Israel: Background and U.S. Relations In Brief

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Contents

Figures

Contacts

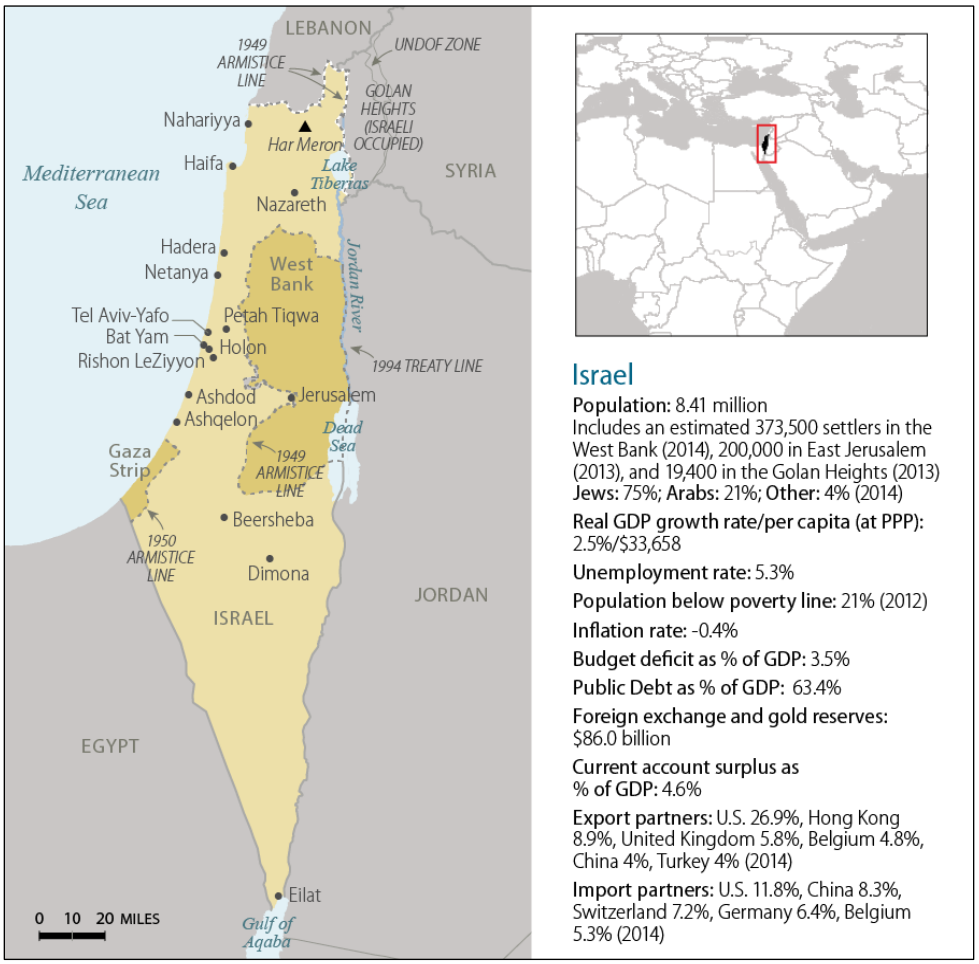
Introduction

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

- Recent dynamics in U.S.-Israel relations.
- U.S.-Israel next steps following the July 2015 Iranian nuclear deal, including ongoing negotiations on a new U.S.-Israel aid memorandum of understanding.
- Regional threats Israel perceives from Hezbollah (the Lebanese, Iran-backed Shiite group and U.S.-designated terrorist organization), Syria, and elsewhere.
- Israeli-Palestinian policy considerations and ongoing tensions and violence.
- Domestic political developments in Israel.

For additional information and analysis, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by (name redacted), and CRS Report RL33222, *U.S. Foreign Aid to Israel*, by (name redacted) .

Figure 1. Israel: Map and Basic Facts



Sources: Graphic created by CRS. Map boundaries and information generated by (name redacted) using Department of State Boundaries (2011); Esri (2013); the National Geospatial-Intelligence Agency GeoNames

Database (2015); DeLorme (2014). Fact information from CIA, *The World Factbook*; Economist Intelligence Unit; IMF World Outlook Database; Israel Central Bureau of Statistics. All numbers are estimates and as of 2015 unless specified.

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

Overview of U.S.-Israel Relations

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

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

The longtime U.S. commitment to Israel's security and "qualitative military edge" in the region is intended to enable Israel to defend itself against threats it perceives, which in recent years have largely come from Iran and groups Iran supports—such as Hezbollah in Lebanon and Hamas in the West Bank and Gaza Strip. The political complement to this cooperation has been a long-standing U.S. effort to encourage Israel and other regional actors to improve relations with one another. U.S. policymakers have sponsored or mediated numerous Arab-Israeli peace initiatives since the 1970s, including Israel's peace treaties with Egypt and Jordan and interim agreements with the Palestine Liberation Organization (PLO). However, largely owing to lingering Israeli-Palestinian disputes and widespread Middle Eastern turmoil, the objective of formal political normalization for Israel within the region has eluded successive Administrations.

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

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

[2] See, e.g., Dennis Ross, *Doomed to Succeed: The U.S.-Israel Relationship from Truman to Obama*, New York: Farrar, Straus and Giroux, 2015; Haim Malka, *Crossroads: The Future of the U.S.-Israel Strategic Partnership*, Washington, DC: Center for Strategic and International Studies, 2011; Pew Research Center, *Israel's Religiously Divided Society*, March 8, 2016.

