Israel: Background and U.S. Relations in Brief

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Strong relations between the United States and Israel have led to bilateral cooperation in many areas. Matters of particular significance to U.S.-Israel relations include:

- Israel’s ability to address the threats it faces in its region.
- Shared U.S.-Israel concerns about Iran and its allies on the nuclear issue and in Syria and Lebanon.
- Israeli-Palestinian issues.
- Israeli domestic political issues, including elections scheduled for September 2019.

Israel relies on a number of strengths to manage potential threats to its security and existence. It maintains conventional military superiority relative to neighboring states and the Palestinians. It also takes measures to deter, attack, and defend its population and borders from evolving asymmetric threats such as rockets and missiles, cross-border tunneling, drones, and cyberattacks. Additionally, Israel has an undeclared but presumed nuclear weapons capability. Against a backdrop of strong bilateral cooperation, Israel’s leaders and supporters routinely make the case that Israel’s security and the broader stability of the region remain critically important for U.S. interests. A 10-year bilateral military aid memorandum of understanding (MOU)—signed in 2016—commits the United States to provide Israel $3.3 billion in Foreign Military Financing annually from FY2019 to FY2028, along with additional amounts from Defense Department accounts for missile defense. All of these amounts remain subject to congressional appropriations. In recent months, U.S. officials have expressed some security-related concerns about China-Israel commercial activity.

Israeli officials seek to counter Iranian regional influence and prevent Iran from acquiring nuclear weapons. In April 2018, Prime Minister Binyamin Netanyahu presented historical information about Iran’s nuclear program that Israeli intelligence apparently seized from an Iranian archive. The presentation came days before President Trump announced the U.S. withdrawal from the 2015 international agreement that constrains Iran’s nuclear activities. It is unclear whether Israel might take future military action in Iran if Iranian nuclear activities resume. Since 2018, Israel has conducted a number of military operations in Syria against Iran and its allies, including Lebanese Hezbollah. Israel and Iran also appear to be competing for military advantage over each other at the Israel-Lebanon border. Amid uncertainty in the area, in March 2019 President Trump recognized Israel’s claim to sovereignty over the Golan Heights, changing long-standing U.S. policy that held—in line with U.N. Security Council Resolution 497 from 1981—the Golan was occupied Syrian territory whose final status was subject to Israel-Syria negotiation.

The prospects for an Israeli-Palestinian peace process are complicated by many factors. Palestinian leaders cut off high-level political contacts with the Trump Administration after it recognized Jerusalem as Israel’s capital in December 2017. U.S.-Palestinian tensions have since worsened amid U.S. cutoffs of funding to the Palestinians and diplomatic moves—including the May 2018 opening of the U.S. embassy to Israel in Jerusalem. The Administration claims it has prepared a plan that proposes specific solutions on the core issues of the conflict, but the release of the plan has been repeatedly postponed and some question whether it will ever happen. Palestinian leaders are wary of possible attempts to pressure them into difficult political concessions through U.S. policies and initiatives—including an event scheduled for June 2019 in Bahrain to discuss Palestinian economic development. Israeli Prime Minister Binyamin Netanyahu has pledged to begin annexing Israeli settlements in the West Bank if he forms the next Israeli government. While Israel may count on warming ties with Arab Gulf states over Iran to carry over into Israeli-Palestinian diplomacy, these states’ leaders maintain explicit support for a Palestinian state with a capital in Jerusalem.

Domestically, Israel will hold another round of Knesset elections in September 2019, after Netanyahu was unable to form a government following April 2019 elections and the Knesset dissolved itself. The elections may come too...
late for a new Netanyahu government (if he wins) to pass legislation protecting him from indictment on three pending corruption charges. A pre-indictment hearing is scheduled to take place in early October.
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Introduction: Major Issues for U.S.-Israel Relations

Strong relations between the United States and Israel have led to bilateral cooperation in many areas. Matters of particular significance include the following:

- Israel’s own capabilities for addressing threats, and its cooperation with the United States.
- Shared U.S.-Israel concerns about Iran, within the context of the U.S. exit from the 2015 international nuclear agreement, and tension involving Iran and Hezbollah at Israel’s northern border with Syria and Lebanon.
- Israeli-Palestinian issues and U.S. policy, including the Trump Administration’s actions on political and economic matters to date.
- Israeli domestic political issues, including upcoming elections in September 2019 after Prime Minister Binyamin Netanyahu was unable to form a government in May, in the context of probable corruption-related indictments against Netanyahu, and debates regarding ultra-Orthodox military conscription and judicial checks on Knesset majorities.

For background information and analysis on these and other topics, including aid, arms sales, and missile defense cooperation, see CRS Report RL33476, Israel: Background and U.S. Relations, by Jim Zanotti; and CRS Report RL33222, U.S. Foreign Aid to Israel, by Jeremy M. Sharp.

How Israel Addresses Threats

Israel relies on a number of strengths to manage potential threats to its security and existence. These strengths include robust military and homeland security capabilities, as well as close cooperation with the United States.

Military Superiority and Homeland Security Measures

Israel maintains conventional military superiority relative to its neighbors and the Palestinians. Shifts in regional order and evolving asymmetric threats during this decade have led Israel to update its efforts to project military strength, deter attack, and defend its population and borders. Israel appears to have reduced some unconventional threats via missile defense systems, reported cyber defense and warfare capabilities, and other heightened security measures.

