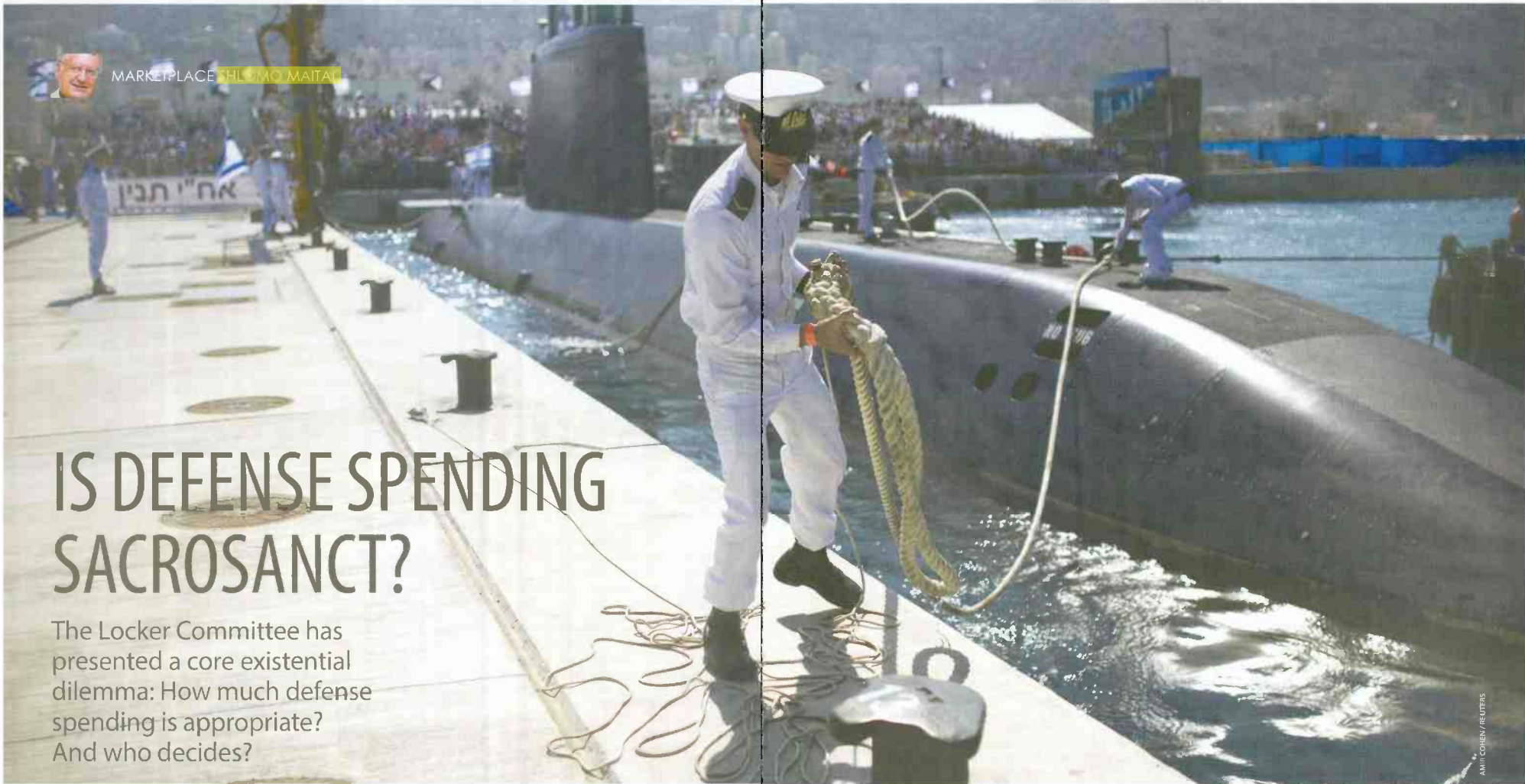


27.01x30.45	1/3	38 עמוד	the jerusalem report	05/08/2015	49092266-8
שמואל נאמן מוסד למחקר מדיניות לאומית בטכניון - 85300					

The price of deterrence: The INS Tanin, a Dolphin class Israel Navy submarine, reportedly costs well over half a billion US dollars



## IS DEFENSE SPENDING SACROSANCT?

The Locker Committee has presented a core existential dilemma: How much defense spending is appropriate? And who decides?

