



**Congressional
Research Service**

Informing the legislative debate since 1914

Israel: Background and U.S. Relations

Jim Zanotti

Specialist in Middle Eastern Affairs

February 27, 2015

Congressional Research Service

7-5700

www.crs.gov

RL33476

Summary

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

Israel has many regional security concerns. Aligning U.S. and Israeli policies to address these concerns has presented persistent challenges. By voicing criticism of international diplomacy on Iran's nuclear program, Prime Minister Binyamin Netanyahu may seek to give Israel a voice in an ongoing negotiating process in which it does not directly participate, though observers debate whether his efforts are more likely to boost or diminish his influence over outcomes. Netanyahu is scheduled to address a joint meeting of Congress on the matter on March 3, 2015. In addition to concerns over Iran, Israel's perceptions of security around its borders have changed since 2011 as several surrounding Arab countries have experienced political upheaval. Israel has shown particular concern about threats from Hezbollah, the Islamic State organization, and other non-state groups in ungoverned or minimally governed areas in Syria, Lebanon, and Egypt's Sinai Peninsula, as well as from Hamas and other Palestinian terrorist groups in the Gaza Strip.

Israel's political impasse with the Palestinians continues, and the most recent round of talks ended unsuccessfully in April 2014. Periodic Israeli-Palestinian violence occurs and could recede or intensify based on a number of factors. Despite U.S. and Israeli opposition to Palestinian diplomatic and legal initiatives amid concerns about increasing international "isolation" of Israel, Palestinians have resumed these initiatives, which appear to be aimed at improving their standing and leverage. Israel has militarily occupied the West Bank since the 1967 Arab-Israeli war, with the Palestinian Authority exercising limited self-rule in some areas since the mid-1990s. Activities facilitated by successive Israeli governments have resulted in approximately 500,000 Israelis living in residential neighborhoods or "settlements" in the West Bank and East Jerusalem. These settlements are of disputed legality under international law. Israel considers all of Jerusalem to be the "eternal, undivided capital of Israel," but Palestinians claim a capital in East Jerusalem and some international actors advocate special political classification for the city or specific Muslim and Christian holy sites. Although Israel withdrew its permanent military presence and its settlers from the Gaza Strip in 2005, it still controls most access points. The territory presents complicated security and political challenges for Israel.

Despite its unstable regional environment, Israel has developed a robust economy and a vibrant democracy, though how to incorporate Arab citizens into the state and society remains challenging. Recent exploitation of offshore natural gas raises the prospect of a more energy-independent future, while economic debates focus largely on cost-of-living and inequality issues. Israel's demographic profile appears to affect its political orientation. Various leaders vie for public support by interweaving ideology with ethnic, religious, socioeconomic, and national security considerations. National elections scheduled for March 17, 2015, will probably be a close contest between Netanyahu's Likud party and the Zionist Union led by Yitzhak Herzog of Labor and Tzipi Livni of Ha'tnua.

Contents

Introduction.....	1
Country Background.....	2
Historical Overview.....	2
Demographic and Political Changes.....	3
Government and Politics	4
Overview	4
March 2015 Elections: Candidates, Issues, and Prospects.....	7
Economy.....	9
Israel’s Security Concerns	11
General Threat Perceptions	11
Challenges from Iran and Arab Neighbors	12
Iran	13
Syria and Iraq	16
Egypt	17
Rocket Threat from Lebanon and Gaza.....	18
The Palestinian Issue	19
Recent Unrest and Israeli Responses.....	20
Possible Israeli Options.....	21
Concerns Regarding International Isolation and Economic Effects	22
International Initiatives and the Boycott, Divestment, and Sanctions (BDS) Movement	23
Relationships with Europe, Turkey, and Other Countries	25
Key U.S. Policy Issues.....	27
Overview and Recent Differences Among Leaders.....	27
Security Cooperation.....	29
Background	29
Recent U.S. Legislation.....	30
Preserving Israel’s Qualitative Military Edge (QME).....	31
U.S. Security Guarantees?.....	32
U.S. Aid and Arms Sales to Israel.....	33
Iron Dome and Missile Defense Cooperation	35
Israeli-Palestinian Issues	37
Peace Process Diplomacy and International Involvement	37
Jerusalem.....	40
Settlements	45
Sensitive Defense Technology and Intelligence Issues	48
Israeli Arms Sales to Other Countries	49
End-Use Monitoring.....	50
Espionage and Espionage-Related Cases.....	50
Israel’s Nuclear Status and Nonproliferation.....	51
Bilateral Trade Issues	52

Figures

Figure 1. Map of Israel	5
-------------------------------	---

Figure 2. Consolidated Israeli Election Polls..... 8
Figure 3. Greater Jerusalem 43
Figure 4. Jerusalem: Old City, U.S.-Relevant Sites, and Some Other Sites 44
Figure C-1. Eastern Mediterranean Energy Resources Map..... 58
Figure C-2. Israel’s Primary Energy Consumption Mix 59
Figure C-3. Israel’s Natural Gas Production, Imports, and Consumption 59

Tables

Table 1. Basic Facts 10
Table 2. U.S. Bilateral Aid to Israel 35
Table 3. Defense Budget Appropriations for U.S.-Israeli Missile Defense: FY2006-
FY2016 Request 36

Appendixes

Appendix A. U.S.-Based Interest Groups Relating to Israel..... 53
Appendix B. Profiles of Leading Israeli Political Figures..... 54
Appendix C. Natural Gas Resources and Export Possibilities 57

Contacts

Author Contact Information..... 64

Introduction

U.S.-Israel defense, diplomatic, and economic cooperation has been close for decades. U.S. policymakers often consider Israel's security as they make policy choices in the region. Israel has relied on U.S. support for its defense posture, despite reported private and sometimes public disagreements between U.S. and Israeli officials on how to respond to and prioritize various security challenges. Congress provides active oversight of the executive branch's dealings with Israel. Some Members of Congress 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, 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.

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 Palestinian cells advocating global jihadism—for attacks on Israeli targets. At the same time, many large and small Israeli population centers remain threatened by rocket fire from Hamas and other terrorist groups in Gaza, as demonstrated by an Israel-Gaza conflict in the summer of 2014.

Israel's disputes continue with the Palestine Liberation Organization (PLO) over the terms of a potential peace agreement on "final-status issues" including security parameters, borders, Jewish settlements, 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 (PA) government pursuant to an agreement with the Sunni Islamist group Hamas (a U.S.-designated terrorist organization) in an attempt to end seven years of divided rule in parts of the West Bank and in Gaza. However, various developments, including Hamas's continued de facto control over Gaza, have raised doubts regarding the viability of unified PA rule and current Israeli, Palestinian, and international approaches toward Gaza.

Failure by Israelis and Palestinians to resume negotiations could have a number of regional and global implications. Palestinian leaders have resumed international initiatives to advance Palestinian statehood claims and appear to be encouraging or taking advantage of international legal and economic pressure on Israel to improve the Palestinian negotiating position on final-

status issues. Implications for final-status issues could also follow from unilateral Israeli efforts regarding security arrangements and construction in the West Bank and East Jerusalem. Such matters attract significant interest within the United States and among a number of other international actors. During 2014, unrest and Israeli-Palestinian violence intensified in Jerusalem, with some ripple effects in the West Bank and in Arab communities in Israel. Such developments have the potential to exacerbate existing disputes.

Country Background

Historical Overview

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

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

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

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

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,² have increased their numbers—and consequently their influence—in Israeli society. Israel also faces considerable estrangement between its Jewish and Arab citizens. Arabs comprise around 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 special treatment 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."³ These trends' likely long-term effects on Israel's internal cohesion and its ties with the United States and other international actors are unclear.

² 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.

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

Government and Politics

Overview

Israel is a parliamentary democracy in which the prime minister is head of government and the president is a largely ceremonial head of state. The unicameral parliament (the Knesset) elects a president for a seven-year term. The current president, Reuven Rivlin, took office in July 2014.⁴ 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,⁵ 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.

⁴ For a profile of Rivlin, see "Profile: Israel's President-elect Reuven Rivlin," *BBC News*, June 10, 2014.

⁵ Until a new law was passed in March 2014 changing the threshold to 3.25%, it had been 2%.

Figure I. Map of Israel



Source: Central Intelligence Agency, *The World Factbook*.

Primer on Israeli Electoral Process and Government-Building⁶

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%).⁷ 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.⁸ Since 2007, a “cooling-off law” requires that senior Israeli military officers wait at least three years before entering civilian politics.⁹

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

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 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 (the party she led before forming her current party, Ha'tnua) winning the most Knesset seats but Netanyahu's Likud leading the coalition because of an overall advantage for right-of-center parties. Also see “March 2015 Elections: Candidates, Issues, and Prospects” below.

⁶ Much of the information for this textbox comes from Israel's Ministry of Foreign Affairs website, “Elections in Israel - February 2009,” February 10, 2009. See also “A beginner's guide to Israel's elections,” *Ynetnews*, February 5, 2015.

⁷ 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.

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

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

¹⁰ According to one media report, “Under Israeli law, war must be approved by the full cabinet. But the security cabinet, whose secrecy is better enforced, can green-light more limited military ‘missions’. Making that distinction depends on whether Israel's intelligence chiefs anticipate an escalation into protracted conflict.” Dan Williams, “Netanyahu's new security cabinet may hesitate on any Iran war,” *Reuters*, March 19, 2013. Historically, Israeli prime ministers (including Netanyahu) have appeared to prefer convening the smaller forum for consultative purposes when convening the larger one is not legally required. See, e.g., Eli Lake, “Meet the Israeli ‘Octet’ That Would Decide an Iran Attack,” *Daily Beast*, March 9, 2012. For a primer on and historical overview of Israel's national security 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.

March 2015 Elections: Candidates, Issues, and Prospects

In early December 2014, Prime Minister Netanyahu, from the right-of-center¹¹ Likud party, dissolved the coalition arrangement which had formed the foundation for his government¹² and called for national elections, which have been scheduled for March 17, 2015. Differences between Netanyahu and centrist parties in his coalition on Palestinian issues and budgetary matters reportedly contributed to the decision to hold elections earlier than 2017, when they would have been required. Domestic debate had largely focused on a Netanyahu-supported, quasi-constitutional Basic Law that was proposed to define Israel as the “nation-state of the Jewish people,” with opponents asserting that such a bill could undermine Israel’s commitment to democratic principles vis-à-vis its Arab population.¹³ Many of the contrasts that the campaigning parties have drawn with one another stem from these previously debated differences, and Israel’s positions on a host of regional security and socioeconomic issues are likely to be influenced by the election results.

Polls indicate that Netanyahu’s Likud party is locked in a close contest with the Zionist Union, a combined “center-left” electoral list featuring the Labor party and Ha’tnua. Labor leader Yitzhak Herzog and Ha’tnua leader (and former foreign minister and justice minister) Tzipi Livni have agreed to serve rotating prime ministerial terms if the Zionist Union leads the next government. Many observers maintain that Netanyahu is better-positioned to form a majority coalition with other parties in the event of a tight electoral outcome. However, some analyses point to the possibility that late-breaking undecided voters, whose views of Netanyahu appear to have become increasingly negative, could tip the balance in favor of the Zionist Union. The February 2015 release of a state comptroller’s report alleging excessive use of public funds by the Netanyahu family¹⁴ might also affect the electoral picture.

According to one pollster, forming a government would require

the buy-in not just of parties in the center such as Yesh Atid and Kulanu, but also either the ultra-right Jewish Home [Ha’bayit Ha’Yehudi], the non-Zionist United Arab List, or the ultra-Orthodox parties.

What that means, in turn, is that the key votes in the March elections could actually occur after the tallies are counted, when the party leaders go to President Reuven Rivlin and tell him who they would like him to charge with the task of forming a governing coalition. In

¹¹ 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.

¹² The coalition, formed in March 2013 after January 2013 elections, had included the centrist parties Yesh Atid and Ha’tnua, the avowedly pro-settler party Ha’bayit Ha’Yehudi, and the nationalist party Yisrael Beiteinu. The centrist parties entered the ruling coalition after Likud and Yisrael Beiteinu lost seats in the 2013 elections, which appears to have reflected discontent on a number of socioeconomic issues. Major legislation during this Knesset has included laws enacted in March 2014 removing a general exemption from conscription for young Haredi men and women. Ruth Levush, “Israeli Conscription laws for Ultra-Orthodox Jews,” Law Library of Congress blog, April 17, 2014. Yitzhak Herzog is the head of the Labor party, which was the largest party in opposition before the coalition was dissolved. Other elements of the opposition had included various secular and Israeli Arab-led parties, as well as the Haredi (ultra-Orthodox) parties Shas and United Torah Judaism.

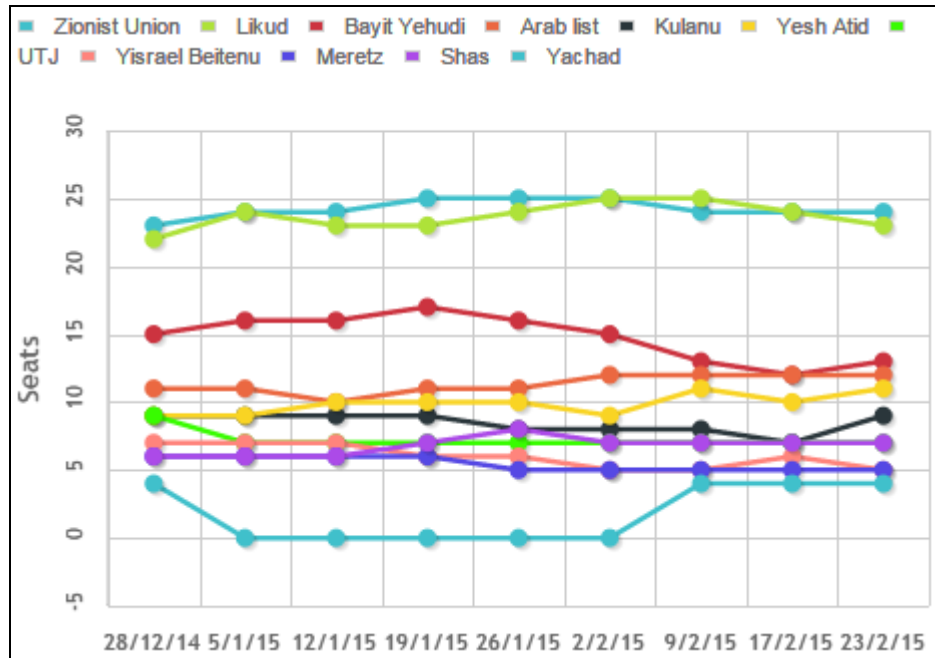
¹³ Joshua Mitnick, “Israel’s ‘Nationality Law’: What’s at stake for Jews and Arabs,” *Christian Science Monitor*, December 2, 2014.

¹⁴ Yaron Druckman, “Comptroller: Netanyahu family spending raises criminal concern,” *Ynetnews*, February 17, 2015.

that battle, the final margin between Likud and Zionist Union may be critical: If one party comes in several seats ahead, it will be difficult for the various relevant party leaders, and for the president, to choose the head of the other as prime minister-elect.¹⁵

For profiles of leading Israeli political figures, see **Appendix B**.

Figure 2. Consolidated Israeli Election Polls



Source: Britain Israel Communications & Research Centre (based on basket of selected opinion polls each week).

Note: For information on the electoral lists and candidates contesting the elections, see Open Source Center Media Note, *Israel: 2015 Election Guide Profiles Parties, Candidates*, LIL2015022454931245, February 25, 2015.

In light of the fractiousness and unpredictability of Israeli politics, a number of factors could influence and complicate the electoral picture and the government formation process. One possibility, for example, would be for Likud and Zionist Union to form a “national unity” coalition with centrist parties. According to one U.S. analyst, “Several people intimately familiar with Netanyahu’s thinking say that he prefers a unity government with Labor over a narrow right-wing government, if only because placing moderates in prominent positions could help insulate Israel from expected international pressures.”¹⁶ A number of U.S. and Israeli observers have speculated on the possible electoral impact of Netanyahu’s planned March 3 speech before a joint meeting of Congress (see “Iran” below).¹⁷

¹⁵ Stephan Miller, “1 in 4 Israelis still undecided, but more of them leaning toward Herzog,” *Times of Israel*, February 9, 2015.

¹⁶ David Makovsky, “Multipolar Israeli Race Boosts Netanyahu’s Electoral Chances,” Washington Institute for Near East Policy, PolicyWatch 2374, February 19, 2015.

¹⁷ Makovsky, op. cit.; Ben Caspit, “Bibi’s speech to Congress could tip electoral scale,” *Al-Monitor Israel Pulse*, February 17, 2015; William Booth, “Netanyahu’s U.S. speech divides Israelis,” *Washington Post*, February 12, 2015; Amiel Ungar, “Obama can’t oust Netanyahu like Bush did Shamir,” *haaretz.com*, February 10, 2015; Aaron David Miller, “Obama Is Pursuing Regime Change in Israel,” *foreignpolicy.com*, February 12, 2015; Kevin Lees, “The Real (continued...)”

Israel's Arab parties—a diverse coalition of socialists, Islamists, and Arab nationalists—have combined into a single electoral list to ensure that their votes exceed the minimum threshold. Although the Arab parties clearly oppose Netanyahu, historical precedent probably precludes the possibility of the Zionist Union relying on them to build a Knesset majority.¹⁸ Nevertheless, if the Zionist Union were to form a government, the Arab parties may support it “from the outside on some key issues, as they did during the tenure of the Rabin-Peres government of 1992-1996.”¹⁹

Although a change of government could modify Israel's diplomatic outlook and interpersonal relations among Israeli, U.S., and international leaders, it is unclear whether and how it might substantively affect Israeli policy on issues such as the status of Jerusalem, Israel-West Bank borders and security, and the Iranian nuclear issue. Former military intelligence chief Amos Yadlin is seen as likely to serve as defense minister in a Zionist Union-led government.²⁰ A Likud-led government might keep current defense minister Moshe Ya'alon, but media reports speculate that Naftali Bennett of Ha'bayit Ha'Yehudi may hope to use his heft as a possible coalition partner to obtain the position.²¹

Economy

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

Israel's economy appears to be experiencing a moderate slowdown after years of sustained, robust growth. Since 2012, annual growth has hovered between 2.5% and 3.2%, compared to 5.8% in 2010 and 4.2% in 2011.²² The slowdown has taken place largely as a result of down economies in Israel's largest export markets in Europe, North America, and China. While International Monetary Fund (IMF) growth projections for Israel remain close to 3% over the next five years,²³ the Economist Intelligence Unit projects growth to increase steadily to over 5% during that time

(...continued)

Reason Netanyahu Is Coming to Washington,” *Suffragio*, January 28, 2015.