Israel has a robust homeland security system featuring sophisticated early warning practices and thorough border and airport security controls; most of the country’s buildings have reinforced rooms or shelters engineered to withstand explosions. Israel also has proposed and partially constructed a national border fence network of steel barricades (accompanied at various points by watch towers, patrol roads, intelligence centers, and military brigades) designed to minimize militant infiltration, illegal immigration, and smuggling from Egypt, Syria, Lebanon, Jordan, and the Gaza Strip. Additionally, Israeli authorities have built a separation barrier in and around parts of the West Bank.

Figure 1. Israel: Map and Basic Facts

**Israel**

**Population**
- Total: 9.0 million.
- Location: 391,000 settlers in the West Bank (2016), 201,000 in East Jerusalem (2014), and 22,000 in the Golan Heights (2016).
- Religion: Jews: 74%; Arabs: 21%; Other: 4% (2016)

**Economy**
- Real GDP growth rate:
  - per capita (at PPP): 3.3%/38,863
- Unemployment rate: 4.0%
- Population below poverty line: 22% (2014)
- Inflation rate: 0.8%
- Budget deficit as % of GDP: 3.0%
- Public debt as % of GDP: 61.5%
- Foreign exchange and gold reserves: $115 billion
- Current account surplus as % of GDP: 3.0%

**Trade Partners**
- Export: U.S. 28.8%; United Kingdom 8.2%; Hong Kong 7%; China 5.4%; Belgium 4.5% (2017)
- Import: U.S. 11.7%; China 9.5%; Switzerland 8%; Germany 6.8%; United Kingdom 6.2% (2017)

**Sources:** Graphic created by CRS. Map boundaries and information generated by Hannah Fischer 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 2018 unless specified.

**Notes:** According to the U.S. executive branch (1) The West Bank is Israeli occupied with current status subject to the 1995 Israeli-Palestinian Interim Agreement; permanent status to be determined through further negotiation. (2) The status of the Gaza Strip is a final status issue to be resolved through negotiations. (3) The United States recognized Jerusalem as Israel’s capital in 2017 without taking a position on the specific boundaries of Israeli sovereignty. (4) Boundary representation is not necessarily authoritative. Additionally, the United States recognized the Golan Heights as part of Israel in 2019; however, U.N. Security Council Resolution 497, adopted on December 17, 1981, held that the area of the Golan Heights controlled by Israel’s military is occupied territory belonging to Syria. The current U.S. executive branch map of Israel is available at https://www.cia.gov/library/publications/the-world-factbook/attachments/maps/IS-map.gif.

**Undeclared Nuclear Weapons Capability**

Israel is not a party to the Nuclear Nonproliferation Treaty (NPT) and maintains a policy of “nuclear opacity” or ammut. A 2017 report estimated that Israel possesses a nuclear arsenal of around 80-85 warheads.3 The United States has countenanced Israel’s nuclear ambiguity since

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1969, when Israeli Prime Minister Golda Meir and U.S. President Richard Nixon reportedly reached an accord whereby both sides agreed never to acknowledge Israel’s nuclear arsenal in public.\textsuperscript{12} Israel might have nuclear weapons deployable via aircraft, submarine, and ground-based missiles.\textsuperscript{13} No other Middle Eastern country is generally thought to possess nuclear weapons.

**U.S. Cooperation**

Israeli officials closely consult with U.S. counterparts in an effort to influence U.S. decisionmaking on key regional issues, and U.S. law requires the executive branch to take certain actions to preserve Israel’s “qualitative military edge,” or QME.\textsuperscript{14} Additionally, a 10-year bilateral military aid memorandum of understanding (MOU)—signed in 2016—commits the United States to provide Israel $3.3 billion in Foreign Military Financing and to spend $500 million to build new port at Ashdod in Israel.\textsuperscript{9}

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8 Roie Yellinek, “The Israel-China-U.S. Triangle and the Haifa Port Project,” Middle East Institute, November 27, 2018. The Senate Armed Services Committee-reported FY2020 National Defense Authorization Act (S. 1790) reportedly contains a provision stating that the United States has an interest in continuing to use the naval base in Haifa, but has “serious security concerns” with respect to the leasing arrangements at the Haifa port. The bill also reportedly says that the United States should urge Israel’s government to consider the security implications of foreign investment in Israel. John M. Donnelly, “Senate NDAA issues warning over Israel-China ties,” *CQ*, June 12, 2019.

9 Schwartz and Lieber, op. cit. footnote 4.


million annually on joint missile defense programs from FY2019 to FY2028, subject to congressional appropriations.

Israel’s leaders and supporters routinely make the case that Israel’s security and the broader stability of the region remain critically important for U.S. interests. They also argue that Israel is a valuable U.S. ally. The United States and Israel do not have a mutual defense treaty or agreement that provides formal U.S. security guarantees.

Iran and the Region

Iran remains of primary concern to Israeli officials largely because of (1) Iran’s antipathy toward Israel, (2) Iran’s broad regional influence, and (3) the probability that some constraints on Iran’s nuclear program could loosen in the future. In recent years, Israel and Arab Gulf states have discreetly cultivated closer relations with one another in efforts to counter Iran.

