Congressional Research Service
Informing the legislative debate since 1914

Israel: Background and U.S. Relations in Brief

Updated September 16, 2021

Congressional Research Service
https://crsreports.congress.gov
R44245

CRS REPORT
Prepared for Members and
Committees of Congress

Congressional Research Service
Informing the legislative debate since 1914

SUMMARY

R44245

September 16, 2021

Jim Zanotti
Specialist in Middle Eastern Affairs

Israel: Background and U.S. Relations in Brief

Israel has forged close bilateral cooperation with the United States in many areas. U.S. law requires the executive branch to take certain actions to preserve Israel's "qualitative military edge," or QME, and expedites aid and arms sales to Israel in various ways. Additionally, a 10-year bilateral military aid memorandum of understanding—signed in 2016—commits the United States to provide Israel $3.3 billion in Foreign Military Financing and to spend $500 million annually on joint missile defense programs from FY2019 to FY2028, subject to congressional appropriations. In 2021, some Members of Congress have increased their scrutiny over Israel's use of U.S. security assistance, contributing to debate on the subject. This report also discusses the following matters:

New government and domestic issues. Prime Minister Naftali Bennett of the Yamina party heads a power-sharing government featuring a group of disparate parties from across the political spectrum that replaced the government of the long-serving Binyamin Netanyahu in June 2021. Despite reportedly holding more nationalistic positions than Netanyahu on Palestinian issues and settlements, Bennett may be constrained by left-of-center and Arab-led parties in the coalition from taking action in line with those positions. Although Bennett's policies on various foreign policy matters may not differ significantly from those of Netanyahu, his government has thus far offered a less confrontational approach to disagreements with U.S. officials. The government will likely try to focus on pragmatic management of Israel's security and economy rather than controversial political initiatives, but Netanyahu and others in opposition may challenge its cohesion. To prevent the government's dissolution, Israel's Knesset (its unicameral parliament) must pass a budget for 2021-2022 by early November 2021. The Arab-led, Islamist United Arab List is part of the coalition and is seeking to have the government address socioeconomic inequalities among the Arab citizens who make up around 20% of Israel's population.

Israeli-Palestinian issues. In hopes of preserving the viability of a negotiated two-state solution among Israelis and Palestinians, Biden Administration officials have sought to help manage tensions, bolster Israel's defensive capabilities, and strengthen U.S.-Palestinian ties that frayed during the Trump Administration. In May 2021, an 11-day conflict took place between Israel and Hamas (a U.S.-designated terrorist organization), which maintains de facto control within Gaza. It was the fourth major conflict of its kind, with previous ones occurring in 2008-2009, 2012, and 2014. Intercommunal protests and violence also took place among Arabs and Jews within Israel and Jerusalem—with existing tensions in Jerusalem contributing to the conflict's outbreak. In the conflict's aftermath, President Biden has pledged to replenish Israel's Iron Dome anti-rocket system, and legislative proposals may be forthcoming on supplemental U.S. military aid for Israel. With Gaza still under Hamas control, obstacles to post-conflict recovery persist. Beyond providing short-term humanitarian assistance, the United States and other international actors face significant challenges in seeking to help with longer-term reconstruction without bolstering Hamas.

The Biden Administration has followed agreements reached during the Trump Administration that normalized or improved relations between Israel and four Arab states—the United Arab Emirates (UAE), Bahrain, Sudan, and Morocco. Biden Administration officials have said that any further U.S. efforts to assist with Israel-Arab state normalization would seek to preserve the viability of a negotiated two-state solution to the Israeli-Palestinian conflict. Palestinian leaders have denounced normalization as an abandonment of the Palestinian national cause, given Arab states' previous insistence that Israel address Palestinian negotiating demands as a precondition for improved ties. Possible economic benefits and U.S. arms sales stemming from Israel-Arab state normalization may influence relationships among regional actors.

Iran and other regional issues. Israeli officials seek to counter Iranian regional influence and prevent Iran from acquiring nuclear weapons. Israel supported President Trump's withdrawal of the United States from the 2015 international agreement that constrained Iran's nuclear activities. Prime Minister Bennett has made statements opposing the Biden Administration's possible reentry into the agreement. Observers have speculated about future Israeli covert or military actions to influence nuclear diplomacy. Israel also has reportedly conducted a number of military operations in Syria, Iraq, and Lebanon against Iran and its allies due to its concerns about Iran's presence in these areas and Lebanese Hezbollah's missile arsenal.

China: Investments in Israel and U.S. concerns. U.S. officials have raised some concerns with Israel over Chinese investments in Israeli high-tech companies and civilian infrastructure that could increase China's ability to gather intelligence and acquire security-related technologies. While Chinese state-owned companies remain engaged in some specific infrastructure projects, including the management of a seaport terminal in Haifa, Israel has taken some steps to reduce Chinese investment in strategically important areas.

Contents

Overview: Major Issues for U.S.-Israel Relations 1
New Israeli Government 2
Key Domestic Issues 3
Issues for U.S. Policy 4
Israeli-Palestinian Issues 4
May 2021 Israel-Gaza Conflict 5
The Conflict's Aftermath: Aid for Iron Dome and Gaza Relief 7
Certain Human Rights Considerations: International Criminal Court and U.S. Aid 8
Arab State Normalization with Israel 9
Iran and the Region 11
Iranian Nuclear Issue and Regional Tensions 11
Hezbollah 12
China: Investments in Israel and U.S. Concerns 13

Tables

Table 1. Israeli Power-Sharing Government: Key Positions 3

Appendixes

Appendix A. Israel: Map and Basic Facts 15
Appendix B. Israeli Political Parties in the Knesset and Their Leaders 16
Appendix C. Chinese Investments in Israeli Technology Companies: 2011-2020 19

Contacts

Author Information 19

Overview: Major Issues for U.S.-Israel Relations

Israel (see **Appendix A** for a map and basic facts) has forged close bilateral cooperation with the United States in many areas. For more background, including on aid, arms sales, and missile defense cooperation, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti; and CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

The Trump Administration made U.S. policy changes affecting bilateral relations when it recognized Jerusalem as Israel's capital in 2017 and moved the location of the U.S. embassy to Israel from Tel Aviv to Jerusalem in 2018. These actions could affect future negotiations and outcomes regarding Jerusalem's status—given Palestinian claims to East Jerusalem as their future national capital—though the Trump Administration did not take a position on the boundaries of Israeli sovereignty in the city. The Biden Administration has said that the embassy will remain in Jerusalem.

The Biden Administration also has announced—without specifying the timing—that it plans to reopen the U.S. consulate general in Jerusalem that had previously functioned as an independent diplomatic mission in handling relations with the Palestinians. The Trump Administration merged the consulate general into the embassy in March 2019, with the consulate's functions taken over by a Palestinian Affairs Unit within the embassy. Some media reports suggest that the Biden Administration may delay the consulate's reopening until sometime after a critical budget deadline for Israel's new government in early November 2021 (discussed below).[1] Israeli Foreign Minister Yair Lapid has voiced opposition to the reopening, stating concerns that it could destabilize the government and insisting that "Jerusalem is the sovereign capital of Israel and Israel alone."[2]

U.S.-Israel security cooperation—a critical part of the bilateral relationship—is multifaceted. U.S. law requires the executive branch to take certain actions to preserve Israel's "qualitative military edge," or QME, and expedites aid and arms sales to Israel in various ways. Additionally, a 10-year bilateral military aid memorandum of understanding (MOU)—signed in 2016—commits the United States to provide Israel $3.3 billion in Foreign Military Financing (FMF) and to spend $500 million annually on joint missile defense programs from FY2019 to FY2028, subject to congressional appropriations. Israel was the first foreign country to purchase and operate the F-35 Joint Strike Fighter. Congress also has authorized and encouraged bilateral cooperation in a number of specific security-related areas, including anti-tunnel defense and countermeasures for drone aircraft.

Additional issues to be discussed below with significant implications for U.S.-Israel relations include

- Challenges facing the Israeli power-sharing government that took office in June 2021, headed by Prime Minister Naftali Bennett.
- Israeli-Palestinian issues, including the aftermath of May 2021 Israel-Gaza Strip violence, some human rights considerations and heightened scrutiny of U.S. aid, and Israel's normalization of relations with various Arab states.
- Concerns about Iran's nuclear program and regional influence, including with Lebanon-based Hezbollah.

