



# Germany's Relations with Israel: Background and Implications for German Middle East Policy

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## Summary

Most observers agree that moral considerations surrounding the Holocaust continue to compel German leaders to make support for Israel a policy priority. Since 1949, successive German governments have placed this support at the forefront of their Middle East policy and today, Germany, along with the United States, is widely considered one of Israel's closest allies. Germany ranks as Israel's second largest trading partner and long-standing defense and scientific cooperation, people-to-people exchanges and cultural ties between the two countries continue to grow. On the other hand, public criticism of Israel in Germany, and particularly of its policies with regard to the Israeli-Palestinian conflict, appears to be on the rise.

Since the mid-1990s, German policy toward Israel has become progressively influenced by Germany's commitment to a two-state solution to the Israeli-Palestinian conflict. Germany has been one of the single largest contributors to the Palestinian Authority (PA) and an increasingly vocal advocate for European Union (EU) engagement in the Middle East. Germany's September 2006 decision to send a naval contingent to the Lebanese coast as part of an expanded United Nations mission after Israel's July 2006 war with Hezbollah is considered to have significantly raised German interest in a resolution to the Israeli-Palestinian conflict and sparked widespread debate within Germany regarding the evolution of the German-Israeli relationship and Germany's role in the region. Stating that the Israeli-Palestinian conflict lies at the root of other challenges in the Middle East, German Chancellor Angela Merkel has announced her intention to revive international engagement in the peace process while Germany holds the EU's rotating presidency during the first half of 2007.

Given Germany's long-standing support of Israel and close ties to the United States, Israeli and Bush Administration officials have generally welcomed the idea of increased German engagement in the region. For their part, German officials and politicians assert that their commitment to Israel and active U.S. involvement in the Israeli-Palestinian peace process remain the paramount drivers of German policy in the Middle East. However, most experts indicate that Germany will be hard-pressed to overcome both U.S. inattention stemming from a perceived preoccupation with Iraq, and diminished support for Israel and the United States among other EU member states, to forge a revived transatlantic approach to the peace process. Furthermore, the presence of German troops in Lebanon, growing public opposition to Israeli policies and Germany's commitment to a European approach lead others to highlight a growing potential for divergence between German policy on the one hand and Israeli and U.S. policies on the other.

This report will be updated as events warrant. For related information, see CRS Report RL31956, *European Views and Policies Toward the Middle East*, by (name redacted); CRS Report RL33476, *Israel: Background and Relations with the United States*, by (name redacted); and CRS Report RL33530, *Israeli-Arab Negotiations: Background, Conflicts, and U.S. Policy*, by (name redacted).

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## Introduction

Along with the United States, Germany is widely considered one of Israel's closest allies. Germany's commitment to Israel's sovereignty and security has historically been the strongest influence on its policy in the Middle East and a key factor in its cooperation with the United States in the region. However, debate surrounding Israel's August 2006 request for German ground troop participation in a United Nations (U.N.) mission on the Israeli-Lebanese border, increasing German advocacy for a more proactive European Union (EU) role in the Middle East, and shifting perceptions of Israel in the German public have brought attention to what many consider a changing role for Germany. Indeed, the October 2006 deployment of a German naval contingent off the Lebanese coast marks the first time German troops have been stationed so close to Israeli soil, and German leaders have announced their intention to work toward reviving European and international engagement in the Israeli-Palestinian peace process during Germany's EU presidency in the first half of 2007.

Given Germany's long-standing support of Israel and close ties to the United States, Israeli and Bush administration officials have generally welcomed the idea of increased German engagement in the Middle East. For some analysts, Germany's leading role in the EU and consistent commitment both to Israel and U.S. involvement in the peace process suggest that Germany will become an ever-more important partner for Israel and the United States. On the other hand, the presence of German troops in Lebanon, growing public opposition to Israeli policies and Germany's commitment to a common European approach prompt others to emphasize an increasing potential for divergence between German policy on the one hand and Israeli and U.S. policies on the other.

## Historical Context<sup>1</sup>

The Federal Republic of Germany (West Germany) and Israel established formal diplomatic relations in May 1965. However, German policy towards Israel during the preceding 13 years, beginning with the Luxembourg Reparations Agreement of 1952, set the tone for what continues to be widely considered a special relationship. After taking office in 1949, West Germany's first Chancellor, Konrad Adenauer, pursued a foreign policy rooted in the belief that the legitimacy of the young German state depended largely on its willingness to atone for atrocities perpetrated by the National Socialist (Nazi) regime of Adolf Hitler. Accordingly, his policies were motivated by a perceived moral obligation to support the Jewish state. The cornerstone, enshrined in the Luxembourg Agreement, was a long-term commitment to provide unprecedented financial reparations to the state of Israel and restitution and compensation to individual victims of Nazi persecution.

In the Luxembourg Agreement, West Germany agreed to pay 3 billion Deutschmark (\$715 million) to the state of Israel and 4.5 million DM (\$110 million) to Jewish organizations represented by the Conference on Jewish Material Claims Against Germany (Claims Conference),

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<sup>1</sup> For more information on the history of German-Israeli relations see Lily Gardner Feldman, *The Special Relationship Between West Germany and Israel*. Winchester, Mass: Allen & Unwin. 1984; George Lavy, *Germany and Israel, Moral Debt and National Interest*. Portland, OR: Frank Cass. 1996; Yves Pallade, *Germany and Israel in the 1990s and Beyond: Still a 'Special Relationship'?* Frankfurt am Main: Peter lang GmbH. 2005.

which were helping resettle Jews outside of Israel. Germany subsequently enacted legislation mandating direct compensation to individual victims of Nazi crimes. The German government continues to make payments to individuals, mostly by way of pension contributions, and estimates that some 40%, or over 25 billion Euros (approximately \$32.5 billion), of German reparations and compensation have gone to the state of Israel or individuals living in Israel.<sup>2</sup> In 1992, two years after German unification, the government expanded its compensation laws to include individuals previously denied compensation by the former German Democratic Republic (East Germany).

