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Israel: Background and U.S. Relations in Brief

,name redacted,

Specialist in Middle Eastern Affairs

October 28, 2016

Congressional Research Service

7-....

www.crs.gov

R44245

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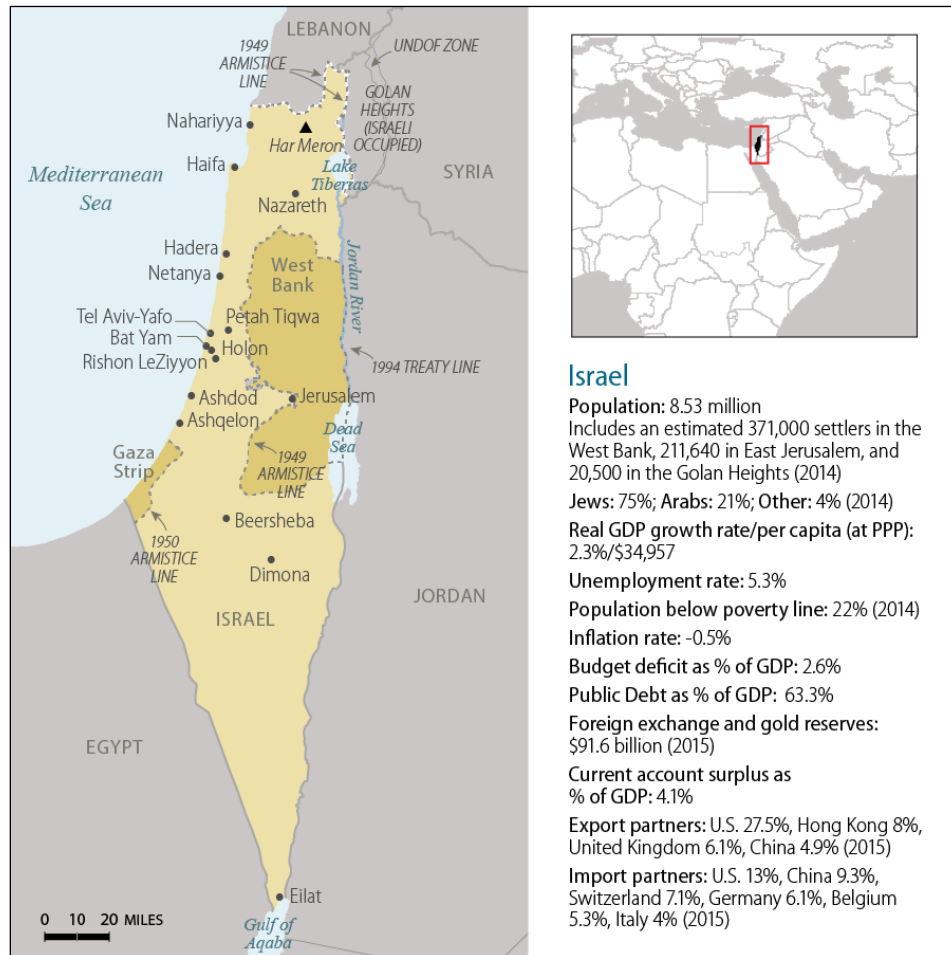
Introduction

Israel's security has significant relevance for U.S. interests in the Middle East, and Congress plays an active role in shaping and overseeing U.S. relations with Israel. This report focuses on the following:

- Recent dynamics in U.S.-Israel relations and security cooperation.
- Addressing regional threats Israel perceives.
- Current domestic political issues.
- Some Israeli-Palestinian developments.

For additional information and analysis, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by (name redacted); CRS Report RL33222, *U.S. Foreign Aid to Israel*, by (name redacted); and CRS Report R44281, *Israel and the Boycott, Divestment, and Sanctions (BDS) Movement*, coordinated by (name redacted)

Figure I. Israel: Map and Basic Facts



Sources: Graphic created by CRS. Map boundaries and information generated by (name redacted) using Department of State Boundaries (2011); Esri (2013); the National Geospatial-Intelligence Agency GeoNames Database (2015); DeLorme (2014). Fact information from CIA, *The World Factbook*; Economist Intelligence Unit;

IMF World Outlook Database; Israel Central Bureau of Statistics. All numbers are estimates and as of 2016 unless specified.

Notes: UNDOF: United Nations Disengagement Observer Force. The West Bank is Israeli-administered with current status subject to the 1995 Israeli-Palestinian Interim Agreement; permanent status to be determined through further negotiation. The status of the Gaza Strip is a final status issue to be resolved through negotiations. Israel proclaimed Jerusalem as its capital in 1950, but the United States, like nearly all other countries, retains its embassy in Tel Aviv-Yafo. Boundary representation is not necessarily authoritative.

Overview of U.S.-Israel Relations

For decades, strong bilateral relations have fueled and reinforced significant U.S.-Israel cooperation in many areas, including regional security. Nonetheless, at various points throughout the relationship, aligning U.S. and Israeli policies has presented challenges on some important issues. Notable differences regarding regional issues—notably Iran and the Palestinians—have arisen or intensified since 2009, during the tenures of President Obama and Israeli Prime Minister Binyamin Netanyahu.¹ Israeli leaders have expressed some concerns about the U.S. posture in the region and the potential implications for Israel, while U.S. officials have periodically shown unease regarding the compatibility of some Israeli statements and actions with overall U.S. regional and international interests. However, both governments say that bilateral cooperation has continued and even increased by many measures in a number of fields such as defense, trade, and energy.