[1] See, for example, Jonathan Lis and Ben Samuels, "Ahead of First Meeting, Biden and Bennett Try to Dismantle a Jerusalem Landmine," haaretz.com, August 16, 2021.

[2] "Israel opposes Biden plan to reopen U.S. Palestinian mission in Jerusalem," *Reuters*, September 1, 2021.

- Chinese investment in Israeli companies and infrastructure, and U.S. concerns about implications for U.S. national security.

New Israeli Government

A new power-sharing government headed by Prime Minister Naftali Bennett (see the text box below for a brief biography) took office on June 13, 2021, ending Binyamin Netanyahu's 12-year tenure as prime minister.[3] Since Netanyahu's criminal indictment on corruption charges in February 2019, Israel has held four separate elections—the most recent in March 2021—and experienced considerable political turmoil. Netanyahu had stayed in power during that time for various reasons, including lack of Israeli consensus on replacing him during the crisis over the Coronavirus Disease 2019 (COVID-19) pandemic, and his prominence on national security issues. Netanyahu and his Likud party now lead the Knesset's opposition, as was the case from 2006 to 2009.

Bennett—a right-of-center figure who leads the Yamina party—and the centrist Yesh Atid party leader Yair Lapid reached agreement with other key political party leaders to form a new government and replace Netanyahu. Bennett is scheduled to serve as prime minister until August 27, 2023, at which point Lapid would become prime minister. The new government draws its support from a disparate coalition of parties on the right (Yamina, New Hope, Yisrael Beitenu), center (Yesh Atid and Kahol Lavan), and left (Labor, Meretz) of the political spectrum, as well as from the Arab-led, Islamist United Arab List (UAL or Ra'am) (see **Table 1** and **Appendix B**). The participation of UAL in the coalition is the first instance of an independent Arab party joining an Israeli government.[4] Women make up approximately one-third of Israel's new cabinet, with nine female ministers, more than in any previous government.[5]

[3] Netanyahu also served an earlier 1996-1999 term as prime minister.

[4] According to one Israeli media source, "Only twice have Arab Israeli parties backed an Israeli government. In the 1950s, a small faction composed of one Arab parliamentarian entered the coalition. The faction was far from independent, essentially operating as an Arab franchise of Israel's ruling socialist party, Mapai. In the 1990s, when the government of left-wing Labor party leader Yitzhak Rabin was in danger of collapsing, the Arab parties stepped in to prevent a vote of no confidence." Aaron Boxerman, "History made as Arab Israeli Ra'am party joins Bennett-Lapid coalition," *Times of Israel*, June 3, 2021.

[5] Mazal Mualem, "Israeli female ministers introduce reforms, shake up agenda," *Al-Monitor*, September 10, 2021.

Table 1. Israeli Power-Sharing Government: Key Positions

Position	Name	Party
Prime Minister	Naftali Bennett	Yamina
Foreign Minister and Alternate Prime Minister	Yair Lapid	Yesh Atid
Defense Minister	Benny Gantz	Kahol Lavan
Finance Minister	Avigdor Lieberman	Yisrael Beitenu
Justice Minister	Gideon Sa'ar	New Hope
Interior Minister	Ayelet Shaked	Yamina
Transportation Minister	Merav Michaeli	Labor
Public Security Minister	Omer Bar Lev	Labor
Health Minister	Nitzan Horowitz	Meretz

Prime Minister Naftali Bennett: Biography

Bennett, born in 1972, is a leading figure of the Israeli national religious, pro-settler right. He hails from a modern Orthodox Jewish background. Having parents who emigrated from the United States, Bennett lived in America at multiple times as a youth and adult. He served in various Israeli special forces units (and remains a reservist) before starting what became a very successful career as a software entrepreneur.

Entering politics in 2006, Bennett served as chief of staff for Binyamin Netanyahu until 2008, while Netanyahu was serving as opposition leader in the Knesset. Later, Bennett served as director-general of the Yesha Council (the umbrella organization for Israeli West Bank settlers) from 2010 to 2012.

He then became the party leader for HaBayit HaYehudi (The Jewish Home) and led the party into the Knesset in 2013. In 2018 he left The Jewish Home, seeking various right-of-center electoral alliances before finally becoming head of Yamina in 2020. Bennett has participated in several coalition governments led by Netanyahu, serving as economy minister (2013-2015), education minister (2015-2019), and defense minister (2019-2020). In May 2020, he led Yamina into the opposition when Netanyahu and Likud formed a power-sharing government with Benny Gantz and Kahol Lavan.

Bennett openly opposes the creation of a Palestinian state, though he approves of greater Palestinian autonomy in West Bank urban areas. He supports continued expansion of Israeli settlements in the West Bank and the annexation of Jewish-settled areas. However, he has agreed not to pursue annexation as prime minister in the current power-sharing government.

On domestic issues, Bennett generally supports free-market policies, a modest government safety net, and a focus on equality of opportunity and education for economically challenged Israelis. He has supported efforts by his close political colleague Ayelet Shaked, who served as justice minister from 2015 to 2019, to limit the power of the judiciary and other justice sector and public security institutions to curb executive and legislative actions.[6]

Key Domestic Issues

In its first few months in office, the government has focused largely on addressing pragmatic solutions to challenges such as enacting a budget and addressing the Coronavirus Disease 2019 (COVID-19) pandemic. The fractious nature of the coalition makes it less likely to pursue comprehensive action on more politically contentious issues like those pertaining to the Palestinians. Significant disagreements within or defections from the government could lead to its collapse and new elections—perhaps leaving open the possibility of a return by Netanyahu to power.

[6] Dahlia Scheindlin, "The Assault on Israel's Judiciary," The Century Foundation, July 7, 2021.

In early August, Israel's cabinet approved a budget for the first time in more than three years. Israeli law requires that the Knesset approve the budget by early November to prevent the government's dissolution and a new round of elections. The budget, which covers 2021-2022, would emphasize spending on infrastructure and pandemic recovery as well as various reforms.[7] Of the $360 billion budgeted for these two years, approximately $11 billion would be specifically allocated to the infrastructure, education, health care, and crime prevention needs of Arab Israelis,[8] whose income and education levels are markedly lower than those of Jewish Israelis. Securing this level of funding for Arab citizens of Israel would be a major accomplishment for UAL leader Mansour Abbas, who joined the government based on budgetary assurances from coalition partners.[9]

Issues for U.S. Policy

The new Israeli government's approach to regional challenges related to Iran and the Palestinians will affect its relations with the United States. Prime Minister Bennett met with President Biden at the White House in August 2021. A White House readout of the meeting said that Bennett and Biden "reiterated their commitments to work constructively and deepen cooperation to address all aspects of Israel's security against Iran and other threats," and the statement included additional points on the Palestinians (see below).[10] Although Bennett's policies on regional issues may not differ significantly from those of former Prime Minister Netanyahu, his government has thus far publicized a less confrontational approach to disagreements with U.S. officials on Iran—apparently seeking to improve Israel's bipartisan standing with Democrats.[11]

Israeli-Palestinian Issues

Biden Administration officials have said that they seek to preserve the viability of a negotiated two-state solution to the Israeli-Palestinian conflict, while playing down near-term prospects for direct Israeli-Palestinian negotiations. In doing so, they seek to help manage tensions, bolster Israel's defensive capabilities, and strengthen U.S.-Palestinian ties that frayed during the Trump Administration. In May 2021, Secretary of State Antony Blinken spoke out against steps taken by either Israelis or Palestinians that he said could risk sparking violence and undermining the vision of two states—including settlement activity, demolitions, evictions, incitement to violence, and payment to terrorists.[12]

During 2021, Administration officials have renewed diplomatic ties with West Bank-based Palestinian Authority (PA) President Mahmoud Abbas and resumed various forms of U.S. aid for Palestinians.[13] As part of the FY2021 Consolidated Appropriations Act enacted in December 2020, the Nita M. Lowey Middle East Partnership for Peace Act of 2020 (Title VIII of P.L. 116-

[7] "Israel's 2021/22 budget set for parliament battle after cabinet approval," *Reuters*, August 2, 2021.

[8] Mazel Mualem, "Israeli budget approved in victory for Arab coalition party," *Al-Monitor*, August 3, 2021.

[9] Aaron Boxerman, "History made as Arab Israeli Ra'am party joins Bennett-Lapid coalition," *Times of Israel*, June 3, 2021.