¹⁸ “Our home too,” *Economist*, February 7, 2015. For background, see Peter Beinart, “Why Arab Parties Are Excluded From Israeli Coalitions,” *Daily Beast*, January 30, 2013.

¹⁹ Natan B. Sachs, “Israeli Elections: Who Will Win? (The Numbers, Take 1),” Markaz – Middle East Politics and Policy blog, Brookings Institution, January 22, 2015.

²⁰ In January 2014, Yadlin publicly advocated that Israel unilaterally demarcate borders between Israel and a potential Palestinian state by withdrawing from a large part of the West Bank but retaining Israeli control over major settlement blocs and the Jordan Valley. In explaining his reasoning, he said, “Israel can protect its interests (on the Palestinian issue), but it must be more flexible [regarding the peace process], and that way we will also have the ability to be firmer on the Iranian subject and get the United States on board.” Gili Cohen, “Top Israeli think tank: If talks fail, Israel should withdraw from 85% of West Bank,” *haaretz.com*, January 28, 2014.

²¹ Bennett criticized the government's prosecution of the summer 2014 conflict in Gaza as insufficiently aggressive, and favors annexation of a significant portion of the West Bank.

²² IMF World Economic Outlook database, October 2014.

²³ *Ibid.*

due to expectations of greater domestic consumption and exports, and anticipated new income from recently discovered offshore natural gas deposits (see **Appendix C**).²⁴

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.²⁵ Organisation for Economic Co-operation and Development (OECD) figures for 2010 indicated that Israel had the highest relative income poverty rate of any OECD country (slightly more than 20%) and the fifth-highest level of income inequality.²⁶ A 2015 OECD report cited a modest increase in employment figures among historically poorer ultra-Orthodox and Arab Israeli population sectors, while recommending that Israel adopt various measures to promote further growth in this area and to bolster industrial competitiveness.²⁷

Table I. 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	2.5% (2014 est.)
GDP per capita (at purchasing power parity)	\$36,200 (2013 est.)
Unemployment rate	6.0% (2014 est.)
Population below poverty line	21% (2012 est.)
Inflation rate	0.5% (2014 est.)
Budget deficit as % of GDP	2.8% (2014 est.)
Public Debt as % of GDP	65.9% (2014 est.)
Foreign exchange and gold reserves	\$86.1 billion (2014 est.)
Current account surplus as % of GDP	3.4% (2014 est.)
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,

²⁴ Economist Intelligence Unit, *Country Report: Israel*, generated February 12, 2015.

²⁵ "How Netanyahu Went from Idealism to Pragmatism on Economic Policy" Knowledge@Wharton Blog, October 10, 2012.

²⁶ OECD, "Crisis squeezes income and puts pressure on inequality and poverty," May 15, 2013.

²⁷ OECD, *Economic Policy Reforms 2015: Going for Growth*, pp. 223-226.

	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; IMF World Outlook Database; Israel Central Bureau of Statistics; *Jane's Defence Budgets*.

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.

Some unconventional threats to Israel are seen to have been reduced because of factors such as heightened security measures vis-à-vis Palestinians; missile defense systems; and reported cyber capabilities. From a physical security standpoint, Israel 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.²⁸

U.S. pursuit of diplomacy with Iran appears to exacerbate Israel's anxiety over the extent to which it can rely on its geographically distant superpower partner to actively thwart potential threats Israel faces, and to do so in the manner Israel's government prefers. This concern is attributable in part to the argument some Israelis and others have made that the level and nature of influence the United States has in the Middle East has been reduced, due to a number of political and economic factors. Others counter that substantial U.S. military assets remain deployed in the region, and that continued U.S. commitment to Israel (and other regional allies) has been reiterated by U.S. officials and reinforced through tangible means such as aid, arms sales, and missile defense cooperation. Debate continues among Israelis over the urgency of a political resolution to Israel's disputes with the Palestinians, as well as the potential regional and international consequences—including possibly increased “isolation”—if no resolution occurs.

²⁸ William Booth, “With Golan fence, Israel closer to surrounding itself with barriers,” *Washington Post*, June 6, 2013. Sharona Schwartz, “Does a Border Fence Work? Check Out the Dramatic Change After Israel Put One Up,” *The Blaze*, November 11, 2013. A proposed fence at Israel's border with Jordan is in the planning and budgeting stages. Attila Somfalvi, “Can Israel afford Netanyahu's plan for massive border fence with Jordan?,” *Ynetnews*, June 30, 2014.

Challenges from Iran and Arab Neighbors

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

- Overwhelming conventional military superiority;
- Formally ambiguous but universally presumed regional nuclear weapons exclusivity,²⁹ and
- De jure or de facto arrangements or relations with the authoritarian leaders of its Arab state neighbors aimed at preventing interstate conflict.

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

- ***Iranian Nuclear Challenge.*** Iran’s possible achievement of a nuclear weapons capability, 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 that Prime Minister Netanyahu emphasizes would pose a “grave danger” to Israel.³⁰
- ***Instability and Terrorism from Ungoverned Spaces.*** Security vacuums have spread near Israel’s borders in Syria, Lebanon, Egypt’s Sinai Peninsula, Iraq, and Libya. These areas host or could attract terrorists, weapons traffickers, criminal networks, refugees, and migrants, and thus contribute to trends that appear to threaten Israeli security. Such trends may gain new momentum in light of inroads made by the Islamic State organization (or IS, also known as ISIS or ISIL) in Syria and Iraq and the influence these developments have had elsewhere in the region. By seeking to mobilize regional popular support, the triad of (i) country-specific and region-wide anti-Israel narratives, (ii) political and religious constructs, and (iii) media platforms have the potential to magnify the impact such trends could have in undermining Israeli security.

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

²⁹ Israel is not a party to the Nuclear Nonproliferation Treaty (NPT) and maintains a policy of “nuclear opacity” or *amimut*. A consensus among media and analysts’ reports is that Israel possesses an arsenal of 80 to 200 nuclear weapons. See, e.g., Timothy McDonnell, “Nuclear pursuits: Non-P-5 nuclear-armed states, 2013,” *Bulletin of the Atomic Scientists*, vol. 69(1), 2013.

³⁰ Israeli Prime Minister’s website, transcript of Netanyahu’s remarks at the Jewish Federations of North America’s General Assembly, November 11, 2014.

Iran³¹

For several years, Israeli leaders have described Iran and its reported pursuit of a nuclear weapons capability³² as an imminent threat, though there are a range of views among Israeli officials and analysts regarding how to address the threat and the potential implications it has for Israel's security and its international relationships.³³ At a February 2015 speech before the Conference of Presidents of Major American Jewish Organizations, Prime Minister Netanyahu said:

Look at what Iran is doing now without nuclear weapons. States are collapsing. And Iran is plunging forward. It's already controlling four capitals. It's controlling now through its Houthi proxies [in Yemen] the Bab-el-Mandeb Straits. It's trying to envelope Israel with three terrorist tentacles – Lebanon, Hezbollah, Hamas in Gaza and now it's trying to build with its Hezbollah proxies a third front in the Golan. Such a regime with nuclear weapons would be infinitely more dangerous to everyone, not only to Israel.³⁴

Some Israelis voice concern about a lack of urgent action to deal with the issue on the part of U.S. and Western leaders.³⁵ Iranian leaders insist that Iran's nuclear program is solely for civilian purposes and does not pose a threat to Israel.

Israel's government 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. Netanyahu labeled as a "historic mistake" a November 2013 interim agreement (also known as the Joint Plan of Action) 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.³⁶

Israeli leaders periodically hint at the possibility of unilateral Israeli military action against Iranian nuclear program sites, but may not seriously consider conventional military action while international hopes remain for a diplomatic solution. It is unclear whether Israel is militarily

³¹ 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 R43333, *Iran: Interim Nuclear Agreement and Talks on a Comprehensive Accord*, by Kenneth Katzman, Paul K. Kerr, and Mary Beth D. Nikitin; and archived CRS Report R42443, *Israel: Possible Military Strike Against Iran's Nuclear Facilities*, coordinated by Jim Zanotti.

³² A nuclear weapons capability below the threshold of actual weapons production would entail an ability to combine, in a short period of time, fissile material with a nuclear warhead and an appropriate delivery vehicle.

³³ See transcript of testimony from Natan Sachs of the Brookings Institution from the hearing before the House Foreign Affairs Committee on July 16, 2014, at <http://docs.house.gov/meetings/FA/FA00/20140716/102496/HHRG-113-FA00-Transcript-20140716.pdf>.

³⁴ Transcript of Prime Minister Benjamin Netanyahu's Remarks Before the Conference of Presidents, February 16, 2015, from the Israeli Prime Minister's Office website.

³⁵ In March 2014, Israeli Defense Minister Moshe Ya'alon, in speaking about the Iranian nuclear issue, was quoted as saying, "People know that Iran cheats. But comfortable Westerners prefer to put off confrontation. If possible, to next year, or the next president. But in the end, it will blow up." Barak Ravid, "Defense minister leans toward Israeli operation in Iran, as Obama portrays 'weakness,'" *haaretz.com*, March 18, 2014.

³⁶ 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. See, e.g., "Unlike Netanyahu, retired generals go along with Iran deal," *UPI*, November 26, 2013.

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 first extended until late November 2014, and recently extended into 2015, Netanyahu and other Israeli officials have been publicly vocal in warning about what they characterize as the dangers of a deal that does not meet Israel's demands. 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 limiting activities connected with Iran's heavy water reactor at Arak.³⁷ Also, Netanyahu may view outspokenness as essential both in holding Iran accountable to limits or obligations it agrees to, 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.³⁸

Netanyahu accepted an invitation from Speaker of the House John Boehner to address a joint meeting of Congress in early 2015 (the speech is currently scheduled for March 3), ostensibly to support additional sanctions legislation and strict terms for a comprehensive nuclear deal with Iran, and possibly to bolster himself politically in the weeks leading up to Israeli national elections. Because the invitation was not coordinated with the White House, Netanyahu's plans have occasioned significant controversy both in the United States and in Israel (see "Overview and Recent Differences Among Leaders" below). Shortly after Netanyahu accepted the invitation, some Senators generally seen as supporting additional sanctions sent a letter to President Obama stating that they would not take action on legislation before a March 24 negotiating deadline to produce a political framework for a comprehensive agreement on Iran's nuclear program.³⁹ Additionally, some Members of Congress who characterize the planned Netanyahu speech as unhelpfully adversarial to the Administration have indicated that they will not attend, with 23 Representatives having signed a letter calling on Speaker Boehner to postpone the invitation "until Israelis have cast their ballots and the deadline for diplomatic negotiations with Iran has passed."⁴⁰ Vice President Biden is to be traveling abroad rather than attending in his capacity as

³⁷ "Israeli PM urges France to resist pressure, hold to conditions on Iran's uranium and plutonium progress," *theisraelproject.org*, November 2013.

³⁸ See, e.g., Dennis Ross, "How to ease Israel's concerns," *Washington Post*, February 22, 2015. 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., Connie Bruck, "Friends of Israel," *New Yorker*, September 1, 2014. For more information on sanctions generally, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman; and CRS Report R43311, *Iran: U.S. Economic Sanctions and the Authority to Lift Restrictions*, by Dianne E. Rennack.

³⁹ Text of letter available at <http://images.politico.com/global/2015/01/27/iranletter1.pdf>. If enacted, the Iran Nuclear Weapon-Free Act of 2015 (S. 269) would potentially establish additional sanctions if a comprehensive agreement is not reached by the June 30 deadline.

⁴⁰ Text of letter available at <http://blogs.rollcall.com/218/nearly-two-dozen-house-dems-call-for-netanyahu-delay/?dcz=>.

President of the Senate. Senator John Cornyn has proposed a resolution welcoming Netanyahu's visit and speech (S.Res. 76), and the proposal has garnered at least 50 co-sponsors.

Israeli opinions on the planned speech vary, with some commentators who publicly agree with Netanyahu's criticisms of U.S. policy apparently concerned that the speech and the publicity surrounding it could damage U.S.-Israeli relations and alienate U.S. lawmakers otherwise generally inclined to back Netanyahu-supported initiatives on Iran.⁴¹ Other Israelis, including Netanyahu, cite past instances of U.S.-Israel tension to play down the likely impact on the overall bilateral relationship. In February 2015 remarks explaining his reasons for the upcoming congressional address, Netanyahu stated:

I'm going to Washington because as Prime Minister of Israel, it's my obligation to do everything in my power to prevent the conclusion of a bad deal that could threaten the survival of the State of Israel. The current proposal to Iran would endanger Israel. It would enable Iran to breakout to its first nuclear device within an unacceptably short time. And it would allow Iran to build an industrial capability to enrich uranium that could provide the fuel for many bombs in the coming years....

Why am I going to Congress? Because Israel has been offered the opportunity to make its case on this crucial issue before the world's most important parliament; because a speech before Congress allows Israel to present its position to the elected representatives of the American people and to a worldwide audience; because Congress has played a critical role in applying pressure to the Iranian regime – the very pressure that has brought the ayatollahs to the negotiating table in the first place; and because Congress may very well have a say on the parameters of any final deal with Iran.⁴²

In testimony before the House Foreign Affairs Committee on February 25 in which he asserted that Israel's reservations were unfounded regarding international diplomatic efforts to forge a comprehensive deal on Iran's nuclear program, Secretary of State John Kerry said, "Israel is safer today with the added time we have given and the stoppage of the advances in the Iranian nuclear program than they were before we got that [interim] agreement, which, by the way, the prime minister opposed. He was wrong. And today he's saying oh, we should extend that interim agreement."

One media report citing U.S. officials closely involved with Iran nuclear negotiations has claimed that the Obama Administration decided in recent weeks to withhold the most sensitive details of the talks from Israel due to politically motivated leaks indicating that Netanyahu seeks to undermine the negotiations. When asked about whether the Administration is limiting its consultations with Israel on the issue, White House Press Secretary Josh Earnest said, "The United States is not going to be in a position of negotiating this agreement in public, particularly when we see that there is a continued practice of cherry-picking specific pieces of information and using them out of context to distort the negotiating position of the United States."⁴³

⁴¹ Booth, "Netanyahu's U.S. speech divides Israelis," op. cit.; Jodi Rudoren, "Netanyahu Says Speech to Congress Is His Duty," *New York Times*, February 11, 2015.

⁴² Transcript of Prime Minister Benjamin Netanyahu's Remarks Before the Conference of Presidents, February 16, 2015, from the Israeli Prime Minister's Office website.

⁴³ Matthew Lee, "US withholding details of Iran nuke talks from Israel," *Associated Press*, February 18, 2015.

Syria and Iraq⁴⁴

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.⁴⁵ 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.⁴⁶ Since then, Israel has engaged in periodic exchanges of fire with Syrian government and rebel forces near the Syria-Golan Heights border area.⁴⁷ Rebels, including many affiliated with Islamist groups such as the Nusra Front (also known as Jabhat al Nusra), Al Qaeda's Syrian affiliate, have wrested control of much of the territory in the Golan area from the Syrian government.

Israel's position became more complicated in January 2015 when it launched an airstrike against Hezbollah fighters in Syria who may have posed a threat to Israel's military in the Golan. The strike killed six while also killing a general from the Quds Force of the Iranian Revolutionary Guard Corps who was with the militants. Hezbollah retaliated from Lebanon with an anti-tank missile that killed two Israeli soldiers in the disputed Sheba'a Farms area, triggering Israeli return fire that inadvertently killed a U.N. peacekeeper in Lebanon. Though speculation persists regarding the potential for another Israel-Hezbollah war, the two sides reportedly communicated mutual intentions to prevent further escalation.

In 2013, Israel reportedly shared intelligence with the United States regarding the Asad regime's alleged use of chemical weapons.⁴⁸ Following the apparent August 21 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.⁴⁹ Yet, some accounts indicated that Israeli officials had "little desire to see [Asad] 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."⁵⁰ 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

⁴⁴ For background information on Syria and Iraq, see CRS Report RL33487, *Armed Conflict in Syria: Overview and U.S. Response*, coordinated by Christopher M. Blanchard; CRS Report RS21968, *Iraq: Politics, Security, and U.S. Policy*, by Kenneth Katzman; and CRS Report R43612, *The "Islamic State" Crisis and U.S. Policy*, by Kenneth Katzman et al.

⁴⁵ Israeli officials have expressed concern about spillover threats to the Golan Heights border area. For basic information on the U.N. Disengagement Observer Force (UNDOF) that has monitored this area since the Israel-Syria cease-fire in 1974, but now operates from within Israeli-controlled territory after facing multiple attacks in the area beyond Israeli-controlled territory that it had once patrolled, see <http://www.un.org/en/peacekeeping/missions/undof/facts.shtml>.

⁴⁶ Amos Harel and Gili Cohen, "Israel attacked Syrian base in Latakia, Lebanese media reports," *haaretz.com*, January 27, 2014; Tom Vanden Brook, "Officials: Israeli airstrike inside Syria," *USA Today*, October 31, 2013; Liz Sly and Susan Haidamous, "Hezbollah warns Israel of retaliation for attack," *Washington Post*, February 26, 2014.

⁴⁷ "Israel launches airstrikes in Syria after teen is killed," *Associated Press*, June 22, 2014.

