

Netanyahu Scandals Reflect Corruption at the Heart of Israeli Society

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Israeli prime minister Benjamin Netanyahu is in danger of being brought down, possibly soon, over what initially appears to be little more than an imprudent taste for Cuban cigars and pink champagne.

In truth, however, the allegations ensnaring Netanyahu reveal far more than his personal flaws or an infatuation with the high life. They shine a rare light on the corrupt nexus between Israel's business, political and media worlds, compounded by the perverse influence of overseas Jewish money.

Of the two police investigations Netanyahu faces (there are [more in the wings](#)), the one known as Case 1000, concerning gifts from businessmen worth hundreds of thousands of dollars, is most likely to lead to his downfall.

But it is the second investigation, Case 2000, and the still-murky relationship between the two cases, that more fully exposes the rot at the heart of Israel's political system. This latter case hinges on a tape recording in which Netanyahu plots with an Israeli newspaper tycoon to rig media coverage in his favor.

Leads from both cases suggest that Netanyahu may have been further meddling, together with his billionaire friends, in the shadowy world of international espionage.

Cigars and champagne

Netanyahu's appetite for a free lunch has been common knowledge in Israel since his first term as prime minister in the late 1990s. Then, he was twice investigated for fraud, though controversially charges were not brought in either case. Police discovered along the way that he and his wife, Sara, had hoarded many of the gifts he received during state visits. More than 100 were never [recovered](#).

The clarifications that were issued more than 15 years ago, as a result of those investigations, make it hard for Netanyahu to claim now that he did not understand the rules. According to justice ministry advice in 2001, government and state officials cannot keep gifts worth more than \$100 without risking violating Israeli law.

The gifts Netanyahu received from one of the Israeli businessmen involved in Case 1000, Hollywood film producer Arnon Milchan, amounted to as much as \$180,000. Netanyahu has argued that these presents, ranging from cigars to jewelry, were expressions of a close friendship rather than bribes to him in his capacity as prime minister.

The problem, however, is that Netanyahu appears to have reciprocated by using his position as head of the Israeli government to [lobby](#) John Kerry, the then U.S. secretary of state, to gain Milchan a 10-year U.S. residency visa. He may have done more. We will return to that matter later.

Also being investigated are his family's ties to a friend of Milchan's, Australian billionaire James Packer, who made his fortune in the media and gambling industries. Packer has similarly lavished gifts on the Netanyahu family, especially Yair, Netanyahu's eldest son.

At the same time, Packer, now a neighbor of the Netanyahus in the coastal town of Caesarea, has been [seeking permanent residency](#) and the enormous benefits that would accrue with tax status in Israel. As a non-Jew, Packer should have no hope of being awarded residency. There are suspicions that Netanyahu may have been trying to pull strings on the Australian's behalf.

Many of these gifts were apparently not given freely. The Netanyahus asked for them. Indicating that Netanyahu knew there might be legal concerns, he [used code words](#) - "leaves" for cigars and "pinks" for champagne - to disguise his orders to Milchan.

Police are reported to be confident, after questioning Netanyahu three times, that they have enough [evidence to indict](#) him. If they do, Netanyahu will be under heavy pressure to resign.

Pattern of corruption

Disturbing as these allegations of corruption are, Case 2000 indicates that this is about more than one prime minister's dubious ties to wealthy patrons.

David Ansalem, a political ally of Netanyahu's, [observed](#) on Facebook recently: "In the past 30 years, no prime minister was free from involvement in [police] investigations."

Ansalem was suggesting that Israeli bribery and fraud laws are too strict, and can easily catch out an unwary politician. But the reverse is more likely to be true: politicians are rapidly corrupted by their pursuit of power in Israel. In short, the corruption in Israel is institutionalized.

Netanyahu's predecessor as prime minister, Ehud Olmert, was similarly the subject of several different investigations, and is currently [serving a jail term](#) for fraud over his involvement in a massive real estate deal when mayor of Jerusalem. He was also convicted of receiving cash in envelopes from a U.S. businessman, Morris Talansky, in return for political favors.

Before Olmert, Ariel Sharon was at the centre of many investigations of [dubious financial connections](#) with businessmen, including Israeli real estate magnate David Appel and the British Jewish businessman Cyril Kern. Sharon fell into a long-term coma, and later died, before the investigations could lead to an indictment.