Israeli leaders and significant segments of Israeli civil society regularly emphasize their shared values and ongoing commitments to political, economic, and cultural connections with the United States and the broader Western world. However, the future trajectory of Israel's ties with the United States and other international actors may be influenced by a number of factors including geopolitics, generational change, and demographic trends.²

The longtime U.S. commitment to Israel's security and "qualitative military edge" in the region is intended to enable Israel to defend itself against threats it perceives, which in recent years have largely come from Iran and groups Iran supports. The political complement to this cooperation has been a long-standing U.S. effort to encourage Israel and other regional actors to improve relations with one another. U.S. policymakers have sponsored or mediated numerous Arab-Israeli peace initiatives since the 1970s, including Israel's peace treaties with Egypt and Jordan and interim agreements with the Palestine Liberation Organization (PLO). However, largely owing to lingering Israeli-Palestinian disputes and widespread Middle Eastern turmoil, formal political normalization for Israel within the region has been elusive. Such elusiveness may factor into what appears to have been a relatively less urgent U.S. approach to the issue in recent years.

Despite a lack of formal normalization, in recent years Israel has made common cause to some extent with various Arab states. Mutual concerns regarding Iran and its regional actions have presented opportunities for Israel to work discreetly with some Arab states in attempts to counter Iranian influence. Additionally, Israeli and Arab leaders have expressed similar concerns about

¹ See, e.g., Jeffrey Goldberg, "The Obama Doctrine," *The Atlantic*, April 2016; Jason M. Breslow, "Dennis Ross: Obama, Netanyahu Have a 'Backdrop of Distrust,'" PBS Frontline, January 6, 2016; Sarah Moughty, "Michael Oren: Inside Obama-Netanyahu's Relationship," PBS Frontline, January 6, 2016.

² See, e.g., Dennis Ross, *Doomed to Succeed: The U.S.-Israel Relationship from Truman to Obama*, New York: Farrar, Straus and Giroux, 2015; Dana H. Allin and Steven N. Simon, *Our Separate Ways: The Struggle for the Future of the U.S.-Israel Alliance*, New York: PublicAffairs, 2016; Pew Research Center, *Israel's Religiously Divided Society*, March 8, 2016.

the nature and effectiveness of U.S. engagement in the region on behalf of traditional U.S. partners.³

Addressing Regional Threats

Israeli leaders and numerous other observers publicly identify Iran and two of its non-state allies—Hezbollah in Lebanon⁴ and Hamas in the Gaza Strip—as particularly significant security threats to Israel. Other threats or potential threats include Palestinian attacks emanating from the West Bank and Jerusalem and concerns about terrorist groups operating near Israel’s borders with Syria and Egypt.⁵ At the same time, at least one Israeli intelligence estimate was reported to assess that recent changes and turmoil in the Middle East may in some ways have improved Israel’s strategic posture.⁶

Perceptions that the United States has become less engaged in addressing problems in the region may exacerbate Israel’s anxiety over the extent to which it can rely on its geographically distant superpower partner to actively thwart potential threats Israel faces, and to do so in the manner Israel’s government prefers. Some Israelis and others have argued that the level and nature of influence the United States has in the Middle East has been reduced, due to a number of political and economic factors.⁷ Nevertheless, substantial U.S. military assets remain deployed in the region, and U.S. officials regularly reiterate commitments to Israel (and other regional allies) and reinforce these statements through tangible means such as aid, arms sales, and missile defense cooperation.⁸ Debate continues among Israelis over the urgency of a political resolution to Israel’s disputes with the Palestinians, as well as the potential regional and international consequences—including possibly increased political and economic “isolation” (or, as some Israelis characterize it, “delegitimization”)—if no resolution occurs.

Israel maintains conventional military superiority relative to its neighbors and the Palestinians.⁹ Yet, it is unclear how shifts in regional order and evolving asymmetric threats may affect Israel’s capabilities to project military strength, deter attack, and defend its population and borders. Israeli officials closely monitor U.S. actions and consult with U.S. counterparts in apparent efforts to gauge and influence the nature and scope of future U.S. engagement on and commitment to key regional issues.¹⁰

³ Leslie Susser, “Living in a post-American Middle East,” *Jerusalem Report*, July 11, 2016.

⁴ See, e.g., Neri Zilber, “A Nice, Relaxing Weekend in the Sights of Hezbollah,” *Tablet*, July 12, 2016; Avi Isaacharoff, “10 years after the Second Lebanon War, Israel isn’t in Hezbollah’s sights,” *Times of Israel*, July 14, 2016; William Booth, “Ten years after last Lebanon war, Israel warns next one will be far worse,” *Washington Post*, July 23, 2016.

⁵ For information on various potential threats to Israel’s security, see testimony from a House Foreign Affairs Middle East and North Africa Subcommittee hearing dated April 19, 2016, available at <https://foreignaffairs.house.gov/hearing/joint-subcommittee-hearing-israel-imperiled-threats-to-the-jewish-state/>; and Robert M. Danin, “Israel Among the Nations,” *Foreign Affairs*, July/August 2016.

⁶ Yossi Melman, “Intelligence Report: Israel’s strategic position has improved,” *Jerusalem Report*, March 5, 2016.

⁷ See, e.g., Susser, “Living in a post-American Middle East,” *op. cit.*; Martin Kramer, “Israel and the Post-American Middle East,” *Foreign Affairs*, July/August 2016; Dennis Ross, “Why Middle Eastern Leaders Are Talking to Putin, Not Obama,” *Politico*, May 8, 2016.

⁸ See, e.g., William Booth and Carol Morello, “Biden arrives in Israel to talk billions in military aid — and try to patch things up,” *washingtonpost.com*, March 8, 2016; Greg Jaffe and Juliet Eilperin, “Obama’s gulf gambit: More military aid to allies could ease regional rifts with Iran,” *washingtonpost.com*, April 21, 2016.

⁹ Danin, *op. cit.*; Kramer, *op. cit.*

¹⁰ See, e.g., Carmit Valensi and Udi Dekel, “The Current Challenges in the Middle East Demand a Joint United States- (continued...)”

