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Israel: Background and U.S. Relations

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Summary

Since Israel's founding in 1948, successive U.S. Presidents and many Members of Congress have demonstrated a commitment to Israel's security and to maintaining close U.S.-Israel cooperation. Common perceptions of shared democratic values and religious affinities have contributed to the strong bilateral ties. The question of Israel's security regularly influences U.S. policy considerations regarding the Middle East, and Congress provides active oversight of executive branch dealings with Israel and other actors in the region. Israel is a leading recipient of U.S. foreign aid and a frequent purchaser of major U.S. weapons systems. By law, U.S. arms sales cannot adversely affect Israel's "qualitative military edge" over other countries in its region. The two countries signed a free trade agreement in 1985, and the United States is Israel's largest trading partner.

Israel has many regional security concerns and aligning U.S. and Israeli policies to address these concerns has presented persistent challenges. By voicing criticism of international diplomacy on Iran's nuclear program, Prime Minister Binyamin Netanyahu may seek to give Israel a voice in an ongoing negotiating process in which it does not directly participate. As a June 2015 deadline nears for a comprehensive international agreement on the issue, Israel apparently seeks material assurances that the United States will bolster its regional security standing and self-defense capabilities. In addition to concerns over Iran, Israel's perceptions of security around its borders have changed since 2011 as several surrounding Arab countries have experienced political upheaval. Israel has shown particular concern about threats from Hezbollah, the Islamic State organization, and other non-state groups in ungoverned or minimally governed areas in Syria, Lebanon, and Egypt's Sinai Peninsula, as well as from Hamas and other Palestinian terrorist groups in the Gaza Strip.

Israel's political impasse with the Palestinians continues. Questions about Netanyahu's commitment to a two-state solution could affect U.S. and international diplomatic initiatives. The Palestinians advance various diplomatic and legal initiatives of their own despite U.S. and Israeli concerns about increasing international "isolation" of Israel. Israel has militarily occupied the West Bank since the 1967 Arab-Israeli war, with the Palestinian Authority exercising limited self-rule in some areas since the mid-1990s. Activities facilitated by successive Israeli governments have resulted in approximately 500,000 Israelis living in residential neighborhoods or "settlements" in the West Bank and East Jerusalem. These settlements are of disputed legality under international law. Israel considers all of Jerusalem to be the "eternal, undivided capital of Israel," but Palestinians claim a capital in East Jerusalem and some international actors advocate special political classification for the city or specific Muslim and Christian holy sites. Although Israel withdrew its permanent military presence and its settlers from the Gaza Strip in 2005, it still controls most access points. The territory presents complicated security and political challenges for Israel.

Despite its unstable regional environment, Israel has a robust economy and a vibrant democracy, though how to incorporate Arab citizens into the state and society remains challenging. Recent exploitation of offshore natural gas raises the prospect of a more energy-independent future, while economic debates focus largely on cost-of-living and inequality issues. Israel's demographic profile appears to affect its political orientation. Various leaders vie for public support by interweaving ideology with ethnic, religious, socioeconomic, and national security considerations. After a March 2015 election victory, Netanyahu formed a coalition government in May with a number of right-of-center and religious parties. Many observers doubt the durability of the government because it represents a narrow 61-59 Knesset majority.

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Introduction

U.S.-Israel defense, diplomatic, and economic cooperation has been close for decades. U.S. policymakers often consider Israel's security as they make policy choices in the region. Israel has relied on U.S. support for its defense posture, despite reported private and sometimes public disagreements between U.S. and Israeli officials on how to respond to and prioritize various security challenges. Congress provides active oversight of the executive branch's dealings with Israel. Some Members of Congress have criticized actions by the Obama Administration and previous U.S. Administrations for being insufficiently supportive of Israel, and occasionally have authorized and appropriated funding for programs benefitting Israel at a level exceeding that requested by the executive branch. Other Members oppose what they describe as U.S. support of Israel without sufficient scrutiny of Israel's actions.

U.S. approaches to a number of challenges in the Middle East have implications for Israel. For years, Israeli leaders have described Iran and its reported pursuit of a nuclear weapons capability as an imminent threat to Israeli security. Consequently, they have sought increasingly stringent measures from the international community intended to ensure that Iran's nuclear program is exclusively for peaceful purposes. Within this context, Israeli leaders have repeatedly hinted that absent a clear resolution of Iran's nuclear activity to their satisfaction, they may order the Israeli military to strike Iranian nuclear facilities.

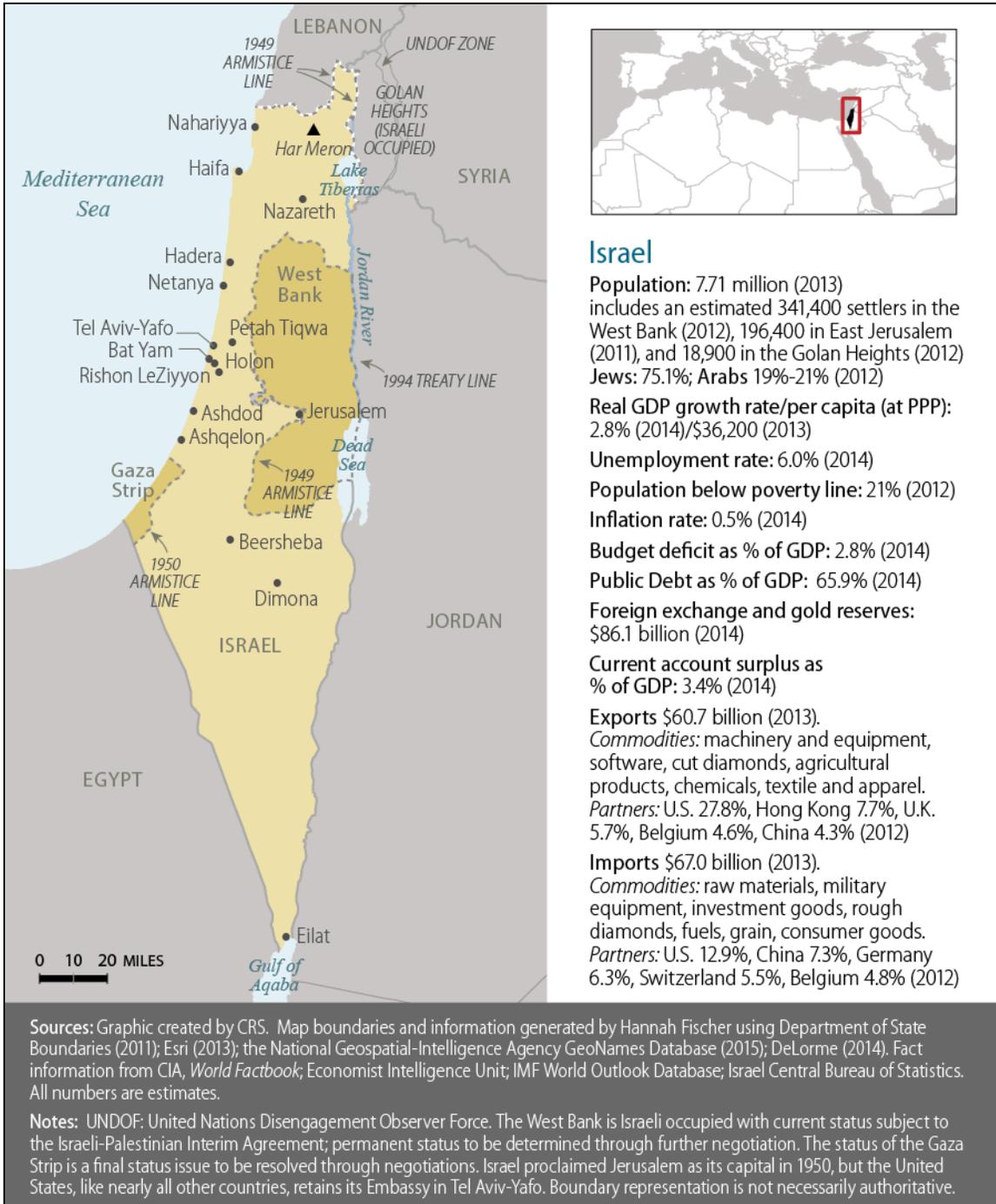
Many Israeli officials also are concerned with the rise of Islamist political movements and threats posed by terrorist groups emanating from ongoing regional political turmoil. Israel has few means of influencing political outcomes in Egypt, Syria, Iraq, Lebanon, or Jordan, but developments in those states may significantly affect Israeli security. Instability in Egypt's Sinai Peninsula has already been used by militant groups—probably including Palestinian cells advocating global jihadism—for attacks on Israeli targets. At the same time, many large and small Israeli population centers remain threatened by rocket fire from Hamas and other terrorist groups in Gaza, as demonstrated by an Israel-Gaza conflict in the summer of 2014.

Israel's disputes continue with the Palestine Liberation Organization (PLO) over the terms of a potential peace agreement on "final-status issues" including security parameters, borders, Jewish settlements, Palestinian refugees, and the status of Jerusalem. Partly as a result of active U.S. efforts, Israel and the PLO started a new round of direct negotiations in the summer of 2013, but this round ended unsuccessfully in April 2014. In June 2014, the leading PLO faction Fatah formed a new Palestinian Authority (PA) government pursuant to an agreement with the Sunni Islamist group Hamas (a U.S.-designated terrorist organization) in an attempt to end seven years of divided rule in parts of the West Bank and in Gaza. However, various developments, including Hamas's continued de facto control over Gaza, have raised doubts regarding the viability of unified PA rule and current Israeli, Palestinian, and international approaches toward Gaza.

Failure by Israelis and Palestinians to resume negotiations could have a number of regional and global implications. Palestinian leaders have resumed international initiatives to advance Palestinian statehood claims and appear to be encouraging or taking advantage of international legal and economic pressure on Israel in an effort to improve the Palestinian position vis-à-vis Israel. Israeli actions regarding security arrangements and construction in the West Bank and East Jerusalem could also have implications for final-status issues. Such matters attract significant interest within the United States and among a number of other international actors. Periodic

instances of unrest and violence among Israelis and Palestinians have the potential to exacerbate existing disputes.

Figure 1. Israel: Map and Basic Facts



Country Background

Historical Overview

The start of a quest for a modern Jewish homeland can be traced to the publication of Theodor Herzl's *The Jewish State* in 1896. Herzl was inspired by the concept of nationalism that had become popular among various European peoples in the 19th century, and was also motivated by his perception of European anti-Semitism. The following year, Herzl described his vision at the first Zionist Congress, which encouraged Jewish settlement in Palestine, the territory that had included the Biblical home of the Jews but was then part of the Ottoman Empire. During World War I, the British government issued the Balfour Declaration in 1917, supporting the "establishment in Palestine of a national home for the Jewish people." Palestine became a British Mandate after the war and British officials simultaneously encouraged the national aspirations of the Arab majority in Palestine for eventual self-determination, insisting that its promises to Jews and Arabs did not conflict. Jews immigrated to Palestine in ever greater numbers during the Mandate period, and tension between Arabs and Jews and between each group and the British increased, leading to periodic clashes. Following World War II, the plight of Jewish survivors of the Holocaust gave the demand for a Jewish home added poignancy and urgency, while Arabs across the Middle East simultaneously demanded self-determination and independence from European colonial powers.

In 1947, the United Nations General Assembly developed a partition plan (Resolution 181) to divide Palestine into Jewish and Arab states, proposing U.N. trusteeship for Jerusalem and some surrounding areas. The leadership of the Jewish Yishuv (or polity) welcomed the plan because of the legitimacy they asserted that it conferred on the Jews' claims in Palestine despite their small numbers, while the Palestinian Arab leadership and the League of Arab States (Arab League) rejected the plan, insisting both that the specific partition proposed and the entire concept of partition were unfair given Palestine's Arab majority. Debate on this question prefigured current debate about whether it is possible to have a state that both provides a secure Jewish homeland and is governed in accordance with democratic values and the principle of self-determination.

After several months of civil conflict between Jews and Arabs, Britain officially ended its Mandate on May 14, 1948, at which point the state of Israel proclaimed its independence and was immediately invaded by Arab armies. During and after the conflict, roughly 700,000 Palestinians were driven or fled from their homes, an occurrence Palestinians call the *nakba* ("catastrophe").¹ Many became internationally designated refugees after ending up either in areas of Mandate-era Palestine controlled by Jordan (the West Bank) or Egypt (the Gaza Strip), or in nearby Arab states. Palestinians remaining in Israel became Israeli citizens.

The conflict ended with armistice agreements between Israel and its neighboring Arab states: Egypt, Jordan, Lebanon, and Syria. The territory controlled by Israel within these 1949-1950 armistice lines is roughly the size of New Jersey. Israel has engaged in further armed conflict with some or all of its neighbors on a number of occasions since then—most notably in 1956, 1967, 1973, and 1982. Since the 1950s, Israel has also dealt with the threat of Palestinian guerrilla or terrorist attacks. In 1979, Israel concluded a peace treaty with Egypt, followed in 1994 by a peace

¹ CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

treaty with Jordan, thus making another multi-front war less likely. However, as discussed throughout the report, major security challenges persist from Iran and groups allied with it. Additionally, developments in Arab states and in the ongoing Israeli-Palestinian conflict further complicate Israel's regional position.

Demographic and Political Changes

Israel's demographic profile has evolved in a way that appears to be affecting its political orientation and societal debates. In the first decades following its founding, Israeli society was dominated by secular Ashkenazi (Eastern European) Jews from Eastern Europe who constituted the large majority of 19th- and early 20th-century Zionist immigrants. Many leaders from these immigrant communities sought to build a country dedicated to Western liberal and communitarian values. From 1948 to 1977, the social democratic Mapai/Labor movement led Israeli governing coalitions.

The 1977 electoral victory of Menachem Begin's more nationalistic Likud party helped boost the influence of previously marginalized groups, particularly Mizrahi (Eastern) Jews who had immigrated to Israel from Arab countries and Iran. This electoral result came at a time when questions regarding the future of territories that Israel's military occupied during the 1967 Arab-Israeli War had become increasingly central to political life. Begin and his successor in Likud Yitzhak Shamir helped drive the political agenda over the following 15 years. Although Labor under Yitzhak Rabin later initiated the Oslo peace process with the Palestinians, its political momentum was slowed and reversed after Rabin's assassination in 1995.

Despite Labor's setbacks, its warnings regarding the demographic challenge that high Arab birth rates could eventually present to continued Israeli political control over Palestinians gained traction among many Israelis, under the rubric of maintaining both a Jewish and a democratic state. In this context, Prime Minister Ariel Sharon, a longtime champion of the Israeli right and the settlement movement, split from Likud and established Kadima as a more centrist alternative in 2005. He was succeeded as Kadima's leader, first by Ehud Olmert, then by Tzipi Livni. Elections in February 2009 were a divided affair, with the Livni-led Kadima winning the most Knesset seats, but Binyamin Netanyahu's Likud leading the coalition because of an overall advantage for right-of-center parties. Netanyahu, who also was prime minister from 1996 to 1999, has subsequently led two additional coalitions following elections in January 2013 and March 2015.²

Demographic developments may partly explain why Israel's current Jewish population appears to be, as one analyst has written, "more nationalistic, religiously conservative, and hawkish on foreign policy and security affairs than that of even a generation ago."³ Distinct groups, such as Haredim ("ultra-Orthodox" Jews) from communities that predated Zionist immigration, and Russian-speaking Israelis who emigrated from the former Soviet Union in the 1990s,⁴ have increased their numbers and influence in Israeli society.

² For a figure showing the various strains in Israeli politics over time, see a table in "The evolution of Israeli politics," *economist.com*, March 15, 2015.

³ Haim Malka, *Crossroads: The Future of the U.S.-Israel Strategic Partnership*, Washington, DC: Center for Strategic and International Studies, 2011, p. 19.

⁴ Most of these Russian-speaking emigrants are Ashkenazi and tend to be secular, but are generally more sympathetic with right-leaning parties than with the old Ashkenazi elite. Now that post-Soviet emigration flows have largely ended, (continued...)

These trends' likely long-term effects on Israel's internal cohesion and its ties with the United States and other international actors are unclear. The near-universal military experience of its Jewish citizens and the continued mobilization of much of its population⁵ differentiate Israel from current generations in North America and Europe, as do a number of other factors such as Israel's geographic location and unique historical experience. Yet, Israeli leaders and significant segments of Israeli civil society regularly emphasize ongoing commitments to political, economic, and cultural connections and shared values with the United States and broader Western world.

Israel faces considerable estrangement between its Jewish and Arab citizens. Arabs comprise around 20% of the population, and Islamist movements are popular in some Arab Israeli communities.

Government and Politics

Overview

Israel is a parliamentary democracy in which the prime minister is head of government and the president is a largely ceremonial head of state. The unicameral parliament (the Knesset) elects a president for a seven-year term. The current president, Reuven Rivlin, took office in July 2014.⁶ Israel does not have a written constitution. Instead, Basic Laws lay down the rules of government and enumerate fundamental rights. Israel has an independent judiciary, with a system of magistrates' courts and district courts headed by a Supreme Court.

The political spectrum is highly fragmented, with small parties exercising disproportionate power due to the relatively low vote threshold for entry into the Knesset (3.25%), and larger parties needing small party support to form and maintain coalition governments. Since Israel's founding, the average lifespan of an Israeli government has been about 23 months. In recent years, however, the Knesset has somewhat tightened the conditions for bringing down a government.

Primer on Israeli Electoral Process and Government-Building⁷

Elections to Israel's 120-seat Knesset are direct, secret, and proportional based on a party list system, with the entire country constituting a single electoral district. All Israeli citizens age 18 and older may vote. Turnout in elections since 2001 has ranged between 62% and 72% of registered voters (before that it generally ranged between 77% and 80%). Elections must be held at least every four years, but are often held earlier due to difficulties in holding coalitions together. A Central Elections Committee is responsible for conducting and

(...continued)

growth in the Russian-speaking population of Israel has slowed and the overall demographic trend may now be one of decline or approaching decline.

⁵ Military service remains compulsory for most Jewish Israeli young men and women, and most Jewish Israeli men remain on reserve duty until the age of 40 (for soldiers) or 45 (for officers).

⁶ For a profile of Rivlin, see "Profile: Israel's President-elect Reuven Rivlin," *BBC News*, June 10, 2014.

⁷ Much of the information for this textbox comes from Israel's Ministry of Foreign Affairs website, "Elections in Israel—February 2009," February 10, 2009. See also "A beginner's guide to Israel's elections," *Ynetnews*, February 5, 2015; Ruth Levush, "FALQs: Israel's Upcoming 2015 General Elections," Law Library of Congress, March 2, 2015.

supervising the elections. The committee includes representatives from parties in the current Knesset and is headed by a Supreme Court justice.

National laws provide parameters for candidate eligibility, general elections, and party primaries—including specific conditions and limitations on campaign contributions and public financing for parties.⁸ Since 2007, a “cooling-off law” requires that senior Israeli military officers wait at least three years before entering civilian politics.⁹

Following elections, the task of forming a government is given by Israel’s president to the Knesset member he/she believes has the best chance to form a government as prime minister. The would-be prime minister has 28 days to assemble a majority coalition, and the president can extend this period for an additional 14 days. The government and its ministers are installed following a vote of confidence by at least 61 Knesset members. Thereafter, the ministers determine the government’s course of action on domestic issues, while military and national security action are directed through a “security cabinet” (formally known as the Ministerial Committee on Defense) consisting of a group of key ministers—some whose membership is set by law, others who are appointed by the prime minister—who number no more than half of all cabinet ministers.¹⁰

Israeli Government Following March 2015 Elections

In Israeli Knesset elections held on March 17, 2015, Prime Minister Binyamin Netanyahu’s Likud party finished with a six-seat advantage over the center-left Zionist Union (a joint list of the Labor and Ha’tnua parties), which was particularly striking because Likud had trailed by four seats in final pre-election polls. Many commentators attribute Likud’s win at least partly to statements by Netanyahu in the final days of the campaign to persuade right-leaning voters to choose Likud over smaller parties in order to prevent Zionist Union from taking power.¹¹ Netanyahu appeared to renounce¹² his previously expressed willingness to accept the creation of a Palestinian state,¹³ before claiming shortly after the election that he still supports a “two-state solution” in principle but not under current realities.¹⁴

⁸ For additional details on Israel’s campaign finance laws, see Ruth Levush, “Campaign Finance: Israel,” Law Library of Congress, July 25, 2012.

⁹ The law was reportedly intended to counter Israeli military officers’ cultivation of civilian political connections and influence in anticipation of their possible career transitions.

¹⁰ According to one media report, “Under Israeli law, war must be approved by the full cabinet. But the security cabinet, whose secrecy is better enforced, can green-light more limited military ‘missions’. Making that distinction depends on whether Israel’s intelligence chiefs anticipate an escalation into protracted conflict.” Dan Williams, “Netanyahu’s new security cabinet may hesitate on any Iran war,” *Reuters*, March 19, 2013. Historically, Israeli prime ministers (including Netanyahu) have appeared to prefer convening the smaller forum for consultative purposes when convening the larger one is not legally required. See, e.g., Eli Lake, “Meet the Israeli ‘Octet’ That Would Decide an Iran Attack,” *Daily Beast*, March 9, 2012. For a primer on and historical overview of Israel’s national security decision making process by a former Israeli security official, see Charles D. Freilich, *Zion’s Dilemmas: How Israel Makes National Security Policy*, Ithaca, New York: Cornell University, 2012. For a more concise version of the same subject matter, see Charles D. Freilich, “National Security Decision-Making in Israel: Improving the Process,” *Middle East Journal*, vol. 67, no. 2, spring 2013.

¹¹ Toby Greene, “Opinion: How Netanyahu did it again,” *Jewish News Online* (UK), March 18, 2015.

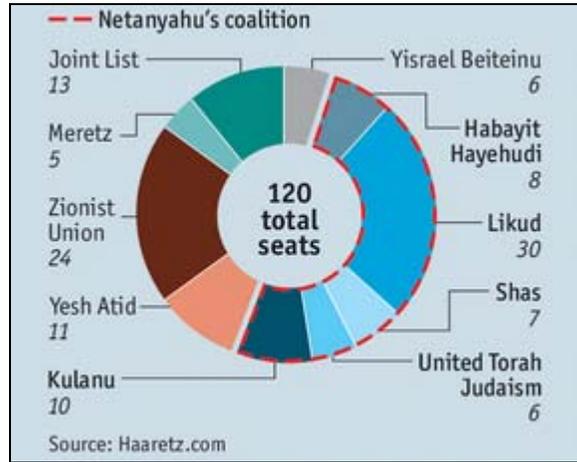
¹² See subtitled Hebrew-language video interview clip originally from Israel’s NRG news outlet at <http://www.nytimes.com/video/world/middleeast/100000003575164/netanyahu-rules-out-palestinian-state.html>.

¹³ In June 2009, Netanyahu gave a speech at Bar-Ilan University near Tel Aviv that contemplated the possibility of a demilitarized Palestinian state if the Palestinians recognized Israel as the state of the Jewish people and if Israel’s security needs were guaranteed (<http://www.pmo.gov.il/English/MediaCenter/Speeches/Pages/speechbarilan140609.aspx>).

¹⁴ Jodi Rudoren and Michael D. Shear, “Israeli Leader Backs Off Stand on 2-State Option,” *New York Times*, March 20, 2015.

Netanyahu announced the formation of a new government on May 6. The government includes right-leaning and Haredi parties constituting a narrow 61-59 Knesset majority—a coalition potentially susceptible to breakdown given the parties’ differing priorities.¹⁵ Finance Minister Moshe Kahlon, a former Likud member known for helping to liberalize the mobile phone market as communications minister from 2009-2013, heads Kulanu, a new party that calls for widespread socioeconomic reform to address popular concerns regarding cost-of-living and inequality issues.¹⁶ Despite losing four seats from its previous Knesset representation and the housing ministry, Naftali Bennett’s Ha’bayit Ha’Yehudi appears to have multiple opportunities to advance the interests of West Bank settlers via its control of the justice, education, and agriculture ministries, as well as the Israeli military’s civil administration in the West Bank.¹⁷ Haredi parties Shas and United Torah Judaism (UTJ) appear to have elicited promises from Netanyahu to increase welfare payments to their constituencies and not to enforce recent legislation aimed at eliminating longtime exemptions for Haredi youth from military conscription. The two parties also lead the economy and health ministries, respectively, with Shas head Aryeh Deri in government for the first time since his 2000 conviction for taking bribes while interior minister.¹⁸ Likud’s Moshe Ya’alon remains Israel’s defense minister. For descriptions of the parties in the Knesset and their respective leaders, see **Appendix B**.

Figure 2. Israeli Knesset
(Configuration by party)



Source: Economist.

Table I. Israeli Security Cabinet Members

Member	Party	Ministerial Position(s)	Previous Knesset Terms
Binyamin Netanyahu	Likud	Prime Minister Minister of Foreign Affairs	8
Moshe Ya’alon	Likud	Minister of Defense	2
Moshe Kahlon	Kulanu	Minister of Finance	3
Naftali Bennett	Ha’bayit Ha’Yehudi	Minister of Education	1

¹⁵ However, the coalition might prove more durable than some observers assert, partly owing to a 2014 bill that increases the difficulty for governments in Israel to be toppled by a no-confidence vote. Neri Zilber, “Benjamin Netanyahu’s Grade A Pork-Barrel Politics,” *foreignpolicy.com*, May 26, 2015.

¹⁶ In addition to becoming finance minister, Kahlon will head the Israel Land Authority (transferred from the housing ministry) and the Planning Administration (transferred from the interior ministry), and his party will also control the housing and environment ministries and the Knesset’s welfare committee.

¹⁷ J.J. Goldberg, “Bibi’s Nightmare: Unruly Coalition Might Fall—or Worse, Survive,” *Jewish Daily Forward*, May 7, 2015.

¹⁸ Shas also leads the religious affairs ministry, and UTJ leads the Knesset’s finance and interior committees.