This week a corruption investigation against Isaac Herzog, the opposition leader, was dropped, though inconsistencies in his testimony were [sharply criticised](#) by Israel's attorney general. The investigation led to the indictment of Herzog's campaign manager and a businessman.

Also this week, a former chief rabbi of Israel, Yona Metzger, was [convicted](#) of bribery and

sentenced to three and half years.

20 super-rich families

Corruption is rampant in part because of Israel's extreme concentration of wealth. This is a trend in much of the developed world, but its effects are accentuated in Israel by the small scale of the economy. Research shows that as few as [20 families](#) control most of the country's wealth, particularly in sectors like real estate, banking, retail, transport and homeland security. It seems some of these super-rich families expect to buy political influence as well.

But there is also a combination of conditions, particular to Israel, that blur the distinctions between the personal and institutional, and that have ensured corruption flourishes.

The climate was probably set in 1948, when Israel was established on the ruins of another society. The building by Israel's elites of a new, supposedly more equal society in the agricultural communities of the kibbutz and moshav was possible only through the wholesale theft of Palestinian land and homes. The Absentee Property Law of 1950 sanctioned an orgy of plundering by Israel's upper and middle classes. That foundational culture is hard to eradicate.

Further, Israel's highly militarised society discourages resistance to authoritarian practices. A 2014 survey by the Israel Democracy Institute, for example, [found](#) that only one in three Israeli Jews regarded Israel's democratic character as supremely important.

This trend is reinforced by the sanctity of Israel's security sector, which includes not only the military, but the many intelligence services, including the Mossad spy agency, Israel's arms manufacturers, homeland security and cyber warfare firms, as well as more conventional industries.

Trust in the Israeli military stands at 90 per cent, and half of the Jewish public believe the security services should be allowed to operate against terror without any legal oversight, according to a [survey](#) last year. The secrecy surrounding this sector – and the expansive definition in Israel of “terrorism” – inculcates a consensus in favor of concealment and a set of values in which corruption is likely to thrive.

Safeguards are further undermined by Israel's fractured social structure – religious vs. secular, Ashkenazim vs. Mizrahim, veterans vs. immigrants, liberals vs. settlers. The resulting tribalism creates oppositional interest groups seeking favors and patronage rather than accountability and transparency.

Corruption is especially flagrant in land dealings, both in Israel and the occupied territories. In the Negev, in Israel's south, for example, vast stretches of territory have been seized, often from Bedouin owners who are nominally citizens of the state, and [reallocated as private ranches](#) to Jewish families in a non-transparent planning process.

The institutionalization of corruption is evident in the behavior of leading officials, especially in the field of law enforcement. The police chief, Roni Alsheikh, and a supreme court judge, Noam Sohlberg, both have long [records of lawbreaking](#), by living in settlements in the occupied territories in violation of international law.

Even more glaring is the fact that Avi Cohen, the government official in charge of monitoring and enforcing planning laws in Israel, chiefly against Palestinian citizens, [lives in the West Bank settlement](#) “outpost” of Palgei Mayim, which is in violation of Israeli law too.

The shadow economy

But the reach of Israeli corruption is global. As a self-declared Jewish state, one that formally regards every Jew in the world as being personally invested in Israel, a network of personal and financial ties that are intentionally opaque has developed between Israeli businesses and officials, on the one hand, and overseas Jewish organisations, donors, investors and criminals, on the other.

Israeli authorities are aware that criminal gangs with international connections, often in the former Soviet Union, recycle their money in the Israeli economy, often laundering it in real estate purchases. A leaked U.S. embassy cable in 2009 [warned](#) that Israel was in danger of becoming a “promised land” for organised crime.

The Haaretz newspaper [observed](#) recently that this underground economy had become so big – with an annual turnover reaching as much \$39 billion – Israel could find itself on the same list as Iran as “one of the leading state financiers of global terrorism”.

Some of this shadow economy is authorised at the highest levels. Israel confers privileged status on international Zionist organisations like the Jewish National Fund and World Zionist Organisation that funnel in donations from Jews around the world. These “charitable” organisations enjoy semi-governmental status, even though they can operate outside Israel’s laws.

The WZO settlement division, for example, [secretly pumps money](#) into illegal settlements in the West Bank, [hiding the money](#) even from Israel’s state auditors. Funds are moved around out of sight, leaving plenty of room for [corruption among officials](#), in addition to the inherent illegality of the settlement enterprise.

