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Israel: Background and U.S. Relations

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Summary

The initial section of this report provides information and analysis on the July 2014 Israel-Gaza conflict.

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 defense, diplomatic, and economic cooperation. U.S. and Israeli leaders have developed close relations based on common perceptions of shared democratic values and religious affinities. U.S. policy makers often seek to determine how events and U.S. policy choices in the Middle East may affect Israel's security, and Congress provides active oversight of executive branch dealings with Israel and other actors in the region. Some Members of Congress and some analysts criticize what they perceive as U.S. support for Israel without sufficient scrutiny of its actions or their implications for U.S. interests. Israel is a leading recipient of U.S. foreign aid and is a frequent purchaser of major U.S. weapons systems. The United States and Israel maintain close security cooperation—predicated on a U.S. commitment and legal requirement to maintain 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. For more information, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

Israel has many regional security concerns. By criticizing the international interim agreement on Iran's nuclear program that went into effect in January 2014, Prime Minister Binyamin Netanyahu may seek to give Israel a voice in an ongoing negotiating process in which it does not directly participate. In addition to concerns over Iran, Israel's perceptions of security around its borders have changed since early 2011 as several surrounding Arab countries—including Egypt and Syria—have experienced political upheaval. Israel has shown particular concern about threats from Hezbollah, the Islamic State, 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 militants in the Gaza Strip.

Israel's political impasse with the Palestinians continues, and the most recent round of talks ended unsuccessfully in April 2014. Since the end of the 1967 Arab-Israeli War, Israel has militarily occupied the West Bank, with the Palestinian Authority exercising limited self-rule in some areas since 1995. Israeli settlement of that area, facilitated by successive Israeli governments, has resulted in a population of 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 and legal commerce to and from the territory.

Despite its unstable regional environment, Israel has developed a robust diversified economy and a vibrant democracy. Recent discoveries and exploitation of offshore natural gas raise the prospect of a more energy-independent future, while economic debates focus largely on cost-of-living and income and labor distribution issues. Israel's demographic profile has evolved in a way that appears to be affecting its political orientation, with various leaders vying for the public's support by interweaving ideology with ethnic, religious, socioeconomic, and national security considerations.

Contents

July 2014 Israel-Gaza Conflict 1
- Background 6
- Assessment 7
  - Humanitarian Considerations 7
  - Political and Military Objectives 11
- U.S. Policy Issues 12

Introduction 12

Country Background 13
- Historical Overview 13
- Demographic and Political Changes 14
- Government and Politics 15
  - Overview 15
  - Current Government 18
- Economy 20
  - In General 20
  - Natural Gas Resources and Export Possibilities 22

Israel's Security Concerns 27
- General Threat Perceptions 27
- Challenges from Iran and Arab Neighbors 28
  - Iran 30
  - Syria and Iraq 32
  - Egypt 33
  - Rocket Threat from Lebanon and Gaza 34
- The Palestinian Issue 34
- Concerns Regarding International Isolation and Economic Effects 36

Key U.S. Policy Issues 38
- Overview 38
- Security Cooperation 39
  - Background 39
  - U.S.-Israel Strategic Partnership Act of 2014 41
  - Preserving Israel's Qualitative Military Edge (QME) 42
  - U.S. Security Guarantees? 43
  - U.S. Aid and Arms Sales to Israel 44
  - Iron Dome and Missile Defense Cooperation 46
- Israeli-Palestinian Issues 47
  - Peace Process Diplomacy 47
  - Jerusalem 52
  - Settlements 56
- Sensitive Defense Technology and Intelligence Issues 59
  - Israeli Arms Sales to Other Countries 59
  - End-Use Monitoring 60
  - Espionage-Related Cases 61
- Israel's Nuclear Status and Non-Proliferation 61
- Bilateral Trade Issues 62
- Pending Visa Waiver Legislation 63

Figures

Figure 1. Map of Gaza Strip 3
Figure 2. Approximate Range of Rockets from Gaza 4
Figure 3. Gaza: Damaged Homes 10
Figure 4. Map of Israel 16
Figure 5. Israeli Knesset 19
Figure 6. Eastern Mediterranean Energy Resources Map 23
Figure 7. Greater Jerusalem 54
Figure 8. Jerusalem: Old City, U.S.-Relevant Sites, and Some Other Sites 55

Tables

Table 1. Israeli Security Cabinet Members 18
Table 2. Basic Facts 21
Table 3. U.S. Bilateral Aid to Israel 45
Table 4. Defense Budget Appropriations for U.S.-Israeli Missile Defense: FY2006-FY2015 Request 47

Appendixes

Appendix A. U.S.-Based Interest Groups Relating to Israel 65
Appendix B. Electoral Lists Represented in Knesset 66

Contacts

Author Contact Information 67

July 2014 Israel-Gaza Conflict

Periodic violence between Palestinian militants in the Gaza Strip—including the Islamist group Hamas—and Israel's military became a larger conflict on July 6-7, 2014. Israel began a ground operation in Gaza on July 17 with the stated objective of destroying tunnels used by militants to infiltrate Israeli territory, though the extensive nature of Hamas's underground infrastructure[1] has reportedly already drawn Israeli forces into some densely populated urban areas. Since the initial escalation, Hamas and other Palestinian militants have reportedly launched more than 2,600 rockets into Israel with longer ranges than in past conflicts,[2] and Israel has conducted more than 4,100 strikes on various targets in Gaza. Some rockets and/or mortars have also reportedly been fired on Israeli-controlled territory from Lebanon, Syria, and Egypt's Sinai Peninsula, in some cases provoking Israeli retaliatory fire. Additionally, Israel has reportedly shot down two Hamas drone aircraft and foiled a number of Hamas attempts—mostly through tunnels, but at least once through an attempted sea raid—to infiltrate Israeli territory.

As Israel's military focuses on nodes of Hamas's underground Gaza network and its rocket-launch and command-and-control systems,[3] reports indicate that Hamas fighters' anti-tank weaponry and various means of close-quarters combat (including the use of improvised explosive devices, or IEDs) have proven substantially lethal and damaging. According to one media report, "The Israelis say weapons and know-how supplied by Iran and its Lebanese ally Hezbollah make Hamas a more formidable foe."[4] With apparently strong domestic support for the conflict and his handling of it to date, Israeli Prime Minister Binyamin Netanyahu has stated that Israel needs to be prepared for a prolonged campaign to further degrade Hamas's military capabilities,[5] and Hamas military commander Muhammad Deif has reportedly stated, "There is no ceasefire without the stop of the aggression and the end of the siege."[6]

Daily life on both sides faces continual disruption. Though casualty figures cannot be independently verified, apparently more than 1,300 Palestinians have been killed, more than 6,000 injured, and approximately 245,000 displaced. The United Nations Office for the Coordination of Humanitarian Affairs asserts that a large majority of those killed are civilians, and is documenting other indicators of humanitarian distress[7] as reports indicate that the U.N. is

[1] See, e.g., Tia Goldenberg, "Hamas' Massive Network Of Underground Tunnels Is A Military Game-Changer," *Associated Press*, July 30, 2014; Ariel Ben Solomon, "Exclusive: US intelligence source claims Hamas has many more tunnels than Israel says," *jpost.com*, July 22, 2014; James Verini, "Gaza's Tunnels, Now Used to Attack Israel, Began as Economic Lifelines," *nationalgeographic.com*, July 21, 2014.

[2] According to the *Economist*, "Of the 11,000-odd rockets and missiles that Israeli intelligence rockets and missiles that Israeli intelligence reckons that Hamas and other militant groups possessed at the start of Operation Protective Edge, as Israel calls its current campaign, about 600 have a range of 75km, putting Tel Aviv under threat. Perhaps another 100 exceed 100km. This brings all of Israel's biggest cities within Hamas's reach, including Haifa and Jerusalem, where sirens have gone off in the past week." "When and how will it end?" *Economist*, July 19, 2014.

[3] See, e.g., Elhanan Miller, "From tunnels to R-160s, a primer on Hamas and its deadly capabilities," *Times of Israel*, July 31, 2014.

[4] Noah Browning, "Hamas tactics exact high toll in Israeli ground thrust," *Reuters*, July 23, 2014.

[5] William Booth and Ruth Eglash, "Gaza war hugely popular in Israel," *Washington Post*, July 30, 2014.

[6] "Gaza conflict: Hamas vows no Israel ceasefire," *BBC News*, July 30, 2014. Deif's reference to the "siege" presumably refers to Israeli and Egyptian restrictions on movement and access to and from Gaza, as discussed elsewhere in the report.

[7] United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory: Gaza Emergency, Situation Report (as of July 30, 2014).

coordinating emergency shipments of food and other humanitarian aid to Gaza. On July 29, an Israeli strike apparently hit Gaza's lone power plant, disabling its primary source of electricity for—among other things—sewage treatment, water pumps, and hospitals.[8] On July 21, Secretary of State John Kerry announced that the United States is providing $47 million in humanitarian assistance, including $15 million for the U.N. Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).[9] Other countries and organizations have also made contributions.

At least 58 Israelis, including at least two U.S.-Israeli dual citizens who served in the Israeli military, and two civilians, have reportedly been killed, with several injuries reported. A Thai guest worker has also reportedly been killed. The last conflict to produce more casualties for Israel was its conflict with Hezbollah in 2006, which reportedly resulted in 44 civilian and 119 military deaths.[10] Israel's military has reportedly called up between approximately 50,000 and 68,000 reserves.

Israel's Iron Dome anti-rocket system has reportedly intercepted approximately 90% of rockets it classifies as threats to sensitive targets (including population centers).[11] For background information on Iron Dome and a conflict-related Israeli request to Congress for an additional $225 million in U.S. funding, see "Iron Dome and Missile Defense Cooperation" below . The Defense Department has confirmed a sale in late July to Israel of 120 mm mortar rounds and 40 mm ammunition for grenade launchers from the War Reserves Stock Allies-Israel (WRSA-I) program, though it is unclear if and how the sale is connected with the ongoing conflict.[12] For more information on both Iron Dome and WRSA-I, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

[8] According to one report, six of eight electricity supply lines that run from Israel to Gaza have also been damaged, and Egypt's supply of electricity to Gaza is relatively minor. Sudarsan Raghavan, et al., "Israel bombs Hamas leader's home; Gaza power plant disabled," *Washington Post*, July 30, 2014.

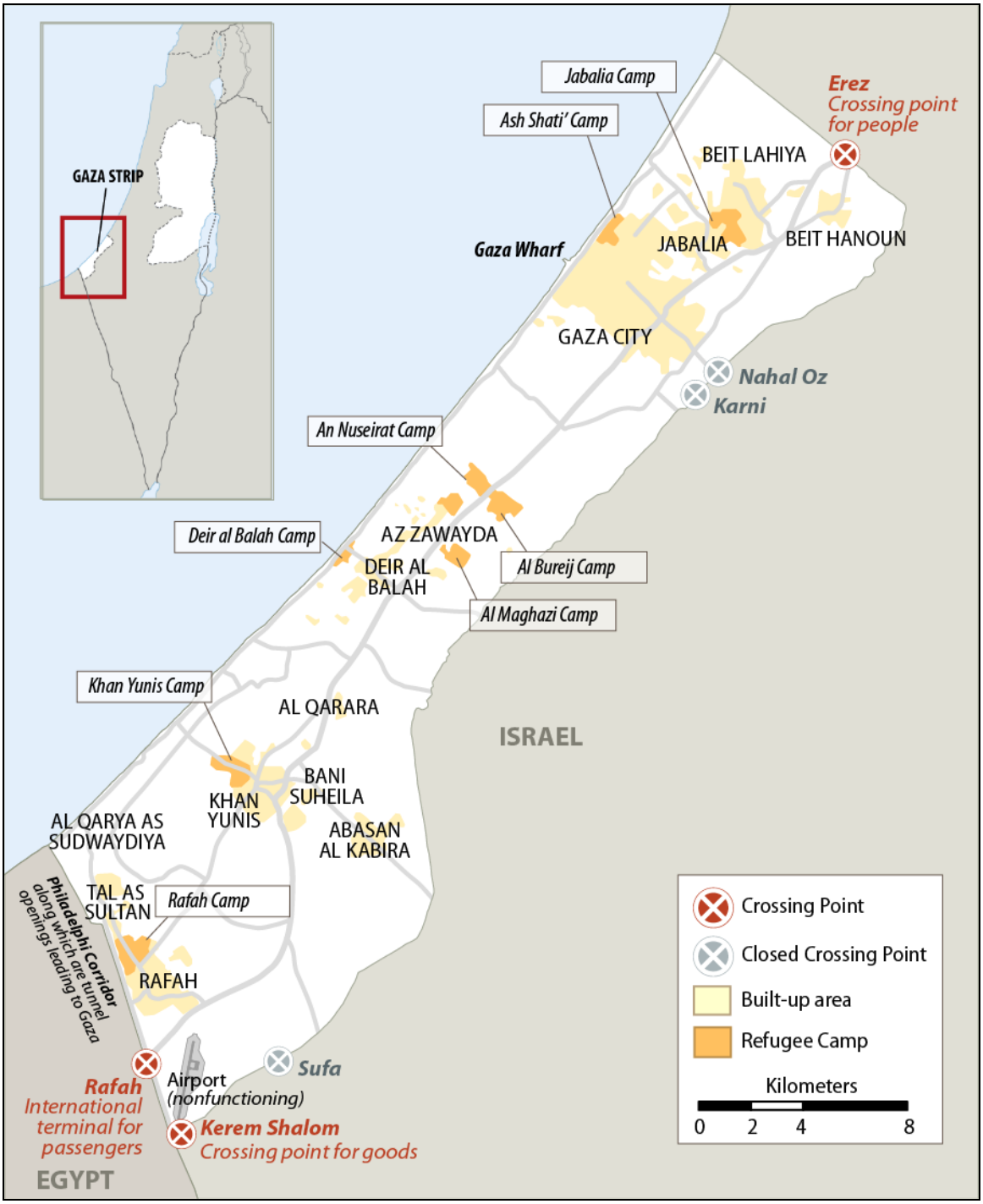
[9] State Department factsheet available at http://www.state.gov/r/pa/prs/ps/2014/07/229563.htm. Also, U.S. Agency for International Development (USAID) FY2014 Congressional Notification #133, July 21, 2014, and Congressional Notification #139, July 25, 2014. For background information on UNRWA, see CRS Report RS22967, *U.S. Foreign Aid to the Palestinians*, by Jim Zanotti. For information on UNRWA's $60 million Gaza Flash Appeal, see http://www.unrwa.org/sites/default/files/gaza_flash_appeal2014.pdf.

[10] Israel Ministry of Foreign Affairs website, "Israel-Hizbullah conflict: Victims of rocket attacks and IDF casualties."

[11] Kate Brannen, "Israel's Iron Dome Gets New Funding as Gaza Fight Intensifies," *foreignpolicy.com*, July 15, 2014; Inbal Orpaz et al., "Meet Israel's home-front hero: Iron Dome," *haaretz.com*, July 18, 2014. Some observers have expressed skepticism about Israel's claims regarding Iron Dome's success. See, e.g., David Axe, "Israel's Iron Dome is more like an iron sieve," *blogs.reuters.com*, July 25, 2014.

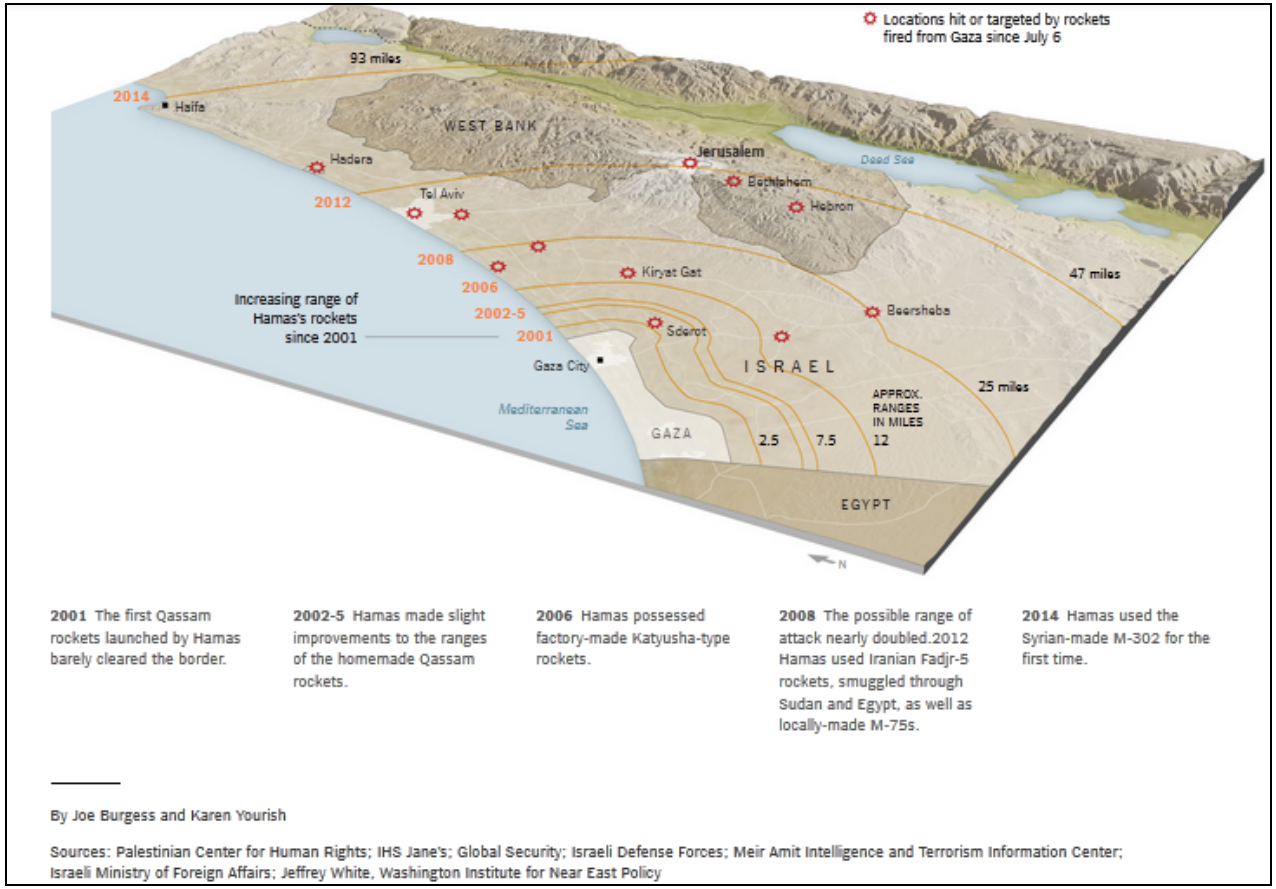
[12] Luis Martinez, "U.S. Has Sold Ammunition to Israel Since Start of Gaza Conflict," *ABC News*, July 30, 2014. WRSA-I stockpiles located in Israel are in excess to U.S. military requirements, and an unnamed U.S. defense official was cited as saying that "the requested ammunition was approaching the end of its shelf life at the stockpile and would have needed to be restocked anyway." Israel 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.