According to historians, while the United States supported the idea of German reparations, American officials were unwilling to impose additional financial burdens on the young German state so soon after World War II and urged Israel to negotiate directly with Germany.<sup>3</sup> Indeed, reparations to Israel were neither required by the international community nor wholeheartedly endorsed by the German and Israeli people. Most agree that German support for Israel arose largely due to the individual efforts of Adenauer and Israeli Prime Minister David Ben-Gurion. Beginning in 1957, the two leaders enhanced relations by establishing military ties, avoiding considerable domestic and international opposition by keeping arms shipments secret. In 1964, German newspaper reports exposed arms shipments to Israel, setting off crises both within and between Germany, Israel and the Arab world. Ultimately, West Germany suspended the shipments. However, both to make up for this loss and to address increasing public and political pressure, Adenauer offered to establish formal diplomatic relations with Israel in March 1965. Until this point, he had resisted renewing an initial 1952 offer of diplomatic ties, fearing retaliation from the Arab world.

## **Normalization of Relations**

The decades following the 1965 establishment of diplomatic relations were marked largely by a German desire to be seen as a neutral actor in the Middle East, providing balanced, rather than special support to Israel. Simultaneously, and away from the public eye, successive German leaders sought to fulfill a greater moral commitment to Israel, as had been initiated in Adenauer's policies. Publicly, however, leaders tended to speak increasingly of German neutrality and, beginning in the 1970s, avoided pressure to take sides in conflicts involving Israel by advocating common European Economic Community (EEC) positions.<sup>4</sup>

Although Germany opposed a 1956 U.S.-supported U.N. initiative to impose sanctions on Israel following the Suez crisis, Germany did not openly support Israel in the 1967 war and resisted calls to come to Israel's aid during the early stages of the 1973 Yom-Kippur War, at least publicly claiming neutrality in the conflict. After the ensuing Arab oil embargo, German policy increasingly reflected its dependence on Arab states, both as a destination for German exports and, more importantly, as the source of 85% of German oil.<sup>5</sup>

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<sup>2</sup> German Federal Foreign Office Country Report on Israel. Updated April 2006. <http://www.auswaertiges-amt.de/diplo/en/Laender/Israel.html>. Accessed on Nov. 3, 2006. German Federal Foreign Office Background Paper, "German Compensation for National Socialist Crimes," 1998. <http://www.germany.info/relaunch/info/archives/background> Accessed on Jan. 6, 2007.

<sup>3</sup> Lavy, *op. cit.*, pp. 1-13.

<sup>4</sup> The EEC was the precursor to today's European Union; Gardner Feldman, *op. cit.*, Ch. 7.

<sup>5</sup> Gardner Feldman, *op. cit.*, p. 203.

Nonetheless, Germany appears to have successfully maintained its strong relations with Israel by providing substantial economic assistance, continuing to nurture defense and intelligence cooperation and by working to soften or even oppose EEC positions. After having claimed neutrality during the Yom-Kippur War, it was revealed that Germany had been allowing the United States to use its Bremerhaven port to resupply Israel. Although Germany supported a 1973 EEC resolution urging Israel to retreat to pre-1967 borders, in the late 1970s, it abstained from U.N. votes on the right of Palestinian self-defense and on granting observer status to the Palestinian Liberation Organization (PLO). In 1980, though West Germany signed the EEC's Venice Declaration endorsing Palestinian self-determination, German officials are reported to have successfully blocked initiatives to include direct reference to the PLO.<sup>6</sup> While the Venice Declaration and other EEC positions were certainly viewed as less favorable toward Israel than previous German policy, Germany maintained Israeli trust as a strong ally within Europe.

## Current German-Israeli Relations

German reparations and compensation for crimes committed during the Holocaust and long-standing defense and scientific cooperation continue to represent the cornerstone of a robust German-Israeli bilateral relationship. However, as memory of the Holocaust fades and public criticism of Israeli policies increases, the countries have focused on expanding cultural and broader societal exchanges.

### Economic Relations<sup>7</sup>

With bilateral trade worth 3.7 billion Euros (approximately \$4.8 billion), Germany is Israel's second largest trading partner after the United States. However, given the comparatively small size of the Israeli market relative to Germany's main export markets, most agree that economic considerations do not play a decisive role in German policy towards Israel. Though it is increasing, German direct investment in Israel also is not considered particularly significant. In fact, former Israeli Ambassador to Germany Avi Primor has identified increased German investment as an area of primary importance for the future of German-Israeli relations and some analysts suggest that security concerns regarding the Israeli-Palestinian conflict represent the primary obstacle to greater investment.<sup>8</sup> Conversely, Israeli investment in Germany is reportedly rising, with more than 40 Israeli companies based in Germany as of 2005. In 2005, business associations from both countries established the German-Israeli Business Council to stimulate business relations. Germany has also been a strong advocate of preferential trade agreements between Israel and the EU.<sup>9</sup>

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<sup>6</sup> Lavy, *op. cit.*, p. 197; Gardner Feldman, "Germany's 'Special Relationship' with Israel Continues Despite Appearances to the Contrary," *AICGS Advisor*, May 6, 2004. <http://www.aicgs.org/analysis/c/feldmanc.aspx>. Accessed Oct. 30, 2006.

<sup>7</sup> Information on bilateral economic relations from the German Federal Foreign Office Country Report on Israel, *op. cit.*; and Asseburg, Muriel, "German-Israeli Relations: Achievements and Challenges for the Future." Working Paper of the German Institute for International Security Affairs, June 2005. <http://www.swp-berlin.org/>. Accessed October 2006.