Some unconventional threats to Israel are seen to have been reduced because of factors such as heightened security measures vis-à-vis Palestinians; missile defense systems; and reported cyber capabilities. From a physical security standpoint, Israel has proposed and partially constructed a national border fence network of steel barricades (accompanied by watch towers, patrol roads, intelligence centers, and military brigades), which is presumably designed to minimize militant infiltration, illegal immigration, and smuggling from Egypt, Syria, Lebanon, and parts of Jordan.¹¹

After the Iran Nuclear Deal

Israeli politicians and security officials have expressed a range of opinions regarding the JCPOA. Many Israeli leaders and observers indicate concern that the nuclear deal and its implementation is facilitating greater Iranian influence in the Middle East and emboldening Iran and its allies to test Israel's political and military capacities for deterrence. Some leaders, such as Prime Minister Binyamin Netanyahu, asserted at the time that the JCPOA was signed that it also legitimized Iran's aspirations to be a "nuclear threshold" state.¹²

Yet, some within Israel's security establishment have identified positive aspects in the JCPOA's time-specific limits or rollbacks on Iran's ability to produce fissile material.¹³ Lieutenant General Gadi Eizenkot, the Israel Defense Forces chief of staff, said in January 2016, "The deal has actually removed the most serious danger to Israel's existence for the foreseeable future and greatly reduced the threat over the longer term."¹⁴ Analysts writing in an Israeli strategic affairs journal asserted in April 2016 that "Israel can undertake not to attack Iran as long as there is no violation of the terms of the JCPOA."¹⁵ Iran has continued to develop and test ballistic missiles, leading to some U.S. sanctions,¹⁶ while Israeli calls for more concerted international action arguably lack enforcement mechanisms.¹⁷

A number of post-JCPOA developments may affect Israel's "qualitative military edge" (QME) over regional threats, including

- The prospect of greater Iranian capacity to affect the regional balance of power given its renewed global economic connectivity.¹⁸
- An increase in U.S. arms sales to Arab Gulf states in an effort to reassure them.¹⁹

(...continued)

Israel Strategy," *Strategic Assessment*, April 2016.

¹¹ "Israel approves additional section of Jordan border fence: report," i24news, July 19, 2016; Barbara Opall-Rome, "Israel Invests Billions in Border Barricades," *Defense News*, September 7, 2015.

¹² Michael Herzog, "Israel Confronts the Iran Nuclear Deal," Washington Institute for Near East Policy, PolicyWatch 2455, July 24, 2015.

¹³ Danin, op. cit.

¹⁴ David E. Sanger, "A Year Later, a Mixed Record for the Iran Accord," *New York Times*, July 14, 2016.

¹⁵ Carnit Valensi and Udi Dekel, "The Current Challenges in the Middle East Demand a Joint United States-Israel Strategy," *Strategic Assessment*, vol. 19, no. 1, April 2016. See also Sanger, op. cit.

¹⁶ U.S. Treasury Department Press Release, "Treasury Sanctions Those Involved in Ballistic Missile Procurement For Iran," January 17, 2016.

¹⁷ Barbara Opall-Rome, "Experts: Israel Lacks Leverage Against Iranian Missile Tests," *Defense News*, March 14, 2016.

¹⁸ Valensi and Dekel, op. cit.

¹⁹ Joe Gould, "US Lawmakers Urge Action on Jet Sales to Qatar, Kuwait and Bahrain," *Defense News*, July 12, 2016.

- Russia's decision to deliver on a long-delayed agreement to provide Iran with an upgraded air defense system known as the S-300.²⁰

Regional Threats from Hezbollah, Syria, and Sunni Jihadists

Deterrence between Israel and Iran's ally Hezbollah is based on various military and political factors, and has largely held since a major Israel-Hezbollah conflict in the summer of 2006. A number of regional developments may affect Israel's ability to deter Hezbollah in the future, including dynamics involving Lebanon, Syria, and U.S.-Israel closeness and cooperation.²¹

At various times during the conflict in Syria, Israel has reportedly fired on targets in Syria or Lebanon in response to attack or threats of attack, or in attempts to prevent arms transfers to Hezbollah in Lebanon.²² In February 2016, Israeli Prime Minister Netanyahu said:

We will not agree to the supply of advanced weaponry to Hezbollah from Syria and Lebanon. We will not agree to the creation of a second terror front on the Golan Heights. These are the red lines that we have set and they remain the red lines of the State of Israel.²³

However, Israel's ability to operate in or around Syrian airspace appears to have become more dependent on Russia since it became directly involved in Syria in the fall of 2015. Israel and Russia initially established a joint mechanism for preventing misunderstandings,²⁴ but Russia's reported deployment of advanced S-300 and S-400 air defense systems in Syria could complicate future Israeli efforts to prevent or mitigate the supply of arms to Hezbollah via Syrian territory.²⁵ In July 2016, a Russian drone aircraft reportedly crossed into Israeli airspace by mistake and was fired upon by Israeli Patriot and air-to-air missiles before safely returning to Syria.²⁶ At least one incident in which Syria reportedly fired on Israeli aircraft has driven some speculation about possible unintended consequences of Russia's apparent emboldenment of Syria.²⁷

Israeli officials have sought to draw attention to Hezbollah's weapons buildup—including reported upgrades to the range and precision of its projectiles—and its alleged use of Lebanese civilian areas as strongholds.²⁸ In highlighting these issues, Israel may be aiming to bolster the credibility of its threat of massive retaliation against a Hezbollah attack, at least partly to spur key

²⁰ Parisa Hafezi, "Iran deploys Russian-made S-300 missiles at its Fordow nuclear site: TV," Reuters, August 29, 2016.

²¹ See, e.g., Yuval Azulai, "Israel, US conduct joint missile defense trial," *Globes*, July 6, 2016.

²² See, e.g., "Israel has hit 'dozens' of Hezbollah arms transfers, Netanyahu says," *Times of Israel*, April 11, 2016; Anne Barnard, "Lebanon: New Skirmish Between Israel and Hezbollah in Disputed Territory," *New York Times*, January 5, 2016.

²³ Isabel Kershner, "Netanyahu Welcomes Cease-Fire in Syria, but Adds a Warning," *New York Times*, February 29, 2016.

²⁴ See, e.g., Barbara Opall-Rome, "Israel, Russia Conclude First Round of Deconfliction Talks," *Defense News*, October 7, 2015.

