?cat=21&incat=&read=5159>

<sup>8</sup> Ibid.

<sup>9</sup> Dan Eldar, "A Dark Prophecy", *Haaretz*, 2/20/2011.

<http://www.haaretz.co.il/hasite/spages/1216241.html>

<sup>10</sup> Saleh Naami, "Israel to lose important maritime passages following Arab revolutions", *Al-Ahram*, 8-4-2011.

<http://english.ahram.org.eg/NewsContent/2/8/10309/World/Region/Israel-to-lose-important-maritime-passages-followi.aspx>

<sup>11</sup> Tomer Avital, "Gantz: The Military Budget must be Expanded", *Calcalist*, 31/5/2011.

<http://www.calcalist.co.il/local/articles/0,7340,L-3519547,00.html>



“upsurge” in the security budget that must occur if the dire prophecies about the collapse of Camp David prove true. He believes that Israel now must prepare to defend itself against Egypt, with all that entails regarding a radical expansion and restructuring of the Israeli military, necessitating a considerable increase in the size of the defense budget.<sup>12</sup>

Israeli Defense Minister Ehud Barak agrees that the changes in Egypt represent a true danger to the Camp David agreement, expecting that post-revolutionary Egyptian parties will compete to show animosity towards Israel and the United States. Barak believes that this scenario will entail a radical increase in defense spending; he also predicts that Israel will not be able to meet these security costs alone, and should ask the United States to pay an extra USD 20 billion as a contribution to help Israel cope with the consequences of the Arab revolts for its national security. Barak also has advised the Americans that such an investment would bring positive returns for the United States, “because ensuring Israel’s superiority is one of the factors of stability in an unstable region”.<sup>13</sup> Although Israeli’s business and economic establishments traditionally reject the formulations the security elite uses to justify increased defense spending, some view the current transformations in the Arab world as justification for radical changes to this budget. Uri Galai, CEO of the Sigma-PCM investment group, believes that the size of the Israeli defense budget in the past three decades has fundamentally relied on the state of calm on Israel’s borders with Egypt, Jordan and Syria, which will not continue. For this reason, Galai expects that the increasing security costs will lead the Israeli government to ransack the various civilian ministries of their financial resources, siphoning the funds off to the Defense Ministry.<sup>14</sup> Michel Strawczynski, deputy director at the Bank of Israel’s Research Department, also expects that the defense budget will be increased due to ongoing changes in the Arab world.<sup>15</sup>

The Israelis’ starting point is an assumption that the success of the Egyptian Revolution could lead to essential changes in the Arab world that represent security challenges with concomitant and exorbitant economic costs. There are doubts over Jordan’s commitment to the Wadi Araba agreement in light of its rejection by Jordanian public opinion, and Israelis also expect a tsunami in the wake of the Palestinian Authority’s attempt to seek United Nations acknowledgement of a Palestinian state; they are also concerned over the repercussions of the murky situation in Syria. Danny Rothschild, head of the Institute for Policy and Strategy at the Hertzliya Center and former director of research for Israeli military

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<sup>12</sup> Boaz Fyler, “Yadlin: The army could radically change due to events in Egypt”, *Ynet*, 9/2/2011.

<http://www.ynet.co.il/articles/0,7340,L-4026362,00.html>

<sup>13</sup> “Ehud Barak: Israel is Studying whether to demand 20 billion US dollars to increase its security budget”. *The Marker*, 8/3/2011.

<http://www.themarker.com/misc/1.605082>

<sup>14</sup> Uri Galai, “Weekly Roundup and Recommendations on Major Issues”, *Sigma Group website*, 13/2/2011.

[http://www.sigma-pcm.co.il/reviews\\_and\\_articles/article10](http://www.sigma-pcm.co.il/reviews_and_articles/article10)

<sup>15</sup> Jay Kocovic, “Changes in Political Geography will Affect the State Budget”, *Globes*, 31/1/2011.

<http://www.globes.co.il/news/article.aspx?QUID=1055,U1307975930188&did=1000650036>

intelligence, believes that the threat posed by the Arab revolts has been magnified by the fact they have broken out at a time when negotiations with the Palestinians have broken down.<sup>16</sup>

Those demanding an increase in the defense budget justify this by saying that security expenditure represents, in fact, a strategic investment in economic activity; this spending will be mobilized in a manner that aims to limit dangers to security that would affect the economy. From the above, it is clear that the dominant trend in Israeli analysis regards the Arab revolts as heralding a change in Israel's strategic environment in general, which will require vast security measures that, in turn, necessitate an increase in defense spending.