<sup>8</sup> Gardner Feldman, "The Special Relationship: Forty Years of Diplomatic Ties Between Germany and Israel," *AICGS Advisor*, May 19, 2005. <http://www.aicgs.org/analysis/c/lgf051905.aspx>. Accessed 10/30/2006; Asseburg, *op. cit.*

<sup>9</sup> Gardner Feldman, "Germany's Policy Toward Israel and the Israeli-Palestinian Conflict: Continuity and Change." In *German Foreign Policy and the Middle East Conflict. German Foreign Policy in Dialogue*, Vol.3, No.7, May 2002.

## Scientific, Societal and Cultural Ties

Cooperation between German and Israeli scientists began as early as 1961—four years before the establishment of diplomatic relations—and has grown into a pillar of bilateral relations. According to the German government, Germany, after the United States, is the second largest sponsor of scientific research in Israel, and German scientists represent the largest group of foreign scientists working in Israel.<sup>10</sup> The primary vehicle for German-Israeli scientific cooperation is the Minerva Foundation, which receives annual funding from the German government and supports projects administered by Israel's Weizmann Institute.

Particularly as memory of the Holocaust fades among younger generations of Germans and Israelis, leaders on both sides have emphasized the need for strong people-to-people exchanges and Holocaust education. There are currently over 100 “sisterships” between German and Israeli towns, and up to 10,000 youth and volunteers from both countries participate in exchange programs each year.<sup>11</sup> Cultural exchange between the two countries has been historically slow to develop, but has grown substantially over the past decade. This includes efforts to promote the German language in Israel and agreements to jointly promote Holocaust education.<sup>12</sup> Over 100,000 Jews now live in Germany and are reported to make up the world's most rapidly growing Jewish population. The vast majority of these Jews have come from the former Soviet Union since 1990.<sup>13</sup>

## Defense Cooperation

Historical accounts reveal that robust, but highly secretive military and intelligence cooperation between Germany and Israel resumed in the late 1960s, not long after the West German government suspended covert arms shipments in 1964. The select group of German officials overseeing the arms trade considered secrecy vital both to avoid scrutiny under a law banning German arms exports to areas of potential conflict, and perhaps more importantly, to avert negative consequences in relations with the Arab world.<sup>14</sup> Despite these risks, successive German leaders have remained committed to far-reaching defense cooperation with Israel and Israel continues to be a top recipient of German military technology.

The extent and precise value of arms shipments to and from Germany through the mid-1990's remains unclear, yet analysts assert that German arms played a considerable role in Israeli military victories in 1967, 1973 and 1982.<sup>15</sup> In response to Iraqi scud missile attacks on Israel

<sup>10</sup> German Federal Foreign Office, *op. cit.*

<sup>11</sup> “40 Years of Diplomatic Relations Between Germany and Israel.” German Embassy, Washington, DC, May 2005.

<sup>12</sup> Gardner Feldman, “Germany's Policy Toward Israel and the Israeli-Palestinian Conflict: Continuity and Change,” *op. cit.*

<sup>13</sup> U.S. Department of State, Report on Global Anti-Semitism, January 2005.

<sup>14</sup> In response to a question from a member of a 1991 German Parliamentary committee investigating secret arms shipments to Israel in the early 1990s, the German Defense Ministry is reported to have provided the following written response: “Since the beginning, it has been the standard practice of all administrations to publically reveal or explain as little as possible regarding cooperation with Israel.” Written response of the Ministry of Defense in a Dec. 10, 1991, parliamentary hearing. Cited in Nassauer and Steinmetz, “Rüstungskooperation zwischen Deutschland und Israel” (Armament Cooperation Between Germany and Israel), Berliner Informationszentrum für Transatlantische Sicherheit. (Berlin Information-Center for Transatlantic Security). September 2003. <http://www.bits.de/public/researchreport/rr03-1-1.htm>. Accessed December 2006.

<sup>15</sup> Nassauer, Steinmetz, *op. cit.*; Shpiro, Shlomo, “Intelligence Services and Foreign Policy: German-Israeli Intelligence (continued...)”

during the Gulf War of 1990-1991, the German army provided Israel with arms and substantial financial assistance. In 1999 and 2000, in perhaps the most high-profile German arms shipments to Israel since German unification, Germany financed 50% of the costs for three “Dolphin-class” submarines designed specifically for the Israeli navy. In August 2006, the German government committed to deliver and finance one-third of the costs, approximately 1 billion Euros (\$1.3 billion), for two more submarines by 2010. Those opposed to the most recent agreement, primarily members of the Green and Left political parties, cite widespread concern that Israel plans to reconfigure the submarines to enable them to launch nuclear missiles. Proponents repeatedly invoke a German obligation to defend the existence of the state of Israel.<sup>16</sup>

Israelis have generally welcomed the continuing defense cooperation with Germany. In August 2006, the *Jerusalem Post* reacted to the latest submarine agreement by writing, “While their grandparents’ generation perpetrated the Holocaust, and the previous generation paid for the Holocaust with reparations to its victims, the current generation is helping prevent a second Holocaust by providing the [Israel Defense Forces] with some of the most important defensive weapons systems in its arsenal. As far as corrective steps go, that’s a huge one.”<sup>17</sup>

## Counter-Terrorism Cooperation

Germany and Israel’s respective intelligence agencies, the *Bundesnachrichtendienst* (BND) and Mossad, enjoy a history of extensive and often secretive cooperation dating back to the 1960s, when they began facilitating the arms trade between the two countries. Counter-terrorism cooperation began in the wake of the terrorist attack at the 1972 Munich Olympics and has reportedly increased since September 11, 2001.<sup>18</sup> In 2002, in what was viewed by many as a response to pressure from Israeli officials, the German government banned the *Al-Aqsa* charity, an organization long accused by the Israelis of fund-raising for the Palestinian terrorist organization Hamas. While many Israelis considered the German government’s response overdue, most indicate that the action was emblematic of the close cooperation between Israeli and German authorities. It appears that despite continued Israeli concerns regarding perceived constraints imposed on counter-terror operations by German law, cooperation between the countries remains strong.<sup>19</sup>

## Areas of Israeli Concern

Israeli leaders consistently praise their country’s relations with Germany, welcoming German advocacy on Israel’s behalf within the EU and internationally, and the extensive bilateral contacts

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(...continued)

and Military Cooperation,” *German Politics*, Vol. 11, No. 1. April 2002.