²⁵ Barak Ravid, "Israel Asks Russia to Revise Military Coordination Due to New Russian S-300 Missiles in Syria," *haaretz.com*, October 17, 2016; Amos Harel, "Without Effort, Russia Restricted the Strongest Air Force in the Middle East," *haaretz.com*, October 23, 2016.

²⁶ Nazir Majli, "Russia Admits Drone Entered Israeli Airspace," *Asharq al Awsat Online*, August 8, 2016.

²⁷ Micah Halpern, "Swaggering Syria Shoots at Israeli Jets, Flying Toward War?" *observer.com*, September 15, 2016.

²⁸ William Booth, "Ten years after last Lebanon war, Israel warns next one will be far worse," *washingtonpost.com*, July 23, 2016; Identical letters dated May 27, 2015, from the Permanent Representative of Israel to the United Nations addressed to the Secretary-General and the President of the Security Council, U.N. Document S/2015/382, May 27, 2015; Isabel Kershner, "Israel Says Hezbollah Military Sites Put Lebanese Civilians at Risk," *New York Times*, May 13, 2015. Adam Entous, et al., "Hezbollah Upgrades Missile Threat to Israel," *Wall Street Journal*, January 2, 2014.

international actors to work toward preventing or delaying conflict.²⁹ Observers debate the extent to which Hezbollah's involvement in the Syrian conflict in support of the Assad regime has weakened or strengthened the group, as well as whether Hezbollah's domestic profile and the profusion of international and non-state actors in the region make near-term conflict with Israel more or less likely.³⁰

Sunni Salafi-jihadist activity in the region since 2014—particularly involving the Islamic State organization (IS, also known as ISIS/ISIL, or by the Arabic acronym *Da'esh*)—has also deepened Israeli concerns regarding Israel's border security³¹ and the security of neighboring Jordan. Israel is constructing a security barrier along its border with Jordan is similar in nature to projects undertaken on its other frontiers.³² Israeli security officials additionally monitor groups and individuals in the neighboring Gaza Strip and (Egypt's) Sinai Peninsula who claim allegiance to or inspiration from Salafi-jihadists,³³ and Israeli leaders have taken note of incidents in Europe since 2014 in which extremists have specifically targeted Jews (including Israeli citizens).³⁴ Since late 2015, some IS leaders or associated groups have issued explicit threats against Israel and/or Jews,³⁵ though how that translates to operational capacity and concerted effort to direct or inspire attacks against Israeli targets is less clear.³⁶

Individual Palestinian Attacks

In the fall of 2015, tensions connected with Jerusalem's Temple Mount/Haram al Sharif contributed to a wave of mostly "lone wolf" attacks by Palestinians against Jewish Israeli security personnel and civilians that intensified for several months and have fluctuated since. More than 30 Israelis and 200 Palestinians had been killed as a result of that violence as of September 2016.³⁷

Israeli authorities have responded with both incentives and punitive measures intended to deter future attacks. The government increased the number of permits for West Bank residents to work in Israel in hopes of reducing the grievances that officials apparently assume are driving the

²⁹ See, e.g., Booth, "Ten years after last Lebanon war..." op. cit.; Neri Zilber, "Hezbollah Claims a 'Nuclear Option' in Tense Standoff with Israel," *Daily Beast*, March 3, 2016; Amos Harel, "Israel's Unlikely Place in a Rapidly Changing Middle East," *haaretz.com*, March 7, 2016.

³⁰ Harel, "Without Effort, Russia Restricted the Strongest Air Force in the Middle East," op. cit.; Nour Samaha, "Hezbollah's Death Valley," *foreignpolicy.com*, March 3, 2016.

³¹ Isabel Kershner, "Beyond Borders, Israel Sees a New World of Chaos, Tunnels and Terror," *New York Times*, February 12, 2016; "Israel and Islamic State: The caliphate eyes the holy land," *Economist*, January 23, 2016; David Ignatius, "In Middle East, a Serious Game of War," *Washington Post*, January 27, 2016.

³² See footnote 11.

³³ See, e.g., Alex Fishman, " Hamas is funding Islamic State in Sinai," *Ynetnews*, December 14, 2015; Ronen Bergman, "The battle over Sinai: ISIS's next strong force," *Ynet Magazine*, December 25, 2015.

³⁴ See, e.g., "Kosher Copenhagen deli targeted in anti-Semitic attack," *Times of Israel*, April 9, 2015; "Brussels Jewish Museum killings: Suspect 'admitted attack,'" *BBC News*, June 1, 2014.

³⁵ "Islamic State head: 'Palestine will be graveyard' for Jews," *Times of Israel*, December 26, 2015; ISIS in Sinai threatens Jews, Israel and Rome in new video

³⁶ See, e.g., Will McCants, "ISIS and Israel," *jihadica.com*, November 6, 2015; Isabel Kershner and Daa Hadid, "5 Palestinian Israelis, Said to Be ISIS Supporters, Are Held," *New York Times*, December 10, 2015.

³⁷ "Israel Kills Palestinian Who Wounded Soldier in West Bank," *Voice of America*, September 17, 2016. Some U.S. citizens have been killed or injured, prompting the State Department to issue an August 23, 2016, security message to U.S. citizens for Israel, Jerusalem, and the West Bank (<https://travel.state.gov/content/passports/en/alertswarnings/israel-travel-warning.html>).

attacks.³⁸ In July 2016, the prime minister's office announced that any amounts transferred by the PA to "terrorists and their families" would be deducted from the monthly tax revenues Israel transfers to the PA,³⁹ though no public announcement of specific deductions has ensued. In August, Defense Minister Avigdor Lieberman presented what has been called a "carrot and stick" plan, which has generated significant debate regarding its focus on linking rewards or punishments in specific Palestinian West Bank communities to the extent attackers come from those communities.⁴⁰

While U.S. and international observers have denounced the Palestinian attacks and directed some criticism toward Palestinian Authority (PA) President Mahmoud Abbas and other Palestinian leaders, they have also criticized Israeli leaders for (1) allegedly disproportionate security responses, (2) continued settlement construction in the West Bank and East Jerusalem, and (3) resistance to new initiatives aimed at restarting peace talks.⁴¹ See "Israeli-Palestinian Developments" below.