Member	Party	Ministerial Position(s)	Previous Knesset Terms
Ayelet Shaked	Ha'bayit Ha'Yehudi	Minister of Justice	1
Gilad Erdan	Likud	Minister of Public Security Minister of Strategic Affairs	4
Aryeh Deri	Shas	Minister of Economy	3
Silvan Shalom	Likud	Minister of Interior	7
Yisrael Katz	Likud	Minister of Transportation Minister of Intelligence and Atomic Energy	6
Yuval Steinitz	Likud	Minister of Infrastructure, Energy, and Water	5
Ze'ev Elkin	Likud	Minister of Immigrant Absorption	3

Note: Steinitz and Elkin will reportedly rotate within the security cabinet.

Many observers speculate that Netanyahu will try to expand his governing majority by appealing to Yitzhak Herzog of the Zionist Union or Yair Lapid of Yesh Atid to join the coalition, and possibly forcing Ha'bayit Ha'Yehudi to the opposition. Netanyahu has kept open the position of foreign minister, perhaps anticipating international pressure on his government to show greater flexibility on issues relating to the Palestinians. In the words of one journalist:

Herzog would be an ideal foreign minister for Bibi, helping him show to the world the government's moderate face. Lapid, who is also a moderate, though less committed to the peace process than Herzog, could also suit Netanyahu as the government's centrist fig leaf.¹⁹

The New Government's Agenda²⁰

A number of controversial initiatives, some of which were a subject of contention within the previous government, appear to be on the new government's agenda. They include:

- A bill enshrining Israel as the "nation-state of the Jewish people," which opponents assert would undermine Israel's commitment to democratic principles vis-à-vis its Arab population
- A bill to restrict foreign donations to non-governmental organizations (NGOs) absent advance Israeli government approval, aimed apparently at cutting "the lifeline of many left wing and civil rights organizations that rely heavily on European funding."²¹
- Measures to make it harder for the Supreme Court to overrule legislation, and easier for the Knesset to override any invalidation, along with measures to have lawmakers play a larger role in selecting Israeli judges.
- An agreement to make proposals for "regularizing" settlement outposts in the West Bank that have not been authorized under Israeli law.

Although the government's narrow majority may complicate its efforts to pass legislation, these initiatives' prospects have been boosted by the naming of Ayelet Shaked of Ha'bayit Ha'Yehudi as justice minister.²² The justice minister

¹⁹ Nathan Guttman, "7 Things About Benjamin Netanyahu's New Cabinet," *Jewish Daily Forward*, May 7, 2015.

²⁰ Much of the information in this textbox comes from Allyn Fisher-Ilan, "FACTBOX-Legislative plans under Netanyahu's coalition government," *Reuters*, May 8, 2015.

²¹ Guttman, *op. cit.*

²² Shaked, a secular politician who began her career as a software engineer, once worked with Naftali Bennett on Netanyahu's staff (during Netanyahu's time as opposition leader) from 2006-2008, and later worked with Bennett to (continued...)

heads the ministerial committee on legislation that decides whether and when bills are allowed onto the Knesset floor. However, Netanyahu has reportedly arranged for one of his loyalists on the committee to be empowered to veto legislation that could “embarrass Netanyahu by pitting him against the judicial system or the international community.”²³

Finance Minister Kahlon, who has indicated opposition to many of these initiatives, has the ability to block them, but observers debate whether his willingness to do so might be tempered by his efforts to obtain coalition support for his socioeconomic reform proposals.²⁴

Economy

Israel has an advanced industrial, market economy in which the government plays a substantial role. Despite limited natural resources, the agricultural and industrial sectors are well developed. The engine of the economy is an advanced high-tech sector, including aviation, communications, computer-aided design and manufactures, medical electronics, and fiber optics. Israel still benefits from loans, contributions, and capital investments from the Jewish diaspora, but its economic strength has lessened its dependence on external financing.

Israel’s economy appears to be experiencing a moderate slowdown after years of sustained, robust growth. Since 2012, annual growth has hovered between 2.8% and 3.2%, compared to 5.8% in 2010 and 4.2% in 2011.²⁵ The slowdown has taken place largely as a result of economic downturns in Israel’s largest export markets in Europe, North America, and China. While International Monetary Fund (IMF) growth projections for Israel remain close to 3% over the next five years,²⁶ the Economist Intelligence Unit projects growth to increase steadily to over 5% during that time due to expectations of greater domestic consumption and exports, and anticipated new income from recently discovered offshore natural gas deposits (see **Appendix C**).²⁷

When Prime Minister Netanyahu was finance minister in the early 2000s, the government attempted to liberalize the economy by controlling government spending, reducing taxes, and privatizing state enterprises. The chronic budget deficit decreased, while the country’s international credit rating was raised, enabling a drop in interest rates. However, Netanyahu’s critics suggest that cuts in social spending widened income inequality and shrank the Israeli middle class.²⁸ A 2015 Organisation for Economic Cooperation and Development (OECD) report found that Israel has the fifth highest level of income inequality among the 34 OECD member

(...continued)

establish the right-leaning Israeli social movement My Israel. She joined the Bennett-led Ha’bayit Ha’Yehudi list for the 2013 national elections, and has gained notoriety for her outspoken nationalistic views. For more on Shaked and her views, see Jodi Rudoren, “A Fast Riser on Israel’s Far Right Learns to Shrug Off Her Critics,” *New York Times*, May 16, 2015; Open Source Center Media Note, “Israel: Profiles of Jewish Home MKs Naftali Bennett, Uri Ari’el, Ayelet Shaked,” LIL2015051261896016, May 12, 2015.

²³ Jonathan Lis, “Netanyahu assumes veto power over potential Knesset legislation,” *haaretz.com*, May 31, 2015.

²⁴ “Netanyahu’s new majority: Wafer thin,” *Economist*, May 9, 2015; Zilber, op. cit.

²⁵ IMF World Economic Outlook database, April 2015.

²⁶ Ibid.

²⁷ Economist Intelligence Unit, *Country Report: Israel*, generated May 27, 2015.

²⁸ “How Netanyahu Went from Idealism to Pragmatism on Economic Policy,” Knowledge@Wharton Blog, October 10, 2012.

states.²⁹ Another 2015 OECD report cited a modest increase in employment figures among historically poorer Haredi and Arab Israeli population sectors, while recommending that Israel adopt various measures to promote further growth in this area and to bolster industrial competitiveness.³⁰

Israel's Security Concerns

General Threat Perceptions

Prime Minister Netanyahu and his government are occupied with a range of regional security concerns stemming from Iran, turmoil in neighboring Arab states (especially Syria, Iraq, Lebanon, and Egypt), and Israel's decades-long conflict with the Palestinians. Although Israel maintains conventional military superiority relative to its neighbors and the Palestinians, 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.

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.³¹

U.S. pursuit of diplomacy with Iran appears to 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. This concern is attributable in part to the argument some Israelis and others have made 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. Others counter that substantial U.S. military assets remain deployed in the region, and that continued U.S. commitment to Israel (and other regional allies) has been reiterated by U.S. officials and reinforced through tangible means such as aid, arms sales, and missile defense cooperation. 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”—if no resolution occurs.

²⁹ OECD, *In It Together: Why Less Inequality Benefits All*, 2015, p. 20.

³⁰ OECD, *Economic Policy Reforms 2015: Going for Growth*, pp. 223-226.

³¹ William Booth, “With Golan fence, Israel closer to surrounding itself with barriers,” *Washington Post*, June 6, 2013; Sharona Schwartz, “Does a Border Fence Work? Check Out the Dramatic Change After Israel Put One Up,” *The Blaze*, November 11, 2013. A proposed fence at Israel's border with Jordan is in the planning and budgeting stages, but given other military and domestic priorities, may take years to complete. Attila Somfalvi, “Can Israel afford Netanyahu's plan for massive border fence with Jordan?,” *Ynetnews*, June 30, 2014; Yossi Melman, “A shared threat,” *Jerusalem Report*, April 6, 2015.

Challenges from Iran and Arab Neighbors

Over the 42 years since the last major Arab-Israeli war in 1973, Israel has relied on the following three advantages—all either explicitly or implicitly backed by the United States—to remove or minimize potential threats to its security and existence:

- Overwhelming conventional military superiority;
- Formally ambiguous but universally presumed regional nuclear weapons exclusivity,³² and
- De jure or de facto arrangements or relations with the authoritarian leaders of its Arab state neighbors aimed at preventing interstate conflict.

Although, as stated above, Israel’s conventional military advantages are clear, the other two advantages listed above face the following strategic challenges:

- ***Iranian Nuclear Challenge.*** Iran’s possible achievement of a nuclear weapons capability could worsen security dilemmas. Israeli leaders have asserted that even if Iran does not use, intend to use, or even manufacture a nuclear weapon, its mere capacity to do so will increase its deterrence by raising the potential costs Israel and others would incur by acting against it or its allies (i.e., Hezbollah and various Palestinian militant groups). The resulting intimidation could lead Arab Gulf states to adopt more quiescent or pro-Iranian policies or to pursue nuclear capabilities of their own. In turn, this could open the way for increased Iranian influence and/or nuclear proliferation throughout the region that Prime Minister Netanyahu says would pose a “grave danger” to Israel.³³
- ***Instability and Terrorism from Ungoverned Spaces.*** Security vacuums have spread near Israel’s borders in Syria, Lebanon, Egypt’s Sinai Peninsula, Iraq, and Libya. These areas host or could attract terrorists, weapons traffickers, criminal networks, refugees, and migrants, and thus contribute to trends that appear to threaten Israeli security. Such trends may gain new momentum in light of inroads made by the Islamic State organization (or IS, also known as ISIS or ISIL) in Syria and Iraq and the influence these developments have had elsewhere in the region. The triad of (i) country-specific and region-wide anti-Israel narratives, (ii) political and religious constructs, and (iii) media platforms have the potential to magnify the impact such trends could have in undermining Israeli security.

Israeli planners and decision makers have scrambled to determine how to properly address these potential threats by recalibrating resource allocations, military postures, and regional and international political activities.

³² Israel is not a party to the Nuclear Nonproliferation Treaty (NPT) and maintains a policy of “nuclear opacity” or *amimut*. A consensus among media and analysts’ reports is that Israel possesses an arsenal of 80 to 200 nuclear weapons. See, e.g., Timothy McDonnell, “Nuclear pursuits: Non-P-5 nuclear-armed states, 2013,” *Bulletin of the Atomic Scientists*, vol. 69(1), 2013.

³³ Israeli Prime Minister’s website, transcript of Netanyahu’s remarks at the Jewish Federations of North America’s General Assembly, November 11, 2014.

Iran³⁴

For years, Israeli leaders have described Iran and its reported pursuit of a nuclear weapons capability³⁵ as an imminent threat, though there are a range of views among Israeli officials and analysts regarding how to address the threat and the potential implications it has for Israel's security and its international relationships.³⁶ Iranian leaders insist that Iran's nuclear program is solely for civilian purposes.

As negotiations between Iran and the "P5+1" nations (United States, United Kingdom, France, China, Russia, and Germany) intensified in early 2015, Netanyahu gave a controversial speech before a joint meeting of Congress on March 3³⁷ arguing against the generally expected parameters of a deal by saying that the P5+1 could obtain a "better deal" on a number of counts.³⁸

Nevertheless, there are signals that Israeli officials are preparing to come to terms with a deal and to shift their focus toward insisting on its implementation and enforcement, as some former senior Israeli security officials have advised.³⁹ An unnamed Netanyahu senior advisor has been quoted as saying, "We have little choice now but to try and make sure that the Iranians at least adhere to this deal, as weak as it is."⁴⁰ Although some Israeli defense officials hint that a unilateral military strike against Iranian nuclear facilities remains an option to prevent Iran from acquiring a nuclear weapon, most analysts assert that such an option is less viable and likely than in the past.⁴¹

In early April, the P5+1 and Iran announced agreement on a political framework for a deal they seek to finalize by the end of June.⁴² Netanyahu stated that his cabinet was united in strong opposition to the framework, and he demanded that any final agreement must include clear Iranian recognition of Israel's right to exist.⁴³ Questions publicly released by Israel's government

³⁴ For background information on Iran and its nuclear program, see CRS Report RL32048, *Iran, Gulf Security, and U.S. Policy*, by Kenneth Katzman; CRS Report R43333, *Iran: Efforts to Achieve a Nuclear Accord*, by Kenneth Katzman, Paul K. Kerr, and Michael John Garcia; and archived CRS Report R42443, *Israel: Possible Military Strike Against Iran's Nuclear Facilities*, coordinated by Jim Zanotti.

³⁵ A nuclear weapons capability below the threshold of actual weapons production would entail an ability to combine, in a short period of time, fissile material with a nuclear warhead and an appropriate delivery vehicle.

³⁶ See transcript of testimony from Natan Sachs of the Brookings Institution from the hearing before the House Foreign Affairs Committee on July 16, 2014, at <http://docs.house.gov/meetings/FA/FA00/20140716/102496/HHRG-113-FA00-Transcript-20140716.pdf>.

³⁷ Netanyahu was invited to speak by Speaker of the House John Boehner, sparking debate over the propriety of both their actions vis-à-vis the White House given the contentiousness of the issue and that Israel was to hold national elections on March 17. Vice President Joe Biden, who would otherwise be entitled to attend the speech in his capacity as President of the Senate, was out of the country when the speech was given. Reportedly, 57 voting Members of Congress, including eight Senators, did not attend the speech.

³⁸ Israeli Prime Minister's website, Transcript of Netanyahu's speech before a joint meeting of Congress, March 3, 2015.

³⁹ Ben Caspit (translated from Hebrew), "Yadlin says Iran deal isn't a bad agreement," *Al-Monitor Israel Pulse*, April 3, 2015; Efraim Halevy, "Obama was right, Iran capitulated," *Ynetnews*, April 6, 2015.

⁴⁰ "Israel and Iran: A Tough Deal to Swallow," *Economist*, April 8, 2015.

⁴¹ According to the *Economist*, "Many military chiefs, including the chief of staff, Lieutenant General Gadi Eizenkot, have serious misgivings; the efficacy of such an attack on dispersed underground nuclear plants is doubtful, and Israel can scarcely afford the diplomatic crisis such a brazen challenge to the international consensus would cause." "Israel and Iran: A Tough Deal to Swallow," op. cit.

⁴² For more information, see CRS Report R43333, *Iran: Efforts to Achieve a Nuclear Accord*, by Kenneth Katzman, Paul K. Kerr, and Michael John Garcia.

⁴³ In an April 30 speech, Vice President Biden defended the de-linking of the nuclear issue from other issues in the (continued...)

in early April regarding the political framework focused on possible gaps between the P5+1 and Iran on several topics.⁴⁴

In an April 4 interview, President Obama expressed understanding regarding Israelis' deep suspicions regarding Iranian intentions, while insisting that the framework accord takes Israel's interests into account.⁴⁵ Apparently seeking to assuage Israeli concerns, Obama in the same interview stated his commitment to Israel's "qualitative military edge" (QME) and deterrence capabilities, and his willingness to make additional commitments to Israel's security.⁴⁶ This might become more complicated in light of the possibility that sanctions relief for Iran could conceivably increase material support for the Lebanese Shiite group Hezbollah and other Iranian allies,⁴⁷ as well as Russia's announcement in mid-April 2015 that it intends to fulfill its agreement to provide Iran an upgraded anti-aircraft capability (the S-300 system) after having suspended performance for a number of years.

Netanyahu may see his efforts as instrumental in giving Israel a voice in a negotiating process in which it does not directly participate.⁴⁸ Some reports indicate that the Obama Administration has limited its consultations with Israel regarding the ongoing negotiations.⁴⁹ The Iran Nuclear Agreement Review Act of 2015 (P.L. 114-17), enacted on May 22, 2015, gives Congress the power to review any final agreement, and would delay any further sanctions relief for Iran until after the review period ends.

Israel and the United States have reportedly begun preliminary consultations on an aid and arms sales package to assuage Israeli concerns regarding a potential Iranian nuclear deal and address "qualitative military edge" requirements regarding newly-considered U.S. arms sales to Gulf Arab states (see "Preserving Israel's Qualitative Military Edge (QME)" below). Official negotiations may not take place until after a deal is finalized, at least partly due to an apparent

(...continued)

P5+1-Iran negotiations by drawing the following historical analogy, "Just like arms control talks with the Soviet Union—another regime we fundamentally disagreed with, whose rhetoric and actions were repugnant and unacceptable, whose proxies we forcibly countered around the world—we negotiated to reduce the nuclear threat to prevent nuclear war." Transcript of address by Vice President Biden at the Washington Institute for Near East Policy's Soref Symposium Gala Dinner, April 30, 2015.

⁴⁴ Questions available at <https://docs.google.com/file/d/0B4WmUpzDwUW2Zk5oWHJTT2hHcFpZSm9jcEtrNHAXcWR1SkJZ/edit?pli=1>.

⁴⁵ Thomas L. Friedman, "Iran and the Obama Doctrine," *New York Times*, April 5, 2015.

⁴⁶ Ibid. In addition, to reportedly address legal requirements to maintain Israel's QME, newly-considered U.S. arms sales to Gulf Arab states will apparently not include certain high-performance items that Israel has purchased or plans to purchase, such as F-35 aircraft or GBU-28 bunker-busting munitions. John Hudson, "Israel: Go Ahead and Give the Gulfies Guns," *foreignpolicy.com*, May 13, 2015.

⁴⁷ In an April 6 interview, President Obama said, "I've been very forceful in saying that our differences with Iran don't change if we make sure that they don't have a nuclear weapon—they're still going to be financing Hezbollah, they're still supporting Assad dropping barrel bombs on children, they are still sending arms to the Houthis in Yemen that have helped destabilize the country. There are obvious differences in how we are approaching fighting ISIL in Iraq, despite the fact that there's a common enemy there." "Transcript: President Obama's Full NPR Interview On Iran Nuclear Deal," April 7, 2015.

⁴⁸ It is possible, though not certain, that Netanyahu's outspoken criticism of parameters announced in early November 2013—along with French objections—contributed to a toughening of an interim P5+1-Iran agreement reached then with regard to limiting activities connected with Iran's heavy water reactor at Arak. "Israeli PM urges France to resist pressure, hold to conditions on Iran's uranium and plutonium progress," *theisraelproject.org*, November 2013.

⁴⁹ Matthew Lee, "US withholding details of Iran nuke talks from Israel," *Associated Press*, February 18, 2015.

Israeli desire not to be seen as giving tacit consent to a nuclear pact. Initial reports indicate that a package may include early supply of F-35 (Lightning II) next-generation fighter aircraft that Israel is purchasing, sales of refueling planes, and funding for Iron Dome and Arrow III missile defense batteries.⁵⁰

Syria, Lebanon, and Iraq⁵¹

The Syrian civil war has increasingly become a security challenge for Israel. In April 2015, Israeli Defense Minister Moshe Ya'alon enunciated the following “red lines” regarding Syria:

We will not allow the transfer of quality weaponry to terror organizations, primarily Hezbollah, and we will know how to reach them and those that send them at any time and any place. We will not allow Iran or Hezbollah to establish terror infrastructure at our border with Syria, and we will know how to put our hand on anyone who threatens Israeli citizens, whether [the threats] are along our border or far beyond it.⁵²

Israel became militarily involved to a limited extent starting in early 2013. This involvement began with some strikes to retaliate against instances of artillery fire on its positions in the Golan Heights.⁵³ Subsequently, Israel has allegedly conducted a number of airstrikes to prevent the transfer of sophisticated missiles or anti-aircraft weapons from the Assad regime to Hezbollah.⁵⁴ Rebels, including many affiliated with Islamist groups such as the Nusra Front (also known as Jabhat al Nusra), Al Qaeda's Syrian affiliate, have wrested control of much of the territory in the Golan area from the Syrian government.

Israel's position became more complicated in January 2015 when it launched a deadly airstrike against Hezbollah fighters in Syria who may have posed a threat to Israel's military in the Golan, triggering a cycle of retaliatory fire between Israel and Hezbollah in Lebanon.⁵⁵ As speculation

⁵⁰ The sources for this paragraph are Amos Harel, “Washington, Jerusalem discussing massive compensation for Iranian nuclear deal,” *haaretz.com*, May 20, 2015; and Leslie Susser, “The Challenge: Getting the US Back in Israel's Corner,” *Jerusalem Report*, May 18, 2015. On May 19, 2015, the Defense Security Cooperation Agency published a notification of a proposed U.S. sale to Israel of \$1.879 billion worth of munitions and associated parts. Amid speculation that the timing of the sale might connect it either to Iran nuclear negotiations or to the replenishment of Israel's stocks following the July-August 2014 Israel-Gaza conflict, an Israeli defense ministry source reportedly denied that the proposed sale is related to nuclear talks or any “conflict in the Gulf region.” Avi Lewis, “Pentagon approves massive \$1.9 billion arms sale to Israel,” *Times of Israel*, May 20, 2015.

⁵¹ For background information on Syria and Iraq, see CRS Report RL33487, *Armed Conflict in Syria: Overview and U.S. Response*, coordinated by Christopher M. Blanchard; CRS Report RS21968, *Iraq: Politics, Security, and U.S. Policy*, by Kenneth Katzman; and CRS Report R43612, *The “Islamic State” Crisis and U.S. Policy*, by Christopher M. Blanchard et al.

⁵² Barbara Opall-Rome, “Israel's Northern Border Poses Challenges,” *Defense News*, May 3, 2015.

⁵³ Israeli officials have expressed concern about spillover threats to the Golan Heights border area. For basic information on the U.N. Disengagement Observer Force (UNDOF) that has monitored this area since the Israel-Syria cease-fire in 1974, but now operates from within Israeli-controlled territory after facing multiple attacks in the area beyond Israeli-controlled territory that it had once patrolled, see <http://www.un.org/en/peacekeeping/missions/undof/facts.shtml>.

⁵⁴ Amos Harel and Gili Cohen, “Israel attacked Syrian base in Latakia, Lebanese media reports,” *haaretz.com*, January 27, 2014; Tom Vanden Brook, “Officials: Israeli airstrike inside Syria,” *USA Today*, October 31, 2013; Liz Sly and Susan Haidamous, “Hezbollah warns Israel of retaliation for attack,” *Washington Post*, February 26, 2014.

⁵⁵ The initial Israeli strike killed six Hezbollah fighters and an Iranian general traveling with them. Hezbollah retaliatory fire from Lebanon killed two Israeli soldiers, and the Israeli return fire inadvertently killed a U.N. peacekeeper (from Spain) in Lebanon.

persists regarding the potential for another Israel-Hezbollah war, each successive incident poses a challenge to maintaining deterrence while avoiding significant escalation.⁵⁶ Israel's military is publicizing Hezbollah's weapons buildup and its alleged use of Lebanese civilian areas as strongholds,⁵⁷ probably in hopes of increasing the credibility of its threat to massively retaliate against a Hezbollah attack, and of rousing key international actors to work toward preventing or delaying conflict.⁵⁸

Israel seems to view the threat from Iran via Hezbollah in Lebanon and Syria as more acute than that from Sunni Islamists, underscoring an apparent divergence—at least in part—between U.S. and Israeli perceptions.⁵⁹ Nevertheless, the inroads made by the Islamic State into Syria and Iraq have raised Israeli security concerns regarding the creation of possible “safe havens” for international terrorists seeking to target Israelis or Jews. According to French authorities, the French-Algerian suspect in the May 2014 shooting deaths of an Israeli couple and two other people at the Jewish Museum of Belgium (in Brussels) had spent over a year in Syria and had links with “radical Islamists.”⁶⁰ Although the suspects in the January 2015 Paris kosher deli and February 2015 Copenhagen synagogue killings had not been based in the Middle East, they reportedly drew inspiration from the Islamic State.

Another concern is that the Islamic State might ultimately seek to undermine order and monarchical rule in Jordan. Jordan has thus far weathered the unrest the Arab world has faced since 2011, but the situation in Syria and Iraq continues to present its leaders with challenges in maintaining internal stability and accommodating the needs of hundreds of thousands of refugees.

Egypt⁶¹

Israeli leaders, who had expressed concern about Egypt's future after Hosni Mubarak's removal in 2011 led to the election of Muslim Brotherhood figure Muhammad Morsi in 2012, have been very supportive of and cooperative with General-turned-President Abdel Fattah al Sisi following his July 2013 military-backed ouster of Morsi. Since then, Egyptian forces have reportedly been active in countering heightened militant activity in Sinai and along its border with the Gaza Strip, and in targeting Sinai-Gaza smuggling tunnels. Largely in response to deadly terrorist attacks in Sinai against Egyptian security personnel claimed to have been carried out by the Sinai Province of the Islamic State (SP, formerly known as Ansar Beit al Maqdis),⁶² Egypt's military has created

⁵⁶ Opall-Rome, op. cit.

⁵⁷ Isabel Kershner, “Israel Says Hezbollah Military Sites Put Lebanese Civilians at Risk,” *New York Times*, May 13, 2015.

⁵⁸ Amos Harel, “Israel's secret weapon in the war against Hezbollah: The New York Times,” *haaretz.com*, May 16, 2015.

⁵⁹ Yaroslav Trofimov, “Middle East Crossroads: Syria War Pulls the U.S. and Israel Apart,” *Wall Street Journal*, March 13, 2015. Since the outbreak of conflict in Syria in 2011, Israeli officials have demonstrated ambivalence as to the outcomes they desire in Syria and the possibility of U.S.-led intervention. Though Israel welcomed the late 2013 Russian proposal for the Assad regime to give up its chemical weapons under international auspices, some Israeli analysts have asserted that lack of significant military action in support of President Obama's “red line” on chemical weapons contributed to uncertainty regarding the regional credibility and influence of the United States and its allies or partners.

⁶⁰ “Brussels Jewish Museum killings: Suspect ‘admitted attack,’” *BBC News*, June 1, 2014.

⁶¹ For background information on Egypt, see CRS Report RL33003, *Egypt: Background and U.S. Relations*, by Jeremy M. Sharp.

⁶² CRS Report IN10199, *The Islamic State in Egypt: Implications for U.S.-Egyptian Relations*, by Jeremy M. Sharp.

and expanded a territorial buffer zone between Sinai and Gaza since late 2014.⁶³ More broadly over the past two years, significant deployments of manpower and weaponry, which have reportedly been approved by and coordinated with Israel pursuant to key provisions in the two countries' 1979 peace treaty, seem to have been part of larger Egyptian military efforts to counter militant Islamist and tribal groups in Sinai, perhaps including Palestinian militants.⁶⁴ Israel has actively sought continued U.S. and international support for Egypt since the July 2013 leadership change, and Egypt continues to play a key role in political mediation involving Israel, Hamas, and other Palestinian militants.