<sup>16</sup> “U-Boot-Verkauf an Israel besiegelt - Debatte über Atomwaffen.” Deutsche Presse Agentur, Aug. 24, 2006; Pallade, *op. cit.*, pp. 155-168.

<sup>17</sup> “Germany’s Transformation,” *Jerusalem Post*, Aug. 24, 2006.

<sup>18</sup> Pallade, *op. cit.*, pp. 83-90. For more information on German counter-terrorism policy see CRS Report RL32710, *Germany’s Role in Fighting Terrorism: Implications for U.S. Policy*, by (name redacted). December 2004; and U.S. Department of State, “Country Reports on Terrorism 2006.”

<sup>19</sup> Pallade, *op. cit.*; “Israel’s Foreign Relations, the Israel-German special relationship,” the British Israel Communication Centre, Nov. 23, 2005. [http://www.bicom.org.uk/publications/israels\\_foreign\\_relations/](http://www.bicom.org.uk/publications/israels_foreign_relations/). Accessed October 2006.



that have developed since the 1950s. Yet, some prominent Israelis and members of Germany's Jewish community express concern that the historical basis for the strong relationship could be weakening, particularly as collective memory of the Holocaust recedes. Such concerns focus on a rise in neo-Nazi activity, anti-Israel and pro-Palestinian sentiment among the German public and general trends against U.S. policy, unilateralism and military action.

An October 2006 study reported a 20% increase in crimes committed by neo-Nazis in Germany since 2005. Such crimes had grown by about 10% the previous year.<sup>20</sup> The increase coincides with a political gain for the neo-Nazi National Democratic Party (NPD), which won seats in the state parliament of the eastern state of Mecklenburg West Pomerania in September 2006 elections and has held seats in Saxony's state legislature since 2004. While most observers believe the NPD will be voted out of the Saxon legislature in the next elections, the apparent rise of neo-Nazi movements in German society and political life has elicited criticism and statements of concern from the President of the Central Council of Jews in Germany and Israel's ambassador to Germany.<sup>21</sup>

Asked by an Israeli journalist to address concerns regarding anti-Semitic trends, Chancellor Angela Merkel responded, "sometimes people are not sufficiently aware of anti-Semitic tendencies. Therefore, we intend to treat education and training as a very important component."<sup>22</sup> The German government funds a range of tolerance-education programs, many of which focus specifically on anti-Semitism and Holocaust remembrance, including some in collaboration with Israeli organizations, and continues to provide 24-hour police protection at synagogues and other Jewish institutions. In addition, the government devotes significant resources to investigating xenophobic and anti-Semitic crimes and prosecuting their perpetrators. These crimes often receive broad media attention and public condemnation from the political establishment.<sup>23</sup>

In recent years, increasing public and political opposition to Israeli policies in the Middle East has illuminated a long-standing tension in German society between Germany's special commitment to the state of Israel and German criticism of the policies of Israeli governments. German and Israeli leaders and representatives of Germany's Jewish community consistently state that such criticism is a natural part of any healthy bilateral relationship. However, in reaction to alleged media bias and strong opposition from German politicians to Israeli bombings during Israel's July 2006 war with Hezbollah, the leader of the German Jewish Council alleged an "absolutely hostile attitude towards Jews and Israel," in Germany.<sup>24</sup> In a survey taken shortly after the end of the conflict, 75% of Germans indicated they considered the Israeli action to be "disproportionate."<sup>25</sup> This compared to 63% of British who indicated the action was "inappropriate and disproportionate" and 50% of Americans who reported Israeli action as "justified."<sup>26</sup>

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<sup>20</sup> "Right-Wing Violence on the Rise," *Spiegel Online*, Oct. 17, 2006.

<sup>21</sup> Interviews of German officials, October-December 2006; "Right-Wing Violence on the Rise," *op. cit.*; "German Jewish Leader: neo-Nazi attacks just like in Hitler era," *EJ Press*, Oct. 24, 2006.

<sup>22</sup> Adar Primor, "Elections in Germany," *Haaretz*, Sept. 14, 2005.

<sup>23</sup> U.S. Department of State "Report on Global anti-Semitism," *op. cit.*; U.S. Department of State International Religious Freedom Report 2006.

<sup>24</sup> Interview with German Jewish Council President Charlotte Knobloch. *Spiegel Online*, Aug. 31, 2006.

<sup>25</sup> Forsa Insitute poll for *Stern* magazine, July 13-14, 2006.

<sup>26</sup> "Americans Believe Israeli Actions are Justified but Share International Reservations about Extent of Military Offensive." World Public Opinion.org, 8/2/2006. <http://www.worldpublicopinion.org>. Accessed Nov. 7, 2006.

## Germany and the Palestinians

Until the 1993 Oslo Peace Accords and the subsequent creation of the Palestinian Authority (PA), Germany was one of Europe's most cautious supporters of Palestinian self-determination. However, since the Israeli government and PLO afforded one another mutual recognition in 1993, Germany has become both a strong advocate for a two-state solution to the Israeli-Palestinian conflict and one of the PA's largest donors. Germany was the first country to open a representative office in the Palestinian territories. It consistently seeks a common EU approach to the region and is a strong supporter of EU participation in the so-called Quartet (the EU, Russia, the U.N. and the United States). Since 1993, Germany and the EU have faced varying degrees of Israeli pressure to take stronger measures to ensure that European funding to the Palestinians is not used to finance terrorist operations. On the other hand, Israeli officials have also expressed their support of German and European aid to the Palestinian people and in specific instances, have even requested German aid.

### German Aid to the Palestinians

#### Aid Amounts

Germany has provided approximately \$689 million in direct bilateral aid to the PA since 1993.