Iranian Nuclear Agreement and the U.S. Withdrawal

Prime Minister Netanyahu has sought to influence U.S. decisions on the international agreement on Iran’s nuclear program (known as the Joint Comprehensive Plan of Action, or JCPOA). He argued against the JCPOA when it was negotiated in 2015—including in a speech to a joint session of Congress—and welcomed President Trump’s May 2018 withdrawal of the United States from the JCPOA and accompanying reimposition of U.S. sanctions on Iran’s core economic sectors. A few days before President Trump’s May announcement, Netanyahu presented information that Israeli intelligence operatives apparently seized in early 2018 from an Iranian archive. He used the information to question Iran’s credibility and highlight its potential to parlay existing know-how into nuclear-weapon breakthroughs after the JCPOA expires. In his September 2018 speech before the U.N. General Assembly, Netanyahu claimed that Iran maintains a secret “atomic warehouse for storing massive amounts of equipment and materiel.” An unnamed U.S. intelligence official was quoted as saying in response, “so far as anyone knows, there is nothing in [the facility Netanyahu identified] that would allow Iran to break out of the JCPOA any faster than it otherwise could.”

After Netanyahu publicly exposed the Iranian nuclear archive, some former Israeli officials speculated about what action Israel might consider taking against Iranian nuclear facilities if Iran abrogates the JCPOA and expands nuclear activities currently restricted under the agreement.


16 The United States and Israel do, however, have a Mutual Defense Assistance Agreement (TIAS 2675, dated July 23, 1952) in effect regarding the provision of U.S. military equipment to Israel, and have entered into a range of stand-alone agreements, memoranda of understanding, and other arrangements varying in their formality.

17 For information on this topic, see CRS Report R44017, Iran’s Foreign and Defense Policies, by Kenneth Katzman.

18 Israeli Prime Minister’s Office, PM Netanyahu reveals the Iranian secret nuclear program, April 30, 2018.

19 Israeli Prime Minister’s Office, PM Netanyahu’s Speech at the United Nations General Assembly, September 27, 2018.


However, Netanyahu had said in an interview that he was not seeking a military confrontation with Iran.22

**Syria**23

**Periodic Airstrikes Against Iran-Backed Forces**

Israel and Iran have engaged in hostile action over Iran’s presence in Syria. In the early years of the Syria conflict, Israel primarily employed airstrikes to prevent Iranian weapons shipments destined for the Iran-backed group Hezbollah in Lebanon.24 Later, as the Syrian government regained control of large portions of the country with Iranian backing, Israeli leaders began pledging to prevent Iran from constructing and operating bases or advanced weapons manufacturing facilities in Syria.25 Since 2018, Israeli and Iranian forces have repeatedly targeted one another in and over Syrian- and Israeli-controlled areas.26 In January 2019, Prime Minister Netanyahu said that Israel had targeted Iranian and Hezbollah targets in Syria “hundreds of times.”27 Limited Israeli strikes to enforce “redlines” against Iran-backed forces could expand into wider conflict, particularly if there is a miscalculation by one or both sides.

U.S. involvement in Syria could be one factor in Israeli calculations on this issue. The U.S. base at Al Tanf in southern Syria has reportedly “served as a bulwark against Iran’s efforts to create a land route for weapons from Iran to Lebanon.”28 Israeli officials favor continued U.S. involvement in Syria, while also preparing for the possibility that they may need to take greater direct responsibility for countering Iran there.29

**Golan Heights**

On March 25, 2019, President Trump signed a proclamation stating that the United States recognizes the Golan Heights (hereinafter, the Golan) to be part of the State of Israel.30 The proclamation stated that “any possible future peace agreement in the region must account for Israel’s need to protect itself from Syria and other regional threats”—presumably including threats from Iran and the Iran-backed Lebanese group Hezbollah. Israel gained control of the

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23 For more information on this issue, including Russia’s role, see CRS In Focus IF10858, Iran and Israel: Tension Over Syria, by Carla E. Humud, Kenneth Katzman, and Jim Zanotti.
24 For more information on Hezbollah, see CRS In Focus IF10703, Lebanese Hezbollah, by Carla E. Humud.
25 See, e.g., Israeli Prime Minister’s Office, PM Netanyahu’s Speech at the United Nations General Assembly, September 27, 2018.
26 See, e.g., “Russia denies allying with Iran in Syria, says Israeli security a ‘top priority,’” Times of Israel, January 26, 2019.
30 White House, Proclamation on Recognizing the Golan Heights as Part of the State of Israel, March 25, 2019.
31 Ibid.
Golan from Syria during the 1967 Arab-Israeli war, and effectively annexed it unilaterally by applying Israeli law to the region in 1981 (see Figure 2).32

President Trump’s proclamation changed long-standing U.S. policy on the Golan. Since 1967, successive U.S. Administrations supported the general international stance that the Golan is Syrian territory occupied by Israel, with its final status subject to negotiation. In reaction to the U.S. proclamation, others in the international community have insisted that the Golan’s status has not changed.33 In Congress, Senate and House bills introduced in February 2019 (S. 567 and H.R. 1372) support Israeli sovereignty claims to the Golan, and would treat the Golan as part of Israel in any existing or future law “relating to appropriations or foreign commerce.” Additionally, 10 Senators wrote a letter to the President in April urging him to take additional steps that would have the effect of treating the Golan Heights no differently than Israel for various U.S. government purposes.34