And then there are the Jewish tycoons from the US, Canada, Europe and Australia who treat Israel as part of their philanthropic investment portfolio. Their reasons include ideological zeal to realise a Greater Israel, salving their consciences for not living in Israel, or extending their influence to the “safe haven” they or their family may need in times of trouble.

Most Israeli politicians rely on overseas Jewish funders. Netanyahu won his Likud party’s primaries in 2014 exclusively with the [help of foreign donors](#), all but one of them American.

Personifying this unhealthy external interference in Israeli politics is Sheldon Adelson, the U.S. casino magnate who is Netanyahu’s main patron. Adelson has done much more than channel donations to Netanyahu’s campaign coffers. He created a newspaper to get Netanyahu elected and keep him in office.

The free daily Israel Hayom, founded 10 years ago, is now the biggest-circulation paper in Israel and is known locally as Bibi-ton, or Bibi’s newspaper, in reference to Netanyahu’s nickname. A recent investigation by Haaretz found that Adelson had sunk an [astronomic sum](#) into Israel Hayom – some \$190 million in its first seven years alone – to keep it afloat.

At the same time, Adelson has been sponsoring Republican politicians, including the new occupant of the White House, Donald Trump, to ensure he has an outsize influence in the

U.S. as well. Trump's sudden conversion to Netanyahu's pro-settlement agenda coincided with his need for Adelson's support in the presidential campaign.

War against the media

Adelson and his Israel Hayom newspaper are at the heart of Netanyahu's current troubles. The tapes in Case 2000 are audio recordings of conversations between Netanyahu and Arnon Mozes, the Israeli owner of the Yedioth Ahronoth media group, which includes the country's largest paid-for newspaper. Mozes' desperate need to save his business empire appears to have driven him into Netanyahu's embrace.

Adelson and Netanyahu's aim in establishing Israel Hayom in 2007 was not only to create a propaganda platform for Netanyahu. It was also intended to drive rival papers, especially Yedioth Ahronoth, out of business by forcing down their income from advertising revenue. U.S. businessman Adelson's pockets are much deeper than those of Israeli businessman Mozes.

This was effectively a vendetta by Netanyahu and Adelson against Mozes for using his media empire, which once enjoyed near-monopoly status in Israel, to damage Netanyahu and support rival politicians. Yair Lapid, a former columnist at Yedioth, is today leader of the Yesh Atid party, a potential challenger to Netanyahu for prime minister. He has in the past received strong backing from his former paper.

In the tapes, Mozes and Netanyahu discuss a deal that would guarantee the Yedioth media group cheerlead for Netanyahu in return for his government passing legislation to limit Israel Hayom's circulation and possibly force it to charge a cover price. The pair appear to have broken off contacts some time before Israel's general election in March 2015.

Had the talks succeeded, Netanyahu would have enjoyed almost blanket support in the mainstream press. The holdout would have been the liberal, and very small-circulation, Haaretz daily.

Netanyahu was not prepared to rest there, however. After the 2015 election he appointed himself the communications minister so that he would have regulatory power over Israel's broadcasters. Since then he has been waging a concerted battle to intimidate Israel's two commercial TV stations, Channels 2 and 10. Even after the latest revelations, he remains in charge of the communications ministry.

From Hollywood to Mossad

Cases 1000 and 2000 share at least one figure in common. Milchan gave Netanyahu extravagant gifts over many years, but he is also reported to have acted as go-between, bringing arch-enemies Netanyahu and Mozes together. Milchan has his own financial stake in the media, in his case a holding in the Channel 10 TV station.

In addition, Milchan [introduced](#) Netanyahu to sympathetic businessmen, including his friend Packer, to discuss taking the ailing Yedioth media group off Mozes' hands. Only last October he [arranged](#) for media mogul Rupert Murdoch's son, Lachlan, to fly to Israel for one night for a secret meeting with Netanyahu.

Milchan is undoubtedly at the centre of the shadowy world of power and finance that corrupts public life in Israel. Not only is Milchan a highly influential Hollywood figure, having

produced more than 100 films, but he has [admitted](#) that he is a former Mossad agent. He used his Hollywood connections to help make arms deals and secure parts for Israel's nuclear weapons program.

One can only wonder whether Milchan was not effectively set up in his Hollywood career as a cover for his Mossad activities.

But Milchan, it seems, is still wielding influence in Israel's twilight world of security.