In addition, Germany accounts for 23% of annual EU aid to the PA—approximately \$364 million in 2005.\*

#### Aid Conditions

Germany joined the U.S. and EU in suspending financial support to the PA after Hamas's January 2006 electoral victory.

In July 2006, Germany began providing essential supplies, support for health services, and basic needs allowances directly to the Palestinian people through the Quartet-endorsed Temporary International Mechanism (TIM).

\* The EU is the PA's largest donor. In comparison, Congress appropriated \$274.4 million in U.S. aid to the PA for 2005.

## Implications for German Middle East Policy

Successive German governments have prioritized support for Israel as a cornerstone of German policy in the Middle East. During the Cold War, Germany tended to express this support quietly, favoring covert financial and military support over vocal political backing. However, since unification and during a period of European integration and unprecedented EU expansion, Germany has emerged as an increasingly proactive advocate for greater EU engagement in the Middle East. German leaders have become vocal supporters of a two-state solution to the Israeli-Palestinian conflict. Former Foreign Minister Joschka Fischer's 2002 push to revitalize the peace process is considered by many to have been both a significant first step towards the 2003 "Performance-based Roadmap to a Permanent Two-State Solution to the Israeli-Palestinian Conflict" (Road Map) and a turning point in Germany's role in the region. While some Israelis are skeptical of increased EU influence, most appear to continue to view Germany as a strong and reliable partner within a union of countries generally considered less sympathetic to Israel, and have welcomed a more proactive German role in driving EU policy. For its part, Germany seeks to carry out its support of Israel within the overarching framework of the EU's Common Foreign and Security Policy (CFSP).

Despite periods of increased tension between Germany and Israel, leaders on both sides continue to characterize the relationship as an essential component of their foreign policy. In the past decade, Germany has extended political support to Israel largely through its advocacy within the EU. In 2002, despite having temporarily suspended arms shipments to Israel in response to Israeli actions during the *Al-Aqsa Intifadah*, Germany is reported to have successfully blocked proposals for EU sanctions against Israel. In 2004, although Germany ultimately endorsed the EU's official

opposition to Israel's security fence in the West Bank, German Interior Minister Otto Schily and other prominent officials openly supported Israel's decision.<sup>27</sup> During Israel's July 2006 conflict with Hezbollah in Lebanon, Germany and the United Kingdom were the only two EU member states officially opposed to an immediate cease-fire.<sup>28</sup> And, in November 2006, Germany is reported to have joined the Czech Republic and the United Kingdom in blocking public EU condemnation of Israel's military operation in the Gaza Strip.<sup>29</sup>

While distinguishing itself as a strong supporter of Israel within the EU, Germany appears to have maintained the trust of Palestinians and other groups in the region traditionally opposed to Israeli objectives. After a Tel Aviv nightclub bombing in 2001, Foreign Minister Fischer is reported to have shuttled between PLO leader Yasser Arafat and Israeli Prime Minister Ariel Sharon, successfully eliciting restraint from Sharon and condemnation of the bombing from Arafat.<sup>30</sup> Analysts also cite the success of German negotiators in facilitating highly delicate prisoner exchanges between the Israeli government and Hezbollah in 1996 and 2004 as evidence of the trust Germany enjoys from both Hezbollah and the Israelis. More recently, a German negotiator is reportedly mediating between Israel and Hezbollah for the release of two Israeli soldiers kidnaped in July 2006.<sup>31</sup>

## Current Middle East Policy Issues

Chancellor Angela Merkel and Foreign Minister Frank Walter Steinmeier took office in November 2005 promising continuity in a German Middle East policy based on a commitment to protect Israel's right to exist; support for a two-state solution to the Israeli-Palestinian conflict; a commitment to a European framework for peace; and a belief that U.S. engagement in the region is essential. Since the historic deployment of German troops to the Lebanese coast in October 2006, Merkel and Steinmeier have increased their calls for revived U.S. and Quartet engagement in the Israeli-Palestinian peace process, joining other European leaders in asserting that the conflict lies at the root of many of the other challenges in the Middle East. Germany has been active in international negotiations aimed at curbing Iran's nuclear ambitions and, despite continuing to rule out a German troop deployment to Iraq, some German leaders have indicated a willingness to increase German support for Iraqi reconstruction efforts and initiatives to train Iraqi security forces.

While Israeli and U.S. officials appear to welcome increased German engagement in the region, both Israel and the United States have expressed disapproval of German efforts to engage Syria in the Arab-Israeli peace process, and have reacted skeptically to German-supported proposals to link the resolution of other major disputes in the region to the Israeli-Palestinian peace process.

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<sup>27</sup> "German Minister Justifies Israeli Barrier," *Deutsche Welle*, Sept. 14, 2004.

<sup>28</sup> After long deliberation, EU members unanimously agreed on compromise language calling for an, "immediate cessation of hostilities." "Germany Backs Britain's Refusal to Call for Ceasefire," *The Guardian*, Aug. 1, 2006; "Israel Seeks German Aid in Getting European Support," *International Herald Tribune*, July 22, 2006.

<sup>29</sup> "EU Foreign Ministers Split on Response to Beit Hanun Deaths," *Haaretz*, Nov. 13, 2006.

<sup>30</sup> Gardner Feldman, "Germany's Policy Toward Israel and the Israeli-Palestinian Conflict: Continuity and Change," *op. cit.*

<sup>31</sup> "German Mediates Between Israel and Shiite Militants," *Spiegel Online*, Oct. 23, 2006; "Germany Offers ME Mediation; BND Said Involved in Attempts to Release Israelis," *Die Welt*, July 21, 2006, accessed through OpenSource Center on Nov. 3, 2006.