For decades after 1967, various Israeli leaders, reportedly including Prime Minister Netanyahu as late as 2011,35 had entered into indirect talks with Syria aimed at returning some portion of the Golan as part of a lasting peace agreement. However, the effect of civil war on Syria and the surrounding region, including an increase in Iran’s presence, may have influenced Netanyahu to shift focus from negotiating with Syria on a “land for peace” basis to obtaining international support for Israel’s claims of sovereignty. As part of the periodic conflict in Syria between Israel and Iran, some Iranian missiles have targeted Israeli positions in the Golan.36

The Syrian government has denounced the U.S. policy change as an illegal violation of Syrian sovereignty and territorial integrity, and insisted that Syria is determined to recover the Golan.37 Additionally, observers have argued that the policy change could unintentionally bolster Syrian President Bashar al Asad within Syria by rallying Syrian nationalistic sentiment in opposition to Israel’s claims to the Golan and deflecting attention from Iran’s activities inside Syria.38

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36 CRS In Focus IF10858, Iran and Israel: Tension Over Syria, by Carla E. Humud, Kenneth Katzman, and Jim Zanotti.


Figure 2. Map of the Golan Heights

Source: CRS, based on data from ArcGIS, U.S. State Department, ESRI, and United Nations.

Notes: The DMZs could influence future border demarcation. The United States recognized the Golan Heights to be part of Israel in 2019; however, U.N. Security Council Resolution 497, adopted on December 17, 1981, held that the area of the Golan Heights controlled by Israel’s military is occupied territory belonging to Syria. The current U.S. executive branch map of Israel is available at https://www.cia.gov/library/publications/the-world-factbook/attachments/maps/IS-map.gif.

Since 1974, the U.N. Disengagement Observer Force (UNDOF) has patrolled an area of the Golan Heights between the regions controlled by Israel and Syria, with more than 900 troops from five countries stationed there as of March 2019.39 During that time, Israel’s forces in the Golan have not faced serious military resistance to their continued deployment, despite some security threats and diplomatic challenges. Periodic resolutions by the U.N. General Assembly have criticized Israel’s occupation as hindering regional peace and Israel’s settlement and de facto annexation of the Golan as illegal.40

Hezbollah in Lebanon

Hezbollah’s forces and Israel’s military have sporadically clashed near the Lebanese border for decades—with the antagonism at times contained in the border area, and at times escalating into broader conflict.41 Speculation persists about the potential for wider conflict and its regional

40 See, e.g., The Syrian Golan—GA Resolution (A/RES/73/23), November 30, 2018, which the United States opposed.
41 CRS Report R44759, Lebanon, by Carla E. Humud; CRS In Focus IF10703, Lebanese Hezbollah, by Carla E. Humud.
implications. Israeli officials have sought to draw attention to Hezbollah’s buildup of mostly Iran-supplied weapons—including reported upgrades to the range, precision, and power of its projectiles—and its alleged use of Lebanese civilian areas as strongholds.

Ongoing tension between Israel and Iran over Iran’s presence in Syria raises questions about the potential for Hezbollah’s forces in Lebanon to open another front against Israel. After a September 2018 incident leading to Russia’s installation of an S-300 air defense system in Syria, Iran reportedly began directly transferring weapons to Hezbollah in Lebanon while reducing Syria’s use as a transshipment hub. One Israeli media account warned that Hezbollah’s threat to Israel is increasing because of initiatives to build precision-weapons factories in Lebanon and to set up a military infrastructure in southern Syria. In late 2018 and early 2019, Israel’s military undertook an effort—dubbed “Operation Northern Shield”—to seal six Hezbollah attack tunnels to prevent them from crossing into Israel. Israeli officials claim that they do not want another war, while at the same time taking measures aimed at constraining and deterring Hezbollah, including through consultation with the U.N. Interim Force in Lebanon (UNIFIL).

**Israeli-Palestinian Issues Under the Trump Administration**

President Trump has expressed interest in helping resolve the decades-old Israeli-Palestinian conflict, but many observers voice doubts about his Administration’s ability to get the two sides to negotiate, let alone achieve a conflict-ending agreement. Past Administrations also have struggled to make progress on this issue, but developments during this Administration have raised some unique challenges. Since the President’s recognition of Jerusalem as Israel’s capital in December 2017, the Palestine Liberation Organization (PLO) and Palestinian Authority (PA), led by PLO Chairman and PA President Mahmoud Abbas, have cut off diplomatic ties with the United States. The Palestinians have insisted that U.S. statements and actions are biased toward Israel and that the Administration therefore cannot be trusted as an honest broker.

The Administration claims it has prepared a plan that proposes specific solutions on the core issues of the conflict, but the release of the plan has been repeatedly postponed and some question

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44 Avi Issacharoff, “Iran, facing off against Israel in Syria, now sending arms directly to Lebanon,” Times of Israel, November 30, 2018.


46 Israeli Prime Minister’s Office, PM Netanyahu in the North—Israel Attacked a Warehouse with Iranian Weapons at Damascus International Airport, January 13, 2019.