⁴⁸ See, e.g., Ronen Bergman, "The Spies Inside Damascus," *Foreign Policy*, September 19, 2013.

⁴⁹ Josef Federman, "With Eye on Iran, Israelis Seek US Action in Syria," *Associated Press*, September 2, 2013.

⁵⁰ *Ibid.*

welcomed by Israeli officials—indications of Israel’s public ambivalence regarding the outcome of Syria’s civil war continued.⁵¹

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.⁵²

The inroads made by the Islamic State organization into Syria and Iraq have raised additional Israeli security concerns. One concern is that Islamist-controlled areas of Syria are becoming safe havens for international terrorists seeking to target Israelis or Jews. According to French authorities, the French-Algerian suspect in the May 2014 shooting deaths of an Israeli couple and two other people at the Jewish Museum of Belgium (in Brussels) had spent over a year in Syria and had links with “radical Islamists.”⁵³ Although the suspects in the January 2015 Paris kosher deli and February 2015 Copenhagen synagogue killings had not been based in the Middle East, they reportedly drew inspiration from the Islamic State organization.

Another concern is that the Islamic State organization might ultimately seek to undermine order and monarchical rule in Jordan, perhaps as demonstrated by its February 2015 publicizing of a January 2015 immolation of a captured Jordanian pilot. 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.

Egypt⁵⁴

During and since Egypt’s July 2013 military-backed ouster of formerly elected president Mohammed 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.⁵⁵ Given heightened impetus in response to October 2014 attacks in Sinai that killed at least 33 Egyptian security personnel, Egypt’s military has begun efforts to create a buffer zone between Sinai and Gaza. Egyptian officials reportedly suspect that Palestinian militants aided this and previous acts of militancy in Sinai.⁵⁶ More broadly over the past year-plus, 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.⁵⁷ Israel has sought continued U.S. and international support

⁵¹ Barak Ravid, “Netanyahu’s office denies Ambassador Oren’s claim that Israel favors rebels in Syrian civil war,” *haaretz.com*, September 17, 2013.

⁵² “Israel will not accept deal that allows Iran to enrich uranium,” *israelhayom.com*, October 23, 2013.

⁵³ “Brussels Jewish Museum killings: Suspect ‘admitted attack,’” *BBC News*, June 1, 2014.

⁵⁴ For background information on Egypt, see CRS Report RL33003, *Egypt: Background and U.S. Relations*, by Jeremy M. Sharp.

⁵⁵ See, e.g., Avi Issacharoff, “Egypt’s ire raised as Hamas harbors Sinai jihadists,” *Times of Israel*, August 22, 2013.

⁵⁶ “Egypt begins work on Gaza buffer zone,” *Agence France Presse*, October 29, 2014.

⁵⁷ See, e.g., Ehud Yaari, “The New Triangle of Egypt, Israel, and Hamas,” Washington Institute for Near East Policy, (continued...)

for Egypt under its leadership since the July 2013 change of power, and Egypt continues to play a key role in political mediation involving Israel, Hamas, and other Palestinian militants.

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.⁵⁸ Additional border incursions have subsequently occurred, and rockets have periodically been fired from Sinai into Israel.

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.⁵⁹ 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 rockets and missiles.

(...continued)

PolicyWatch 2193, January 17, 2014. For more information, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

⁵⁸ Yossi Melman, "The Sinai Imbroglia," *Jerusalem Report*, August 12, 2013.

⁵⁹ 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.

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

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: "Operation Pillar of Defense (or Cloud)"

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

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

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

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

The Palestinian Issue

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.⁶⁰ Neither Israeli

⁶⁰ Ben Birnbaum and Amir Tibon, "The Explosive, Inside Story of How John Kerry Built an Israel-Palestine Peace Plan—and Watched It Crumble," *New Republic*, July 20, 2014; Edward Isaac-Dovere, "How the Obama peace process (continued...)"

leaders, nor Palestinian leaders of the Fatah and Hamas factions that are preoccupied with maintaining their domestic credibility and respective aspects of control in the West Bank and the Gaza Strip, appear disposed to make substantive compromises. See “Peace Process Diplomacy” below for information and analysis on recent developments regarding the peace process.

Though it is possible that the PA government formed via Fatah-Hamas consensus in June 2014 could eventually strengthen the domestic profile of Fatah leader and PA President Mahmoud Abbas relative to Hamas, its formation appears not to have meaningfully changed Hamas’s sway over Gaza or Hamas’s willingness to use violence against Israel, as demonstrated by the summer 2014 conflict.

Recent Unrest and Israeli Responses

At times in 2014, unrest spiked among Palestinians in Jerusalem, the West Bank, and even Arab communities in Israel for a variety of reasons. Increasingly vigorous and occasionally violent manifestations of Palestinian grievances appear to be connected with lingering resentment and new outrage over developments including:

- Efforts by some Israelis to gain greater access to and greater worship permissions on the Temple Mount/Haram al Sharif (Noble Sanctuary) in Jerusalem’s Old City. For more information, see “Jerusalem” below.
- The burning to death in July 2014 of a Palestinian teenager in Jerusalem by Israeli extremists, apparently in retaliation for the June 2014 killings of three Israeli teenagers in the West Bank by Hamas-connected Palestinian militants.
- Various indications of direct or tacit official backing for greater Jewish settlement in East Jerusalem and the West Bank, including via announcements relating to land expropriation⁶¹ and construction of Jewish residential housing that are widely opposed internationally.

Unrest has been marked by protests—with prominent participation by teenage Palestinians—aimed at Israeli security personnel, by Israeli security responses to Palestinians that are occasionally fatal and result in several injuries and detentions, and by attacks that some individual Israelis and Palestinians undertake against one another. Some observers project that unrest and violence could spiral,⁶² while others point to joint Israel-PA security efforts to prevent any such escalation in the West Bank.⁶³ Unlike during the two Palestinian *intifadas* (1987-1993 and 2000-2005), those committing violent acts appear to be acting mainly under their own initiative rather

(...continued)

went ‘poof,’” *Politico*, April 13, 2014; Nathan Thrall, “Faith-Based Diplomacy,” *Matter*, September 18, 2014.

⁶¹ For varying viewpoints on Israel’s late August announcement that it would expropriate 400 hectares (about 1,000 acres) of land near Bethlehem, see “UN: Israeli plan to expropriate W. Bank land ‘illegal,’” *i24 News*, September 2, 2014; Elliott Abrams and Uri Sadot, “Everything You Know About Israeli Settlements Is Wrong,” *foreignpolicy.com*, September 5, 2014; Akiva Eldar, “Expropriation of land reveals Netanyahu’s strategy,” *Al-Monitor Israel Pulse*, September 8, 2014.

⁶² See, e.g., Avi Issacharoff, “The Jerusalem Intifada is underway, and it’s going to get worse,” *Times of Israel*, November 21, 2014.

⁶³ Ahmad Melham, “Despite Jerusalem unrest, West Bank remains quiet,” *Al-Monitor Palestine Pulse*, November 26, 2014.

than via direct political coordination.⁶⁴ Israel's police chief has said that a lack of apparent organization makes preventing violence more difficult,⁶⁵ though Israel is reportedly implementing a number of additional security measures.⁶⁶

The unrest appears to demonstrate risks inherent in periodically recurring incidents of violence and vandalism involving Israelis (including West Bank settlers) in close proximity to Palestinians. Israeli authorities face difficulty in the daily task of restraining and protecting Israelis from such potentially inflammatory encounters. Temporary legislation was introduced in the Knesset in late November 2014, reportedly with Netanyahu's support. If it moves forward after a new government is formed, it would provide a number of disincentives for Arabs with Israeli citizenship or residency rights to engage in or support violence.⁶⁷

Possible Israeli Options

In the absence of a return to Israeli-Palestinian negotiations, Israeli leaders could face domestic pressure to devise other possible ways to reduce their country's interactions with and responsibilities for West Bank Palestinians without compromising national security.⁶⁸ The resumption of Palestinian international initiatives after the breakdown of talks in the spring of 2014 (discussed below) may be intended at least partly to improve the Palestinians' negotiating position by placing political and economic pressure on Israel. Perhaps to some extent in anticipation that this pressure could increase, political figures from the Israeli left and center, as well as some 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 observers assert that Israeli leaders face a dilemma between democracy and demography,⁶⁹ expressing concern that a "one-state reality" may be coalescing and becoming more entrenched absent a two-state solution. Past prime ministers, including Yitzhak Rabin and Ehud Olmert, claimed that coming to an arrangement with the Palestinians on the West Bank and Gaza would be necessary in order to avoid the situation—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.⁷⁰

⁶⁴ William Booth and Ruth Eglash, "Fear of deadly 'religious war' between Jews and Muslims raised after synagogue attack," *Washington Post*, November 19, 2014.

⁶⁵ "Israel to destroy Jerusalem synagogue killers' homes," *CBS News*, November 18, 2014.

⁶⁶ Hazel Ward, "Israel Is Tightening Security After Knife Attacks," *Agence France Presse*, November 11, 2014.

⁶⁷ "New legislation would crack down on terrorists in Israel," *Jewish Telegraphic Agency (JTA)*, November 26, 2014. See also William Booth and Ruth Eglash, "Likud's new get-tougher program for discouraging attacks on Israelis," November 27, 2014.

⁶⁸ Jodi Rudoren, "With Peace Talks Off, Netanyahu Looks at Unilateral Moves," *New York Times*, April 29, 2014.

⁶⁹ 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.

⁷⁰ 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.

In early 2014, some prominent Israelis sought to return “unilateral disengagement” from the West Bank to the forefront of the country’s options for dealing with the Palestinian issue.⁷¹ 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, claims among some Israeli politicians that West Bank areas constitute historically integral parts of Israel, and questions regarding possible U.S. and European stances.⁷² In a June 2014 closed-door meeting with members of the Knesset Foreign Affairs and Defense Committee, Prime Minister Netanyahu reportedly said that Israel “must separate from the Palestinians.”⁷³ However, in July 2014, during the Israel-Gaza conflict, Netanyahu was quoted as saying at a press conference that “there cannot be a situation, under any agreement, in which we relinquish security control of the territory west of the River Jordan,” and as citing potential threats that could result from a West Bank pullout.⁷⁴ Naftali Bennett, Israel’s economy minister and an apparent rival to Netanyahu for future leadership of the political right and perhaps the country, openly calls for Israel to annex a majority of the West Bank’s territory to ensure Israel’s security.⁷⁵

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 quasi-constitutional Basic Law requiring a popular referendum to approve any peace plan that would relinquish control over East Jerusalem or the Golan Heights.

Concerns Regarding International Isolation and Economic Effects

Israel and many of its supporters, along with the international media, increasingly discuss the possibility that Israel could become more “isolated” internationally.⁷⁶ 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.⁷⁷ 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.

⁷¹ 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.

⁷² 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.

⁷³ Amy Teibel, “Netanyahu Wants Separation From Palestinians, Official Says,” *Bloomberg*, June 6, 2014.

⁷⁴ David Horowitz, “Netanyahu finally speaks his mind,” *Times of Israel*, July 13, 2014.

⁷⁵ Naftali Bennett, “For Israel, Two-State Is No Solution,” *New York Times*, November 6, 2014. Bennett, who heads Ha’bayit Ha’Yehudi, supports the annexation of areas of the West Bank under current Israeli security and administrative control—known as “Area C” in reference to a 1995 Israel-PLO agreement and comprising approximately 60% of the West Bank’s territory. “Bennett calls to annex 60 percent of West Bank,” *Times of Israel*, April 27, 2014. See map in CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

⁷⁶ “Us and them,” *Economist*, August 2, 2014.

⁷⁷ See, e.g., Uriel Heilman, “Why the U.S. and Israel are not getting along,” *JTA*, September 2, 2014; Robert S. Wistrich, “Summer in Paris,” *Mosaic*, October 5, 2014.

This latter set routinely laments what they characterize as uncompromising approaches by their leaders toward charged issues like the Israeli-Palestinian conflict.⁷⁸

International Initiatives and the Boycott, Divestment, and Sanctions (BDS) Movement

Initiatives by Palestinian leaders in international fora have the potential to mobilize international sentiment in opposition to Israeli objectives. As Israeli-Palestinian peace talks faltered in early 2014, Palestine Liberation Organization (PLO) Chairman Mahmoud Abbas renewed his focus on such initiatives, which he had earlier pursued in 2011 and 2012 (see “Peace Process Diplomacy” below). In April 2014, with the most recent round of U.S.-mediated Israeli-Palestinian negotiations on the verge of collapse, Abbas and the PLO sought to accede to a number of international treaties and conventions. This contributed to ensuring the talks’ discontinuation. On December 30, 2014, a Palestinian-backed, U.S.-opposed U.N. Security Council draft resolution regarding some contentious Israeli-Palestinian issues garnered only eight of the required nine votes for adoption.⁷⁹ Shortly after that, the Palestinians submitted letters of accession to additional international treaties and conventions, including the Rome Statute of the International Criminal Court (ICC).⁸⁰

On January 16, 2015, the ICC Prosecutor announced a preliminary examination into the “situation in Palestine” to determine “whether there is a reasonable basis to proceed with an investigation” against Israelis, Palestinians, or others.⁸¹ The announcement triggered vigorous Israeli opposition in response.⁸² Palestinian leaders publicly anticipate providing information to the ICC on alleged Israeli crimes regarding both the summer 2014 Israel-Gaza conflict and settlement activity in the West Bank.

The international fallout for Israel over the summer 2014 conflict included allegations that Israel used disproportionate force in Gaza. The U.N. Human Rights Council (UNHRC) voted in July to establish a commission to investigate all possible violations of international humanitarian and human rights law in Gaza and the West Bank since June 13, 2014.⁸³ The commission is scheduled

⁷⁸ See, e.g., Alex Fishman, “Israel is lurching toward international isolation,” *Ynetnews*, November 14, 2014.

⁷⁹ U.N. Press Release: “Resolution in Security Council to Impose 12-Month Deadline on Negotiated Solution to Israeli-Palestinian Conflict Unable to Secure Nine Votes Needed for Adoption,” December 30, 2014. Among other issues, the draft resolution would have affirmed “the urgent need” to attain a negotiated two-state solution within 12 months, and would have “decided” that the solution was to be based on a number of parameters, including “a full and phased withdrawal of the Israeli occupying forces, which will end the occupation that began in 1967 over an agreed transition period in a reasonable timeframe, not to exceed the end of 2017.” See the text of the draft resolution at <http://unispal.un.org/unispal.nsf/5ba47a5c6cef541b802563e000493b8c/a12252711015996d85257dbf00536b1c?OpenD> oment. The Palestinians and Arab states are reportedly planning to arrange for the introduction of another U.N. Security Council draft resolution seeking to establish parameters for resuming Israeli-Palestinian talks, amid speculation that the change in composition of the Council from 2014 to 2015 might augur well for the draft resolution’s chances at garnering nine votes.

⁸⁰ See CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

⁸¹ ICC Press Release, “The Prosecutor of the International Criminal Court, Fatou Bensouda, opens a preliminary examination of the situation in Palestine,” January 16, 2015.

⁸² Joel Greenberg, “Netanyahu blasts international court over preliminary probe of war crimes claims,” *McClatchyDC*, January 17, 2015.

⁸³ It is unclear how the investigation and its findings will be similar to or differ from the UNHRC-mandated investigations undertaken following the December 2008-January 2009 Israel-Gaza conflict, known as the “Goldstone Report” and available at <http://www2.ohchr.org/english/bodies/hrcouncil/docs/12session/A-HRC-12-48.pdf>.

to report its findings to the UNHRC in March 2015. On July 29, 2014, the Senate passed S.Res. 526, which stated that the Senate

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

Israel's government has announced that it will not cooperate with the UNHRC-appointed commission, but that it will cooperate with an inquiry established by the U.N. Secretary-General to investigate how various U.N. sites in Gaza may have been damaged by Israel militarily and used illicitly by Palestinian militants to store weapons.⁸⁴

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.⁸⁵ 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. Some who oppose BDS measures against companies in Israel because of concerns that the movement's demands could endanger Israel's identity as a Jewish state nevertheless support efforts to divest from Israeli companies doing business in West Bank settlements.⁸⁶ 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.⁸⁷ Additionally, some European countries' pension funds and companies have withdrawn investments or canceled contracts owing to concerns regarding connections with settlement activity. However, some reports question whether such developments are properly characterized as constituting a boycott or a significant threat to Israel's economy.⁸⁸

Some Members of Congress argue that the BDS movement is discriminatory and are seeking legislative options to limit its influence. For example, a bill introduced in February 2015 (H.R. 825, United States-Israel Trade and Commercial Enhancement Act) would, among other things,

⁸⁴ Maayan Lubell, "Israel to cooperate with U.N. Gaza war inquiry," *Reuters*, September 20, 2014. Israel's military has opened a number of criminal investigations into incidents during the conflict in which Palestinian civilians were killed, possibly facilitating potential Israeli efforts to respond to the work of the UNHRC-appointed commission. Jeffrey Heller and Dan Williams, "Israel's military opens eight new probes into its Gaza war conduct," *Reuters*, December 7, 2014. William Schabas, the Canadian law professor who was initially selected to head the commission, resigned his place in February 2015 after Israel provided evidence that he had previously done paid work for the PLO. U.S. jurist Mary McGowan Davis was named to replace Schabas. "Schabas resigns as head of U.S. Gaza inquiry panel," *JTA*, February 3, 2015.

⁸⁵ See the original July 2005 "call" for BDS from various Palestinian civil society groups at <http://www.bdsmovement.net/call>. See also Sean F. McMahon, "The Boycott, Divestment, Sanctions Campaign: Contradictions and Challenges," *Race & Class*, vol. 55, issue 4, July-September 2014; Marc Tracy, "With All the Boycott Israel Talk, What Is BDS?," *newrepublic.com*, February 2, 2014.

⁸⁶ Peter Beinart, "To Save Israel, Boycott the Settlements," *New York Times*, March 18, 2012.

⁸⁷ Mike Eckel, "US Presbyterian Church to Divest from Israeli-Linked Investments," *Voice of America*, June 21, 2014.