Yossi Cohen was appointed head of the Mossad a year ago, after a government vetting committee accepted that he had no personal ties to Netanyahu. But Cohen forgot to mention that he is extremely close to Netanyahu's high-flying friends – connections that are now [under investigation](#).

Milchan set up a global security firm in 2008 called Blue Sky International, stuffed with Israeli security veterans. Packer soon became a partner. They developed close ties to Cohen, first while he was a senior official at the Mossad and later when he headed Israel's national security council.

Before Cohen was appointed head of Mossad in December 2015, the pair had hoped to recruit him to their cyber-security operations. Cohen received several gifts from Packer, in violation of Israeli government rules, including a stay at one of his luxury hotels.

A source speaking to Haaretz [said](#) Blue Sky had “more than [a] direct line” to Netanyahu. They “would pull him out from anywhere, at any time, on any occasion.”

According to Haaretz's military analyst, Amir Oren, the new disclosures raise serious questions about whether Milchan and Packer twisted Netanyahu's arm to [parachute Cohen into the post](#) over the favored candidate. In return, Packer may have been hoping that Cohen would authorise exceptional Israeli residency for him, classifying him as a security asset.

Beyond this, one can only speculate about how Cohen's indebtedness to Milchan, Packer and Netanyahu might have influenced his decisions as head of the Mossad. It was only a few years ago that the former Mossad chief, Meir Dagan, was reported to have wrestled furiously with Netanyahu to stop him launching a military strike on Iran.

Prosecution drags feet

It is unclear for the time being whether the revelations are drawing to a close or will lead deeper into Israel's twin netherworlds of financial corruption and security.

But what has emerged so far should be enough to finish off Netanyahu as prime minister. Whether it does so may depend on the extent of Israel's compromised legal system. Attorney general Avichai Mendelblit was appointed by Netanyahu and is a political ally. He appears to have been [dragging his feet](#) as much as possible to slow down the police investigation, if not sabotage it.

But the weight of evidence is looking like it may prove too overwhelming. As political analyst Yossi Verter [observed](#): “There's no way that a police commissioner ... appointed [by Netanyahu] and a cautious attorney general, who in the past was part of his close circle and one of his loyalists, would be putting him through the seven circles of hell if they weren't

convinced that there's a solid basis for indictment and conviction."

The next question for Netanyahu is whether he will step down if indicted. He should, if Olmert's example is followed. But his officials are citing a 1993 high court ruling that allows a cabinet minister under indictment to remain in office. Certainly if Netanyahu chooses to stay on, his decision would be appealed to the court again. However, the judges may be reluctant to oust a sitting prime minister.

The court of public opinion is likely to be decisive in that regard. A recent poll [shows](#) few Israelis believe Netanyahu is innocent of the allegations. Some 54 per cent think he broke the law, while only 28 believe him. Opinion, however, is split evenly on whether he should resign.

Where next?

If past experience is any measure, Netanyahu will try to turn public opinion his way by increasing friction with the Palestinians and exploiting the international arena, especially his relations with the Trump administration. He may be expected to encourage Trump at the very least to posture more stridently against Iran.

Nonetheless, most observers assume Netanyahu is doomed – it is simply a matter of when. The odds are on an indictment in late spring, followed by elections in the fall, [say](#) Israeli analysts.

At this stage, none of his political rivals wants to be seen stabbing Netanyahu in the back. Most are keeping quiet. But behind the scenes, political leaders are hurrying to forge new alliances and extract political concessions while Netanyahu is wounded.

Naftali Bennett, the settler leader, is pushing aggressively for annexation of Ma'ale Adumim, a large settlement strategically located close to Jerusalem, as a prelude to further annexation of parts of the West Bank.

Who might succeed Netanyahu? Yair Lapid, of the centre-right Yesh Atid, is [heading the polls](#), but that may in part reflect the disarray in Netanyahu's Likud party. In a sign of where the deeper currents in Israeli society are leading, a Maariv poll last week showed that settler leader Naftali Bennett would [win an election](#) if he were to head the Likud.

Netanyahu now needs the help of all the powerful friends he can muster. His biggest ally, U.S. casino magnate Sheldon Adelson, may not be among them. After the revelations that Netanyahu was conspiring against him with Mozes, Adelson has [cut back](#) on Israel Hayom's circulation and is reported to be offering less favorable coverage of the Netanyahus.

That could prove the final straw, sealing Netanyahu's fate.

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