[10] White House, "Readout of President Joseph R. Biden, Jr.'s Meeting with Prime Minister Naftali Bennett of Israel," August 27, 2021.

[11] Steven A. Cook, "Netanyahu Is Gone. Netanyahu-ism Still Reigns." foreignpolicy.com, September 1, 2021; "Lapid vows to rebuild international ties after 'reckless' last government," *Times of Israel*, June 14, 2021.

[12] State Department, "Secretary Antony J. Blinken at a Press Availability," Jerusalem, May 25, 2021.

[13] CRS In Focus IF10644, *The Palestinians: Overview, Aid, and U.S. Policy Issues*, by Jim Zanotti.

260) authorized the future establishment of a fund to support Israeli-Palestinian dialogue and reconciliation programs, and an initiative to promote Israeli-Palestinian economic cooperation.

A White House summary of the August 2021 meeting between President Biden and Prime Minister Bennett said

> The President underscored the importance of steps to improve the lives of Palestinians and support greater economic opportunities for them. He also noted the importance of refraining from actions that could exacerbate tensions, contribute to a sense of unfairness, and undermine efforts to build trust. President Biden reaffirmed his view that a negotiated two-state solution is the only viable path to achieving a lasting resolution to the Israeli-Palestinian conflict.[14]

Days before the Biden-Bennett meeting, Israeli Defense Minister Benny Gantz met PA President Abbas—the first meeting between Abbas and an Israeli cabinet minister since 2010. Gantz said that the two discussed steps to improve security coordination and assist the PA financially, including a $155 million Israeli loan.[15] Bennett later said that while Israel is open to helping the PA economically, Israel has no intention of engaging in a diplomatic process at this time.[16]

May 2021 Israel-Gaza Conflict

From May 10 through May 21, 2021, a conflict took place between Israel and Hamas (a U.S.-designated terrorist organization), which maintains de facto control within Gaza.[17] The following were key aspects of the conflict:

- **Overview.** Palestinian militants fired rockets with unprecedented intensity from Gaza into central Israel. The Iron Dome anti-rocket system played a prominent role in defending Israeli population centers. Israel conducted sustained air and artillery strikes in Gaza. Additionally, intercommunal protests and violence took place within Israel and Jerusalem (see below for a description of events in Jerusalem prior to the conflict)—involving some Arab citizens of Israel, Palestinian residents of Jerusalem, Jewish nationalists, and Israeli authorities.
- **Political context.** Some factors that may have influenced the outbreak and trajectory of conflict included tensions over Jerusalem during Ramadan, the presence of a new U.S. Administration, and significant domestic political uncertainty for both Israelis and Palestinians (including a recent postponement of PA elections).
- **Fatalities.** In exchanges of fire between Israel and Gaza, 12 people in Israel (including 2 Thai nationals) and more than 250 people in Gaza (including more than 60 children) were killed.[18] Amid unrest in the West Bank during that same

[14] White House, "Readout of President Joseph R. Biden, Jr.'s Meeting with Prime Minister Naftali Bennett of Israel," August 27, 2021.

[15] Yaniv Kubovich, "Gantz Says Agreed with Abbas on Confidence-building Measures, Including $155m Loan," haaretz.com, August 30, 2021.

[16] Ibid.

[17] Another U.S.-designated terrorist organization, Palestine Islamic Jihad, also took part from Gaza.

[18] Dina Kraft and Laura King, "Israel's Netanyahu, master of political survival, tested by conflict with Gaza," *Los Angeles Times*, May 23, 2021; "2 Thai workers killed, several people injured as Hamas bombards southern Israel," *Times of Israel*, May 18, 2021.

timeframe (May 10-21), one source estimates that Israeli security forces killed 27 Palestinians.[19]

Gaza and Its Challenges

The Gaza Strip—controlled by Hamas, but significantly affected by general Israeli and Egyptian access and import/export restrictions—faces difficult and complicated political, economic, and humanitarian conditions.[20] Palestinian militants in Gaza periodically clash with Israel's military as it patrols Gaza's frontiers with Israel, with militant actions and Israeli responses sometimes endangering civilian areas in southern Israel and Gaza, respectively. These incidents periodically escalate toward larger conflict, as in May 2021. Hamas and Israel reportedly work through Egypt and Qatar to help manage the flow of necessary resources into Gaza and prevent or manage conflict escalation.

Various actions exacerbated the tension in Jerusalem that led to conflict. These included Israeli measures restricting Palestinian movement and worship in and around the Temple Mount/Haram al Sharif ("Mount/Haram") holy sites in the Old City,[21] disputes about and responses to these measures, isolated attacks by Palestinians, and demonstrations by Jewish nationalist groups.[22] Unrest intensified in response to controversy over the possible eviction of several Palestinian families from their longtime residences in the Sheikh Jarrah neighborhood of East Jerusalem, stemming from an Israeli law that allows for Jewish recovery of property abandoned in connection with the 1948 Arab-Israeli war.[23] The case remains ongoing in Israel's Supreme Court, which reportedly may be seeking an outcome calculated to defuse tensions.[24] Palestinian leaders and some activists and international actors claim that the Sheikh Jarrah case is part of a systematic Israeli disregard for Palestinian rights in East Jerusalem since the area's capture and effective annexation as a result of the 1967 Arab-Israeli war.[25]

Critics of Israeli actions connect controversies in Jerusalem with concerns about Jewish settlement activity and other allegations that Israel violates international law and Palestinian human rights.[26] During the conflict, some Members of Congress who criticized Israel's conduct during hostilities, and/or voiced concern about the impact of conflict on civilians in Gaza, sought to restrict the sale of precision-guided munitions (PGMs) to Israel.[27] In August, Israel announced approvals for more than 2,200 homes in West Bank settlements, while also announcing the

[19] U.N. Office for the Coordination of Humanitarian Affairs – Occupied Palestinian Territory, "West Bank: Escalation of Violence 13 April - 21 May 2021," June 6, 2021.

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

[21] For background on Jerusalem and its holy sites, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti.

[22] "From TikTok to Temple Mount Clashes: 28 Days of Violence in Jerusalem," haaretz.com, May 10, 2021.

[23] Nir Hasson, "Jerusalem Clashes: How Palestinians Rallied Behind Sheikh Jarrah," haaretz.com, May 8, 2021. Some Israeli human rights organizations estimate that more than 1,000 Palestinians in East Jerusalem across a number of cases are at risk of being evicted from their current residences. Joseph Krauss, "Palestinians fear loss of family homes as evictions loom," *Associated Press*, May 10, 2021.

[24] The court has proposed a compromise that would allow the Palestinian defendants to stay in their homes on the condition that they recognize the Israeli plaintiff as being registered as the property's owner in Israel (without necessarily conceding ownership claims). Jacob Magid, "Israel asking US to push Palestinians toward compromise on Sheikh Jarrah," *Times of Israel*, August 10, 2021; "Ruling on East Jerusalem flashpoint evictions postponed," *Reuters*, August 2, 2021.

[25] Patrick Kingsley, "Israel's Supreme Court Delays Expulsion of Palestinian Families in East Jerusalem," *New York Times*, May 10, 2021.

[26] Al-Haq, "Action Alert: International Community Must Take Immediate and Concrete Measures to Halt Israel's Aggression against Palestinian Jerusalemites," May 10, 2021. For additional information, see CRS Report R46433, *Israel's Possible Annexation of West Bank Areas: Frequently Asked Questions*, by Jim Zanotti.