48 For additional background, see CRS In Focus IF11237, Israel and the Palestinians: Chronology of a Two-State Solution, by Jim Zanotti.
whether it will ever happen.\textsuperscript{49} In a May 2019 closed-door meeting with American Jewish leaders, Secretary of State Michael Pompeo reportedly acknowledged that the U.S. plan might not gain traction.\textsuperscript{50} In an apparent effort to provide economic ballast to the plan, the White House announced on May 19, 2019, that the United States would co-host a June 25-26 event with Bahrain in Bahrain’s capital Manama.\textsuperscript{51} The event is intended to promote major investment by Western and Arab Gulf states—reports indicate as much as $68 billion—for the West Bank and Gaza and surrounding countries like Egypt, Jordan and Lebanon.\textsuperscript{52} Administration officials have claimed that the political aspects of the plan will be released at an unspecified time later. Because Israel will not form a new government until after Knesset elections scheduled for September, reports suggest that the plan’s political details will probably not be released for several months, if at all.\textsuperscript{53}

The Administration has taken several measures that PLO/PA leaders have interpreted as attempts to pressure them into a political process that would favor Israel on core issues of Israeli-Palestinian dispute—security, borders, settlements, Palestinian refugees, and Jerusalem’s status—and prevent statehood for Palestinians.\textsuperscript{54} The measures include

- The opening of the U.S. embassy to Israel in Jerusalem in May 2018, and the subsuming of the U.S. consulate general—previously an independent diplomatic mission to the Palestinians—under the embassy’s authority in March 2019.
- An end to all U.S. bilateral aid for Palestinians—including economic and security assistance—and to U.S. contributions from global humanitarian accounts (managed by the State Department) to the U.N. Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).\textsuperscript{55}
- The U.S.-mandated closure of the PLO representative office in Washington, DC.
- President Trump’s March 2019 proclamation that the Golan Heights—a territory that Israel captured from Syria in the 1967 Arab-Israeli war (as mentioned above)—is part of Israel. Israel captured the West Bank and Gaza in that same war, from Jordan and Egypt respectively.

After President Trump’s Golan Heights proclamation, Israeli Prime Minister Binyamin Netanyahu pledged—as part of his election campaign in April 2019—to begin annexing Israeli settlements in the West Bank.\textsuperscript{56} Secretary of State Pompeo, in a subsequent interview, said that Netanyahu’s statement did not cause him concern.\textsuperscript{57} In June 2019, U.S. Ambassador to Israel


\textsuperscript{51} White House, Joint Statement from the United States of America and the Kingdom of Bahrain, May 19, 2019.


\textsuperscript{55} See CRS In Focus IF10644, \textit{The Palestinians: Overview and Key Issues for U.S. Policy}, by Jim Zanotti; and CRS Report RS22967, \textit{U.S. Foreign Aid to the Palestinians}, by Jim Zanotti.

\textsuperscript{56} “Netanyahu vows to annex West Bank settlements if re-elected,” Associated Press, April 7, 2019.

\textsuperscript{57} Transcript of remarks by Secretary of State Michael R. Pompeo, Interview with Jake Tapper of CNN, Santiago, Chile, April 12, 2019.
David Friedman said that under certain circumstances, Israel “has the right to retain some, but unlikely all, of the West Bank,” though an unnamed U.S. official said that the United States has not discussed any Israeli plan for annexation of any portion of the West Bank. Some Members of Congress have publicly expressed concerns about Israel taking unilateral steps to annex parts of the West Bank.

In the context of the Trump Administration actions and statements mentioned above, Palestinian political leaders and many Palestinian business leaders have boycotted the June event in Bahrain. They object to the United States using economic carrots and sticks to entice or pressure the Palestinians into conceding on the fundamental political demands of their national cause—particularly statehood in the West Bank and Gaza and a capital in Jerusalem. Some major Arab Gulf states (Saudi Arabia, United Arab Emirates, Qatar) plan to send delegations (not heads of state) to the Bahrain event, signaling their openness to proposals for assisting Palestinians economically, without necessarily softening their support for the Palestinians on core political issues. Jordan and Egypt—two other key Arab states—also plan to send delegations to the event, but reportedly harbor concerns about efforts by the United States to use them or other countries to legitimize political outcomes that may favor Israel at the Palestinians’ expense.

### PA Revenue Standoff with Israel and Budgetary Crisis

An ongoing standoff between the PA and Israel regarding tax revenues could threaten the PA’s fiscal stability and the broader political and security situation. In February 2019, Israel announced that it would withhold a portion of the tax revenue it collects for the PA because—pursuant to a law passed by the Knesset in 2018—Israel had determined that amount represented PLO/PA payments made on behalf of individuals allegedly involved in terrorist acts. In response, PA President Abbas announced that the PA would completely reject monthly revenue transfers from Israel if it withheld any amount, even though the transfers comprise approximately 65% of the PA budget. For example, in the first month, Israel withheld approximately $1.1 million from the $193 million due to the PA, with the PA rejecting the entire amount as a result. The PA is reportedly seeking temporary financial relief.