## The Israel-Lebanon conflict<sup>32</sup>

At Israel's and Lebanon's request, in September 2006 the German Parliament authorized a German naval deployment of up to 2,400 soldiers as part of the expanded United Nations Interim Force in Lebanon (UNIFIL). Germany now leads a contingent tasked with monitoring the Lebanese coast to prevent weapons smuggling to Hezbollah forces in Lebanon. The decision to deploy troops so close to Israel—unprecedented in German history—followed several months of widespread debate, which illuminated both the continuing sensitivity surrounding German policy towards Israel and growing German interests in the region. Ultimately, German participation in UNIFIL has increased domestic pressure on Merkel to push for a political solution to the broader Arab-Israeli conflict.

At the outset of discussions regarding European contributions to UNIFIL, Merkel and other leading German politicians all but ruled out a military role for Germany, highlighting strong discomfort with the idea of German soldiers being in a position to confront Israeli troops. However, a direct request for ground troops from Israeli Prime Minister Ehud Olmert compelled Germany to reconsider its stance and was a key factor in the decision to deploy the naval contingent.

Although Germany ruled out sending ground troops, members of both governing political parties, and particularly the Social Democrats (SPD), expressed a surprising willingness to consider the option, largely because it had been requested by Israel. In the end, opposition from the right wing of Merkel's Christian Democratic Union and from its sister party, the Christian Social Union, reportedly prevented further consideration of more robust German engagement.<sup>33</sup> Nonetheless, Olmert's request broadened debate within the German political spectrum over Germany's future role in the region. In her justification to parliament for the mission, Merkel highlighted its "historic dimension," stating that, "it was impossible to overstate the significance of how much Germany is now trusted," by Israel and others in the region.<sup>34</sup>

Since Germany's naval deployment in October 2006, the actions of Israeli Air Force jets flying over German vessels have heightened diplomatic tension between the countries, eliciting official German complaints and Israeli apologies on at least two occasions, and heightening a widespread belief that a weak U.N. mandate is rendering the UNIFIL mission ineffective. While Israeli leaders have officially apologized for a lack of communication during fly-overs, Israel has complained that conditions requiring German officials to secure approval from Lebanese authorities before boarding suspicious ships or entering territory within six miles of the Lebanese coast severely limit Germany's ability to track potential arms shipments.<sup>35</sup> On the other hand,

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<sup>32</sup> For more information, see CRS Report RL33566, *Lebanon: The Israel-Hamas-Hezbollah Conflict*, by (name redacted) et al.

<sup>33</sup> Interviews of German officials, October-December 2006; At the time, Israeli Ambassador to Germany Shimon Stein characterized Germany's decision to send a naval contingent rather than ground troops by saying, "The Germans are still unwilling to put themselves in a position where German armed soldiers might have to face, or even shoot, an Israeli soldier. They are accepting the burden of their history, even if we, at least in this instance, are willing to overlook it." Quoted in "Ambassador Shimon Stein Tells Post: 'The Germans don't want to face an Israeli soldier,'" *Jerusalem Post*, Sept. 3, 2006.

<sup>34</sup> "Israel vs. Germany: Confrontation off Lebanon Leads to Questions," *Spiegel Online*, Oct. 30, 2006.

<sup>35</sup> Interviews of German officials, October-December 2006; "Israel's Criticism of UNIFIL: No One Will Be Able to Stop Hezbollah," *Spiegel Online*, Nov. 2, 2006.

many Germans have taken the actions as evidence of Israel's lack of respect and even disdain for the European military presence.<sup>36</sup>

### **The Israeli-Palestinian Conflict<sup>37</sup>**

Chancellor Merkel has announced her intention to revive Quartet efforts to advance the Israeli-Palestinian peace process while Germany acts as the EU's representative to the Quartet during its EU presidency in the first half of 2007. However, both she and Foreign Minister Steinmeier emphasize the necessity of U.S. engagement and leadership to any successful peace initiative. Observers and German officials expect Germany to exhaust much of its diplomatic capital in the first half of 2007 seeking to gain increased U.S. engagement and the backing of European countries that tend to be less sympathetic toward Israel than Germany and the United States.<sup>38</sup>

Since Hamas's victory in January 2006 Palestinian legislative elections, Germany has remained steadfast in its public commitment to the conditions for relations with Hamas outlined by the Quartet.<sup>39</sup> However, German officials have also supported Palestinian President Mahmoud Abbas's efforts to form a national unity government with Hamas, and some American commentators worry that Europeans may be more willing than the United States to work with such a government.<sup>40</sup>

Merkel and Steinmeier have demonstrated a desire to broaden the peace process to include more neighboring states with a stake in the outcome. On several occasions, Steinmeier has voiced an interest in expanding the Quartet to include Egypt or other Arab states. Arguing that any sustainable agreement must involve Syria, Steinmeier met with President Bashar Asad in Damascus in December 2006. Steinmeier says he urged Asad to cease support for Hezbollah fighters in Lebanon and use his leverage over Hamas to pressure its officials to cooperate in the peace process. Despite reports that Merkel was opposed to Steinmeier's Syria visit, a possibility made more likely by the fact that the two represent different political parties, she subsequently defended the decision, citing the need to demonstrate a readiness for dialogue with all stakeholders in the region.<sup>41</sup>

Israeli Prime Minister Ehud Olmert has pledged support for the Road Map and Germany's role in realizing it, even welcoming the efforts of moderate Arab states to move the process forward.<sup>42</sup> However, he openly criticized Steinmeier for traveling to Damascus and is skeptical of a German-supported proposal to discuss the Israeli-Palestinian conflict as part of a broader international conference on Iraq.<sup>43</sup> The Bush Administration, which accuses Syria of supporting terrorist

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<sup>36</sup> French officials have gone so far as to threaten to fire at Israeli jets violating U.N. no-fly restrictions in southern Lebanon.

<sup>37</sup> For more information, see CRS Report RL33530, *Israeli-Arab Negotiations: Background, Conflicts, and U.S. Policy*, by (name redacted).

<sup>38</sup> Interviews of German officials, October-December 2006.

<sup>39</sup> The requirements stipulated by the Quartet are recognition of Israel's right to exist, renunciation of terrorism, and acceptance of previous Israeli-Palestinian agreements.