[27] "U.S. Sen. Sanders Offers Resolution Blocking Arms Sales to Israel," *Reuters*, May 20, 2021.

approval of construction permits for more than 800 Palestinian homes in Israel-controlled areas of the West Bank that have featured little Palestinian development in recent years.[28]

The Conflict's Aftermath: Aid for Iron Dome and Gaza Relief

In the aftermath of the May 2021 conflict, the Biden Administration has sought to strengthen Israel's defensive capabilities, restore regional calm, and improve humanitarian conditions.[29] Within Congress, there has been broad bipartisan support for replenishing the Iron Dome system.[30] During the conflict, Palestinian armed groups (mostly Hamas and Palestine Islamic Jihad) fired some 4,300 rockets into Israel, and the Israel Defense Forces reported that Iron Dome intercepted around 1,500 (representing 90% of those projectiles that were headed toward populated areas).[31] Each of Iron Dome's Tamir interceptors, which are co-produced in Israel and the United States, cost approximately $50,000.[32] In an August 10 hearing before the Senate Foreign Relations Subcommittee on the Near East, South Asia, Central Asia, and Counterterrorism, Deputy Assistant Secretary of Defense for the Middle East Dana Stroul communicated the Administration's "unequivocal support" for emergency or supplemental appropriations to sustain Iron Dome, and said that the Administration has consulted with Congress and provided paperwork to support how Congress chooses to proceed in "funding the request."[33]

A proposal for supplemental appropriations is likely to come in connection with a provision in the 2016 MOU that allows the United States and Israel to agree on amounts beyond the regular annual U.S. aid allocations under exceptional circumstances (such as major armed conflict), subject to congressional action. In August 2014, near the end of the last major Israel-Gaza conflict, Congress enacted an emergency supplemental appropriations resolution (P.L. 113-145) to provide $225 million in Department of Defense funding for Iron Dome on an expedited basis, without co-production requirements. Since FY2011, Congress has provided $1.72 billion (in current dollars) for Iron Dome.

President Biden also has committed to "working with the United Nations and other international stakeholders to provide rapid humanitarian assistance and to marshal international support for the people of Gaza and the Gaza reconstruction efforts" in partnership with the PA "in a manner that does not permit Hamas to simply restock its military arsenal."[34] With Gaza under Hamas control, the obstacles to internationally-supported post-conflict recovery remain largely the same as after previous Israel-Hamas conflicts in 2008-2009, 2012, and 2014.[35] Because of the PA's inability to control security in Gaza, it has been unwilling to manage donor pledges toward reconstruction.

Without the PA's involvement, international organizations and governments reportedly generally have less confidence that they can prevent Hamas from diverting assistance for its own

[28] "Israel set to approve new Palestinian and Jewish building in West Bank," *Times of Israel*, August 11, 2021; Foundation for Middle East Peace, Settlement & Annexation Report: August 13, 2021.

[29] White House, "Remarks by President Biden on the Middle East," May 20, 2021.

[30] Representative Josh Gottheimer, "Release: Bipartisan Group of 56 House Members Back Urgent Funding for Israel's Iron Dome Missile Defense System," June 2, 2021.

[31] Sebastien Roblin, "How Hamas' Arsenal Shaped the Gaza War of May 2021," forbes.com, May 25, 2021.

[32] Manuel Trajtenberg and Tomer Fadlon, "The Economic Costs of Operation Guardian of the Walls," *INSS Insight*, No. 1485, June 13, 2021.

[33] Transcript accessed at http://www.cq.com/doc/congressionaltranscripts-6317506?0.

[34] White House, "Remarks by President Biden on the Middle East," May 20, 2021.

[35] David Makovsky, "Why Blinken Will Have a Tough Sell," Washington Institute for Near East Policy, May 25, 2021.

purposes.[36] Since 2018, Qatar has provided $300 million in cash assistance for Gaza, but due to Israeli concerns about the potential for its diversion, Qatar began an arrangement in September 2021 to provide money transfers to needy families through the United Nations.[37] However, this mechanism does not address the unresolved issue of providing salaries to Gaza's civil servants.[38] Other Israel-Hamas disputes have continued and could conceivably escalate, including over what Israel allows into Gaza, and Israelis in Hamas custody.[39]

Certain Human Rights Considerations: International Criminal Court and U.S. Aid

Some international bodies have taken actions that open alleged Israeli human rights violations against Palestinians to further legal and political scrutiny, in the context of broader debate on this subject. The International Criminal Court (ICC) prosecutor announced the start of an investigation in March into possible crimes in the West Bank and Gaza.[40] The investigation might draw from the findings of an ongoing commission of inquiry established by the U.N. Human Rights Council in May in the wake of the recent Israel-Gaza conflict.[41] The Biden Administration responded skeptically to the creation of the "open-ended" commission of inquiry.[42] Like its predecessors, the Administration has criticized the Human Rights Council for what it characterizes as a disproportionate focus on Israel.[43]

In 2021, some Members of Congress have increased their scrutiny over Israel's use of U.S. security assistance, contributing to debate on the subject. In April 2021 a bill was introduced in the House (H.R. 2590) that would not reduce or condition the amount of U.S. aid provided to Israel, but could place limits on its use in relation to some human rights allegations.[44] Later in April, 330 Representatives wrote a letter to the chair and ranking member of the House Appropriations Committee arguing against reducing funding or adding conditions on security assistance to Israel,[45] quoting remarks that President Biden made during the 2020 presidential race.[46] In July, the House passed a Department of State, Foreign Operations, and Related Programs appropriations bill for FY2022 that would require U.S. consultation with a recipient government to ensure that any arms sale involving U.S. FMF complies with relevant oversight

[36] Ibid.

[37] Aaron Boxerman, "UN to begin dispensing Qatari cash to needy Gazan families Monday under new deal," *Times of Israel*, September 12, 2021.

[38] Ibid.

[39] Judah Ari Gross, "Gaza arson attacks spark 9 fires in Israel; terror groups plan border protests," *Times of Israel*, August 23, 2021.

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

[41] U.N. document, A/HRC/S-30/L.1, as orally revised, May 27, 2021.

[42] U.S. Mission to International Organizations in Geneva, "Press Statement: UN Human Rights Council Session on the Israeli-Palestinian Situation," May 27, 2021.

[43] U.S. Mission to International Organizations in Geneva, "Secretary Blinken: Remarks to the 46th Session of the Human Rights Council," February 24, 2021.

[44] "Human Rights Watch accuses Israel of apartheid over treatment of Palestinians," *Associated Press*, April 27, 2021 (underlying Human Rights Watch report available at https://www.hrw.org/report/2021/04/27/threshold-crossed/israeli-authorities-and-crimes-apartheid-and-persecution, with the State Department's 2020 Country Report on Human Rights Practices: Israel, West Bank and Gaza available at https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/israel-west-bank-and-gaza/).

[45] Text of letter available at https://teddeutch.house.gov/uploadedfiles/2021.04.21_mou_letter_delauro_granger_signed.pdf.

[46] Omri Nahmias, "Biden: Israeli threats of annexation choke off hope of peace," jpost.com, May 20, 2020.

provisions of the Arms Export Control Act and is consistent with U.S. national security policy, while also requiring the State Department to report to Congress any credible information that U.S. assistance may have been used contrary to these parameters (Section 7035(b)(8) of H.R. 4373). Considerations regarding Israel may have partly motivated the inclusion of these legislative requirements.[47]

Arab State Normalization with Israel

The Administration has followed agreements reached during the Trump Administration (the "Abraham Accords") that normalized or improved relations between Israel and four Arab states—the United Arab Emirates (UAE), Bahrain, Sudan, and Morocco.[48] Biden Administration officials have said that U.S. efforts to assist Israeli normalization with Arab states will continue alongside efforts to increase the viability of a negotiated two-state solution to the Israeli-Palestinian conflict.[49] Palestinian leaders denounced the Abraham Accords as an abandonment of the Palestinian national cause, given Arab states' previous insistence that Israel address Palestinian negotiating demands as a precondition for improved ties.[50] In the August Biden-Bennett White House meeting, the two leaders discussed ways to deepen the Abraham Accords relationships and identify "new opportunities to expand such partnerships."[51]

The Pathway to the Abraham Accords, and Its Implications for Palestinians

Before the Abraham Accords, Egypt and Jordan had been the only Arab states with formal diplomatic relations with Israel.[52] In 1981, Saudi Arabia's then-Crown Prince Fahd bin Abd al Aziz Al Saud proposed a formula—later enshrined in the 2002 Arab Peace Initiative (API)—under which Israel would make certain concessions, including on Palestinian statehood, before Arab states would normalize their relations with it.[53] After Israel started negotiating directly with the Palestinians in the 1990s, it established limited diplomatic relations with Morocco, and informal ties with a number of other Arab states, including the UAE and Bahrain.[54] These countries downgraded their ties with Israel after the onset of the second Palestinian *intifada* (or uprising) in 2000. However, in the past decade discreet Israeli links with Arab states on issues including intelligence, security, and trade have become closer and more public. Israel has worked with these countries to counter common concerns, such as Iran's

[47] Ron Kampeas, "Pro-Israel groups split over whether new US spending bill conditions foreign aid," *Jewish Telegraphic Agency*, August 5, 2021.