Figure 1. Map of Gaza Strip



Source: U.N. Office for the Coordination of Humanitarian Affairs and UNOSAT, with additional data from UNRWA; adapted by CRS.

Figure 2. Approximate Range of Rockets from Gaza



Source: *New York Times*, July 13, 2014.

Despite U.S. and international calls and efforts to end the violence, including U.N. Security Council statements on July 12, 21, and 27, hostilities have continued to date. On July 15, Israel reportedly accepted an Egyptian proposal that would have temporarily halted violence pending negotiation of a comprehensive cease-fire, but Hamas and other Palestinian militants balked at the proposal. On July 25, the Israeli security cabinet reportedly voted down a U.S.-backed proposal for a cease-fire that Secretary Kerry negotiated with Turkey and Qatar—both of which are reportedly sympathetic to and/or supportive of Hamas—along with various European representatives. Israel, Palestinian parties, and Egypt were not included in the negotiations. Hamas reportedly had agreed in principle to the proposal. Many Israeli officials and commentators criticized the proposal, claiming that it contemplated negotiations specifically addressing Hamas demands relating to humanitarian and economic concerns in Gaza, while only generically addressing "security issues" without specific reference to dismantling tunnels or otherwise reducing Hamas's military capabilities.[13] On July 27, President Obama spoke via telephone with Israeli Prime Minister Binyamin Netanyahu, and the White House readout of the call included the following:

> The President underscored the United States' strong condemnation of Hamas' rocket and tunnel attacks against Israel and reaffirmed Israel's right to defend itself. The President also reiterated the United States' serious and growing concern about the rising number of Palestinian civilian deaths and the loss of Israeli lives, as well as the worsening humanitarian situation in Gaza.
>
> Building on Secretary Kerry's efforts, the President made clear the strategic imperative of instituting an immediate, unconditional humanitarian ceasefire that ends hostilities now and leads to a permanent cessation of hostilities based on the November 2012 ceasefire agreement.[14] The President reaffirmed the United States' support for Egypt's initiative, as well as regional and international coordination to end hostilities. The President underscored the enduring importance of ensuring Israel's security, protecting civilians, alleviating Gaza's humanitarian crisis, and enacting a sustainable ceasefire that both allows Palestinians in Gaza to lead normal lives and addresses Gaza's long-term development and economic needs, while strengthening the Palestinian Authority. The President stressed the U.S. view that, ultimately, any lasting solution to the Israeli-Palestinian conflict must ensure the disarmament of terrorist groups and the demilitarization of Gaza.[15]

On July 11, the House passed a resolution (H.Res. 657) calling on Hamas to immediately cease all attacks and expressing its support for Israel's right to defend itself. A similar resolution passed the Senate (S.Res. 498) on July 17, with a provision calling on Palestinian Authority (PA) President, Palestine Liberation Organization (PLO) Chairman, and Fatah leader Mahmoud Abbas to dissolve the PA government formed in early June 2014 in consensus with Hamas. The Senate

[13] Barak Ravid, "Kerry's cease-fire draft revealed: U.S. plan would let Hamas keep its rockets," *haaretz.com*, July 28, 2014.

[14] For the text of the November 2012 ceasefire agreement, see http://www.telegraph.co.uk/news/worldnews/middleeast/palestinianauthority/9694410/Gaza-Israel-Hamas-ceasefire-agreement-in-full.html.

[15] White House Readout of the President's Call with Prime Minister Netanyahu of Israel, July 27, 2014. In remarks on July 28, Secretary Kerry stated that "any process to resolve the crisis in Gaza in a lasting and meaningful way must lead to the disarmament of Hamas and all terrorist groups. And we will work closely with Israel and regional partners and the international community in support of this goal." State Department transcript, Remarks at the Rollout of the 2013 Report on International Religious Freedom, Secretary of State John Kerry, Washington, DC, July 28, 2014.

passed another resolution (S.Res. 526) on July 29, as discussed below (see "Humanitarian Considerations").

After a rocket reportedly landed within a mile of Israel's Ben-Gurion International Airport near Tel Aviv, the Federal Aviation Administration (FAA) banned U.S. airlines from flying to the airport on July 22, with many other international air carriers suspending service as well. Apparently concerned about the potential for this development to disrupt Israel's economic and tourist activity, and thus perhaps to affect Israeli military and political decision making regarding the ongoing conflict, Prime Minister Netanyahu reportedly urged the United States to allow flights to resume. After reportedly being satisfied that Israeli security measures ensured the airport's safety, the FAA lifted the ban on July 24. According to the *Washington Post*, the FAA action "underscored heightened concerns about the safety of commercial jetliners after a Malaysia Airlines flight was shot down last week by an apparent missile over eastern Ukraine."[16]

Background

The current violence occurs within a political context marked by increased Israeli-Palestinian tensions. These tensions have been fueled by, among other factors, mutual recriminations surrounding the unsuccessful end to a round of U.S.-backed negotiations in April 2014 (see "July 2013-April 2014 Israeli-Palestinian Talks" below), and the June formation of the PA consensus government.

In mid-June, Israel carried out numerous raids and detentions in the West Bank after the abduction of three Israeli teenagers. Daily Palestinian rocket barrages followed against

Major Israel-Hamas Conflicts Since 2008

December 2008-January 2009*: *Israeli codename "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*: *Israeli codename "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 2014*: *Israeli codename "Operation Protective Edge/Mighty Cliff"

- Escalated July 6-7, Palestinian projectiles of greater range and variety, Israeli air strikes, prominent role for Iron Dome, Israeli ground operation began July 17.
- 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.

[16] Ashley Halsey III and Mark Berman, "Citing dangers, FAA bans U.S. carriers from Tel Aviv," *Washington Post*, July 23, 2014. *Jane's Intelligence Weekly* has asserted, "Although future incidents in which a rocket slips through the Iron Dome net are a high risk, it is highly unlikely that Hamas has the ability to repeatedly strike the airport. Neither do we believe that fighters possess anti-aircraft weapons capable of targeting commercial aircraft." Hamas's tactics highlight severe cost of war with Hizbullah and raise risk of third intifada against Israel, *Jane's Intelligence Weekly*, July 23, 2014.

Israel from Gaza (initially reportedly led by non-Hamas groups such as Palestine Islamic Jihad – Shaqaqi Faction). After the teenagers were found murdered on June 30, and the two Palestinian suspects (to date still at large) were claimed by Israel to have Hamas connections (though Hamas denies responsibility), Prime Minister Netanyahu vowed a strong response. On July 2, a Palestinian teenager in Jerusalem unconnected with the incident was burned to death—allegedly in retaliation—by a group of Jewish Israeli extremists. Despite Netanyahu's public condolences for the death of the Palestinian youth and the subsequent arrest and confession of three suspects, Palestinian protests (which later abated) broke out in East Jerusalem and several Israeli towns with large Arab communities, and Israel-Gaza violence continued. After a July 6 Israeli air strike against a tunnel leading from Gaza to Israel reportedly killed six Hamas operatives, Hamas actively took the lead in conducting rocket attacks on Israel, and the conflict escalated.[17]

Assessment

This is the third major conflict between Israel and Hamas in the past six years (see textbox above). Though distinct,[18] each arguably has featured mutual tests of military capability, domestic political cohesion, and deterrence in times of political change.

Humanitarian Considerations

Each of the three conflicts has also featured heated debate over respective culpability and the targeting or reckless endangerment of civilians. Though evidence is difficult to locate that definitively reveals how various parties are treating civilians in this conflict, there appear to have been multiple instances in which possible Israeli strikes have killed and injured civilians,[19] including strikes on UNRWA schools being used as shelters.[20] Israel has claimed in some cases that the strikes did or may have come instead from Palestinian projectiles, and/or that they were responding to fire from militants located in close proximity to civilian locations. Israeli officials insist that they are taking measures to minimize civilian casualties, supposedly "weighing the civilian toll of a strike against the potential future harm to Israeli soldiers and civilians that might come from inaction," and warning "innocents about impending attacks, including evacuation notices, cell phone calls and low-explosive warning 'knocks.'"[21] Nevertheless, Israeli strikes against targets such as homes and hospitals still may occur either by mistake or calculation despite a civilian presence. In a July 22 CNN interview, Deputy National Security Advisor Ben Rhodes said:

> We've said number one, the conflict was precipitated by Hamas from [f]iring rockets. Number two, Israel has a right to defend itself from attacks from rockets and tunnels.
>
> At the same time, though, we do believe Israel can do more to avoid the types of civilian casualties that we've seen in recent days. We have been heartbroken at the loss of Palestinian

[17] Adnan Abu Amer, "Hamas readies for Israeli ground offensive with tunnels, traps," *Al-Monitor Palestine Pulse*, July 9, 2014.

[18] Oren Dorell, "Five reasons this Israel-Hamas war is different," *USA Today*, July 23, 2014.

[19] Alice Speri, "Israeli Shelling Kills 4 Children on Gaza Beach," *VICE News*, July 16, 2014; David Blair, "Death falls from the sky for eight children at Gaza camp," *telegraph.co.uk*, July 28, 2014.

[20] Scott Bobb, "At Least 15 Killed in Israeli Strike on Gaza Market," *Voice of America*, July 30, 2014. A July 30 shelling of an UNRWA school, which killed at least 15, was roundly condemned by U.S. and U.N. officials.

[21] Michael Crowley, "Why Obama Wants Israel to 'Do More' About Civilian Deaths," *time.com*, July 23, 2014.

> life, the loss of children. And so, we believe that Israel has to take greater care to avoid those types of civilian casualties.
>
> At the same time, we've been very troubled and disturb[ed] and heartbroken by the loss of Israeli life since this ground incursion began. That's why we want to work for a cease-fire so that there can be an end to this violence.[22]

Protests in the West Bank, Jerusalem, and Arab Communities in Israel

Protests in response to the Israel-Gaza conflict have taken place periodically in the West Bank, Jerusalem, and Arab communities in Israel. Demonstrations by thousands of Palestinians on July 24-26 in the West Bank reportedly led to at least eight deaths and hundreds of injuries from confrontations with (including live fire from) Israeli security forces and Israeli settlers. Subsequently, the periodic protests have taken place at an apparently lower level. They may subside more fully if the conflict ends. However, if greater unrest returns or breaks out, perhaps in the event of a sharp escalation in the conflict or in casualties, it could change the calculus of the parties involved in the conflict.

The PLO provided a statement to CRS on July 25, 2014 that stated as follows:

> The Palestinian political leadership's position believes that it is the fundamental right of all Palestinians to express solidarity through peaceful demonstrations with their brethren in Gaza, who have been inhumanely besieged by Israel for the past seven years. The current Israeli invasion of Gaza has compelled Palestinians in the West Bank to protest these crimes against humanity en masse.
>
> Under current circumstances, the Palestinian leadership is unable to control growing public frustration over Israel's expanding operations in Gaza. In order to prevent further escalation, Palestinian leaders support a cease-fire which calls for: 1) An immediate end to Israel's aggression on Gaza; 2) A lifting of the siege on Gaza, which includes unfettered access to humanitarian aid; 3) Placement of Palestine under an international protection system administered by the United Nations; 4) Reconstruction of Gaza's damaged infrastructure, including homes, homes, hospitals, and schools; 5) Expansion of Gaza's economy; and 6) Release of prisoners rearrested from the Gilad Shalit deal.
>
> The Palestinian leadership believes that this conflict can only be resolved politically and supports a return to meaningful negotiations based on a two-state solution.

One media report stated that during the July 24-26 protests, "Abbas's own security forces, lambasted by many Palestinians for cooperating with the Israeli army in the West Bank, have taken the unusual step of letting protesters march on Israeli checkpoints and not trying to stop them, as they previously did."[23] It is unclear to what extent such developments, if reported accurately, might recur or affect future Israel-PA security cooperation.

Israeli officials also accuse Palestinian militants of using mosques, schools, and hospitals to fire rockets or cache weapons.[24] Prime Minister Binyamin Netanyahu has been quoted as saying that Hamas is "targeting our civilians and hiding behind its civilians."[25] On July 16, UNRWA discovered 20 rockets hidden—possibly by Palestinian militants—at one of its schools in Gaza. In a press release, UNRWA strongly condemned "the group or groups responsible for placing the weapons in one of its installations. This is a flagrant violation of the inviolability of its premises under international law. This incident, which is the first of its kind in Gaza, endangered civilians including staff and put at risk UNRWA's vital mission to assist and protect Palestine refugees in Gaza."[26] UNRWA discovered two other caches of rockets at different schools on July 22 and July 29, in each case condemning the actions. UNRWA said that it gave the first cache it discovered to

[22] Transcript from "The Situation Room" available at http://transcripts.cnn.com/TRANSCRIPTS/1407/22/sitroom.01.html.

[23] Ali Sawafta, "West Bank glows with anger over Gaza destruction," *Reuters*, July 27, 2014.

[24] William Booth, "Gazans, told to flee, say refuges are few," *Washington Post*, July 23, 2014. See, e.g., Israel Defense Forces blog, "Hamas Uses Hospitals and Ambulances for Military Purposes," July 28, 2014.

[25] Booth, "Gazans, told to flee, say refuges are few," op. cit.

[26] UNRWA press release, "UNRWA Strongly Condemns Placement of Rockets in School," July 17, 2014.

local authorities in Gaza, and UNRWA and some Israeli officials appear to have different views regarding to what extent these authorities, who UNRWA asserts are with the PA government, are independent of Hamas control or influence.[27] On July 22, State Department deputy spokesperson Marie Harf said:

> UNRWA has told us that they asked the local police to remove the rockets from the school. We recognize that this was not an acceptable outcome and we are consulting closely with UN leadership, with UNRWA, the Israeli Government, and the Palestinian Authority to develop better options available in the event of future incidents. Again, it's important to remember that UNRWA is a humanitarian relief organization, it's not a peacekeeping mission equipped to deal with the kind of situation where you find rockets.[28]

On July 23, the U.N. Human Rights Council adopted a resolution establishing an international commission to

> investigate all violations of international humanitarian law and international human rights law in the Occupied Palestinian Territory, including East Jerusalem, particularly in the occupied Gaza Strip, in the context of the military operations conducted since 13 June 2014, whether before, during or after, to establish the facts and circumstances of such violations and of the crimes perpetrated and to identify those responsible, to make recommendations, in particular on accountability measures, all with a view to avoiding and ending impunity and ensuring that those responsible are held accountable, and on ways and means to protect civilians against any further assaults, and to report to the Council at its twenty-eighth session.[29]

At the Council's July 23 special session, U.N. High Commissioner for Human Rights Navi Pillay said that there is "a strong possibility that international humanitarian law has been violated, in a manner that could amount to war crimes."[30]

On July 29, as mentioned above, 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

[27] See, e.g., Raphael Ahren, "UN agency handed rockets back to Hamas, Israel says," *Times of Israel*, July 22, 2014.

[28] Transcript of State Department Daily Press Briefing, July 22, 2014. Representative Ileana Ros-Lehtinen, Chair of the House Foreign Affairs Committee's Subcommittee on the Middle East and North Africa, was quoted as saying, "Perhaps UNRWA didn't physically place those rockets in its school, but its ties to Hamas certainly have caused it to have a blind spot when it comes to terrorist activities taking place in its schools and camps, so it's just as culpable." Rebecca Shimoni Stoil, "US defends aid to UNRWA despite rocket caches," *Times of Israel*, July 22, 2014. By late July, a team of five U.N. munitions inspectors had arrived in Gaza and was able to address the third cache discovered. CRS telephone conversation with UNRWA representative, July 31, 2014.