⁶³ Avi Isaacharoff, "Egypt to expand Gaza buffer zone to up to 2 kilometers," *Times of Israel*, January 6, 2015.

⁶⁴ Sinai-based attacks across the border into Israeli territory in 2011 and 2012 highlighted the threat posed by various terrorist groups, including those with links to Palestinian Islamists and global jihadists. Yossi Melman, "The Sinai Imbroglia," *Jerusalem Report*, August 12, 2013. Additional border incursions have subsequently occurred, and rockets have periodically been fired from Sinai into Israel. Melman, "A shared threat," *op. cit.*

Rocket Threat from Lebanon and Gaza

Israel continues to face a rocket threat from the Gaza Strip/Sinai Peninsula (via Hamas and other militant groups) and Lebanon (via Hezbollah) that has expanded in geographical range in the past few years.⁶⁵ There has been little or no lasting progress in arresting the rocket threat or in negotiating an easing of Israel's perimeter of control in and around Gaza, though the replenishment of Palestinian militants' stocks from outside sources following the summer 2014 conflict has reportedly been slowed by Egypt's large-scale destruction of smuggling tunnels. Meanwhile, Israel continues to deploy and develop programs to defend against a wide variety of rockets and missiles.

The conflict that took place in Israel and Gaza over approximately 50 days in July and August 2014 was known by Israel's military as Operation Protective Edge/Mighty Cliff. The conflict ended with an Egyptian-mediated cease-fire on August 26. Under the terms of the cease-fire, Israel, Hamas, and the PA reportedly contemplated negotiating or working through mediators toward arrangements regarding security, commerce, and post-conflict reconstruction, though to date the status quo in and around Gaza has not significantly changed. Israel seeks assurances that Hamas cannot divert materials for reconstruction toward a reconstitution of the military infrastructure—including a network of tunnels both within Gaza and leading to Israel—it used during the summer conflict, while Hamas appears unwilling to cede meaningful control over security in Gaza to the PA. As Israel has eased a few aspects of the restrictions it maintains on the

Major Israel-Hamas Conflicts Since 2008

December 2008-January 2009: Israeli code name "Operation Cast Lead"

- Three-week duration, first meaningful display of Palestinians' Iranian-origin rockets, Israeli air strikes and ground offensive
- Political context: Impending leadership transitions in Israel and United States; struggling Israeli-Palestinian peace talks (Annapolis process)
- Fatalities: More than 1,100 (possibly more than 1,400) Palestinians; 13 Israelis (three civilians)

November 2012: "Operation Pillar of Defense (or Cloud)"

- Eight-day duration, Palestinian projectiles of greater range and variety, Israeli airstrikes, prominent role for Iron Dome
- Political context: Widespread Arab political change, including rise of Muslim Brotherhood to power in Egypt; three months before Israeli elections
- Fatalities: More than 100 Palestinians, six Israelis (four civilians)

July-August 2014: "Operation Protective Edge/Mighty Cliff"

- About 50-day duration, Palestinian projectiles of greater range and variety, Israeli air strikes and ground offensive, extensive Palestinian use of and Israeli countermeasures against tunnels, prominent role for Iron Dome
- Political context: Shortly after (1) unsuccessful round of Israeli-Palestinian peace talks, (2) PA consensus government formation and end of Hamas's formal responsibilities for governing Gaza, (3) prominent youth killings
- Fatalities: More than 2,100 Palestinians, 71 Israelis (five civilians), and one foreign worker

⁶⁵ For information on Hezbollah's capabilities, see CRS Report R42816, *Lebanon: Background and U.S. Policy*, by Christopher M. Blanchard; "Hizbullah," *Jane's World Insurgency and Terrorism*, May 8, 2015; Isabel Kershner, "Israel Says Hezbollah Military Sites Put Lebanese Civilians at Risk," *New York Times*, May 13, 2015; Yaakov Lappin, "Iran is placing guided warheads on Hezbollah rockets," *jpost.com*, March 31, 2015; Yossi Yehoshua, "A ticking bomb awaits Israel on its northern border," *Ynetnews*, April 26, 2015. For information on Palestinian militants' capabilities in Gaza, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

flow of people and goods into and out of Gaza, a number of media reports speculate that Israel and Hamas may be indirectly negotiating via Qatari officials toward a long-term ceasefire.⁶⁶

Both the House and Senate versions of the National Defense Authorization Act for 2016 (H.R. 1735 and S. 1376) include Armed Services Committees-approved language that would authorize the President to use U.S. funds to help Israel research, develop, establish, and maintain an anti-tunneling system if the executive branch and Israel formalize planned joint efforts—including cost-sharing and other key details—in a memorandum of understanding.

The summer 2014 conflict was the third major conflict between Israel and Hamas (along with other Palestinian militants) since the end of 2008, with previous conflicts occurring in December 2008-January 2009 and November 2012. Each arguably has featured mutual tests of military capability, domestic political cohesion, and deterrence in times of political change. Each of the three conflicts has also featured heated debate over respective culpability and the targeting or reckless endangerment of civilians.

The Palestinian Issue and Possible Israeli Options

Prospects of a negotiated settlement of the Israeli-Palestinian conflict in the foreseeable future seem dim. The most recent U.S.-backed round of peace talks ended unsuccessfully in April 2014 after differences between the parties on long-standing core issues of Israeli-Palestinian dispute were exacerbated by the parties' respective actions during the negotiating process.⁶⁷ Neither Israeli leaders, nor Palestinian leaders of the Fatah and Hamas factions that are preoccupied with maintaining their domestic credibility and respective aspects of control in the West Bank and the Gaza Strip, appear disposed to make substantive compromises. See "Peace Process Diplomacy" below for information and analysis on recent developments regarding the peace process.

Ongoing tensions appear to reflect risks inherent in periodically recurring incidents of violence and vandalism involving Israelis (including West Bank settlers) in close proximity to Palestinians. Israeli authorities face difficulty in the daily task of restraining and protecting Israelis from such potentially inflammatory encounters.⁶⁸ A number of "lone wolf" Palestinian attacks targeting Israelis have taken place in Jerusalem since late 2014⁶⁹ amid larger questions regarding the culpability of Israeli and Palestinian officials, private individuals, and communities in contributing to various incidents and the overall atmosphere in which the attacks occur.

In the absence of a return to Israeli-PLO negotiations, Israeli leaders could face domestic pressure to devise other possible ways to reduce their country's interactions with and responsibilities for West Bank Palestinians without compromising national security.⁷⁰ The resumption of Palestinian

⁶⁶ Ben Caspit (translated from Hebrew), "Israel eases Gaza blockade, hopes for Hamas stability," *Al-Monitor Israel Pulse*, April 30, 2015.

⁶⁷ Ben Birnbaum and Amir Tibon, "The Explosive, Inside Story of How John Kerry Built an Israel-Palestine Peace Plan—and Watched It Crumble," *New Republic*, July 20, 2014; Edward Isaac-Dovere, "How the Obama peace process went 'poof,'" *Politico*, April 13, 2014; Nathan Thrall, "Faith-Based Diplomacy," *Matter*, September 18, 2014.

⁶⁸ U.N. Office for the Coordination of Humanitarian Affairs occupied Palestinian territory (UN-OCHA opt), Humanitarian Bulletin, April 2015, Annex: Monthly Indicator Tables, "Conflict-related casualties and violence."

⁶⁹ Nir Hasson, "Two Israeli police officers lightly wounded in suspected East Jerusalem terror attack," *haaretz.com*, May 20, 2015.

⁷⁰ Netanyahu has pledged that any peace deal involving possible military withdrawals would be subject to a popular (continued...)

international initiatives after the breakdown of talks in the spring of 2014 (discussed below) may be intended at least partly to improve the Palestinians' position by encouraging U.S. and international political and economic pressure on Israel. Perhaps to some extent in anticipation that this pressure could increase, political figures from the Israeli left and center, as well as some commentators, continue to stress what they characterize as an urgent need for Israel to resolve its disputes with the Palestinians.

Some observers assert that Israeli leaders face a dilemma between democracy and demography,⁷¹ expressing concern that a "one-state reality" may be coalescing and becoming more entrenched absent a two-state solution. Past prime ministers, including Yitzhak Rabin and Ehud Olmert, claimed that coming to an arrangement with the Palestinians on the West Bank and Gaza would be necessary in order to avoid the situation of Jews ruling as a numerical minority over a numerical majority of Arabs in historic Palestine. The concerns they enunciated focus on the challenges of trying to maintain both democracy and Jewish primacy. Some demographers have disputed the data underlying these concerns.⁷²

During the July 2013-April 2014 negotiations, Netanyahu periodically made public reference to demographic concerns to explain his reasons for pursuing diplomacy. After the negotiations collapsed, Netanyahu appeared to consider the arguments some prominent Israelis were making⁷³ about the possibility of "unilateral disengagement" from the West Bank.⁷⁴ However, upon the outbreak of conflict in July 2014 with Hamas and other Palestinian militants in Gaza, Netanyahu said that "there cannot be a situation, under any agreement, in which we relinquish security control of the territory west of the River Jordan."⁷⁵

Since then, Netanyahu's statements on the Palestinian issue appear to challenge the Palestinians and Arab states to change their approaches before Israel will consider making concessions. In his September 2014 speech before the U.N. General Assembly, he stated that a "broader rapprochement between Israel and the Arab world," perhaps facilitated by common concerns regarding "a nuclear-armed Iran and militant Islamist movements gaining ground in the Sunni world," may help facilitate an Israeli-Palestinian peace based on "mutual recognition and

(...continued)

referendum. Additionally, in March 2014, the Knesset unanimously voted to create a new quasi-constitutional Basic Law requiring a popular referendum to approve any peace plan that would relinquish control over East Jerusalem or the Golan Heights.

⁷¹ Akiva Eldar, "Israel's New Politics and the Fate of Palestine," *The National Interest*, July/August 2012; Peter Beinart, *The Crisis of Zionism*, New York: Times Books, 2012.

⁷² Considerable public debate in Israel takes place regarding Jewish-Arab demographics in Israel-West Bank-Gaza Strip; their potential domestic, regional, and international implications; and possible Israeli options. See, e.g., Leslie Susser, "The Right Touts a One-State Solution," *Jerusalem Report*, July 29, 2013; PowerPoint presentation dated October 9, 2014, from former Israeli diplomat Yoram Ettinger, available at [http://www.theettingerreport.com/Demographic-Scare/From-Demographic-Fatalism-to-Demographic-Optim-\(2\).aspx](http://www.theettingerreport.com/Demographic-Scare/From-Demographic-Fatalism-to-Demographic-Optim-(2).aspx).

⁷³ See, e.g., Gili Cohen, "Top Israeli think tank: If talks fail, Israel should withdraw from 85% of West Bank," *haaretz.com*, January 28, 2014; Raphael Ahren, "If peace talks fail: Michael Oren's Plan B," *Times of Israel*, February 26, 2014. This option first gained popularity under late Prime Minister Ariel Sharon in the mid-2000s, and was the basis for Israel's 2005 withdrawal from the Gaza Strip, but was sidetracked after Sharon's debilitating stroke in 2006 and a number of subsequent security-related and political developments.

⁷⁴ Amy Teibel, "Netanyahu Wants Separation from Palestinians, Official Says," *Bloomberg*, June 6, 2014. During his time as opposition leader in the mid-2000s, Netanyahu had strenuously objected to the idea and supported popular views blaming threats from the Gaza Strip and southern Lebanon on previous Israeli military withdrawals.

⁷⁵ David Horowitz, "Netanyahu finally speaks his mind," *Times of Israel*, July 13, 2014.

enduring security arrangements, rock solid security arrangements on the ground.” Additionally, though Netanyahu’s remarks before and after the March 2015 elections have fueled debate and uncertainty over whether he still supports or ever supported a “two-state solution,” they have consistently indicated that Israel would only be willing to contemplate such a solution if the Abbas-led Palestinians recognize Israel as a Jewish state and curtail Hamas’s role in governance. Although there have been some manifestations of Israeli-Arab common cause regarding Iran, Netanyahu’s expectations appear to run counter to longtime Arab policies and popular sentiment rejecting formal recognition of Israel absent a number of steps addressing Palestinian territorial and political demands.

Other Israeli leaders have articulated possible alternative approaches. Naftali Bennett of Likud’s coalition partner Ha’bayit Ha’Yehudi, who may be a rival to Netanyahu for future leadership of the political right and perhaps the country, openly calls for Israel to annex a majority of the West Bank’s territory to ensure Israel’s security, though he states that neither annexation or creation of a Palestinian state is likely in the near future.⁷⁶ Yitzhak Herzog of the Zionist Union, who leads Israel’s opposition, expresses traditional Israeli center-left interests in engaging in a peace process to avoid a “one-state reality” and to maintain good relations with the United States and international community. However, he and others who support his approach have not clearly revealed how their positions on core issues of dispute might differ from Netanyahu’s.⁷⁷

Concerns Regarding International Isolation and Economic Effects

Israel and many of its supporters, along with the international media, frequently raise the possibility that Israel could become more “isolated” internationally.⁷⁸ Israel’s willingness to show flexibility regarding its security practices, negotiating demands, or diplomatic tactics may depend on whether its leaders believe that changes in their policies can change attitudes toward them. Some Israelis argue or imply that efforts to isolate them are led by implacable enemies determined to spread anti-Israel and anti-Semitic attitudes, and thus bear little or no relationship to Israel’s policies.⁷⁹ Other Israelis assert a more direct relationship between Israeli policies, such as the construction of Jewish communities or “settlements” (the term used most commonly internationally) in the West Bank and East Jerusalem, and international attitudes toward Israel. This latter set routinely laments what they characterize as uncompromising approaches by their leaders toward charged issues like the Israeli-Palestinian conflict.⁸⁰

⁷⁶ “A Palestinian state in the heart of Israel is crazy,” *Washington Post*, May 31, 2015. See also Naftali Bennett, “For Israel, Two-State Is No Solution,” *New York Times*, November 6, 2014. Bennett supports the annexation of areas of the West Bank under current Israeli security and administrative control—known as “Area C” in reference to a 1995 Israel-PLO agreement and comprising approximately 60% of the West Bank’s territory. “Bennett calls to annex 60 percent of West Bank,” *Times of Israel*, April 27, 2014. See map in CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

⁷⁷ See, e.g., Henry Siegman, “Obama’s Slim Chance for Mideast Peace,” *New York Times*, May 20, 2015.

⁷⁸ “Us and them,” *Economist*, August 2, 2014.

⁷⁹ See, e.g., Jodi Rudoren, “Netanyahu Calls International Criticism an Effort to ‘Delegitimize Israel,’” *New York Times*, June 1, 2015.

⁸⁰ *Ibid.*

International Political and Legal Initiatives

Initiatives by Palestinian leaders in international fora have the potential to mobilize international sentiment in opposition to Israeli objectives. As Israeli-Palestinian peace talks faltered in early 2014, PLO Chairman Mahmoud Abbas renewed his focus on such initiatives, which he had earlier pursued in 2011 and 2012 (see “Peace Process Diplomacy” below). In April 2014, with the most recent round of U.S.-mediated Israeli-Palestinian negotiations on the verge of collapse, Abbas and the PLO sought to accede to a number of international treaties and conventions. This contributed to ensuring the talks’ discontinuation. On December 30, 2014, a Palestinian-backed, U.S.-opposed U.N. Security Council draft resolution regarding some contentious Israeli-Palestinian issues garnered only eight of the required nine votes for adoption.⁸¹

Shortly after that, the Palestinians submitted letters of accession to additional international treaties and conventions, including the Rome Statute of the International Criminal Court (ICC).⁸² On January 16, 2015, the ICC Prosecutor announced a preliminary examination into the “situation in Palestine” to determine “whether there is a reasonable basis to proceed with an investigation” against Israelis, Palestinians, or others.⁸³ The announcement triggered vigorous Israeli opposition in response.⁸⁴ Palestinian leaders publicly anticipate providing information to the ICC on alleged Israeli crimes regarding both the summer 2014 Israel-Gaza conflict and settlement activity in the West Bank.

The international fallout for Israel over the summer 2014 conflict included allegations that Israel used disproportionate force in Gaza. The U.N. Human Rights Council (UNHRC) voted in July to establish a commission to investigate all possible violations of international humanitarian and human rights law in Gaza and the West Bank since June 13, 2014.⁸⁵ On July 29, 2014, the Senate passed S.Res. 526, which stated that the Senate

condemns the United Nations Human Rights Council’s resolution on July 23, 2014, which calls for yet another prejudged investigation of Israel while making no mention of Hamas’s continued assault against Israel, and also calls for an investigation into potential human rights violations by Israel in the current Gaza conflict without mentioning Hamas’s assault against innocent civilians and its use of civilian shields.

⁸¹ U.N. Press Release: “Resolution in Security Council to Impose 12-Month Deadline on Negotiated Solution to Israeli-Palestinian Conflict Unable to Secure Nine Votes Needed for Adoption,” December 30, 2014. Among other issues, the draft resolution would have affirmed “the urgent need” to attain a negotiated two-state solution within 12 months, and would have “decided” that the solution was to be based on a number of parameters, including “a full and phased withdrawal of the Israeli occupying forces, which will end the occupation that began in 1967 over an agreed transition period in a reasonable timeframe, not to exceed the end of 2017.” See the text of the draft resolution at <http://unispal.un.org/unispal.nsf/5ba47a5c6cef541b802563e000493b8c/a12252711015996d85257dbf00536b1c?OpenDocument>.

⁸² See CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

⁸³ ICC Press Release, “The Prosecutor of the International Criminal Court, Fatou Bensouda, opens a preliminary examination of the situation in Palestine,” January 16, 2015.

⁸⁴ Joel Greenberg, “Netanyahu blasts international court over preliminary probe of war crimes claims,” *McClatchyDC*, January 17, 2015.

⁸⁵ It is unclear how the investigation and its findings will be similar to or differ from the UNHRC-mandated investigations undertaken following the December 2008-January 2009 Israel-Gaza conflict, known as the “Goldstone Report” and available at <http://www2.ohchr.org/english/bodies/hrcouncil/docs/12session/A-HRC-12-48.pdf>.

Israel's government is not cooperating with the UNHRC-appointed commission,⁸⁶ whose report is expected to be released in June 2015.⁸⁷ However, Israel did cooperate with a board of inquiry established by U.N. Secretary-General Ban Ki-moon to investigate how various U.N. Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) sites in Gaza may have been damaged by Israel militarily and used illicitly by Palestinian militants to store weapons. The board of inquiry submitted its report to Secretary-General Ban in February 2015, and on April 27, 2015, the Secretary-General's office transmitted a summary of the report to the U.N. Security Council. In an accompanying cover letter, Ban deplored that "at least 44 Palestinians were killed as a result of Israeli actions and at least 227 injured at United Nations premises being used as emergency shelters."⁸⁸ Ban also stated that it was unacceptable that Palestinian militant groups used some empty United Nations schools to "store their weaponry and, in two cases, probably to fire from," and that he was determined to ensure that no such incident recurs.

The Boycott, Divestment, and Sanctions (BDS) Movement

A "BDS" (boycott, divestment, and sanctions) movement against Israel—ostensibly linked to its treatment of Palestinians—has gained support among civil society organizations in a range of countries.⁸⁹ Some divestment from and boycotts of Israel or Israeli goods have resulted. For example, the American Studies Association, a scholarly organization devoted to the interdisciplinary study of American culture and history, voted for an academic boycott of Israeli institutions in December 2013, amplifying the controversy surrounding the issue with lawmakers and with U.S. higher education institutions and student councils.⁹⁰ Some who oppose BDS measures against companies in Israel because of concerns that the movement's demands could endanger Israel's identity as a Jewish state nevertheless support efforts to divest from Israeli companies doing business in West Bank settlements.⁹¹ Additionally, some European countries' pension funds and companies have withdrawn investments or canceled contracts owing to concerns regarding connections with settlement activity.⁹² An unsuccessful May 2015 Palestinian effort to suspend Israel from FIFA (soccer's global governing body) for alleged improper Israeli

⁸⁶ Israel's military has opened a number of criminal investigations into incidents during the conflict in which Palestinian civilians were killed, possibly facilitating potential Israeli efforts to respond to the work of the UNHRC-appointed commission and to forestall potential ICC prosecution. Jeffrey Heller and Dan Williams, "Israel's military opens eight new probes into its Gaza war conduct," *Reuters*, December 7, 2014; Amos Harel and Gili Cohen, "Top IDF attorney: I will never call IDF the most moral army in the world," *haaretz.com*, April 9, 2015. William Schabas, the Canadian law professor who was initially selected to head the commission, resigned his place in February 2015 after Israel provided evidence that he had previously done paid work for the PLO. U.S. jurist Mary McGowan Davis was named to replace Schabas. "Schabas resigns as head of U.S. Gaza inquiry panel," *JTA*, February 3, 2015.

⁸⁷ "Israel, US boycott UN human rights inquiry on Gaza, West Bank," *Deutsche Welle*, March 23, 2015.

⁸⁸ Text of the summary and cover letter available at <http://domino.un.org/UNISPAL.nsf/22f431edb91c6f548525678a0051be1d/554e1cc298b3bfef85257e44005abd18>.

⁸⁹ See the original July 2005 "call" for BDS from various Palestinian civil society groups at <http://www.bdsmovement.net/call>. See also Sean F. McMahon, "The Boycott, Divestment, Sanctions Campaign: Contradictions and Challenges," *Race & Class*, vol. 55, issue 4, July-September 2014; Marc Tracy, "With All the Boycott Israel Talk, What Is BDS?," *newrepublic.com*, February 2, 2014;

⁹⁰ See, e.g., Jennifer Medina and Tamar Lewin, "Views on Israel Drive a Wedge in Campus Life," *New York Times*, May 10, 2015; David Makovsky and Raquel Saxe, "BDS's Useless Politics of Confrontation," *Times of Israel*, May 22, 2015.

⁹¹ See, e.g., Rudoren, "Netanyahu Calls International Criticism an Effort to 'Delegitimize Israel,'" op. cit.; Peter Beinart, "To Save Israel, Boycott the Settlements," *New York Times*, March 18, 2012.

⁹² Madison Marriage and John Reed, "US pension funds to divest from Israel boycotters," *fi.com*, May 31, 2015.

treatment of Palestinian athletes has led some Israelis to voice concern about possible future efforts to ban Israel from international sporting events and conferences.⁹³

Some Members of Congress argue that the BDS movement is discriminatory and are seeking legislative options to limit its influence. For example, a bill introduced in February 2015 (H.R. 825, United States-Israel Trade and Commercial Enhancement Act) would, among other things, discourage prospective U.S. trade partners from engaging in “commercial discrimination” against Israel and require executive branch reports on politically motivated instances of BDS acts.⁹⁴ At least two U.S. states have passed legislative measures or resolutions aimed at countering or criticizing BDS measures.⁹⁵

Relations with Europe and Other Countries

Political Overview

In recent years, European countries and countries in other regions such as Latin America have become increasingly critical of Israeli actions vis-à-vis the Palestinians. Developments in Europe formally or symbolically providing greater recognition of Palestinian statehood may also be linked to European countries’ stated concerns regarding Israel’s policies. In the fall of 2014, Sweden became the first Western European country to formally recognize Palestinian statehood, the Vatican followed suit in May 2015, and nonbinding resolutions have been passed in houses of parliament in major Western European countries such as the United Kingdom, France, and Spain calling on those countries’ governments to do the same. In December 2014, the European Parliament passed a resolution expressing support in principle for Palestinian statehood. According to one Israeli media report:

For the past several years Europe has been increasingly ambivalent about Israel. On the one hand there is a genuine desire to work with Israel, a useful trading partner with state-of-the-art technology and science; on the other, a predisposition to use economic and diplomatic clout to express displeasure at the continuing occupation. The Europeans don’t want to lose Israel; but they do want to press it to end what they see as an illegal, immoral, and destabilizing status quo. After the collapse of the American-led peace process and in the new post-Gaza reality, Europe is looking to strike a more effective balance [between engagement and pressure].⁹⁶

Past statements indicate that the European Union (EU) may be willing to provide financial incentives and even an upgrade in ties to both Israel and the Palestinians in the event of a successful peace agreement.⁹⁷ Concerns about radicalization and acts of terror committed by European Muslims may intensify the sense of urgency among European leaders to address the Israeli-Palestinian conflict, the resolution of which many Europeans view as critical to mitigating

⁹³ Rudoren, “Netanyahu Calls International Criticism an Effort to ‘Delegitimize Israel,’” op. cit.

⁹⁴ H.R. 4009 (The Protect Academic Freedom Act) from the 113th Congress would have prohibited institutions of higher education from receiving federal funds if they participate in boycotts of Israeli institutions or scholars.

⁹⁵ Marriage and Reed, op. cit.; Sean Savage, “Tennessee General Assembly Becomes First State Legislature to Condemn BDS,” *JNS.org*, April 21, 2015.

⁹⁶ Leslie Susser, “European Arm-Twisting,” *Jerusalem Report*, November 17, 2014.

⁹⁷ Raphael Ahren, “EU Offers ‘Unprecedented’ Aid to Israelis, Palestinians for Peace Deal,” *Times of Israel*, December 16, 2013; “Us and them,” op. cit.

Muslim grievances. France and possibly other European countries reportedly seek to propose a U.N. Security Council draft resolution setting forth basic parameters for Israeli-Palestinian peace negotiations, but uncertainty surrounds both the potential terms of the draft resolution and U.S. openness to it.