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

Key National Security Issues

Iranian Nuclear Deal and U.S.-Israel Implications

Overview

Israel's opposition to an international comprehensive agreement on Iran's nuclear program reflected deep and abiding Israeli concern over the issue. For years, Israeli leaders have described Iran and its reported pursuit of a nuclear breakout capacity as an extremely significant threat, though a range of views exist among Israeli officials and analysts regarding how to address the threat and its potential implications for Israel's security and international relationships.[3]

When the Iranian nuclear deal was announced in July 2015, Prime Minister Netanyahu said that it was a "historic mistake"[4] and that Israel would "not be bound" by it.[5] Israeli leaders voice concern that the agreement and the sanctions relief it might provide for Iran could lead to increased material support for Hezbollah and other Iranian allies.[6] This prospect of greater Iranian capacity to affect the regional balance of power in the wake of the deal, along with an expected increase in U.S. arms sales to Arab Gulf states (also related to the nuclear deal), could potentially affect Israel's "qualitative military edge" (QME) over regional threats.[7] Israeli officials also express concern that the deal, by preserving much of Iran's nuclear infrastructure, legitimizes Iran's aspirations to be a "nuclear threshold" state.[8]

Netanyahu's criticism of the agreement is widely shared across the Israeli political spectrum. However, some former officials from Israel's security establishment have publicly asserted that

[3] 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.

[4] Tamar Pileggi and Jonathan Beck, "Netanyahu calls Iran deal 'historic mistake for world,'" *Times of Israel*, July 14, 2015.

[5] Israeli Ministry of Foreign Affairs, "Security Cabinet rejects nuclear deal with Iran," July 14, 2015. U.N. Security Council Resolution 2231, adopted on July 20, 2015, calls upon "all Members States, regional organizations and international organizations to take such actions as may be appropriate to support the implementation of the JCPOA [Joint Comprehensive Plan of Action], including by taking actions commensurate with the implementation plan set out in the JCPOA and this resolution and by refraining from actions that undermine implementation of commitments under the JCPOA."

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

[7] See, e.g., Amos Harel, "Washington, Jerusalem discussing massive compensation for Iranian nuclear deal," *haaretz.com*, May 20, 2015; and Leslie Susser, "The Challenge: Getting the US Back in Israel's Corner," *Jerusalem Report*, May 18, 2015. On May 19, 2015, the Defense Security Cooperation Agency published a notification of a proposed U.S. sale to Israel of $1.879 billion worth of munitions and associated parts.

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

the deal has positive aspects,[9] and some of them voiced concerns about possible damage that continued Israeli opposition to the deal might do to U.S.-Israel relations. With the deadline for Congress to pass a resolution of disapproval of the deal having expired in September 2015, some Israeli military leaders reportedly urged Netanyahu "to begin working on a joint U.S.-Israeli strategy based on the deal's premise that Iran's nuclear program will be indeed be frozen for 15 years."[10] The deal went into effect in January 2016.[11] After Iran conducted tests of ballistic missiles in March 2016 that reportedly bore markings calling for Israel's destruction, Israel's foreign ministry claimed that the tests violated U.N. Security Council Resolution 2231 and called for "concrete punitive steps" from the Security Council.[12] Some Israeli analysts asserted that neither the nuclear deal nor Resolution 2231 "expressly proscribes development and testing" of these missiles.[13] In a March 9 daily press briefing, the State Department spokesperson said that "obviously we condemn all threats to Israel, and we stand – will stand with Israel to help it defend itself against all kinds of threats."

Considerations stemming from the Iran nuclear deal are presumably driving Israeli leaders to seek tangible measures of reassurance from their U.S. counterparts. During its successful effort to avoid a congressional resolution of disapproval regarding the deal, the Obama Administration sent letters to several Members of Congress stipulating ongoing or planned steps to help Israel defend itself and counter Iran's destabilizing regional influence.[14] Before the comprehensive agreement was announced, Israel and the United States reportedly began preliminary consultations on an aid and arms sales package to assuage Israeli concerns regarding the deal.

U.S.-Israel Negotiations on Aid Memorandum of Understanding (MOU)

In connection with negotiations for a new 10-year Memorandum of Understanding (MOU) on annual U.S. military aid (the current MOU expires at the end of FY2018), Israel reportedly asked for this aid to be boosted to $5 billion.[15] Currently, Israel receives $3.1 billion per year in Foreign Military Financing (FMF) and hundreds of millions from Defense Department accounts for missile defense. While the two countries discuss future U.S. military aid to Israel, they are reportedly also contemplating a number of arms sales. Various sources indicate that such sales may include greater numbers and expedited delivery of fighter aircraft (advanced F-15s and F-35s), V-22 Ospreys, refueling planes, and cruise missiles, as well as more funding for various rocket and missile defense programs.[16]

[9] Additionally, an Israeli media report indicates that Israel's Atomic Energy Commission has advised members of Israel's defense establishment that the deal would prevent Iran from developing a nuclear bomb over its duration. Chaim Levinson, "Israel's Nuclear Advisory Panel Endorses Iran Deal," *haaretz.com*, October 22, 2015.

[10] David Ignatius, "Netanyahu's Next Step," *Washington Post*, September 4, 2015.

[11] Merrit Kennedy, "Implementation Day Arrives: Sanctions On Iran Are Lifted," *npr.org*, January 16, 2016.

[12] Israeli Ministry of Foreign Affairs, "Amb Danon calls for punitive measures against Iran," March 14, 2016.

[13] Barbara Opall-Rome, "Experts: Israel Lacks Leverage Against Iranian Missile Tests," *DefenseNews*, March 14, 2016.

[14] As one example, see the text of the August 19, 2015, letter from President Obama to Representative Jerrold Nadler, available at http://www.nytimes.com/interactive/2015/08/20/world/middleeast/document-obamas-letter-to-congressman-nadler.html?_r=3.

[15] "US officials: Israel requesting $5 billion in annual defense aid," *Times of Israel*, November 4, 2015.

[16] Ibid.; Carol E. Lee and Gordon Lubold, "Obama Seeks to Reassure Allies—Israelis, Saudis worried over Iran nuclear deal," *Wall Street Journal*, July 20, 2015; Harel, op. cit.; Susser, op. cit.; Julian Pecquet, "US offer of anti-Iran bomb lands as a dud in Israel," *Al-Monitor Congress Pulse*, September 21, 2015.