**IF SOMETHING** is sacrosanct, it means it is too important to be changed or interfered with. In my view, that word currently fits Israel's defense budget to a T. But change may be on the way.

In May 2014, Prime Minister Netanyahu appointed a high-level committee, chaired by Maj.-Gen. (res.) Yohanan Locker, to "examine the desirable size of the defense budget in light of the needs of the economy and

society." The committee has now presented its report.

Some 80 pages of the 110-page report are open to the public; the rest is classified. The furious reactions of Defense Minister Moshe Ya'alon and high-ranking IDF officers have been to state, in effect, that defense spending is sacrosanct.

The Locker Committee has given the people of Israel and its leaders a golden oppor-

tunity to debate a core existential dilemma: How much defense spending is appropriate? And who decides?

The results of this debate will affect Israel's future far more than Iran's nuclear program or the brutal beheadings by Islamic State fanatics. It will determine for years to come whether defense spending is indeed sacrosanct or under democratic control by an elected government.

This is not the first such report. Previous committees (Malka, Braverman, Ben-Bassat, Goren, and Tishler) have studied part or all of the defense budget process. But very little has been done or changed.

So what are the key recommendations of the Locker Report?

- For the next five years, 2016 and beyond, the defense budget will be held constant (adjusted for inflation) at NIS 59 billion (\$15.5

billion), with no emergency supplements. (The Finance Ministry proposed NIS 54 b. for 2016; the Defense Ministry wants at least NIS 62 b.)

- There should be a major cut in military manpower and a 14 percent reduction in defense spending on wages by 2017 to create a lean, mean IDF.

- Monthly "bridge" pension payments to career soldiers (from the time they leave the

18.34x23.33	2/3	40 עמוד	the jerusalem report	05/08/2015	49092272-5
85300 - נאמן מוסד למחקר חדיניות לאומית בטכניון					

army until the time they draw their pension at age 67) will be ended for all except career combat soldiers and officers. This will be replaced by a single generous severance payment.

- By 2020, both men and women will do compulsory service of two years (service for men was recently reduced to 32 months from three years and is two years for women).

- There will be full transparency in the Defense Ministry's reporting to the Prime Minister's Office, the National Security Council and Finance Ministry. In bold face, the Locker Report states: "The Committee attaches enormous importance to this recommendation."

Most of the panel's recommendations are seemingly mild. Yet Ya'alon said, "The report is superficial, detached from reality and unbalanced. If implemented, it will be gambling with the security of Israel's citizens." He then refused to join a meeting with Locker and Netanyahu, saying he would not meet with "clerks." Defense Ministry Director General Maj.-Gen. (res.) Dan Harel said, "Implementing the Locker Report is impossible and will destroy the IDF."

If nothing else, the Locker Report will hopefully trigger a full-scale, open debate, not just in the Cabinet and Knesset but throughout Israeli society about the crucial trade-offs between defense spending and the civilian economy.

Here are some of the pros and cons:

*Pro:* Does anyone recall the cautionary tale of the demise of the USSR? As its leaders diverted scarce resources to the defense budget during the 1980s to keep pace with America, the Soviet economy slowly disintegrated and collapsed

Israel's defense budget must undergo major structural reforms. At present, it is excessive, wasteful, undemocratic, out of control and unsustainable. Parts of it are black boxes, lacking transparency even for Finance Ministry officials. The defense budget is almost a fifth of government spending, proportionally far more than in Arab or Western countries. About half of it goes to salaries.

And among all the government ministries, defense is super-privileged. In 15 of the past 20 years, the defense budget has gotten an emergency annual supplement, sometimes substantial, including every year since 2008. No other ministry has such privileges. The Defense Ministry never misses an opportunity to leverage a crisis for more

money and in the unstable Mideast there are always crises.