Israeli leaders have also manifested concern over a December 2014 ruling by the General Court of the EU that Hamas should be removed from the EU's common list of designated terrorist organizations on procedural grounds related to the decision-making process used in adding the group's military wing to the list in 2001.⁹⁸ The EU External Action Service responded that the ruling was not a political or substantive decision made by EU governments, and that restrictive measures against Hamas will remain in place as it appeals the court's decision. Israel welcomed news of the appeal.⁹⁹

Various media outlets have questioned whether manifestations of European support for the Palestinian cause and criticism of Israel, which some Jews reportedly describe as blurring "distinctions between being anti-Israel and anti-Jew," are cyclical episodes tied to specific events like the summer 2014 Israel-Gaza conflict or are "undermining the postwar consensus to root out anti-Semitism."¹⁰⁰ Following terrorist killings at Jewish sites in Paris and Copenhagen in early 2015 (mentioned above), Prime Minister Netanyahu exhorted European Jews to immigrate to Israel. However, one commentator, in arguing that significant emigration from Europe is unlikely, has asserted that "while European democracies are not without their hatreds, ethnic frictions and sociopaths (human beings live there), it is completely ahistorical to believe they are failing Jews, or any other group, in ways that are reminiscent of the 1930s and '40s."¹⁰¹ Another observer has written that Jews who emigrate from Europe may not be seeking "freedom from violence so much as the ability to live an openly Jewish life in a way that is becoming harder in Europe."¹⁰²

Possible Impact on Israel-Europe Economic Cooperation

Prospects of reduced EU-Israel economic cooperation fueled statements of concern in early 2014 by then Israeli Finance Minister Yair Lapid, given that the EU is Israel's largest trading partner.¹⁰³ The EU issued guidelines in July 2013 prohibiting funding to Israeli organizations in West Bank, East Jerusalem, or Golan Heights settlements, and only permitted Israel's inclusion in its Horizon 2020 research and innovation program in late 2013 after Israel agreed that funding would not go to organizations operating in settlements. Following the unsuccessful end of the most recent round of Israeli-Palestinian talks in April 2014, various EU countries cautioned investors about

⁹⁸ The United States and Israel both urged the EU to maintain its sanctions against Hamas. In addition to having listed Hamas's military wing on its common terrorist list since 2001, the EU has listed its political wing since 2003. In addition, the EU common terrorist list includes two charities that are believed to be related to Hamas: the U.S.-based Holy Land Foundation for Relief and Development; and Al-Aqsa, e.V. (or the Al-Aqsa Foundation), located throughout Europe.

⁹⁹ Adrian Croft, "EU to appeal ruling that Hamas should be off terror list," *Reuters*, January 19, 2015.

¹⁰⁰ Jim Yardley, "Europe's Anti-Semitism Comes Out of the Shadows," *New York Times*, September 23, 2014.

¹⁰¹ Bernard Avishai, "Sorry, Bibi. Europe's Jews won't be rushing to Israel anytime soon," *Washington Post*, February 22, 2015.

¹⁰² "Fear of a new darkness," *Economist*, February 21, 2015.

¹⁰³ "A campaign that is gathering weight," *Economist*, February 8, 2014. See footnote 223 for information on Israel-EU trade as a percentage of Israel's total trade volume.

risks involved in doing business with Israeli settlements.¹⁰⁴ Additionally, the EU informed Israel that it does not allow the import of certain foods produced in Israeli settlements, apparently due to the European Commission's nonrecognition of Israeli inspection agencies' jurisdiction in the settlements. According to an Israeli media report, if EU guidelines are strictly adhered to, they "could affect Israeli banks and other businesses with branches in the West Bank."¹⁰⁵

Nevertheless, some analysts assert that EU member states are divided over how to deal with Israel and unlikely to take measures substantially harming its economy. At a March 5, 2014, congressional hearing, one witness testified that "no European government supports any type of boycott against Israel."¹⁰⁶ After an internal EU paper was leaked in late 2014 regarding possible responses to Israeli actions in East Jerusalem, EU foreign policy chief Federica Mogherini said, "There's currently no question of sanctioning anybody. The question is rather how to motivate people to ... restart peace talks."¹⁰⁷ In April 2015, 16 of 28 foreign ministers of European Union member states signed a letter encouraging Mogherini to implement guidelines dating from 2013 that authorize labeling goods that come from settlements in a way that differentiates them from goods coming from inside Israel.¹⁰⁸

In late April 2015, both the Senate Finance Committee and the House Ways and Means Committee unanimously approved amendments to the versions of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (S. 995 and H.R. 1890) that they later respectively reported favorably for full Senate and House consideration. This bill would provide trade promotion authority to the President facilitating his ability to negotiate the major potential trade agreements known as the Trans Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP). The amendments added a trade negotiating objective for T-TIP (the agreement designed to facilitate trade between the United States and the EU) discouraging politically motivated economic actions "intended to penalize or otherwise limit commercial relations specifically with Israel or persons doing business in Israel or in Israeli-controlled territories." Public debate regarding the amendments has focused on whether EU measures or potential measures differentiating commerce with Israeli settlements from commerce with Israel constitute or promote BDS-related activities, and on the advisability of congressional initiatives that may either legitimize or delegitimize Israeli control in areas Israel occupied militarily in its 1967 war with various Arab countries.¹⁰⁹ The same amendment language is in the version of the bill (H.R. 1314) that was passed by the Senate on May 22, 2015, and is subject to consideration by the House.

¹⁰⁴ Andrew Rettman, "EU states promote settler boycott amid Israel crisis," *EUObserver*, July 4, 2014.

¹⁰⁵ Susser, "European Arm-Twisting," *op. cit.*

¹⁰⁶ Prepared testimony of David Pollock, Washington Institute for Near East Policy, "Threats to Israel: Terrorist Funding and Trade Boycotts," House Committee on Foreign Affairs, Subcommittee on Terrorism, Trade, and Nonproliferation, March 5, 2014.

¹⁰⁷ Andrew Rettman, "Mogherini makes light of leaked EU paper on Israel sanctions," *EUObserver*, November 18, 2014.

¹⁰⁸ Barak Ravid, "European FMs urge policy chief: Label West Bank settlement products," *haaretz.com*, April 16, 2015.

¹⁰⁹ Sarah Saadoun, "Don't protect Israeli settlement trade," *The Hill*, May 15, 2015; Melissa Apter, "Home Run for Cardin," *Baltimore Jewish Times*, April 30, 2015.

Turkey

Israel is likely to need U.S. help in improving or mitigating troubled regional and international relationships, though even with this help, any improvement may be halting and reversible. U.S.-aided efforts by Israel to repair deteriorated relations with Turkey provide an example. During President Barack Obama's March 2013 visit to Israel, Prime Minister Netanyahu apologized via telephone to then Turkish Prime Minister (now President) Recep Tayyip Erdogan for any operational mistakes by Israel during the Gaza flotilla incident of May 2010 "that might have led to the loss of life or injury," and also agreed to conclude an agreement on "compensation/nonliability."¹¹⁰ However, subsequent difficulties in concluding such an agreement have been compounded by a number of developments, including negative statements from Erdogan, his associates, and pro-government Turkish media regarding Israel and Jews more generally on a number of issues; Turkey's reported ties with Hamas;¹¹¹ and media reports that surfaced in October 2013 alleging that in 2012 Turkey revealed to Iran the names of sources used by Israel's Mossad intelligence agency.¹¹² Despite bilateral political difficulties, Israel-Turkey trade volume has continued to grow,¹¹³ but according to the head of the Israel-Turkey Business Council, "the actual increase in trade was quite moderate and could, under other circumstances, have been much greater."¹¹⁴

Key U.S. Policy Issues

Overview

On May 14, 1948, the United States became the first country to extend de facto recognition to the state of Israel. Over the years, despite occasional policy differences, the United States and Israel have maintained close bilateral ties based on common democratic values, religious affinities, and security interests. Relations have evolved through legislation; memoranda of understanding; economic, scientific, and military agreements; and trade. Congress provides military assistance to Israel and has enacted other legislation in explicit support of its security. Many analysts view these forms of support as pillars of a regional security order—largely based on varying types and

¹¹⁰ Summary of conversation between Netanyahu and Erdogan from Israeli Prime Minister's Office website, March 22, 2013. The May 2010 Gaza flotilla incident involved the boarding in international waters by Israeli commandos of a ship that was commissioned by a Turkish Islamist nongovernmental organization to carry goods to the Israeli-blockaded Gaza Strip. Under disputed circumstances, the commandos reportedly killed nine Turks and an American of Turkish ancestry and injured several others. To normalize relations, Turkey demanded that Israel apologize for its role in the incident, provide agreeable compensation to the victims' families, and lift its closure regime on the movement of goods and people in and out of Gaza. In addition to Netanyahu's apology to Erdogan, negotiations have been conducted regarding compensation, and Turkish officials previously indicated that they might interpret Israel's allowance of Turkish humanitarian aid shipments to Gaza as a lifting of the closure regime.

¹¹¹ See transcript of House Foreign Affairs Committee joint subcommittee hearing, September 9, 2014, at <http://docs.house.gov/meetings/FA/FA13/20140909/102629/HHRG-113-FA13-Transcript-20140909.pdf>.

¹¹² David Ignatius, "Turkey blows Israel's cover for Iranian spy ring," *Washington Post*, October 16, 2013.

¹¹³ Ora Coren, "Israeli trade with Turkey on track to reach record," *haaretz.com*, July 4, 2014.

¹¹⁴ "The 'Missed Opportunity' in Israeli-Turkish Trade Relations," *Knowledge@Wharton* Blog, September 9, 2014. Since the outbreak of conflict in Syria, Turkey has relied on Israel's port in Haifa to help re-route trade traffic that had previously traversed Syrian territory. Lior El-Hai, "Israel has become bridge between Turkey, Jordan," *Ynetnews*, April 25, 2013.

levels of U.S. arms sales to Israel and Arab countries—that have discouraged the outbreak of major Arab-Israeli interstate conflict for more than 40 years.¹¹⁵

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 regional issues that implicate Israel’s security. In consequence of possible Israeli concerns about these issues and about potential changes in levels of U.S. interest and influence in the region, Israeli leaders and their supporters may actively try to persuade U.S. decision makers both that

- Israel’s security and the broader stability of the region continue to be critically important for U.S. interests; and
- Israel has substantial and multifaceted worth as a U.S. ally beyond temporary geopolitical considerations and shared ideals and values.¹¹⁶

These efforts would seek to perpetuate and bolster the already strong popular and official U.S. commitment to Israel’s security, in light of the following quotation from an unnamed former American Israel Public Affairs Committee (AIPAC) official: “[T]he U.S. has its own foreign policy, and, while it is extremely friendly to Israel, it will only go so far.”¹¹⁷

Israel-sponsored efforts to emphasize its importance to the United States also may aim to minimize possible demands by U.S. policymakers for Israel to compensate the United States for bearing certain military, political, or economic costs as a result of supporting Israel amid regional challenges.¹¹⁸ Expectations among some U.S. officials could include greater Israeli deference to and coordination with the United States on regional diplomacy and military action. This could fuel or intensify U.S.-Israel disagreement over the type and level of support that the United States might provide to address threats Israel perceives, or how Israel might continue its traditional prerogative of “defending itself, by itself” while also receiving external assistance.

Recent Differences Among Leaders and on Key Issues

Aligning U.S. and Israeli policies has presented challenges on some key matters of concern. Many reports indicate that President Obama and Prime Minister Netanyahu have differed on a number of issues, especially relating to Iran’s nuclear program and to the Palestinians, since they both took office in 2009. Some instances have occurred in which officials from the two countries have criticized policies or actions by their bilateral counterparts. Mutual criticism in the past year-plus has surfaced in association with the unsuccessful end of the latest round of Israeli-Palestinian talks in April 2014, the Israel-Gaza conflict in the summer of 2014 (including U.S. attempts to broker a cease-fire), announcements by Israel related to Jewish settlements or communities in the

¹¹⁵ Malka, op. cit., pp. 93-94.

¹¹⁶ See, e.g., Michael Eisenstadt, “Resetting the U.S.-Israel Alliance,” *War on the Rocks*, February 5, 2015. But see Richard Klass, “Is Israel Becoming a Strategic Liability,” *War on the Rocks*, January 28, 2015.

¹¹⁷ Bruck, op. cit.

¹¹⁸ According to a 2011 report, some U.S. military officers and analysts, including “senior Pentagon officials, generals and independent defense strategists,” weigh the “direct military benefits the United States receives from its partnership with Israel ... against the geopolitical costs the relationship imposes on Washington in its dealings with the broader Arab and Muslim world; some suggest a net negative outcome for Washington in the equation.” Nathan Guttman, “Israel Is Strategic Asset After All,” *Jewish Daily Forward*, November 18, 2011.

West Bank and East Jerusalem,¹¹⁹ Netanyahu's actions and comments in relation to Iran and the Palestinians during the March 2015 Israeli electoral campaign, and the political framework for a P5+1-Iran nuclear agreement that emerged in early April.

Observers debate how deep-seated and long-lasting various U.S.-Israel differences might be, and whether U.S. policy questions regarding support for Israel might increasingly be contested along partisan lines.¹²⁰ Israeli leaders appear to have some concerns about the U.S. commitment to regional issues implicating Israel's security, but at the same time overall bilateral cooperation has continued and even increased by many measures on a number of issues such as defense, trade, and energy.

Shortly after Netanyahu's March 2015 electoral victory, President Obama spoke of the countries' "deep and abiding partnership" in a congratulatory call. However, in a subsequent media interview, Obama said he had also indicated to Netanyahu in their call that Netanyahu's election day comment that Arab Israelis were going to the polls "in droves"—an apparent attempt to get greater turnout from his base of Jewish Israeli voters—was "contrary to what is the best of Israel's traditions" of democracy, equality, and fairness.¹²¹ Netanyahu later publicly apologized for the comment. In the same interview, Obama seemed unconvinced by Netanyahu's post-election insistence that his pre-election remarks had not fundamentally changed his stance on a two-state solution:

We take him at his word when he said that it [the creation of a Palestinian state] wouldn't happen during his prime ministership, and so that's why we've got to evaluate what other options are available to make sure that we don't see a chaotic situation in the region.¹²²

Following the March election, reports cited unnamed Administration officials as indicating that the United States might consider departing from its usual willingness to veto U.N. Security Council draft resolutions objectionable to Israel were a new resolution on Israeli-Palestinian negotiating parameters to come to a vote.¹²³ These reports have triggered public debate over the issue, with some Members of Congress encouraging continued U.S. support for Israel in international fora, reparation of any damage to the bilateral relationship, and a more private approach to expressing differences of opinion.¹²⁴ Deputy Secretary of State Tony Blinken appeared to deny the reports' validity in March 19, 2015, testimony before the House Foreign Affairs Committee.¹²⁵ In an April 15, 2015, hearing before the House Appropriations

¹¹⁹ See, e.g., Uriel Heilman, "Why the U.S. and Israel are not getting along," *JTA*, September 2, 2014.

¹²⁰ In a February 2015 interview, National Security Advisor Susan Rice said that the scheduling of Netanyahu's March 3 congressional address injected the U.S.-Israel relationship with "a degree of partisanship, which is not only unfortunate, I think it's destructive of the fabric of the relationship." In the same interview, however, Rice also said that Israel is the closest U.S. ally in the region and that the Administration wants the bilateral relationship to be "unquestionably strong, immutable, regardless of political seasons in either country and regardless of which party is in control in either country." Transcript of remarks by National Security Advisor Rice on *PBS: The Charlie Rose Show*, February 24, 2015.

¹²¹ Sam Stein, "Obama Details His Disappointment With Netanyahu In First Post-Election Comments," *Huffington Post*, March 21, 2015.

¹²² *Ibid.*

¹²³ Helene Cooper and Michael D. Shear, "White House Ties May Be Past Mending," *New York Times*, March 19, 2015.

¹²⁴ Stewart Ain, "Congressional Push To Get U.S., Israel To 'Dial It Down,'" *New York Jewish Week*, April 1, 2015.

¹²⁵ Transcript available at <http://www.cq.com/doc/congressionaltranscripts-4646226?0>.

Subcommittee on State, Foreign Operations, and Related Programs, Ranking Member Nita Lowey asked Permanent Representative to the United Nations Samantha Power, “Is it still the position of the administration to veto one-sided anti-Israel resolutions at the U.N.?” Without giving an unequivocal answer, Power referred to her “no” vote on the December 2014 draft resolution discussed above (see “International Political and Legal Initiatives”), along with other U.S. actions at the United Nations in support of Israel. Then she said that “we will look to see what will advance Israel’s security and what will advance peace in the region. And stand, again, consistently for Israel’s legitimacy and security.”¹²⁶ In late April, Under Secretary of State for Political Affairs Wendy Sherman said, “If the new Israeli government is seen as stepping back from its commitment to a two-state solution ... that makes our job in the international arena a lot tougher.”¹²⁷

Security Cooperation¹²⁸

Background

Strong bilateral relations have fueled and reinforced significant U.S.-Israel cooperation on defense, including 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, since Israel must rely on better equipment and training to compensate for a manpower deficit in any potential regional conflict. U.S. military aid, a portion of which may be spent on procurement from Israeli defense companies, also has helped Israel build a domestic defense industry, and Israel in turn ranks as one of the top 10 exporters of arms worldwide.

On November 30, 1981, the United States and Israel signed a memorandum of understanding (MOU) establishing a framework for consultation and cooperation to enhance the national security of both countries. In 1983, the two sides formed a Joint Political Military Group (JPMG) to implement provisions of the MOU. Joint air and sea military exercises began in 1984, and the United States has constructed facilities to stockpile military equipment in Israel. In 1987, Israel was designated a “major non-NATO ally” by the Reagan Administration, and in 1996, under the terms of Section 517 of the Foreign Assistance Act of 1961, as amended, Congress codified this status, affording Israel preferential treatment in bidding for U.S. defense contracts and expanding its access to weapons systems at lower prices. In 2001, an annual interagency strategic dialogue, including representatives of diplomatic, defense, and intelligence establishments, was created to discuss long-term issues. This dialogue was halted in 2003 over bilateral tensions related to

¹²⁶ Transcript available at <http://www.cq.com/doc/congressionaltranscripts-4663248?5>.

¹²⁷ Transcript of remarks by Under Secretary Sherman at the Religious Action Center of Reform Judaism Biennial Leadership Policy Conference, Arlington, VA, April 27, 2015.

¹²⁸ The Jewish Virtual Library maintains a page that contains hyperlinked documents, speeches, and reports under the heading “U.S.-Israel Relations: Strategic & Military Cooperation,” available at <http://www.jewishvirtuallibrary.org/jsource/US-Israel/strattoc.html>.

Israeli arms sales to China (see “Israeli Arms Sales to Other Countries” below), but resumed in 2005.

On May 6, 1986, Israel and the United States signed an MOU—the contents of which are classified—for Israeli participation in the Strategic Defense Initiative (SDI/“Star Wars”), under which U.S.-Israel co-development of the Arrow ballistic missile defense system has proceeded, as discussed below. In 1998, another U.S.-Israel MOU referred to growing regional threats from ballistic missiles. This MOU said that “In the event of such a threat, the United States Government would consult promptly with the Government of Israel with respect to what support, diplomatic or otherwise, or assistance, it can lend to Israel.”

Security cooperation extends to cooperation in countering terrorism. The Implementing Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53, enacted on August 3, 2007) recognizes Israel as a potential research partner for the Department of Homeland Security.

Recent U.S. Legislation

Over the past three years, Congress passed two items of legislation with several provisions encouraging continued and expanded U.S.-Israel cooperation in a number of areas.

The U.S.-Israel Enhanced Security Cooperation Act (P.L. 112-150), which was enacted in July 2012, contains nonbinding “sense of Congress” language focusing largely on several possible avenues of cooperation. These include providing Excess Defense Articles; boosting operational, intelligence, and political-military coordination; expediting specific types of arms sales (such as F-35 fighter aircraft, refueling tankers, and “bunker buster” munitions); and additional aid for U.S.-Israel cooperative missile defense programs.

The U.S.-Israel Strategic Partnership Act (P.L. 113-296) was enacted in December 2014, after having been revised from earlier 2013 House and Senate versions. It designated Israel as a “major strategic partner” of the United States—a designation whose meaning has not been further defined in U.S. law or by the executive branch. The act contains various other provisions encouraging continued and expanded U.S.-Israel cooperation in a number of areas, such as those

- extending the war reserves stockpile authority¹²⁹ for Israel through FY2015;
- requiring an executive branch report to Congress on the “feasibility and advisability of expanding United States-Israeli cooperation on cyber issues”;
- seeking to have the executive branch give Israel the same Strategic Trade Authorization (STA) licensing exception for certain munitions and dual-use items that 36 other countries currently have;¹³⁰

¹²⁹ For information on the War Reserves Stock Allies-Israel (WRSA-I) program, under which the United States maintains munitions stockpiles for its own use and for Israel’s use in some situations with U.S. permission, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

¹³⁰ For information on the STA licensing exception, see Export Control Reform Initiative Factsheet #4: License Exception “Strategic Trade Authorization” (STA). Available at http://new.export.gov/cms_files/ECR%20Factsheet%204%20-%20STA_Latest_eg_main_047475.pdf. Israel, along with seven other countries, currently has a more limited form of the STA licensing exception.

- authorizing cooperative research pilot programs between Israel and the Department of Homeland Security; and
- amending the Energy Independence and Security Act of 2007 (42 U.S.C. §17337(a)) in a number of ways to facilitate U.S.-Israel energy cooperation, including by adding verbiage stating that “United States-Israel energy cooperation and the development of natural resources by Israel are in the strategic interest of the United States.”

P.L. 113-296 further states that Israel should be designated a U.S. visa waiver program country when it satisfies—and as long as it continues to satisfy—the requirements for inclusion.¹³¹

Preserving Israel’s Qualitative Military Edge (QME)

Since the late 1970s, successive Administrations have argued that U.S. arms sales are an important mechanism for addressing the security concerns of Israel and other regional countries. During this period, some Members of Congress have argued that sales of sophisticated weaponry to Arab countries may erode Israel’s QME over its neighbors. However, successive Administrations have maintained that Arab countries are too dependent on U.S. training, spare parts, and support to be in a position to use sophisticated U.S.-made arms against the United States, Israel, or any other U.S. ally in a sustained campaign. Arab critics routinely charge that Israeli officials exaggerate the threat they pose. Ironically, the threat of a nuclear-armed and/or regionally bolstered Iran, though it has partially aligned Israeli and Sunni Arab interests in deterring a shared rival, may be exacerbating Israeli fears of a deteriorated QME, as Saudi Arabia and other Gulf states dramatically increase defense procurements from U.S. and other foreign suppliers.

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 qualitative military edge over military threats to Israel.”¹³² In parallel with this legal requirement, U.S. and Israeli officials continually signal their shared understanding of the U.S. commitment to maintaining Israel’s QME. However, the codified definition focuses on preventing arms sales to potential regional Israeli adversaries based on a calculation of conventional military threats. It is unclear whether calls for revisiting this definition or rethinking its implementation may arise in light of the evolving nature of potential regional threats to Israel’s security.

What might constitute a legally defined adverse effect to QME is not clarified in U.S. legislation. After the passage of the 2008 legislation, a bilateral QME working group was created allowing Israel to argue its case against proposed U.S. arms sales in the region.¹³³ Former Secretary of

¹³¹ For more information, see CRS Report RL32221, *Visa Waiver Program*, by Alison Siskin.

¹³² §36(h) of the Arms Export Control Act, which contains the “qualitative military edge” requirement, was added by §201(d) of the Naval Vessel Transfer Act of 2008 (P.L. 110-429). The act defines QME as “the ability to counter and defeat any credible conventional military threat from any individual state or possible coalition of states or from nonstate actors, while sustaining minimal damages and casualties, through the use of superior military means, possessed in sufficient quantity, including weapons, command, control, communication, intelligence, surveillance, and reconnaissance capabilities that in their technical characteristics are superior in capability to those of such other individual or possible coalition of states or nonstate actors.” The details of official U.S. assessments of QME are generally classified.

¹³³ Barbara Opall-Rome, “Israeli Brass Decry U.S. Arms Sales to Arab States,” *Defense News*, January 23, 2012. (continued...)

Defense Robert Gates wrote that, in 2010, the Obama Administration addressed concerns that Israel's leaders had about the possible effect on QME of a large U.S. sale of F-15 aircraft to Saudi Arabia by agreeing to sell Israel additional F-35 aircraft.¹³⁴

The U.S.-Israel Strategic Partnership Act (P.L. 113-296) enacted in December 2014 requires more frequent QME assessments and executive-legislative consultations. It also requires that future QME determinations include evaluations of how potential arms sales would change the regional balance and interact with Israeli military capabilities, while also identifying measures Israel may need to take in response to the potential sales, and assurances the United States has made to Israel or has been requested to make by Israel in connection with the potential sales.

As of mid-2015, with the United States offering to sell Arab Gulf states more and perhaps more advanced weapons in response to regional concerns about a possible international agreement on Iran's nuclear program, reports indicate that Israel has not voiced objections. This may be because the Administration is reportedly not offering the Gulf states certain high-performance items that Israel has purchased or plans to purchase, such as F-35 aircraft or GBU-28 bunker buster munitions.¹³⁵ Moreover, Israeli officials may calculate that U.S. sales to Gulf states work to their advantage by effectively requiring that Israel receive more advanced equipment as a result because of QME requirements.¹³⁶ It is unclear whether possible coordination between Arab militaries in places such as Syria, Yemen, or Libya might change Israeli threat perceptions over time. In February 2015, the members of the Senate Armed Services Committee sent letters to the Secretaries of Defense and State acknowledging the U.S. commitment to Israel's QME while urging them to expeditiously address Jordanian requests for arms and equipment related to coalition efforts against the Islamic State organization.¹³⁷

Absent legislative clarification, the legality of future U.S. arms sales to various Arab aid recipients, partners, or allies—including Egypt, Saudi Arabia, Jordan, Lebanon, and Iraq—could become increasingly subject to challenge both by Israeli officials feeling heightened sensitivity to regional threats and by sympathetic U.S. policymakers.

(...continued)

According to this article, the U.S. side of the working group is led by the Under Secretary of Defense for Policy and Assistant Secretary of State for Political-Military Affairs, while the Israeli side is led by the Defense Ministry's policy chief and the Israel Defense Forces director of planning.