Some recent news reports speculate about the prospects for a new MOU before the end of the Obama Administration, as well as possible terms of an MOU.[17] One report suggested that a February 2016 Administration proposal could anticipate more than $40 billion in U.S. military funding to Israel over 10 years, starting at around $3.8 billion per year and phasing in increases over the agreement's duration.[18] The article said that the Administration offer would be a "consolidated aid package that essentially guarantees expanded top-line funding from State Department and Pentagon accounts each year for the next decade, starting in 2018,"[19] implying that unlike the current MOU signed in 2007,[20] a new MOU might address accounts beyond FMF. One Israeli commentator has asserted that Netanyahu may have canceled his planned March 2016 trip to Washington, DC, for various reasons, including differences with U.S. officials regarding funding levels over the MOU's duration, and possible concerns about how the timing of an MOU signing might affect U.S. policy on the Palestinian issue.[21]

Any new MOU would be subject to congressional appropriations. One media report claimed that the February proposal from the Administration anticipated increases in overall funding levels under the condition that Congress would not boost annual amounts beyond these levels except for "extreme emergency cases."[22] Generally, Congress has provided significant annual increases to the amounts suggested in Administration budgets to fund Israeli or U.S.-Israeli missile defense programs.[23] Given that Congress has the authority to appropriate funding levels for Israel in any particular annual budget cycle, the Israeli reference to a possible end to annual "plus-ups" on missile defense or other items presumably anticipates overall Israel-Administration-Congress willingness to implement the terms of such an MOU in the event it is agreed upon. A former senior Israeli official said that the predictability of such an arrangement would benefit Israel's long-term planning, but would have a downside in precluding additional funding absent compelling justification.[24] In response to a question during a February 24, 2016, hearing before the House Appropriations Subcommittee on State, Foreign Operations, and Related Programs, Secretary of State John Kerry claimed that he was not aware that a potential MOU might constrain Congress's ability to "address crises and emergency provisions," and said that he would inquire further within the executive branch on the matter.

Future FMF aid levels set forth in an MOU are likely to have some connection with anticipated U.S. arms sales to Israel, given that around 74% of FMF would be used for this purpose. Another consideration regarding various regular U.S. budget accounts is that they are subject (through FY2021) to budget caps in connection with the Budget Control Act of 2011 (P.L. 112-25). For example, if increases in FMF to Israel were to be provided other than via an "overseas

[17] Ben Caspit (translated from Hebrew), "Why Bibi snubbed Obama and is skipping next week's AIPAC conference," *Al-Monitor Israel Pulse*, March 14, 2016; Joshua Davidovich and Judah Ari Gross, "Defense minister: American aid package to be finalized in 'weeks,'" *Times of Israel*, February 22, 2016; Dan Williams and Matt Spetalnick, "Israel may bank on Obama's successor for future U.S. aid pact: minister," *Reuters*, February 8, 2016; "US officials: Israel won't get better aid deal after Obama leaves office," *Jewish Telegraphic Agency*, February 8, 2016.

[18] Barbara Opall-Rome, "Obama Offers Israel New 10-Year Aid Package, But There's a Catch," *DefenseNews*, February 13, 2016.

[19] Ibid.

[20] The text of the 2007 MOU for FY2009-FY2018 is available at http://www.endtheoccupation.org/downloads/2007israelusmou.pdf.

[21] Caspit, op. cit.

[22] Opall-Rome, "Obama Offers Israel New 10-Year Aid Package, But There's a Catch," op. cit.

[23] For information on congressional appropriations for missile defense at levels above those from Administration requests, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by (name redacted) .

[24] Opall-Rome, "Obama Offers Israel New 10-Year Aid Package, But There's a Catch," op. cit.

contingency operations" (OCO) designation,[25] such increases could potentially raise conflicts with the overall caps absent either trade-offs within the non-defense discretionary budget or legislative changes regarding the caps.[26]

Other U.S.-Israel Next Steps

The ongoing U.S.-Israel consultations on aid and arms sales appear to reflect a shift by Israeli officials away from opposing the nuclear deal, and toward insisting on its enforcement. During Prime Minister Netanyahu's November 2015 visit to the United States, he said:

> I think that what is important is not merely President Obama's commitment to bolstering Israel's security for the next ten years, but also his commitment to maintain Israel's qualitative military edge so that Israel can defend itself by itself against any threat. That is the most important commitment. And despite our disagreement over the nuclear deal with Iran, I believe that America and Israel can and should work together now to ensure Iran complies with the deal, to curb Iran's regional aggression and to fight Iranian terrorism around the world.[27]

Additionally, although some Israeli defense officials have hinted that a unilateral Israeli military strike against Iranian nuclear facilities remains an option to prevent Iran from acquiring a nuclear weapon, most analysts assert that such an option is less viable and likely than in the past.[28]

In the years before the agreement, Israel reportedly undertook a number of covert actions aimed at delaying or impeding Iran's progress toward a nuclear weapons capability—some with reported U.S. collaboration. According to one media report, current and former Israeli officials have said that Netanyahu "reserves the right to continue covert action," raising questions about how the United States might view and respond to such action in a post-deal environment.[29]

Regional Threats from Hezbollah, Syria, and Elsewhere

Israeli officials identify various other threats in the region. Regarding Hezbollah, a number of regional developments may affect Israel's deterrence posture. These include the following:

- Events in Lebanon and Syria.
- The Iranian nuclear deal and its implementation.
- Developments providing potential insight into U.S.-Israeli resolve and closeness, such as international responses to possible Iranian violations of the nuclear deal

[25] OCO funding is not subject to P.L. 112-25 budget caps.

[26] For more information on budget caps and OCO exceptions, see CRS Report R42994, *The Budget Control Act, Sequestration, and the Foreign Affairs Budget: Background and Possible Impacts*, by (name redacted) ; and CRS Report R40213, *Foreign Aid: An Introduction to U.S. Programs and Policy*, by (name redacted) and (name redacted) .