⁸⁸ 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.

discourage prospective U.S. trade partners from engaging in “commercial discrimination” against Israel and require executive branch reports on politically motivated instances of BDS acts.⁸⁹

Relationships with Europe, Turkey, and Other Countries

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

For the past several years Europe has been increasingly ambivalent about Israel. On the one hand there is a genuine desire to work with Israel, a useful trading partner with state-of-the-art technology and science; on the other, a predisposition to use economic and diplomatic clout to express displeasure at the continuing occupation. The Europeans don’t want to lose Israel; but they do want to press it to end what they see as an illegal, immoral, and destabilizing status quo. After the collapse of the American-led peace process and in the new post-Gaza reality, Europe is looking to strike a more effective balance.⁹⁰

Israeli leaders have also manifested concern over a December 2014 ruling by the General Court of the European Union (EU) that Hamas should be removed from the EU’s common list of designated terrorist organizations on procedural grounds related to the decision-making process used in adding the group’s military wing to the list in 2001.⁹¹ The EU External Action Service responded that the ruling was not a political or substantive decision made by EU governments, and that restrictive measures against Hamas will remain in place as it appeals the court’s decision. Israel welcomed news of the appeal.⁹²

Various media outlets have questioned whether manifestations of European support for the Palestinian cause and criticism of Israel, which some Jews reportedly describe as blurring “distinctions between being anti-Israel and anti-Jew,” are cyclical episodes tied to specific events like the summer 2014 Israel-Gaza conflict or are “undermining the postwar consensus to root out anti-Semitism.”⁹³ Following terrorist killings at Jewish sites in Paris and Copenhagen in early 2015 (mentioned above), Prime Minister Netanyahu exhorted European Jews to immigrate to Israel. However, one commentator, in arguing that significant emigration from Europe is unlikely, has asserted that “while European democracies are not without their hatreds, ethnic frictions and

⁸⁹ H.R. 4009 (The Protect Academic Freedom Act) from the 113th Congress would have prohibited institutions of higher education from receiving federal funds if they participate in boycotts of Israeli institutions or scholars.

⁹⁰ Leslie Susser, “European Arm-Twisting,” *Jerusalem Report*, November 17, 2014.

⁹¹ The United States and Israel both urged the EU to maintain its sanctions against Hamas. In addition to having listed Hamas’s military wing on its common terrorist list since 2001, the EU has listed its political wing since 2003. In addition, the EU common terrorist list includes two charities that are believed to be related to Hamas: the U.S.-based Holy Land Foundation for Relief and Development; and Al-Aqsa, e.V. (or the Al-Aqsa Foundation), located throughout Europe.

⁹² Adrian Croft, “EU to appeal ruling that Hamas should be off terror list,” *Reuters*, January 19, 2015.

⁹³ Jim Yardley, “Europe’s Anti-Semitism Comes Out of the Shadows,” *New York Times*, September 23, 2014.

sociopaths (human beings live there), it is completely ahistorical to believe they are failing Jews, or any other group, in ways that are reminiscent of the 1930s and '40s.”⁹⁴ Another observer has written that Jews who emigrate from Europe may not be seeking “freedom from violence so much as the ability to live an openly Jewish life in a way that is becoming harder in Europe.”⁹⁵

Prospects of reduced European Union (EU)-Israel economic cooperation fueled statements of concern in early 2014 by then Israeli Finance Minister Yair Lapid, given that the EU is Israel’s largest trading partner.⁹⁶ The EU issued guidelines in July 2013 prohibiting funding to Israeli organizations in West Bank, East Jerusalem, or Golan Heights settlements, and only permitted Israel’s inclusion in its Horizon 2020 research and innovation program in late 2013 after Israel agreed that funding would not go to organizations operating in settlements. Following the unsuccessful end of the most recent round of Israeli-Palestinian talks, various EU countries have cautioned investors about risks involved in doing business with Israeli settlements.⁹⁷ Additionally, the EU has informed Israel that it does not allow the import of certain foods produced in Israeli settlements, apparently due to the European Commission’s nonrecognition of Israeli inspection agencies’ jurisdiction in the settlements. According to an Israeli media report, if EU guidelines are strictly adhered to, they “could affect Israeli banks and other businesses with branches in the West Bank.”⁹⁸

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.”⁹⁹ After an internal EU paper was leaked in late 2014 regarding possible responses to Israeli actions in East Jerusalem, EU foreign policy chief Federica Mogherini said, “There’s currently no question of sanctioning anybody. The question is rather how to motivate people to ... restart peace talks.”¹⁰⁰ Concerns about radicalization and acts of terror committed by European Muslims may intensify the sense of urgency among European leaders to address the Israeli-Palestinian conflict, the resolution of which many Europeans view as critical to mitigating Muslim grievances. An unnamed EU official has been cited as saying that if the next Israeli government rejects international peace initiatives and continues settlement expansion, some (but not all) major EU member states may support certain punitive economic measures against Israel.¹⁰¹ Reports regularly indicate that the EU may be willing to provide financial incentives and

⁹⁴ Bernard Avishai, “Sorry, Bibi. Europe’s Jews won’t be rushing to Israel anytime soon,” *Washington Post*, February 22, 2015.

⁹⁵ “Fear of a new darkness,” *Economist*, February 21, 2015.

⁹⁶ “A campaign that is gathering weight,” *Economist*, February 8, 2014. See footnote 195 for information on Israel-EU trade as a percentage of Israel’s total trade volume.

⁹⁷ Andrew Rettman, “EU states promote settler boycott amid Israel crisis,” *EUObserver*, July 4, 2014.

⁹⁸ Susser, “European Arm-Twisting,” *op. cit.*

⁹⁹ 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.

¹⁰⁰ Andrew Rettman, “Mogherini makes light of leaked EU paper on Israel sanctions,” *EUObserver*, November 18, 2014.

¹⁰¹ Uri Savir, “Europe determined to prevent Israeli settlement policy,” *Al-Monitor Israel Pulse*, January 25, 2015. At the EU level, such contemplated measures would require unanimous agreement among member states.

even an upgrade in ties to both Israel and the Palestinians in the event of a successful peace agreement.¹⁰²

Israel is likely to need U.S. help in improving or mitigating troubled regional and international relationships, though even with this help, any improvement may be halting and reversible. U.S.-aided efforts by Israel to repair deteriorated relations with Turkey provide an example. During President Barack Obama's March 2013 visit to Israel, Prime Minister Netanyahu apologized via telephone to then Turkish Prime Minister (now President) Recep Tayyip Erdogan for any operational mistakes by Israel during the Gaza flotilla incident of May 2010 "that might have led to the loss of life or injury," and also agreed to conclude an agreement on "compensation/nonliability."¹⁰³ However, subsequent difficulties in concluding such an agreement have been compounded by a number of developments, including negative statements from Erdogan, his associates, and pro-government Turkish media regarding Israel and Jews more generally on a number of issues; Turkey's reported ties with Hamas;¹⁰⁴ 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.¹⁰⁵

Key U.S. Policy Issues

Overview and Recent Differences Among Leaders

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 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.¹⁰⁶

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

¹⁰² Raphael Ahren, "EU Offers 'Unprecedented' Aid to Israelis, Palestinians for Peace Deal," *Times of Israel*, December 16, 2013; "Us and them," op. cit.

¹⁰³ Summary of conversation between Netanyahu and Erdogan from Israeli Prime Minister's Office website, March 22, 2013. The May 2010 Gaza flotilla incident involved the boarding in international waters by Israeli commandos of a ship that was commissioned by a Turkish Islamist nongovernmental organization to carry goods to the Israeli-blockaded Gaza Strip. Under disputed circumstances, the commandos reportedly killed 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. In addition to Netanyahu's apology to Erdogan, negotiations have been conducted regarding compensation, and Turkish officials previously indicated that they might interpret Israel's allowance of Turkish humanitarian aid shipments to Gaza as a lifting of the closure regime.

¹⁰⁴ See transcript of House Foreign Affairs Committee joint subcommittee hearing, September 9, 2014, at <http://docs.house.gov/meetings/FA/FA13/20140909/102629/HHRG-113-FA13-Transcript-20140909.pdf>.

¹⁰⁵ David Ignatius, "Turkey blows Israel's cover for Iranian spy ring," *Washington Post*, October 16, 2013.

¹⁰⁶ Malka, op. cit., pp. 93-94.

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.¹⁰⁷

These efforts would seek to perpetuate and bolster the already strong popular and official U.S. commitment to Israel's security, in light of the following quotation from an unnamed former American Israel Public Affairs Committee (AIPAC) official: "[T]he U.S. has its own foreign policy, and, while it is extremely friendly to Israel, it will only go so far."¹⁰⁸

Israel-sponsored efforts to emphasize its importance to the United States also may aim to minimize possible demands by U.S. policymakers for Israel to compensate the United States for bearing certain military, political, or economic costs as a result of supporting Israel amid regional challenges.¹⁰⁹ Expectations among some U.S. officials could include greater Israeli deference to and coordination with the United States on regional diplomacy and military action. This could fuel or intensify U.S.-Israel disagreement over the type and level of support that the United States might provide to address threats Israel perceives, or how Israel might continue its traditional prerogative of "defending itself, by itself" while also receiving external assistance.

Aligning U.S. and Israeli policies has presented challenges on some key matters of concern. Many reports indicate that President Obama and Prime Minister Netanyahu have differed on a number of issues, especially relating to Iran's nuclear program and to the Palestinians, since they both took office in 2009. Some instances have occurred in which officials from the two countries have criticized policies or actions by their bilateral counterparts. Mutual criticism in recent months has occasionally surfaced in association with the unsuccessful end of the latest round of Israeli-Palestinian talks in April 2014, the Israel-Gaza conflict in the summer of 2014 (including U.S. attempts to broker a cease-fire), and announcements by Israel related to Jewish settlements or communities in the West Bank and East Jerusalem.¹¹⁰

The Obama Administration and some Members of Congress have raised concerns and fueled public debate about the timing and nature of Netanyahu's upcoming March 3 address before a joint meeting of Congress, and the circumstances which led to its scheduling.¹¹¹ The speech will

¹⁰⁷ See, e.g., Michael Eisenstadt, "Resetting the U.S.-Israel Alliance," *War on the Rocks*, February 5, 2015. But see Richard Klass, "Is Israel Becoming a Strategic Liability," *War on the Rocks*, January 28, 2015.

¹⁰⁸ Bruck, op. cit.

¹⁰⁹ According to a 2011 report, some U.S. military officers and analysts, including "senior Pentagon officials, generals and independent defense strategists," weigh the "direct military benefits the United States receives from its partnership with Israel ... against the geopolitical costs the relationship imposes on Washington in its dealings with the broader Arab and Muslim world; some suggest a net negative outcome for Washington in the equation." Nathan Guttman, "Israel Is Strategic Asset After All," *Jewish Daily Forward*, November 18, 2011.

¹¹⁰ See, e.g., Heilman, op. cit.

¹¹¹ For historical context on the scheduled address, see CRS Report IN10236, *Foreign Heads of State Addressing Congress*, by Jacob R. Straus. For various viewpoints in the public debate, see Jeffrey Goldberg, "Israeli Ambassador: Netanyahu Never Meant to Disrespect Obama," *theatlantic.com*, January 30, 2015; Steven J. Mufson and Paul Kane, "New tensions with Netanyahu," *Washington Post*, February 26, 2015; Elliott Abrams, "U.S. and Israel: The Manufactured Crisis," *weekllystandard.com*, February 26, 2015; Aaron David Miller, "Obama Is Pursuing Regime (continued...)"

presumably implicitly or explicitly refer to points of divergence between President Obama and Netanyahu on the Iranian nuclear issue (see “Iran” above). President Obama does not plan to meet Netanyahu, citing the proximity of his visit to Israel’s March 17 elections.

Observers debate how deep-seated and long-lasting various U.S.-Israel differences might be, and whether U.S. policy questions regarding support for Israel might increasingly be contested along partisan lines. In a February 2015 interview, National Security Advisor Susan Rice said that the scheduling of Netanyahu’s planned congressional address has injected the U.S.-Israel relationship with “a degree of partisanship, which is not only unfortunate, I think it’s destructive of the fabric of the relationship.”¹¹² Israeli leaders appear to have some concerns about the U.S. commitment to regional issues implicating Israel’s security, but at the same time overall bilateral cooperation has continued and even increased by many measures on a number of issues such as security, trade, and energy. In the same interview, Rice also said that Israel is the closest U.S. ally in the region and that the Administration wants the bilateral relationship to be “unquestionably strong, immutable, regardless of political seasons in either country and regardless of which party is in control in either country.”¹¹³

Security Cooperation¹¹⁴

Background

Strong bilateral relations have fueled and reinforced significant U.S.-Israel cooperation on defense, including military aid, arms sales, joint exercises, and information sharing. It has also included periodic U.S.-Israel governmental and industrial cooperation in developing military technology.

U.S. military aid has helped transform Israel’s armed forces into one of the most technologically sophisticated militaries in the world. This aid for Israel has been designed to maintain Israel’s “qualitative military edge” (QME) over neighboring militaries, since Israel must rely on better equipment and training to compensate for a manpower deficit in any potential regional conflict. U.S. military aid, a portion of which may be spent on procurement from Israeli defense companies, also has helped Israel build a domestic defense industry, and Israel in turn ranks as one of the top 10 exporters of arms worldwide.

On November 30, 1981, the United States and Israel signed a memorandum of understanding (MOU) establishing a framework for consultation and cooperation to enhance the national security of both countries. In 1983, the two sides formed a Joint Political Military Group (JPMG) to implement provisions of the MOU. Joint air and sea military exercises began in 1984, and the United States has constructed facilities to stockpile military equipment in Israel. In 1987, Israel

(...continued)

Change in Israel,” op. cit.; Lesley Clark, “White House criticizes Netanyahu invite as breach of protocol,” *McClatchyDC*, January 21, 2015.

¹¹² Transcript of remarks by National Security Advisor Rice on *PBS: The Charlie Rose Show*, February 24, 2015.

¹¹³ *Ibid.*

¹¹⁴ 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>.

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.

Recent U.S. Legislation

Congress has recently passed two items of legislation with several provisions encouraging continued and expanded U.S.-Israel cooperation in a number of areas.

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

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

- extending the war reserves stockpile authority¹¹⁵ for Israel through FY2015;
- requiring an executive branch report to Congress on the “feasibility and advisability of expanding United States-Israeli cooperation on cyber issues”;

¹¹⁵ For information on the War Reserves Stock Allies-Israel (WRSA-I) program, under which the United States maintains munitions stockpiles for its own use and for Israel’s use in some situations with U.S. permission, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

- seeking to have the executive branch give Israel the same Strategic Trade Authorization (STA) licensing exception for certain munitions and dual-use items that 36 other countries currently have;¹¹⁶
- authorizing cooperative research pilot programs between Israel and the Department of Homeland Security; and
- amending the Energy Independence and Security Act of 2007 (42 U.S.C. §17337(a)) in a number of ways to facilitate U.S.-Israel energy cooperation, including by adding verbiage stating that “United States-Israel energy cooperation and the development of natural resources by Israel are in the strategic interest of the United States.”

P.L. 113-296 further states that Israel should be designated a U.S. visa waiver program country when it satisfies—and as long as it continues to satisfy—the requirements for inclusion.¹¹⁷

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.”¹¹⁸ In parallel with this legal requirement, U.S. and Israeli officials continually signal their shared understanding of the U.S. commitment to maintaining Israel’s QME. However, the codified definition focuses on preventing arms sales to potential regional Israeli adversaries based on a calculation of conventional military threats. It is

¹¹⁶ 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%20-%20-%20STA_Latest_eg_main_047475.pdf. Israel, along with seven other countries, currently has a more limited form of the STA licensing exception.

¹¹⁷ For more information, see CRS Report RL32221, *Visa Waiver Program*, by Alison Siskin.

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

unclear whether calls for revisiting this definition or rethinking its implementation may arise in light of the evolving nature of potential regional threats to Israel's security.

What might constitute a legally defined adverse effect to QME is not clarified in U.S. legislation. After the passage of the 2008 legislation, a bilateral QME working group was created allowing Israel to argue its case against proposed U.S. arms sales in the region.¹¹⁹ 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.¹²⁰

The U.S.-Israel Strategic Partnership Act (P.L. 113-296) enacted in December 2014 requires more frequent QME assessments and executive-legislative consultations. It also requires that future QME determinations include evaluations of how potential arms sales would change the regional balance and interact with Israeli military capabilities, while also identifying measures Israel may need to take in response to the potential sales, and assurances the United States has made to Israel or has been requested to make by Israel in connection with the potential sales. In February 2015, the members of the Senate Armed Services Committee sent letters to the Secretaries of Defense and State acknowledging the U.S. commitment to Israel's QME while urging them to expeditiously address Jordanian requests for arms and equipment related to coalition efforts against the Islamic State organization.¹²¹

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. policymakers.

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,¹²² successive Administrations have either stated or implied that the United States would help provide for Israel's defense in the context of discussing

¹¹⁹ 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 Under Secretary of Defense for Policy and Assistant Secretary of State for Political-Military Affairs, while the Israeli side is led by the Defense Ministry's policy chief and the Israel Defense Forces director of planning.

¹²⁰ Eli Lake (citing *Duty* by Robert Gates), "In Gates Book, Details of Israel's Hard Bargaining Over Saudi Arms," *Daily Beast*, January 10, 2014. Gates recounted that he told Prime Minister Netanyahu and then Defense Minister Ehud Barak that they should welcome the sale to Saudi Arabia because of a common Israeli-Saudi interest in countering Iran, and that if the Saudis did not purchase U.S. arms, they might purchase arms from countries (such as France or Russia) that would not include Israel's QME in their calculations. A former senior Pentagon official was cited as saying that Israel's concerns were based on "worries about what might happen if the House of Saud lost power to a more radical regime." *Ibid.*

¹²¹ Text of letters available at <http://www.armed-services.senate.gov/press-releases/senate-armed-services-committee-members-call-for-urgent-support-to-jordan-in-fight-against-isil>. See also Julian Pecquet, "Congress may re-examine special arms deals with Israel," *Al-Monitor Congress Pulse*, February 5, 2015.