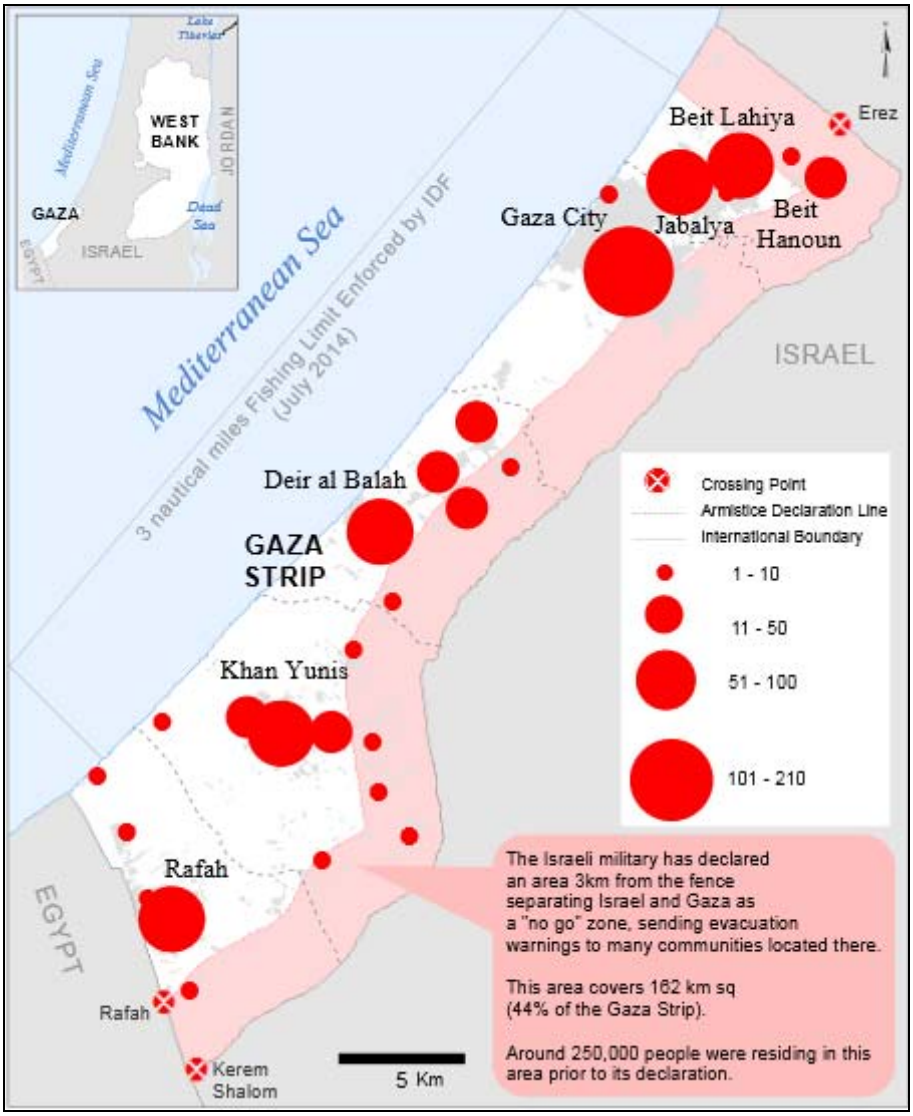
[29] Text of resolution (A/HRC/S-21/L.1) available at http://daccess-dds-ny.un.org/doc/UNDOC/LTD/G14/091/04/PDF/G1409104.pdf?OpenElement. Of the Council's 47 members, 29 voted for the resolution, 17 abstained from voting, and the United States cast the lone vote against. A similar commission was established to investigate violations of international law in connection with the December 2008-January 2009 Israel-Gaza conflict, resulting in the "Goldstone Report": http://www2.ohchr.org/english/bodies/hrcouncil/docs/12session/A-HRC-12-48.pdf.

[30] U.N. Office of the High Commissioner for Human Rights website, "An independent, international commission of inquiry to investigate the conflict in the occupied Palestinian territories," July 24, 2014.

rights violations by Israel in the current Gaza conflict without mentioning Hamas's assault against innocent civilians and its use of civilian shields.[31]

Figure 3. Gaza: Damaged Homes

(published July 24, 2014)



Source: U.N. Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory.

[31] S.Res. 526 contained a separate clause condemning "Hamas's terrorist actions and use of civilians as human shields." It also contained clauses that (1) lamented the loss of all civilian life, (2) supported Israel's "right to defend itself" and its "right to destroy" Hamas's tunnel system into Israel's territory, (3) supported U.S. mediation efforts for a durable cease-fire leading to the demilitarization of Gaza, and (4) supported additional funding "Israel needs to replenish Iron Dome missiles and enhance Israel's defensive capabilities."

Political and Military Objectives

With regard to the possible political objectives of the conflict, Israel appears to be seeking to deter Hamas and hold it and/or PA President Abbas accountable for threats to Israel resulting from Gaza's complex political, social, and economic dysfunction.[32] In addition to Hamas's long-standing demands to have Israeli and Egyptian restrictions on access to and from Gaza significantly eased, the group may be trying to show Israel that recent political setbacks[33] have not weakened its military capabilities. It may also be striving to reinforce its credentials as a resistance movement in order to gain politically at Abbas's expense and stave off challenges from other armed groups in Gaza.[34]

It is unclear that Israel seeks to completely uproot Hamas or take control of Gaza. However, Israeli leaders may be opting for a relatively extensive military operation aimed at minimizing Hamas's future military capacity at a time when Iron Dome appears to afford significant protection to Israeli population centers. Over the course of the conflict, the frequency of rocket attacks has apparently gradually declined, with occasional resurgences. Whether international pressure, in light of increased Palestinian civilian casualties, may mount on Israel to end its offensive before Hamas's capabilities to inflict damage on or threaten Israeli civilians are exhausted could influence:

- the extent to which Israel seriously considers Hamas's reported cease-fire demands, such as those related to movement and access and prisoner releases;[35]
- whether an end to hostilities would simply restore the previous quiet, or somehow change the overall dynamic—either strengthening or weakening Hamas's position relative to Abbas and/or Israel;[36] and
- the nature and extent of regional and international support Israel might receive in efforts to prevent Hamas and other Gaza-based militants from rearming.[37]

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

[33] From Hamas's standpoint, Egypt's quick transformation since July 2013 (when its military ousted Muslim Brotherhood figure Muhammad Morsi from the presidency)—from a presumed benefactor to an antagonist bent on boosting Fatah at Hamas's expense—has presented challenges to Hamas's regional influence and continued control of Gaza. A seemingly less influential Turkish profile and a Qatari leadership change in 2013 have further complicated Hamas's efforts to maintain regional support. Hamas is reportedly seeking to rebuild ties with Iran, though restoring these ties to their previous status may be unlikely given the estrangement that took place when Hamas's external leadership left its headquarters in Syria and broke off relations with the Asad regime in early 2012.

[34] Nathan J. Brown, "5 Myths About Hamas," *Washington Post*, July 20, 2014.

[35] See, e.g., Ian Black, "Gaza ceasefire hopes switch to Qatar as Arabs divided over Israeli offensive," *theguardian.com*, July 20, 2014; Avi Issacharoff, "Qatar's ceasefire offer adopts most Hamas demands," *Times of Israel*, July 19, 2014.

[36] Black, op. cit.: "Egypt told Hamas that any opening of the Rafah border crossing would entail the return of Abbas's presidential guard with no Hamas men present, a senior Palestinian official said. Israel and the PA accepted this proposal but Hamas rejected it, describing it as 'not in the best interests of the Palestinian people.'"

[37] According to the *New York Times*, rockets are smuggled to Gaza "via ship and tunnel from Iran, Libya, Sudan and Syria and, increasingly, manufactured from water pipes and household items in what a senior Israeli intelligence officer called Gaza's 'high-tech' sector—about 70 makeshift factories staffed by 250 men and overseen by a few dozen engineers and chemists." Jodi Rudoren, "From Gaza, an Array of Makeshift Rockets Packs a Counterpunch," *New York Times*, July 17, 2014. The *Jewish Telegraphic Agency (JTA)* has reported that London-based Arabic-language daily *Al-Arab* reported that unnamed sources told it that, on July 18, Israel bombed a warehouse north of Khartoum, Sudan, that supposedly contains long-range rockets intended for Hamas. "Report: Israel hit Sudan site housing missiles for Gaza," *JTA*, July 21, 2014.

Egypt is reportedly working with Hamas, Abbas, and Israel to mediate a cease-fire. It is unclear to what extent each party's core demands for ending the conflict are viewed by the others as unacceptable capitulation, and how that might affect the timing and conditions under which the violence might be halted.

U.S. Policy Issues

Congress and the Obama Administration might address a range of issues pertinent to the conflict, including:

- Whether and how to intercede to end the conflict and avoid further escalation, spillover into third countries, or a third Palestinian *intifada* (uprising);
- Whether various Israeli and Palestinian actions comply with international laws and norms, and how to respond to any breaches;
- What implications there are for Palestinian unity, diplomacy and international action regarding Israeli-Palestinian disputes, and regional dynamics; and
- Whether and how various types of material and political assistance to Israel and the Palestinians might proceed, change, or cease.[38]

Introduction

U.S.-Israel defense, diplomatic, and economic cooperation has been close for decades. U.S. policy makers 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 oppose what they perceive as U.S. support of Israel without sufficient scrutiny of Israel's actions. Other 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.

U.S. approaches to a number of challenges in the Middle East have implications for Israel. For several years now, Israeli leaders have described Iran and its reported pursuit of a nuclear weapons capability as an imminent threat to Israeli security. Israeli officials have claimed that their window of opportunity to act on their own to delay, halt, or reverse Iranian progress toward a nuclear weapons capability is closing. Consequently, they have sought increasingly stringent measures from the international community intended to compel Iran to negotiate limitations that ensure that its nuclear program is exclusively for peaceful purposes. Within this context, Israeli leaders have publicly 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.

[38] See CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp; and CRS Report RS22967, *U.S. Foreign Aid to the Palestinians*, by Jim Zanotti.

Many Israeli officials also are concerned with the rise of Islamist political movements and threats posed by violent jihadist 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 Al Qaeda-style Palestinian cells—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 the July 2014 Israel-Gaza conflict.

Israel's disputes continue with the Palestine Liberation Organization (PLO) over the terms of a potential peace agreement on issues including security parameters, borders, Jewish settlements, water rights, 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 government in consensus with Hamas in an attempt to end seven years of divided Fatah-Hamas rule in parts of the West Bank and in Gaza. However, various developments, including renewed Israel-Gaza conflict in July 2014, 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 make diplomatic progress could have a number of regional and global implications. Such implications could include a possible return by the PLO to a strategy of seeking greater international recognition of Palestinian statehood. They could also include Israeli efforts to unilaterally determine border and security arrangements for the West Bank.

Country Background

Historical Overview[39]

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

[39] For more, see Howard M. Sachar, *A History of Israel: From the Rise of Zionism to Our Time*, New York: Knopf, 1996.

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").[40] 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 engaged in further armed conflict with some or all of its neighbors in 1956, 1967, 1973, and 1982. Since the late 1960s, Israel has also dealt with the threat of Palestinian nationalist and (later) Islamist terrorism. In 1979, Israel concluded a peace treaty with Egypt, followed in 1994 by a peace 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 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. The 1977 electoral victory of Menachem Begin's Likud party helped boost the influence of previously marginalized groups, particularly Mizrahi (Eastern) Jews who had largely immigrated to Israel from Arab countries and Iran. Subsequently other distinct groups, such as Haredim (ultra-Orthodox) from communities that predated Zionist immigration, and Russian-speaking Israelis who emigrated from the former Soviet Union in the 1990s,[41] have increased their numbers—and

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

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

consequently their influence—in Israeli society. Israel also faces considerable estrangement between its Jewish and Arab citizens. Arabs comprise more than 20% of the population, and Islamist movements are increasingly popular in some Arab Israeli communities.

Political parties linked to recently expanded segments of Jewish Israeli society tend to favor the right side of the Israeli political spectrum currently led by Binyamin Netanyahu and Likud. At the same time, general trends show that support for traditionally left-leaning Zionist parties such as Labor has decreased. Issues regarding religiosity in the public sphere and secular consternation at subsidies and widespread exemptions from military service for Haredim (many of whom engage in religious study as an alternative to employment) have driven recent political debate. Military service remains compulsory for most Jewish Israeli young men and women.

Many analysts believe that these changes partly explain why Israel's current Jewish population is "more nationalistic, religiously conservative, and hawkish on foreign policy and security affairs than that of even a generation ago."[42] These trends' likely long-term effects on Israel's internal cohesion and its ties with the United States and other international actors are unclear.

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. 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 low vote threshold for entry into the Knesset,[43] and larger parties seeking 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.

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

[43] Until a new law was passed in March 2014 changing the threshold to 3.25%, it had been 2%.

Figure 4. Map of Israel

Source: CIA, *The World Factbook*.

Primer on Israeli Electoral Process and Government-Building[44]

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 67% of registered voters (before that it generally ranged between 77% and 80%).[45] 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 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.[46] Since 2007, a "cooling-off law" requires that senior Israeli military officers wait at least three years before entering civilian politics.[47]

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.[48]

For the first 30 years of Israel's existence (1948-1977), the social democratic Mapai/Labor movement—led by a founding Ashkenazi Zionist elite of Eastern European descent—dominated Israeli governing coalitions. As questions regarding the future of territories that Israel's military occupied during the 1967 Arab-Israeli War became increasingly central to political life, the nationalist Likud party and its prominent prime ministers Menachem Begin and 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, under the rubric of maintaining both a Jewish and a democratic state, gained traction among

[44] Much of the information for this textbox comes from Israel's Ministry of Foreign Affairs website, "Elections in Israel - February 2009," February 10, 2009.

[45] International Institute for Democracy and Electoral Assistance, "Voter turnout data for Israel," October 5, 2011; Alistair Lyon, "Netanyahu claims election win despite losses," *Reuters*, January 22, 2013.

[46] For additional details on Israel's campaign finance laws, see Ruth Levush, "Campaign Finance: Israel," Law Library of Congress, July 25, 2012.

[47] The law, sponsored by Likud's Yuval Steinitz, was reportedly intended to counter Israeli military officers' cultivation of civilian political connections and influence in anticipation of their possible career transitions. Some reports criticized the law's failure to address the use of influence by civilian politicians to prepare for private sector career transitions. Nehemia Shtrasler, "The Bottom Line / Lawmakers don't need to cool off too?" *Ha'aretz*, May 16, 2007.

[48] According to a 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 decisionmaking 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.

many Israelis. In this context, Prime Minister Ariel Sharon, a longtime champion of the Israeli right and settlement movement, split from Likud and established Kadima as a more centrist alternative in 2005. Elections in February 2009 were a divided affair, with Tzipi Livni's Kadima winning the most Knesset seats but Netanyahu's Likud leading the coalition because of an overall advantage for right-of-center parties. For more recent developments, see "Current Government" below.

Table 1. Israeli Security Cabinet Members

Member	Party	Ministerial Position(s)	Previous Knesset Terms
Binyamin Netanyahu	Likud	Prime Minister	7
		Minister of Public Diplomacy and Diaspora Affairs	
Moshe Ya'alon	Likud	Minister of Defense	1
Avigdor Lieberman	Yisrael Beiteinu	Minister of Foreign Affairs	4
Yair Lapid	Yesh Atid	Minister of Finance	0
Naftali Bennett	Ha'bayit Ha'Yehudi	Minister of Economy and Trade	0
		Minister of Religious Affairs	
Tzipi Livni	Ha'tnua	Minister of Justice	4
Yitzhak Aharonovich	Yisrael Beiteinu	Minister of Public Security	2
Gilad Erdan	Likud	Minister of Communications	3
		Minister of Home Front Defense	

Current Government

The current Israeli coalition government was sworn in on March 18, 2013, following elections that took place on January 22, 2013. The right-of-center[49] "Likud Beiteinu" list,[50] featuring Prime Minister Binyamin Netanyahu's Likud party and Yisrael Beiteinu (Israel Is Our Home), took the most seats (31) in the 120-seat Knesset (parliament), but 11 fewer than its constituent parties had in the previous Knesset. In July 2014, Foreign Minister Avigdor Lieberman announced the end of Yisrael Beiteinu's joint participation in the Knesset with Likud, with the result that Likud now has 20 seats and Yisrael Beiteinu 11.

After a surprisingly strong showing in the 2013 elections, the newly formed, centrist Yesh Atid (There Is a Future), led by former journalist Yair Lapid,[51] has the second-largest Knesset representation (19 seats). Lapid and Naftali Bennett[52] of the pro-settler party Ha'bayit Ha'Yehudi

[49] In Israel, the left-right spectrum has been traditionally defined by parties' positions on the Israeli-Palestinian conflict/peace process, though the spectrum also has some validity in describing differences on economic and social issues.

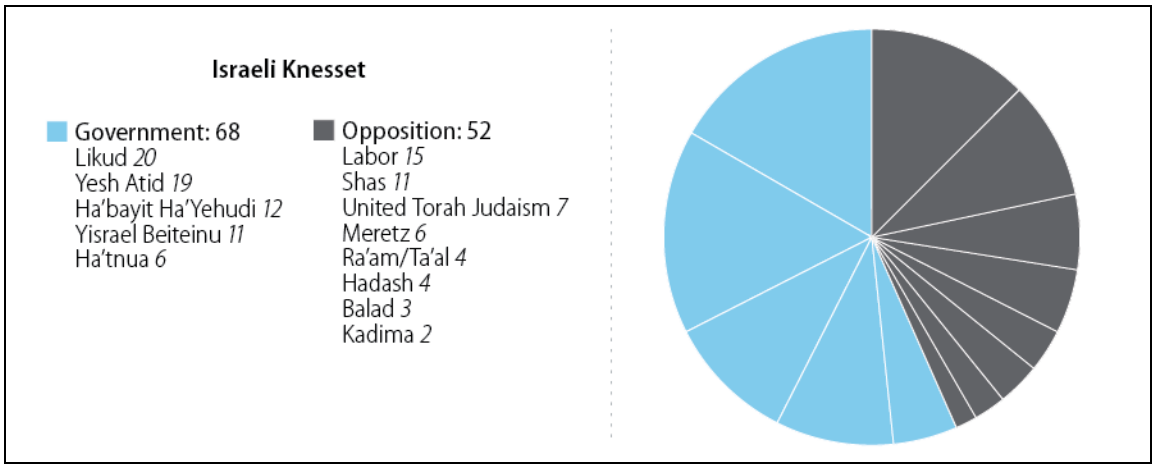
[50] Under Israeli electoral law, lists for Knesset elections may consist of one party or multiple parties running jointly.

[51] For a profile of Lapid, see Raffi Berg, "Profile: Yair Lapid, Israel's Yesh Atid party leader," *BBC News*, March 14, 2013.