[48] Steps taken in connection with these agreements include a proposed U.S. sale to the UAE of F-35s, drone aircraft, and munitions; Sudan's removal from the U.S. state sponsors of terrorism list; and U.S. recognition of Moroccan sovereignty claims over the disputed territory of Western Sahara.

[49] Department of State, Yael Lempert, Acting Assistant Secretary, Bureau of Near Eastern Affairs, "Remarks at the Abraham Accords Institute of Peace," September 14, 2021.

[50] Walid Mahmoud and Muhammad Shehada, "Palestinians unanimously reject UAE-Israel deal," *Al Jazeera*, August 14, 2020.

[51] White House, "Readout of President Joseph R. Biden, Jr.'s Meeting with Prime Minister Naftali Bennett of Israel," August 27, 2021.

[52] Egypt and Israel signed a peace treaty in 1979, and Jordan and Israel did the same in 1994.

[53] 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 and adopted by the 22-member League of Arab States in 2002, and later accepted by the then-56-member Organization of the Islamic Conference (now the 57-member Organization of Islamic Cooperation) at its 2005 Mecca summit. The text of the initiative is available at http://www.bitterlemons.org/docs/summit.html.

[54] Miriam Berger, "Israel's relations in the Middle East, explained," washingtonpost.com, August 15, 2020; Adam Entous, "Donald Trump's New World Order," *New Yorker*, June 11, 2018; CRS Report 95-1013, *Bahrain: Unrest, Security, and U.S. Policy*, by Kenneth Katzman.

regional influence and military capabilities (see "Iran and the Region" below) and Sunni Islamist populist movements (including various Muslim Brotherhood branches and affiliates).[55]

To cement its normalization of relations with the UAE, Israel agreed in August 2020 to suspend plans to annex part of the West Bank, with one source stating that the UAE received a commitment from Trump Administration officials that they would not approve Israeli annexation until at least January 2024.[56] Palestinian leaders claimed that the UAE legitimized Israel's annexation threats by bargaining over them, and thus acquiesced to a West Bank status quo that some observers label "de facto annexation."[57] UAE officials countered that by significantly delaying Israeli declarations of sovereignty over West Bank areas, they preserved prospects for future negotiations toward a Palestinian state.[58] Since announcing the suspension of annexation plans, Israeli officials have appealed to domestic pro-settler constituencies with a number of announcements related to settlement construction and expansion in the West Bank and East Jerusalem.

Official statements from Saudi Arabian officials continue to condition Saudi normalization with Israel on the API's provisions.[59] Some key Saudi figures—possibly including Crown Prince Mohammed bin Salman—may be willing to drop or ease preconditions for Saudi-Israel normalization that relate to the Israeli-Palestinian conflict. Specific incentives to do so could include heightened regional cooperation on Iran, U.S. offers of advanced arms, prospects to boost Saudi economic diversification, and greater Saudi influence over Muslim holy sites in Jerusalem.[60] Nevertheless, developments in 2021 such as Israel-Gaza conflict and ongoing tensions over Jerusalem might have strengthened Saudi inclinations to take a cautious, gradual approach toward normalization.[61]

Israeli normalization with Arab states could raise questions about the future of cooperation and rivalry among key actors in the Middle East. Depending on global and regional geopolitical trends, common cause could intensify, dwindle, or fluctuate between Israel and some Arab states to counter Iran and perhaps even Turkey and Qatar, two countries that provide some support for Sunni Islamist movements. In January 2021, President Trump ordered U.S. Central Command (CENTCOM), which commands U.S. military forces in most countries in the Middle East, to add Israel to its area of responsibility, partly to encourage military interoperability as a means of reinforcing closer ties between Israel and many Arab states.[62] Israel had previously been under the purview of U.S. European Command. While closer cooperation may result between Israel and some Arab governments, some others that have not normalized relations with Israel might encounter political challenges in joining CENTCOM deliberations involving Israel.

Other factors may influence regional cooperation and rivalry. These could include U.S. arms sales to Arab states and possible economic benefits from Israel-Arab state relations.[63] Additionally,

---

[55] Steve Hendrix, "Inside the secret-not-secret courtship between Israel and the United Arab Emirates," washingtonpost.com, August 14, 2020; CRS Report 95-1013, *Bahrain: Unrest, Security, and U.S. Policy*, by Kenneth Katzman.

[56] Jacob Magid, "US assured UAE it won't back Israel annexation before 2024 at earliest, ToI told," *Times of Israel*, September 13, 2020.

[57] Walid Mahmoud and Muhammad Shehada, "Palestinians unanimously reject UAE-Israel deal," *Al Jazeera*, August 14, 2020.

[58] "UAE minister: We bought lot of time on annexation; Palestinians should negotiate," *Times of Israel*, August 14, 2020.

[59] HRH Prince Faisal bin Farhan Al Saud, First Plenary Session, International Institute for Strategic Studies Manama Dialogue, December 5, 2020.

[60] Yoel Guzansky, "Saudi Arabia and Normalization with Israel," Institute for National Security Studies, Insight No. 1396, October 29, 2020.

[61] Hussein Ibish, "Why Saudi Arabia Is Now in No Rush to Recognize Israel," haaretz.com, July 7, 2021.

[62] Jared Szuba, "Trump orders US Central Command to include Israel amid strategic shift," *Al-Monitor*, January 15, 2021.

[63] Theresa Hitchens, "UAE Arms Sale Remains In Limbo Pending Biden Review," *Breaking Defense*, August 5, 2021. The Israel-UAE treaty signed in September 2020 says, "Recognizing also their shared goal to advance regional economic development and the flow of goods and services, the Parties shall endeavor to promote collaborations on strategic regional infrastructure projects and shall explore the establishment of a multilateral working group for the

Arab state leaders considering entering into or maintaining normalization with Israel might gauge whether expected benefits from normalization would outweigh concerns about popular criticism or unrest they might face for possibly undermining the Palestinian cause.[64] Normalization efforts to date have not triggered significant unrest, but outside insight is limited into public opinion, its drivers, and how popular reactions are shaped by the nature of authoritarian Arab regimes.

Iran and the Region

Israeli officials cite Iran as one of their primary concerns, largely because of (1) antipathy toward Israel expressed by Iran's revolutionary regime, (2) Iran's broad regional influence (especially in Syria, Iraq, and Lebanon),[65] and (3) Iran's nuclear and missile programs and advanced conventional weapons capabilities. Israeli observers who anticipate the possibility of a future war similar or greater in magnitude to Israel's 2006 war against Lebanese Hezbollah refer to the small-scale military skirmishes or covert actions since then involving Israel, Iran, or their allies as the "the campaign between wars."[66]

Iranian Nuclear Issue and Regional Tensions

Israel has sought to influence U.S. decisions on the international agreement on Iran's nuclear program (known as the Joint Comprehensive Plan of Action, or JCPOA). Then-Prime Minister Netanyahu opposed the JCPOA in 2015 when it was negotiated by the Obama Administration, and welcomed President Trump's May 2018 withdrawal of the United States from the JCPOA and accompanying reimposition of U.S. sanctions on Iran's core economic sectors. Facing the intensified U.S. sanctions, Iran has reduced its compliance with the 2015 agreement.

U.S.-Iran tensions since the U.S. withdrawal from the JCPOA have led to greater regional uncertainty, with implications for Israel.[67] Some Israelis have voiced worries about how Iran's demonstrated ability in 2019 to penetrate Saudi air defenses and target Saudi oil facilities could transfer to efforts in targeting Israel.[68] In January 2021, one source claimed there was evidence that Iran has transferred advanced drones (loitering munitions) capable of targeting Israel or Arab Gulf states to the Iran-supported Houthi movement in Yemen.[69] Additionally, reported low-level Israel-Iran conflict in various settings—including cyberspace, international waters, and the territory of Syria, Lebanon, and Iraq—has further exacerbated regional tensions.[70]

'Tracks for Regional Peace' project." The Israeli foreign ministry released a proposal for this project, a rail line from Israel to Saudi Arabia and the UAE via the West Bank and Jordan, in August 2019. A major part of its appeal would be allowing the participant countries to bypass the two major chokepoints of the Strait of Hormuz (Persian Gulf) and Bab al-Mandab (Red Sea). See Israeli Ministry of Foreign Affairs, "Tracks for regional peace—regional land bridge and hub initiative," August 5, 2019.