¹²² 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.

specific threats, such as from Iran.¹²³ Both houses of Congress routinely introduce and pass resolutions supporting Israel's right to defend itself and U.S. efforts to bolster Israel's capacity for self-defense. Some resolutions have included language that could imply support for more active U.S. measures to defend Israel. For example, H.Res. 523 and H.Con.Res. 21, both of which overwhelmingly passed the House (in 2005 and 2007, respectively) and addressed a possible Iranian threat, also both reasserted the "commitment of the United States to defend the right of Israel to exist as a free and democratic state."¹²⁴ Additionally, S.Res. 65, which the Senate passed in May 2013, reasserted a U.S. commitment to "ensuring the existence, survival, and security" of Israel and stated that the United States should provide "diplomatic, military, and economic support to the Government of Israel in its defense of its territory, people, and existence" if Israel is "compelled to take military action in legitimate self-defense against Iran's nuclear weapons program."

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

Such an arrangement would seem to be a "no-brainer" for Israel. Yet Jerusalem might in fact be quite reluctant to conclude one. This, for three primary reasons, each deeply entrenched in Israel's national security thinking. First, it would fear a loss of freedom of action, due to the contractual requirement to consult on the means of addressing the threat. Second, it would be concerned lest the US demand that Israel divulge and even forego its independent capabilities. And third, it might worry that the US would not live up to its nuclear commitments, much as NATO allies feared during the Cold War.¹²⁵

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 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.

¹²³ 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.

¹²⁴ 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.

¹²⁵ 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.

This includes information on conditions that generally allow Israel to use its military aid earlier and more flexibly than other countries.

Israel is the largest cumulative recipient of U.S. foreign assistance since World War II. Since 1976, Israel has generally been the largest annual recipient of U.S. foreign assistance, but has been occasionally supplanted since 2004 by Iraq and Afghanistan. Since 1985, the United States has provided approximately \$3 billion in grants annually to Israel. In the past, Israel received significant economic assistance, but now almost all U.S. bilateral aid to Israel is in the form of Foreign Military Financing (FMF). U.S. FMF to Israel represents approximately one half of total FMF and 20% of Israel's defense budget.¹²⁶ The remaining four years of a 10-year bilateral memorandum of understanding commit the United States to \$3.1 billion annually from FY2015 to FY2018, subject to congressional appropriations. Israel uses approximately 75% of its FMF to purchase arms from the United States, in addition to receiving U.S. Excess Defense Articles (EDA). In February 2015, Israel announced that it had reached agreement with U.S.-based company Lockheed Martin to purchase 14 F-35 (Lightning II) next-generation fighter aircraft, which would add to the 19 it agreed to purchase in 2010. The 2015 agreement includes an option to purchase an additional 17.¹²⁷

In late July 2014, during the Israel-Gaza conflict, a reported U.S. sale to Israel of 120 mm tank rounds and 40 mm illumination rounds for grenade launchers from the War Reserves Stock Allies-Israel (WRSA-I) program¹²⁸ reportedly led Obama Administration officials to temporarily delay at least one arms transfer to Israel—of Hellfire missiles—because of issues apparently related to centralization of U.S. interagency decision making.¹²⁹

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).

¹²⁶ One Israeli report states figures indicating that approximately 16% (10.2 billion shekels, roughly equal to \$2.56 billion) of Israel's total 2014 defense expenditures, which includes expenditures on all security forces (i.e., military, Mossad, Israel Security Agency or Shin Bet) were purchases in foreign currency, funded mainly by U.S. aid. The report stated that Israeli defense consumption for 2014 was about 5.7% of GDP, and that local consumption (defense expenditures not counting foreign currency expenditures) equaled about 4.6% of GDP. Shmuel Even, "The Debate over Israel's Defense Budget," *Strategic Assessment*, March-April 2015.

¹²⁷ "Israel announces purchase of 14 more F-35 fighter jets," *Associated Press*, February 22, 2015.

¹²⁸ Luis Martinez, "U.S. Has Sold Ammunition to Israel Since Start of Gaza Conflict," *ABC News*, July 30, 2014. WRSA-I stockpiles located in Israel are in excess to U.S. military requirements, and an unnamed U.S. defense official was cited as saying that "the requested ammunition was approaching the end of its shelf life at the stockpile and would have needed to be restocked anyway." Israel supposedly requested the sale on July 20, days after it began its ground operations in Gaza, but the sale was reportedly not requested on an emergency basis, as was a sale from the U.S. stockpile during Israel's 2006 conflict with Hezbollah. See also David Schenker, "Best Friends Don't Have to Ask," *Politico*, August 14, 2014, claiming that the late July purchase was for "training rather than operational purposes."

¹²⁹ Adam Entous, "Gaza Crisis: Israel Outflanks the White House on Strategy," *Wall Street Journal*, August 14, 2014. According to one report, the Hellfire missile transfer later resumed. "U.S. resumes transfer of Hellfire missiles to Israel after summer holdup," *JNS.org*, September 30, 2014.

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

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

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

Iron Dome and Missile Defense Cooperation

Congress routinely provides hundreds of millions of dollars in additional annual assistance for Israel's Iron Dome anti-rocket system¹³⁰ and joint U.S.-Israel missile defense programs such as

¹³⁰ Reports based on Israeli military sources indicate that Iron Dome has had a high rate of success in intercepting short-range rockets fired from Gaza. It is unknown if the United States or another third party has independently verified Israeli claims, and analysts have debated the claims' validity. For analyses of Iron Dome, see Peter Dombrowski, *et al.*, "Demystifying Iron Dome," *National Interest*, July-August 2013; Mark Stout, "Israel's Iron Maginot Line System," *War on the Rocks*, August 4, 2014; Inbal Orpaz *et al.*, "Meet Israel's home-front hero: Iron Dome," *haaretz.com*, July 18, 2014; David Axe, "Israel's Iron Dome is more like an iron sieve," *blogs.reuters.com*, July 25, 2014. Although Iron (continued...)

Arrow and David's Sling. During the summer 2014 Israel-Gaza conflict, Secretary of Defense Hagel sent a letter to congressional leaders advising them that—due to the conflict—Israel had requested \$225 million in funding for Iron Dome on top of the \$350.972 million already being contemplated by Congress for FY2015, and asking for Congress to support this request and to exempt it from requirements related to U.S. co-production.¹³¹ This funding request was granted by Congress in August via the Emergency Supplemental Appropriations Resolution, 2014 (P.L. 113-145). Various media outlets in July 2014 picked up a security blog's claim¹³² that hackers with alleged links to China may have sought to breach three Israeli defense companies' computer networks in connection with Iron Dome and the Arrow III program, though two of the supposedly targeted defense companies reportedly indicated that no such incidents had compromised sensitive information.¹³³

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

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

Fiscal Year	Arrow II	Arrow III (High Altitude)	David's Sling (Short-Range)	Iron Dome	Total
FY2006	122.866	—	10.0	—	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	460.309	729.091
FY2015	56.201	74.707	137.934	350.972	619.814

(...continued)

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.

¹³¹ 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>.

¹³² "Hackers Plundered Israeli Defense Firms that Built 'Iron Dome' Missile Defense System," *KrebsOnSecurity*, July 28, 2014.

¹³³ Samuel Gibbs, "Chinese hackers steal Israel's Iron Dome missile data," *theguardian.com*, July 29, 2014; "Companies Behind Israel's Iron Dome Hacked by China: Report," *Reuters*, July 29, 2014.

Fiscal Year	Arrow II	Arrow III (High Altitude)	David's Sling (Short-Range)	Iron Dome	Total
FY2016 Request	11.200	55.700	37.100	55.0	159.000

- 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.

Israeli-Palestinian Issues

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

Peace Process Diplomacy and International Involvement

Overview

The internationally mandated land-for-peace framework that has undergirded U.S. policy since the June 1967 Arab-Israeli war presupposes broad Arab acceptance of any final-status Israeli-Palestinian agreement, and, more fundamentally, Arab acceptance of Israel. Israelis insist that their security needs must be met for them to be willing to relinquish West Bank land in a negotiated two-state solution with the Palestinians. However, in light of Arab political change since 2011, Israeli leaders appear to have become concerned that they might be less able to count on future positive ties even with states such as Egypt and Jordan, given uncertainty regarding the mid- to long-term stability of their regimes.¹³⁴ 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.¹³⁵

¹³⁴ Egypt and Jordan have been routinely held out as examples showing that even if making peace with Israel was unpopular with the countries’ populations, their autocratic or monarchical leaders could normalize and maintain relations with Israel without significantly losing their capacity or legitimacy to rule. Israeli concerns may have been mitigated somewhat after the July 2013 ouster of Mohammed Morsi as Egypt’s president, but even given Israel’s generally positive relations with President Abdel Fatah al Sisi, Israel’s leaders may remain more sensitive than before 2011 to the possibility of regional political change.

¹³⁵ The Arab Peace Initiative offers a comprehensive Arab peace with Israel if Israel were to withdraw fully from the territories it occupied in 1967, agree to the establishment of a Palestinian state with a capital in East Jerusalem, and provide for the “[a]chievement of a just solution to the Palestinian Refugee problem in accordance with UN General Assembly Resolution 194.” The initiative was proposed by Saudi Arabia, adopted by the 22-member Arab League (which includes the PLO), and later accepted by the 56-member Organization of the Islamic Conference (now the Organization of Islamic Cooperation) at its 2005 Mecca summit. The text of the initiative is available at <http://www.bitterlemons.org/docs/summit.html>.

The United States, together with the other members of the international Quartet (the European Union, the United Nations Secretary-General's office, and Russia), continues to advocate for Israeli-Palestinian talks aimed at a peace deal under the framework initially established by the Oslo agreements of the 1990s. During the first two years of President Obama's and Prime Minister Netanyahu's time in office, attempts by the United States to get Israel to freeze settlement construction beyond the 1949-1967 armistice line (known as the "Green Line") were only partially successful (see "Settlements" below) and did not lead to a meaningful resumption of negotiations.¹³⁶

During the next two years, PLO Chairman Mahmoud Abbas opted to pursue initiatives outside of the negotiating process at the United Nations and U.N.-related agencies. These initiatives were aimed at increasing the international legitimacy of Palestinian claims of statehood in the West Bank and Gaza. On November 29, 2012, the U.N. General Assembly (UNGA) adopted Resolution 67/19, changing the permanent observer status of the PLO (recognized as "Palestine" within the U.N. system) from an "entity" to a "nonmember state."¹³⁷ This took place a year after the PLO gained admission in November 2011 to the U.N. Educational, Scientific and Cultural Organization (UNESCO).¹³⁸ As discussed above, Abbas has resumed international initiatives—including some relating to the International Criminal Court (ICC) (see "International Initiatives and the Boycott, Divestment, and Sanctions (BDS) Movement" above)—following a round of U.S.-brokered Israeli-Palestinian negotiations that began in July 2013 and unraveled in the spring of 2014. These initiatives may be intended at least partly to improve the Palestinians' negotiating position by placing political and economic pressure on Israel.

In response to Palestinian actions regarding the ICC, Israel has withheld the transfer of tax and customs revenues due the PA since January 2015.¹³⁹ Continuing to withhold these revenues could

¹³⁶ 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.

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

¹³⁸ However, the PLO's fall 2011 application to obtain membership in the United Nations has not cleared the U.N. Security Council's membership committee. U.N. Security Council, "Report of the Committee on the Admission of New Members concerning the application of Palestine for admission to membership in the United Nations," S/2011/705, November 11, 2011.

¹³⁹ Under the 1994 Paris Protocol, Israel collects various tax and customs revenues on the PA's behalf. These amounts (generally more than \$1 billion annually) make up a sizeable portion of the PA's budget. Jodi Rudoren, "Tensions Mount as Israel Freezes Revenue Meant for Palestinians," *New York Times*, January 3, 2015. In prepared testimony for a congressional hearing before the House Foreign Affairs Subcommittee on the Middle East and North Africa on February 4, 2015, David Makovsky of the Washington Institute for Near East Policy wrote that "One should assume it is unlikely that the tax revenue will be released until a new Israeli government is formed, perhaps sometime in late May. Stopgap moves are required – such as assistance from Europe and the Arabs – until a new government is (continued...)"

endanger the PA's financial stability. While the Obama Administration and Congress have strongly criticized Palestinian ICC-related initiatives and might at least temporarily delay U.S. aid for the PA in response, the Administration has indicated opposition to Israel's withholding of transfer revenues from the PA.¹⁴⁰

Outstanding Issues

Media reports indicate that substantive differences divide Israelis and Palestinians on core issues of dispute. Abbas is reportedly unwilling to explicitly recognize Israel as “the nation-state of the Jewish people” because of the potential repercussions for Palestinian refugees’ claim to a right of return and for Israeli Arabs’ rights.¹⁴¹ 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.”¹⁴² 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 alongside that of Palestinian refugees.¹⁴³

Additionally, despite efforts in 2013 by Kerry and a team of U.S. experts headed by retired Marine General John R. Allen to bridge the divide between the two sides on security arrangements in the Jordan Valley border area of the West Bank, reports asserted that neither side embraced the proposals. The PLO rejects an indefinite Israeli military presence within what they assert would be sovereign Palestinian territory,¹⁴⁴ while Israel may not be willing to agree to phase out its presence¹⁴⁵—largely owing to recent historical instances in which Israeli military

(...continued)

formed.” The PA has reportedly taken out bank loans to finance a portion of its salary payments for January 2015.

¹⁴⁰ State Department Daily Press Briefing, January 5, 2015.

¹⁴¹ 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.

¹⁴² 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 135.

¹⁴³ 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.

¹⁴⁴ 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=PLCapdZwzDpNlWSoHcbkXL9sMVbQcQMqQ->

¹⁴⁵ Shimon Shiffer, “Ya’alon: Kerry should win his Nobel and leave us alone,” *Ynetnews*, January 14, 2014. Israeli (continued...)

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 and mutual allegations of incitement and provocation.¹⁴⁶

The Path Ahead

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

- How will recent conflict, diplomatic confrontation, and ongoing tensions among Israelis and Palestinians affect prospects for future negotiations and a two-state solution?
- Can the PA government formed in June 2014 via consensus between Fatah and Hamas last,¹⁴⁷ and if it does, can it help the PLO become a more credible representative of its Palestinian constituency with Israel and other international actors?
- Will the United States put forward parameters or a framework on core issues of conflict meant to advance the process, and if so, when? How will the United States address unilateral efforts by Israelis and Palestinians, as well as efforts by international actors or organizations, to affect political and security-related outcomes?

Jerusalem

Israel annexed East Jerusalem (which includes the walled Old City, with its Temple Mount/Haram al Sharif [“Mount/Haram”] and Western Wall, and most of the surrounding “historic basin”) and some of its immediate West Bank vicinity in 1967—shortly after occupying these areas militarily in the June 1967 Arab-Israeli war. In doing so, Israel joined these newly occupied areas,¹⁴⁸ 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.¹⁴⁹ Polls indicate that a large majority of Israelis believe that a united Jerusalem is their capital and support Jewish residential construction of neighborhoods (the

(...continued)

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

¹⁴⁶ William Booth, “Israel says Palestinians push a ‘culture of hate’ that could undermine talks,” *Washington Post*, January 7, 2014.

¹⁴⁷ For more information on the consensus PA government, see CRS Report RS22967, *U.S. Foreign Aid to the Palestinians*, by Jim Zanotti.

¹⁴⁸ Jordan had occupied these areas militarily since 1948, and unilaterally annexed them and the entire West Bank in 1950. It only ceded its claims in 1988—to the PLO.

¹⁴⁹ 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.

Israeli term) or settlements (the general internationally used term) within that part of Jerusalem that is east of the Green Line and within the Israeli-drawn municipal borders. Israel's annexation of areas beyond the Green Line is generally not internationally recognized.

Tensions and Violence Surrounding Jerusalem and the Mount/Haram

Background

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

Notwithstanding Israel's 1967 takeover and subsequent annexation of East Jerusalem, it allowed the Jordanian *waqf* (or Islamic custodial trust) that had been administering the Mount/Haram and its holy sites before the war to continue doing so, and established a "status quo" arrangement that has been Israel's proclaimed policy since then. Under the arrangement (largely based on past practices dating from the 16th century until the 1948 war), Muslims can access the Mount/Haram and worship there, while Jews and other non-Muslims are permitted limited access but not permitted to worship. Jewish worship is permitted at the Western Wall at the base of the Mount/Haram. Occasional access restrictions applied to Muslim patrons, such as those based on gender and/or age, have contributed to allegations that Israeli implementation of the status quo has been "piecemeal."¹⁵⁰

The status quo is criticized and challenged by some individuals and groups who assert that Israel should advance Jewish historical and religious claims to the Mount/Haram, despite Chief Rabbinate rulings proscribing Jewish visits there.¹⁵¹ Various past events apparently triggering concerns among Palestinians about possible Israeli attempts to change the status quo have arguably fueled tensions, including:

- September 1996 clashes (during Netanyahu's first term as prime minister) leading to the deaths of 54 Palestinians and 14 Israeli security personnel after Israel opened a passage leading to/from the Western Wall esplanade through a tunnel (known as the Hasmonean or Kotel Tunnel) that archeologists had uncovered and restored.¹⁵²
- A September 2000 Mount/Haram visit by Likud Party leader (and future prime minister) Ariel Sharon just prior to the outbreak of the second Palestinian intifada.

These tensions exist within a larger context of competing national and religious narratives regarding Jerusalem and its administration and development. Israelis have routinely used their influence with municipal and national authorities to advance Jewish objectives in the city, while Palestinians with little or no influence over Jerusalem's formal administration have resorted to protests and occasional violence.¹⁵³ Some local and international observers and civil society organizations seek to raise legal objections to and/or international consciousness regarding the situation.