[27] Israeli Prime Minister's Office, PM Netanyahu's Address to the Jewish Federations of North America General Assembly, November 10, 2015.

[28] See, e.g., Amos Harel, "Why Netanyahu Deserves Credit for Iran Nuclear Deal," *haaretz.com*, July 18, 2015. Russia's announcement in mid-April 2015 that it intends to fulfill its agreement to provide Iran an upgraded anti-aircraft capability (the S-300 system), after having suspended performance for a number of years, may decrease the viability of an Israeli military option even more.

[29] Adam Entous, "Spy Vs. Spy: The Fraying U.S.-Israel Ties," *Wall Street Journal*, October 23, 2015. One December 2015 media report alleged—among various things relating to U.S. and Israeli intelligence practices—that, in monitoring various Israeli leaders in connection with the Iranian nuclear issue, the National Security Agency "swept up the contents of some of their private conversations with U.S. lawmakers and American-Jewish groups." Adam Entous and Danny Yadron, "U.S. Spying Nabs Allies," *Wall Street Journal*, December 30, 2015.

> or the anticipated Israeli deployment (as early as 2016) of the Hezbollah-focused David's Sling missile defense system.

At various times during the conflict in Syria, Israel has reportedly fired on targets in Syria or Lebanon in response to attack or threats of attack, or in attempts to prevent arms transfers to Hezbollah in Lebanon.[30] However, Israel's ability to operate in or around Syrian airspace appears to have become more constrained since Russian aircraft became directly involved in Syria in the fall of 2015.[31] Israel and Russia have sought to establish a joint mechanism for preventing misunderstandings,[32] but it remains to be seen whether and how the mechanism can reliably mitigate risks.[33] Russia's reported deployment of an S-400 air defense system in Syria (in response to Turkey's downing of a Russian aircraft in late November 2015) may complicate Israeli efforts to prevent or mitigate the supply of arms to Hezbollah via Syrian territory. In the context of international discussions contemplating some kind of cease-fire in Syria, Israeli Prime Minister Netanyahu said:

> We will not agree to the supply of advanced weaponry to Hezbollah from Syria and Lebanon. We will not agree to the creation of a second terror front on the Golan Heights. These are the red lines that we have set and they remain the red lines of the State of Israel.[34]

Israeli officials have sought to draw attention to Hezbollah's weapons buildup and its alleged use of Lebanese civilian areas as strongholds.[35] In highlighting these issues, Israel may be aiming to bolster the credibility of its threat of massive retaliation against a Hezbollah attack, at least partly to spur key international actors to work toward preventing or delaying conflict.[36] Observers debate the extent to which Hezbollah's involvement in the Syrian conflict in support of the Asad regime has weakened or strengthened the group, as well as whether Hezbollah's domestic profile and the profusion of international and non-state actors in the region make near-term conflict with Israel more or less likely.[37]

Sunni Salafi-jihadist activity in the region since 2014—particularly involving the Islamic State organization (IS, also known as ISIS/ISIL, or by the Arabic acronym Da'esh)—has also deepened

[30] See, e.g., Anne Barnard, "Lebanon: New Skirmish Between Israel and Hezbollah in Disputed Territory," *New York Times*, January 5, 2016; "Three killed as Israel and Hezbollah clash on Lebanese border," *BBC News*, January 28, 2015; "Hezbollah drones, anti-aircraft missiles destroyed in alleged IAF attack, says Syrian opposition," *jpost.com*, December 8, 2014.

[31] Amos Harel, "Analysis: Israeli Army Avoids Poking Russian Bear With a Stick," *haaretz.com*, November 30, 2015; Roi Kais, "Report: Russia blocks Israeli jets over Lebanon," *Ynetnews*, October 17, 2015.

[32] See, e.g., Barbara Opall-Rome, "Israel, Russia Conclude First Round of Deconfliction Talks," *DefenseNews*, October 7, 2015.

[33] Harel, "Analysis: Israeli Army Avoids Poking Russian Bear With a Stick," op. cit.

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

[35] Identical letters dated May 27, 2015, from the Permanent Representative of Israel to the United Nations addressed to the Secretary-General and the President of the Security Council, U.N. Document S/2015/382, May 27, 2015; Isabel Kershner, "Israel Says Hezbollah Military Sites Put Lebanese Civilians at Risk," *New York Times*, May 13, 2015. Press reports citing unnamed U.S. officials with knowledge of Israeli intelligence estimates state that Hezbollah has upgraded the range and precision of its artillery, anti-ship, anti-tank, and anti-aircraft capabilities in recent years. Adam Entous, Charles Levinson and Julian E. Barnes, "Hezbollah Upgrades Missile Threat to Israel," *Wall Street Journal*, January 2, 2014.

[36] See, e.g., Neri Zilber, "Hezbollah Claims a 'Nuclear Option' in Tense Standoff with Israel," *Daily Beast*, March 3, 2016; Amos Harel, "Israel's Unlikely Place in a Rapidly Changing Middle East," *haaretz.com*, March 7, 2016.

[37] Nour Samaha, "Hezbollah's Death Valley," *foreignpolicy.com*, March 3, 2016.