[52] Bennett, who is routinely described as a young, charismatic leader helping remake his party, is also a multimillionaire former businessman and was a former chief of staff to Netanyahu during his time as opposition leader in 2006-2008 before the two reportedly had a falling out of sorts. Bennett favors Israeli annexation of a large part of the (continued...)

agreed to join the government with Likud and Yisrael Beiteinu after agreeing on parameters with Netanyahu over legislation—since enacted—to gradually remove the general exemption from mandatory conscription for young ultra-Orthodox men. Isaac Herzog formally leads the opposition as head of its largest party, Labor. Other elements of the opposition include the ultra-Orthodox parties Shas and United Torah Judaism. For a breakdown of the electoral lists with Knesset seats, see **Appendix B**.

Figure 5. Israeli Knesset



Speculation regularly ensues regarding Israeli governmental stability. It is possible that the coalition could collapse over disagreements on Palestinian or socioeconomic issues and trigger another round of elections before they would be required in late 2017. However, assertions shortly following the 2013 elections that Yair Lapid's rise might represent a fundamental reorientation of Israeli politics in favor of his party or centrist parties in general has largely subsided. Subsequent public opinion polls since mid-2013 indicate that support for his Yesh Atid party is lagging behind its current Knesset representation, though polls differ on how Likud, Yisrael Beiteinu, Labor, and Ha'Bayit Ha'Yehudi respectively stand to benefit. As finance minister, Lapid has become a leading face of unpopular austerity measures.

At the same time, internal struggles within Netanyahu's Likud party may affect its future leadership and direction. Tensions reportedly exist between established party veterans and younger politicians who advocate more nationalistic positions and confrontational tactics on Palestinian and other civil society issues. Likud's diminished Knesset and cabinet representation relative to the previous (2009-2013) government appears to have exacerbated these tensions. Likud member Reuven Rivlin was elected in June 2014 to succeed Shimon Peres as Israel's president—a generally ceremonial and symbolic position. A former Knesset speaker, Rivlin is less internationally prominent than Peres. Unlike Peres, he does not publicly support an Israeli-Palestinian two-state solution, but rather favors a confederation of the two peoples.[53]

(...continued)

West Bank. Jodi Rudoren, "Dynamic Former Netanyahu Aide Shifts Israeli Campaign Rightward," *New York Times*, December 26, 2012.

[53] Jeffrey Heller, "Right-winger Reuven Rivlin elected Israel's president," *Reuters*, June 10, 2014.

Political differences in Israel appear to increasingly hinge on domestic socioeconomic issues, a departure from the Palestinian issue's traditional predominance in Israeli political discourse. Despite consistent economic growth and Israel's stable fiscal position, these issues drove large, non-violent domestic protests in the summer of 2011.[54] Other matters that garner significant domestic attention include the influence of ultra-Orthodox Jewish communities on gender roles in the public sphere, as well as tensions between avowed Jewish nationalist elements of society and Palestinians (including Arab Israelis), non-Jewish religious groups, and some other Jewish Israelis.[55] U.S. officials periodically express concern over these dynamics.

Economy

In General

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 around 3.3%, compared to 5.7% in 2010 and 4.6% in 2011. The slowdown seems to be largely due to second-order effects from down economies in Israel's largest export markets in Europe and North America. While International Monetary Fund (IMF) projections are flat through 2019, the Economist Intelligence Unit projects increased growth over the next five years due to the central bank's relatively expansionary monetary policy, some signs of global economic recovery, and anticipated new income from recently discovered offshore natural gas deposits.[56]

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.[57] A May 2013 Organisation for Economic Co-operation and Development (OECD)

[54] Various factors—including Israel's communitarian heritage, its tradition of vigorous public debate, and the consequences of deregulation for a system characterized by some as "crony capitalism"—may have contributed to the protests.

[55] Such tensions include "price tag" attacks and vandalism in retaliation for government action or anticipated action limiting settlements or countering outposts unsanctioned by Israeli law. Yossi Melman, "A price tag for Jewish terror," *Jerusalem Report*, May 6, 2013.

[56] IMF World Economic Outlook database, 2014; Economist Intelligence Unit, *Country Report: Israel*, generated July 17, 2014.

[57] "How Netanyahu Went from Idealism to Pragmatism on Economic Policy" Knowledge@Wharton Blog, October 10, 2012.

report stated that Israel has the highest poverty rate of any OECD country (slightly more than 20%) and the fifth-highest level of income inequality.[58]

Table 2. Basic Facts

Population	7.71 million (2013 est.) (includes an estimated 341,400 settlers in the West Bank (2012 est.), 196,400 in East Jerusalem (2011 est.), and 18,900 in the Golan Heights (2012 est.))
Jews	75.1% (2012 est.)
Arabs	19%-21% (2012 est.)
Real Gross Domestic Product growth rate	3.3% (2013 est.)
GDP per capita (at purchasing power parity)	$36,200 (2013 est.)
Unemployment rate	5.8% (2013 est.)
Population below poverty line	21% (2012 est.)
Inflation rate	1.7% (2013 est.)
Defense spending as % of GDP	4.4% (2014 proj.)
Budget deficit as % of GDP	2.6% (2014 proj.)
Public Debt as % of GDP	66.2% (2014 proj.)
Foreign exchange and gold reserves	$80.8 billion (2013 est.)
Current account surplus as % of GDP	2.7% (2014 proj.)
Exports	$60.7 billion (2013 est.)
Export commodities	machinery and equipment, software, cut diamonds, agricultural products, chemicals, textile and apparel
Export partners	U.S. 27.8%, Hong Kong 7.7%, United Kingdom 5.7%, Belgium 4.6%, China 4.3% (2012 est.)
Imports	$67.0 billion (2013 est.)
Import commodities	raw materials, military equipment, investment goods, rough diamonds, fuels, grain, consumer goods
Import partners	U.S. 12.9%, China 7.3%, Germany 6.3%, Switzerland 5.5%, Belgium 4.8% (2012 est.)

Sources: Central Intelligence Agency, *The World Factbook*; Economist Intelligence Unit; Israel Central Bureau of Statistics, *Jane's Defence Budgets*, OECD.

[58] OECD, "Crisis squeezes income and puts pressure on inequality and poverty," May 15, 2013.

Natural Gas Resources and Export Possibilities[59]

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.[60] 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. Since Egypt cut its natural gas exports to Israel in 2012, the Israeli government has been pushing the companies involved in Tamar to increase production as quickly as possible to make up the shortfall.[61] With a second, larger offshore natural gas field, Leviathan,[62] still under development, Israel is facing questions of how best to utilize its natural gas resources, while other regional countries explore the possibility of new investment to bring resources in their jurisdictions online.

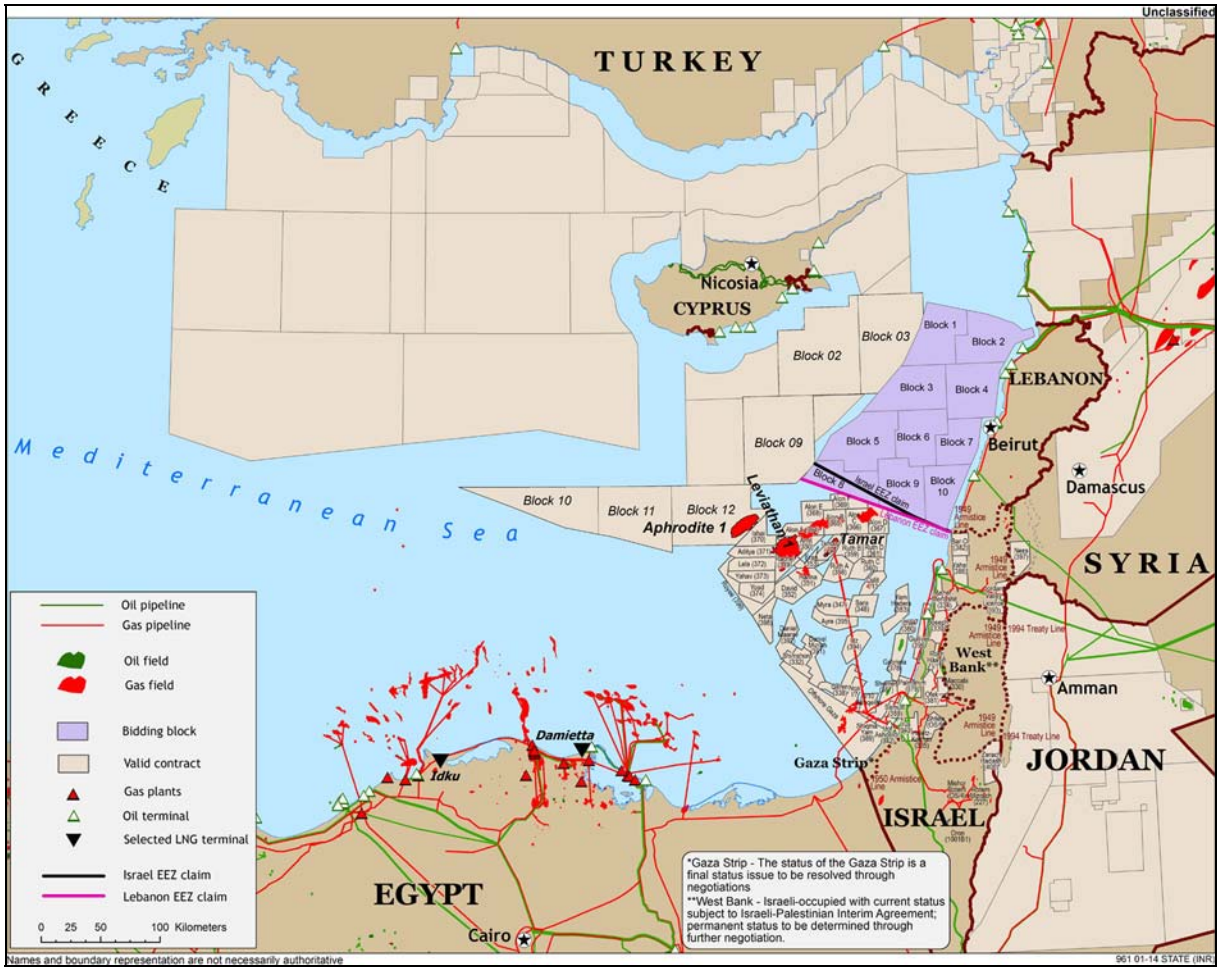
[59] This section was co-authored by Michael Ratner, Specialist in Energy Policy; and Christopher M. Blanchard, Specialist in Middle Eastern Affairs.

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

[61] Production has also been increased at some smaller fields.

[62] 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 6. 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.

Prior to the recent offshore natural gas discoveries, Israel had about 16 years' worth of natural gas at its production levels. If only half the estimated natural gas resources from Israel's new discoveries were produced and consumed at 2011 levels, Israel would have about a 100-year supply.[63] 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 it is highly likely that Israel's energy consumption will move toward more natural gas by the end of the decade. Initial production from Leviathan is projected to take place in 2016. According to Noble Energy, the U.S.-based company that is primarily responsible for the consortiums controlling both Leviathan and Tamar, Tamar is expected to reach a capacity of almost 1 billion cubic feet per day (bcf/d) in 2014, with a possible expansion to 1.5 bcf/d by 2015, which represents approximately six times the rate of Israeli

[63] When natural gas or oil is referred to as a resource, it implies that the natural gas or oil is technically recoverable, but may not be economical to produce. This is a less certain classification than a proved reserve, which means the natural gas or oil can be produced with existing technology and under current market conditions.

consumption in 2012 (0.25 bcf/d). In 2013, Israel's Natural Gas Authority projected consumption to almost triple and to be met exclusively from domestic sources, mainly the Tamar field.[64]

Whether Israel will become an exporter of natural gas has yet to be determined. 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. 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 the politics of pipeline exports. In October 2013, one of the concerns potential exporters had harbored was alleviated when Israel's Supreme Court rejected a lawsuit brought by various environmental organizations to halt or delay the government's export plans.[65]

Additionally, if more natural gas and possibly oil resources are to be developed, Israel's government will probably need to assuage energy industry concerns about the changing nature of its regulatory regime. The government's announcement in June 2013 that it plans to keep more natural gas than expected (60%) for domestic consumption—leaving only 40% for exports—may not bode well for future development.[66] Industry had apparently been hoping that at least 50% of the natural gas would be available for export, including through the possible involvement of Woodside, an Australian company with specialized expertise in LNG. However, in May 2014, Woodside opted not to join the venture to develop the Leviathan field. [67]

Possible Israeli Export Destinations and Regional Security and Political Implications

Noble Energy and its Israeli partners nevertheless plan to move forward with development. 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."[68]

There are a number of possible export destinations for offshore 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 either by ongoing or intermittent political disputes, and/or by 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

[64] Email from Israel's Natural Gas Authority with the data showing these projections, June 30, 2013.

[65] Hila Raz, "Supreme Court rejects petition to halt Israel's natural gas exports," *haaretz.com*, October 21, 2013.

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

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

[68] 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. However, developments in early 2014 suggested that talks had not progressed on the initial understanding, perhaps because of expectations for lower future liquefied natural gas (LNG) prices, and because of possible alternatives for exporting Israeli gas via pipeline. Elias Hazou, "LNG project teetering on the precipice," *Cyprus Mail*, February 19, 2014.

how satisfactory logistical and transportation frameworks and security measures might be implemented. In addition to these overarching issues, the most-discussed potential export destinations each come with specific political considerations, as described below:[69]

- **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.[70] 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.[71] 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 arrangements for the Gaza plant, or lead to further obstacles. Uncertainty regarding Israeli-Palestinian relations and the PA's future, particularly given the July 2014 Israel-Gaza conflict and the unsuccessful end in April 2014 to a previous round of peace talks, 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 Tamar consortium led by Noble Energy reached agreement in February 2014 on a 15-year deal,[72] under which gas would flow to Jordanian potash and bromine factories near the Dead Sea shore after pipeline construction finishes—projected for 2016. The Leviathan consortium is reportedly in talks with Jordan for a much bigger, longer-term export agreement.[73] Israel may be at least partly motivated to pursue such a deal in hopes of optimizing current and future relations with Jordan 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.[74]
- **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 binding agreement within the following six months.[75]

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[69] 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.

[70] Tom Pepper, "Partners in Israeli Gas Field Sign Deal With Palestinians," *International Oil Daily*, January 7, 2014.

[71] 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.

[72] "Noble, Partners Sign Jordan Gas Deal," *Oil Daily*, February 20, 2014.

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

[74] 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 Mb/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."

[75] Reed, "Israel gas supply deals to Egypt and Jordan draw closer," op. cit.

Reportedly, the Leviathan consortium signed a June 2014 memorandum of understanding with Britain's BG Group to supply gas that would restore operations at another LNG plant in Egypt.[76] 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."[77] Although Egypt has its own natural gas reserves, subsidy-driven domestic demand and political instability have reduced its export capacity and prevented the foreign-owned LNG plants from meeting their export obligations.[78] In addition to possibly importing natural gas from Israel, Egypt 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 Israeli energy pipeline to Turkey 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. Turkish leaders have openly anticipated normalizing diplomatic relations with Israel sometime in 2014,[79] which could remove obstacles to potential energy deals.[80] However, Israel-Turkey relations may continue to face difficulties. 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 Prime Minister Recep Tayyip Erdogan and his circle of advisors and media supporters.[81] 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 Implications

In addition to the overarching regional political and security issues discussed above that may affect prospects for producing and exporting natural gas,[82] 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.[83] Lebanon objects to a 2010 Israel-Cyprus agreement that draws a specific maritime border delineation point

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

[77] Ibid.

[78] "Fuelling Unhappiness," *Economist*, May 24-30, 2014.

[79] Aron Donzis, "Turkish PM: Rapprochement with Israel coming in weeks," *Times of Israel*, April 29, 2014.

[80] 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 143.

[81] 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.

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

[83] 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.

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 6** above).[84]

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 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.

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 regional issues with significant implications for Israel's security.

Israelis and other observers debate the extent of Israel's vulnerability. In discussing Israel's strategic situation, its previous ambassador to the United States, Michael Oren, has been quoted as saying:

> It's hard for me to point to any moment in our history when we faced so many threats simultaneously. The upheavals in Egypt, the question of Jordan's stability, Syria, 70,000 Hezbollah rockets, Hamas' long-range rockets, terrorists in the Sinai Peninsula—and above all that, the colossal Himalaya of the Iranian nuclear threat that casts a shadow over everything. But geopolitically … our situation is better than it has been at any point in history. The alliance with the United States, the membership in the OECD [Organisation for Economic Co-operation and Development], our relations with China and India, relations with the former Warsaw Pact nations, the state of our economy and our military.[85]

Even in light of the July 2014 Israel-Gaza conflict, some unconventional threats to Israel are seen to have been reduced because of factors such as heightened security measures vis-à-vis

[84] 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.

[85] Ambassador Michael Oren, quoted in Ari Shavit, "Michael Oren: 'Obama is a true friend, Israelis misunderstood his outreach to Arab world,'" *Ha'aretz*, July 11, 2013. Since late 2013, Israel's ambassador to the United States has been Ron Dermer, who was born in the United States and previously served as a close advisor to Prime Minister Netanyahu.

Palestinians; missile defense systems; and reported cyber capabilities. From a physical security standpoint, Israel is nearing completion of 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.[86]

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 is especially the case given that some observers question the level and nature of influence the United States continues to have in the Middle East, due to a number of political and economic factors, even though substantial U.S. military assets remain deployed in the region and U.S. officials reiterate commitments to Israel (and other regional allies) that are 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 "isolation"—if no resolution occurs.