[64] See, for example, Jared Malsin and Amira al-Fekki, "Egypt's 'Cold Peace' a Harbinger for Region," *Wall Street Journal*, December 17, 2020.

[65] For information on this topic, see CRS Report R44017, *Iran's Foreign and Defense Policies*, by Kenneth Katzman.

[66] See, for example, Efraim Inbar, "Iran and Israel: The Inevitable War?" Jerusalem Institute for Strategy and Security, January 6, 2021.

[67] See, for example, CRS Report R45795, *U.S.-Iran Conflict and Implications for U.S. Policy*, by Kenneth Katzman, Kathleen J. McInnis, and Clayton Thomas.

[68] Uzi Even, "Iran Attack on Saudi Arabia Shows Why Israel Must Shut Down Its Nuclear Reactor," haaretz.com, October 6, 2019.

[69] Tom O'Connor, "Exclusive: Iran Positions 'Suicide Drones' in Yemen as Red Sea Tensions Rise," *Newsweek*, January 13, 2021.

[70] Isabel Kershner et al., "Hezbollah Admits to Rocket Strike on Northern Israel, Deepening Border Tensions," *New*

As the Biden Administration engages in international diplomacy and considers the possibility of reentering the JCPOA, Israel—whose officials are generally skeptical of U.S. reentry—is seeking to influence diplomatic outcomes.[71] Just before his installation as prime minister, Naftali Bennett said to the Knesset, "Resuming a nuclear deal with Iran is a mistake that will legitimize one of the world's most violent regimes."[72]

Some observers have speculated that Israeli covert or military operations might influence or disrupt diplomacy on the nuclear issue.[73] It is unclear whether Israel's recent change in government may affect this dynamic. In between his August White House meetings with Prime Minister Bennett, President Biden said that the United States will first use diplomacy to "ensure Iran never develops a nuclear weapon," but if that fails, "we're ready to turn to other options."[74] According to one account, during these meetings Bennett restated his opposition to a U.S. return to the JCPOA, and Biden did not seem optimistic about Iran returning to compliance with the deal.[75] Bennett also reportedly presented a strategy to Biden that involves "countering Iran through a combination of many small actions across several fronts—both military and diplomatic—instead of a single dramatic strike."[76] In a September interview, Defense Minister Gantz suggested that he would be prepared to accept a U.S. return to the JCPOA, while also calling for a "viable, U.S.-led plan B" to pressure Iran in case negotiations are unsuccessful, and alluding to Israeli military contingency plans.[77]

Hezbollah

Lebanese Hezbollah is Iran's closest and most powerful non-state ally in the region. Hezbollah's forces and Israel's military have sporadically clashed near the Lebanese border for decades—with the antagonism at times contained in the border area, and at times escalating into broader conflict.[78] Speculation persists about the potential for wider conflict and its regional implications.[79] Israeli officials have sought to draw attention to Hezbollah's buildup of mostly Iran-supplied weapons—including reported upgrades to the range, precision, and power of its projectiles—and its alleged use of Lebanese civilian areas as strongholds.[80]

York Times, August 7, 2021; "Fighting in the Shadows: Israel and Iran," Soufan Center, March 30, 2021.

[71] See also Yaniv Kubovich and Judy Maltz, "Israel's Chief of Staff: Return to Iran Deal Is 'Wrong,' Military Action 'Should Be on the Table,'" haaretz.com, January 27, 2021.

[72] Noa Shpigel, "Incoming PM Bennett Says Resuming Iran Nuclear Deal Would Be Mistake in Knesset Address," haaretz.com, June 13, 2021.

[73] Daniel C. Kurtzer, Aaron David Miller, and Steven N. Simon, "Israel and Iran Are Pulling the United States Toward Conflict," foreignaffairs.com, April 26, 2021; Efraim Inbar and Eran Lerman, "The ramifications of a US return to the 2015 Iran deal—opinion," jpost.com, April 28, 2021.

[74] White House, "Remarks by President Biden and Prime Minister Bennett of the State of Israel Before Expanded Bilateral Meeting," August 27, 2021.

[75] Barak Ravid, "Israeli PM presented Biden with 'death by a thousand cuts' Iran strategy," *Axios*, August 27, 2021.

[76] Ibid.

[77] Neri Zilber, "Israel Can Live with a New Iran Nuclear Deal, Defense Minister Says," foreignpolicy.com, September 14, 2021.

[78] CRS Report R44759, *Lebanon*, by Carla E. Humud; CRS In Focus IF10703, *Lebanese Hezbollah*, by Carla E. Humud.

[79] Nicholas Blanford and Assaf Orion, *Counting the cost: Avoiding another war between Israel and Hezbollah*, *Atlantic Council*, May 13, 2020.

[80] See, for example, "Hezbollah says it has doubled its arsenal of guided missiles," *Associated Press*, December 28, 2020; Ben Hubbard and Ronen Bergman, "Who Warns Hezbollah That Israeli Strikes Are Coming? Israel," *New York Times*, April 23, 2020.

Ongoing tension between Israel and Iran raises questions about the potential for Israel-Hezbollah conflict. Various sources have referenced possible Iran-backed Hezbollah attempts to build precision-weapons factories in Lebanon.[81] Following some cross-border fire between Israeli forces and Hezbollah in August 2021, one report assessed that neither party desired a major escalation, but also cited Israeli military officials saying that they would not permit unobstructed attacks.[82]

China: Investments in Israel and U.S. Concerns[83]

U.S. officials have raised some concerns with Israel over burgeoning Chinese investments in Israeli high-tech companies and civilian infrastructure.[84] Israel-China investment ties have grown since China announced its Belt and Road Initiative in 2013,[85] with Israel as an attractive hub of innovation for Chinese partners, and China as a huge potential export market and source of investment for Israeli businesses.[86]

Closer Israel-China economic relations have led to official U.S. expressions of concern,[87] apparently focused on the possibility that China might gather intelligence or acquire technologies with the potential to threaten U.S. national security in such fields as cybersecurity, artificial intelligence, satellite communications, and robotics. Previously, China-Israel defense industry cooperation in the 1990s and 2000s contributed to tension in the U.S.-Israel defense relationship and to an apparent de facto U.S. veto over Israeli arms sales to China.[88] Partly due to U.S. concerns regarding China's involvement in Israel's economy, Israel created an advisory panel on foreign investment in Israel in late 2019.[89] However, this panel reportedly does not have the authority to review investments in sectors such as high-tech that accounted for most of China's investments in Israel in the previous decade.[90] According to a 2021 study by Israel's Institute for National Security Studies

> Chinese investments, especially in the high-tech sector, did indeed show progressive growth both in number and scale, especially between 2014 and their peak in 2018. However, in 2019 and 2020 the pendulum swung again, as China slowed its penetration into the Israeli economy [see **Appendix C**], just as it did elsewhere in the world. The reasons for this were a combination of changes in domestic Chinese priorities regarding

[81] "Hezbollah says it has doubled its arsenal of guided missiles," *Associated Press*; Ben Caspit, "Hezbollah, Israel losing red lines," *Al-Monitor*, September 4, 2019.

[82] Kershner et al., "Hezbollah Admits to Rocket Strike on Northern Israel."

[83] For background on past U.S. concerns regarding Israeli defense transactions with China, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti; CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

[84] Shira Efron et al., *Chinese Investment in Israeli Technology and Infrastructure: Security Implications for Israel and the United States*, RAND Corporation, 2020; Shira Efron, et al., *The Evolving Israel-China Relationship*, RAND Corporation, 2019; Jewish Institute for National Security of America, *Countering Chinese Engagement with Israel: A Comprehensive and Cooperative U.S.-Israeli Strategy*, February 2021.

[85] For more information on the Belt and Road Initiative, see CRS Report R45898, *U.S.-China Relations*, coordinated by Susan V. Lawrence.

[86] Danny Zaken, "Chinese-operated port opens in Israel despite American concerns," *Al-Monitor*, September 9, 2021.

[87] Ron Kampeas, "Breaking China: A rupture looms between Israel and the United States," *Jewish Telegraphic Agency*, June 2, 2020.

[88] Efron et al., *The Evolving Israel-China Relationship*, 2019, pp. 15-20.

[89] Arie Egozi, "Israelis Create Foreign Investment Overseer; China Targeted," Breaking Defense, November 13, 2019.