Israeli concerns regarding Israel's border security[38] and the security of neighboring Jordan. In September 2015, Israel began constructing a security barrier along its border with Jordan that will be similar to projects undertaken at its other frontiers.[39] Israeli security officials additionally monitor groups and individuals in the neighboring Gaza Strip and (Egypt's) Sinai Peninsula who claim allegiance to or inspiration from Salafi-jihadists,[40] and Israeli leaders have taken note of incidents in Europe since 2014 in which extremists have specifically targeted Jews (including Israeli citizens).[41] In late December 2015, IS leader Abu Bakr al Baghdadi issued his first explicit threat against Israel,[42] though how that translates to operational capacity and concerted effort to direct or inspire attacks against Israeli targets is less clear.[43]

In contemplating potential threats to Israel from Syria in January 2016, Israeli Defense Minister Moshe Ya'alon said, "In Syria, if the choice is between Iran and the Islamic State, I choose the Islamic State…. Iran determines [the] future of Syria, and if it leads to perpetuation, Iranian hegemony in Syria will be [a] huge challenge for Israel."[44]

Israeli-Palestinian Issues

Key U.S. Policy Considerations

Official U.S. policy continues to favor a "two-state solution" to address core Israeli security demands as well as Palestinian aspirations for national self-determination. Although a National Security Council official publicly stated President Obama's view in November 2015 that the parties would not likely be "in the position to negotiate a final status agreement" by the end of his term,[45] reports in March 2016 indicate that the Administration is considering whether to pursue one or more options offering a blueprint for future talks. Such options could include a presidential or international statement, or even a U.S.-backed U.N. Security Council resolution "calling on both sides to compromise on key issues, something Israel had opposed and Washington has repeatedly vetoed in the past."[46] One commentator has stated that the region may be trending toward "a steady low-grade civil war between Palestinians and Israelis and a growing Israeli isolation in Europe and on college campuses that the next U.S. president will have to navigate."[47]

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

[39] Barbara Opall-Rome, "Israel Invests Billions in Border Barricades," *DefenseNews*, September 7, 2015.

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

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

[42] "Islamic State head: 'Palestine will be graveyard' for Jews," *Times of Israel*, December 26, 2015.

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

[44] Judah Ari Gross, "Ya'alon: I would prefer Islamic State to Iran in Syria," *Times of Israel*, January 19, 2016.

[45] Robert Malley, quoted in "Palestinian presidency: US comments on peace process 'discouraging,'" *Ma'an*, November 8, 2015.

[46] Carol E. Lee and Rory Jones, "U.S. to Renew Mideast Peace Push ," *Wall Street Journal*, March 8, 2016. France has been proposing some kind of new initiative since January 2016. Daoud Kuttab, "How serious is the French proposal on Middle East peace?," *Al-Monitor Palestine Pulse*, March 3, 2016.

[47] Thomas L. Friedman, "The Many Mideast Solutions," *New York Times*, February 10, 2016.

Several Israelis in the Netanyahu-led government and others toward the right of the political spectrum have bristled at Obama's periodic efforts and deliberations aimed at moving the peace process forward. Netanyahu has publicly welcomed resuming negotiations without preconditions, but he and other Israeli officials have indicated or hinted that regional difficulties involving Iran and Arab states steeped in turmoil since 2011 forestall or seriously impede prospects for mutual Israeli-Palestinian concessions through negotiation.

Some Israeli politicians toward the left of the political spectrum welcome the prospect of greater U.S. involvement in principle, claiming that regional challenges, Israel's international ties,[48] and demographic changes make resolving the Palestinian issue a priority. Yitzhak Herzog and his main opposition Labor party, while acknowledging that a two-state solution is unlikely in the near-term, have proposed preserving a two-state vision by "retain[ing] control of the West Bank settlement blocs [areas around the 1949-1967 armistice or "Green" line where most Israeli West Bank settlers live], complet[ing] the separation barrier to keep terrorists out of Israel and freez[ing] all building in settlements outside the blocs."[49]

A number of complicating factors, ranging from internal Israeli and Palestinian politics, to attempts by both sides to gain political advantage over the other outside of negotiations, have contributed to serious challenges for resolving the decades-long conflict. After the most recent U.S.-backed round of peace talks collapsed in April 2014, Israeli-Palestinian disputes intensified in media exchanges and international fora. Doubts regarding prospects for peace appear to have increased after Netanyahu made remarks—which he later downplayed—during his successful election campaign in March 2015 that raised questions about his willingness to accept a two-state solution.[50]

While unrest was intensifying in and around Jerusalem (as discussed below), Palestinian Authority (PA) President Mahmoud Abbas stated in late September 2015 in remarks before the U.N. General Assembly that the Palestinians were no longer bound by the 1990s "Oslo" agreements creating the PA.[51] This fueled speculation over whether the PA might at some point discontinue security cooperation with Israel or even disband itself, and whether Abbas's apparent expressions of frustration pointed seriously toward imminent change.

[48] For example, see CRS Report R44281, *Israel and the Boycott, Divestment, and Sanctions (BDS) Movement*, coordinated by (name redacted)

[49] Jonathan Lis, "Labor Adopts Herzog's Plan for Separation From Palestinians as Party Platform," *haaretz.com*, February 8, 2016. Herzog's plan also envisions that certain Arab East Jerusalem communities currently within Jerusalem's municipal boundaries would be separated from the rest of the city. Some criticize this part of the plan as impractical on grounds that it undermines the Palestinian demand for a future capital in East Jerusalem.

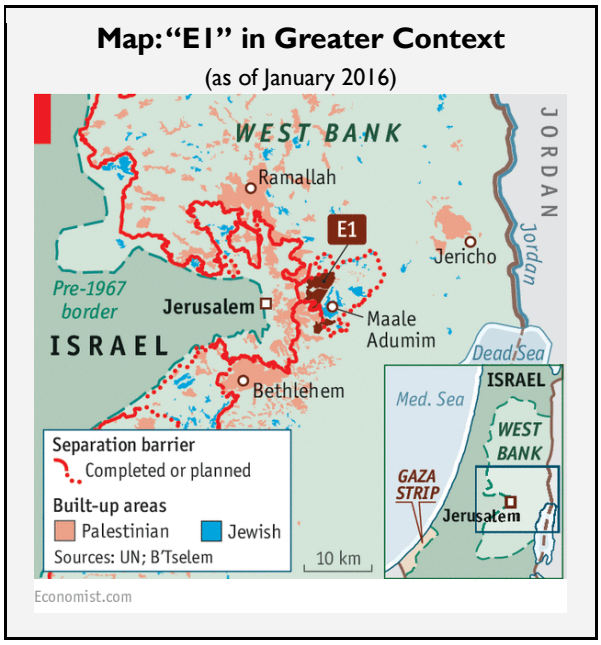
[50] Jodi Rudoren and Michael D. Shear, "Israeli Leader Backs Off Stand on 2-State Option," *New York Times*, March 20, 2015.