¹³⁴ Eli Lake (citing *Duty* by Robert Gates), "In Gates Book, Details of Israel's Hard Bargaining Over Saudi Arms," *Daily Beast*, January 10, 2014. Gates recounted that he told Prime Minister Netanyahu and then Defense Minister Ehud Barak that they should welcome the sale to Saudi Arabia because of a common Israeli-Saudi interest in countering Iran, and that if the Saudis did not purchase U.S. arms, they might purchase arms from countries (such as France or Russia) that would not include Israel's QME in their calculations. A former senior Pentagon official was cited as saying that Israel's concerns were based on "worries about what might happen if the House of Saud lost power to a more radical regime." *Ibid.*

¹³⁵ John Hudson, "Israel: Go Ahead and Give the Gulfies Guns," *foreignpolicy.com*, May 13, 2015.

¹³⁶ See, e.g., Dov Zakheim, "Summit to Nowhere," *foreignpolicy.com*, May 15, 2015.

¹³⁷ Text of letters available at <http://www.armed-services.senate.gov/press-releases/senate-armed-services-committee-members-call-for-urgent-support-to-jordan-in-fight-against-isil>. See also Julian Pecquet, "Congress may re-examine special arms deals with Israel," *Al-Monitor Congress Pulse*, February 5, 2015.

U.S. Security Guarantees?

Although the United States and Israel do not have a mutual defense treaty or agreement that provides formal U.S. security guarantees,¹³⁸ successive Administrations have either stated or implied that the United States would help provide for Israel's defense in the context of discussing specific threats, such as from Iran.¹³⁹ Both houses of Congress routinely introduce and pass resolutions supporting Israel's right to defend itself and U.S. efforts to bolster Israel's capacity for self-defense. Some resolutions have included language that could imply support for more active U.S. measures to defend Israel. For example, H.Res. 523 and H.Con.Res. 21, both of which overwhelmingly passed the House (in 2005 and 2007, respectively) and addressed a possible Iranian threat, also both reasserted the "commitment of the United States to defend the right of Israel to exist as a free and democratic state."¹⁴⁰ Additionally, S.Res. 65, which the Senate passed in May 2013, reasserted a U.S. commitment to "ensuring the existence, survival, and security" of Israel and stated that the United States should provide "diplomatic, military, and economic support to the Government of Israel in its defense of its territory, people, and existence" if Israel is "compelled to take military action in legitimate self-defense against Iran's nuclear weapons program."

A former Israeli deputy national security advisor has written about potential benefits and drawbacks for Israel of more formal U.S. security guarantees for Israel, including a possible "nuclear umbrella." A 2006 article that this former official co-authored on a potential Iranian threat said:

Such an arrangement would seem to be a "no-brainer" for Israel. Yet Jerusalem might in fact be quite reluctant to conclude one. This, for three primary reasons, each deeply entrenched in Israel's national security thinking. First, it would fear a loss of freedom of action, due to the contractual requirement to consult on the means of addressing the threat. Second, it would be concerned lest the US demand that Israel divulge and even forego its independent capabilities. And third, it might worry that the US would not live up to its nuclear commitments, much as NATO allies feared during the Cold War.¹⁴¹

Perhaps at least partly due to some of the reasons this former Israeli official outlines, U.S. Administrations and Congress have supported Israel's ability to defend itself by embracing and

¹³⁸ 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 (see "End-Use Monitoring"), and have entered into a range of stand-alone agreements, memoranda of understanding, and other arrangements varying in their formality.

¹³⁹ President Obama, in a February 5, 2012, NBC interview, said while responding to questions regarding a possible Israeli military strike against Iranian nuclear facilities: "I will say that we have closer military and intelligence consultation between our two countries than we ever have. And my number one priority continues to be the security of the United States, but also the security of Israel." In a March 2006 speech against the backdrop of Iran's hostile rhetoric toward Israel and pursuit of a nuclear program, President George W. Bush said, "I made it clear, I'll make it clear again, that we will use military might to protect our ally Israel." Seymour M. Hersh, "The Iran Plans," *New Yorker*, April 17, 2006.

¹⁴⁰ Additionally, in response to Iraqi Scud missile attacks on Israel during the 1991 Gulf War, both the House (H.Con.Res. 41) and Senate (S.Con.Res. 4) unanimously passed January 1991 resolutions "reaffirming America's continued commitment" to provide Israel with the means to maintain its freedom and security.

¹⁴¹ Richard N. Rosecrance and Chuck Freilich, "Confronting Iran: A US Security Guarantee for Israel?" *bitterlemons-international.org*, July 6, 2006. See also Chuck Freilich, *Speaking About the Unspeakable: U.S.-Israeli Dialogue on Iran's Nuclear Program*, Washington Institute for Near East Policy, PolicyFocus #77, December 2007; Malka, op. cit., pp. 84-89.

even codifying the concept of helping maintain Israel's QME over regional threats, as discussed above.

U.S. Aid and Arms Sales to Israel

Specific figures and comprehensive detail regarding various aspects of U.S. aid and arms sales to Israel are discussed in CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp. This includes information on conditions that generally allow Israel to use its military aid earlier and more flexibly than other countries.

Israel is the largest cumulative recipient of U.S. foreign assistance since World War II. Since 1976, Israel has generally been the largest annual recipient of U.S. foreign assistance, but has been occasionally supplanted since 2004 by Iraq and Afghanistan. Since 1985, the United States has provided approximately \$3 billion in grants annually to Israel. In the past, Israel received significant economic assistance, but now almost all U.S. bilateral aid to Israel is in the form of Foreign Military Financing (FMF). U.S. FMF to Israel represents approximately one half of total FMF and 20% of Israel's defense budget.¹⁴² The remaining three years of a 10-year bilateral memorandum of understanding commit the United States to \$3.1 billion annually from FY2016 to FY2018, subject to congressional appropriations. Israel uses approximately 75% of its FMF to purchase arms from the United States, in addition to receiving U.S. Excess Defense Articles (EDA). In February 2015, Israel announced that it had reached agreement with U.S.-based company Lockheed Martin to purchase 14 F-35 (Lightning II) next-generation fighter aircraft, which would add to the 19 it agreed to purchase in 2010. The 2015 agreement reportedly includes an option to purchase an additional 17.¹⁴³

In late July 2014, during the Israel-Gaza conflict, a reported U.S. sale to Israel of 120 mm tank rounds and 40 mm illumination rounds for grenade launchers from the War Reserves Stock Allies-Israel (WRSA-I) program¹⁴⁴ reportedly led Obama Administration officials to temporarily delay at least one arms transfer to Israel—of Hellfire missiles—because of issues apparently related to centralization of U.S. interagency decision making.¹⁴⁵

The United States also generally provides some annual American Schools and Hospitals Abroad (ASHA) funding and funding to Israel for migration assistance. Loan guarantees, arguably a form

¹⁴² One Israeli report states figures indicating that approximately 16% (10.2 billion shekels, roughly equal to \$2.56 billion) of Israel's total 2014 defense expenditures, which includes expenditures on all security forces (i.e., military, Mossad, Israel Security Agency or Shin Bet) were purchases in foreign currency, funded mainly by U.S. aid. The report stated that Israeli defense consumption for 2014 was about 5.7% of GDP, and that local consumption (defense expenditures not counting foreign currency expenditures) equaled about 4.6% of GDP. Shmuel Even, "The Debate over Israel's Defense Budget," *Strategic Assessment*, March-April 2015.

¹⁴³ "Israel announces purchase of 14 more F-35 fighter jets," *Associated Press*, February 22, 2015.

¹⁴⁴ Luis Martinez, "U.S. Has Sold Ammunition to Israel Since Start of Gaza Conflict," *ABC News*, July 30, 2014. WRSA-I stockpiles located in Israel are in excess to U.S. military requirements, and an unnamed U.S. defense official was cited as saying that "the requested ammunition was approaching the end of its shelf life at the stockpile and would have needed to be restocked anyway." Israel supposedly requested the sale on July 20, days after it began its ground operations in Gaza, but the sale was reportedly not requested on an emergency basis, as was a sale from the U.S. stockpile during Israel's 2006 conflict with Hezbollah. See also David Schenker, "Best Friends Don't Have to Ask," *Politico*, August 14, 2014, claiming that the late July purchase was for "training rather than operational purposes."

¹⁴⁵ Adam Entous, "Gaza Crisis: Israel Outflanks the White House on Strategy," *Wall Street Journal*, August 14, 2014. According to one report, the Hellfire missile transfer later resumed. "U.S. resumes transfer of Hellfire missiles to Israel after summer holdup," *JNS.org*, September 30, 2014.

of indirect aid, also remain available to Israel through FY2015 under the U.S.-Israel Enhanced Security Cooperation Act (P.L. 112-150).

Table 2. U.S. Bilateral Aid to Israel
(historical \$ in millions)

Year	Total	Military Grant	Economic Grant	Immig. Grant	ASHA	All other
1949-1996	68,030.9	29,014.9	23,122.4	868.9	121.4	14,903.3
1997	3,132.1	1,800.0	1,200.0	80.0	2.1	50.0
1998	3,080.0	1,800.0	1,200.0	80.0	—	—
1999	3,010.0	1,860.0	1,080.0	70.0	—	—
2000	4,131.85	3,120.0	949.1	60.0	2.75	—
2001	2,876.05	1,975.6	838.2	60.0	2.25	—
2002	2,850.65	2,040.0	720.0	60.0	2.65	28.0
2003	3,745.15	3,086.4	596.1	59.6	3.05	—
2004	2,687.25	2,147.3	477.2	49.7	3.15	9.9
2005	2,612.15	2,202.2	357.0	50.0	2.95	—
2006	2,534.5	2,257.0	237.0	40.0	—	0.5
2007	2,503.15	2,340.0	120.0	40.0	2.95	0.2
2008	2,423.9	2,380.0	—	40.0	3.90	—
2009	2,583.9	2,550.0	—	30.0	3.90	—
2010	2,803.8	2,775.0	—	25.0	3.80	—
2011	3,029.22	3,000.0	—	25.0	4.225	—
2012	3,098.0	3,075.0	—	20.0	3.00	—
2013	2,943.2	2,793.2	—	15.0	—	—
2014	3,115.0	3,100.0	—	15.0	—	—
2015	3,110.0	3,100.0	—	10.0	—	—
2016 Request	3,110.0	3,100.0	—	10.0	—	—
Total	124,467.57	76,723.4	30,897.0	1,708.2	162.075	14,991.9

Notes: FY2000 military grants include \$1.2 billion for the Wye agreement and \$1.92 billion in annual military aid. The figure for FY2013 military grant aid was calculated after factoring in budget sequestration. For information on U.S. loan guarantees to Israel, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

Iron Dome and Missile Defense Cooperation

Congress routinely provides hundreds of millions of dollars in additional annual assistance for Israel's Iron Dome anti-rocket system¹⁴⁶ and joint U.S.-Israel missile defense programs such as

¹⁴⁶ Reports based on Israeli military sources indicate that Iron Dome has had a high rate of success in intercepting short-range rockets fired from Gaza. It is unknown if the United States or another third party has independently verified (continued...)

Arrow and David's Sling. During the summer 2014 Israel-Gaza conflict, Secretary of Defense Hagel sent a letter to congressional leaders advising them that—due to the conflict—Israel had requested \$225 million in funding for Iron Dome on top of the \$350.972 million already being contemplated by Congress for FY2015, and asking for Congress to support this request and to exempt it from requirements related to U.S. co-production.¹⁴⁷ This funding request was granted by Congress in August via the Emergency Supplemental Appropriations Resolution, 2014 (P.L. 113-145). Various media outlets in July 2014 picked up a security blog's claim¹⁴⁸ that hackers with alleged links to China may have sought to breach three Israeli defense companies' computer networks in connection with Iron Dome and the Arrow III program, though two of the supposedly targeted defense companies reportedly indicated that no such incidents had compromised sensitive information.¹⁴⁹

For more information on Iron Dome, see CRS Report IN10158, *Israel's Iron Dome Anti-Rocket System: U.S. Assistance and Coproduction*, by Jeremy M. Sharp.

Table 3. Defense Budget Appropriations for U.S.-Israeli Missile Defense: FY2006-FY2016 Request
(historical \$ in millions)

Fiscal Year	Arrow II	Arrow III (High Altitude)	David's Sling (Short-Range)	Iron Dome	Total
FY2006	122.866	—	10.000	—	132.866
FY2007	117.494	—	20.400	—	137.894
FY2008	98.572	20.000	37.000	—	155.572
FY2009	74.342	30.000	72.895	—	177.237
FY2010	72.306	50.036	80.092	—	202.434
FY2011	66.427	58.966	84.722	205.000	415.115
FY2012	58.955	66.220	110.525	70.000 ^a	305.700
FY2013 ^b	40.800	74.700	137.500	194.000	479.736

(...continued)

Israeli claims, and analysts have debated the claims' validity. For analyses of Iron Dome, see Peter Dombrowski, *et al.*, "Demystifying Iron Dome," *National Interest*, July-August 2013; Mark Stout, "Israel's Iron Maginot Line System," *War on the Rocks*, August 4, 2014; Inbal Orpaz *et al.*, "Meet Israel's home-front hero: Iron Dome," *haaretz.com*, July 18, 2014; David Axe, "Israel's Iron Dome is more like an iron sieve," *blogs.reuters.com*, July 25, 2014. Although Iron Dome is costly in comparison with the Gaza-based rockets it has intercepted, analysts debate whether the system's cost-effectiveness is better measured by armament attrition or by comparing the system's costs with estimates of damage that would likely occur in its absence. See, e.g., Philip Giraldi, "Is Iron Dome the Maginot Line?" *theamericanconservative.com*, December 3, 2012; Matthew Fargo, "Iron Dome—A Watershed for Missile Defense?" *csis.org/blog*, December 3, 2012. For more information, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

¹⁴⁷ Text of letter from Secretary Hagel to Senate Majority Leader Harry Reid available at <http://www.scribd.com/doc/234880111/Hagel-to-Reid-Iron-Dome>.

¹⁴⁸ "Hackers Plundered Israeli Defense Firms that Built 'Iron Dome' Missile Defense System," *KrebsOnSecurity*, July 28, 2014.

¹⁴⁹ Samuel Gibbs, "Chinese hackers steal Israel's Iron Dome missile data," *theguardian.com*, July 29, 2014; "Companies Behind Israel's Iron Dome Hacked by China: Report," *Reuters*, July 29, 2014.

Fiscal Year	Arrow II	Arrow III (High Altitude)	David's Sling (Short-Range)	Iron Dome	Total
FY2014	44.363	74.707	149.712	460.309	729.091
FY2015	56.201	74.707	137.934	350.972	619.814
FY2016 ^c Request	11.000	55.100	36.700	55.000	157.800

- a. These funds were not appropriated by Congress, but reprogrammed by the Obama Administration from other Department of Defense accounts.
- b. Figures for FY2013 calculated after factoring in budget sequestration.
- c. The House version of the National Defense Authorization Act for FY2016 (H.R. 1735) would authorize \$164.8 million more than the aggregate amount requested by the Administration for David's Sling, Arrow II, and Arrow III. The Senate version (S. 1376) would authorize an additional \$166 million in the aggregate for these three programs, while authorizing an amount for Iron Dome that is \$13.9 million less than the requested amount.

Israeli-Palestinian Issues

For historical background on these issues, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

Peace Process Diplomacy and International Involvement

Overview

The internationally mandated land-for-peace framework that has undergirded U.S. policy since the June 1967 Arab-Israeli war presupposes broad Arab acceptance of any final-status Israeli-Palestinian agreement, and, more fundamentally, Arab acceptance of Israel. Israelis insist that their security needs must be met for them to be willing to relinquish West Bank land in a negotiated two-state solution with the Palestinians. However, in light of Arab political change since 2011, Israeli leaders appear to have become concerned that they might be less able to count on future positive ties even with states such as Egypt and Jordan, given uncertainty regarding the mid- to long-term stability of their regimes.¹⁵⁰ This assessment has likely led Israel to perceive greater risks in a potential land-for-peace deal, perhaps due to a calculation that continued possession of territory may be a more reliable guarantor of security than an agreement with one or more Arab entities.

For their part, Palestinian leaders and Arab state rulers may find it harder to move toward formal peace with Israel if they become more accountable to public opinion focused on Israel and its

¹⁵⁰ Egypt and Jordan have been routinely held out as examples showing that even if making peace with Israel was unpopular with the countries' populations, their autocratic or monarchical leaders could normalize and maintain relations with Israel without significantly losing their capacity or legitimacy to rule. Israeli concerns may have been mitigated somewhat after the July 2013 ouster of Mohammed Morsi as Egypt's president, but even given Israel's generally positive relations with President Abdel Fattah al Sisi, Israel's leaders may remain more sensitive than before 2011 to the possibility of regional political change.

indicia of control in the West Bank, Gaza, and Jerusalem. Formally, the Arab League remains committed to “land for peace,” as reflected in the 2002 Arab Peace Initiative.¹⁵¹

The United States, together with the other members of the international Quartet (the European Union, the United Nations Secretary-General’s office, and Russia), continues to advocate for Israeli-Palestinian talks aimed at a peace deal under the framework initially established by the Oslo agreements of the 1990s. During the first two years of President Obama’s and Prime Minister Netanyahu’s time in office, attempts by the United States to get Israel to freeze settlement construction beyond the 1949-1967 armistice line (known as the “Green Line”) were only partially successful (see “Settlements” below) and did not lead to a meaningful resumption of negotiations.¹⁵²

During the next two years, PLO Chairman Mahmoud Abbas opted to pursue initiatives outside of the negotiating process at the United Nations and U.N.-related agencies. These initiatives were aimed at increasing the international legitimacy of Palestinian claims of statehood in the West Bank and Gaza. On November 29, 2012, the U.N. General Assembly (UNGA) adopted Resolution 67/19, changing the permanent observer status of the PLO (recognized as “Palestine” within the U.N. system) from an “entity” to a “nonmember state.”¹⁵³ This took place a year after the PLO gained admission in November 2011 to the U.N. Educational, Scientific and Cultural Organization (UNESCO).¹⁵⁴ As discussed above, Abbas has resumed international initiatives—including some relating to the ICC (see “International Political and Legal Initiatives” above)—following a round of U.S.-brokered Israeli-Palestinian negotiations that began in July 2013 and unraveled in the spring of 2014. These initiatives may be intended at least partly to improve the Palestinians’ negotiating position by placing political and economic pressure on Israel.

¹⁵¹ 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>.

¹⁵² Netanyahu accepted the idea of a two-state solution in principle, but insisted that any Palestinian state would need to be demilitarized and remain subject to indefinite Israeli control of its airspace, the electromagnetic spectrum used for telecommunications, and the Jordan Valley. President Obama’s May 2011 speeches calling for renewed Israeli-Palestinian negotiations focused on the issues of borders and security parameters. Netanyahu complained that Obama’s proposal to use the Green Line as the reference point for border negotiations did not properly take into account historical Israeli security concerns regarding defensibility of territory.

¹⁵³ 138 member states voted in favor of Resolution 67/19, nine voted against (including the United States and Israel), and 41 abstained. The PLO has had permanent observer status at the United Nations since 1974. “Palestine” maintains many of the capacities it had as an observer entity—including participation in General Assembly debates and the ability to co-sponsor draft resolutions and decisions related to proceedings on Palestinian and Middle East issues. However, it is not a member of the United Nations, and does not have the right to vote or to call for a vote in the General Assembly. For more information on this resolution and various Palestinian international initiatives, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti; CRS Report R43614, *Membership in the United Nations and Its Specialized Agencies*, by Luisa Blanchfield and Marjorie Ann Browne; and CRS Report R42999, *The United Nations Educational, Scientific, and Cultural Organization (UNESCO)*, by Luisa Blanchfield and Marjorie Ann Browne.

¹⁵⁴ However, the PLO’s fall 2011 application to obtain membership in the United Nations has not cleared the U.N. Security Council’s membership committee. U.N. Security Council, “Report of the Committee on the Admission of New Members concerning the application of Palestine for admission to membership in the United Nations,” S/2011/705, November 11, 2011.

Outstanding Issues

Media reports from the 2013-2014 negotiations and their demise indicated that substantive differences divided Israelis and Palestinians on core issues of dispute. Abbas was reportedly unwilling to explicitly recognize Israel as “the nation-state of the Jewish people” because of the potential repercussions for Palestinian refugees’ claim to a right of return and for Israeli Arabs’ rights.¹⁵⁵ Other Arab foreign ministers reportedly informed Secretary of State John Kerry that they would “not accept Israel as a Jewish state nor compromise on Palestinian sovereignty in Jerusalem.”¹⁵⁶ Prime Minister Netanyahu repeatedly raised the issue of Jewish refugees from predominantly Muslim Middle Eastern countries.¹⁵⁷

Additionally, despite efforts in 2013 by Kerry and a team of U.S. experts headed by retired Marine General John R. Allen to bridge the divide between the two sides on security arrangements in the Jordan Valley border area of the West Bank, reports asserted that neither side embraced the proposals. The PLO has rejected an indefinite Israeli military presence within what they assert would be sovereign Palestinian territory,¹⁵⁸ while Israel communicated unwillingness to phase out its presence¹⁵⁹—largely owing to recent historical instances in which Israeli military withdrawal from southern Lebanon (2000) and the Gaza Strip (2005) led to the entrenchment of adversarial Islamist militants armed with rockets that have hit Israeli population centers and remain capable of doing so.

¹⁵⁵ Israel’s insistence on this explicit recognition has reportedly gained in emphasis over time, and Palestinian officials claim that the demand is a “new addition” to negotiations that was not included at the time the Oslo process began in the 1990s. See, e.g., Dan Perry, “Israeli demand sparks ‘Jewish state’ debate,” *Associated Press*, February 21, 2014; Jodi Rudoren, “Sticking Point in Peace Talks: Recognition of a Jewish State,” *New York Times*, January 1, 2014. In May 8, 2014, remarks, then U.S. Special Envoy for Israeli-Palestinian Negotiations Martin Indyk said that Israeli insistence on recognition of Israel as the nation-state of the Jewish people was introduced into an Israeli-Palestinian negotiating context by Tzipi Livni when she was Israeli foreign minister during the 2007-2008 Annapolis process. The Pursuit of Middle East Peace: A Status Report, Ambassador Martin Indyk, Washington Institute for Near East Policy, May 8, 2014.

¹⁵⁶ Elhanan Miller, “Arab ministers back Abbas in rejecting ‘Jewish’ Israel,” *Times of Israel*, January 13, 2014. The United States sometimes seeks regional Arab support on certain positions that are domestically unpopular with Palestinians, probably in order to create political space for PLO leaders to more seriously consider accepting these positions or to apply pressure on them to do so. In April 2013, representatives of the Arab League agreed that land swaps could be an element of a conflict-ending agreement between Israel and the PLO. For information on the Arab Peace Initiative, see footnote 151.

¹⁵⁷ See, e.g., “Don’t forget what we lost, too,” *Economist*, February 15, 2014. In the 112th Congress, Representative Jerrold Nadler sponsored H.R. 6242 (“To direct the President to submit to Congress a report on actions the executive branch has taken relating to the resolution of the issue of Jewish refugees from Arab countries.”). The bill garnered 10 co-sponsors.

¹⁵⁸ In a January 2014 interview for a conference held by Israel’s Institute for National Security Studies, Abbas said that he could accept a “transitional period” (presumably applying to Jordan Valley security) of no more than three years for Israel to gradually withdraw, at which point a third party—Abbas proposed NATO—could take Israel’s place as a security guarantor. Footage with English translation available at <http://www.youtube.com/watch?v=Cx9tY8JU1kQ&list=PLCapdZwzDpNlwSoHcbkXL9sMVBqQcQMaQ->.

¹⁵⁹ Shimon Shiffer, “Ya’alon: Kerry should win his Nobel and leave us alone,” *Ynetnews*, January 14, 2014. Israeli Defense Minister Ya’alon reportedly responded to proposals by the Kerry-Allen team as follows: “You presented us with a plan that is based on sophisticated technology, on satellites, sensors, war rooms with television screens—without a presence of our troops on the ground. And I ask you—how will technology respond when a Salafist or Islamic Jihad cell tries to commit a terror attack against Israeli targets? ... Which satellites will handle the rocket industry developing today ... that will be fired at Tel Aviv and central Israel?” Josef Federman, “Israeli defense chief comments spark spat with US,” *Associated Press*, January 14, 2014.

Contention has persisted between the parties over possible land swaps and mutual allegations of incitement and provocation.¹⁶⁰ During the March 2015 Israeli election campaign, a document was apparently leaked to the media purporting to show a willingness by Netanyahu in late 2013 to engage in land swaps based on pre-1967 armistice lines, and to be flexible on other issues (such as Palestinian refugees and Jerusalem).¹⁶¹ It is unclear whether the document reflected Netanyahu's positions of that time.¹⁶² In May 2015, Netanyahu's proposal to negotiate the boundaries of settlement blocs to eventually be annexed by Israel was quickly rebuffed by the PLO. The proposal may have been at least partly motivated by an Israeli desire to project good faith efforts toward diplomacy and to legitimize construction activities within settlement blocs in a way that might ease the international—and particularly European—political and economic pressure Israel faces.¹⁶³

The Path Ahead

A number of questions surround the future of the Israeli-Palestinian peace process, including

- How will recent conflict, diplomatic confrontation, and ongoing tensions among Israelis and Palestinians affect prospects for future negotiations and a two-state solution?
- Can the PA government formed in June 2014 via consensus between Fatah and Hamas last,¹⁶⁴ and if it does, can it help the PLO become a more credible representative of its Palestinian constituency with Israel and other international actors?
- Will the United States put forward parameters or a framework on core issues of conflict meant to advance the process, and if so, when? How will the United States address unilateral efforts by Israelis and Palestinians, as well as efforts by international actors or organizations, to affect political and security-related outcomes?

France is reportedly preparing a U.N. Security Council (UNSC) draft resolution that it would supposedly submit for a vote in September 2015. The success of such a resolution would be dependent on U.S. acquiescence (see “Recent Differences Among Leaders and on Key Issues” above), among other factors. The projected timing appears to be largely based on a calculation expressed by a former Obama Administration official that “for the next few months at least, while trying to sell Congress on a nuclear deal with Iran that Israel vigorously opposes, the administration is unlikely to open a second front in New York [through acquiescence to or support

¹⁶⁰ William Booth, “Israel says Palestinians push a ‘culture of hate’ that could undermine talks,” *Washington Post*, January 7, 2014.