Despite efforts by the United States, European countries, and other actors to encourage Israel to approach ongoing Palestinian talks more urgently, Israeli leaders may be reluctant to accept major initiatives pertaining to these talks until they have greater clarity on the likely outcome of intentional diplomacy regarding the Iranian nuclear issue.[87]

Challenges from Iran and Arab Neighbors

Over the 41 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;[88] 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 could face threats from the following strategic challenges. They are therefore subjects of serious concern among Israelis:

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[86] William Booth, "With Golan fence, Israel closer to surrounding itself with barriers," *Washington Post*, June 6, 2013. Israeli commentators have questioned the effectiveness of existing fences and security mechanisms Israel maintains in places at its border with Jordan and at the line dividing the West Bank from Jordan. See, e.g., Yoav Zitun, "Israel's most unsecured border?" *Ynetnews*, August 24, 2012.

[87] Former Israeli peace process negotiator Yossi Alpher, quoted in Joshua Mitnick, "World News: Issues of Iran, Middle East Converge Before Kerry Trip," *Wall Street Journal*, December 4, 2013.

[88] Israel is not a party to the Nuclear Non-Proliferation 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.

- ***Iranian Nuclear Challenge.*** Iran's possible achievement of a nuclear weapons capability, either for direct use or to exercise indirect but decisive influence on the region, 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 in proximity to Iran 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. Prime Minister Netanyahu reportedly fears that such intimidation could lead to a "mass exodus of Jews from an Israel under nuclear threat, weakening the state and compromising the Zionist dream."[89]
- ***Instability and Terrorism from Ungoverned Spaces***. Ungoverned or minimally governed spaces are proliferating near Israel's borders in Syria, Lebanon, Egypt's Sinai Peninsula, and Libya. These areas attract or could attract terrorists, weapons traffickers, criminal networks, refugees, and migrants, and contribute to trends that appear to threaten Israeli security.[90] Such concerns appear to be motivating the construction of border fences with accompanying security measures, as mentioned above.[91]
- ***Islamist-Led or -Influenced Arab States.*** Sunni Islamist-led or -influenced Arab states may actively or tacitly support increased political pressure against Israel, particularly on the Palestinian issue, and/or increased military mobilization at or near its borders. Anti-Israel sentiments are widespread in other Middle Eastern states. These sentiments are not exclusive to Islamists, but country-specific and region-wide Islamist narratives, political constructs, and media platforms offer possible channels for coordinating their impact. This trend is reflected in a number of Arab countries where political change and turmoil has empowered Islamist movements and militias. The trend was countered somewhat by the Egyptian military's ouster of Muslim Brotherhood figure Muhammad Morsi as president in July 2013, but may gain new momentum in light of inroads made in 2013 and 2014 by the Islamic State (IS, also known as Islamic State of Iraq and the Levant, or ISIL) in Syria and Iraq.

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.

[89] Leslie Susser, "Spy vs. Spy," *Jerusalem Report*, March 26, 2012.

[90] Leslie Susser, "Strategic dilemmas," *Jerusalem Report*, May 20, 2013.

[91] Booth, op. cit.

Iran[92]

For several years, Israeli leaders have described Iran and its reported pursuit of a nuclear weapons capability[93] as an imminent threat to Israeli security. Moreover, it appears that Israel, in the words of one U.S. commentator, is concerned that the United States "will accept a nuclear agreement that leaves Iran closer to a bomb than the Israelis would like to see them, sacrificing Israeli security interests as understood in Jerusalem in order to keep the US out of a war."[94] Iranian leaders insist that Iran's nuclear program is solely for civilian purposes and does not pose a threat to Israel.

Israel has sought increasingly stringent measures from the international community to compel Iran to accept limitations that would ensure that its nuclear program could exclusively be used for peaceful purposes. Prime Minister Binyamin Netanyahu labeled as a "historic mistake" a November 2013 interim agreement between the "P5+1" nations (United States, United Kingdom, France, China, Russia, and Germany) and Iran that went into effect in January 2014, vociferously warning of the alleged perils of a deal that would in any way ease the international sanctions regime against Iran and would accept Iran's retention of enriched uranium or of infrastructure potentially usable for the generation of fissile material. In December 2013, Netanyahu set forth demands for a potential final deal:

> The greatest threat to stability in the Middle East is Iran's pursuit of nuclear weapons. It's therefore critical that the final deal with Iran prevent that from happening…. That means no enrichment (of uranium), no centrifuges, no heavy water reactor, no weapons program, no ballistic missiles and a change in Iran's policies: no genocide against Israel, no terrorist support, no undermining of regimes in the Middle East.[95]

A number of other Israeli leaders and former officials were more welcoming toward the interim agreement, with some disagreeing with Netanyahu's open criticism of U.S. diplomatic stances. Nevertheless, many of these Israelis asserted that their support for the interim deal was ultimately linked to expectations that a final deal would place credible and verifiable limits on Iran's nuclear program to their satisfaction.[96]

Much of Netanyahu's diplomatic effort on this issue in 2014 has appeared to focus on holding discreet consultations with the United States, other P5+1 members, and key energy importers such as Japan.[97] Presumably, this has been done at least partly in order to help shape negotiating positions in contemplation of a possible comprehensive agreement, as well as to maintain the sanctions regime. Despite Israeli concerns that various countries would lessen their compliance with multilateral and U.S. sanctions, particularly on Iranian oil exports, former Israeli intelligence

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[92] For background information on Iran and its nuclear program, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman; CRS Report R40094, *Iran's Nuclear Program: Tehran's Compliance with International Obligations*, by Paul K. Kerr; CRS Report R43333, *Interim Agreement on Iran's Nuclear Program*, by Kenneth Katzman and Paul K. Kerr; and archived CRS Report R42443, *Israel: Possible Military Strike Against Iran's Nuclear Facilities*, coordinated by Jim Zanotti.

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

[94] Walter Russell Mead, "Threading the Needle," *blogs.the-american-interest.com*, October 25, 2013.

[95] "Netanyahu outlines Israeli demands for final nuclear agreement with Iran," *Xinhua*, December 10, 2013.

[96] See, e.g., "Unlike Netanyahu, retired generals go along with Iran deal," *UPI*, November 26, 2013.

[97] See, e.g., "Iran Seen on Agenda as Netanyahu Visits Japan," *Israel National News (Arutz Sheva)*, May 11, 2014.

chief Amos Yadlin was quoted as saying in May 2014 that "What we are seeing now that the sanctions very much like President Obama and Secretary Kerry predicted, are still holding."[98] Israeli officials are likely to continue to emphasize to the Obama Administration and other countries the importance of continued compliance and to vigorously discourage or deter potential "workarounds."[99]

However, in March 2014, Israeli Defense Minister Moshe Ya'alon, who had previously expressed skepticism about the advisability of unilateral Israeli military action against Iranian nuclear sites, publicly stated that he was no longer confident that Israel could rely on the United States to address its concerns regarding Iran's nuclear program.[100] The timing of Ya'alon's remarks may have been at least partly calculated to influence the negotiations. Most analysts express skepticism that Israel would take military action while international hopes remain for a diplomatic solution,[101] and it is unclear whether Israel is militarily capable and politically willing to undertake a unilateral strike in any event given questions about a potential strike's likely effectiveness at setting back Iran's program and its possible consequences for Israeli, regional, and global security.

As P5+1-Iran negotiations for a potential comprehensive deal intensify, with the original July 2014 end date extended until November 2014, Netanyahu has become more publicly vocal in warning about what he characterizes as the dangers of a deal that does not meet Israel's demands. In a May 2014 interview, Netanyahu said:

> I think this is a setup for the same mistake that was done with North Korea. You leave Iran with a breakout capability—let's say a year. During that year, you have two problems. Will you muster the political will and capability to deal with this in a year? What if there is another unfolding crisis somewhere? Second, on the matter of inspections that are promised—they built their underground bunkers when they were under inspection!
>
> Look at what Iran does without nuclear weapons. They're in Syria; they're in Gaza, sending ships with weapons.[102] They're in Yemen, in Bahrain, Iraq, everywhere. So if [Ayatollah Ali] Khamenei's Iran becomes a threshold nuclear power, what do you think will happen? Is this going to move Iran into greater moderation, when he has greater force, or is he going to be even less moderate?[103]

Netanyahu may see his efforts as instrumental in giving Israel a voice in a negotiating process in which it does not directly participate. 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 the ultimate interim agreement with regard to freezing

[98] Ben Armbruster, "Ex-Israeli Military Intel Chief Says Tough Iran Sanctions 'Are Still Holding,'" *thinkprogress.org*, May 28, 2014.

[99] See, e.g., Dennis Ross, "How to Think About Obama's Deal with Iran," *Politico*, November 25, 2013.

[100] Barak Ravid, "Defense minister leans toward Israeli operation in Iran, as Obama portrays 'weakness,'" *Ha'aretz*, March 18, 2014.

[101] See, e.g., Amos Harel, "With Iran deal sealed, don't expect Israel to send out the air force," *Ha'aretz*, November 25, 2013.

[102] This is a reference to a March 2014 Israeli naval seizure of weapons from a ship in the Red Sea that was reportedly stocked by Iran in Syria and was possibly en route to militants in the Gaza Strip of Egypt's Sinai Peninsula (via a Sudanese port and overland route).

[103] Jeffrey Goldberg, "Netanyahu Says Obama Got Syria Right," *Bloomberg View*, May 22, 2014.

activities connected with Iran's heavy water reactor at Arak.[104] Also, Netanyahu may view outspokenness as essential both in holding Iran accountable to its part of the deal, and in cultivating public support within Israel and from other key audiences such as Congress and broader U.S. public opinion—particularly in connection with legislative initiatives or potential initiatives relating to the imposition and/or lifting of sanctions (see, for example, "U.S.-Israel Strategic Partnership Act of 2014").[105]

Syria and Iraq[106]

The Syrian civil war has increasingly become a security challenge for Israel. 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.[107] Subsequently, since January 2013, Israel has allegedly conducted a number of airstrikes to prevent the transfer of sophisticated missiles or anti-aircraft weapons from the Asad regime to Hezbollah.[108] In late February 2014, reports indicated that Israeli planes may have struck Hezbollah targets on the Lebanese side of the Syria-Lebanon border.[109] Since then, Israel has engaged in periodic exchanges of fire with Syrian government and rebel forces near the Syria-Golan Heights border area, including June 2014 air strikes against Syrian military positions in retaliation for an attack that killed an Israeli teenager.[110] Israel has also fired in retaliation for cross-border mortar or rocket attacks from Syria and Lebanon during the July 2014 Israel-Gaza conflict.

Israel reportedly shared intelligence with the United States regarding the Asad regime's alleged use of chemical weapons.[111] Following the apparent August 21, 2013, chemical weapons attack in greater Damascus, Israeli officials apparently viewed the question of potential international intervention as having implications for the credibility of the United States and U.S. allies in the region.[112] Yet, some accounts indicated that Israeli officials had "little desire to see [Asad]

[104] "Israeli PM urges France to resist pressure, hold to conditions on Iran's uranium and plutonium progress," *theisraelproject.org*, November 2013.

[105] In early 2014, many Members of Congress supported a bill (Nuclear Weapon Free Iran Act of 2013, S. 1881, with at least 59 co-sponsors) that might have imposed additional sanctions on Iran absent specific diplomatic outcomes, but a number of factors reportedly kept the bill from being brought to a vote. These factors included Obama Administration arguments that the bill had the potential to preclude the opportunity for serious negotiations to take place—possibly increasing the prospects for military conflict with Iran—as well as the differing stances that various self-described pro-Israel and American Jewish individuals and organizations took regarding the bill. See, e.g., Sara Sorcher and Elahe Izadi, "How a Weaker AIPAC Makes It Easier to Vote Against Iran Sanctions," *National Journal*, January 22, 2014. For more information on sanctions generally, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

[106] 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; and CRS Report RS21968, *Iraq: Politics, Governance, and Human Rights*, by Kenneth Katzman.

[107] 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, see http://www.un.org/en/peacekeeping/missions/undof/facts.shtml.

[108] 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.

[109] Liz Sly and Susan Haidamous, "Hezbollah warns Israel of retaliation for attack," *Washington Post*, February 26, 2014.

[110] "Israel launches airstrikes in Syria after teen is killed," *Associated Press*, June 22, 2014.

[111] See, e.g., Ronen Bergman, "The Spies Inside Damascus," *Foreign Policy*, September 19, 2013.

[112] Josef Federman, "With Eye on Iran, Israelis Seek US Action in Syria," *Associated Press*, September 2, 2013.

toppled," given what could follow, and were "wary of creating any perception that they [were] meddling in either American politics or the civil war in neighboring Syria."[113] After prospects of an imminent U.S.-led military intervention faded in September 2013 with a Russian proposal for Syria to give up its chemical weapons under international auspices—an arrangement reportedly welcomed by Israeli officials—indications of Israel's public ambivalence regarding the outcome of Syria's civil war continued.[114]

In an October 2013 briefing to the Knesset Foreign Affairs and Defense Committee, Israeli Defense Minister Moshe Ya'alon reportedly enunciated the following "red lines" regarding Syria:

> We will not allow the transfer of high-quality weapons from Syria to hostile forces, particularly Hezbollah. We will not allow the transfer of chemical weapons, which there has been no attempt so far to transfer. And certainly we will not tolerate any disruption of our sovereignty in the Golan Heights.[115]

The inroads made by the Islamic State (also known as ISIL) into Syria and Iraq in recent months have raised additional Israeli security concerns. One concern is that Islamist-controlled areas of Syria are becoming safe havens for international terrorists. 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."[116] Another concern is that the Islamic State might ultimately seek to undermine order and monarchical rule in Jordan. In November 2005, militants from the Islamic State's precursor organization, Al Qaeda in Iraq, carried out a series of hotel bombings in Jordan's capital, Amman.

Egypt[117]

During and since Egypt's July 2013 military-backed ouster of formerly elected president Muhammad Morsi—a Muslim Brotherhood figure—Egyptian forces have reportedly been very active in countering heightened militant activity in Sinai and along its border with the Gaza Strip, and in targeting Sinai-Gaza smuggling tunnels.[118] 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.[119] Israel has sought continued U.S.

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[113] Ibid.

[114] Barak Ravid, "Netanyahu's office denies Ambassador Oren's claim that Israel favors rebels in Syrian civil war," *haaretz.com*, September 17, 2013.

[115] "'Israel will not accept deal that allows Iran to enrich uranium,'" *israelhayom.com*, October 23, 2013.

[116] "Brussels Jewish Museum killings: Suspect 'admitted attack,'" *BBC News*, June 1, 2014.

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

[118] Egypt's task appears to be complicated by Hamas's possible harboring in Gaza of some militants who operate in Sinai. See, e.g., Avi Issacharoff, "Egypt's ire raised as Hamas harbors Sinai jihadists," *Times of Israel*, August 22, 2013.

[119] Ehud Yaari, "The New Triangle of Egypt, Israel, and Hamas," Washington Institute for Near East Policy, PolicyWatch 2193, January 17, 2014; Yossi Melman, "The Sinai Imbroglio," *Jerusalem Report*, August 12, 2013. These efforts have also disrupted aspects of Hamas's activities in Gaza, though whether Egypt is willing or able to decisively affect political and economic outcomes in Gaza is unclear. For more information, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

and international support for Egypt under its leadership since the July 2013 change of power, and Egypt continues to play a key role in mediating between Israel, Hamas, and other Palestinian militants when conflict breaks out.

A core Israeli dilemma is how to support a more robust Egyptian security presence in Sinai to improve order and counter terrorism, while ensuring that Egypt adheres to the limitations on military deployment that underpin its peace treaty with Israel. Addressing this dilemma appears to have relevance to the treaty's long-term durability. 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.[120] Additional border incursions have subsequently occurred, and rockets have been fired from Sinai against Israel during the July 2014 Israel-Gaza conflict.

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.[121] The July 2014 Israel-Gaza conflict demonstrates that despite a long period of calm since the previous major conflict in November 2012, 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. Meanwhile, Israel continues to deploy and develop programs to defend against a wide variety of ranges of rockets and missiles.

The Palestinian Issue

At the same time, immediate prospects of a negotiated settlement of the Israeli-Palestinian conflict 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.[122] Neither Israeli leaders, nor Fatah or Hamas leaders preoccupied with maintaining their domestic credibility and respective indicia of control in the West Bank and Gaza, appear disposed to make substantive compromises with one another. The Palestinian Authority government formed via Fatah-Hamas consensus in June 2014 appears not to have meaningfully changed Hamas's sway over Gaza or its willingness to use violence against Israel, as evidenced by the July 2014 Israel-Gaza conflict.

It is unclear to what extent diplomatic stalemate on the Palestinian issue could worsen regional tensions and anti-Israel sentiment, or motivate greater international action seeking to establish Israeli legal and moral culpability for its treatment of Palestinians.[123] Risks inherent in

[120] Melman, "The Sinai Imbroglio," op. cit.

[121] For more information on this and other potential threats to Israel from Palestinians in the West Bank and Gaza, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

[122] Edward Isaac-Dovere, "How the Obama peace process went 'poof,'" *Politico*, April 13, 2014.

[123] Jodi Rudoren, "With Peace Talks Off, Netanyahu Looks at Unilateral Moves," *New York Times*, April 30, 2014, featuring the following quote from Mustafa Barghouti, a member of the Palestine Liberation Organization (PLO) Central Council, which voted in April 2014 to approve future international initiatives PLO Chairman Mahmoud Abbas may choose to follow: "We will proceed with the U.N. treaties and gradually into U.N. agencies, the last of which will be the International Criminal Court. There will be a moment when Israel will be brought to justice."

periodically recurring incidents of violence and vandalism involving Israelis (including West Bank settlers) who live and travel in close proximity to Palestinians appear to have been demonstrated in the prelude to the July 2014 Israel-Gaza conflict. The June 2014 killings of three Israeli teenagers and the apparent retaliatory killing in July 2014 of a Palestinian teenager seem to have contributed to the larger outbreak of violence. Israeli authorities face difficulty in the daily task of restraining and protecting Israelis from such potentially inflammatory encounters.