### **The “1973 Syndrome” obsession:**

Analysts in Israel believe that the consequences of the democratic revolts in the Arab world will not only force increases in defense spending, but also affect growth rates and cause economic stagnation, which will translate into a major decline in Israeli GDP. This suggests that if defense spending's portion of GDP and the state's budget is doubled - i.e. if these expectations turn out to be true – Israel will be threatened with a return to the same conditions prevailing after the 1973 war, with all that that entails regarding transforming growth into stagnation, as well as ballooning inflation.<sup>17</sup>

Zvi Lavi [, the economics commentator of the daily *Yedioth Ahronoth*, believes that the expected increase in defense spending brought on by the changes in the Arab world will lead Israel to implement a policy of economic austerity, based on the dominant principle in Israel which states that between security immunity and social immunity, one must unhesitatingly choose the former.<sup>18</sup> One of the visible signs of this austerity is the fact that there has been a retreat from the tendency that had dominated prior to the breakout of the Arab revolts, which was to decrease taxes. Now, he expects that Israel will actually resort to imposing new taxes in order to meet security needs. Lavi expects that this increased defense spending will lead to a considerable shrinking of the surplus in annual income, which is usually used to fund social security projects, particularly for lower-income groups.

There are indications that some of the aforementioned concerns have started to come true. When the Arab revolts broke out, several members of the Knesset were demanding that the price of fuel be lowered, and discussions of the subject were held in the legislature, specifically in the Finance Committee. However, following the Egyptian Revolution, repeated explosions along the pipeline that transfers gas from Egypt to Israel, and calls within Egypt to raise the price of that gas, the fuel issue was no longer brought up, and the Israelis became preoccupied with investing in research into self-sufficient energy sources.<sup>19</sup>

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<sup>16</sup> On the *Malaf* website, from *Yedioth Ahronoth* newspaper.

[http://www.malaf.info/print.php?page=show\\_details&Id=4141&table=documents&CatId=45](http://www.malaf.info/print.php?page=show_details&Id=4141&table=documents&CatId=45)

<sup>17</sup> See *The Marker*.

[www.themarker.com/markets/1.599447](http://www.themarker.com/markets/1.599447)

<sup>18</sup> Zvi Lavi [, “The Defense Budget will be reevaluated, Ynet, 1/30/2011.

<http://www.ynet.co.il/articles/0,7340,L-4020853,00.html>

<sup>19</sup> Ibid.



What worries the Israeli political and economic elites even more is the effect that the Arab revolts may have on limiting Israel's external trade. Some 98% of this activity is transported by sea, and a third of Israeli imports and exports are shipped eastward via the Red Sea, i.e., via the Suez Canal.<sup>20</sup> Israeli Prime Minister Binyamin Netanyahu is not only concerned about the closure of Suez to Israeli merchant ships, but also worried that the Egyptians will shut the Straits of Tiran and threaten navigation via the port of Eilat, which would tighten the stranglehold on Israel.<sup>21</sup> As a reminder of how valuable the region is, it should be noted that Israel considered the shutdown of the straits a sufficient provocation for the wars of 1956 and 1967. Israeli Orientalist scholar Alexander Belli takes this point even further, painting a grim picture of Israel's external trade situation in the wake of the Arab revolts. He claims that all of the sea ports crucial to Israel's external trade are threatened, arguing that the matter is not confined to the Suez Canal alone, but may extend also to the Bab al-Mandab, which connects the Red Sea to the Indian Ocean; the Straits of Hormuz, which link the Gulf to the Indian Ocean; and even the Bosphorus, which connects the Mediterranean Sea to the Black Sea.<sup>22</sup> According to Belli's logic, in the crisis currently unfolding in Yemen will lead to the ascent to power of an anti-Western government, or to a descent towards absolute chaos, and either scenario would threaten marine navigation, in particular Israeli navigation. He also points out that Hormuz is at the mercy of Iran, while freedom of navigation through the Bosphorus can no longer be guaranteed since the rise of "Erdoganism" in Turkey, which oversees the strait. Belli writes that Israeli decision-makers must draw up a back-up plan to maintain fuel supplies through other ports, or seriously consider increasing investment in searching for petroleum within Israel and offshore.<sup>23</sup>

From the foregoing, it is apparent that there are genuine concerns among Israeli experts that the Arab revolts could create a new strategic environment that would return the Israeli economy to the same situation it found itself in after the 1973 war, which in Israel is described as the "1973 Syndrome".