*Con:* Comparing Israel's defense spending with that of Germany or even the United States is ridiculous. Israel is not Switzerland. On Israel's borders – Sinai, Syria, Lebanon, Iran – dangers lurk. Do we need to remind people that a costly 50-day war was fought with Hamas in Gaza last July and August? Islamic State fanatics behead fellow Muslims in Iraq and Syria and announce openly, "Israel is next." Should we believe them? Indeed we should.

## ISRAEL'S DEFENSE BUDGET MUST UNDERGO MAJOR STRUCTURAL REFORMS; IT IS EXCESSIVE, WASTEFUL, UNDEMOCRATIC, OUT OF CONTROL AND UNSUSTAINABLE

*Pro:* At present, all ministries are operating under the 2014 budget, spending 1/12 of the annual 2014 allocation, because the 2015 elections were called before a new budget was passed. But in addition to the NIS 51.2 b. approved by the Knesset for 2014, Defense got a NIS 9 b. supplement, granted by a rubber-stamp "exceptions committee."

Defense spending is now running at an annual rate of NIS 63 b. and so far this year is up by 9 percent over the same period last year. It is out of control.

Take, for instance, pensions for IDF veterans. Spending on pensions for IDF and Defense Ministry retirees, NIS 4 b. in 2011, will be close to double in 2015-16. This cannot be sustained. The Locker proposals offer a reasonable remedy.

*Con:* The data prove that defense spending as a proportion of Gross Domestic Product has actually declined sharply, from 6.3 percent in 2010 to only 5.2 percent in 2014. It is surely not excessive for a small country with eight million people, in a really bad neighborhood, to spend one dollar of every 20 GDP dollars on defending itself.

*Pro:* The government and Finance Minis-

try are grappling with a huge hole in Israel's fiscal pocket. Unless there are spending cuts, or tax hikes, the budget deficit will reach more than three percent of Gross Domestic Product. Need we mention "Greece"?

Bank of Israel Governor Karnit Flug stated clearly last April, "If the defense budget has to be increased, the government will be faced with a tough choice between increasing tax revenues and an additional cut in public services." It is plain and simple: Guns? Or education? Never mind the butter.

*Con:* There are 49 countries in the world with a Muslim majority, and some 1.2-1.5 billion Muslims in the world. Not all are bitterly hostile to Israel, but many are. It is irresponsible for Israel to lower its guard in the face of these existential threats.

*Pro:* There is much more at stake here than defense spending. It is Israel's democracy itself that is at risk.

On December 7, 1952, prime minister David Ben-Gurion called the 36-year-old IDF chief of staff Yigael Yadin in to his office – and fired him. The official account says Yadin resigned. But, in truth, he was fired. Why? Yadin was a brilliant military leader and war hero. He had built the IDF with very little resources for three years.

But he dared to criticize Ben-Gurion's plan to cut defense spending. And remember, Israel was then a very small, weak country with frequent *fedayeen* attacks along the Egyptian border. Ben-Gurion insisted that there should be unequivocal civilian control over the IDF and its budget. Recall, too, how Ben-Gurion disbanded the Palmach, the elite frontline force of the Hagana, lest its influence become too powerful.

Netanyahu should emulate Ben-Gurion and reprimand Ya'alon strongly. It is unacceptable for a cabinet minister to refuse to join a crucial meeting at the invitation of the prime minister.

*Con:* Put yourself in Ya'alon's shoes. He has served as IDF Chief of Staff. With several intelligence bodies reporting to him daily, he knows a great deal more than any of us about the threats Israel faces, more than he can tell. He does not want to degrade Israel's ability to defend itself on his watch. His response to Locker is, therefore, understandable, if extreme. He is first and foremost a military leader, not a slick-tongued politician. Would you want it otherwise?

*Pro:* Locker, contrary to Ya'alon's put-down, is far from a "clerk." Nor are his



19.11x23.32	3/3	41	עמוד	the jerusalem report	05/08/2015	49092281-5
שמואל נאמן מוסד למחקר מדיניות לאומית בטכניון - 85300						

committee members. Locker served with distinction for two years as Netanyahu's chief military adviser. He was the first navigator in Israeli Air Force history to head a squadron. His committee members include a former Finance Ministry director general, Prof. Ben-Zion Zilberfarb; another Maj.-Gen. (res.), Ami Shafran, a technology geek who headed the Defense Ministry's R&D division; the head of Ben-Gurion University Prof. Rivka Carmi; and the former CEO of Israel's leading defense contractor Elbit, Yosef Ackerman.