[51] The main document establishing PA limited self-rule over the Gaza Strip and parts of the West Bank is the Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip (known generally as the "1995 Interim Agreement" or "Oslo II"), which was signed by Israel and the PLO on September 28, 1995. The text is available at http://www.mfa.gov.il/MFA/ForeignPolicy/Peace/Guide/Pages/THE%20ISRAELI-PALESTINIAN%20INTERIM%20AGREEMENT.aspx.

As violence has continued, some Israeli officials have reportedly questioned the future viability of the PA,[52] and questions have intensified regarding the aging Abbas's remaining tenure and what will happen when he leaves office.[53] In December 2015, Secretary of State John Kerry gave a speech stating that "current trends including violence, settlement activity, demolitions, are imperiling the viability of a two-state solution." In his speech, Kerry also warned of the potential security and economic consequences for Israel without the PA and its some 30,000 security personnel.[54] For additional information on the PA security forces—some of whom receive training and equipment from the United States and other countries—and their coordination with Israel amid ongoing violence and tension, see CRS Report RS22967, *U.S. Foreign Aid to the Palestinians*, by (name redacted)

In a January 2016 speech, U.S. Ambassador to Israel Dan Shapiro echoed some of Kerry's concerns, asking rhetorically, "And if [Israel] judges a political solution to be out of reach for the time being, then what is its plan for managing and stabilizing the conflict in the short and medium term? What tools can Israel provide to assist us in our global diplomatic defense of Israel, to which we will always be committed?"[55] Turning his emphasis to the Palestinians and Israel's Arab neighbors, Shapiro said that Americans have tough questions for them

> …about murderous incitement, about withholding recognition, questions about threats to end security cooperation, about support for terror groups, and about misuse of the UN system. How do these tendencies serve their own people, or build confidence among Israelis that there is a partner, or help achieve their aspirations for independence in a two-state solution?[56]



Israeli residential construction (generally known internationally as "settlements") in the West Bank and East Jerusalem remains a contentious issue. Netanyahu—facing pressure from within his governing coalition amid ongoing Israeli-Palestinian violence—has reiterated strong support for settlement activity in the West Bank.[57] Such statements

[52] Barak Ravid, "Israeli Minister: Palestinian Authority Will Collapse, the Only Question Is When," *Ha'aretz*, February 29, 2016; Adnan Abu Amer (translated from Arabic), "Is PA on verge of collapse?," *Al-Monitor Palestine Pulse*, December 11, 2015.

[53] Steven J. Erlanger and Rami Nazzal, "Talk Grows About Who Will Succeed Palestinians' Aged Abbas, Seen as Ineffective," *New York Times*, February 28, 2016.

[54] Transcript of Secretary Kerry's remarks at the Brookings Institution's Saban Forum, available at http://www.state.gov/secretary/remarks/2015/12/250388.htm.

[55] U.S. Embassy to Israel website: January 18, 2016 - Ambassador Daniel B. Shapiro's Remarks at the Institute for National Security Studies 9th International Conference.

[56] Ibid. During a March 2016 visit to Israel, Vice President Joe Biden said, "'Let me say in no uncertain terms: The United States of America condemns these acts and condemns the failure to condemn these acts," Isabel Kershner, "Biden Assails 'Failure to Condemn' Mideast Killings," *New York Times*, March 10, 2016.

[57] "Israel 'Supports Settlement at Any Time' After Hebron Incident," *Voice of America*, January 24, 2016.

seem to be exacerbating expressions of concern from anti-settlement activists, Palestinian officials, and some international actors about possible plans for construction in sensitive areas such as "E1"[58] (see map above), and about land appropriations.[59] A number of local and international observers have suggested measures to address the issue. Among various policy prescriptions, two former U.S. officials proposed that Israel curb settlement building in some key places in possible exchange for more active U.S. diplomatic support to "stem the drift toward a binational state, blunt the de-legitimization movement internationally and give us leverage to block future European sanctions against Israel."[60]

Ongoing Violence: Another Palestinian Intifada?

Tensions and violence have generally increased since the end of negotiations in April 2014. The dynamic appears to be partly linked to specific incidents and the responses they trigger, and partly to cyclical patterns of protest and confrontation (see chronology below).

Observers debate whether another Palestinian *intifada* (or uprising) might be underway or imminent. Most deaths and injuries since September 2015 have come from so-called "lone wolf" attacks by Palestinian men and women—often teenagers[61]—and Israeli security responses to either violent incidents or protests. According to one commentator, the unrest "has in fact decreased in scale and relative lethality since its peak last fall. Yet Palestinian attacks [spanning Israel, Jerusalem, and the West Bank] continue on what seems like a daily basis."[62] At least one apparently unprovoked attack by a Jewish Israeli against Arabs has also taken place.[63] At least 28 Israelis and 176 Palestinians have been killed.[64]

The present dynamic appears to differ from the general organizational guidance and coordination of Palestinian protests and attacks during the first (1987-1991) and second (2000-2005) intifadas. The current young generation of Palestinians has little or no memory of past intifadas, and many appear to be influenced by Internet-based social media that encourage spontaneous demonstrations and individual initiative in planning and executing attacks,[65] making the attacks very difficult for Israeli security and intelligence officials to anticipate.[66]

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[58] "Distancing the Two State Solution: The Ministry of Housing's Plans and Construction – Exposed," *Settlement Watch*, Peace Now, December 2015; Daoud Kuttab, "Is the two-state solution dead?," *Al-Monitor Palestine Pulse*, February 25, 2016.

[59] "UN chief asks Israel to reverse West Bank land seizure," *Agence France Presse*, March 15, 2016.