U.S.-Israel Security Cooperation

General Issues

Significant U.S.-Israel security cooperation exists in the realms of military aid, arms sales, joint exercises, and information sharing. It has also included periodic U.S.-Israel governmental and industrial cooperation in developing military technology.

U.S. military aid has helped transform Israel's armed forces into one of the most technologically sophisticated militaries in the world. This aid for Israel has been designed to maintain Israel's "qualitative military edge" (QME) over neighboring militaries, because Israel must rely on better equipment and training to compensate for a manpower deficit in any potential regional conflict.⁴² U.S. military aid, a portion of which may be spent on procurement from Israeli defense

³⁸ Yoav Zitun, "Attack highlights West Bank infiltrators," *Ynetnews*, June 9, 2016.

³⁹ Israeli Prime Minister's Office, "PM Netanyahu Orders that Palestinian Authority Payments to Terrorists and their Families be Deducted from Tax Revenue Transfers to the PA," July 1, 2016. Israel periodically delays or withhold tax revenue transfers to the PA over security or political concerns or disputes. Palestinians and some international observers assert that the 1994 Paris Protocol governing such transfers does not permit Israeli delays or withholding. The PA transfers alluded to by the prime minister's office presumably refer to Palestinian payments to persons imprisoned by Israel for terrorism and those persons' families.

In 2014, the Palestinians reportedly shifted the responsibility for making these payments from the PA to the Palestine Liberation Organization (PLO) budget, largely in order to defuse concerns among the PA's international donors about perceptions that the donors might be indirectly associated with the prisoner-related payments. CRS Report RS22967, *U.S. Foreign Aid to the Palestinians*, by (name redacted)

⁴⁰ Yoav Zitun and Tova Tzimuki, "Lieberman unveils 'carrot and stick' plan against terror," *Ynetnews*, August 17, 2016.

⁴¹ See, e.g., Report by the international Quartet (United States, European Union, U.N. Secretary General's office, Russia), dated July 1, 2016, available at <http://www.state.gov/p/nea/rls/rpt/259262.htm>; and a Quartet statement dated September 23, 2016, available at <http://www.state.gov/r/pa/prs/ps/2016/09/262344.htm>.

⁴² In 2008, Congress enacted legislation requiring that any proposed U.S. arms sale to "any country in the Middle East other than Israel" must include a notification to Congress with a "determination that the sale or export of such would not adversely affect Israel's QME over military threats to Israel." §36(h) of the Arms Export Control Act, which contains the QME requirement, was added by §201(d) of the Naval Vessel Transfer Act of 2008 (P.L. 110-429).

companies, also has helped Israel build and sustain a domestic defense industry, and Israel in turn ranks as one of the top exporters of arms worldwide.⁴³

New Aid MOU

On September 14, 2016, the U.S. and Israeli governments signed a new 10-year memorandum of understanding (MOU) on annual U.S. military aid,⁴⁴ which will come into effect in FY2019 after the current 10-year MOU runs its course.⁴⁵ The Administration has stated that it is the largest single pledge of military assistance in U.S. history.⁴⁶ One observer claimed that the deal provided vindication for Prime Minister Netanyahu and President Obama to some extent:

One, in Jerusalem, wanted to disprove the notion that he harmed bilateral relations with his country's greatest ally by picking a fight [over the 2015 Iran nuclear deal] with its leader.

And the other, soon to leave the White House, was looking for the ultimate seal of approval for his support to the Jewish State. Both ended the race legitimately claiming victory.⁴⁷

The new MOU will affect U.S. security-related funding for Israel—subject to annual congressional appropriations—as follows:

- Increases annual Foreign Military Financing (FMF) aid to Israel to \$3.3 billion (from a current level of \$3.1 billion).
- Sets an annual U.S. funding level for U.S.-Israel cooperative missile defense programs at \$500 million. Missile defense funding, which is appropriated from Defense Department accounts rather than State Department foreign aid accounts, was not included in past U.S.-Israel aid MOUs. Such funding has fluctuated above and below the \$500 million mark from year to year.
- Phases out (reportedly during the last half of the 10-year period)⁴⁸ the longtime allowance for Israel to use 26.3% of annual FMF for purchases from its own domestic manufacturers. No similar allowance is available to other countries.
- Ends or significantly reduces Israel's past practice of using FMF for fuel purchases.

Reportedly, Israel has agreed in writing to refrain from requesting supplemental funding from Congress for the MOU's entire duration, except for special emergency needs resulting from an armed conflict.⁴⁹ It is unclear how this will affect Congress's role in the appropriations process.

Additionally, Senator Lindsey Graham has said that as part of the deal, the Israeli government signed a letter agreeing to return any funds that Congress might appropriate for the remaining two

⁴³ See, e.g., Yossi Melman, "High Stakes Poker," *Jerusalem Report*, May 2, 2016.

⁴⁴ Josh Rogin, "U.S.-Israel deal held up over dispute with Lindsey Graham," *washingtonpost.com*, September 11, 2016.

⁴⁵ "Israel, US said to resolve key sticking points on aid deal," *Times of Israel*, August 1, 2016.

⁴⁶ White House, "FACT SHEET: Memorandum of Understanding Reached with Israel," September 14, 2016.

⁴⁷ Nathan Guttman, "ANALYSIS: \$38B Israel Aid Deal Is Political Boon for Benjamin Netanyahu — and Barack Obama," *Jewish Daily Forward*, September 15, 2016. For information on debate regarding the MOU in Israel, see Yossi Melman, "An Unprecedented Deal?" *Jerusalem Report*, October 16, 2016.

⁴⁸ "Israel, US said to resolve key sticking points on aid deal," *Times of Israel*, August 1, 2016.