<sup>40</sup> "Berlin Aims to Revive Mideast Quartet," *Financial Times*, Nov. 11, 2006.

<sup>41</sup> Interviews of German officials, October-December 2006; "Germany's Merkel Says Search for Mideast Peace May Require 'Unusual Steps,'" *International Herald Tribune*, Dec. 14, 2006.

<sup>42</sup> "Germany, Israel See Eye-to-Eye on Palestinians, Iran," *International Herald Tribune*, Dec. 11, 2006.

<sup>43</sup> "Israeli Military Doesn't Rule Out Military Strike on Iran," *Der Spiegel*, Dec. 11, 2006; "PM Olmert Criticizes (continued...)"

organizations and of involvement in the 2005 killing of former Lebanese Prime Minister Rafik Hariri, has consistently opposed dialogue with Syria.

## Iran<sup>44</sup>

As a member of the so-called EU-3 (France, Germany and the United Kingdom), Germany has been a proponent of EU and multilateral efforts to prevent Iran from developing nuclear weapons and was an architect of December 2006 U.N. Security Council Resolution 1737 imposing sanctions on Iran for its refusal to comply with previous Security Council decisions regarding its nuclear program.<sup>45</sup> German officials speak forcefully on the importance of curbing Iranian nuclear ambitions and, despite strong opposition from business associations, Merkel and Steinmeier have indicated a willingness to consider more stringent economic sanctions in the case of continued Iranian obstinance. On the other hand, Germany has demonstrated a commitment to international unity, suggesting that it may be more willing to accept compromises in exchange for U.N. Security Council unanimity rather than take unilateral measures in the face of Chinese or Russian opposition. Indeed, some German officials who favor more stringent sanctions assert that such measures will be ineffective without Russian and Chinese support.<sup>46</sup> Merkel has been unequivocal in her opposition to a military response to the crisis.

Israel views Iran as its most formidable enemy and an existential threat. While it has welcomed international efforts to curb the Iranian nuclear program, Israeli officials have called on the international community to take more assertive steps. Prime Minister Olmert has specifically urged a stronger German stance, citing Germany's moral obligation to confront Iran and concern regarding German government support of companies with significant business interests in Iran.

German-Iranian trade in 2005 was valued at close to \$6 billion, making Germany Iran's second largest European trading partner after Italy. During a December 2006 visit to Berlin, Olmert reportedly pressured Merkel to cease government loan guarantees to companies doing business in Iran.<sup>47</sup> Taking a similar approach, the United States Treasury Department has urged Germany to stem what it claims is the illicit exploitation of German and other European banking systems by Iranian companies involved in financing terrorist activities.<sup>48</sup>

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(...continued)

German FM Steinmeier for Traveling to Syria," *Haaretz*, Dec. 12, 2006.

<sup>44</sup> For more information, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by (name redacted).

<sup>45</sup> The EU-3 began negotiations with Iran in 2003. In 2006, China, Russia and the United States joined the diplomatic efforts, forming the so-called P-5+1; For full text and more information on U.N. Security Council Resolution 1737, see U.N. Security Council document SC/82.

<sup>46</sup> Interviews of German officials, October-December 2006.

<sup>47</sup> "Israel Angry Over German Loans to Iran," *Jerusalem Post*, Dec. 10, 2006 ; "Israel's Olmert Calls for Dramatic Measures Against Iran," Reuters News, Dec. 9, 2006.

<sup>48</sup> "U.S. Asks Finance Chiefs to Limit Iran's Access to Banks," *The New York Times*, Sept. 17, 2006; "U.S. Severs Links to Iranian Bank Over Nuclear Program," *International Herald Tribune*, Jan. 10, 2007.

## Iraq<sup>49</sup>

Since opposing the U.S. decision to invade Iraq in 2003, Germany has ruled out sending troops to Iraq and has limited its efforts to promote stability in the country to training Iraqi police and military forces in the United Arab Emirates and providing financial assistance for civilian reconstruction and debt relief within the framework of the Paris Club.<sup>50</sup> While continuing to rule out a German troop deployment, German leaders, particularly within Merkel's Christian Democratic Union, indicate a growing willingness to increase German support of stabilization and reconstruction efforts, though concrete proposals have yet to be put forth.

Both Merkel and Steinmeier have endorsed the U.S. Iraq Study Group report, and have expressed support for an international conference on Iraq that would include discussion of other disputes in the region, including the Israeli-Palestinian conflict. Merkel has said a "comprehensive diplomatic initiative" as envisioned in the Iraq Study Group report could make an important contribution to stabilizing the Middle East as a whole.<sup>51</sup> In a December 2006 meeting, Secretary of State Condoleezza Rice reportedly reacted skeptically to Steinmeier's proposal for German assistance for such an initiative.<sup>52</sup> Israeli Prime Minister Olmert has opposed the idea of including the Israeli-Palestinian conflict on the agenda of a broader international conference, saying, "the best way to advance our relations with the Arabs is by means of bilateral negotiations."<sup>53</sup>

## Transatlantic Implications

The United States and Germany share several national security interests and policy priorities in the Middle East. Germany's commitment to Israel's sovereignty and security remains the strongest influence on its policy and a key factor in its cooperation with the United States. As noted above, the two countries are widely considered Israel's closest allies and both share a commitment to a two-state solution to the Israeli-Palestinian conflict and to preventing Iran from developing nuclear weapons. Moreover, both the U.S. and Germany consider terrorism, radical Islamic fundamentalism, and the proliferation of weapons of mass destruction, particularly to Iran, the primary threats to national security.

At times, however, Germany tends to favor different policy approaches to realizing these objectives. In the Middle East, Germany's emphasis on diplomatic engagement and dialogue over military measures and isolation suggests a greater willingness to engage traditional adversaries of the United States and Israel such as Syria and Iran in search of diplomatic solutions. Merkel's call for a comprehensive diplomatic initiative indicates a desire to link discussion of the Israeli-Palestinian and Israel-Lebanon conflicts to discussion of security in Iraq, to which both Israel and key figures in the Bush administration have reacted skeptically. The presence of German troops

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<sup>49</sup> For more information, see CRS Report RL33793, *Iraq: Regional Perspectives and U.S. Policy*, coordinated by (name redacted).