Recent Developments

Some right-of-center Knesset members and Jerusalem's mayor visited the Mount/Haram in fall 2014. Although Netanyahu and other ministers from his government have criticized such visits as potentially provocative, these and other such visits have taken place within an atmosphere in which Israeli politicians apparently vie with one another through statements and policy proposals to insist that Israel's proclaimed sovereignty over Jerusalem is not subject to Palestinian or international challenges.¹⁵⁴ Jewish Israeli public opinion overwhelmingly opposes any division of the city in a potential agreement with the PLO.¹⁵⁵ Some Knesset members are reportedly seeking to bring legislation to a vote regarding Jewish worship on the Mount/Haram.¹⁵⁶

¹⁵⁰ Wendy Pullan, *et al.*, *The Struggle for Jerusalem's Holy Places*, Routledge: New York, 2013, p. 15; Ir Amim and Keshev, *Dangerous Liaison: The Dynamics of the Rise of the Temple Movements and Their Implications*, March 1, 2013, pp. 12-15.

¹⁵¹ Jeremy Sharon, "Chief Rabbis reimpose ban on Jews visiting Temple Mount," *jpost.com*, December 2, 2013.

¹⁵² Pullan, *op. cit.*, p. 37.

¹⁵³ See, e.g., Nathan Thrall, "Rage in Jerusalem," *London Review of Books*, December 4, 2014 (initially published online November 21, 2014).

¹⁵⁴ See, e.g., "Undivided and eternal unhappiness," *Economist*, November 8, 2014.

¹⁵⁵ Herb Keinon, "Poll: 3 in 4 Israeli Jews oppose a Palestinian state if it means dividing Jerusalem," *jpost.com*, October 20, 2014.

During 2014, protests and violence intensified. In late October, a rabbi known for supporting Jewish worship on the Mount/Haram was wounded in a drive-by shooting. Israel completely closed off access to the Mount/Haram on October 30, triggering vigorous Palestinian denunciations despite Israeli claims for the need to calm tensions. More violence followed. On November 18, a day after the outbreak of controversy over whether a Palestinian bus driver hanged himself or was targeted by Jewish settlers, two Palestinians from East Jerusalem attacked Jews at a West Jerusalem synagogue, killing four Israeli worshipers (three of whom also had U.S. citizenship) and an Israeli Druze police officer before they were killed by Israeli authorities.

While routine Israeli security measures largely prevent Palestinians from the West Bank and Gaza Strip from threatening Jewish population centers, they present less of an impediment to Palestinians who live in Jerusalem and/or have Israeli citizenship.¹⁵⁷ In the wake of the late 2014 incidents, additional measures have been adopted and debated.¹⁵⁸ Apparently seeking to quell tensions and reassure Jordan, the United States, and other key international third parties, Netanyahu has insisted that the status quo access arrangements for the Mount/Haram will continue.

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

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

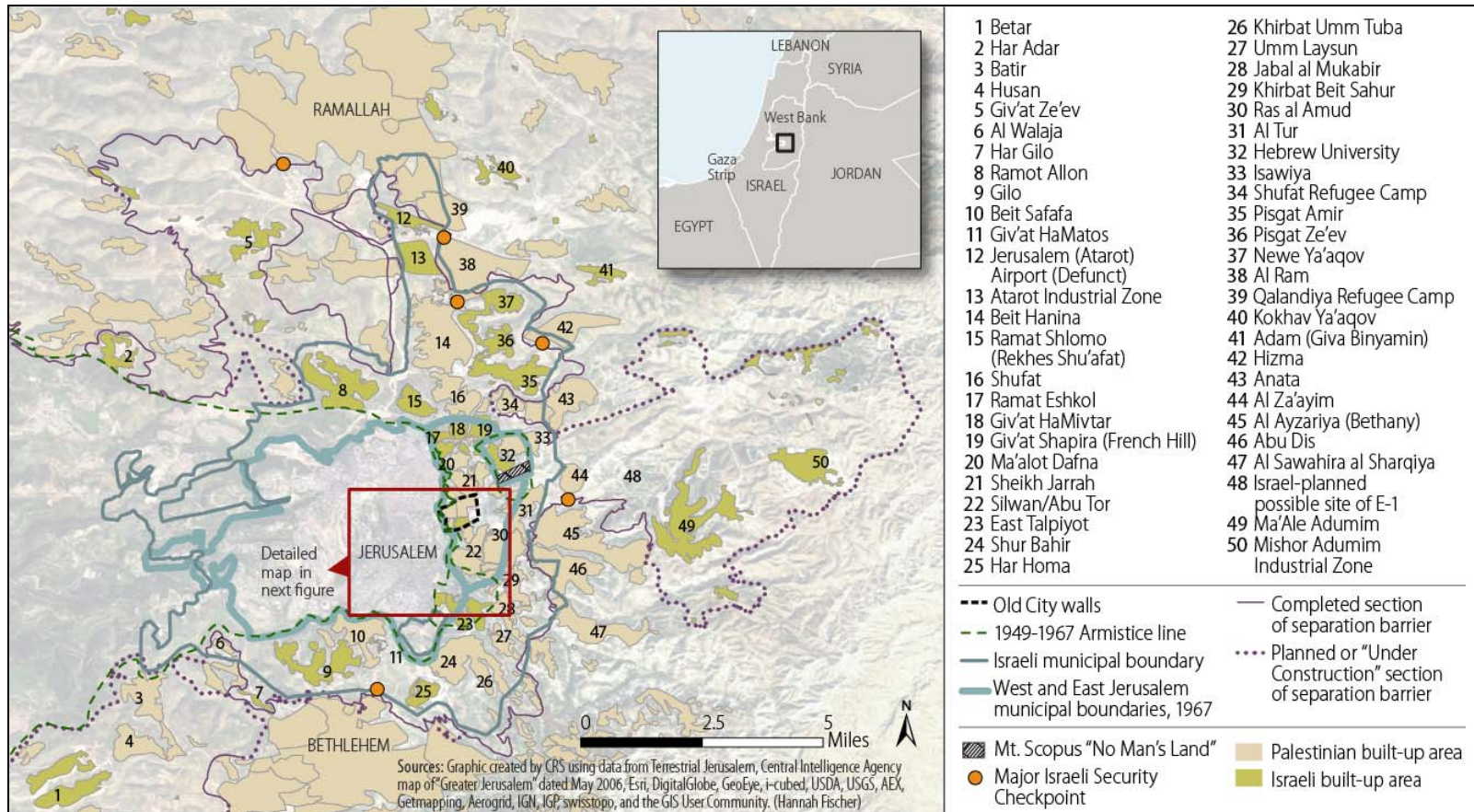
(...continued)

¹⁵⁶ Gil Ronen, "PM Calms Jordan: No Change in Temple Mount 'Status-Quo,'" *Arutz Sheva*, October 22, 2014.

¹⁵⁷ For information on the legal status of Palestinian residents of East Jerusalem, see http://www.btselem.org/jerusalem/legal_status.

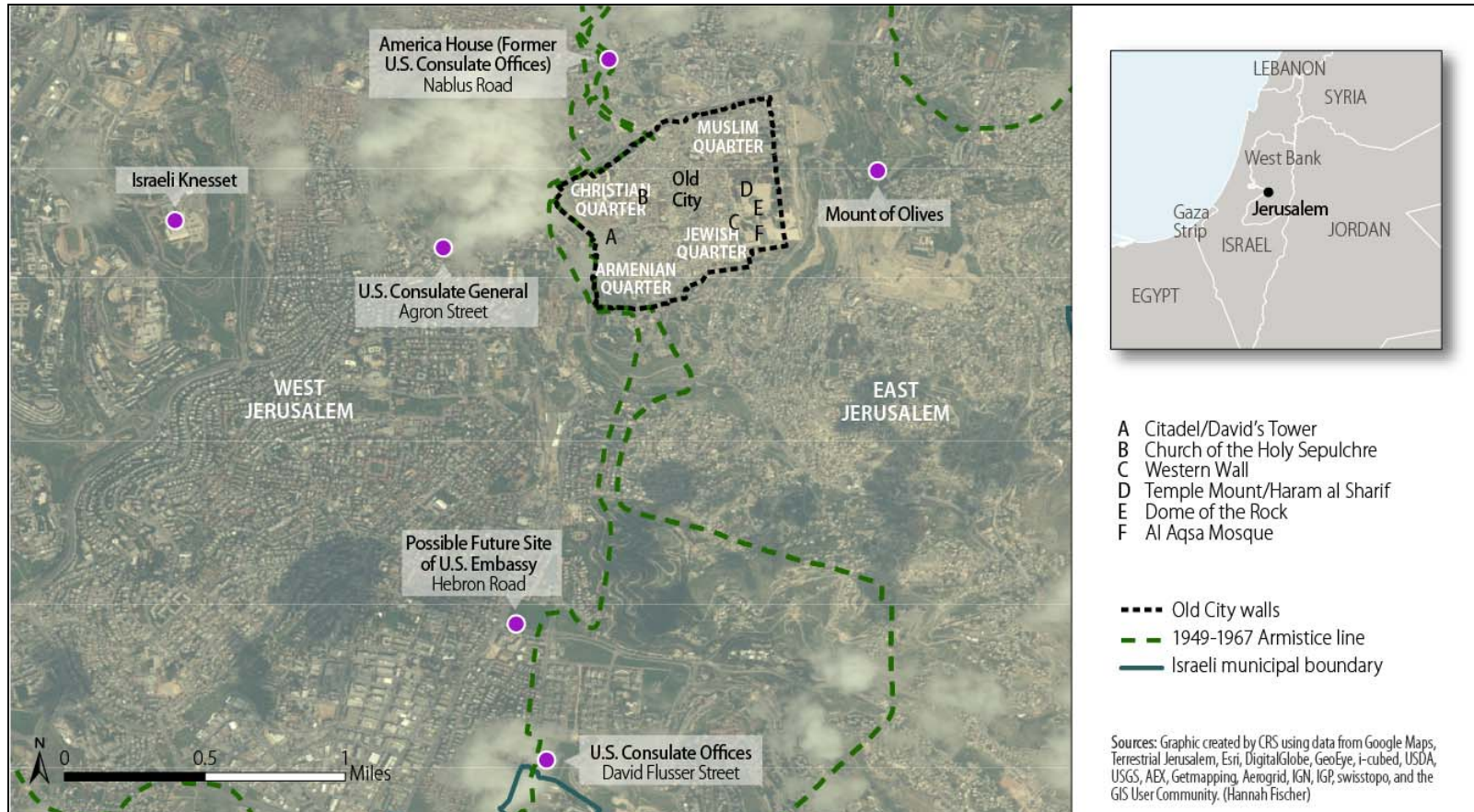
¹⁵⁸ According to one source, "In [the Palestinian area of] Jabal al-Mukaber [in East Jerusalem], where the synagogue attackers lived, bulldozers laid concrete blocks to cut off roads; for the first time in decades, police established checkpoints at the entrances to other districts." "Murder in the synagogue," *Economist*, November 22, 2014.

Figure 3. Greater Jerusalem



Note: All locations and lines are approximate.

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



Note: All locations and lines are approximate.

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

The case of *Zivotofsky v. Kerry*, which was argued before the Supreme Court in November 2014, could decide or have implications for Congress’s constitutional authority on questions relating to the status of Jerusalem and could influence its future ability to direct the executive branch in its conduct of foreign affairs more broadly. The case involves a U.S. citizen who was born in Jerusalem, and whose parents are suing on his behalf to have the State Department reflect Israel as his birthplace on his passport pursuant to P.L. 107-228. The Supreme Court’s review of the case focuses on a July 2013 ruling by the U.S. Court of Appeals for the District of Columbia Circuit, which found that the “President’s power to recognize foreign nations is exclusive and trumps Congress’s authority to regulate passports.”¹⁵⁹

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

Settlements

Israel has approximately 135 residential communities (known internationally and by significant segments of Israeli society as “settlements”), approximately 100 additional settlement outposts unauthorized under Israeli law, and other military and civilian land-use sites in the West Bank. In addition, depending on how one defines what constitutes a separate neighborhood or settlement in East Jerusalem, Israeli authorities and Jewish Israeli citizens have established roughly 14 main residential areas there.¹⁶⁰ Approximately 340,000 Israelis live in West Bank settlements, with nearly 200,000 more in East Jerusalem.¹⁶¹ All of these residential communities are located in areas that Palestinians assert are rightfully part of their envisioned future state. The first West Bank settlements were constructed following the 1967 war, and were initially justified as directly associated with Israel’s military occupation. Major West Bank residential settlement building began in the late 1970s with the advent of the pro-settler Gush Emunim (“Bloc of the Faithful”) movement and the 1977 electoral victory of Menachem Begin and the Likud Party. Existing settlements were expanded and new ones established throughout the 1990s and 2000s despite the

¹⁵⁹ The DC Circuit’s July 2013 opinion is available at [http://www.cadc.uscourts.gov/internet/opinions.nsf/C8DC59BCC7D10E6D85257BB10051786D/\\$file/07-5347-1447974.pdf](http://www.cadc.uscourts.gov/internet/opinions.nsf/C8DC59BCC7D10E6D85257BB10051786D/$file/07-5347-1447974.pdf). For more information, see CRS Report R43773, *Zivotofsky v. Kerry: The Jerusalem Passport Case*, by Jennifer K. Elsea.

¹⁶⁰ Figures downloadable from Peace Now website at <http://peacenow.org.il/eng/content/settlements-and-outposts>.

¹⁶¹ CIA World Factbook estimates as of July 2014.

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.¹⁶²

The international community generally considers Israeli construction on territory beyond the Green Line to be illegal.¹⁶³ Israel retains military control over the West Bank and has largely completed a separation barrier¹⁶⁴ that roughly tracks the Green Line but departs from it in a number of areas, presumably to maintain convenient access to Israel for certain West Bank settlements. The barrier 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 1980.¹⁶⁵ 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.¹⁶⁶ A common U.S. stance has been that settlements are an "obstacle to peace." A former U.S. official has written that U.S. Administrations are "not entirely sure what to do with the fact that Israeli prime ministers of all political stripes have continued Israeli settlement building on the West Bank and construction in parts of east Jerusalem that we'd like to see become the capital of a Palestinian state."¹⁶⁷ 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 FY2005.¹⁶⁸

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

¹⁶² 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; Gershon Gorenberg, *The Accidental Empire: Israel and the Birth of the Settlements, 1967-1977*, New York: Times Books, 2006.

¹⁶³ The most-cited international law pertaining to Israeli settlements is the Fourth Geneva Convention, Part III, Section III, Article 49 *Relative to the Protection of Civilian Persons in Time of War*, August 12, 1949, which states in its last sentence, "The Occupying Power shall not deport or transfer parts of its own civilian population into the territory it occupies." Israel insists that the West Bank does not fall under the international law definition of "occupied territory," but is rather "disputed territory" because the previous occupying power (Jordan) did not have an internationally recognized claim to it, and given the demise of the Ottoman Empire at the end of World War I and the end of the British Mandate in 1948, Israel claims that no international actor has superior legal claim to it.

¹⁶⁴ In a July 2004 International Court of Justice advisory opinion, the barrier's construction was deemed illegal by the International Court of Justice. The text of the opinion is available at <http://www.icj-cij.org/docket/index.php?pr=71&code=mwp&p1=3&p2=4&p3=6>.

¹⁶⁵ Daniel Kurtzer, "Do Settlements Matter? An American Perspective," *Middle East Policy*, vol. 16, issue 3, fall 2009.

¹⁶⁶ Nicholas Rostow, "Are the Settlements Illegal?" *The American Interest*, March/April 2010.

¹⁶⁷ Aaron David Miller, "The Inside Story of U.S. Meddling in Israel's Elections," *Daily Beast*, December 4, 2014.

¹⁶⁸ For more information on this issue, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

such statements from U.S. policymakers, Arab critics routinely charge that U.S. support of Israel indirectly supports settlement activity.

Like other Administrations, the Obama Administration has faced challenges in approaching this issue. In the context of its initial attempts to restart the peace process between Israelis and Palestinians, the Administration called for Israel to totally freeze all settlement activity, including in East Jerusalem. In his speech in Cairo in May 2009, President Obama said, “The United States does not accept the legitimacy of continued Israeli settlements. This construction violates previous agreements and undermines efforts to achieve peace. It is time for these settlements to stop.”¹⁶⁹ 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,¹⁷⁰ and this remains stated U.S. policy.¹⁷¹ On December 5, 2014, 48 Members of Congress signed a letter to President Obama asking for immediate clarification of some recent media reports.¹⁷² The initial report—on which the others appear to have been based—suggested that the Administration had held a classified meeting to discuss the possibility of taking steps against Israel in response to residential construction in the West Bank and East Jerusalem.¹⁷³

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:

¹⁶⁹ 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.

¹⁷⁰ “United States vetoes Security Council resolution on Israeli settlements,” UN News Centre, February 18, 2011.

¹⁷¹ White House Press Briefing, December 5, 2014.

¹⁷² Text of letter available at <http://meadows.house.gov/media-center/press-releases/meadows-authors-letter-to-president-demanding-answers-on-israel>.

¹⁷³ This report relied on unnamed “senior Israeli officials” as sources, and said that a “few American officials” later approached did not deny that a meeting had taken place. Barak Ravid, “U.S. mulls harsher action against settlement construction,” *haaretz.com*, December 4, 2014. Possible steps reportedly discussed apparently included the United States potentially refraining from “vetoing condemnatory resolutions against the settlements in the UN Security Council,” or potentially issuing “clearer instructions to American officials about the ban on cooperating with the settlements or funding activity in them.” *Ibid.* When asked about the reports at the December 5 White House press briefing, White House Press Secretary Josh Earnest refused to discuss internal deliberations while stating that Israel is a “close and strategic partner” of the United States, that the two countries have “strong and unshakable bonds,” and that the United States maintains an “exceedingly strong commitment” to Israel’s security.