### **The risk of economic doldrums**

One of the most significant pre-emptive measures that Israeli security experts advocate in light of the ongoing changes in Egypt is the revival of the southern front and an increase in ground troops in order to absorb the security burdens that could result from the new situation.<sup>24</sup> However, if this scenario does come true, it will not only severely increase the defense budget, but will also contribute in the medium and long terms to damaging the civilian facilities, which would be another contributor to a notable decline in local GDP. In light of the increased demographic weight of the Haredi religious sect, whose followers

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<sup>20</sup> *al-Quds al-Arabi*, quoting *Maariv*.

<http://www.alquds.co.uk/index.asp?fname=today\01qpt940.htm&arc=data\2011\02\02-01\01qpt940.htm>

<sup>21</sup> *al-Quds al-Arabi*, quoting *Haaretz*.

<http://www.alquds.co.uk/index.asp?fname=today\02qpt942.htm&arc=data\2011\02\02-02\02qpt942.htm>

<sup>22</sup> Saleh Naami, *Ibid*.

<sup>23</sup> *Ibid*.

<sup>24</sup> *al-Quds al-Arabi*, quoting *Haaretz*.

<http://www.alquds.co.uk/index.asp?fname=today%5C02qpt942.htm&arc=data%5C2011%5C02%5C02-02%5C02qpt942.htm>

are exempt from military service, the weight of military service borne by secularists and religious Zionists will continue to grow. But official figures show a large decrease over the past decade in secular youths' willingness to volunteer for the military units that are relied upon to fight battles and wars. According to a study carried out by Israeli researcher Yoram Beiri, secular youth are now more interested in developing and pioneering social projects instead of taking the pathway of military service, and they now aim for personal success and avoid volunteering for combat units, or choosing the military as a personal career.<sup>25</sup> This will obviously lead to an extension of the scope of military service for officers and soldiers in the reserves, who end up undertaking 70% of combat efforts. If reserve officers and troops work at and/or run the ports, the effectiveness of these facilities will be reduced, which will have a negative effect on GDP.

### **Interfering with welfare policy:**

Israel has exerted considerable effort to create welfare policies that are based on providing a wide range of social services across all social classes, assuming that such policies help to attract Jewish immigration, and to limit reverse migration. Fiscal year 2010 ended with an 11 billion shekel budget surplus, most of which was used to shore up the welfare services budget.<sup>26</sup> One of the foundations of welfare policy is an increase in all facets of civilian spending (health, education, housing, etc.) to the detriment of military spending. Thus, the figures show that between the mid-1980s and 2010, civilian expenditures accounted for 40% of the budget, while security expenditures were just 14%.<sup>27</sup> Obviously, if defense spending grows, it will be at the cost of civilian spending, which presumably means that those in charge of the development of Israel's political economy will find themselves forced to constrict social security measures, which in turn could affect Israel's viability as an attractive environment for immigration, and increase reverse migration. That in itself is a violation of one of the most crucial founding principles of Zionist ideology, which is to actively try to attract more Jews to historical Palestine.

### **Increased ties with the United States**

Some Israeli analysts warn that an increase in defense spending in light of the Arab revolts will lead to increased ties between Israel and the United States, which could negatively affect Israel's political autonomy.

Strategic affairs scholar Omer Gendler argues that Israel cannot substantially increase its security budget without external help, particularly in light of the global financial crisis. Israel's ability to mobilize financial backing is extremely limited, meaning that the only option left before it will be to resort to the United States, and ask it to substantially increase its military aid.<sup>28</sup> Gendler warns that additional demands for US aid will increase Israeli dependence on the United States, limiting the margin of political

<sup>25</sup> Yoram Beiri, "The new Israeli military elite: Why is it important to understand the military elite?", *Israeli Affairs*, vol 7 (28), 2007. 57.

<sup>26</sup> Zvi Lavi, op.cit.

<sup>27</sup> Merav Arlozarof, op.cit.

<sup>28</sup> Omer Gendler, "The Security Budget will Increase, and Israel's Relations to the United States will be Strengthened", *Omer Gendler personal blog*, 28/2/2011.