Political figures from the Israeli left and center, as well as some U.S. and international commentators, continue to stress what they characterize as an urgent need for Israel to resolve its disputes with the Palestinians. Some analysts assert that Israeli leaders face a dilemma between democracy and demography.[124] 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—otherwise probable within the next decade or two based on demographic trends—of Jews ruling as a numerical minority over a numerical majority of Arabs in historic Palestine. The concerns they enunciated focus on possible domestic and international pressure associated with these demographics, and a choice between giving up Jewish primacy or facing intensified accusations that Jewish rule in the areas of historic Palestine is undemocratic and contrary to the principle of self-determination. Some demographers have disputed the data underlying these concerns.[125]

During the most recent round of negotiations with the Palestine Liberation Organization, Prime Minister Netanyahu increasingly endorsed a two-state solution in public on demographic grounds, but such concerns appear to be less of a motivating factor for key members of the government such as Defense Minister Moshe Ya'alon[126] and Economy Minister Naftali Bennett.[127] Though the Israel-Gaza conflict has heightened uncertainty in many respects, in the absence of a return to negotiations, Israeli leaders could face domestic pressure to devise other possible ways to reduce its responsibilities for West Bank Palestinians without compromising national security.[128] Some prominent Israelis are seeking to return "unilateral disengagement" to the forefront of the country's options for dealing with the Palestinian issue.[129] Unilateral disengagement could involve Israeli withdrawal from significant parts of the West Bank, particularly those outside of the existing and planned sections of an Israeli-conceived and -constructed separation barrier[130] on

[124] 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.

[125] 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.

[126] In a June 2012 interview, Ya'alon said, "We can live like this for another 100 years, too.... The demographic argument is a lie." Ari Shavit, "IDF chief of staff-turned-vice premier: 'We are not bluffing,'" *Ha'aretz Magazine*, June 14, 2012.

[127] Bennett, who heads the religious nationalist HaBayit HaYehudi (Jewish Home) party, prefers that Israel formally annex 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.

[128] Rudoren, "With Peace Talks Off, Netanyahu Looks at Unilateral Moves," op. cit.

[129] 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.

[130] Israelis and Palestinians generally use very different terminology to describe the barrier. Many Israelis call it the (continued...)

West Bank territory that in some places corresponds with the Green Line (the armistice line that divided Israel from the West Bank prior to the 1967 Arab-Israeli War) but in others goes significantly beyond it. Those Israelis touting this course of action as a potential alternative to either the status quo or a negotiated solution with the Palestinians emphasize that it would keep Israel in control of security in the Jordan Valley and other areas of potential concern, and perhaps allow Israel to mitigate possible threats of international isolation by courting U.S. and European support for the plan.[131] The political feasibility of this alternative in Israel is unclear, particularly in light of popular arguments largely blaming threats from the Gaza Strip and southern Lebanon on past Israeli military withdrawals from those areas.

In addition to the apparent contemplation of unilateral action, Netanyahu has pledged that any peace deal involving possible military withdrawals would be subject to a popular referendum. Additionally, in March 2014, the Knesset unanimously voted to create a new constitutionally-equivalent Basic Law requiring a popular referendum to approve any peace plan that would relinquish control over East Jerusalem or the Golan Heights.

See "Peace Process Diplomacy" below for information and analysis on recent developments regarding the peace process.

Concerns Regarding International Isolation and Economic Effects

Israel and many of its supporters have expressed concern about a sense of international isolation.[132] 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.[133] 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.[134]

(...continued)

"security barrier" or "security fence," while most Palestinians refer to it as the "wall" or "apartheid wall."

[131] 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; Toby Greene, "Can Disengagement Secure Legitimacy? The European Angle," *Strategic Assessment*, vol. 16, no. 4, January 2014, pp. 47-58.

[132] Israel's president, Shimon Peres, and former prime ministers Ehud Olmert and Ehud Barak have reportedly warned that "unless the occupation of the bulk of the West Bank ends, or Palestinians in the West Bank are given full voting rights in Israel, the country will lose its claim to be a democracy. It will, says Mr. Peres, become a 'pariah', just as South Africa did. The BDS [boycott, divestment, and sanctions] campaign may thus, he implies, become unstoppable. Even the Americans might find it hard to go on backing Israel come hell or high water." "Could two become one?" *Economist*, March 16, 2013.

[133] See, e.g., Barry Rubin, "The Region: Is Israel losing support?" *jpost.com*, January 6, 2013.

[134] For example, in response to Israel's announcement of plans to expand settlement construction in the West Bank and East Jerusalem following the United Nations General Assembly vote in November 2012 to change the observer status of "Palestine" (the PLO) within the U.N. system from that of an entity to a "non-member state," former Israeli prime minister Ehud Olmert was quoted as saying, "Netanyahu is isolating the State of Israel from [the] entire world in an unprecedented way, and we are going to pay a difficult price for this in every aspect of our lives." "Former PM Olmert: (continued...)

The possibility of international "isolation" of Israel has been increasingly discussed in international media. Palestinian leaders might in the future pursue international initiatives patterned after those in 2011 and 2012 in the United Nations and the U.N. Educational, Scientific and Cultural Organization (UNESCO) (see "Peace Process Diplomacy" below). In addition, 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.[135] 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, raising attention and controversy with U.S. higher education institutions and lawmakers. In June 2014, the U.S. Presbyterian Church voted to divest its financial holdings from three U.S.-based companies that do business with Israeli parties in the West Bank.[136] Additionally, some European countries' pension funds and companies have withdrawn investments or canceled contracts. However, some reports question whether such developments are properly characterized as constituting a boycott or even a significant threat to Israeli economic activity.[137]

Prospects of reduced European Union (EU)-Israel economic cooperation have fueled statements of concern by Israeli Finance Minister Yair Lapid, given that the EU is Israel's largest trading partner.[138] 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 talks, the EU has informed Israel that it does not allow the import of poultry products produced in Israeli West Bank settlements, apparently due to EU directives that became effective in January 2014 that do not recognize the jurisdiction of Israeli veterinarians supervising poultry production in the West Bank.[139] It is also possible that the EU might consider labeling Israeli products in a way distinguishing those produced in the settlements from those within Israel's pre-1967 lines.[140] 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."[141] Various reports indicate that the EU may be

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Netanyahu is isolating Israel from the rest of the world," *haaretz.com*, December 8, 2012.

[135] See Sean F. McMahon, "The Boycott, Divestment, Sanctions Campaign: Contradictions and Challenges," *Race & Class*, vol. 55, issue 4, July-September 2014.

[136] Mike Eckel, "US Presbyterian Church to Divest from Israeli-Linked Investments," *Voice of America*, June 21, 2014.

[137] See, e.g., David Rosenberg, "Don't Buy the Boycott Hype," *Wall Street Journal Europe*, February 28, 2014; Crispian Balmer, "The threat of Israel boycotts more bark than bite," *Reuters*, February 23, 2014.

[138] "A campaign that is gathering weight," *Economist*, February 8, 2014. See footnote 229 for information on Israel-EU trade as a percentage of Israel's total trade volume.

[139] "Europe Bans Eggs and Chicken From Settlements," *JTA*, May 23, 2014.

[140] EU foreign policy chief Catherine Ashton has asserted that such labeling guidelines would represent "effective implementation of existing EU legislation." Text of July 8, 2013, letter from Ashton to European Commission President Jose Manuel Barroso and seven commissioners, quoted in Stuart Winer, "Full text of EU foreign policy chief's letter on settlement labeling," *Times of Israel*, July 23, 2013.

[141] 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.

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.[142]

Some Members of Congress argue that the BDS movement is discriminatory and are seeking legislative options to limit its influence. For example, H.R. 4009 (The Protect Academic Freedom Act) would prohibit institutions of higher education from receiving federal funds if they participate in boycotts of Israeli institutions or scholars.

Israel is likely to need U.S. help in improving or mitigating the damage done to various regional and international relationships, though even with this help, any repairing of relationships 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 Turkish Prime Minister 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."[143] However, subsequent difficulties in concluding such an agreement have been compounded by a number of developments, including statements from Erdogan blaming Egypt's July 2013 military takeover on Israel, 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.[144] Though there have been indications from Erdogan that Israel-Turkey relations could be normalized some time in 2014, debate persists on the extent to which rapprochement is likely, and how it might take place.

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

[142] Raphael Ahren, "EU Offers 'Unprecedented' Aid to Israelis, Palestinians for Peace Deal," *Times of Israel*, December 16, 2013.

[143] 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 non-governmental organization to carry goods to the Israeli-blockaded Gaza Strip. Under disputed circumstances, the commandos reportedly killed eight 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. Negotiations are ongoing regarding compensation, and Turkish officials are indicating that they might interpret Israel's allowance of Turkish humanitarian aid shipments to Gaza as a lifting of the closure regime.

[144] David Ignatius, "Turkey blows Israel's cover for Iranian spy ring," *Washington Post*, October 16, 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.[145]

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.[146]

These efforts would seek to perpetuate and bolster the already strong popular and official U.S. commitment to Israel's security. According to one U.S. commentator, American Israel Public Affairs Committee (AIPAC) president Michael Kassen has deplored what he describes as "the 'growing allure of isolationism' in America, which is another way of saying that Israel, among other nations, may command less deference and interest among a new and younger generation of legislators."[147]

Israel-sponsored efforts to emphasize its importance to the United States also may aim to minimize possible demands by U.S. policy makers for Israel to compensate the United States for a potentially greater commitment to Israel in response to regional challenges.[148] Expectations among some U.S. officials could include greater Israeli deference to and coordination with the United States on regional military action and on diplomacy with Palestinians. This could fuel or intensify U.S.-Israel disagreement over how Israel might continue its traditional prerogative of "defending itself, by itself," while also receiving external assistance.

Security Cooperation[149]

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

[145] Malka, op. cit., pp. 93-94.

[146] See, e.g., Michael Eisenstadt and David Pollock, *Asset Test: How the United States Benefits from Its Alliance with Israel*, Washington Institute for Near East Policy, September 2012.

[147] Jacob Heilbrunn, "Israel's Fraying Image," *National Interest*, May/June 2013.

[148] According to one 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.

[149] 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.

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, then U.S. Secretary of Defense Caspar Weinberger and Israeli Defense Minister Ariel Sharon signed a memorandum of understanding (MOU) establishing a framework for consultation and cooperation to enhance the national security of both countries. In November 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 June 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 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.

Congress and the President enacted the U.S.-Israel Enhanced Security Cooperation Act (P.L. 112-150) in July 2012. The act contains non-binding "sense of Congress" language focusing largely on several possible avenues of cooperation discussed below, including 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 Israel's Iron Dome anti-rocket system and U.S.-Israel cooperative missile defense programs. The act also extended deadlines for Israel to access U.S. military stockpiles.

U.S.-Israel Strategic Partnership Act of 2014

In early March 2013, slightly differing versions of a U.S.-Israel Strategic Partnership Act of 2013 were introduced in the House (H.R. 938) and the Senate (S. 462) with bipartisan co-sponsors.[150] Both versions referred to 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—and contained various other provisions encouraging continued and expanded U.S.-Israel cooperation in a number of areas. Both versions also sought to extend the war reserves stockpile authority[151] for Israel (WRSA-I) through FY2015, and 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.[152]

On March 5, 2014, the House passed H.R. 938 (now known as the United States-Israel Strategic Partnership Act of 2014) after the following amendments were added:

- A passage from a House-passed bill (H.R. 1992)[153] that would require the President to report to Congress on Israel's QME every two years instead of the current requirement of every four years.
- A passage from H.R. 1992 that would require the Secretary of State to report on "the range of cyber and asymmetric threats posed to Israel by state and non-state actors" and "the joint efforts of the United States and Israel to address the threats."
- A passage that would authorize $3 million to be spent on research pilot programs between Israel and the Department of Homeland Security.
- A passage 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 strategic interests of the United States."

In May 2014, S. 462 was reportedly suspended from consideration by the Senate Foreign Relations Committee after Senator Bob Corker added an amendment.[154] The amendment, which the Obama Administration strongly opposed, would have required the Administration to submit any subsequent agreement with Iran on its nuclear program to Congress within three days for scrutiny and possible disapproval.[155]

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[150] To date, S. 462 has at least 63 co-sponsors.

[151] For information on the 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

[152] 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.

[153] H.R. 1992, the Israel QME Enhancement Act, passed the House by a vote of 399-0 on December 11, 2013.

[154] Chemi Shalev, "Obama administration blasts Corker Amendment: We can't have 535 negotiators with Iran," *Ha'aretz*, May 21, 2014. Text of the amendment is available at http://www.scribd.com/doc/224546275/Dav-14623.

[155] Josh Rogin, "Key Senator Wants to Force Vote on Iran Deal," *Daily Beast*, May 16, 2014.

In July 2014, a new Senate version of the Act (S. 2673) was introduced that adopted many substantive provisions (some in slightly adapted form) of the version of H.R. 938 that passed the House. The provisions on QME:

- would not require biennial executive branch reports, and would not require a report on cyber and asymmetric threats posed to Israel (though it would require a report on the "feasibility and advisability of expanding United States-Israeli cooperation on cyber issues"), but would require that two years after each quadrennial report the President reevaluate the QME assessment and inform and consult with the appropriate congressional committees on the subject; and
- would require that executive branch determinations regarding the legality of potential sales to regional actors, in light of QME standards, include evaluations of how the potential 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.

See "Pending Visa Waiver Legislation" below for information on how both the House and Senate versions of the Act address the issue of Israel's possible inclusion in the U.S. visa waiver program.

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 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."[156] In parallel with this legal requirement, U.S. and Israeli officials continually signal their shared understanding of the U.S. commitment to

[156] §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 non-state 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 non-state actors." The details of official U.S. assessments of QME are generally classified.

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. As mentioned above, H.R. 1992 and H.R. 938 would require a report on cyber and asymmetric threats to Israel and U.S.-Israel efforts to address these threats.

Additionally, 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.[157] Former Secretary of 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.[158]

However, absent legislative clarification, the legality of future U.S. arms sales to other regional 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. policy makers.

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,[159] 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.[160] 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

[157] Barbara Opall-Rome, "Israeli Brass Decry U.S. Arms Sales to Arab States," *DefenseNews*, January 23, 2012. According to this article, the U.S. side of the working group is led by the Undersecretary 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.

[158] 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 would 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.

[159] 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.

[160] 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.

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."[161] Additionally, as mentioned above, S.Res. 65, which the Senate passed in May 2013, 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" in connection with certain specified contingencies relating to Iran's nuclear 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.[162]

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 even codifying the concept of helping maintain Israel's "qualitative military edge" (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. From 1976 to 2004, Israel was the largest annual recipient of U.S. foreign assistance, but has since been supplanted—first by Iraq, then by 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. The remaining 4 years of a 10-year bilateral memorandum of understanding commit the United States to $3.1 billion annually from FY2015 to FY2018, subject

[161] 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.

[162] 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.

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).

During an April 2013 visit to Israel, Secretary of Defense Chuck Hagel confirmed arms sales worth a total of $10 billion to Israel, Saudi Arabia, and the United Arab Emirates.[163] The deal, which most observers assert is intended to counter Iranian regional influence, would reportedly include new-generation KC-135 refueling tankers that could increase Israeli long-range strike capabilities, such as for military action against Iranian nuclear facilities.[164] It would also include the sale to Israel of the advanced tilt-rotor V-22 Osprey aircraft, which had not previously been sold to foreign countries. In a report before the deal's official announcement, a *New York Times* article stated that "Congressional officials said members were seeking assurances that the package was in keeping with American policy to guarantee Israel's 'qualitative military edge' while not recklessly emboldening Israeli hawks."[165]

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

Table 3. 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	—

[163] David Alexander, "Arms deal with Middle East allies signal to Iran: Hagel," *Reuters*, April 21, 2013.

[164] Thom Shanker, "Arms Deal with Israel and 2 Arab Nations Is Near," *New York Times*, April 19, 2013.

[165] Ibid.

Year	Total	Military Grant	Economic Grant	Immig. Grant	ASHA	All other
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 Request	3,110.0	3,100.0	—	10.0	—	—
Total	**121,357.57**	**73,623.4**	**30,897.0**	**1,698.2**	**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 system[166] and joint U.S.-Israel missile defense programs such as Arrow and David's Sling.[167] During the July 2014 Israel-Gaza conflict, Secretary of Defense Chuck Hagel sent a letter to congressional leaders advising them that—due to the conflict—Israel has 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.[168] Initial indications are that there is substantial congressional support for Secretary Hagel's request, but that some Senators disapprove of grouping the supplemental funding proposal with a politically controversial spending measure in the same legislative vehicle (S. 2648, Emergency Supplemental Appropriations Act, 2014).[169] Some reports in July 2014 indicate that possible cyberattacks from China may have targeted Israeli defense companies' systems and/or information in connection with Iron Dome and the Arrow III program.[170]

[166] Reports based on Israeli military sources indicate that initial uses of Iron Dome in 2011 and 2012, including during the November 2012 Israel-Gaza conflict, showed a high rate of success—possibly around 80%—in intercepting short-range rockets fired from Gaza. It is unknown if the United States or another third party has independently verified Israeli claims, and analysts have debated the claims' validity. 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.

[167] For one analysis of Iron Dome and its possible implications for U.S. and Israeli missile defense efforts, see Peter Dombrowski, *et al.*, "Demystifying Iron Dome," *National Interest*, July-August 2013.

[168] 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.

[169] John M. Donnelly and Tamar Hallerman, "GOP Senators Howl About Linking 'Iron Dome' Money to Supplemental," *cq.com*, July 23, 2014.

[170] Samuel Gibbs, "Chinese hackers steal Israel's Iron Dome missile data," *theguardian.com*, July 29, 2014.