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

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. The Israeli anti-settlement advocacy group Peace Now reported in February 2015 that there was a nearly 40% increase in construction starts on residential units in West Bank settlements during the 16-month period (June 2013-September 2014) following the previous 15-month period (March 2012-May 2013), and that 26% of these starts took place in areas east of the route of the separation barrier.¹⁷⁴

Some Israelis caution that the demand to provide security to settlers and their infrastructure and transportation links to Israel could perpetuate Israeli military control in the West Bank even if other rationales for maintaining such control eventually recede. Protecting settlers is made more difficult and manpower-intensive by some settlers' altercations with Palestinian West Bank residents and willingness to defy Israeli military authorities. The government complied in 2012 with rulings by Israel's Supreme Court requiring it to dismantle two outposts. It sought to placate settler opposition to dismantlement by relocating the displaced outpost residents within the boundaries of settlements permitted under Israeli law.¹⁷⁵

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)¹⁷⁶ 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.

¹⁷⁴ Report available at http://peacenow.org.il/eng/sites/default/files/ConstructionReport2014Eng_0.pdf. The report documents 3,100 construction starts from June 2013 to September 2014, and 2,243 starts from March 2012 to May 2013 (a 38% increase from one period to the next). The reporting periods are determined by the intervals of time that lapse between Peace Now's receipt of new sets of aerial photos depicting construction.

¹⁷⁵ Joel Greenberg, "Israeli settlers evacuated from West Bank outpost following court order," *Washington Post*, September 2, 2012.

¹⁷⁶ 22 U.S.C. §2785.

Israeli Arms Sales to Other Countries

Israel is a major arms exporter—with India, China, and Russia among its customers or past customers.¹⁷⁷ The United States and Israel have regularly discussed Israel’s sale of sensitive security equipment and technology to various countries, especially China.¹⁷⁸ 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.”¹⁷⁹ 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.¹⁸⁰ In December 2013, the then head of Israel’s Defense Export Control Agency (DECA), Meir Shalit, resigned after a joint U.S.-Israel investigation concluded that an Israeli miniature cooling system that can be used for missiles, and that had been licensed for sale to a French company, had been retransferred to China.¹⁸¹ 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.¹⁸²

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.¹⁸³ In a recent tender for anti-tank missiles, India reportedly chose Israel’s offer over a rival U.S. offer.¹⁸⁴

¹⁷⁷ 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.

¹⁷⁸ 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. In 2000, a planned Israeli sale to China of the Phalcon airborne radar system was canceled under U.S. pressure.

¹⁷⁹ “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.

¹⁸⁰ 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 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.”

¹⁸¹ Barbara Opall-Rome, “Israel Replaces Export Control Chief After Tech Transfer to China,” *DefenseNews*, January 3, 2014.

¹⁸² Yaakov Lappin, “Report finds failings in defense export supervision,” *Jerusalem Post*, July 18, 2013.

¹⁸³ Vivek Raghuvanshi, “India, Israel to Build Anti-Missile System,” *DefenseNews*, February 6, 2014. India faces (continued...)

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 2006.¹⁸⁵ Other examples include findings issued in 1978, 1979, and 1982 with regard to Israel’s military operations in Lebanon and Israel’s air strike on Iraq’s nuclear reactor complex at Osirak in 1981. The Reagan Administration suspended the delivery of cluster munitions to Israel from 1982 to 1988 based on concerns about their use in Lebanon. The Reagan Administration also briefly delayed a scheduled shipment of F-15 and F-16 aircraft to Israel following Israel’s 1981 strike on Iraq. If Israel takes future action with U.S. defense articles to preempt perceived security threats, allegations of AECA violations could follow, depending on specific circumstances.¹⁸⁶

Espionage and Espionage-Related Cases

In the past 30 years, there have been at least three cases in which U.S. government employees were convicted of disclosing classified information to Israel or of conspiracy to act as an Israeli agent. Reports indicate that concerns regarding possible Israeli espionage persist among U.S. officials. During the 113th Congress, a version of the U.S.-Israel Strategic Partnership Act (S. 462) contemplated possibly exempting Israel from two general requirements related to the visa waiver program. In connection with congressional deliberations related to S. 462, the intelligence

(...continued)

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.

¹⁸⁴ “India Chooses Israel Over US for \$525M Missile Deal, Sources Say,” *Agence France Presse*, October 26, 2014.

¹⁸⁵ 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.

¹⁸⁶ 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.

community and officials from the State and Homeland Security departments reportedly communicated concerns to Members and committees of Congress that easing the requirements for Israel to enter the visa waiver program could make the United States more vulnerable to Israeli espionage, particularly industrial espionage. In response to these reported concerns, Israeli officials have flatly denied that Israel conducts espionage in the United States.¹⁸⁷

The most prominent espionage case is that of Jonathan Pollard, who pled guilty in 1986 with his then wife Anne to selling classified documents to Israel. Israel granted Pollard—who is serving a 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.¹⁸⁸ In April 2014, some reports indicated that the United States might be willing to release Pollard as part of an arrangement to extend or restart Israeli-Palestinian talks. The prospect of Pollard's release under these circumstances generated mixed reactions from Members of Congress, including opposition from the chairs of both intelligence committees, among strong views on the case within U.S. government circles and society at large.¹⁸⁹

Israel's Nuclear Status and Nonproliferation¹⁹⁰

Consensus among media and expert reports is that Israel possesses an arsenal of 80 to 200 nuclear weapons.¹⁹¹ The United States has countenanced Israel's nuclear ambiguity since 1969, when Israeli Prime Minister Golda Meir and U.S. President Richard Nixon reportedly reached an accord whereby both sides agreed never to acknowledge Israel's nuclear arsenal in public.¹⁹²

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

Recent events concerning Iran and Syria have re-focused international attention on Israel's presumed but undeclared nuclear and chemical weapons arsenals.¹⁹³ Media reports in late 2013

¹⁸⁷ 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.

¹⁸⁸ 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.

¹⁸⁹ Tom Cohen, "27 years later, Jonathan Pollard case remains a diplomatic thorn," *cnn.com*, April 1, 2014.

¹⁹⁰ For information on Israel's nuclear activities, see CRS Report R40439, *Nuclear Weapons R&D Organizations in Nine Nations*, coordinated by Jonathan E. Medalia.

¹⁹¹ See footnote 29.

¹⁹² Eli Lake, "Secret U.S.-Israel Nuclear Accord in Jeopardy," *Washington Times*, May 6, 2009.

¹⁹³ Barak Ravid, "Israel opts to stay vague on chemical arms policy in wake of Syria disarmament," *haaretz.com*, (continued...)

indicated that Israeli officials may have discreetly discussed with Arab and Iranian representatives the possibility of participating in a committee to discuss demilitarizing weapons of mass destruction throughout the region.¹⁹⁴

Bilateral Trade Issues

The United States is Israel's largest single-country trading partner,¹⁹⁵ and—according to data from the U.S. International Trade Commission—Israel is the United States's 24th-largest trading partner.¹⁹⁶ The two countries concluded a Free Trade Agreement (FTA) in 1985, and all customs duties between the two trading partners have since been eliminated. The FTA includes provisions that protect both countries' more sensitive agricultural sub-sectors with nontariff barriers, including import bans, quotas, and fees. Israeli exports to the United States have grown since the FTA became effective. Qualified Industrial Zones (QIZs) in Jordan and Egypt are considered part of the U.S.-Israel free trade area. In 2013, Israel imported approximately \$15 billion in goods from and exported \$23 billion in goods to the United States.¹⁹⁷ 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.¹⁹⁸

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 returned Israel to the Watch List in September 2012, and subsequently de-listed it in 2014, stating that Israel had “passed patent legislation that satisfied its remaining commitments under a 2010 Memorandum of Understanding (MOU) with the United States. As a result of the successful execution of the MOU, Israel has taken legal and regulatory measures to make its patent system more transparent, efficient, and effective.”¹⁹⁹

(...continued)

October 31, 2013.

¹⁹⁴ Sarah Leah Lawrent and M. Miskin, “Israeli, Arab Reps Meet to Discuss WMD-Free Middle East,” *Arutz Sheva*, October 31, 2013.

¹⁹⁵ According to the European Commission's Directorate General for Trade, for 2013 the countries of the European Union accounted for 30.9% of Israel's total trade volume, while the United States accounted for 18.6%. Document available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113402.pdf.

¹⁹⁶ 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.

¹⁹⁷ Statistics compiled by Foreign Trade Division, U.S. Census Bureau, available at <http://www.census.gov/foreign-trade/balance/c5081.html>.

¹⁹⁸ CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

¹⁹⁹ *2014 Special 301 Report*, available at <http://www.ustr.gov>.

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. Profiles of Leading Israeli Political Figures

Name	Description
<p><u>Binyamin “Bibi” Netanyahu</u> (Likud)</p>  <p>Source: U.S. Department of State</p>	<p>Netanyahu (born 1949) has served as prime minister since 2009 and also was prime minister from 1996 to 1999. His father was a prominent historian and his brother Yonatan was a celebrated special forces commander who died during the Entebbe rescue of 1976. Netanyahu served in the same elite special forces unit (Sayeret Matkal), and received his higher education at MIT after spending some of his youth in Philadelphia. After Yonatan’s death, Netanyahu left the private sector for a career in politics and diplomacy.</p> <p>He became Likud’s leader in 1993, renowned both for his skepticism regarding the exchange of land for peace with the Palestinians and his impeccable American-accented English. After his first prime ministerial stint ended in his 1999 electoral defeat, he returned as foreign minister in 2002 under Ariel Sharon, and then served as finance minister from 2003 until Sharon left Likud in 2005. He has famously clashed with Presidents Bill Clinton (on Palestinian issues) and Barack Obama (on Palestinian and Iranian issues), and is generally regarded both as a consummate political dealmaker and as a security-minded nationalist. However, he has negotiated with the Palestinians (including signing the Wye River Memorandum in 1998) and in 2009 accepted the principle of a two-state solution. Though he has led Israel through two conflicts (2012 and 2014) against Palestinian militants in Gaza, many observers discern cautiousness in his decisions regarding the nature and scale of military operations. His popularity has fluctuated since becoming prime minister in 2009, but polls generally favor him over other Israeli political figures on questions of national leadership.</p>
<p><u>Yitzhak “Buji” Herzog</u> (Labor)</p>  <p>Source: U.S. Department of State</p>	<p>Herzog (born 1960) is Netanyahu’s main electoral rival for prime minister. His father Chaim served as an Israeli general, diplomat, and president. Herzog spent part of his early life in New York, later served in Israeli military intelligence, and embarked on a career in law in Tel Aviv. He has headed in a number of ministerial portfolios in past coalition governments (housing, welfare, diaspora, tourism). Herzog was elected leader of the Labor party in 2013 and, for the March 2015 elections, has combined with Tzipi Livni of Ha’tnua to form the Zionist Union.</p> <p>In the current campaign and before, Herzog has sought to draw contrasts with Netanyahu regarding management of the economy and relations with the United States, the Palestinians, and the international community.</p>

Name	Description
<p data-bbox="259 279 479 310"><u>Tzipi Livni</u> (Ha'tnua)</p>  <p data-bbox="259 640 560 667">Source: marucha.wordpress.com</p>	<p data-bbox="613 323 1339 598">Livni (born 1958) is a former deputy prime minister, foreign minister, and justice minister. Born to parents who were both members of Menachem Begin's Irgun militia (her father Eitan later served as a Knesset member from Likud), Livni served in the military and Mossad intelligence agency before embarking on a career in law and then politics. She oversaw the privatization of a number of state-owned companies in the 1990s before becoming a Likud Knesset member in 1999. She was an avid supporter of Ariel Sharon's withdrawal from the Gaza Strip in 2005 and rose to greater prominence after leaving Likud with Sharon to help form his government-leading Kadima party.</p> <p data-bbox="613 617 1339 861">Following the departure of Sharon's successor Ehud Olmert from politics due to corruption charges in 2008, Livni took over Kadima's leadership, and from 2009 until 2012 led the opposition to Netanyahu's government. Former General Shaul Mofaz defeated her for Kadima's leadership in 2012, and she then resigned from the Knesset. She returned to the Knesset and became justice minister as leader of Ha'tnua in 2013, though the party performed below expectations in elections. Known for her support for Israeli-Palestinian negotiations, Livni has played a leading role in talks held in 2007-2008 and 2013-2014.</p>
<p data-bbox="259 882 479 934"><u>Naftali Bennett</u> (Ha'bayit Ha'Yehudi)</p>  <p data-bbox="259 1312 535 1339">Source: Jewish Virtual Library</p>	<p data-bbox="613 924 1323 1333">Bennett (born 1972) has served as economy minister since 2009 and is seen as a possible future leader of Israel's political right. His religious Zionist family immigrated to Israel from California shortly after the 1967 Arab-Israeli war. Bennett served in various special forces units (including as a reservist during the 2006 Hezbollah conflict in Lebanon). After schooling, he moved to New York and became a successful software entrepreneur. He then returned to Israel for a political career. Bennett served as Netanyahu's chief of staff from 2006 to 2008 while Netanyahu was opposition leader. He led the Yesha Council (the umbrella organization for Israeli West Bank settlers) from 2010 to 2012, and then became leader of Ha'bayit Ha'Yehudi shortly before the 2013 elections. He champions nationalist and pro-settler positions, including calling for annexing large portions of the West Bank and characterizing the government's actions in the summer 2014 Israel-Gaza conflict as insufficiently aggressive.</p> <p data-bbox="613 1354 1339 1543">Speculation about Bennett's potential lasting power and leadership prospects largely derives from the combination of Bennett's relative youth, religious background, and business and military experience with what many observers perceive as a continuing Israeli political and societal shift rightward (including increased prominence of religious Zionists). Reports indicate that he may seek to become defense minister under a new Netanyahu-led government.</p>

Name	Description
<p data-bbox="259 279 495 308"><u>Yair Lapid</u> (Yesh Atid)</p>  <p data-bbox="259 611 529 638">Source: The Curious Gnome</p>	<p data-bbox="613 321 1341 627">Lapid (born 1963) served as Israel's finance minister from 2013 until the coalition government collapsed in December 2014. Like his father Tommy, Lapid has parlayed a journalistic career into electoral success. Lapid channeled widespread socioeconomic discontent in the 2013 campaign, and Yesh Atid received the second-most seats to the combined Likud-Yisrael Beiteinu list. Lapid's effort to end the widespread exemption from military service for Haredim, one of the key organizing principles for the government, was enacted into legislation in 2014. However, Lapid's popularity fell during his time as finance minister, presumably because the government faced continuing challenges in improving cost-of-living and economic inequality issues while maintaining fiscal discipline.</p> <p data-bbox="613 642 1310 753">His differences with Netanyahu on Israel's budget and on legislative and diplomatic approaches to the Palestinian issue were focal points of the government's late 2014 collapse and have carried over into the current electoral campaign.</p>
<p data-bbox="259 766 508 795"><u>Moshe Kahlon</u> (Kulanu)</p>  <p data-bbox="259 1113 475 1140">Source: go-kahlon.co.il</p>	<p data-bbox="613 812 1338 1005">Kahlon (born 1960) is a former Likud government minister who is at the head of a new party running in the 2015 campaign. He is the son of immigrants from Libya and was first elected to the Knesset in 2003. While serving as communications minister from 2009 to 2011, Kahlon gained notoriety and popularity for liberalizing the mobile phone market and bringing down costs. He then served as welfare minister until October 2012, when he temporarily retired from politics.</p> <p data-bbox="613 1020 1289 1159">Based on polling, Kahlon's apparent center-right orientation, and the historical pattern of success that similar new parties have had within Israel's political system (including Yesh Atid in 2013), many observers expect Kahlon to play a key role in determining who leads the next government.</p>
<p data-bbox="259 1176 466 1232"><u>Avigdor Lieberman</u> (Yisrael Beiteinu)</p>  <p data-bbox="259 1560 506 1587">Source: jewishnews.net.au</p>	<p data-bbox="613 1220 1338 1497">Lieberman (born 1958) is Israel's foreign minister and is generally viewed as an ardent nationalist and canny political actor with prime ministerial aspirations. He was born in the Soviet Union (in what is now Moldova) and immigrated with his family to Israel in 1978. He served in the military, graduated from university, and became politically active. Lieberman worked under Netanyahu from 1988 to 1997. Disillusioned by Netanyahu's willingness to consider concessions to the Palestinians, Lieberman founded Yisrael Beiteinu as a platform for former Soviet immigrants. He was first elected to the Knesset in 1999, and has served in a number of ministerial positions since.</p> <p data-bbox="613 1512 1344 1812">Lieberman publicly supports a two-state solution, but conditions this support on the exchange of some Arab-majority areas of Israel for settlements in the West Bank. He was criminally charged for breach of trust and fraud in December 2012, which compelled him to resign as foreign minister until he resumed the post after his acquittal in November 2013. He and Yisrael Beiteinu broke off their partnership with Likud in July 2014, ostensibly due to Lieberman's criticism that Netanyahu had not responded with sufficient assertiveness to Palestinian violence. A corruption scandal involving some of Lieberman's associates broke publicly in December 2014, and may diminish Lieberman's influence in shaping the next coalition.</p>