[60] Dennis Ross and David Makovsky, "The neglected Israeli-Palestinian peace process must be revived," *Washington Post*, February 25, 2016. For more information on economic measures targeting Israel and/or Israeli settlements, see CRS Report R44281, *Israel and the Boycott, Divestment, and Sanctions (BDS) Movement*, coordinated by (name redacted)

[61] See, e.g., Jodi Rudoren, "Young Palestinians Fanning the Flames of a New Uprising," *New York Times*, October 14, 2015.

[62] Neri Zilber, "The business end of Palestinian despair," *blogs.timesofisrael.com*, March 3, 2016. In November 2015, the House (H.Res. 293) and Senate (S.Res. 302) both passed resolutions condemning Palestinian attacks, calling upon PA officials to stop incitement via Palestinian media and to take steps to halt the attacks, encouraging continued PA-Israel security cooperation, and calling for the resumption of Israeli-Palestinian peace negotiations.

[63] Ben Hartman, "Dimona: Jewish man stabs 4 Arabs in suspected nationalist attack," *jpost.com*, October 9, 2015.

[64] "American veteran killed as Palestinians unleash attacks in Israel," *CBS News*, March 8, 2016. A few U.S. citizens have been killed or injured, prompting the U.S. Embassy in Tel Aviv and Consulate General in Jerusalem to issue a March 9 security message (http://israel.usembassy.gov/sm_030916.html) to U.S. citizens for Israel, Jerusalem, and the West Bank.

[65] Mazal Mualem (translated from Hebrew), "Will social media spark a third intifada?," *Al-Monitor Israel Pulse*, October 12, 2015.

[66] Zilber, "The business end of Palestinian despair," op. cit.

Chronology of Selected Key Events Possibly Related to Recent Israeli-Palestinian Violence

April 2014	A church and two mosques in Israel are vandalized, and a Jewish Israeli is arrested for allegedly delivering a threatening note to the Roman Catholic bishop of Nazareth, leading to expressions of concern among Arab Israelis.
June 2014	Hamas-linked militants kidnap and murder three Jewish Israeli teenagers in the West Bank, triggering robust Israeli investigative and security measures aimed at broadly subduing terrorist acts and plots. The suspected militants are killed by Israeli authorities in September.
July 2014	Jewish extremists murder a Palestinian teenager in East Jerusalem by beating and burning him, sparking further Israeli-Palestinian tension despite the arrest of the alleged killers.
July-August 2014	Israel-Gaza conflict (Israeli code name "Operation Protective Edge") takes place, significantly affecting Israeli and Palestinian societies.
Fall 2014	Israeli-Palestinian tensions rise in Jerusalem in connection with Jewish Israeli visits (including by high-profile politicians) to the Temple Mount/Haram al Sharif (also known as the "Holy Esplanade"), leading to protests, individual instances of violence, and Israeli restrictions on access to the Esplanade. A day after a Palestinian bus driver dies under disputed circumstances; two Palestinians kill five Israelis (including three with U.S. citizenship) at a Jerusalem synagogue before being killed by police.
Summer 2015	As periodic incidents of Israeli-Palestinian violence continue in Jerusalem and the West Bank, an arson attack destroys a Palestinian home in the West Bank, killing a toddler, his parents, and seriously injuring another family member. A number of Jewish extremists are arrested in connection with the attack.
September 2015-March 2016	Palestinians barricade the Al Aqsa Mosque in connection with claims of increased Jewish religious visits to the Holy Esplanade during the high holiday period in late 2015, triggering a robust Israeli security response. Israeli-Palestinian violence intensifies in and around Jerusalem and spreads to other areas in Israel and the West Bank as Israeli, Palestinian Authority, U.S., and other international officials seek ways to address the violence, its underlying causes, and the problems it generates.

The violence has also led to questions about heightened Israeli security measures, in terms of both their efficacy and their legal implications—locally and internationally.[67] Specific instances involving Israeli authorities and suspected terrorists, including the October death of an Eritrean migrant in Beersheba in a case of mistaken identity after a deadly attack by an Arab,[68] have triggered heated debate about when lethal force is appropriate to prevent a potential or actual attack or to prevent a suspect's escape. Israeli military personnel (supplemented by reserve call-ups) have been deployed widely to maintain order. Additionally, Israeli authorities have arrested a number of Jewish extremists wanted for various acts of violence and vandalism,[69] though U.S. Ambassador Shapiro indicated in his January speech that authorities should do more to respond to such acts.[70] Given Israeli observations that permitting Palestinians to work in Israel may deter attacks, the Israeli security cabinet has reportedly approved the broad outlines of a plan that

[67] See, e.g., B'Tselem, "B'Tselem to PM: Your silence permits street executions," November 25, 2015; Amnesty International, "Spiralling Violence in Israel/Occupied Palestinian Territories," October 13, 2015.

[68] Josef Federman, "Fatal beating of Eritrean prompts soul-searching in Israel," *Associated Press*, October 19, 2015.

[69] Luke Baker, "Amid Palestinian violence, Israel tracks far-right Jewish threat," *Reuters*, December 8, 2015.