Table 4. Defense Budget Appropriations for U.S.-Israeli Missile Defense: FY2006-FY2015 Request

(historical $ in millions)

Fiscal Year	Arrow II	Arrow III (High Altitude)	David's Sling (Short-Range)	Iron Dome	Total
FY2006	122.866	—	10.0	—	**132.866**
FY2007	117.494	—	20.4	—	**137.894**
FY2008	98.572	20.0	37.0	—	**155.572**
FY2009	74.342	30.0	72.895	—	**177.237**
FY2010	72.306	50.036	80.092	—	**202.434**
FY2011	66.427	58.966	84.722	205.0	**415.115**
FY2012	58.955	66.220	110.525	70.0[a]	**305.700**
FY2013[b]	40.800	74.700	137.500	194.0	**479.736**
FY2014	44.363	74.707	149.712	235.309	**504.091**
FY2015 Request	(Part of total)	(Part of total)	(Part of total)	175.972	**272.775**[c]

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 Missile Defense Agency (MDA)'s FY2015 request includes $96.803 million for all three Israeli Cooperative Programs (Arrow II, Arrow III, and David's Sling) and a separate request for $175.9 million for Iron Dome. The MDA forecasts Israeli Cooperative spending over several fiscal years in advance. Congress has appropriated funding for these various programs exceeding MDA's request over the past several fiscal years. MDA requests for Israeli Cooperative programs (not including Iron Dome) from FY2011 to FY2014 have been $122 million (FY2011), $106.1 million (FY2012), $99.83 million (FY2013), and $95.78 million (FY2014). Based on reports from the House (H.Rept. 113-473) and Senate (S.Rept. 113-211) Appropriations Committees in June and July 2014, respectively, accompanying the Department of Defense Appropriations Act, 2015 (H.R. 4870), Congress appears set to appropriate the following amounts for FY2015 on top of the FY2015 Administration request: $175 million for Iron Dome (subject to reporting requirements relating to U.S. co-production), and $172.039-173.8 million for Israeli Cooperative programs. That would result in total FY2015 appropriations of $56.201 million for Arrow II, $74.707-76.468 million for Arrow III, $137.934 million for David's Sling, and $350.972 million for Iron Dome.

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

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, Israeli leaders appear to have become increasingly concerned—given ongoing Arab political change—that they are much 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.[171] 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 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.[172]

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 Green Line were only partially successful (see "Settlements" below) and did not lead to a meaningful resumption of negotiations.[173]

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 "non-member state."[174] This took place a year after the PLO gained admission in November 2011 to the U.N. Educational, Scientific and Cultural Organization (UNESCO).[175] The change that Resolution 67/19 made to the PLO's U.N.

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[171] Egypt and Jordan were 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.

[172] 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 then Crown Prince (now King) Abdullah of 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.

[173] 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.

[174] 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.

[175] However, the PLO's fall 2011 application to obtain membership in the United Nations has not cleared the U.N. (continued...)

permanent observer status is largely symbolic. However, it may increase the probability of Palestinians and other international actors taking future steps—particularly in the International Criminal Court (ICC)—toward legal action against Israelis for alleged violations of international laws and norms regarding the treatment of people and property in the West Bank and Gaza.[176]

The Issues

Media reports indicate that substantive differences divide Israeli and Palestinian negotiators on core issues of dispute. PLO Chairman Mahmoud Abbas is reportedly reluctant 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.[177] Other Arab foreign ministers reportedly informed Secretary of State John Kerry that they will "not accept Israel as a Jewish state nor compromise on Palestinian sovereignty in Jerusalem."[178] Prime Minister Netanyahu has repeatedly raised the issue of Jewish refugees from predominantly Muslim Middle Eastern countries, though it is unclear to what extent Israel plans to insist that the issue be considered in the negotiations alongside that of Palestinian refugees.[179]

(...continued)

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.

[176] An April 2012 opinion by the ICC's Office of the Prosecutor (OTP), which determined that there was no basis for it to consider a 2009 declaration of consent by "Palestine" to ICC jurisdiction in the West Bank and Gaza, appeared to rule that guidance from the U.N. General Assembly might help determine whether the PLO or Palestinian Authority had competence as a state to consent to ICC jurisdiction. International Criminal Court, Office of the Prosecutor, "Situation in Palestine," April 3, 2012. In a November 2013 report, the OTP stated that Resolution 67/19 did not make the 2009 Palestinian declaration of consent valid for purposes of ICC jurisdiction, and that the OTP could not open a new preliminary examination of the situation. The OTP explained, however, that the status of Palestine as a non-member observer state in the General Assembly "is of direct relevance to the issue of the Court's jurisdiction." International Criminal Court, Office of the Prosecutor, *Report on Preliminary Examination Activities, 2013*, November 2013, pp. 53-54. Since the General Assembly's resolution, no Palestinian representative has lodged a new ad hoc declaration accepting the ICC's jurisdiction in the West Bank and Gaza. For more information on the ICC, see CRS Report R41116, *The International Criminal Court (ICC): Jurisdiction, Extradition, and U.S. Policy*, by Matthew C. Weed.

[177] 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.

[178] 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 172.

[179] 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.

Additionally, despite efforts in 2013 by Kerry and a team of U.S. experts headed by retired Marine General John R. Allen[180] to bridge the divide on security arrangements in the Jordan Valley border area of the West Bank, reports asserted that neither side embraced the proposals. PLO negotiators publicly reject an indefinite Israeli military presence within what they assert would be sovereign Palestinian territory,[181] while Israel may not be willing to agree to phase out its presence[182]—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. Contention has also persisted between the parties over possible land swaps[183] and mutual allegations of incitement and provocation.[184]

July 2013-April 2014 Israeli-Palestinian Talks

President Obama endorsed the July 2013 resumption of direct talks—facilitated under the auspices of Secretary of State Kerry—between Israeli and Palestine Liberation Organization negotiators in Washington, DC. The parties agreed on a nine-month timeline for the talks. After some seemingly conflicting statements by Secretary Kerry in late 2013 regarding whether negotiations would focus on all major issues of dispute[185] or give priority to borders and security, he reportedly sought a framework document that would clarify the parameters for final negotiations on several issues. Presumably in response to widespread observations that such a framework revisited the pattern of prior U.S.-backed formulas in using interim agreements as initial steps toward an elusive final resolution, on January 5, 2014, Kerry made the following statement in Jerusalem:

> I want to reiterate—we are not working on an interim agreement. We are working on a framework for negotiations that will guide and create the clear, detailed, accepted roadmap

[180] General Allen commanded all U.S. and U.S.-allied forces in Afghanistan from 2011 to 2013.

[181] 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=PLCapdZwzDpNlwSoHcbkXL9sMVbQcQMaQ-.

[182] Shimon Shiffer, "Ya'alon: Kerry should win his Nobel and leave us alone," *Ynetnews*, January 14, 2014. Israeli Defense Minister Ya'alon has 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.

[183] Foreign Minister Avigdor Lieberman advocates the idea of exchanging an area of Israeli territory that has large Arab population concentrations (est. 300,000, known as the "Arab Triangle") and is adjacent to the northern West Bank for Jewish settlement blocs in the West Bank. Such an exchange, which appears to be objectionable to most Palestinians and Israeli Arabs, would decrease Israel's Arab population and apparently involve revoking the Israeli citizenship of the Triangle's residents.

[184] William Booth, "Israel says Palestinians push a 'culture of hate' that could undermine talks," *Washington Post*, January 7, 2014.

[185] These include questions of security parameters, borders, Jewish settlements, water rights, Palestinian refugees, and the status of Jerusalem.

> for the guidelines for the permanent status negotiations, and can help those negotiations move faster and more effectively.[186]

Media reports during the talks revealed apparent disagreements between U.S. and Israeli officials regarding Secretary Kerry's approach,[187] as well as possible differences of opinion within the Obama Administration.[188]

As the nine-month timeline neared its end, long-standing Israeli-Palestinian differences on core issues of dispute were exacerbated by the parties' respective actions during the negotiating process.[189] After successive visits in March 2014 to Washington by Israeli Prime Minister Binyamin Netanyahu and PLO Chairman Mahmoud Abbas failed to forge consensus on a framework document, Kerry sought to have the parties agree to simply extend the negotiating timeframe. However, in late March, a previously agreed timetable for Israel's release of 26 Palestinian prisoners (which would have been the fourth such prisoner release since the resumption of talks) came and went without the release occurring, followed by an Israeli announcement related to plans for additional residential construction in East Jerusalem. On April 1, Abbas signed documents aimed at having "Palestine" accede to 15 multilateral treaties and conventions.[190] These actions led to mutual recriminations, countermoves, and increased tension in the West Bank and Jerusalem. Congressional testimony and additional leaked remarks by Secretary Kerry fueled Israeli public debate over whether Kerry was blaming or—intentionally or not—inviting opprobrium upon Israel or some of its leaders for the talks' difficulties and the lack of a conflict-ending resolution, though Kerry and Israel's Ambassador to the United States Ron Dermer indicated that this was not the case.[191] Neither Israel nor the PLO was willing to accept the other's demands in exchange for a last-minute extension of the talks.

On April 23, rival Palestinian factions Fatah (the leading group in the PLO, whose leaders in the Palestinian Authority [PA] administer portions of the West Bank) and Hamas[192] (a non-PLO group that had and still has some de facto control of the Gaza Strip) announced a deal aimed at unifying PA rule over the West Bank and Gaza and holding PA elections. This was followed by an

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[186] State Department transcript of remarks by Secretary of State John Kerry, "Remarks at Solo Press Availability," David Citadel Hotel, Jerusalem, January 5, 2014.

[187] Shiffer, op. cit.; Dan Williams, "Israel minister apologizes to Kerry over scorn for peace drive," *Reuters*, January 14, 2014.

[188] Michal Shmulovich, "'Kerry fails to get Obama backing to confront Israel on peace terms,'" *Times of Israel*, February 9, 2014; Michael Wilner, "White House reaffirms Obama support for Kerry peace push," *jpost.com*, February 10, 2014.

[189] Isaac-Dovere, op. cit.

[190] PLO Negotiations Affairs Department, "Q&A: Palestine's Accession to International Treaties," April 2, 2014, available at http://nad-plo.org/userfiles/file/fact%20sheets/Q&A%20Accession.pdf. The PLO claims that the status of the "State of Palestine" as a non-member observer state of the United Nations—a status it received pursuant to U.N. General Assembly Resolution 67/19 in November 2012—entitles it to join a total of 63 treaties, conventions, and agencies, and that it "will do so in the best interests of its people, as and when it sees fit." 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.

[191] Barak Ravid, "Lieberman: Kerry says didn't blame Israel for crisis in talks," *Ha'aretz*, April 9, 2014; Michael Gordon, "Kerry Apologizes for Remark That Israel Risks Apartheid," *New York Times*, April 28, 2014; Rebecca Shabad, "Israeli ambassador: Kerry has not threatened us," *thehill.com*, May 1, 2014.

[192] Hamas is an Islamist group designated by the U.S. government and many other Western governments as a terrorist organization.

April 24 Israeli security cabinet decision to suspend talks and not to conduct negotiations with any government formed in consensus with Hamas. In the ensuing days, President Obama and Secretary Kerry acknowledged that the talks had stalled for the time being, and expressed hope that circumstances would facilitate their continuation in the near future. Martin Indyk, a former U.S. Ambassador to Israel who had been appointed as U.S. Special Envoy for Israeli-Palestinian Negotiations in July 2013, resigned his post in June 2014.[193]

The Path Ahead

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

- How will the July 2014 Israel-Gaza conflict and its aftermath 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,[194] 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?

Jerusalem

Israel annexed East Jerusalem (which includes the walled Old City, with its Temple Mount/Haram al Sharif and Western Wall, and most of the surrounding "historic basin") and some of its immediate West Bank vicinity in 1967—shortly after occupying these areas militarily in the June 1967 Arab-Israeli War. In doing so, Israel joined these newly occupied areas,[195] 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.[196] 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.[197] Israel's annexation of areas beyond the Green Line is generally not internationally recognized.

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. Moreover, the Palestinians envisage East Jerusalem as the capital of their future state. However, the House of

[193] Rebecca Shabad, "Middle East envoy resigns after peace talks collapse in Israel," *thehill.com*, June 27, 2014.

[194] For more information on the consensus PA government, see CRS Report RS22967, *U.S. Foreign Aid to the Palestinians*, by Jim Zanotti.

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

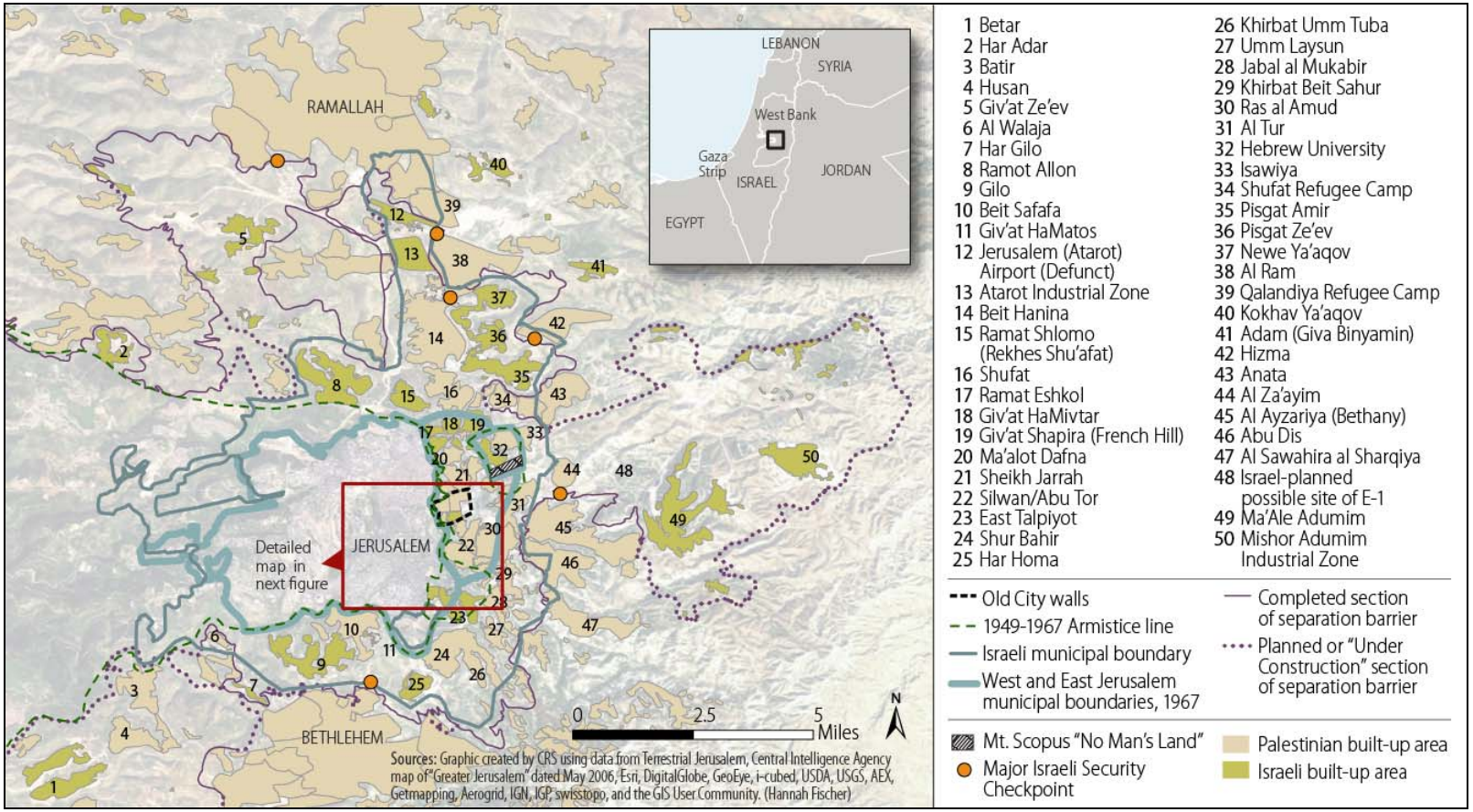
[196] In 1980, under the first Likud Party government, the Israeli Knesset passed the Basic Law: Jerusalem—Capital of Israel, which declares "Jerusalem, complete and united, is the capital of Israel." See http://www.mfa.gov.il for the complete text of the Basic Law. Israel had first declared Jerusalem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

[197] "Poll: Most Israelis Support East Jerusalem Construction," *Ynetnews.com*, March 22, 2010.

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.