The Locker Report hints that instead of the massive Defense Ministry acting to "supervise and control the IDF, in all its activities," it has instead become the IDF's lobbyist and all-out advocate. This must change. There is vast duplication, the report notes, between many functions of the Defense Department and the IDF.

Decades ago, in January 1961, US president Dwight D. Eisenhower in his farewell television address warned against America's powerful military-industrial complex. What he said then applies to Israel today, as well.

*Com:* Defense Ministry officials claim rightly that they were not sufficiently consulted by the Locker Committee. Their experts were called to testify on just a few occasions during the past year.

The defense budget cannot do a striptease. It contains far too much information that would benefit Israel's enemies, who in any event are watching and gathering data. Revealing a five-year defense budget plan would disclose far too much information about what the IDF is planning strategically, as it builds its capabilities to match those of its foes.

*Pro:* Defense spending crowds out crucial civilian spending on things like higher education, on which Israel's future depends. The Finance Ministry has announced plans to cut NIS 263 m. (\$70 m.) from the 2015-16 higher-education budget and to cut NIS 720 m. from the Education Ministry budget. The deep cut in investment in universities is the second consecutive such reduction, after 175 m. shekels were trimmed from the budget last year. The entire higher education budget was only 9.2 b. shekels this year. This is barely the rounding error in the defense budget.

As the head of the university presidents' committee Prof. Peretz Lavie commented, "Countries are evaluated by the power of



Maj.-Gen. (res.) Yohanan Locker, who chaired the committee that examined the defense budget, served with distinction for two years as Prime Minister Netanyahu's chief military adviser

their higher education." While Israel and the world fixates on Iran's nuclear capabilities, Iran has been gaining ground on Israel in the quality of its universities; it is believed that there are nearly four million university students enrolled in Iran, or half of Israel's population.

The Finance Ministry, struggling to control the budget deficit, proposes that defense spending be no more than NIS 54 b. in 2015-16. The Defense Ministry wants at least NIS 62 b. The Locker Committee recommendation of NIS 59 b. for five years is roughly halfway between the two. It makes sense. In light of these numbers, the hysterical reaction of Ya'alon is hard to fathom.

*Com:* Have you been in a shopping mall lately? Did you observe young and old buying stuff they don't really need, filling closets with things that bring happiness for a few milliseconds, if that? Do people understand that to preserve our consumer society against those who would destroy us, it is necessary to invest heavily in our national security? Faced with a choice between more stuffed closets or, say, a few more batteries of anti-rocket missiles, which is more rational?

A delicate political dance has begun. Finance Minister Moshe Kahlon must fight to control the budget deficit, swollen

by Netanyahu's coalition promises. He is bound by coalition promises totaling NIS 8 b. in additional spending, mostly for the ultra-Orthodox, and has sworn not to raise taxes. He supports the Locker recommendations, but does not want to alienate the Defense Ministry.

Meanwhile, Netanyahu's 61-59 Knesset majority hangs by a thread and can be sabotaged by one or two recalcitrant coalition MKs. So far, Netanyahu has failed several times to convene a cabinet meeting that will approve the 2015 budget. And time is running out. Unless a budget is passed soon, the law says new elections must be called – elections nobody really wants.

Will Netanyahu emulate David Ben-Gurion and take on the IDF and Defense Ministry? Or will he buckle, leaving things more or less intolerable as they are, while skating toward dangerously large budget deficits?

A public debate has begun on whether the Locker Committee recommendations make sense and should be adopted. I hope that in this crucial issue, the people of Israel and their leaders will be the victors and decide that, no, defense is not sacrosanct. ■

*The writer is senior research fellow at the S. Neaman Institute, Technion and blogs at [www.tinnovate.wordpress.com](http://www.tinnovate.wordpress.com)*