[70] U.S. Embassy to Israel website: January 18, 2016 - Ambassador Daniel B. Shapiro's Remarks at the Institute for National Security Studies 9th International Conference.

would allow 30,000 additional Palestinians to work in Israel, while some permits have been taken from Palestinians whose relatives were killed while carrying out attacks.[71]

One concern among Israeli, PA, and international officials appears to be that further escalation could strengthen political support for extremists. That could include U.S.-designated terrorist organizations Hamas, Palestine Islamic Jihad – Shaqaqi Faction, and Al-Aqsa Martyrs Brigade (a Fatah offshoot) on the Palestinian side; and Kahane Chai on the Israeli side. Hamas leaders repeatedly encourage further attacks in public statements, while some figures from Fatah and other Palestinian factions have also reportedly made statements supporting violence. Reports indicate that Hamas has been preparing its Gaza-based arsenals and tunneling system for a possible outbreak of new violence.[72]

Ongoing tensions have involved Palestinian Arab citizens of Israel in addition to Palestinians from the West Bank and East Jerusalem. In mid-November 2015, Israel's security cabinet outlawed the northern branch of Israel's Islamic Movement for incitement related to controversy over the Holy Esplanade and Al Aqsa Mosque, prompting protests among some Israeli Arabs that the move harms their freedoms of expression and association.[73] Another development that could provoke negative reactions among Israeli Arabs would be further progress by the ruling Israeli coalition toward drafting a Basic Law defining Israel as the nation-state of the Jewish people.[74] In February 2016, the Knesset (parliament) ethics committee temporarily suspended three Israeli Arab Knesset members from official parliamentary debate (though they retain their voting rights) after they met with some Palestinians whose relatives had attacked Jews and been killed by Israeli security personnel.[75] One measure apparently seeking to ease ethnic tensions is an Israeli government plan—announced in late 2015—for a total of around $4 billion of public investment over five years that is aimed at narrowing gaps between Jewish and Arab citizens.[76]

Domestic Israeli Politics

Domestic discussions in Israel focus largely on the following issues:

- How to address an interrelated set of concerns relating to national security, freedom of expression, competing ideologies, and international influence.
- How to promote macroeconomic strength while addressing popular concerns regarding economic inequality and cost of living.[77]

A discussion of some prominent current or recent developments is set forth below.

[71] Amos Harel, "Military Wants 30,000 More Palestinians Working in Israel," *haaretz.com*, February 8, 2016.

[72] Avi Issacharoff, "Hamas has replenished its rocket arsenals, Israeli officials say," *Times of Israel*, March 4, 2016.

[73] Calev Ben-David, "Israel Outlaws Domestic Islamic Group as Police Raid Offices," *Bloomberg*, November 17, 2015.

[74] Attila Somfalvi, "Netanyahu advances Jewish nation-state bill," *Ynetnews*, November 29, 2015.

[75] Isabel Kershner, "Lawmakers Rekindle Debate on Israel's Arabs," *New York Times*, February 10, 2016.

[76] "Israel government approves £2.5 billion plan to strengthen Arab communities," Britain Israel Communications & Research Centre, December 31, 2015.

[77] After contentious negotiation and month-to-month government funding that extended well beyond March 2015 elections and the subsequent government formation process, in November 2015 the Knesset passed Israel's 2015-2016 budget. The projected deficit is 2.9%. Raoul Wootliff and Marissa Newman, "Knesset passes 2015-2016 budget by 61-59 majority," *Times of Israel*, November 19, 2015. Key compromises included an agreement for the military to begin implementing some structural changes in exchange for increased defense spending, and a tax cut on public transportation in lieu of one on food. Spending increased for education, welfare, and health.

In early 2016, the Israeli public and international observers have vigorously debated a Netanyahu-supported bill in the Knesset that would require non-governmental organizations (NGOs) receiving more than half their funding from foreign governments to officially declare the funding sources and have their representatives wear special tags when doing business at the Knesset. According to one media account, "The law would mostly impact [largely European-funded] left-wing organizations…since right-wing NGOs typically receive funding through private donations, particularly from the US."[78] In December 2015, an Israeli media source with a traditionally left-of-center viewpoint published two articles citing evidence that U.S.-based nonprofit groups had sent millions of dollars of tax-deductible private donations in recent years to support Jewish settlements or infrastructure in the West Bank and East Jerusalem.[79] The "NGO bill" debate is connected with larger controversies involving Europe-Israel relations and intensified Jewish nationalist criticisms of domestic human rights groups amid the ongoing Israeli-Palestinian violence.[80]

In December 2015, Netanyahu finalized the government's approval of a deal to allow a consortium led by U.S.-based Noble Energy and Israel's Delek Group to develop an offshore natural gas field known as Leviathan in exchange for some domestic price regulation and an agreement by Noble and Delek to sell or reduce their stakes in other offshore projects. Netanyahu claims that the deal is essential for Israel's energy self-sufficiency, and he and other proponents also point to possible benefits from a number of proposed initiatives to export Israeli gas to neighboring countries.[81] However, widespread domestic concern about pricing and competition has fueled political controversy and demonstrations on the issue. Netanyahu had to invoke a "never-before-used national security clause" to overcome objections from Israel's antitrust office,[82] and the deal still faces a challenge in Israel's High Court of Justice (Supreme Court).[83]

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[78] "Israel moves forward on controversial NGO law," *Deutsche Welle*, February 9, 2016.

[79] Uri Blau, "Haaretz investigation: U.S. donors gave settlements more than $220 million in tax-exempt funds over five years" and "From N.Y.C. to the West Bank: Following the money trail that supports Israeli settlements," *haaretz.com*, December 7, 2015.

[80] See, e.g., "Israeli bill targets dovish nonprofits," *Washington Post*, December 28, 2015

[81] For background, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by (name redacted). At about the same time as Netanyahu approved the Leviathan deal, some media reports indicated that Israel and Turkey might be nearing normalization of the two countries' long-frayed ties and preparing to discuss possible natural gas deals. See, e.g., Barak Ravid, "After Five Years, Israel and Turkey Agree on Reconciliation Pact," *haaretz.com*, December 17, 2015. In the absence of an announcement to this effect, speculation has continued on the subject. See, e.g., Semih Idiz, "Will Israel throw Erdogan a lifesaver?," *Al-Monitor Turkey Pulse*, March 15, 2016; Ahmad Melham (translated from Arabic), "Will Israel, Turkey decide the fate of Gaza?," *Al-Monitor Palestine Pulse*, March 15, 2016.

[82] Isabel Kershner and Stanley Reed, "Israel Grants Approval for Development of Giant Offshore Gas Field," *New York Times*, December 18, 2015

[83] "Meretz petitions High Court to block gas deal," *Times of Israel*, December 17, 2015.