¹⁶¹ Nahum Barnea, “Netanyahu’s secret peace offer concedes to Palestinians revealed,” *Ynetnews*, March 6, 2015. Its partial publication may have at least partly motivated Netanyahu’s skeptical remarks regarding prospects for a two-state solution near the end of the campaign.

¹⁶² An unnamed senior official in Netanyahu’s office was cited as saying that the document leaked reflected American positions, not Netanyahu’s. Linda Gradstein, “Netanyahu rules out Palestinian state based on ‘67 borders with swaps in order to shore up right flank,” *Media Line*, March 9, 2015.

¹⁶³ Jack Khoury and Barak Ravid, “Palestinians reject Netanyahu’s proposal to discuss settlement borders,” *haaretz.com*, May 26, 2015.

¹⁶⁴ For more information on the consensus PA government, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

for a UNSC resolution on Israeli-Palestinian issues].”¹⁶⁵ A French draft resolution apparently calls for¹⁶⁶

- negotiation of a permanent Israeli-Palestinian agreement within 18 months that embodies the principle of “two states for two nations”;
- pre-1967 armistice lines as reference points for border negotiations;
- a system guaranteeing the security of both Israel and the Palestinians while providing for a negotiated, phased withdrawal of Israeli forces from a future Palestinian state;
- a “balanced and realistic” solution regarding Palestinian refugees; and
- Jerusalem as the capital of both states.

It is unclear whether the United States would countenance a resolution that does not explicitly characterize Israel as a Jewish state or call upon the Palestinians to do so.

Another former U.S. official signals that Administration officials may have relatively modest expectations for the near future, focused on getting Israel to agree to a package of incremental steps—such as limits on Jewish settlement construction and increased Palestinian economic access to West Bank land—that preserve the “viability of future two-state negotiations.”¹⁶⁷ In the meantime, U.S. efforts to prevent or mitigate crises could depend largely on continued Israel-PA West Bank security cooperation¹⁶⁸ and the PA’s ability to continue paying its employees’ salaries.

In a May 2015 interview, President Obama emphasized the importance of “rebuilding trust” while expressing skepticism that an overarching deal can be reached in the next year, based on his observations regarding the makeup of the Netanyahu government and the challenges that Abbas faces.¹⁶⁹ Obama said that if progress takes place with post-conflict recovery in Gaza and Palestinian economic development, he believes that “the logic of a two-state solution will reassert itself.”¹⁷⁰

Jerusalem

Israel annexed East Jerusalem (which includes the walled Old City, with its Temple Mount/Haram al Sharif [“Mount/Haram”] and Western Wall, and most of the surrounding “historic basin”) and some of its immediate West Bank vicinity in 1967—shortly after occupying

¹⁶⁵ Philip Gordon, “Netanyahu, not Obama, has the power to make peace,” *Financial Times*, May 7, 2015.

¹⁶⁶ Barak Ravid, citing French daily *Le Figaro*, in “Report: French UN resolution sets 18-month deadline for Israeli-Palestinian deal,” *haaretz.com*, May 20, 2015.

¹⁶⁷ David Makovsky, “Netanyahu Loses Leverage in Forming New Government,” Washington Institute for Near East Policy, PolicyWatch 2421, May 8, 2015.

¹⁶⁸ See, e.g., Neri Zilber, “What Will Happen If the Palestinians Really End Security Cooperation?,” *The Tower*, April 2015; Ghaith al Omari, “Preserving Israeli-Palestinian Security Cooperation,” Washington Institute for Near East Policy, April 10, 2015.

¹⁶⁹ Nadia Bilbassy, “Full transcript of President Obama’s TV interview with Al Arabiya,” *Al Arabiya*, May 17, 2015.

¹⁷⁰ *Ibid.* In a separate May interview, Obama emphasized the importance of “reinvigorating Gaza’s connection with the West Bank and reestablishing [the Palestinians’] strong commercial links with Israel and the global economy.” “Obama: We are prepared to use all elements of our power to secure our interests in the Middle East,” *Asharq Al-Awsat* Online, May 13, 2015.

these areas militarily in the June 1967 Arab-Israeli war. In doing so, Israel joined these newly occupied areas,¹⁷¹ which featured a predominantly Arab population, to the predominantly Jewish western part of the city it had controlled since 1948. Israel proclaimed this entire area to be Israel's eternal, undivided capital.¹⁷² Polls indicate that a large majority of Israelis believe that a united Jerusalem is their capital and support Jewish residential construction of neighborhoods (the Israeli term) or settlements (the general internationally used term) within that part of Jerusalem that is east of the Green Line and within the Israeli-drawn municipal borders. Israel's annexation of areas beyond the Green Line is generally not internationally recognized.

Tensions and Violence Surrounding Jerusalem and the Mount/Haram

The status of Jerusalem and its holy sites has been a long-standing issue of political and religious contention between Jews and Muslims. A number of violent episodes occurred in Jerusalem during the 1920s and 1930s, and control over the city and key areas in and around it was a major strategic consideration in the Arab-Israeli wars of 1948 and 1967.

Notwithstanding Israel's 1967 takeover and subsequent annexation of East Jerusalem, it allowed the Jordanian *waqf* (or Islamic custodial trust) that had been administering the Mount/Haram and its holy sites before the war to continue doing so, and established a "status quo" arrangement that has been Israel's proclaimed policy since then. Under the arrangement (largely based on past practices dating from the 16th century until the 1948 war), Muslims can access the Mount/Haram and worship there, while Jews and other non-Muslims are permitted limited access but not permitted to worship. Jewish worship is permitted at the Western Wall at the base of the Mount/Haram. Occasional access restrictions applied to Muslim patrons, such as those based on gender and/or age, have contributed to allegations that Israeli implementation of the status quo has been "piecemeal."¹⁷³

The status quo is criticized and challenged by some individuals and groups who assert that Israel should advance Jewish historical and religious claims to the Mount/Haram, despite Chief Rabbinate rulings proscribing Jewish visits there.¹⁷⁴ Various past events apparently triggering concerns among Palestinians about possible Israeli attempts to change the status quo have arguably fueled tensions, including:

- September 1996 clashes (during Netanyahu's first term as prime minister) leading to the deaths of 54 Palestinians and 14 Israeli security personnel after Israel opened a passage leading to/from the Western Wall esplanade through a tunnel (known as the Hasmonean or Kotel Tunnel) that archeologists had uncovered and restored.¹⁷⁵
- A September 2000 Mount/Haram visit by Likud Party leader (and future prime minister) Ariel Sharon just prior to the outbreak of the second Palestinian intifada.
- A series of incidents in fall 2014 featuring visits by right-of-center Knesset members and Jerusalem's mayor to the Mount/Haram, followed by protests, violence, and periodic access closures to the Mount/Haram.¹⁷⁶

These tensions exist within a larger context of competing national and religious narratives regarding Jerusalem and its administration and development. Israelis have routinely used their influence with municipal and national authorities to advance Jewish objectives in the city, while Palestinians with little or no influence over Jerusalem's formal administration have resorted to protests and occasional violence.¹⁷⁷ Some local and international observers and civil

¹⁷¹ Jordan had occupied these areas militarily since 1948, and unilaterally annexed them and the entire West Bank in 1950. It only ceded its claims in 1988—to the PLO.

¹⁷² In 1980, under the first Likud Party government, the Israeli Knesset passed the Basic Law: Jerusalem—Capital of Israel, which declares "Jerusalem, complete and united, is the capital of Israel." See <http://www.mfa.gov.il> for the complete text of the Basic Law. Israel had first declared Jerusalem to be its capital in 1950.

¹⁷³ Wendy Pullan, *et al.*, *The Struggle for Jerusalem's Holy Places*, Routledge: New York, 2013, p. 15; Ir Amim and Keshev, *Dangerous Liaison: The Dynamics of the Rise of the Temple Movements and Their Implications*, March 1, 2013, pp. 12-15.

¹⁷⁴ Jeremy Sharon, "Chief Rabbis reimpose ban on Jews visiting Temple Mount," *jpost.com*, December 2, 2013.

¹⁷⁵ Pullan, *op. cit.*, p. 37.

¹⁷⁶ See, e.g., Nathan Thrall, "Rage in Jerusalem," *London Review of Books*, December 4, 2014 (initially published online November 21, 2014).

¹⁷⁷ See, e.g., "Undivided and eternal unhappiness," *Economist*, November 8, 2014

society organizations seek to raise legal objections to and/or international consciousness regarding the situation. Jewish Israeli public opinion overwhelmingly opposes any division of the city in a potential agreement with the PLO.¹⁷⁸ Some Knesset members have sought to bring legislation to a vote regarding Jewish worship on the Mount/Haram.¹⁷⁹

While routine Israeli security measures largely prevent Palestinians from the West Bank and Gaza Strip from threatening Jewish population centers, they present less of an impediment to Palestinians who live in Jerusalem and/or have Israeli citizenship.¹⁸⁰ In the wake of the fall 2014 incidents, additional measures have been adopted and debated.¹⁸¹ Apparently seeking to quell tensions and reassure Jordan, the United States, and other key international third parties, Netanyahu has insisted that the status quo access arrangements for the Mount/Haram will continue.

Successive U.S. Administrations of both political parties since 1948 have maintained that the fate of Jerusalem is to be decided by negotiations and have discouraged the parties from taking actions that could prejudice the final outcome of those negotiations. The Palestinians envisage East Jerusalem as the capital of their future state. However, the House of Representatives passed H.Con.Res. 60 in June 1997, and the Senate passed S.Con.Res. 21 in May 1997. Both resolutions called on the Clinton Administration to affirm that Jerusalem must remain the undivided capital of Israel.

A related issue is the possible future relocation of the U.S. embassy from Tel Aviv to Jerusalem. Proponents argue that Israel is the only country where a U.S. embassy is not in the capital identified by the host country, that Israel's claim to West Jerusalem—proposed site of an embassy—is unquestioned, and/or that Palestinians must be disabused of their hope for a capital in Jerusalem. Opponents say such a move would undermine prospects for Israeli-Palestinian peace and U.S. credibility with Palestinians and in the Muslim world, and could prejudice the final status of the city. The Jerusalem Embassy Act of 1995 (P.L. 104-45) provided for the embassy's relocation by May 31, 1999, but granted the President authority, in the national security interest, to suspend limitations on State Department expenditures that would be imposed if the embassy did not open. Presidents Clinton, Bush, and Obama have consistently suspended these spending limitations, and the embassy's status has remained unchanged.

The Foreign Relations Authorization Act for FY2003 (P.L. 107-228) urged the President to begin relocating the U.S. embassy “immediately.” The act also sought to (1) prohibit the use of appropriated funds for the operation of U.S. diplomatic facilities in Jerusalem unless such facilities were overseen by the U.S. ambassador to Israel; and (2) allow Israel to be recorded as the place of birth of U.S. citizens born in Jerusalem. When signing the act into law, President George W. Bush wrote in an accompanying “signing statement” that the various provisions on Jerusalem would, “if construed as mandatory ... impermissibly interfere with the president's constitutional authority to conduct the nation's foreign affairs.” The State Department declared, “our view of Jerusalem is unchanged. Jerusalem is a permanent status issue to be negotiated between the parties.”

The case of *Zivotofsky v. Kerry*, which was argued before the Supreme Court in November 2014, could decide or have implications for Congress's constitutional authority on questions relating to

¹⁷⁸ Herb Keinon, “Poll: 3 in 4 Israeli Jews oppose a Palestinian state if it means dividing Jerusalem,” *jpost.com*, October 20, 2014.

¹⁷⁹ Gil Ronen, “PM Calms Jordan: No Change in Temple Mount ‘Status-Quo,’” *Arutz Sheva*, October 22, 2014.

¹⁸⁰ For information on the legal status of Palestinian residents of East Jerusalem, see http://www.btselem.org/jerusalem/legal_status.

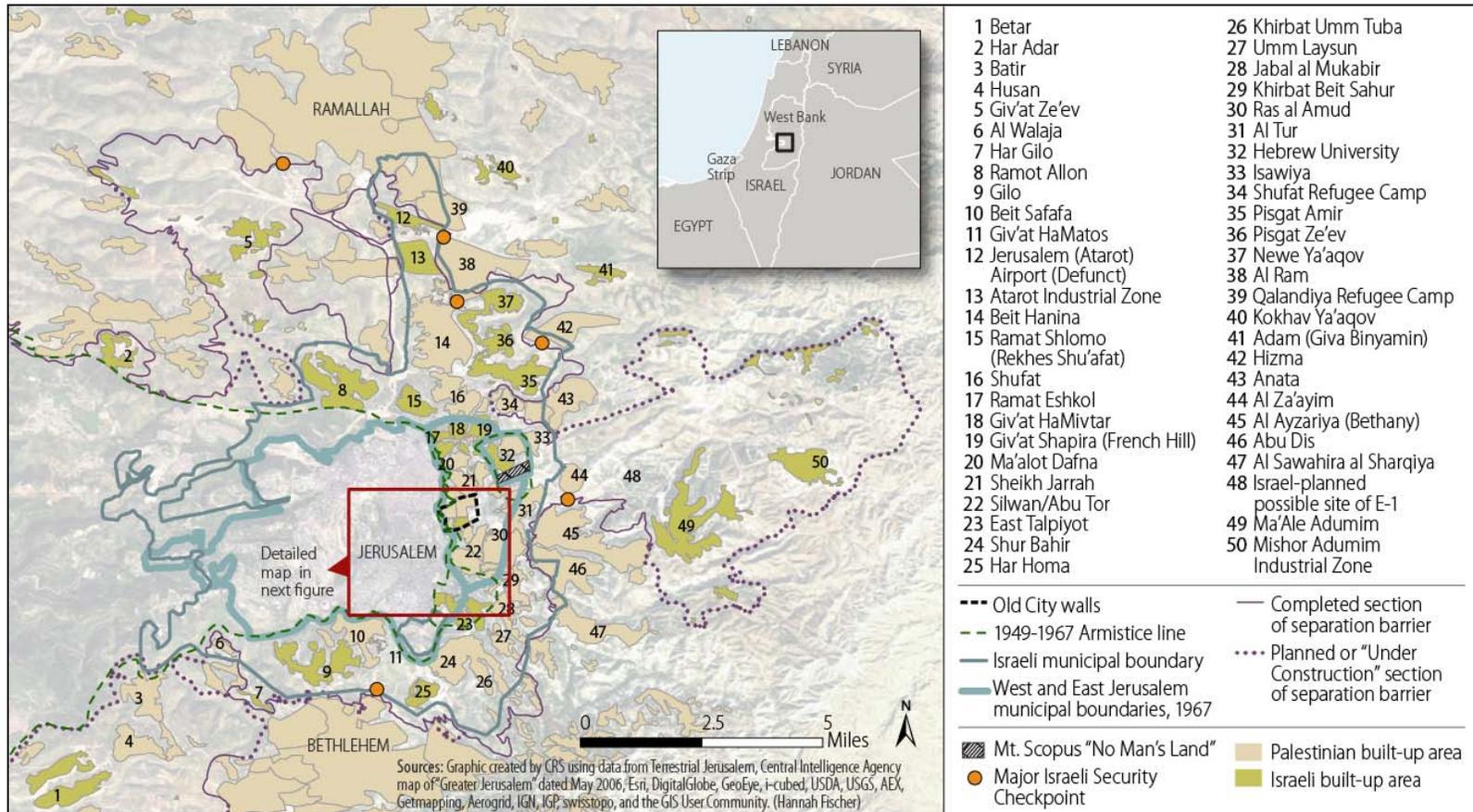
¹⁸¹ “Murder in the synagogue,” *Economist*, November 22, 2014.

the status of Jerusalem and could influence its future ability to direct the executive branch in its conduct of foreign affairs more broadly. The case involves a U.S. citizen who was born in Jerusalem, and whose parents are suing on his behalf to have the State Department reflect Israel as his birthplace on his passport pursuant to P.L. 107-228. The Supreme Court's review of the case focuses on a July 2013 ruling by the U.S. Court of Appeals for the District of Columbia Circuit, which found that the "President's power to recognize foreign nations is exclusive and trumps Congress's authority to regulate passports."¹⁸²

Over successive Congresses, including the 114th, various Members have periodically introduced substantially similar versions of a Jerusalem Embassy and Recognition Act (e.g., H.R. 114 and S. 117) or thematically related bills or resolutions. Such bills and resolutions seek the embassy's relocation and would remove or advocate for the removal of the President's authority to suspend the State Department expenditure limitations cited above.

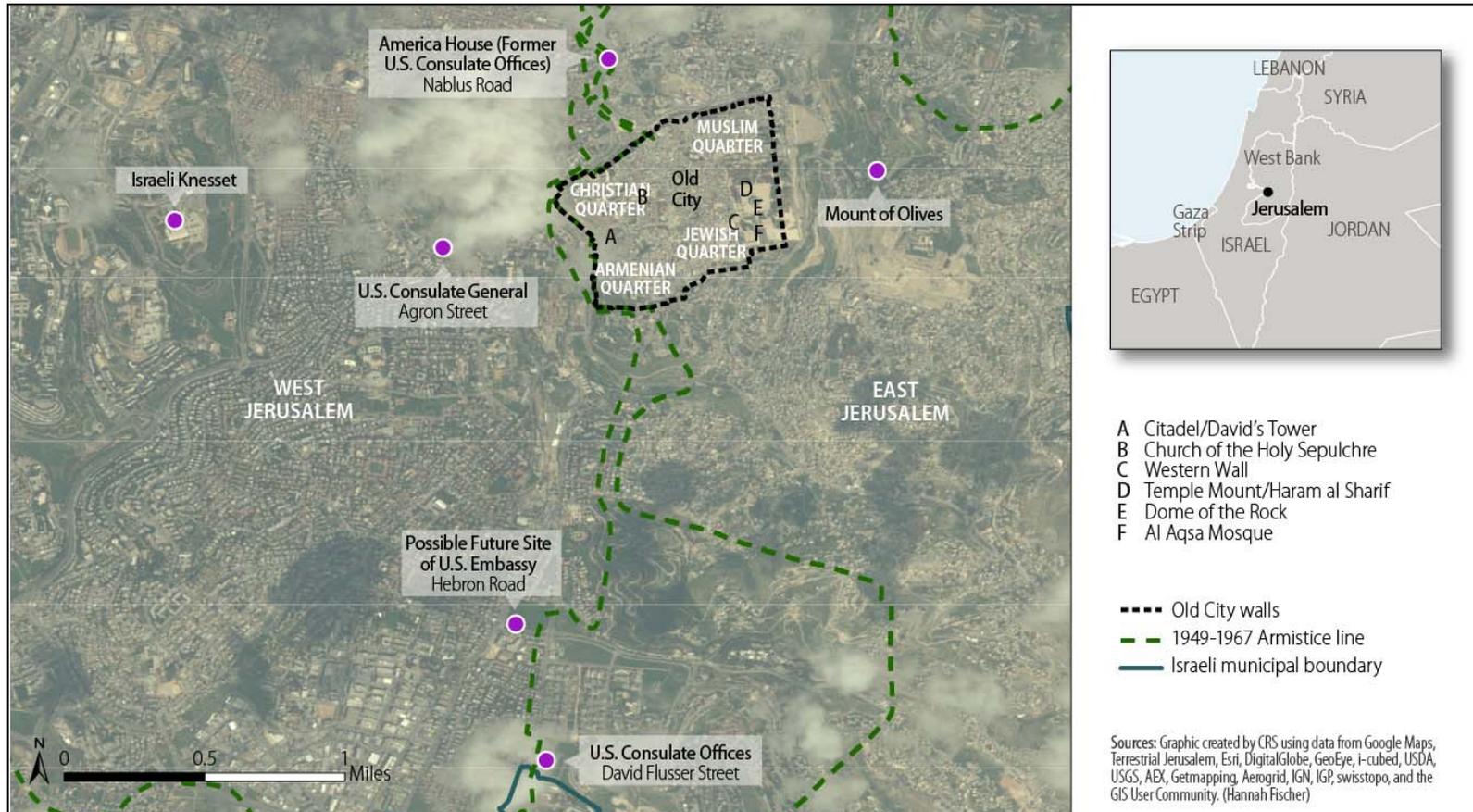
¹⁸² The DC Circuit's July 2013 opinion is available at [http://www.cadc.uscourts.gov/internet/opinions.nsf/C8DC59BCC7D10E6D85257BB10051786D/\\$file/07-5347-1447974.pdf](http://www.cadc.uscourts.gov/internet/opinions.nsf/C8DC59BCC7D10E6D85257BB10051786D/$file/07-5347-1447974.pdf). For more information, see CRS Report R43773, *Zivotofsky v. Kerry: The Jerusalem Passport Case*, by Jennifer K. Elsea.

Figure 3. Greater Jerusalem



Note: All locations and lines are approximate.

Figure 4. Jerusalem: Old City, U.S.-Relevant Sites, and Some Other Sites



Note: All locations and lines are approximate.

Settlements

Israel has approximately 135 residential communities (known internationally and by significant segments of Israeli society as “settlements”), approximately 100 additional settlement outposts unauthorized under Israeli law, and other military and civilian land-use sites in the West Bank. In addition, depending on how one defines what constitutes a separate neighborhood or settlement in East Jerusalem, Israeli authorities and Jewish Israeli citizens have established roughly 14 main residential areas there.¹⁸³ Approximately 340,000 Israelis live in West Bank settlements, with nearly 200,000 more in East Jerusalem.¹⁸⁴ All of these residential communities are located in areas that Palestinians assert are rightfully part of their envisioned future state. The first West Bank settlements were constructed following the 1967 war, and were initially justified as directly associated with Israel’s military occupation. Major West Bank residential settlement building began in the late 1970s with the advent of the pro-settler Gush Emunim (“Bloc of the Faithful”) movement and the 1977 electoral victory of Menachem Begin and the Likud Party. Existing settlements were expanded and new ones established throughout the 1990s and 2000s despite the advent of the Madrid-Oslo peace process with the Palestinians. According to the *New York Times*, since around 1999 the settler population has grown at roughly twice the total Israeli population growth rate, with the ratio having been even higher in some previous years.¹⁸⁵ Israelis who defend the settlements’ legitimacy generally use some combination of legal, historical, strategic, nationalistic, or religious justifications.¹⁸⁶

The international community generally considers Israeli construction on territory beyond the Green Line to be illegal.¹⁸⁷ One Israeli anti-settlement advocacy group claims, “In Area C [of the West Bank], a two-tier planning system operates based on ethnic-national background: a civil and representative planning system for Jewish settlers, and a military system without representation for Palestinians.”¹⁸⁸ Israel retains military control over the West Bank and has largely completed a separation barrier¹⁸⁹ that roughly tracks the Green Line but departs from it in a number of areas, presumably to maintain convenient access to Israel for certain West Bank settlements. The barrier

¹⁸³ Figures downloadable from Peace Now website at <http://peacenow.org.il/eng/content/settlements-and-outposts>. For information on the planning and permitting process for settlement construction, see <http://peacenow.org.il/eng/content/planningprocess>.

¹⁸⁴ CIA World Factbook estimates as of July 2014.

¹⁸⁵ Jodi Rudoren and Jeremy Ashkenas, “Netanyahu and the Settlements,” *nytimes.com*, March 12, 2015.

¹⁸⁶ For more information on the history of the settlements and their impact on Israeli society, see Idith Zertal and Akiva Eldar, *Lords of the Land: The War for Israel’s Settlements in the Occupied Territories, 1967-2007*, New York: Nation Books, 2007; Gershom Gorenberg, *The Accidental Empire: Israel and the Birth of the Settlements, 1967-1977*, New York: Times Books, 2006.

¹⁸⁷ The most-cited international law pertaining to Israeli settlements is the Fourth Geneva Convention, Part III, Section III, Article 49 *Relative to the Protection of Civilian Persons in Time of War*, August 12, 1949, which states in its last sentence, “The Occupying Power shall not deport or transfer parts of its own civilian population into the territory it occupies.” Israel insists that the West Bank does not fall under the international law definition of “occupied territory,” but is rather “disputed territory” because the previous occupying power (Jordan) did not have an internationally recognized claim to it, and given the demise of the Ottoman Empire at the end of World War I and the end of the British Mandate in 1948, Israel claims that no international actor has superior legal claim to it.

¹⁸⁸ “Israel’s West Bank housing policy by numbers,” *Agence France Presse*, May 10, 2015, quoting Rabbis for Human Rights.

¹⁸⁹ In a July 2004 International Court of Justice advisory opinion, the barrier’s construction was deemed illegal by the International Court of Justice. The text of the opinion is available at <http://www.icj-cij.org/docket/index.php?pr=71&code=mwp&p1=3&p2=4&p3=6>.

is intended to separate Israelis and Palestinians and prevent terrorists from entering Israel. Palestinians object to the barrier being built on their territory because it cuts Palestinians off from East Jerusalem and, in some places, bisects their landholdings and communities. It also is seen by many as an Israeli device to unilaterally determine borders between Israel and a future Palestinian state.

U.S. policy on settlements has varied since 1967. Until the 1980s, multiple Administrations either stated or implied that settlements were “contrary to international law,” with President Carter’s Secretary of State Cyrus Vance stating explicitly that settlements were “illegal” in 1980.¹⁹⁰ President Reagan later stated that settlements were “not illegal,” but “ill-advised” and “unnecessarily provocative.” Since then, the executive branch has generally refrained from pronouncements on the settlements’ legality.¹⁹¹ A common U.S. stance has been that settlements are an “obstacle to peace.” A former U.S. official has written that U.S. Administrations are “not entirely sure what to do with the fact that Israeli prime ministers of all political stripes have continued Israeli settlement building on the West Bank and construction in parts of east Jerusalem that we’d like to see become the capital of a Palestinian state.”¹⁹² Loan guarantees to Israel currently authorized by U.S. law are subject to possible reduction by an amount equal to the amount Israel spends on settlements in the occupied territories. The executive branch made its most recent reduction in FY2005.¹⁹³

An April 2004 letter from President George W. Bush to then Israeli Prime Minister Ariel Sharon explicitly acknowledged that “in light of new realities on the ground, including already existing major Israeli populations (sic) centers, it is unrealistic to expect that the outcome of final status negotiations will be a full and complete return to the armistice lines of 1949.” Partly because of such statements from U.S. policymakers, Arab critics routinely charge that U.S. support of Israel indirectly supports settlement activity.