⁴⁹ Guttman, op. cit.; Peter Baker and Julie Hirschfeld Davis, "U.S. and Israel Seal Huge Military Aid Deal," *New York Times*, September 14, 2016.

years (FY2017 and FY2018) covered by the FY2009-FY2018 MOU that was finalized in 2007 during the Bush Administration.⁵⁰ Senator Graham is chairman of the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs. This subcommittee's version of the FY2017 appropriations bill (S. 3117) would provide Israel with \$3.4 billion, \$300 million more than the \$3.1 billion called for in the current MOU. In September 2016, following the new MOU's signing, Senator Graham and six other Senators introduced the Emergency Supplemental Appropriations Act for the Defense of Israel, 2016 (S. 3363), which would appropriate additional emergency funds for Israel in the amount of \$750 million in FMF and \$750 million in missile defense funding.

On July 25, 2016, the Israeli Prime Minister's office released a statement that read in part, "Israel places great value on the predictability and certainty of the military assistance it receives from the United States and on honoring bilateral agreements. Therefore, it is not in Israel's interest for there to be any changes to the fixed annual MOU levels without the agreement of both the U.S. Administration and the Israeli government. For FY2017, Israel remains committed to the FMF level specified in the current MOU, which is \$3.1 billion."

Pending Security Cooperation Legislation

2017 National Defense Authorization Act (NDAA). The House-passed version of the NDAA (H.R. 4909) includes the following provisions:

- *Section 1250.* Would authorize up to \$25 million for U.S.-Israel cooperation in research and development of directed energy (laser) technologies to counter missiles, drones, mortars, and improvised explosive devices if the two countries can reach agreement on sharing costs and intellectual property rights.
- *Section 1259J.* Would authorize assistance to Israel "to improve maritime security and maritime domain awareness" over a five-year period. Activities for which assistance would be specifically authorized include support for the David's Sling missile defense system, Israeli participation in joint maritime exercises with the United States, visits of U.S. vessels at Israeli ports, and research and development.
- *Section 1259N.* Would require the Administration to report within 180 days to congressional committees on (1) defensive capabilities and platforms requested by Israel, (2) the availability of such items for transfer, and (3) steps the President is taking to transfer such items.

The Senate-passed version of the NDAA (S. 2943) does not include any of the above provisions, but includes a separate provision that would increase the annual amount authorized for U.S.-Israel anti-tunneling cooperation (through calendar year 2018) from \$25 million to \$50 million if such funds are matched in the corresponding calendar year by Israel. Of any U.S. amounts used for this purpose in FY2017, not less than 50% would be for research, development, test, and evaluation activities in the United States.

Both H.R. 4909 and S. 2943 would authorize funding for Israel-based missile defense systems beyond the Administration's budget request, but the aggregate increases in S. 2943 are less than

⁵⁰ Josh Rogin, "Obama and Israel cut Congress out of the aid game," washingtonpost.com, September 14, 2016.

in H.R. 4909. A July 2016 letter from 36 Senators urged the chairmen of the conference reconciling the two bills to use the H.R. 4909 figures.⁵¹

2017 Department of Defense Appropriations Act. Following the pattern from previous years, both the House-passed (H.R. 5293) and Senate-introduced (S. 3000) versions of this act would provide funding for Israel-based missile defense systems beyond the Administration's budget request.⁵² On June 14, 2016, in a document opposing a number of items in H.R. 5293, the Administration said that it "opposed the addition of \$455 million above the FY 2017 Budget request for Israeli missile defense procurement and cooperative development programs."⁵³ In a June 15, 2016, daily press briefing, the State Department spokesperson explained the Administration's position by saying that \$455 million "is the largest such non-emergency increase ever and, if it's funded, would consume a growing share of a shrinking U.S. Missile Defense Agency's budget." Some observers interpreted the Administration's position as possibly being linked to the then-ongoing MOU negotiations.⁵⁴

Current Israeli Government and Major Domestic Issues

Prime Minister Netanyahu of the Likud party presides over a coalition government that includes six parties generally characterized as right of center. Netanyahu has been prime minister since March 2009, and also served as prime minister from 1996 to 1999. One commentator has said that Israelis keep returning Netanyahu to office "precisely because he is risk averse: no needless wars, but no ambitious peace plans either."⁵⁵ In May 2016, the Yisrael Beiteinu party joined the government, and its leader Avigdor Lieberman became Israel's defense minister. Lieberman replaced Moshe Ya'alon (a Likud member) as defense minister. Ya'alon has since expressed his intent to challenge Netanyahu in the next national elections, which are due no later than 2019.

The varying interests of the coalition's members and some intra-party rifts—particularly in Netanyahu's Likud party⁵⁶—contribute to difficulties in building consensus on the following issues:

- How to address an interrelated set of concerns relating to national security, freedom of expression, competing ideologies, and international influence; and
- How to promote macroeconomic strength while addressing popular concerns regarding economic inequality and cost of living.

⁵¹ Kristina Wong, "Tim Kaine backs call to boost funding for Israeli missile defense," *The Hill*, July 26, 2016.

⁵² Both the House and the Senate versions would increase funding from Administration requested levels for the Iron Dome system from \$42 million to \$62 million, for David's Sling from \$37.2 million to \$266.5 million, for Arrow 2 from \$10.8 million to \$67.3 million, and for Arrow 3 from \$55.8 million to \$204.9 million. For some information on the Congress-Administration dynamics of the process regarding FY2017 funding, see Julian Pecquet, "Obama, Congress hurtle toward showdown over Israel missile defense," *Al-Monitor Congress Pulse*, April 27, 2016.

⁵³ https://www.whitehouse.gov/sites/default/files/omb/legislative/sap/114/saphr5293r_20160614.pdf?elqTrackId=6EC9CEC95DE185EB4389F47C7BDB2988&elq=b8956db884d14431acb7ea48bb94f526&elqaid=19132&elqat=1&elqCampaignId=11805.

⁵⁴ See, e.g., Michael Wilner, "The White House missile aid objection: An MOU negotiating tactic?" *jpost.com*, June 19, 2016.