<http://omergendler.blogspot.com/2011/02/defense-budget-will-increase.html>

maneuverability for Israel's ruling elite, which is one of the reasons that Israel has sought to minimize this to a great extent over the past years. Gendler also specifies that the implications of this situation will be harsher if there is a sitting US president who is critical of Israeli government policies, as is the case with President Barack Obama. He warns that as Israel's dependence on the United States is increasing, the latter's esteem in the Arab world is tumbling, since Arabs view it as having provided aid to repressive, dictatorial regimes. Thus, he believes that there is a potential for the United States to actually increase pressure on Israel in order to regain its standing in the Arab world.<sup>29</sup> Gendler also points out that an increase in military aid to Israel will simultaneously lead to economic dangers, arguing that since this aid is usually tied to Israeli pledges to buy American military exports, even at the expense of Israeli military products, this could render the Israeli defense industry unable to compete, or to make profits.

Some Israeli analysts believe that an increase in security expenditure will make Israel a burden on the West, and on the United States in particular, which contradicts Netanyahu's assertion that the transformations in the Arab world will force the West to support Israel financially since it represents "an oasis of democracy and stability in an unstable region", and performs a strategic service for the United States and the West. However, military commentator Ron Ben Yishai comes to the completely opposite conclusion, arguing that the Arab revolts will reveal how much of a burden, rather than a strategic reserve, Israel is for the West, which could lead to a decline in Western, particularly American, commitment to supporting Israel financially.<sup>30</sup>

#### Another point of view:

The ongoing internal debate in Israel demonstrates that there is no consensus over whether there is an urgent need to increase the defense budget in light of the Arab revolts. Some analysts believe that objective circumstances commit Egypt in particular to maintain its commitment to its peace accords with Israel, regardless of the nature or ideological beliefs of the next Egyptian regime, due to Egyptian economic considerations. Research Yitzhak Gal of the Dayan Center for Middle Eastern and African Studies argues that most of Egypt's oil and gas fields are near Israel, which means that a deterioration of relations between the two sides towards military confrontation would imperil Egypt's energy resources, including its petroleum and natural gas, whose production accounts for approximately 50% of its export revenue (USD 25 billion), which the government can use to subsidize basic goods consumed by the Egyptian people.<sup>31</sup> Gal also points out the proximity of the Suez Canal and Egypt's tourist ports (which contribute approximately 35-40% of Egypt's annual revenue) to Israel, makes Egypt unwilling to worsen its relations with Israel and thereby risk putting these assets in danger.

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<sup>29</sup> Ibid.

<sup>30</sup> Ron Ben Yishai, "Give us gas, and don't ignite a fire: Us and the Revolution", *Ynet*, 23/3/2011. <http://www.ynet.co.il/articles/0,7340,L-4032373,00.html>

<sup>31</sup> Yitzhak Gal, "Egypt's Economic Benefit lies in a stable relation with Israel", *Tsumit Hamizrah Hatikhun*, Dayan Center for Middle Eastern and African Studies, vol. 1, issue 3, March 2011.

Others believe that the internal situation will keep the next Egyptian regime from prioritizing a confrontation with Israel. David Brodet, chairman of the board of directors at Leumi Bank and former budget director of the Finance Ministry, believes there is no need to increase the defense budget due to the situation in Egypt, arguing that the new rulers of Egypt will be primarily preoccupied with meeting the economic needs of the Egyptian people, and that they will not be concerned with a military confrontation with Israel; he warns that an increase in military expenditures might tilt the region towards an arms race.<sup>32</sup>

### Conclusion

Despite reservations by business leaders and some experts over the general tendency to increase the defense budget, and although it is far too early to judge the effects of the Arab revolutions on Israel, it is possible to say that the general confusion and doubt brought forth by the revolts will lead Israel to take major security measures that will bleed its treasury dry. Therefore, Israel will try to rely on additional US aid in order to cover its costs quickly, so that its increased security expenses will not affect the social welfare policies that provide a favorable quality of life for Israelis. But if the dire prognostications about the possible consequences of the Arab revolts do come true, and the southern, northern and eastern borders become front lines, defense spending will be so great that even additional US aid will not be enough to cover it. At this point, the increased cost of security will lead to:

1. Cutbacks in public services and a violation of the tenets of the welfare state, meaning a decrease in social security allocations.
2. Using the state's material and human resources in the service of security demands, which will paralyze the economy.
3. A decline in growth rates and increased economic stagnation.
4. A decline in GDP.
5. A decline in Israel's attractiveness as a place for Jewish immigration, and an increase in reverse migration.

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<sup>32</sup> Tomer Zelzer, "Brodet on the Egyptian Crisis: A Security Budget Increase will lead to an Arms Race", *Calcalist*, 2/1/2011.

<http://www.calcalist.co.il/local/articles/0,7340,L-3504205,00.htm>