Like other Administrations, the Obama Administration has faced challenges in approaching this issue. In the context of its initial attempts to restart the peace process between Israelis and Palestinians, the Administration called for Israel to totally freeze all settlement activity, including in East Jerusalem. In his speech in Cairo in May 2009, President Obama said, “The United States does not accept the legitimacy of continued Israeli settlements. This construction violates previous agreements and undermines efforts to achieve peace. It is time for these settlements to stop.”¹⁹⁴ PLO leaders followed suit and made a settlement freeze a precondition for their return to the peace talks. Israel responded with a partial 10-month moratorium, but tentative efforts to

¹⁹⁰ Daniel Kurtzer, “Do Settlements Matter? An American Perspective,” *Middle East Policy*, vol. 16, issue 3, fall 2009.

¹⁹¹ Nicholas Rostow, “Are the Settlements Illegal?” *The American Interest*, March/April 2010.

¹⁹² Aaron David Miller, “The Inside Story of U.S. Meddling in Israel’s Elections,” *Daily Beast*, December 4, 2014.

¹⁹³ For more information on this issue, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

¹⁹⁴ U.S. and Israeli leaders publicly differed on whether Obama’s expectations of Israel contradicted statements that the George W. Bush Administration had made. Some Israeli officials and former Bush Administration officials said that the United States and Israel had reached an unwritten understanding that “Israel could add homes in settlements it expected to keep [once a final resolution with the Palestinians was reached], as long as the construction was dictated by market demand, not subsidies.” Glenn Kessler and Howard Schneider, “U.S. Presses Israel to End Expansion,” *Washington Post*, May 24, 2009. This article quotes former Bush Administration deputy national security advisor Elliott Abrams as saying that the United States and Israel reached “something of an understanding.” The accounts of former Bush Administration officials diverge in their characterization of U.S.-Israel talks on the subject, but the Obama Administration has insisted that if understandings ever existed, it is not bound by them. Ethan Bronner, “Israelis Say Bush Agreed to West Bank Growth,” *New York Times*, June 3, 2009.

restart negotiations did not take hold during that time. In February 2011, the United States vetoed a draft U.N. Security Council resolution that would have characterized Israeli settlements in the West Bank and East Jerusalem as illegal. All other 14 members of the Council, including the United Kingdom, France, and Germany, voted for the draft resolution. Susan Rice, then the U.S. Permanent Representative to the United Nations, clarified that the Administration still opposed settlement construction as illegitimate and at cross-purposes with peace efforts,¹⁹⁵ and this remains stated U.S. policy.¹⁹⁶ On December 5, 2014, 48 Members of Congress signed a letter to President Obama asking for immediate clarification of some recent media reports.¹⁹⁷ The initial report—on which the others appear to have been based—suggested that the Administration had held a classified meeting to discuss the possibility of taking steps against Israel in response to residential construction in the West Bank and East Jerusalem.¹⁹⁸

Given the structure of Israeli society and politics, it may be difficult to impose an external restraint on settlement activity. Settlers affect the political and diplomatic calculus through the following means:

1. influence over key voting blocs in Israel’s coalition-based parliamentary system (although they do not all share the same ideology or interests, settlers constitute about 6% of the Israeli population);
2. renegade actions to foment public protest and even violence; and
3. what they represent for some symbolically, emotionally, and even spiritually as guardians of the last frontier for a country whose founding and initial survival depended on pioneering spirit in the face of adversity.

It is unclear whether a future arrangement creating a Palestinian state might compel the tens of thousands of Jewish settlers who would likely live within the new state’s borders to relocate inside Israel, or whether these settlers might have the option to remain, perhaps as “resident aliens.” According to one former U.S. official, “Security arrangements for Israelis who voluntarily choose to live in a Palestinian state rather than move back to Israel would be immensely complicated, and in many eyes impossible. But the same can be said about any plan that would force tens of thousands of them [to] leave their homes.”¹⁹⁹

Various Israeli governments’ periodic announcements of new plans for settlement construction, possible consideration of legalizing some settlement outposts, approval of subsidies and loans for some settlers, and repeated insistence that outside actors will not dictate Israeli policy on this

¹⁹⁵ “United States vetoes Security Council resolution on Israeli settlements,” UN News Centre, February 18, 2011.

¹⁹⁶ White House Press Briefing, December 5, 2014.

¹⁹⁷ Text of letter available at <http://meadows.house.gov/media-center/press-releases/meadows-authors-letter-to-president-demanding-answers-on-israel>.

¹⁹⁸ This report relied on unnamed “senior Israeli officials” as sources, and said that a “few American officials” later approached did not deny that a meeting had taken place. Barak Ravid, “U.S. mulls harsher action against settlement construction,” *haaretz.com*, December 4, 2014. Possible steps reportedly discussed apparently included the United States potentially refraining from “vetoing condemnatory resolutions against the settlements in the UN Security Council,” or potentially issuing “clearer instructions to American officials about the ban on cooperating with the settlements or funding activity in them.” *Ibid.* When asked about the reports at the December 5 White House press briefing, White House Press Secretary Josh Earnest refused to discuss internal deliberations while stating that Israel is a “close and strategic partner” of the United States, that the two countries have “strong and unshakable bonds,” and that the United States maintains an “exceedingly strong commitment” to Israel’s security.

¹⁹⁹ Elliott Abrams and Uri Sadot, “Settling Settlements,” *foreignaffairs.com*, April 16, 2015.

subject appears to demonstrate the governments' sensitivity to these domestic concerns. The Israeli anti-settlement advocacy group Peace Now reported in February 2015 that there was a nearly 40% increase in construction starts on residential units in West Bank settlements during the 16-month period (June 2013-September 2014) following the previous 15-month period (March 2012-May 2013), and that 26% of these starts took place in areas east of the route of the separation barrier.²⁰⁰ Observers debate the extent to which Israeli settlement construction under Netanyahu is changing or seeks to change demographic realities in areas of presumed importance for border and peace negotiations—including on and around the margins of settlement blocs that Israel insists on keeping under any final-status agreement.²⁰¹

Some Israelis caution that the demand to provide security to settlers and their infrastructure and transportation links to Israel could perpetuate Israeli military control in the West Bank even if other rationales for maintaining such control eventually recede. Protecting settlers is made more difficult and manpower-intensive by some settlers' altercations with Palestinian West Bank residents and willingness to defy Israeli military authorities. The government complied in 2012 with rulings by Israel's Supreme Court requiring it to dismantle two outposts. It sought to placate settler opposition to dismantlement by relocating the displaced outpost residents within the boundaries of settlements permitted under Israeli law.²⁰²

Sensitive Defense Technology and Intelligence Issues

Arms sales, information sharing, and co-development of technology between the United States and Israel raises questions about what Israel might do with capabilities or information it acquires. The sale of U.S. defense articles or services to Israel and all other foreign countries is authorized subject to the provisions of the Arms Export Control Act (AECA) (see §40A of P.L. 90-629, as amended)²⁰³ and the regulations promulgated to implement it. Section 3 of the AECA stipulates that in order to remain eligible to purchase U.S. defense articles, training, and services, foreign governments must agree not to use purchased items and/or training for purposes other than those permitted by the act, or to transfer them to third-party countries (except under certain specifically enunciated conditions), without the prior consent of the President.

Israeli Arms Sales to Other Countries

Israel is a major arms exporter—with India, China, and Russia among its customers or past customers.²⁰⁴ The United States and Israel have regularly discussed Israel's sale of sensitive security equipment and technology to various countries, especially China.²⁰⁵ In 2003, Israel's

²⁰⁰ Report available at http://peacenow.org.il/eng/sites/default/files/ConstructionReport2014Eng_0.pdf. The report documents 3,100 construction starts from June 2013 to September 2014, and 2,243 starts from March 2012 to May 2013 (a 38% increase from one period to the next). The reporting periods are determined by the intervals of time that lapse between Peace Now's receipt of new sets of aerial photos depicting construction.

²⁰¹ See, e.g., Rudoren and Ashkenas, *op. cit.*, quoting Hagit Ofran of Peace Now; Abrams and Sadot, *op. cit.*

²⁰² Joel Greenberg, "Israeli settlers evacuated from West Bank outpost following court order," *Washington Post*, September 2, 2012.

²⁰³ 22 U.S.C. §2785.

²⁰⁴ Other customers for Israeli arms include Germany, Spain, France, Canada, Australia, Turkey, Singapore, Brazil, Italy, the Netherlands, Poland, Finland, Azerbaijan, and Romania. Israel is also reportedly seeking to expand arms exports to Latin America.

²⁰⁵ Office of Naval Intelligence, *Worldwide Challenges to Naval Strike Warfare*, 1996. The 1997 edition of this report (continued...)

agreement to upgrade radar-seeking Harpy Killer drones that it sold to China in 1999 dismayed the Department of Defense (DOD). DOD retaliated by suspending its joint strategic dialogue with Israel and its technological cooperation with the Israel Air Force on the F-35 Joint Strike Fighter (JSF) aircraft and several other programs, among other measures.

On August 17, 2005, DOD and the Israeli Ministry of Defense issued a joint press statement reporting that they had signed an understanding “designed to remedy problems of the past that seriously affected the technology security relationship and to restore confidence in the technology security area.”²⁰⁶ Thereafter, the U.S.-Israel joint strategic dialogue resumed. Sources have reported that this understanding has given the United States de facto veto power over Israeli third-party arms sales that the United States deems harmful to its national security interests.²⁰⁷ In December 2013, the then head of Israel’s Defense Export Control Agency (DECA), Meir Shalit, resigned after a joint U.S.-Israel investigation concluded that an Israeli miniature cooling system that can be used for missiles, and that had been licensed for sale to a French company, had been retransferred to China.²⁰⁸ In the months prior to this development, the Israeli state comptroller had reportedly published a report indicating that DECA was inadequately enforcing proper defense export controls.²⁰⁹

With regard to Israel-India defense industrial cooperation, the two countries have reportedly agreed to jointly develop a medium-range air defense system to replace Russian-made systems in India.²¹⁰ In a recent tender for anti-tank missiles, in late 2014 India reportedly chose Israel’s offer over a rival U.S. offer.²¹¹

End-Use Monitoring

Sales of U.S. defense articles and services to Israel are made subject to the terms of both the AECA and the July 23, 1952, Mutual Defense Assistance Agreement between the United States and Israel (TIAS 2675). The 1952 agreement states:

(...continued)

said that the design for China’s J-10 fighter (also known as the F-10—the designation used in the report) “had been undertaken with substantial direct assistance, primarily from Israel and Russia, and with indirect assistance through access to U.S. technologies.” ONI, *Worldwide Challenges to Naval Strike Warfare*, 1997. See also Robert Hewson, “Chinese J-10 ‘benefited from the Lavi project,’” *Jane’s Defence Weekly*, May 16, 2008; Duncan L. Clarke and Robert J. Johnston, “U.S. Dual-Use Exports to China, Chinese Behavior, and the Israel Factor: Effective Controls?” *Asian Survey*, Vol. 39, No. 2, March-April 1999. The Lavi fighter (roughly comparable to the U.S. F-16) was developed in Israel during the 1980s with approximately \$1.5 billion in U.S. assistance, but did not get past the prototype stage. In 2000, a planned Israeli sale to China of the Phalcon airborne radar system was canceled under U.S. pressure.

²⁰⁶ “U.S. Israel Agree to Consult on Future Israeli Weapons Sales - Nations Affirm Joint Commitment to Address Global Security Challenges,” U.S. State Department Press Release, August 17, 2005.

²⁰⁷ Barbara Opall-Rome, “U.S. OKs Israel-China Spy Sat Deal,” *Defense News*, October 12, 2007. This article quotes a U.S. official as saying, “We don’t officially acknowledge our supervisory role or our de facto veto right over their exports.... It’s a matter of courtesy to our Israeli friends, who are very serious about their sovereignty and in guarding their reputation on the world market.”

²⁰⁸ Barbara Opall-Rome, “Israel Replaces Export Control Chief After Tech Transfer to China,” *DefenseNews*, January 3, 2014.

²⁰⁹ Yaakov Lappin, “Report finds failings in defense export supervision,” *Jerusalem Post*, July 18, 2013.

²¹⁰ Vivek Raghuvanshi, “India, Israel to Build Missile Defense System,” *Defense News*, February 26, 2015. India faces potential missile threats from Pakistan and China.

²¹¹ “India Chooses Israel Over US for \$525M Missile Deal, Sources Say,” *Agence France Presse*, October 26, 2014.

The Government of Israel assures the United States Government that such equipment, materials, or services as may be acquired from the United States ... are required for and will be used solely to maintain its internal security, its legitimate self-defense ... and that it will not undertake any act of aggression against any other state.

Past Administrations have acknowledged that some Israeli uses of U.S. defense articles may have gone beyond the requirements under the AECA and the 1952 agreement that Israel use such articles for self-defense and internal security purposes. These past Administrations have transmitted reports to Congress stating that “substantial violations” of agreements between the United States and Israel regarding arms sales “may have occurred.” The most recent report of this type was transmitted in January 2007 in relation to concerns about Israel’s use of U.S.-supplied cluster munitions during military operations against Hezbollah in Lebanon during 2006.²¹² Other examples include findings issued in 1978, 1979, and 1982 with regard to Israel’s military operations in Lebanon and Israel’s air strike on Iraq’s nuclear reactor complex at Osirak in 1981. The Reagan Administration suspended the delivery of cluster munitions to Israel from 1982 to 1988 based on concerns about their use in Lebanon. The Reagan Administration also briefly delayed a scheduled shipment of F-15 and F-16 aircraft to Israel following Israel’s 1981 strike on Iraq. If Israel takes future action with U.S. defense articles to preempt perceived security threats, allegations of AECA violations could follow, depending on specific circumstances.²¹³

Espionage and Espionage-Related Cases

In the past 30 years, there have been at least three cases in which U.S. government employees were convicted of disclosing classified information to Israel or of conspiracy to act as an Israeli agent. Reports indicate that concerns regarding possible Israeli espionage persist among U.S. officials. During the 113th Congress, a version of the U.S.-Israel Strategic Partnership Act (S. 462) contemplated possibly exempting Israel from two general requirements related to the visa waiver program. In connection with congressional deliberations related to S. 462, the intelligence community and officials from the State and Homeland Security departments reportedly communicated concerns to Members and committees of Congress that easing the requirements for Israel to enter the visa waiver program could make the United States more vulnerable to Israeli espionage, particularly industrial espionage. In response to these reported concerns, Israeli officials have flatly denied that Israel conducts espionage in the United States.²¹⁴

The most prominent espionage case is that of Jonathan Pollard, who pled guilty in 1986 with his then wife Anne to selling classified documents to Israel. Israel granted Pollard—who is serving a

²¹² Sean McCormack, U.S. Department of State Spokesman, Daily Press Briefing, Washington, DC, January 29, 2007. The Consolidated Appropriations Act, 2008 (P.L. 110-161) significantly restricted the export of U.S.-manufactured cluster munitions. Restrictions on cluster munitions exports have been carried forward to apply to appropriations in subsequent years as well. Since 2008, Israel has been acquiring domestically manufactured cluster munitions.

²¹³ Some Palestinian groups and other Arab and international governments, along with at least one Member of Congress, have characterized Israeli military operations against Palestinians (such as Israel’s 2008-2009 Operation Cast Lead, which was directed against Hamas in the Gaza Strip) as acts of aggression. During the 111th Congress, the Senate and the House overwhelmingly passed resolutions during the week of January 5, 2009 in connection with Operation Cast Lead that supported Israel’s right to defend itself (S.Res. 10 and H.Res. 34). Representative Dennis Kucinich, however, submitted a letter to then Secretary of State Condoleezza Rice arguing that “Israel’s most recent attacks neither further internal security nor do they constitute ‘legitimate’ acts of self-defense.” Office of Representative Dennis J. Kucinich, “Press Release: Israel May Be in Violation of Arms Export Control Act,” January 6, 2009.

²¹⁴ Jeff Stein, “Israel Won’t Stop Spying on the U.S.,” *Newsweek*, May 6, 2014; Calev Ben-David, “Israel Visa Flap With U.S. Stirs Up Spy Charges, Profiling Claim,” *Bloomberg*, May 8, 2014.

life sentence in U.S. federal prison—citizenship in 1996 and, in 1998, acknowledged that Pollard had been its agent. Prime Minister Netanyahu and several of his predecessors have unsuccessfully petitioned various Presidents to pardon Pollard.²¹⁵ In April 2014, some reports indicated that the United States might be willing to release Pollard as part of an arrangement to extend or restart Israeli-Palestinian talks. The prospect of Pollard’s release under these circumstances generated mixed reactions from Members of Congress, including opposition from the chairs of both intelligence committees, among strong views on the case within U.S. government circles and society at large.²¹⁶

Israel’s Nuclear Status and Nonproliferation²¹⁷

Consensus among media and expert reports is that Israel possesses an arsenal of 80 to 200 nuclear weapons.²¹⁸ The United States has countenanced Israel’s nuclear ambiguity since 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.²¹⁹

Israel’s ambiguous nuclear status is viewed by some members of the international community as an obstacle to advancing nonproliferation objectives. The 1995 Nonproliferation Treaty (NPT) Review Conference adopted a resolution that called for “all States in the Middle East to take practical steps” toward establishing “an effectively verifiable Middle East zone free of weapons of mass destruction, nuclear, chemical and biological, and their delivery systems.” The Obama Administration has stated its support for the goal of a nuclear-weapon-free zone in the Middle East. Israel is not an NPT state, nor has it ratified the Chemical Weapons Convention (CWC), though it signed the CWC in 1993.

Recent events concerning Iran and Syria have re-focused international attention on Israel’s presumed but undeclared nuclear and chemical weapons arsenals.²²⁰ It is unclear how Israeli leaders might feel compelled to change the country’s proclaimed status or actual posture if they perceive either threats from Iran and/or other regional states to Israel’s presumed regional nuclear exclusivity, or growing international pressure on the nonproliferation front.

Perhaps because the Iranian nuclear issue has given Israel a greater sense of common cause with Arab states, Israeli officials reportedly met in 2013 and 2014 with officials from Arab states for consultations regarding a regional nuclear-weapon-free zone. The consultations reportedly deadlocked over whether Arab-Israeli peace or disarmament should take precedence.²²¹ Israel

²¹⁵ The second case is that of Department of Defense analyst Lawrence Franklin, who pled guilty in 2006 to disclosing classified information to an Israeli diplomat and to two lobbyists from the American Israel Public Affairs Committee (AIPAC). The third case is that of Ben-Ami Kadish, who had worked at the U.S. Army’s Armament Research, Development, and Engineering Center in Dover, New Jersey. Kadish pled guilty in 2009 to one count of conspiracy to act as an unregistered agent of Israel.

²¹⁶ Tom Cohen, “27 years later, Jonathan Pollard case remains a diplomatic thorn,” *cnn.com*, April 1, 2014.

²¹⁷ For information on Israel’s nuclear activities, see CRS Report R40439, *Nuclear Weapons R&D Organizations in Nine Nations*, coordinated by Jonathan E. Medalia.

²¹⁸ See footnote 32.

²¹⁹ Eli Lake, “Secret U.S.-Israel Nuclear Accord in Jeopardy,” *Washington Times*, May 6, 2009.

²²⁰ Barak Ravid, “Israel opts to stay vague on chemical arms policy in wake of Syria disarmament,” *haaretz.com*, October 31, 2013.

²²¹ Dan Williams, “Eyeing Arab ties, Israel to observe nuclear pact meeting,” *Reuters*, April 26, 2015.

participated as an observer in the April-May 2015 NPT review conference—the first time it has done so. At the conference, an Egyptian-sponsored draft statement proposing an early 2016 U.N. conference on a weapons of mass destruction (WMD)-free zone in the Middle East was reportedly blocked by the United States, the United Kingdom, and Canada largely due to Israel's objections that the statement did not appear to contemplate having such a conference address the WMD issue in the context of broader security concerns.²²²

Bilateral Trade Issues

The United States is Israel's largest single-country trading partner,²²³ and—according to data from the U.S. International Trade Commission—Israel is the United States's 24th-largest trading partner.²²⁴ The two countries concluded a Free Trade Agreement (FTA) in 1985, and all customs duties between the two trading partners have since been eliminated. The FTA includes provisions that protect both countries' more sensitive agricultural sub-sectors with nontariff barriers, including import bans, quotas, and fees. Israeli exports to the United States have grown since the FTA became effective. Qualified Industrial Zones (QIZs) in Jordan and Egypt are considered part of the U.S.-Israel free trade area. In 2013, Israel imported approximately \$15 billion in goods from and exported \$23 billion in goods to the United States.²²⁵ The United States and Israel have launched several programs to stimulate Israeli industrial and scientific research, for which Congress has authorized and appropriated funds on several occasions.²²⁶

²²² "U.S. blocks NPT conference statement over Israeli objections," *haaretz.com*, May 23, 2015.

²²³ According to the European Commission's Directorate General for Trade, for 2013 the countries of the European Union accounted for 30.9% of Israel's total trade volume, while the United States accounted for 18.6%. Document available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113402.pdf.

²²⁴ Statistics on Israel's status relative to other U.S. trading partners compiled by the U.S. International Trade Commission, available at http://dataweb.usitc.gov/SCRIPTS/cy_m3_run.asp.

²²⁵ Statistics compiled by Foreign Trade Division, U.S. Census Bureau, available at <http://www.census.gov/foreign-trade/balance/c5081.html>.

²²⁶ CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

Appendix A. U.S.-Based Interest Groups Relating to Israel

Selected groups actively interested in Israel and the peace process are noted below with links to their websites for information on their policy positions.

American Israel Public Affairs Committee: <http://www.aipac.org>

American-Israeli Cooperative Enterprise/Jewish Virtual Library:
<http://www.jewishvirtuallibrary.org>

American Jewish Committee: <http://www.ajc.org>

American Jewish Congress: <http://www.ajcongress.org>

Americans for Peace Now: <http://www.peacenow.org>

Anti-Defamation League: <http://www.adl.org>

Conference of Presidents of Major Jewish Organizations: <http://www.conferenceofpresidents.org>

Foundation for Middle East Peace: <http://www.fmep.org>

Hadassah (The Women's Zionist Organization of America, Inc.): <http://www.hadassah.org>

Israel Bonds: <http://www.israelbonds.com>

Israel Institute: <http://www.israelinstitute.org>

The Israel Project: <http://www.theisraelproject.org>

Israel Policy Forum: <http://www.israelpolicyforum.org>

J Street: <http://jstreet.org>

Jewish Federations of North America: <http://www.jewishfederations.org>

Jewish National Fund: <http://www.jnf.org>

Jewish Policy Center: <http://www.jewishpolicycenter.org>

New Israel Fund: <http://www.nif.org>

S. Daniel Abraham Center for Middle East Peace: <http://www.centerpeace.org>

Zionist Organization of America: <http://www.zoa.org>

Appendix B. Descriptions of Israeli Knesset Parties and Their Leaders

COALITION



Likud (Consolidation) – 30 seats

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 prevent Iran from acquiring a nuclear weapons capability. He is generally regarded as both a consummate political dealmaker and a security-minded nationalist. However, he has negotiated with the Palestinians (including signing the Wye River Memorandum in 1998 and allowing for the signing of the Hebron Protocol in 1997). Despite engaging in two conflicts with Gaza-based Palestinian militants in 2012 and 2014, many observers discern cautiousness in Netanyahu's decisions regarding the nature and scale of military operations.



Kulanu (All of Us) – 10 seats

New pro-secular, center-right party focusing largely on socioeconomic issues.

Leader: Moshe Kahlon

Born in 1960, Kahlon is Israel's finance minister. While serving as communications minister from 2009 to 2013 as a Likud member, Kahlon gained notoriety and popularity for liberalizing the mobile phone market and bringing down costs. He then served as welfare minister before choosing not to run in the 2013 elections and later re-emerging at the head of Kulanu in late 2014.



Ha'bayit Ha'Yehudi (The Jewish Home) – 8 seats

Right-of-center nationalist party with base of support among religious Zionists (Ashkenazi Orthodox Jews); includes core constituencies supporting West Bank settlements and annexation.

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.



Shas (Sephardic Torah Guardians) – 7 seats

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 economy minister. He led Shas from 1983-1999 before being convicted for bribery, fraud, and breach of trust in 1999 for actions taken while serving as interior minister. Returned as party's leader in 2013.



יהדות התורה

United Torah Judaism – 6 seats

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 leads Israel's health ministry as its deputy 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 deputy health minister and as a member of the Knesset's finance committee.

OPPOSITION



המחנה הציוני

Zionist Union – 24 seats

Joint list of Avoda (Labor) and Ha'tnua (The Movement). Labor is Israel's historical repository of social democratic, left-of-center, pro-secular Zionist ideology; both Labor and Ha'tnua are associated with efforts to end Israel's responsibility for Palestinians in the West Bank and Gaza.

Leader: Yitzhak Herzog

Born in 1960, Herzog was elected leader of the Labor party in 2013 and, for the March 2015 elections, combined with Tzipi Livni of Ha'tnua to form the Zionist Union. His father Chaim served as an Israeli general, diplomat, and president. Herzog spent part of his early life in New York, and later served in Israeli military intelligence and embarked on a career in law in Tel Aviv. He has headed a number of ministerial portfolios in past coalition governments (housing, welfare, diaspora, tourism). As leader of the opposition, Herzog seeks to draw contrasts with Netanyahu on his positions regarding management of the economy and relations with the United States, the Palestinians, and the international community.



القائمة المشتركة

Joint List – 13 seats

Joint list of four Arab Israeli parties (Hadash, Ra'am, Ta'al, and Balad) that include socialist, Islamist, and Arab nationalist political strains.

Leader: Ayman Odeh

Born in 1975, Odeh is the leader of the Joint List and of Hadash, an Arab Israeli socialist party. An attorney, he served on the Haifa city council before becoming Hadash's national leader in 2006. 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.



יש עתיד
בראשות יאיר לפיד

Yesh Atid (There Is a Future) – 11 seats

Pro-secular, centrist party focusing largely on socioeconomic issues.