⁵⁵ Kramer, *op. cit.*

⁵⁶ Mazal Mualem (translated from Hebrew), "How the once-moderate Likud was radicalized," *Al-Monitor Israel Pulse*, April 8, 2016.

Netanyahu's government has faced considerable challenges in connection with Israeli-Palestinian issues and their international ripple effects. Such challenges take place partly within an environment where Israeli prime ministers confront considerable difficulty in balancing fractious coalitions. Speculation continues regarding the possibility that Netanyahu might seek to strengthen his hand vis-à-vis individual coalition partners by bringing in the center-left Zionist Union (featuring Labor and Ha'tnua), or some portion of its Knesset members.⁵⁷ Additionally, Netanyahu's position could be imperiled if an ongoing attorney general's corruption probe leads to a formal criminal investigation and possibly an indictment.⁵⁸

Debates about trends in Israeli society have pitted some right-of-center political leaders—including Netanyahu in some instances—against top Israeli defense and military officials. Some members of the security establishment have criticized what they portray as unjustifiable force by Israeli security personnel, and have discerned signs of “intolerance” and “brutalization” in Israeli society.⁵⁹ In some cases of alleged misconduct by personnel, right-leaning political figures have countered criticism proffered against them. Such divisions between defense officials and some government leaders was exacerbated in the aftermath of a March 2016 shooting of a wounded, prostrate Palestinian attacker by an Israeli soldier in the West Bank.⁶⁰ Upon his resignation in May, former defense minister Moshe Ya'alon asserted that manifestations of extremism in Israel and the Likud party are “seeping into the army.”⁶¹ The previous defense minister, Ehud Barak (who is also a former prime minister) has made similar statements about increasing signs of extremism in Israeli society and politics.⁶²

The Israeli public and international observers vigorously debated two Netanyahu-supported bills in the Knesset that passed in July 2016. One law requires non-governmental organizations (NGOs) receiving more than half their funding from foreign governments to officially declare the funding sources, and appears to disproportionately affect left-leaning organizations.⁶³ In a July 12 daily press briefing, a State Department spokesperson raised concerns about the “chilling effect that this new law could have on NGO activities.” The second law amended Israel's Basic Law to allow a Knesset supermajority to expel a Knesset member if the member incites racism or supports violence against the state.⁶⁴ It appears to be tailored to address concerns among several lawmakers regarding Arab Knesset members.⁶⁵

⁵⁷ “Herzog: Reports of progress toward unity government ‘a complete lie,’” *Times of Israel*, October 4, 2016.

⁵⁸ Ben Caspit, “Is Bibi's massive fundraising network about to collapse?” *Al-Monitor Israel Pulse*, July 20, 2016. According to one source, “Ehud Olmert, Mr Netanyahu's predecessor as prime minister, was forced to resign in 2009 over bribery allegations and is now serving a 19-month sentence in prison, while possibly facing further convictions.” “Israel's prime minister: The law looms larger,” *Economist*, July 16, 2016:

⁵⁹ “Israeli military finds its independent voice under attack,” *Christian Science Monitor*, May 9, 2016.

⁶⁰ The shooter, Sgt. Elor Azaria, is being tried for manslaughter in an Israeli military court amid controversy over whether the shooter might have reasonably believed that the wounded Palestinian presented a threat.

⁶¹ “Israel Defense Minister Moshe Yaalon Quits, Says Can't Trust PM Netanyahu,” *Associated Press*, May 20, 2016.

⁶² Judah Ari Gross, “Barak flogs Netanyahu, laments ‘budding fascism’ in Israel,” *Times of Israel*, June 16, 2016.

⁶³ “After contentious debate, Knesset passes NGO law,” *Times of Israel*, July 12, 2016.

⁶⁴ Ruth Levush, “Israel: Laws Authorize Expulsion of Lawmakers Engaged in Incitement to Racism or Support of Armed Struggle Against the State,” *Law Library of Congress Global Legal Monitor*, July 21, 2016.

⁶⁵ “Knesset passes law allowing expulsion of lawmakers,” *Jewish Telegraphic Agency*, July 20, 2016.

Israeli-Palestinian Developments

Official U.S. policy continues to favor a “two-state solution” to address core Israeli security demands as well as Palestinian aspirations for national self-determination. Continued failure by Israelis and Palestinians to make progress toward a negotiated solution could have a number of regional and global implications. Israeli actions regarding security arrangements and settlement construction in the West Bank and East Jerusalem could have ramifications for the resolution of final-status issues. Palestinian leaders support initiatives to advance their statehood claims and appear to be encouraging international legal and economic pressure on Israel in an effort to improve the Palestinian position vis-à-vis Israel. U.S. and international efforts to preserve the viability of a negotiated two-state solution attract skepticism because of regional turmoil and domestic reluctance among key Israeli and Palestinian leaders and constituencies to contemplate political or territorial concessions.

Meanwhile, Israelis debate whether their leaders should participate in international initiatives, advance their own diplomatic proposals, act unilaterally, or manage the “status quo.” Netanyahu has publicly welcomed resuming negotiations without preconditions, while insisting that regional difficulties forestall or seriously impede prospects for mutual Israeli-Palestinian concessions through negotiation. Additionally, several government ministers openly oppose a two-state solution.⁶⁶ Toward the left of the political spectrum, some Israeli politicians welcome the prospect of greater U.S. involvement in principle, claiming that regional challenges, Israel’s international ties, and demographic changes make resolving the Palestinian issue a priority. Even so, center-left leaders such as Yitzhak Herzog of the main opposition Labor party seem to acknowledge that a two-state solution is unlikely in the near term.⁶⁷

Observers speculate that the United States might set forth or agree to terms of reference in a presidential statement or U.N. Security Council initiative calculated to preserve the viability of a negotiated two-state solution and of U.S. diplomatic leadership on the issue.⁶⁸ After the September 2016 signing of the U.S.-Israel aid MOU, President Obama asserted that “we will continue to press for a two-state solution to the longstanding Israeli-Palestinian conflict, despite the deeply troubling trends on the ground that undermine this goal.”⁶⁹ On the same day, National Security Advisor Susan Rice said, “We don’t have any plans to do anything particularly dramatic at this point. We continue to want to see a two-state solution remain a live option. It’s vitally important.”⁷⁰ On September 20, 88 Senators sent a letter to Obama urging him to “make it clear that you will veto any one-sided UNSC resolution that may be offered in the coming months ... whether focused on settlements or other final-status issues.”⁷¹

⁶⁶ “Only Four of 20 Israeli Ministers Openly Declare Support of Two-state Solution,” *haaretz.com*, June 27, 2016.