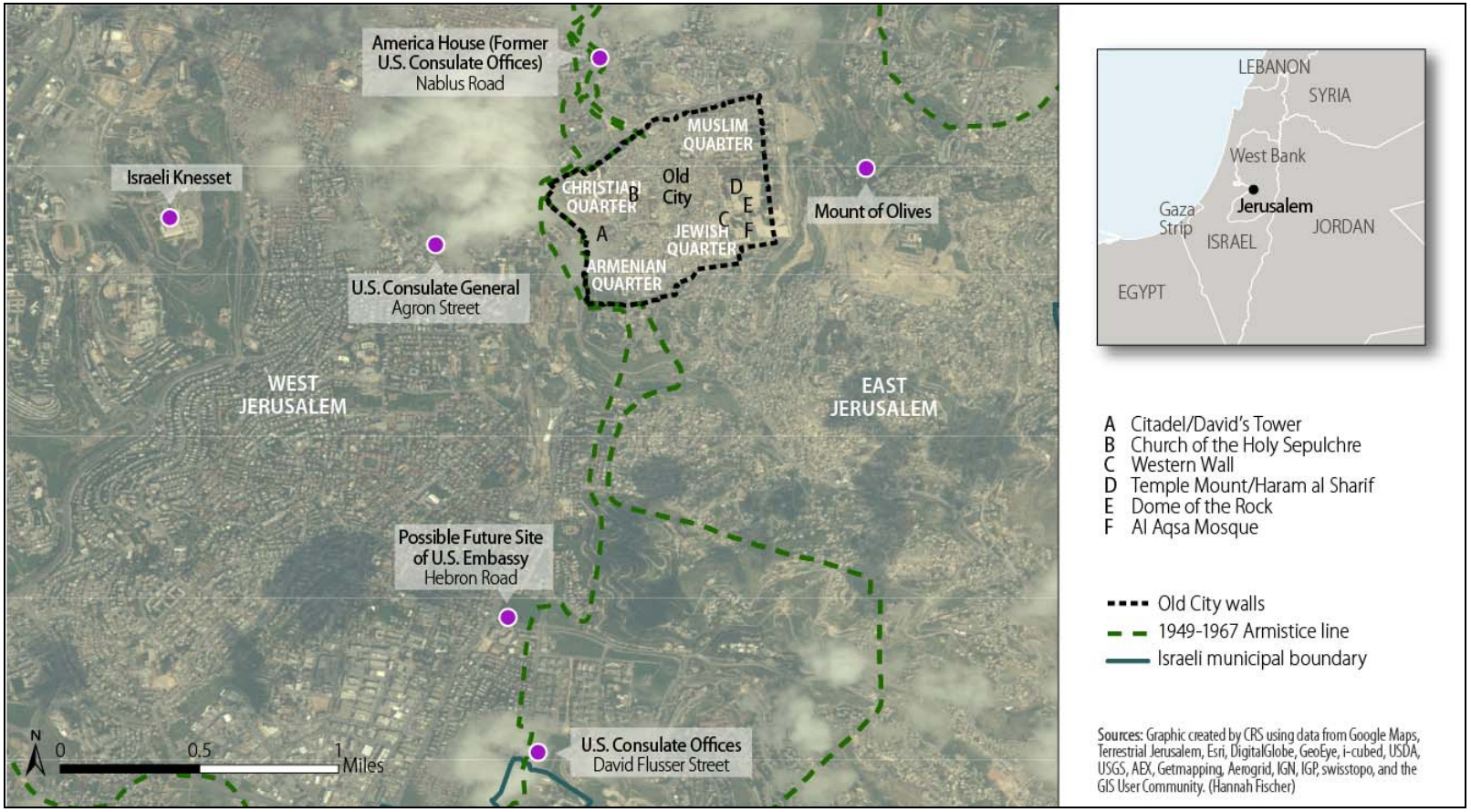
A related issue is the possible future relocation of the U.S. embassy from Tel Aviv to Jerusalem. Proponents argue that Israel is the only country where a U.S. embassy is not in the capital identified by the host country, that Israel's claim to West Jerusalem—proposed site of an embassy—is unquestioned, 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 prejudge 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.

Figure 7. Greater Jerusalem



Note: All locations and lines are approximate.

Figure 8. Jerusalem: Old City, U.S.-Relevant Sites, and Some Other Sites



Note: All locations and lines are approximate.

The State Department Authorization Act for FY2002-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. Clinton*,[198] remanded by the Supreme Court in March 2012 for further action in lower federal courts, could decide or have implications for Congress's constitutional authority on questions relating to 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. On remand, the U.S. Court of Appeals for the District of Columbia Circuit found in July 2013 that the "President's power to recognize foreign nations is exclusive and trumps Congress's authority to regulate passports."[199] The Supreme Court will reconsider the case, probably in the fall of 2014.

Over successive Congresses, including the 113th, various Members have periodically introduced substantially similar versions of a Jerusalem Embassy and Recognition Act (e.g., H.R. 104, H.R. 252, and S. 604) or thematically related bills or resolutions (e.g., H.R. 2846, H.R. 3629, and H.Con.Res. 48). 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.

Settlements

Israel has approximately 139 residential communities (known internationally and by significant segments of Israeli society as "settlements"), approximately 105 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 between 14 and 17 main residential areas there. Approximately 300,000 Israelis live in West Bank settlements, with roughly 200,000 more in East Jerusalem.[200] All of these residential communities are located in areas that the Palestinians view as part of their future state. The first settlements were constructed following the 1967 war, and were initially justified as directly associated with Israel's military occupation of the West Bank. Major residential settlement building began in the late 1970s with the advent of the pro-settler Gush Emunim ("Bloc of the Faithful") movement

[198] *Zivotofsky v. Clinton*, U.S. Supreme Court Docket No. 10-699, March 26, 2012.

[199] CRS Legal Sidebar, Jennifer K. Elsea, Legislative Attorney, "Congress Can't Dictate Jerusalem Policy," August 12, 2013, available at http://www.crs.gov/LegalSidebar/details.aspx?ID=612&Source=search. The D.C. Circuit's July 2013 opinion is available at http://www.cadc.uscourts.gov/internet/opinions.nsf/C8DC59BCC7D10E6D85257BB10051786D/$file/07-5347-1447974.pdf.

[200] These figures and additional data on settlements and outposts are available at http://www.fmep.org/settlement_info.

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. Israelis who defend the settlements' legitimacy generally use some combination of legal, historical, strategic, nationalistic, or religious justifications.[201]

The international community generally considers Israeli construction on territory beyond the Green Line to be illegal.[202] Israel retains military control over the West Bank and has largely completed the separation barrier mentioned above. The barrier 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.[203] 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.[204] A common U.S. stance has been that settlements are an "obstacle to peace." 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.[205]

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. policy makers, Arab critics routinely charge that U.S. support of Israel indirectly supports settlement activity.

Upon taking office, in the context of its attempts to restart the peace process between Israelis and Palestinians, the Obama 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

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[201] 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.

[202] 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, no international actor has superior legal claim to it.

[203] Daniel Kurtzer, "Do Settlements Matter? An American Perspective," *Middle East Policy*, vol. 16, issue 3, fall 2009.

[204] Nicholas Rostow, "Are the Settlements Illegal?" *The American Interest*, March/April 2010.

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

violates previous agreements and undermines efforts to achieve peace. It is time for these settlements to stop."[206] 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 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.[207]

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;[208] 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.

The Netanyahu government's 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 subject appears to demonstrate the government's sensitivity to these domestic concerns.[209] 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' provocations of Palestinian West Bank residents and 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

[206] 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.

[207] "United States vetoes Security Council resolution on Israeli settlements," UN News Centre, February 18, 2011.

[208] Mark Weiss, "Settlers Destroy Trees on West Bank," *Irish Times*, July 22, 2009: "Militant settlers, who often act independently, in defiance of the official settler leadership, confirmed that a 'price tag' policy exists under which revenge attacks will be carried out against Palestinians every time the government acts to remove outposts."

[209] Joel Greenberg, "Netanyahu strengthens his base within Likud," *Washington Post*, February 2, 2011.

opposition to dismantlement by relocating the displaced outpost residents within the boundaries of settlements permitted under Israeli law.[210]

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)[211] 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.[212] The United States and Israel have regularly discussed Israel's sale of sensitive security equipment and technology to various countries, especially China.[213] In 2003, Israel's 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."[214] 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.[215] In

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

[211] 22 U.S.C. §2785.

[212] 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.

[213] Office of Naval Intelligence, *Worldwide Challenges to Naval Strike Warfare*, 1996. The 1997 edition of this report 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.

[214] "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.

[215] Barbara Opall-Rome, "U.S. OKs Israel-China Spy Sat Deal," *DefenseNews.com*, 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 (continued...)

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.[216] 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.[217]

With regard to Israel-India defense industrial cooperation, in February 2014, *DefenseNews* cited representatives from Israel's Rafael Advanced Defense Systems and India's Defence Research and Development Organisation in stating that the two countries plan to collaborate on an integrated anti-missile system, with a contract expected to be signed by mid-2014.[218]

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:

> 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.[219] 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

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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."

[216] Barbara Opall-Rome, "Israel Replaces Export Control Chief After Tech Transfer to China," *DefenseNews*, January 3, 2014.

[217] Yaakov Lappin, "Report finds failings in defense export supervision," *Jerusalem Post*, July 18, 2013.

[218] Vivek Raghuvanshi, "India, Israel to Build Anti-Missile System," *DefenseNews*, February 6, 2014. India faces potential missile threats from Pakistan and China. Frank O'Donnell and Yogesh Joshi, "India's Missile Defense: Is the Game Worth the Candle," *Diplomat*, August 2, 2013.

[219] 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.

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.[220]

Espionage-Related Cases

In the past 25 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. The most prominent 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 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.[221] In early 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.[222]

Israel's Nuclear Status and Non-Proliferation[223]

Consensus among media and expert reports is that Israel possesses an arsenal of 80 to 200 nuclear weapons.[224] The United States has countenanced Israel's nuclear ambiguity since September 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.[225]

Israel's ambiguous nuclear status is viewed by some members of the international community as an obstacle to advancing non-proliferation objectives. The 1995 Non-Proliferation 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

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[220] 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.

[221] 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.

[222] Tom Cohen, "27 years later, Jonathan Pollard case remains a diplomatic thorn," *cnn.com*, April 1, 2014.

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

[224] See footnote 88.

[225] Eli Lake, "Secret U.S.-Israel Nuclear Accord in Jeopardy," *Washington Times*, May 6, 2009.

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.[226] On September 26, 2013, Iranian President Hassan Rouhani called for Israel to become a signatory to the Nuclear Non-Proliferation Treaty (NPT) under the rationale that no exceptions to nuclear nonproliferation in the Middle East should be countenanced by the international community.[227] Media reports in late October 2013 indicated that Israeli officials may be discreetly discussing with Arab and Iranian representatives the possibility of participating in a committee to discuss demilitarizing weapons of mass destruction throughout the region.[228]

Bilateral Trade Issues

The United States is Israel's largest single-country trading partner,[229] and—according to data from the U.S. International Trade Commission—Israel is the United States's 26th-largest trading partner.[230] 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 non-tariff 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 $13.7 billion in goods from and exported $22.7 billion in goods to the United States.[231] 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.[232]

The "Special 301" provisions of the Trade Act of 1974, as amended, require the U.S. Trade Representative (USTR) to identify countries which deny adequate and effective protection of intellectual property rights (IPR). In April 2005, the USTR elevated Israel from its "Watch List" to its "Priority Watch List" because it had an "inadequate data protection regime" and intended to pass legislation to reduce patent term extensions. The USTR has retained Israel on the Priority Watch List in subsequent years, including in 2012, when it was one of 13 countries on the list.[233]

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[226] Barak Ravid, "Israel opts to stay vague on chemical arms policy in wake of Syria disarmament," *haaretz.com*, October 31, 2013.

[227] Matthew Lee and Lara Jakes, "Iran's Rouhani Calls On Israel To Sign 1979 Nuclear Non-Proliferation Treaty," *Associated Press*, September 26, 2013.

[228] Sarah Leah Lawrent and M. Miskin, "Israeli, Arab Reps Meet to Discuss WMD-Free Middle East," *israelnationalnews.com*, October 31, 2013.

[229] According to a document entitled "Israel: EU Bilateral Trade and Trade with the World" generated by the European Commission's Directorate General for Trade on May 23, 2013, the countries of the European Union account for 31.6% of Israel's total trade volume, while the United States accounts for 20.1%.

[230] 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.

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

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

[233] The other 12 are Algeria, Argentina, Canada, Chile, China, India, Indonesia, Pakistan, Russia, Thailand, Ukraine, (continued...)

Pending Visa Waiver Legislation

Both the House and the Senate versions of the U.S.-Israel Strategic Partnership Act (H.R. 938 and S. 2673, respectively) would encourage Israel's inclusion in the U.S. visa waiver program.[234] The original Senate version of the Act (S. 462) would have amended the Immigration and Nationality Act (8 U.S.C. §1187(c)(2)) to exempt Israel from a requirement that links program country eligibility to a specific maximum rate of past nonimmigrant visa refusals. S. 462 also might have provided an exemption for Israel from the general legal requirement that a country provide reciprocal visa-free travel privileges to U.S. citizens if the Secretary of Homeland Security (after consultation with the Secretary of State) certifies that Israel has made "every reasonable effort, without jeopardizing the security of the State of Israel, to ensure that reciprocal travel privileges are extended to all United States citizens." The visa waiver provision in S. 462 was substantially similar to stand-alone legislation on possible Israeli participation in the visa waiver program that was introduced in 2013 in both the House (H.R. 300) and the Senate (S. 266).

The possibility of an exemption for Israel on the reciprocity requirement in S. 462 reportedly drew "criticism from lawmakers, Arab-American groups and some Jewish critics, who say it would validate Israel's practice of profiling U.S. citizens of Arab, Muslim and Palestinian extraction and often denying them entry to the country on unspecified security grounds."[235] Senator Barbara Boxer, the bill's sponsor, was cited as arguing that the provision in question would "give the United States leverage to pressure Israel" to stop the reported differential treatment of U.S. citizens based on ethnic background.[236]

Additionally, the intelligence community and officials from the State and Homeland Security departments reportedly communicated concerns to Members and committees of Congress that allowing Israel into the visa waiver program could make the United States more vulnerable to Israeli espionage, particularly industrial espionage.[237] In response to these reported concerns, Israeli officials have flatly denied that Israel conducts espionage in the United States.[238]

The Senate version of the Act that was introduced in July 2014 (S. 2673) would not expressly amend the Immigration and Nationality Act, and would not seek an exemption for Israel on the

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and Venezuela. *2012 Special 301 Report*, available at http://www.ustr.gov. According to this report, the United States and Israel reached an Understanding on Intellectual Property Rights, "which concerns several longstanding issues regarding Israel's regime for pharmaceutical products, on February 18, 2010. As part of the Understanding, Israel committed to strengthen its laws on protection of pharmaceutical test data and patent term extension, and to publish patent applications promptly after the expiration of a period of eighteen months from the time an application is filed. The Understanding provided, among other things, that Israel would submit legislation regarding these matters within 180 days of the conclusion of the Understanding. The United States agreed to move Israel to the Watch List once Israel submitted appropriate legislation to the Knesset, and to remove Israel from the Special 301 Watch List once the Government enacted legislation implemented Israel's obligations fully."

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

[235] Jonathan Broder, "AIPAC-Backed Israel Bill Stalls Over Visa Waiver Provision," *cq.com*, April 29, 2013. See also Yousef Munayyer, "A Lopsided U.S. Visa-Waiver," *New York Times*, October 28, 2013.

[236] Broder, op. cit.

[237] Jonathan Broder, "Fears of Israeli Spying Underlie Reluctance on Visa Waiver Program," *Roll Call*, April 24, 2014; 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.

[238] Stein, op. cit.; Ben-David, op. cit.

reciprocity requirement. It would authorize the Secretary of Homeland Security (in consultation with the Secretary of State) to waive the low nonimmigrant visa refusal rate requirement for Israel if the refusal rate for Israeli nationals in the previous year is less than 10%. H.R. 938 would not authorize or mandate differential treatment for Israel as a candidate for the visa waiver program, but would instead simply state that Israel should be designated a visa waiver program country when it satisfies—and as long as it continues to satisfy—the requirements for inclusion.

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. Electoral Lists Represented in Knesset

Likud (Consolidation)	Israel's historical repository of right-of-center nationalist ideology; skeptical of territorial compromise; has also championed free-market reforms. ***Leader:*** *Binyamin Netanyahu*
Yesh Atid (There Is a Future)	New pro-secular, centrist party focusing largely on socioeconomic issues, including conscription of Haredim and easing middle class burdens. ***Leader:*** *Yair Lapid*
Avoda (Labor)	Israel's historical repository of social democratic, left-of-center, pro-secular Zionist ideology; also associated with efforts to end Israel's responsibility for Palestinians in West Bank and Gaza. ***Leader:*** *Isaac Herzog*
Ha'bayit Ha'Yehudi (The Jewish Home)	Right-of-center nationalist coalition with base of support among Ashkenazi Orthodox Jews; includes core constituencies supporting West Bank settlements and annexation. ***Leader:*** *Naftali Bennett*
Yisrael Beiteinu (Israel Is Our Home)	Pro-secular, right-of-center nationalist party with base of support among Russian speakers from former Soviet Union. ***Leader:*** *Avigdor Lieberman*
Shas	Mizrahi ultra-orthodox (Haredi) party; favors welfare and education funds in support of Haredi lifestyle; opposes conscription of Haredim and compromise with Palestinians on control over Jerusalem. ***Leader:*** *Aryeh Deri*
Ha'tnua (The Movement)	New pro-secular, centrist party focusing on ending Israel's responsibility for Palestinians in West Bank and Gaza, preferably via negotiation, and preserving international support for Israel. ***Leader:*** *Tzipi Livni*
United Torah Judaism (UTJ)	Ashkenazi Haredi coalition (Agudat Yisrael and Degel Ha'torah); favors welfare and education funds in support of Haredi lifestyle; opposes conscription of Haredim; generally seeks greater application of Jewish law. ***Leaders:*** *Yaakov Litzman and Moshe Gafni*
Hadash (Democratic Front for Peace and Equality)	Israeli Arab-Jewish socialist party; supports complete Israeli withdrawal to 1949-1967 armistice lines, creation of a Palestinian state, and religion/state separation. ***Leader:*** *Mohammed Barakeh*
Ra'am (United Arab List)/ **Ta'al** (Arab Movement for Renewal)	Israeli Arab coalition with base of support among Islamists and Bedouins; supports creation of Palestinian state along 1949-1967 armistice lines. ***Leaders:*** *Ibrahim Sarsur and Ahmad Tibi*
Balad (National Democratic Assembly/"Country")	Israeli Arab party; supports a two-state solution. ***Leader:*** *Jamal Zahalka*
Meretz	Left-of-center, pro-secular Zionist party that supports initiatives for social justice and for peace with the Palestinians. ***Leader:*** *Zahava Gal-On*
Kadima (Forward)	Centrist party offshoot from Likud espousing similar principles to Ha'tnua; top vote-getter in 2006 and 2009 elections. ***Leader:*** *Shaul Mofaz*

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