Leader: Yair Lapid

Born in 1963, Lapid served as Israel's finance minister from 2013 until the coalition government collapsed in December 2014. Like his father Tommy, Lapid has parlayed a journalistic career into electoral success. Lapid's effort to end the widespread exemption from military service for Haredim, one of the key organizing principles for the government, was enacted into legislation in 2014. However, Lapid's popularity fell during his time as finance minister, presumably because the government faced continuing challenges in improving cost-of-living and economic inequality issues while maintaining fiscal discipline.



Yisrael Beiteinu (Israel Our Home). *Opposition*

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 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. He chose to join the opposition to the current government, perhaps in hopes of hastening its demise. He was born in the Soviet Union (in what is now Moldova) and immigrated to Israel in 1978. Lieberman worked under Netanyahu from 1988 to 1997. Disillusioned by Netanyahu's willingness to consider concessions to the Palestinians, Lieberman founded Yisrael Beiteinu 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.



Meretz (Vigor) – 5 seats

Left-of-center, pro-secular Zionist party that supports initiatives for social justice and for peace with the Palestinians

Leader: Zehava Gal-On

Born in 1956, Gal-On became Meretz's leader in 2012 and was first elected to the Knesset in 1999. She previously directed the B'Tselem human rights organization. She was born in the Soviet Union (in what is now Lithuania) and immigrated with her family to Israel in 1960.

Source: All photos and party logos, and much of the information in this table, were taken from Open Source Center, "Israel—Election Guide 2015," LIL2015022454931245, February 25, 2015.

Appendix C. Natural Gas Resources and Export Possibilities²²⁷

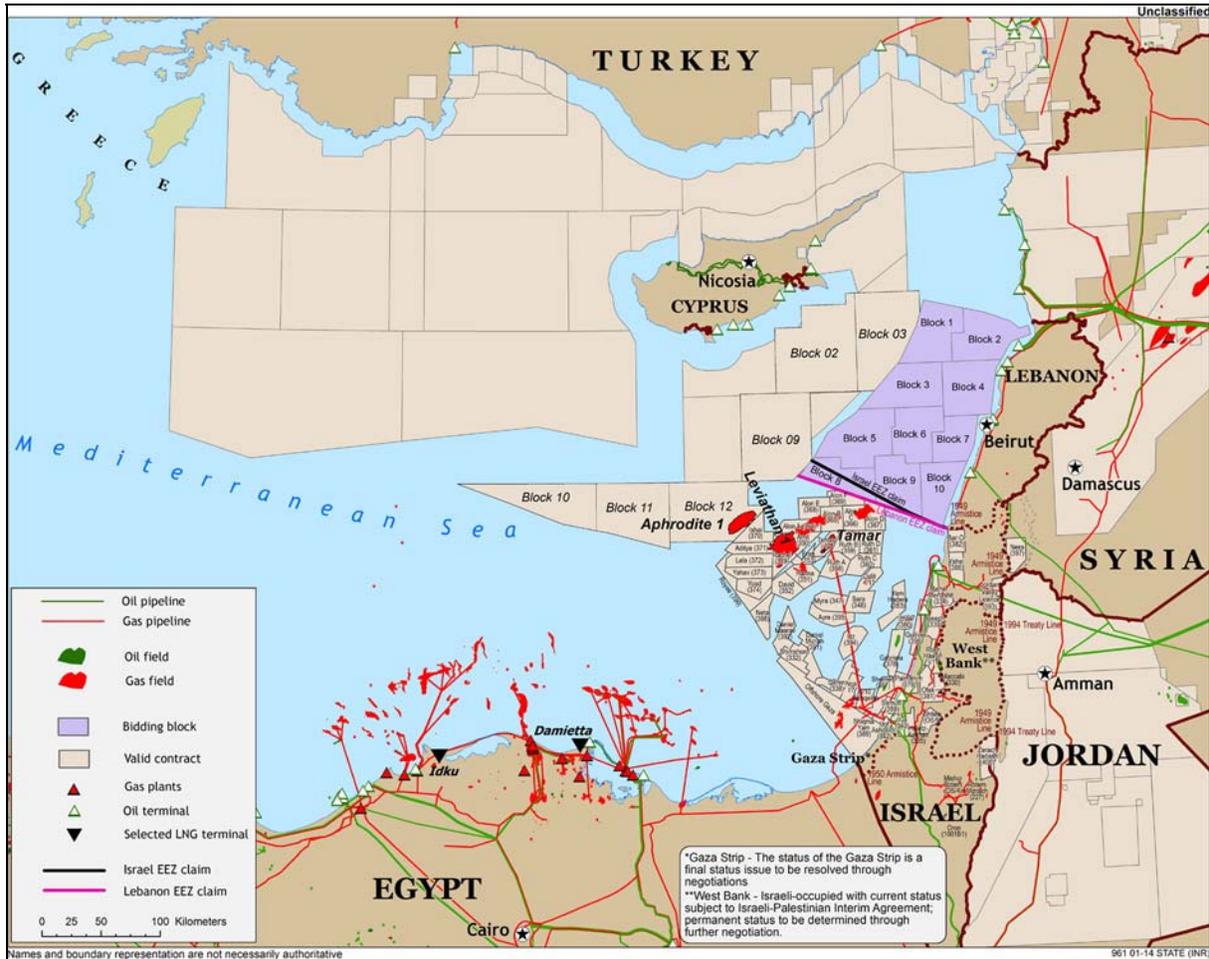
In 2010, the U.S. Geological Survey estimated that there are considerable undiscovered oil and gas resources that may be technically recoverable in the Levant Basin, an area that encompasses coastal areas of Israel, Syria, Lebanon, Gaza, and Egypt and adjacent offshore waters.²²⁸ Natural gas production from Israel's first major offshore field, Tamar, began flowing in March 2013, ushering in a new era of Israel as an energy producer and possibly an exporter. With a second, larger offshore natural gas field, Leviathan,²²⁹ still under development, Israel is facing questions of how best to utilize its natural gas resources, while other regional countries explore for resources in their jurisdictions.

²²⁷ This appendix was co-authored with Michael Ratner, Specialist in Energy Policy.

²²⁸ USGS, Assessment of Undiscovered Oil and Gas Resources of the Levant Basin Province, Eastern Mediterranean, March 2010.

²²⁹ The Leviathan field, located off Israel's northern coast, has an estimated resource base of 21.9 trillion cubic feet (tcf) of natural gas. Tamar holds approximately 10 tcf. Both fields were discovered by U.S.-based company Noble Energy. See Noble Energy's "Eastern Mediterranean" portal at <http://www.nobleenergyinc.com/operations/international/eastern-mediterranean-128.html>.

Figure C-1. Eastern Mediterranean Energy Resources Map



Source: U.S. Department of State, Bureau of Intelligence and Research, Office of the Geographer, Geographic Information Unit.

Notes: Boundaries and locations are approximate and not necessarily authoritative.

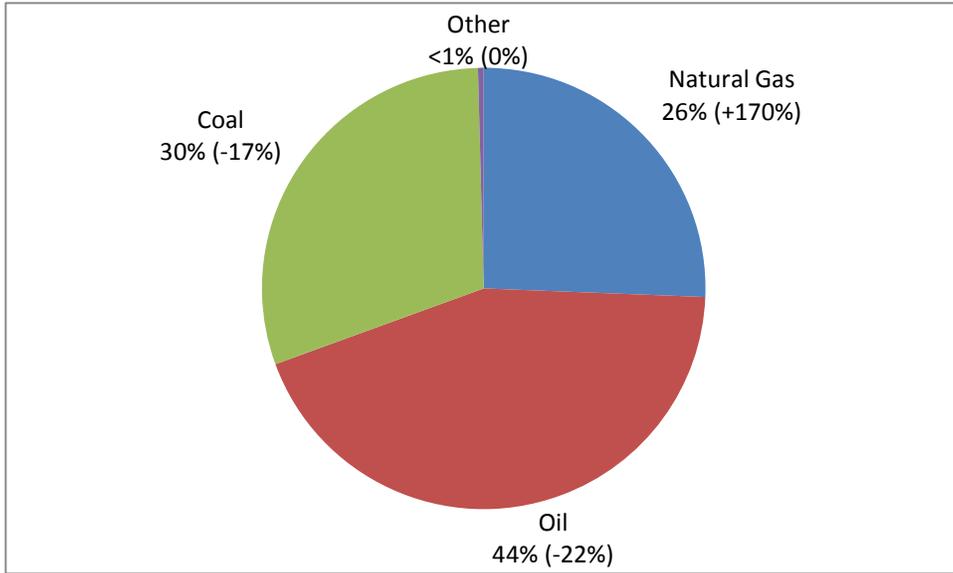
It is too early to know the rate of natural gas recovery from all the new fields or if additional discoveries will be made, but Israel’s energy consumption mix appears to be moving toward more natural gas. Israel has approximately 44 years-worth of natural gas reserves at its current consumption rate. In 2013, Israel produced 4.55 billion cubic meters (bcm) of natural gas, the country’s highest amount ever, and more than triple the previous year. However, Israel still had to import 0.55 bcm of natural gas to meet its consumption of 5.10 bcm (approximately 180.1 billion cubic feet, or bcf).²³⁰ According to the website of Noble Energy,²³¹ the U.S.-based company that has conducted exploration and production (E&P) operations on behalf of the consortiums controlling both Leviathan and Tamar, assuming that Leviathan commences production in late

²³⁰ Cedigaz, *Statistical Database*, accessed on February 23, 2015. The imported amount was from Trinidad and Tobago, redirected cargos from Spain, and Nigeria. The imports arrived via a temporary floating regasification import terminal.

²³¹ Noble Energy website, accessed November 7, 2014, <http://investors.nobleenergyinc.com/>.

2017 or early 2018, “total deliverability is anticipated to be more than 3.5 Bcf per day (2 Bcf/d from Tamar and 1.6 Bcf/d from Leviathan).”

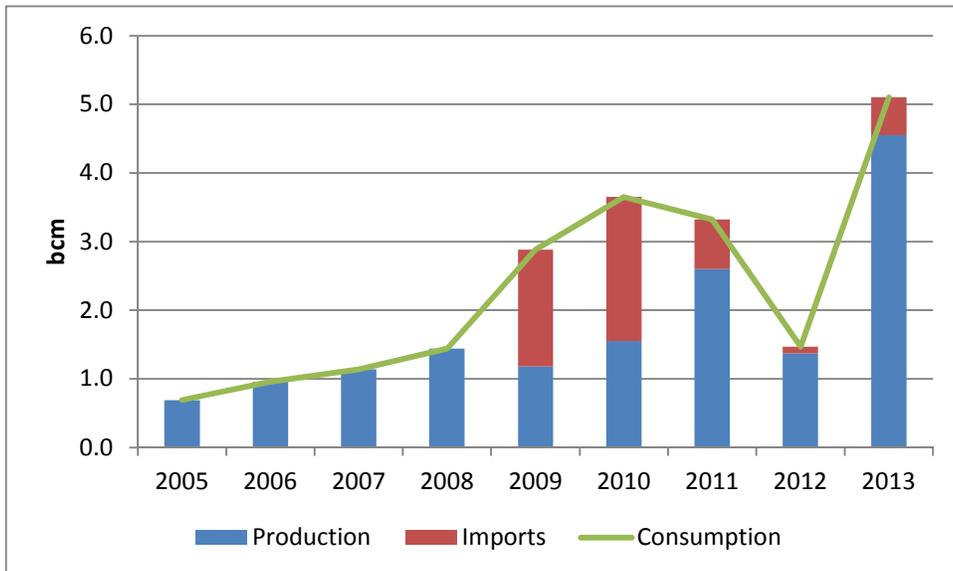
Figure C-2. Israel’s Primary Energy Consumption Mix
2013 vs. 2012



Source: BP Statistical Review of World Energy, 2014.

Notes: The percentage figures in parentheses represent changes between 2012 and 2013 figures. The percentage figures outside parentheses represent the 2013 figures. In 2013, Israel’s total primary energy consumption was 24.2 million tonnes of oil equivalent (mtoe), compared with 24.8 mtoe in 2012.

Figure C-3. Israel’s Natural Gas Production, Imports, and Consumption
2005–2013 (in billion cubic meters)



Source: Cedigaz, *Statistical Database*, accessed on February 23, 2015.

Note: Production plus imports equals consumption, given that Israel does not presently export natural gas.

If the resource estimates are correct, the new fields would give Israel the resources to become an exporter. Future export options include sending natural gas by pipeline and/or producing liquefied natural gas (LNG) that can be exported more broadly by ship. However, a number of factors raise questions about the viability of large-scale exports: growing domestic demand (possibly driven by new uses for natural gas), the expense of liquefying natural gas for transport, competitive projects in other countries, and various domestic and international political factors.

An antitrust dispute has disrupted plans for production of the Leviathan field. Israel's Antitrust Authority, an independent regulatory body, announced in December 2014 that a consent decree for the development of Leviathan would not be approved—despite previous indications that it would—because of concerns regarding monopolistic effects on Israel's energy market. Apparently concerned about possible adverse effects for Israel's economy and for export deals involving some of Israel's neighbors if development of Leviathan is delayed (see discussion of these deals or potential deals below), Israel's government established a committee headed by National Economic Council chairman Eugene Kandel in hopes of resolving the dispute. In May 2015, the committee reportedly proposed a multifaceted solution under which Delek (an Israel-based partner of Noble Energy) and Noble would retain their ownership of Leviathan, while Delek would divest from Tamar and Noble would dilute its Tamar holdings from 36% to 25%. The Antitrust Authority reportedly opposes this proposal, but under Israeli law, the economy minister could bypass the authority's objections by granting an exemption for national security reasons.²³² In late May, the head of the authority, David Gilo, announced his imminent resignation. Subsequently, Prime Minister Netanyahu was quoted as saying the following during a cabinet meeting:

We'll act on the basis of thoughtful consideration that balances competition with affordability, while extracting the gas from the sea floor. There is a blueprint for action that is a result of strenuous work done by various experts in the field. There was no consensus, and regrettably the anti-trust commissioner dissented, but we are going forward. I won't let any consideration, pressure or populist moves prevent the flow of gas to the State of Israel.²³³

Israeli officials routinely express optimism that the economic promise of Israel's energy resources can attract the industrial help it needs to be realized, and this optimism may prove justified. However, given that Israel does not have a significant offshore E&P sector, it relies on the expertise of international companies. The obstacles posed by antitrust deliberations, along with other apparent energy industry concerns about Israel's regulatory regime pertaining to domestic consumption requirements²³⁴ and possible price ceilings could create difficulties for future development.²³⁵ In May 2014, Woodside Petroleum, an Australia-based company with specialized expertise in LNG, opted not to join the venture to develop the Leviathan field.²³⁶

²³² Hedy Cohen, "Regulators present Israel gas compromise to Delek, Noble," *Globes*, May 12, 2015.

²³³ Avi Bar-Eli and Zvi Zrahiya, "Kahlon drops natural gas hot potato, citing conflict of interest," *haaretz.com*, May 27, 2015.

²³⁴ In June 2013, Israel's government announced that it planned to dedicate 60% of gas produced in Israel to domestic consumption, leaving 40% for exports.

²³⁵ "Israel's top court gives government 15 days to respond to appeal against gas exports," *Platts*, June 25, 2013, online.

²³⁶ John Reed, "Woodside backs out of \$2.7 bn Israel gas project," *Financial Times*, May 21, 2014.

Possible Israeli Export Destinations and Regional Security and Political Implications

According to Noble Energy's CEO, the emergence of regional markets accessible by pipeline "has pushed the need for LNG into a later phase of development versus our earlier plans."²³⁷

There are a number of possible export destinations for Israeli natural gas via pipeline. However, questions exist regarding Israel's ability to create and sustain energy ties with Arab and other Muslim-majority neighbors whose relations with Israel are marked by ongoing or intermittent political disputes and/or sensitivities based on strong, long-standing anti-Israel public sentiment. It is unclear to what extent political difficulties with neighbors might be mitigated by the potential material benefits of energy cooperation or by other considerations, and how satisfactory logistical and transportation frameworks and security measures might be implemented. Israeli officials may be seeking a resolution to the ongoing antitrust dispute that would maintain a prominent role for Noble Energy in projects linked with export deals involving Arab countries. This may be partly due to Israel's dependence on international E&P expertise, and partly due to calculations that a U.S.-based company's involvement might make the deals less vulnerable to anti-Israel populism.

In addition to these overarching issues, the most-discussed potential export destinations each come with specific political considerations, as described below.²³⁸

- **West Bank and Gaza:** The Palestinian Authority (PA) and the Leviathan consortium led by Noble Energy reached agreement in January 2014 on a 20-year supply of gas to a proposed power plant in the West Bank city of Jenin when Leviathan comes online.²³⁹ Analysts have speculated on the possibility for Israeli gas or gas from the PA-administered Marine (sometimes known as "Marine A") field to supply the Gaza Strip's energy-starved power plant.²⁴⁰ Political and security concerns, particularly Hamas's presence in Gaza, have complicated this issue. Depending on a number of variables, potentially reunified PA rule over the West Bank and Gaza might either present opportunities to make energy

²³⁷ James Paton, "Woodside Scraps \$2.6 Billion Israeli Gas Deal as Talks Fail," *Bloomberg*, May 21, 2014. Noble Energy and its Israeli partners in the Leviathan consortium have explored the possibility of building a liquefaction facility—possibly in Cyprus—to prepare Cypriot gas and Israeli gas piped to the facility for export to Europe and/or Asia in a cost effective way. It remains too early to determine the feasibility of such a project, although a recent downgrade to the gas reserves in Cyprus's offshore Aphrodite field may have decreased the viability or attractiveness of a liquefaction facility. In late June 2013, Cyprus and the Leviathan consortium signed a memorandum of understanding to build natural gas facilities for both domestic consumption and export. Although developments in early 2014 suggested that talks had not progressed on the initial understanding, they are ongoing while a joint venture between Eni (Italy) and Kogas (South Korea) is trying to find additional sources of Cypriot gas for possible liquefaction. "Cyprus to start LNG export terminal discussions with Eni/Kogas, Total," *Platts*, August 25, 2014.

²³⁸ For discussions of these issues, see Michael Hochberg, "Israel's Natural Gas Sector: A Regional Perspective," *mei.edu*, April 24, 2014; and Simon Henderson, *Natural Gas Export Options for Israel and Cyprus*, German Marshall Fund of the United States, September 2013.

²³⁹ Tom Pepper, "Partners in Israeli Gas Field Sign Deal with Palestinians," *International Oil Daily*, January 7, 2014.

²⁴⁰ A venture led by BG Group (formerly British Gas) discovered the Marine field in 2000. It has an estimated resource base of 1 tcf. Development of Marine could contribute to greater Palestinian economic and political self-sufficiency, perhaps freeing up Israeli energy resources for domestic consumption or export to other places. Simon Henderson, "Natural Gas in the Palestinian Authority: The Potential of the Gaza Marine Offshore Field," German Marshall Fund of the United States, March 2014. Reduced Palestinian dependence on Israel could either heighten or reduce Israeli-Palestinian tensions.

arrangements for the Gaza plant, or lead to further obstacles. Uncertainty regarding Israeli-Palestinian relations and the PA's future could affect Israeli control over offshore resources and the shipment of gas from these resources to the West Bank and Gaza.

- **Jordan:** Jordan and the Leviathan consortium signed a preliminary agreement in September 2014 to supply gas to Jordan's national power company over 15 years,²⁴¹ after the Tamar consortium reached agreement with Jordan in February 2014 on a 15-year deal²⁴² to supply gas to Jordanian potash and bromine factories near the Dead Sea shore. However, Jordan reportedly suspended talks on the Leviathan deal in January 2015 due to the ongoing Israeli antitrust dispute.²⁴³ Israel may seek natural gas agreements with Jordan in hopes of optimizing current and future relations with it at a time when regular sabotage to Egypt's pipeline has disrupted Jordan's primary gas source, and Jordanian leaders are searching for a reliable alternative.²⁴⁴ However,
- **Egypt:** According to the *Financial Times*, the Tamar consortium signed a letter of intent in May 2014 to provide a 15-year supply of gas to an LNG plant on the Nile Delta run by a joint venture between Spanish and Italian firms, with Noble Energy expecting to sign a subsequent binding agreement.²⁴⁵ Reportedly, the Leviathan consortium signed a June 2014 memorandum of understanding with Britain's BG Group²⁴⁶ to supply gas that would restore operations at another LNG plant in Egypt.²⁴⁷ Egypt is reportedly willing to approve the potential deal "if the parties involved agree to help meet the country's domestic demand at a reasonable price."²⁴⁸ Additionally, in March 2015, the Tamar consortium signed a seven-year deal to provide gas to private Egyptian industrial customers.²⁴⁹ Although Egypt has its own natural gas reserves, subsidy-driven domestic demand and political instability have reduced its production and export capacity and prevented the foreign-owned LNG plants from meeting their export obligations.²⁵⁰ In addition to possibly importing natural gas from Israel, Egypt

²⁴¹ Shoshanna Solomon and Calev Ben-David, "Israel Sees Gas as Key to Transforming Mideast Relations," *Bloomberg*, October 14, 2014.

²⁴² "Noble, Partners Sign Jordan Gas Deal," *Oil Daily*, February 20, 2014.

²⁴³ "Jordan said to suspend talks with Israel over huge gas deal," *Times of Israel*, January 4, 2015.

²⁴⁴ According to the U.S. Energy Information Administration, "Jordan is pursuing several pipeline deals, notably with Iraq, to help bolster its energy security. One proposal would send Iraqi oil from the area around Basra to the Jordanian port of Aqaba on the Red Sea. If constructed, the pipeline would initially carry up to [1 Mb/d] of oil, including more than 100,000 [b/d] available for use inside Jordan. The plan also calls for a natural gas pipeline to run along the same route as the oil pipeline, with up to 100 million cubic feet per day (MMcf/d) being allocated to help meet Jordanian demand."

²⁴⁵ John Reed, "Israel gas supply deals to Egypt and Jordan draw closer," *Financial Times*, May 21, 2014.

²⁴⁶ Royal Dutch Shell announced plans in 2015 to acquire BG Group.

²⁴⁷ Summer Said, "Egypt Would Approve BG's Israel Gas Deal If Local Demand is Met," *wsj.com*, July 7, 2014.

²⁴⁸ *Ibid.*

²⁴⁹ Whether the deal will involve the use of the pipeline that previously provided gas to Israel from Egypt—and fell prey to sabotage in the Sinai Peninsula on multiple occasions—is unclear, due to denials from the company that owns the pipeline. Sharon Udasin, "Eastern Mediterranean Gas: Egyptian pipeline not part of Tamar partners, Dolphinus gas deal," *jpost.com*, March 23, 2015.

²⁵⁰ "Fuelling Unhappiness," *Economist*, May 24, 2014.

has made plans for a floating LNG import terminal that could receive gas from other exporters, such as Qatar (the world's largest LNG exporter).

- **Turkey:** A potential energy pipeline to Turkey from Israeli offshore gas fields could be extremely lucrative by feeding Turkey's increasing energy demand. It could also be geopolitically advantageous for Europe by possibly increasing Turkey's value as an energy transport hub that could provide an alternative to Russian-origin gas.²⁵¹ However, Israel-Turkey relations continue to face difficulties, which could present obstacles to an energy deal.²⁵² This may be partly due to possible divergences in the two countries' interests amid regional tension and unpredictability, and partly due to recurring anti-Israel (and arguably anti-Semitic) pronouncements from Turkish President (formerly Prime Minister) Recep Tayyip Erdogan and his circle of advisors and media supporters.²⁵³ Additionally, because technical factors may require that a pipeline from Israel's offshore fields to Turkey traverses Cyprus's territorial waters, any Israel-Turkey deal might be contingent on substantial progress toward resolving or mitigating the decades-long dispute between Cyprus's ethnic Greek and ethnic Turkish communities.

Israel-Lebanon Maritime Boundary Disagreement and Its Implications²⁵⁴

In addition to the overarching regional political and security issues discussed above that may affect prospects for producing and exporting natural gas,²⁵⁵ another complication to energy development activities in the Eastern Mediterranean is Israel's disagreement with Lebanon over how to demarcate the maritime boundary between the two countries. This disagreement also has hampered Lebanon's efforts to develop potential offshore energy resources.

U.S. officials are working with Lebanese and Israeli leaders to resolve the dispute.²⁵⁶ Lebanon objects to a 2010 Israel-Cyprus agreement that draws a specific maritime border delineation point relative to the 1949 armistice line that serves as their de facto border, and claims roughly 330 square miles of waters that overlap with areas claimed by Israel (see **Figure C-1** above).²⁵⁷

In seeking to help Israel and Lebanon resolve their differences on this question, the United States appears to be interested in facilitating a more hospitable commercial environment for all parties involved (including U.S. energy companies), and in preventing the dispute from exacerbating

²⁵¹ Turkey downgraded its diplomatic relations with Israel in the aftermath of the so-called Gaza flotilla incident of May 2010. For more information, see footnote 110.

²⁵² Solomon and Ben-David, op. cit.

²⁵³ See CRS Report R41368, *Turkey: Background and U.S. Relations*, by Jim Zanotti. See also, e.g., Günther Jileki and Kemal Silay, "‘Spawn of Israel’: Erdogan's anti-Semitic obsessions," *Ha'aretz*, May 22, 2014.

²⁵⁴ This section was co-authored with Christopher M. Blanchard, Specialist in Middle Eastern Affairs.

²⁵⁵ Tia Goldenberg, "Israel faces geopolitical tangle with natural gas," *Daily Star* (Lebanon), March 29, 2013.

²⁵⁶ The armistice line is not the final agreed border between Lebanon and Israel, but coastal points on the line appear likely to be incorporated into any future Lebanon-Israel border agreement.

²⁵⁷ For additional information, see CRS Report R42816, *Lebanon: Background and U.S. Policy*, by Christopher M. Blanchard. See also James Stocker, "No EEZ Solution: The Politics of Oil and Gas in the Eastern Mediterranean," *Middle East Journal*, vol. 66, no. 4 (autumn 2012), pp. 579-597.

long-standing animosities between the two countries. It is unclear to what extent U.S. diplomacy on this issue can facilitate changes in the current Israeli and Lebanese stances.

For more information, see CRS Report R42816, *Lebanon: Background and U.S. Policy*, by Christopher M. Blanchard.

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