<sup>50</sup> The Paris Club is an informal group of 19 creditor nations that seeks to alleviate payment difficulties facing debtor nations.

<sup>51</sup> "Germany's Merkel Advocates 'Comprehensive Diplomatic Initiative Over Iraq,'" Associated Press Newswires, Dec. 9, 2006.

<sup>52</sup> "'Splitting Iraq Would Lead to Terrible Bloodshed' - Interview with Germany's Foreign Minister," *Spiegel Online*, Dec. 12, 2006.

<sup>53</sup> "Israeli Military Doesn't Rule Out Military Strike on Iran," *op. cit.*

off the Lebanese coast and increasing criticism regarding the strength of their mandate are fueling German calls to offer Syria concessions within the framework of a broader dialogue.<sup>54</sup> Proponents of such an approach argue that cooperation with Syria is essential to achieving stability in Lebanon and cooperation from Hamas, and can only be achieved through constructive dialogue.

Although Merkel has joined European leaders in advocating dialogue with Syria and Iran and increased EU engagement in the Israeli-Palestinian conflict, Germany and most EU member states remain dedicated to securing robust U.S. engagement in any peace proposal. Numerous analysts assert that Germany is unlikely to assume a leadership role in the peace process without strong U.S. backing. However, calls for EU-led initiatives from Spain, France and Italy indicate ongoing European frustration with perceived U.S. inattention to the peace process. This leads many analysts to predict that Germany will be hard-pressed to forge European and transatlantic consensus during its EU-presidency, let alone lead a revived Quartet initiative. Accordingly, German diplomats are careful to dampen expectations of Germany's ability to drive the peace process.<sup>55</sup>

Merkel has shown no signs of deviating from Germany's traditional support for Israel and, if anything, has displayed a tendency to be less critical of Israeli policies than her predecessor Gerhard Schröder. Nonetheless, growing criticism within the German media and Germany's political classes, and high public disapproval of Israeli action during its July 2006 incursion into Lebanon, suggest a growing willingness to challenge Israeli policies. Furthermore, the presence of German troops in the region has significantly raised Germany's interest in seeing a peaceful resolution to Israeli-Arab conflicts. These factors and Germany's commitment to a stronger EU foreign policy are taken by some as indications of increasing potential for divergence between German policy on the one hand and U.S. and Israeli policies on the other.

On the other hand, German officials and politicians consistently assert that Germany's commitment to Israel and a common transatlantic approach to the Arab-Israeli peace process will continue to remain the paramount drivers of German policy in the region.<sup>56</sup> Indeed, a historical perspective on Germany's relationship with Israel indicates that German leaders have consistently chosen to support Israel—whether militarily, financially or politically—despite periods of public, political or even international opposition. This support, however, has often been carried out secretly. In fact, historical accounts suggest that German success in maintaining relatively positive relations on both sides of the Arab-Israeli conflict has depended largely on its ability to avoid a high-profile leadership role in the region.

## **Areas of Congressional Concern**

Aspects of Germany's relations with Israel intersect with congressional concerns, especially with respect to policy issues in the Middle East. Recent relevant examples include congressional perspectives on Hezbollah and international assistance to the Palestinians. Members of Congress have repeatedly called on the European Union to classify Hezbollah as a terrorist organization. In March 2005, both the House and Senate passed resolutions (H.Res. 101 and S.Res. 82) urging the

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<sup>54</sup> For example, some German officials have advocated offering to initiate negotiations on the return of the Golan Heights to Syria.

<sup>55</sup> Interviews of German officials, October-December 2006; "U.S. Has High Expectations of German EU and G-8 Presidencies," *International Herald Tribune*, Dec. 26, 2006.

<sup>56</sup> Interviews of German officials, October-December 2006.



EU to add Hezbollah to its list of terrorist organizations. In July 2006, as fighting between Hezbollah and Israel escalated, 200 Members of the House signed a letter to EU High Representative for Common Foreign and Security Policy Javier Solana reiterating their request. The EU has not designated Hezbollah as a terrorist organization because some member states view it as playing an important social and economic role in Lebanon or as a legitimate political entity represented in the Lebanese parliament and cabinet. EU and German officials indicate that such a designation is unlikely as long as EU member states are negotiating with the Lebanese government as part of the UNIFIL force currently maintaining a cease-fire in southern Lebanon.

Unlike some EU member states, such as the United Kingdom, which has placed Hezbollah on its terrorist list, Germany does not maintain an independent national list of terrorist organizations, choosing instead to adopt the common EU list. Composition of the EU list is agreed on unanimously and deliberations remain secret. Although most observers assert that the French government has been the strongest European opponent to classifying Hezbollah as a terrorist organization, German officials indicate that they would likely support such a designation.

Members of Congress also remain concerned about EU aid to the Palestinians. Congress has enacted a series of measures to restrict U.S. funding for the Palestinian Authority.<sup>57</sup> As noted previously, Germany has been one of the largest donors to the PA, and has provided direct assistance to the Palestinian people through the EU's Temporary International Mechanism (TIM) since July 2006. After Hamas's victory in parliamentary elections in January 2006, Chancellor Merkel was one of the first European leaders to back Quartet conditions for the provision of EU aid and negotiations with Hamas. Nonetheless, some observers have voiced concern that Germany and other European states may be more willing than the United States to show flexibility in their commitment to these requirements, particularly in exchange for Hamas cooperation in a potential national unity government or in peace talks. In response to such allegations, German officials consistently cite a steadfast German commitment to the Quartet principles.

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<sup>57</sup> See CRS Report RS22967, *U.S. Foreign Aid to the Palestinians*, by (name redacted).

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