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59 “U.S. envoy, in interview, does not rule out Israeli annexation in West Bank,” Reuters, June 8, 2019.
62 King Salman of Saudi Arabia said in February 2019 that his country “permanently stands by Palestine and its people’s right to an independent state with the occupied East Jerusalem as its capital.” “Saudi king reaffirms support for Palestinian state,” Al Jazeera, February 12, 2019. Bahrain, as host of the event, reiterated its support in May for Palestinians on these same points. “Bahrain Stresses Commitment to Palestinian State After Backlash Over U.S.-led Peace Conference,” haaretz.com, May 21, 2019.
63 “Jordan king tells Trump team a Palestinian state the only way to peace,” Times of Israel, May 29, 2019; “Sisi says Egypt will not accept anything against Palestinian wishes,” Reuters, June 2, 2019.
64 Israel Ministry of Foreign Affairs, Security Cabinet Communique, February 17, 2019; Ruth Levush, “Israel: Law on Freezing Revenues Designated for the Palestinian Authority Implemented,” Law Library of Congress Global Legal Monitor, March 27, 2019. Israel is required to transfer these revenues to the PA according to the 1994 Paris Protocol between Israel and the PLO, and Palestinian leaders criticize any Israeli withholding as a violation of this agreement.
66 Jack Khoury and Amira Hass, “Palestinians Refuse Israeli Tax Funds After Government Cuts Sum Paid to Convicted
Domestic Issues and September 2019 Elections

At the end of May 2019, Prime Minister Netanyahu was unable to form a government within the timeframe prescribed under Israeli law after Knesset elections held in April. It was the first time in Israel’s history that an election did not result in the formation of a government. Instead, the new Knesset dissolved itself and called for new elections. In the meantime, Netanyahu is leading Israel under continuity-of-government laws.

Reportedly, coalition building stalled due to disagreement on the issue of ultra-Orthodox military conscription between parties traditionally characterized as part of Netanyahu’s “right-wing bloc.” Yisrael Beteinu—a largely secular party led by former defense minister and foreign minister Avigdor Lieberman, with a base drawn largely from Russian-speaking immigrants—opposed the positions of ultra-Orthodox parties Shas and United Torah Judaism. However, some observers have asserted that Lieberman also may have wanted to increase his influence at the expense of Netanyahu. Reports suggest that had Netanyahu formed a government in May, the Knesset could have passed legislation granting its members immunity from prosecution during their Knesset service, thus shielding Netanyahu from pending corruption charges (see Table 1 below). With new elections scheduled for September 17, 2019, and the government formation process taking up to four to six weeks, it may be unlikely for Netanyahu—if selected by Israeli President

Terrorists,” haaretz.com, February 27, 2019.
68 “‘Arab League pledges $100m to Palestinian Authority in summit,’” Al Jazeera, April 22, 2019. In late May, one source cited a PA spokesman as saying that the United Arab Emirates has been providing some assistance. Ahmad Abu Amer, “Palestinian Authority gearing up for unrest amid financial crisis,” Al-Monitor Palestine Pulse, May 31, 2019.
69 Halbfinger, “‘Very Hot’ in the West Bank as Crisis Looms,” op. cit. footnote 54.
70 “As Trump team prepares Mideast plan, Palestinians face financial crisis,” Reuters, May 1, 2019.
72 “Netanyahu, Kahlon reportedly plan for possible financial collapse of PA,” Times of Israel, April 28, 2019.
75 Raoul Wootliff, “Report: ‘Override’ law to save PM from trial will be part of coalition deal,” Times of Israel, May 22, 2019.
Reuven Rivlin to form a government after the elections—to assemble a coalition that could act in time to protect Netanyahu from indictment. Netanyahu’s pre-indictment hearing is scheduled for early October.

Table 1. Suggested Indictments Against Netanyahu and Additional Steps of the Legal Process

<table>
<thead>
<tr>
<th>Suggested Indictments</th>
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<tbody>
<tr>
<td><strong>Case 1000:</strong> Netanyahu received gifts from Hollywood mogul Arnon Milchan, in return for political favors</td>
</tr>
<tr>
<td><strong>The charge:</strong> Fraud and breach of trust</td>
</tr>
<tr>
<td><strong>From the draft indictment:</strong> “There is enough evidence to prove that the gifts, given in large scale and in unusual ways, had been received in exchange for actions by Netanyahu.”</td>
</tr>
<tr>
<td><strong>Netanyahu’s defense:</strong> It is acceptable to receive some gifts from friends; some decisions were against Milchan’s interests</td>
</tr>
<tr>
<td><strong>Case 2000:</strong> Netanyahu and Yedioth Ahronoth publisher Arnon Mozes struck a deal: Favorable coverage in return for legislation to damage Sheldon Adelson-owned newspaper Israel Hayom</td>
</tr>
<tr>
<td><strong>The charge:</strong> Fraud and breach of trust</td>
</tr>
<tr>
<td><strong>From the draft indictment:</strong> “Evidence allegedly shows that Netanyahu, in his conversations with Mozes, violated the trust he owes to the public, and severely hurt the image of public service and public faith in it.”</td>
</tr>
<tr>
<td><strong>Netanyahu’s defense:</strong> Mozes and I fooled each other; there was never any intention to follow through</td>
</tr>
<tr>
<td><strong>Case 4000:</strong> As communication minister, Netanyahu took steps that benefited Shaul Elovitch who controlled Bezeq—in return for favorable coverage in Bezeq’s Walla News site</td>
</tr>
<tr>
<td><strong>The charge:</strong> Bribery, fraud and breach of trust</td>
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<td><strong>From the draft indictment:</strong> “Based on ... actions and circumstantial evidence, the attorney general has reached a clear conclusion, by which corrupt, improper motives were at the core of Netanyahu’s actions.”</td>
</tr>
<tr>
<td><strong>Netanyahu’s defense:</strong> Favorable coverage isn’t bribery</td>
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</tbody>
</table>