[90] Efron et al., *Chinese Investment in Israeli Technology*, 2020, pp. 24-25.

> the export of capital out of the country and external causes, such as the coronavirus pandemic and a less inviting climate for Chinese investments due to American pressure.[91]

Additionally, U.S. officials have made notable efforts to discourage Chinese involvement in specific Israeli infrastructure projects. President Trump reportedly warned Prime Minister Netanyahu in March 2019 that U.S. security assistance for and cooperation with Israel could be limited if Chinese companies Huawei and ZTE establish a 5G communications network in Israel, in line with similar warnings that the Administration communicated to other U.S. allies and partners.[92] Two Israeli analysts wrote in March 2020 that Israeli officials reportedly blocked Chinese companies from working on Israeli communications infrastructure.[93] In May 2020, shortly after then-Secretary of State Michael Pompeo visited Israel and voiced concern that Chinese access to Israeli infrastructure could complicate U.S.-Israel cooperation, Israel's finance ministry chose a domestic contractor to construct a $1.5 billion desalination plant, turning down the bid from a subsidiary of the Hong Kong-based CK Hutchison Group.[94]

Additionally, the U.S. Navy reportedly reconsidered its practice of periodically docking at the Israeli naval base in Haifa, because a state-owned Chinese company (the Shanghai International Port Group) secured the contract to operate a new terminal at Haifa's seaport for 25 years.[95] This terminal opened in September 2021.[96] In the conference report (H.Rept. 116-333) accompanying the FY2020 National Defense Authorization Act (P.L. 116-92), Congress recommended that the U.S. government "convey to the Government of Israel the serious security concerns with respect to the leasing arrangements of the Port of Haifa, and urge consideration of the security implications of such foreign investment in Israel." Other state-owned Chinese companies are developing a new port in Ashdod (which also hosts an Israeli naval base), and taking part in construction for Tel Aviv's light rail system and road tunnels in Haifa.[97]

---

[91] Doron Ella, *Chinese Investments in Israel: Developments and a Look to the Future*, Institute for National Security Studies, February 1, 2021.

[92] Hiddai Segev, Doron Ella, and Assaf Orion, "My Way or the Huawei? The United States-China Race for 5G Dominance," Institute for National Security Studies Insight No. 1193, July 15, 2019.

[93] Hiddai Segev and Assaf Orion, "The Great Power Competition over 5G Communications: Limited Success for the American Campaign against Huawei," *Institute for National Security Studies* Insight No. 1268, March 3, 2020.

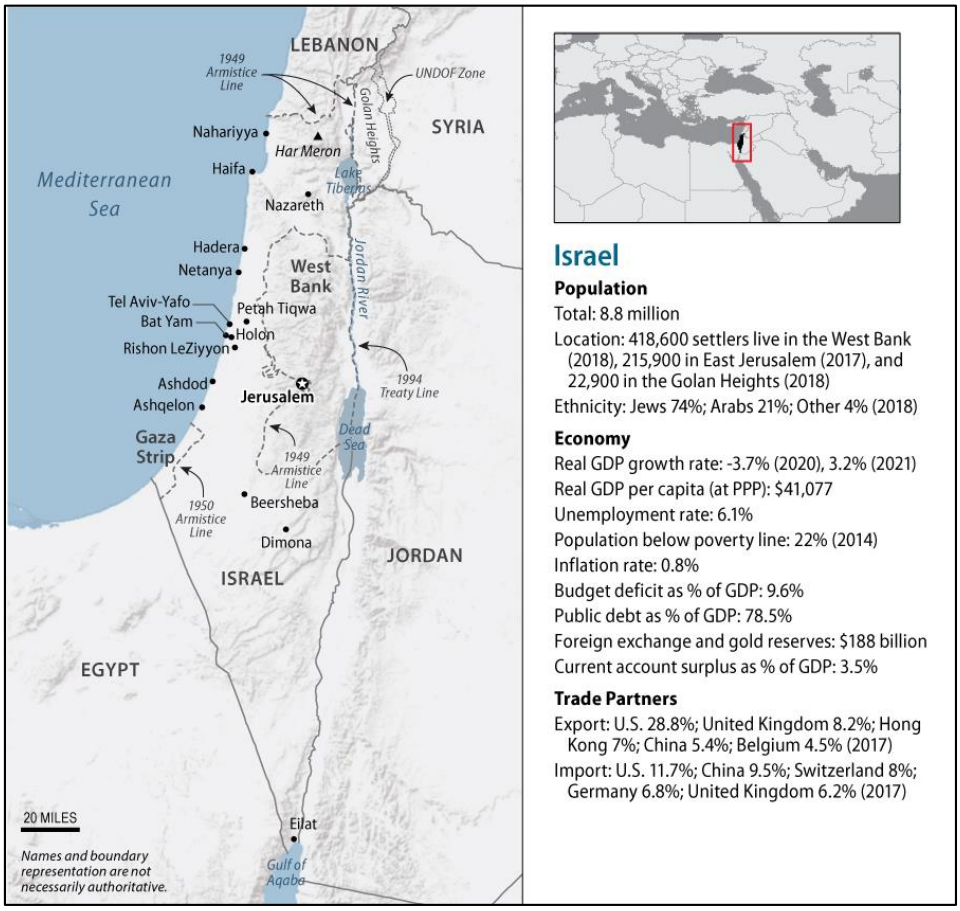
[94] "Amid US pressure, Israel taps local firm over China for $1.5b desalination plant," *Times of Israel*, May 26, 2020.

[95] Roie Yellinek, "The Israel-China-U.S. Triangle and the Haifa Port Project," *Middle East Institute*, November 27, 2018. Reportedly, the Israeli government planned to limit sensitive roles at the port to Israelis with security clearances. Jack Detsch, "Pentagon repeats warning to Israel on Chinese port deal," *Al-Monitor*, August 7, 2019.

[96] Ricky Ben-David, "Israel inaugurates Chinese-run Haifa port terminal, in likely boost for economy," *Times of Israel*, September 2, 2021.

[97] Efron et al., *The Evolving Israel-China Relationship*, 2019, p. 38.

Appendix A. Israel: Map and Basic Facts



Sources: Graphic created by CRS. Map boundaries and information generated by Hannah Fischer using Department of State Boundaries (2017); Esri (2013); the National Geospatial-Intelligence Agency GeoNames Database (2015); DeLorme (2014). Fact information from CIA, *The World Factbook*; and Economist Intelligence Unit. All numbers are forecasts for 2021 unless otherwise specified.

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

Appendix B. Israeli Political Parties in the Knesset and Their Leaders

RIGHT

Likud (Consolidation) – 30 Knesset seats (Opposition)
Israel's historical repository of right-of-center nationalist ideology; skeptical of territorial compromise; has also championed free-market policies.

Leader: Binyamin Netanyahu
Born in 1949, Netanyahu served as prime minister from 2009 to June 2021, and also was prime minister from 1996 to 1999. Netanyahu served in an elite special forces unit (Sayeret Matkal), and received his higher education at MIT. Throughout a career in politics and diplomacy, he has been renowned both for his skepticism regarding the exchange of land for peace with the Palestinians and his desire to counter Iran's nuclear program and regional influence. He is generally regarded as both a consummate political dealmaker and a security-minded nationalist.

Yisrael Beitenu (Israel Our Home) – 7 seats (Coalition)
Pro-secular, right-of-center nationalist party with base of support among Russian speakers from the former Soviet Union.

Leader: Avigdor Lieberman
Born in 1958, Lieberman is Israel's finance minister, and has previously served as defense minister and foreign minister. He is generally viewed as an ardent nationalist and canny political actor with prime ministerial aspirations. Lieberman was born in the Soviet Union (in what is now Moldova) and immigrated to Israel in 1978. He worked under Netanyahu from 1988 to 1997. Disillusioned by Netanyahu's willingness to consider concessions to the Palestinians, Lieberman founded Yisrael Beitenu as a platform for former Soviet immigrants. He was acquitted of corruption allegations in a 2013 case.

Yamina (Right) – 7 seats (Coalition)
Right-of-center merger of three parties: New Right, Jewish Home, and National Union; base of support among religious Zionists (mostly Ashkenazi Orthodox Jews); includes core constituencies supporting West Bank settlements and annexation.