⁶⁷ Jonathan Lis, “Labor Adopts Herzog’s Plan for Separation from Palestinians as Party Platform,” *haaretz.com*, February 8, 2016.

⁶⁸ Uri Savir, “Obama’s three diplomatic options for Mideast peace,” *Al-Monitor Israel Pulse*, October 16, 2016. France hosted a June 2016 conference of foreign ministers (including Secretary of State Kerry) that reportedly established working groups to craft terms of reference for a possible future resumption of negotiations. Leslie Susser, “The Netanyahu enigma,” *Jerusalem Report*, June 26, 2016.

⁶⁹ White House, Statement by the President on the Memorandum of Understanding Reached with Israel, September 14, 2016.

⁷⁰ Julie Hirschfeld Davis, “Obama Prods Netanyahu After Signing of U.S.-Israel Deal,” *New York Times*, September 15, 2016.

⁷¹ The text of the letter is available at [https://www.gillibrand.senate.gov/newsroom/press/release/senators-gillibrand-and-rounds-lead-bipartisan-initiative-urging-president-obama-to-reject-and-if-needed-veto-any-one-sided-resolutions-\(continued...\)](https://www.gillibrand.senate.gov/newsroom/press/release/senators-gillibrand-and-rounds-lead-bipartisan-initiative-urging-president-obama-to-reject-and-if-needed-veto-any-one-sided-resolutions-(continued...))

Netanyahu and Lieberman have welcomed efforts by Russia⁷² and Egypt to facilitate an initiative involving Arab states “which share security interests with Israel and have leverage on the Palestinians.”⁷³ However, some analysts assert that Arab states are distracted by other internal and regional concerns⁷⁴ and are unlikely to use their leverage unless Israel shows a willingness to contemplate concessions envisioned in the 2002 Arab Peace Initiative.⁷⁵ In October 2016, various Arab states sponsored resolutions by the U.N. Educational, Scientific, and Cultural Organization’s (UNESCO’s) Executive Board and World Heritage Committee. The resolutions criticized various Israeli actions, including those at and around Jerusalem’s Temple Mount/Haram al Sharif, and downplayed Jewish names and historical narratives in connection with various holy sites.⁷⁶ In response to the Executive Board resolution, Israel suspended its cooperation with UNESCO,⁷⁷ and UNESCO’s Director-General raised concerns about the effect that divisions based on religious narrative might have on UNESCO’s ability to carry out its mission.⁷⁸

In the meantime, U.S. efforts to prevent or mitigate Israeli-Palestinian crises could depend largely on continued Israel-PA West Bank security cooperation⁷⁹ and the PA’s ability to continue paying its employees’ salaries. Also, questions persist regarding the aging Abbas’s remaining tenure and what will happen when he leaves office.⁸⁰

(...continued)

at-the-united-nations. 394 Representatives signed a similar letter to President Obama in April 2016. Its text is available at http://kaygranger.house.gov/sites/granger.house.gov/files/Letter%20to%20President%20Obama%20supporting%20direct%20negotiations%20%E2%80%93%20signed%20by%20394%20Members%20of%20Congress_1.pdf.

⁷² Zvi Magen and Udi Dekel, “Russia’s Initiative on the Israeli-Palestinian Process: Another Move to Regain Influence in the Middle East,” Institute for National Security Studies Insight No. 853, September 13, 2016.

⁷³ Susser, “The Netanyahu enigma,” op. cit.

⁷⁴ See, e.g., Uri Savir (translated from Hebrew), “Have Arab leaders forgotten about Palestine?” *Al-Monitor Israel Pulse*, July 10, 2016.

⁷⁵ See, e.g., Bruce Maddy-Weitzman, “How far can they go?,” *Jerusalem Report*, June 27, 2016. The Arab Peace Initiative offers a comprehensive Arab peace with Israel if Israel were to withdraw fully from the territories it occupied in 1967, agree to the establishment of a Palestinian state with a capital in East Jerusalem, and provide for the “[a]chievement of a just solution to the Palestinian Refugee problem in accordance with UN General Assembly Resolution 194.” The initiative was proposed by Saudi Arabia, adopted by the 22-member Arab League (which includes the PLO), and later accepted by the 56-member Organization of the Islamic Conference (now the Organization of Islamic Cooperation) at its 2005 Mecca summit. The text of the initiative is available at <http://www.bitterlemons.org/docs/summit.html>.

⁷⁶ For text of the Executive Board resolution, see <http://unesdoc.unesco.org/images/0024/002462/246215e.pdf>. For information about the World Heritage Committee resolution, see Barak Ravid, “UNESCO Adopts Another Contentious Resolution on Jerusalem,” *haaretz.com*, October 26, 2016.

⁷⁷ Raoul Wootliff, “UNESCO’s executive board adopts Jerusalem resolution,” *Times of Israel*, October 18, 2016.

⁷⁸ Statement by the Director-General of UNESCO on the Old City of Jerusalem and its Walls, a UNESCO World Heritage site, October 14, 2016.

⁷⁹ Adnan Abu Amer (translated from Arabic), “Is the PA coordinating arrests with Israel?,” *Al-Monitor Palestine Pulse*, April 28, 2016; Joshua Davidovich, “Days of death and destruction,” *Times of Israel*, July 3, 2016.

⁸⁰ Ben Lynfield, “Creating chaos,” *Jerusalem Report*, September 5, 2016.

Author Contact Information

(name redacted)
Specialist in Middle Eastern Affairs
[redacted]@crs.loc.gov-....

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