Steps in the Legal Process, and the Estimated Time Between Them

<table>
<thead>
<tr>
<th>Steps</th>
<th>Description</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Attorney General’s decision to indict, pending a hearing</td>
<td>3-9 months</td>
</tr>
<tr>
<td>Step 2</td>
<td>Pre-indictment hearing</td>
<td>3 weeks - 4 months</td>
</tr>
<tr>
<td>Step 3</td>
<td>Attorney General’s final decision</td>
<td>3 - 7 months</td>
</tr>
<tr>
<td>Step 4</td>
<td>District Court trial (which could last about a year) and ruling</td>
<td>6 - 12 months</td>
</tr>
<tr>
<td>Step 5</td>
<td>Supreme Court Appeal</td>
<td></td>
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</tbody>
</table>

**Sources:** CRS, based on underlying source material from Ha’aretz (description of suggested indictments taken verbatim) and Britain Israel Communications and Research Centre (on estimated timeline).

The September elections and the subsequent government formation process could have significant implications for the country’s leadership and future policies. A victory for Netanyahu could bolster the argument that a popular mandate should reduce his culpability for the pending corruption charges. Also, some leading figures on the right side of the political spectrum (from which Netanyahu has generally drawn most of his support when forming coalitions) have

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proposed bills that could reduce judicial checks on Knesset majorities, while parties in the center and on the left are positioning themselves as defenders of the Supreme Court’s institutional role in Israel’s democracy.\textsuperscript{77} See the Appendix for descriptions of the major parties and their leaders. Netanyahu’s Likud party and the centrist Kahol Lavan party tied for the most Knesset seats in the April elections, with 35 each, and could also vie for primacy in the September elections. Finance Minister Moshe Kahlon’s Kulanu party—which appeals to a center-right constituency—ran separately in April, but has merged with Likud for the September elections.

\textsuperscript{77} Wootliff, op. cit. footnote 75.
Appendix. Major Israeli Political Parties and Their Leaders

**RIGHT**

**Likud** (Consolidation)
Israel’s historical repository of right-of-center nationalist ideology; skeptical of territorial compromise; has also championed free-market policies.

*Leader: Binyamin Netanyahu*
Born in 1949, Netanyahu has served as prime minister since 2009 and also was prime minister from 1996 to 1999. Netanyahu served in an elite special forces unit (Sayeret Matkal), and received his higher education at MIT. Throughout a career in politics and diplomacy, he has been renowned both for his skepticism regarding the exchange of land for peace with the Palestinians and his desire to counter Iran’s nuclear program and regional influence. He is generally regarded as both a consummate political dealmaker and a security-minded nationalist. However, he has negotiated with the Palestinians, and many observers discern cautiousness in Netanyahu’s decisions regarding the nature and scale of military operations.

**Yisrael Beitenu** (Israel Our Home)
Pro-secular, right-of-center nationalist party with base of support among Russian speakers from the former Soviet Union.

*Leader: Avigdor Lieberman*
Born in 1958, Lieberman served as Israel’s defense minister until his resignation in November 2018. He served as Israel’s foreign minister for most of the period from 2009 to May 2015 and is generally viewed as an ardent nationalist and canny political actor with prime ministerial aspirations. Lieberman was born in the Soviet Union (in what is now Moldova) and immigrated to Israel in 1978. He worked under Netanyahu from 1988 to 1997. Disillusioned by Netanyahu’s willingness to consider concessions to the Palestinians, Lieberman founded Yisrael Beitenu as a platform for former Soviet immigrants. He and other members of his party have faced corruption allegations, but he was acquitted in a 2013 case.

**Union of Right Wing Parties** (or United Right)
Right-of-center merger of three parties including Ha’bayit Ha’Yehudi (The Jewish Home), National Union, and Otzma Yehudit (Jewish Power); base of support among religious Zionists (Ashkenazi Orthodox Jews); includes core constituencies supporting West Bank settlements and annexation.

*Leader: Rafi Peretz*
Born in 1956, Peretz is an orthodox rabbi who served as Chief Rabbi of the Israel Defense Forces from 2010 to 2016 and as a helicopter pilot in the Israel Air Force. He was elected to lead the Jewish Home party in February 2019, after the departure of party leader Naftali Bennett.

**Ha’yamin He’hadash** (The New Right)
New right-wing party launched from Ha’bayit Ha’Yehudi; supports economic liberalism; opposes the establishment of a Palestinian state.

*Leader: Naftali Bennett*
Born in 1972, Bennett is Israel’s education minister and served as economy minister in the previous government. He served in various special forces units (including as a reservist during the 2006 Hezbollah conflict in Lebanon). Bennett was a successful software entrepreneur and has lived in America. He served as Netanyahu’s chief of staff from 2006 to 2008 while Netanyahu was opposition leader. He led the Yesha Council (the umbrella organization for Israeli West Bank settlers) from 2010 to 2012, and then became leader of Ha’bayit Ha’Yehudi shortly before the 2013 elections.
Zehut (Identity)
Libertarian Zionist right-of-center party founded in 2015; supports legalizing marijuana, annulling the Oslo Accords, and removing the Palestinian population from the West Bank; opposes U.S. military aid to Israel.