Leader: Prime Minister Naftali Bennett (biography in text box in the main body of the report)

New Hope (Tikva Hadasha) – 6 seats (Coalition)

New Hope is a party formed in 2020 as an alternative to Prime Minister Netanyahu and Likud for mainstream right-wing voters.

Leader: Gideon Sa'ar
Born in 1966, Sa'ar serves as justice minister. He served as cabinet secretary in the 1990s (for Prime Minister Netanyahu) and early 2000s (for Prime Minister Ariel Sharon). He became an influential and popular member of Likud, first elected to the Knesset in 2003. He served as education minister from 2009 to 2013 and interior minister from 2013 to 2014. After leaving the Knesset in 2014, he returned in 2019 but left Likud to form New Hope a year later.

Religious Zionism (HaTzionut HaDatit) – 6 seats (Opposition)

Grouping of right-of-center parties including Religious Zionism/National Union-Tkuma, Otzma Yehudit, and Noam that formed for the March 2021 elections.

Leader: Bezalel Smotrich

Born in 1980, Smotrich has headed the underlying party that leads Religious Zionism since 2019. A trained lawyer, he has engaged in regular activism to promote Jewish nationalist and religiously conservative causes.

LEFT

Labor (Avoda) – 7 seats (Coalition)

Labor is Israel's historical repository of social democratic, left-of-center, pro-secular Zionist ideology; associated with efforts to end Israel's responsibility for Palestinians in the West Bank and Gaza.

Leader: Merav Michaeli

Born in 1966, Michaeli is transportation minister. She became Labor's leader in 2020 and was first elected to the Knesset in 2013. Before entering national politics, she founded and headed an organization that supports victims of sexual assault, and was a regular national media presence and university lecturer.

Meretz (Vigor) – 6 seats (Coalition)

Meretz is a pro-secular Zionist party that supports initiatives for social justice and peace with the Palestinians.

Leader: Nitzan Horowitz

Born in 1965, Horowitz is health minister. He became Meretz's leader in 2019 and was first elected to the Knesset in 2009. He had a long career as a prominent journalist before entering politics.

CENTER

Yesh Atid (There Is a Future) – 17 seats (Coalition)

Yesh Atid is a centrist party in existence since 2012 that has championed socioeconomic issues such as cost of living and has taken a pro-secular stance.

Leader: Yair Lapid

Born in 1963, Lapid is foreign minister and alternate prime minister. Under the government's power-sharing agreement, he is set to become prime minister in August 2023. He came to politics after a career as a journalist, television presenter, and author. He founded the Yesh Atid party in 2012, and from 2013 to 2014 he served as finance minister.

Kahol Lavan (Blue and White) – 8 seats (Coalition)

Centrist party formed in 2018 as an alternative to Prime Minister Netanyahu, ostensibly seeking to preserve long-standing Israeli institutions such as the judiciary, articulate a vision of Israeli nationalism that is more inclusive of Druze and Arab citizens, and have greater sensitivity to international opinion on Israeli-Palestinian issues.

Leader: Benny Gantz

Born in 1959, Gantz is Israel's defense minister. He served as Chief of General Staff of the Israel Defense Forces from 2011 to 2015.

ULTRA-ORTHODOX

Shas (Sephardic Torah Guardians) – 9 seats (Opposition)
Mizrahi Haredi ("ultra-Orthodox") party; favors welfare and education funds in support of Haredi lifestyle; opposes compromise with Palestinians on control over Jerusalem.

Leader: Aryeh Deri
Born in 1959, Deri led Shas from 1983 to 1999 before being convicted for bribery, fraud, and breach of trust in 1999 for actions taken while serving as interior minister. He returned as the party's leader in 2013. In April 2021, he allowed a party colleague to take his Knesset seat.

United Torah Judaism – 7 seats (Opposition)
Ashkenazi Haredi coalition (Agudat Yisrael and Degel Ha'torah); favors welfare and education funds in support of Haredi lifestyle; opposes territorial compromise with Palestinians and conscription of Haredim; generally seeks greater application of Jewish law.

Leader: Yaakov Litzman
Born in 1948, Litzman was born in Germany and raised in the United States before immigrating to Israel in 1965. Educated in yeshivas (traditional Jewish schools), he later served as principal of a Hasidic girls' school in Jerusalem. In April 2021, he allowed a party colleague to take his Knesset seat.

ARAB

Joint List – 6 seats (Opposition)
Electoral slate featuring three Arab parties that combine socialist and Arab nationalist political strains: Hadash (Democratic Front for Peace and Equality), Ta'al (Arab Movement for Renewal), and Balad (National Democratic Assembly).

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

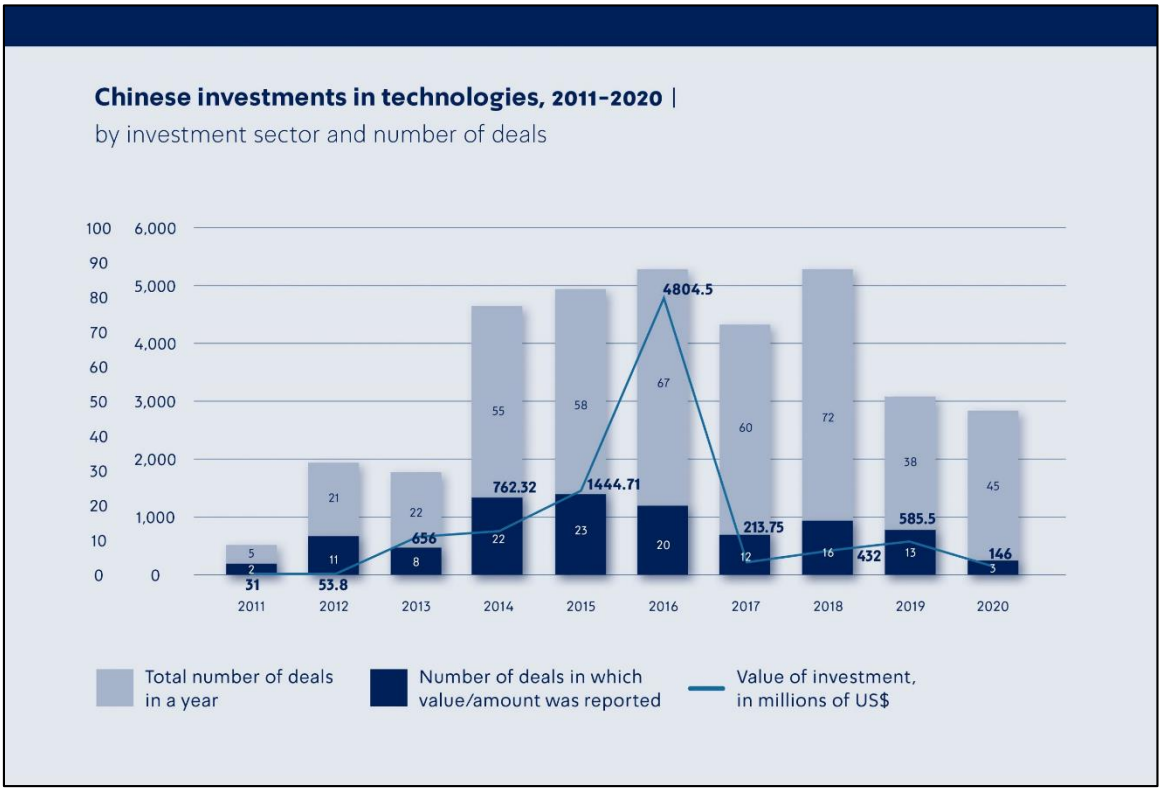
United Arab List (UAL or Ra'am) – 4 seats (Coalition)
Islamist Arab party that embodies conservative social values while seeking state support to improve Arabs' socioeconomic position within Israel.

Leader: Mansour Abbas
Born in 1974, Abbas has led the UAL since 2007 and is a qualified dentist.

Sources: Various open sources.

Note: Knesset seat numbers based on results from the March 23, 2021, election.

Appendix C. Chinese Investments in Israeli Technology Companies: 2011-2020



Source: Institute for National Security Studies.

Notes: Publicly available information on these types of investments may be limited. An outlier transaction included in this figure is the 2016 purchase by China-based Alpha Frontier of the Israel-based mobile gaming company Playtika for $4.4 billion.

Author Information

Jim Zanotti
Specialist in Middle Eastern Affairs

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.