Appendix C. Natural Gas Resources and Export Possibilities²⁰⁰

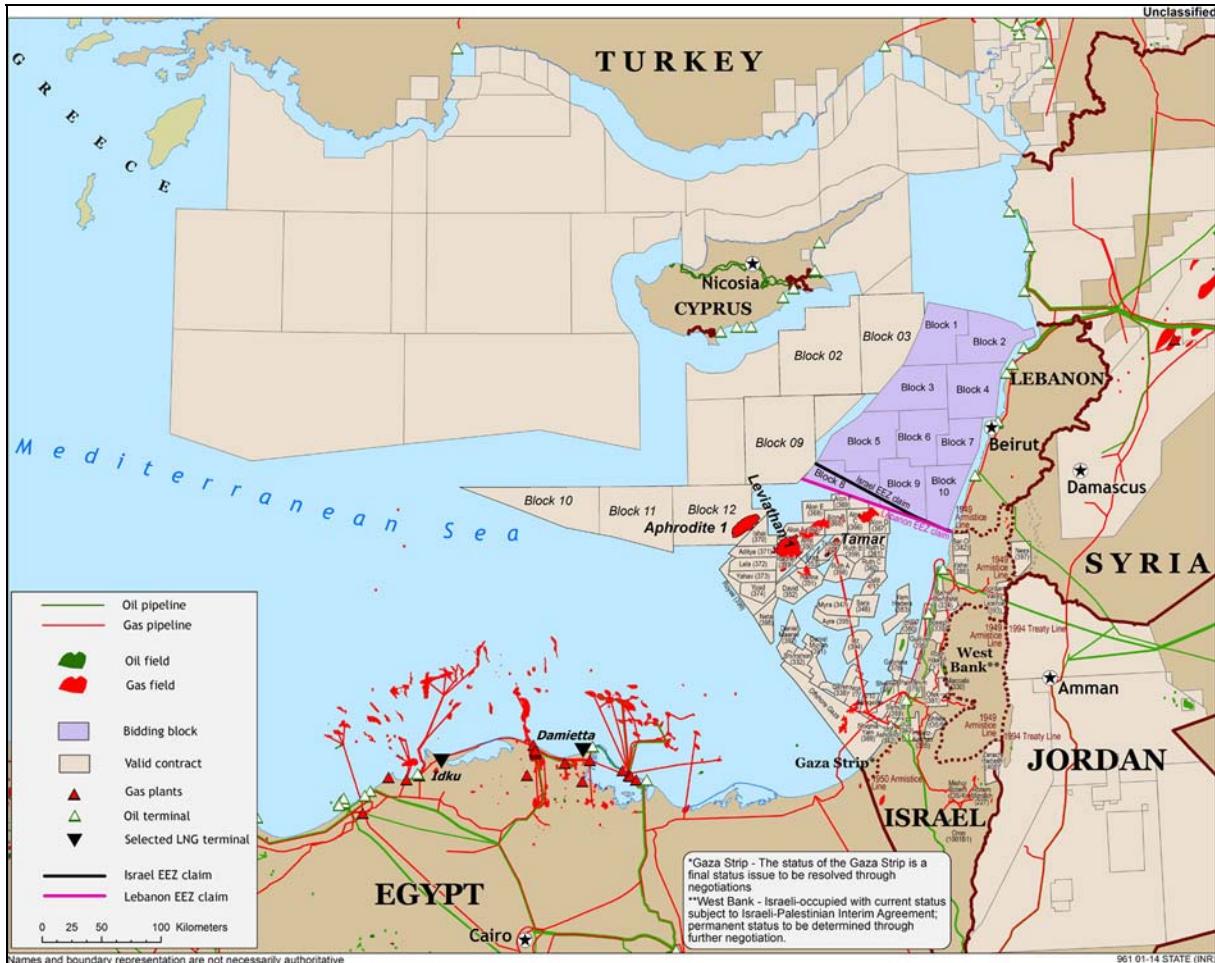
In 2010, the U.S. Geological Survey estimated that there are considerable undiscovered oil and gas resources that may be technically recoverable in the Levant Basin, an area that encompasses coastal areas of Israel, Syria, Lebanon, Gaza, and Egypt and adjacent offshore waters.²⁰¹ Natural gas production from Israel's first major offshore field, Tamar, began flowing in March 2013, ushering in a new era of Israel as an energy producer and possibly an exporter. With a second, larger offshore natural gas field, Leviathan,²⁰² still under development, Israel is facing questions of how best to utilize its natural gas resources, while other regional countries explore for resources in their jurisdictions.

²⁰⁰ This appendix was co-authored with Michael Ratner, Specialist in Energy Policy.

²⁰¹ USGS, Assessment of Undiscovered Oil and Gas Resources of the Levant Basin Province, Eastern Mediterranean, March 2010.

²⁰² The Leviathan field, located off Israel's northern coast, has an estimated resource base of 21.9 trillion cubic feet (tcf) of natural gas. Tamar holds approximately 10 tcf. Both fields were discovered by U.S.-based company Noble Energy. See Noble Energy's "Eastern Mediterranean" portal at <http://www.nobleenergyinc.com/operations/international/eastern-mediterranean-128.html>.

Figure C-1. Eastern Mediterranean Energy Resources Map



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

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

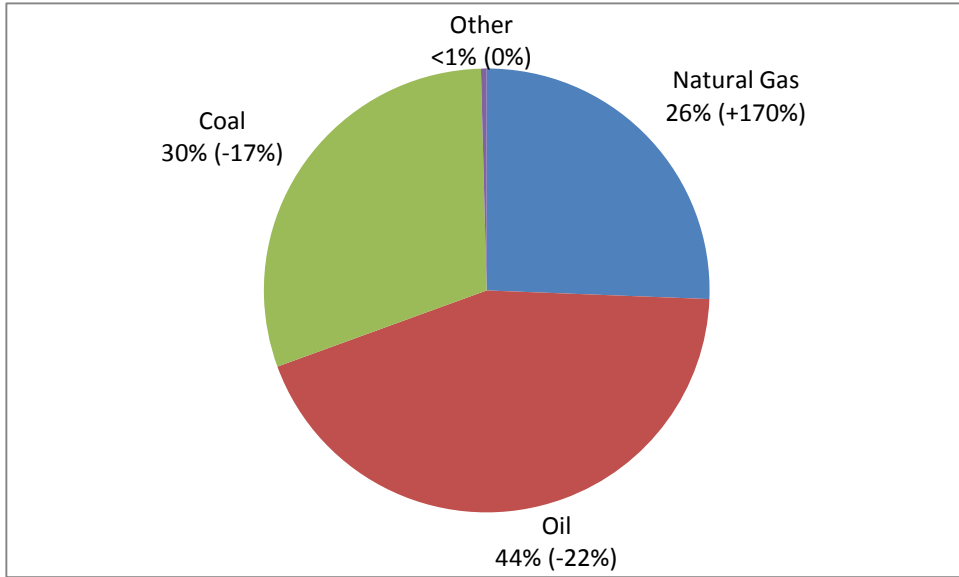
It is too early to know the rate of natural gas recovery from all the new fields or if additional discoveries will be made, but Israel’s energy consumption mix appears to be moving toward more natural gas. Israel has approximately 44 years-worth of natural gas reserves at its current consumption rate. In 2013, Israel produced 4.55 billion cubic meters (bcm) of natural gas, the country’s highest amount ever, and more than triple the previous year. However, Israel still had to import 0.55 bcm of natural gas to meet its consumption of 5.10 bcm (approximately 180.1 billion cubic feet, or bcf).²⁰³ According to the website of Noble Energy,²⁰⁴ the U.S.-based company that has conducted exploration and production (E&P) operations on behalf of the consortiums controlling both Leviathan and Tamar, assuming that Leviathan commences production in late

²⁰³ Cedigaz, *Statistical Database*, accessed on February 23, 2015. The imported amount was from Trinidad and Tobago, redirected cargos from Spain, and Nigeria. The imports arrived via a temporary floating regasification import terminal.

²⁰⁴ Noble Energy website, accessed November 7, 2014, <http://investors.nobleenergyinc.com/>.

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

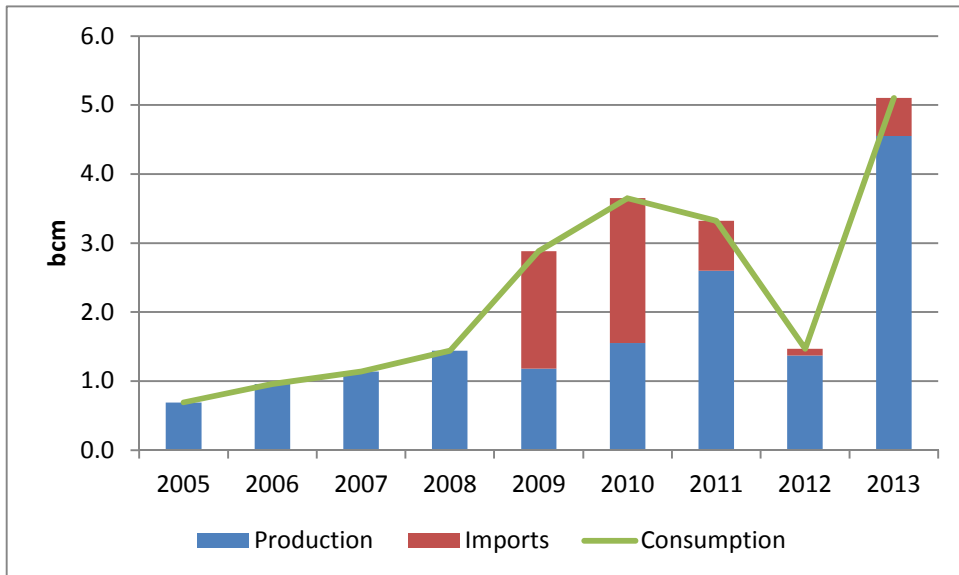
Figure C-2. Israel’s Primary Energy Consumption Mix
2013 vs. 2012



Source: BP Statistical Review of World Energy, 2014.

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

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



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

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

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

An antitrust dispute has disrupted plans for production of the Leviathan field. Israel's Antitrust Authority, an independent regulatory body, announced in December 2014 that a consent decree for the development of Leviathan would not be approved—despite previous indications that it would—because of concerns regarding monopolistic effects on Israel's energy market. Apparently concerned about possible adverse effects for Israel's economy and for export deals involving some of Israel's neighbors if development of Leviathan is delayed (see discussion of these deals or potential deals below), Israel's government established a committee in hopes of resolving the dispute. In February 2015, the committee reportedly proposed a multifaceted solution under which “Delek [an Israel-based partner of Noble Energy] and Noble would still be allowed to control Leviathan. But gas from Tamar slated for Israeli consumers would need to be sold to a third party to compete with Leviathan and two smaller sites, Tanin and Karish.”²⁰⁵ Noble and Delek have so far rejected the committee's proposal,²⁰⁶ and the timing and nature of an ultimate resolution remain unclear.²⁰⁷ The Antitrust Authority has delayed its decision to bring forward possible restraint of trade charges until April 23 (a month after Israel's March elections) to provide time for the government and the companies to work toward a solution.²⁰⁸

Israeli officials routinely express optimism that the economic promise of Israel's energy resources can attract the industrial help it needs to be realized, and this optimism may prove justified. However, given that Israel does not have a significant offshore E&P sector, it relies on the expertise of international companies. The obstacles posed by antitrust deliberations, along with other apparent energy industry concerns about Israel's regulatory regime pertaining to domestic consumption requirements²⁰⁹ and possible price ceilings could create difficulties for future development.²¹⁰ In May 2014, Woodside Petroleum, an Australia-based company with specialized expertise in LNG, opted not to join the venture to develop the Leviathan field.²¹¹

²⁰⁵ Steven Scheer, “Israeli regulator delays monopoly decision on natural gas fields,” *Reuters*, February 24, 2015.

²⁰⁶ Delphi Global Analysis, *The Levant Basin Energy Report*, vol. 6, no. 8, February 23, 2015.

²⁰⁷ According to Israel's Restrictive Trade Practices (RTP) Law of 1988, “The Minister [of Economy] may, following consultation with the Knesset's Economic Affairs Committee, exempt a restrictive trade practice from all or some of the provisions of this Law, if he believes that such action is necessary for reasons of foreign policy or national security.” The RTP was amended on November 17, 2014, to authorize the Restrictive Business Practices Court “to force a monopoly or a member of a concentration group whose practices have been found to cause or to constitute a threat to business competition or the public to sell its assets.”

²⁰⁸ Scheer, *op. cit.*

²⁰⁹ In June 2013, Israel's government announced that it planned to dedicate 60% of gas produced in Israel to domestic consumption, leaving 40% for exports

²¹⁰ “Israel's top court gives government 15 days to respond to appeal against gas exports,” *Platts*, June 25, 2013, online.

²¹¹ John Reed, “Woodside backs out of \$2.7 bn Israel gas project,” *Financial Times*, May 21, 2014.

Possible Israeli Export Destinations and Regional Security and Political Implications

According to Noble Energy’s CEO, the emergence of regional markets accessible by pipeline “has pushed the need for LNG into a later phase of development versus our earlier plans.”²¹²

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

In addition to these overarching issues, the most-discussed potential export destinations each come with specific political considerations, as described below.²¹³

- **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.²¹⁴ 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.²¹⁵ 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

²¹² James Paton, “Woodside Scraps \$2.6 Billion Israeli Gas Deal as Talks Fail,” *Bloomberg*, May 21, 2014. Noble Energy and its Israeli partners in the Leviathan consortium have explored the possibility of building a liquefaction facility—possibly in Cyprus—to prepare Cypriot gas and Israeli gas piped to the facility for export to Europe and/or Asia in a cost effective way. It remains too early to determine the feasibility of such a project, although a recent downgrade to the gas reserves in Cyprus’s offshore Aphrodite field may have decreased the viability or attractiveness of a liquefaction facility. In late June 2013, Cyprus and the Leviathan consortium signed a memorandum of understanding to build natural gas facilities for both domestic consumption and export. Although developments in early 2014 suggested that talks had not progressed on the initial understanding, they are ongoing while a joint venture between Eni (Italy) and Kogas (South Korea) is trying to find additional sources of Cypriot gas for possible liquefaction. “Cyprus to start LNG export terminal discussions with Eni/Kogas, Total,” *Platts*, August 25, 2014.

²¹³ 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.

²¹⁴ Tom Pepper, “Partners in Israeli Gas Field Sign Deal with Palestinians,” *International Oil Daily*, January 7, 2014.

²¹⁵ A venture led by BG Group (formerly British Gas) discovered the Marine field in 2000. It has an estimated resource base of 1 tcf. Development of Marine could contribute to greater Palestinian economic and political self-sufficiency, perhaps freeing up Israeli energy resources for domestic consumption or export to other places. Simon Henderson, “Natural Gas in the Palestinian Authority: The Potential of the Gaza Marine Offshore Field,” German Marshall Fund of the United States, March 2014. Reduced Palestinian dependence on Israel could either heighten or reduce Israeli-Palestinian tensions.

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

- **Jordan:** Jordan and the Leviathan consortium signed a preliminary agreement in September 2014 to supply gas to Jordan's national power company over 15 years,²¹⁶ after the Tamar consortium reached agreement with Jordan in February 2014 on a 15-year deal²¹⁷ to supply gas to Jordanian potash and bromine factories near the Dead Sea shore. Pipeline construction is projected for 2016. Israel may be promoting these agreements 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.²¹⁸
- **Egypt:** According to the *Financial Times*, the Tamar consortium signed a letter of intent in May 2014 to provide a 15-year supply of gas to an LNG plant on the Nile Delta run by a joint venture between Spanish and Italian firms, with Noble Energy expecting to sign a subsequent binding agreement.²¹⁹ 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.²²⁰ 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."²²¹ Additionally, the Tamar consortium signed an October 2014 letter of intent to provide gas to private Egyptian industrial customers as early as 2015 through the pipeline that previously provided gas to Israel from Egypt and fell prey to sabotage in the Sinai Peninsula on multiple occasions.²²² 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.²²³ 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 energy pipeline to Turkey from Israeli offshore gas fields could be extremely lucrative by feeding Turkey's increasing energy demand. It

²¹⁶ Shoshanna Solomon and Calev Ben-David, "Israel Sees Gas as Key to Transforming Mideast Relations," *Bloomberg*, October 14, 2014.

²¹⁷ "Noble, Partners Sign Jordan Gas Deal," *Oil Daily*, February 20, 2014.

²¹⁸ According to the U.S. Energy Information Administration, "Jordan is pursuing several pipeline deals, notably with Iraq, to help bolster its energy security. One proposal would send Iraqi oil from the area around Basra to the Jordanian port of Aqaba on the Red Sea. If constructed, the pipeline would initially carry up to [1 Mb/d] of oil, including more than 100,000 [b/d] available for use inside Jordan. The plan also calls for a natural gas pipeline to run along the same route as the oil pipeline, with up to 100 million cubic feet per day (MMcf/d) being allocated to help meet Jordanian demand."

²¹⁹ John Reed, "Israel gas supply deals to Egypt and Jordan draw closer," *Financial Times*, May 21, 2014.

²²⁰ Summer Said, "Egypt Would Approve BG's Israel Gas Deal If Local Demand is Met," *wsj.com*, July 7, 2014.

²²¹ *Ibid.*

²²² Sharon Udasin, "Israeli partners sign bid to sell natural gas to Egyptian firm," *jpost.com*, October 19, 2014.

²²³ "Fuelling Unhappiness," *Economist*, May 24, 2014.

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.²²⁴ However, Israel-Turkey relations continue to face difficulties, which could present obstacles to an energy deal.²²⁵ This may be partly due to possible divergences in the two countries' interests amid regional tension and unpredictability, and partly due to recurring anti-Israel (and arguably anti-Semitic) pronouncements from Turkish President (formerly Prime Minister) Recep Tayyip Erdogan and his circle of advisors and media supporters.²²⁶ 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 Implications²²⁷

In addition to the overarching regional political and security issues discussed above that may affect prospects for producing and exporting natural gas,²²⁸ 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.²²⁹ Lebanon objects to a 2010 Israel-Cyprus agreement that draws a specific maritime border delineation point relative to the 1949 armistice line that serves as their de facto border, and claims roughly 330 square miles of waters that overlap with areas claimed by Israel (see **Figure C-1** above).²³⁰

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.

²²⁴ 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 103.

²²⁵ Solomon and Ben-David, op. cit.

²²⁶ 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.

²²⁷ This section was co-authored with Christopher M. Blanchard, Specialist in Middle Eastern Affairs.

²²⁸ Tia Goldenberg, "Israel faces geopolitical tangle with natural gas," *Daily Star* (Lebanon), March 29, 2013.

²²⁹ 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.

²³⁰ 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.

Author Contact Information

Jim Zanotti
Specialist in Middle Eastern Affairs
jzanotti@crs.loc.gov, 7-1441