Leader: Moshe Feiglin
Born in 1962. Feiglin represented the Likud in the 19th Knesset from 2013 to 2015 and served as its deputy speaker. He was the head of the Zu Artzeinu movement, founded to protest the Oslo accord through civil disobedience, and was sentenced to six months in prison for related activities in 1997.

LEFT

Labor (Avoda)
Labor is Israel’s historical repository of social democratic, left-of-center, prosecutorial Zionist ideology; associated with efforts to end Israel’s responsibility for Palestinians in the West Bank and Gaza.

Leader: Avi Gabbay
Born in 1967. Gabbay was elected leader of the Labor party in 2017 after having resigned in 2016 as Israel’s environment minister (while a member of Kulanu) to protest Yisrael Beiteinu joining the coalition. Gabbay hails from a working class Moroccan Jewish family and became a successful businessman—serving as CEO of Bezeq (Israel’s largest telecommunications company) from 2007 to 2013.

Meretz (Vigor)
Left-of-center, pro-secular Zionist party that supports initiatives for social justice and for peace with the Palestinians, emphasizing a two-state solution.

Leader: Tamar Zandberg
Born in 1976, Zandberg became Meretz’s leader in 2018 and was first elected to the Knesset in 2013. Before joining the Knesset, she served on the Tel Aviv city council and was a college instructor. She was a leading figure in 2011 cost-of-living protests.

CENTER

Kahol Lavan (Blue and White)
Merger between two centrist parties, Hosen L’Yisrael (Resilience) and Yesh Atid (There Is a Future). Gantz and Lapid have agreed to take turns as prime minister if elected, with Gantz serving as PM and Lapid as foreign minister for the first two and a half years before switching.

Leaders: Benny Gantz and Yair Lapid
Born in 1959, Gantz served as Chief of General Staff of the Israel Defense Forces from 2011 to 2015. He established Hosen L’Yisrael (Israel Resilience Party) in December 2018. He has been reluctant to take a formal position on a two-state solution, and has sought to draw contrasts with Netanyahu less through policy specifics than by presenting himself as a more unifying figure. By citing his military experience, Gantz apparently hopes to neutralize Netanyahu’s traditional advantage with voters on national security issues.

Born in 1963, Lapid came to politics after a career as a journalist, television presenter, and author. He founded the Yesh Atid party in 2012, and from 2013 to 2014 he served as finance minister.
### Gesher (Bridge)

New center-left party launched in 2018; focused on socioeconomic issues.

**Leader: Orly Levy-Abekasis**

Born in 1973, Levy-Abekasis was first elected to the Knesset to represent Yisrael Beitenu, where she served as deputy speaker of the Knesset and chaired a special committee for children’s rights. She resigned from the Yisrael Beitenu party in May 2016 rather than join the Likud-led coalition because she felt socioeconomic issues were not sufficiently addressed.

### ULTRA-ORTHODOX

**Shas (Sephardic Torah Guardians)**

Mizrahi Haredi ("ultra-Orthodox") party; favors welfare and education funds in support of Haredi lifestyle; opposes compromise with Palestinians on control over Jerusalem.

**Leader: Aryeh Deri**

Born in 1959, Deri is Israel's interior minister and minister for Negev and Galilee development. He led Shas from 1983 to 1999 before being convicted for bribery, fraud, and breach of trust in 1999 for actions taken while serving as interior minister. He returned as the party's leader in 2013. Deri originally served as the current government's economy minister, but reported differences with Netanyahu over government dealings with private natural gas consortiums led to his resignation from that office.

**United Torah Judaism**

Ashkenazi Haredi coalition (Agudat Yisrael and Degel Ha’torah); favors welfare and education funds in support of Haredi lifestyle; opposes territorial compromise with Palestinians and conscription of Haredim; generally seeks greater application of Jewish law.

**Leader: Yaakov Litzman**

Born in 1948, Litzman is Israel's deputy health minister. He was born in Germany and raised in the United States before immigrating to Israel in 1965. Educated in yeshivas (traditional Jewish schools), he later served as principal of a Hasidic girls’ school in Jerusalem. He was first elected to the Knesset in 1999 and has previously served as a member of the Knesset's finance committee.
ARAB

Ra’am (United Arab List) - Balad (National Democratic Assembly)
Joint list of conservative Islamist party and pan-Arab nationalist party.

Leader: Mansour Abbas
Born in 1974, Abbas, the former spokesperson and current deputy chairman of the Islamic Movement’s southern branch, was elected to head Ra’am in the 2019 elections. Abbas studied dentistry and worked for years in nursing at a psychiatric hospital in Deir Yassin, and also has a master’s degree in political science from the University of Haifa. He joined the Islamic Movement as a student activist, and has served as deputy chairman of the movement since 2010.

Hadash (Democratic Front for Peace and Equality) - Ta’al (Arab Movement for Renewal)
Joint list of two factions (Hadash and Ta’al) that include socialist, Islamist, and Arab nationalist political strains.

Leader: Ayman Odeh
Born in 1975, Odeh is the leader of Hadash, an Arab Israeli socialist party, and of Hadash’s joint slate with Ta’al. An attorney, he served on the Haifa city council before becoming Hadash’s national leader in 2006. He supports a more democratic, egalitarian, and peace-seeking society, and has sought protection for unrecognized Bedouin villages and advocated for drafting young Arab Israelis for military or civilian national service.

Sources: Various open sources.

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