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Disagreement over Defense Aid: Bridging the Gaps

Amos Yadlin

The debate over the memorandum of understanding (MOU) between the United States and Israel about the next decade of US defense aid to Israel has hit an impasse. The letter signed by 83 senators and sent to President Obama last week, in which they wrote that “in light of Israel’s dramatically rising defense challenges, we stand ready to support a substantially enhanced new long-term agreement to help provide Israel the resources it requires to defend itself and preserve its qualitative military edge,” is important for its bipartisan nature, reflecting the significant bipartisan support Israel has in the Senate. The letter is also important in that it places the defense package on the public agenda and sheds light on the gaps between the two nations on this critical issue.

The gap between Israel and the United States on the defense aid package is not limited to the bottom line final sum. The Obama administration and the Israeli government are deeply divided by different strategic views of the threats in the Middle East and the extent to which Israel is a US asset. (The “Obama Doctrine,” as outlined in Jeffery Goldberg’s April 2016 interview with the President in *The Atlantic*, does not consider the Middle East as important to US national security as it once was). Furthermore, it is impossible to define the gaps while ignoring the bad blood between the governments, a consequence of the confrontation in 2015 during the debate about the nuclear agreement with Iran.

Listed below are ten key issues over which there are significant gaps between the Israeli government and the US administration that make it difficult to conclude an agreement on the aid package for the next ten years:

1. **The strategic view of the Middle East:** Israel sees the nuclear agreement between the P5+1 and Iran (the Joint Comprehensive Plan of Action – JCPOA) as damaging to its security. Consequently, it expects the United States, which spearheaded the agreement, to help Israel confront the subsequent threats: in the short term, as a response to the added available resources Iran will have for subversion and terrorism; in the mid term, given the conventional and technologically advanced force buildup in Iran’s military industry and Iran’s

- advance military purchases from Russia and China; and in the long term, to confront an Iran endowed with a stable, legitimate, unrestricted nuclear program. Moreover, Israel views the sale of advanced weapons to the pragmatic Arab states, meant to compensate them for the Iranian nuclear agreement, as a potential risk: given the instability of the Middle East, these weapons could be turned against Israel and severely compromise its qualitative edge. By contrast, the Obama administration sees the nuclear agreement with Iran as a diplomatic and strategic achievement that will reduce the nuclear threat against Israel for at least the next 15 years and thinks that developments in the Middle East, including the dramatic weakening of the Syrian army, mean that Israel's security balance is better than before.
2. **Identical values and interests:** Even if it is not stated explicitly, the US administration doubts that the United States and Israel share identical values and interests, a convergence that served as the basis for generous military packages in the past. The administration views the political process with the Palestinians as the best solution to Israel's security and believes that Israel is not doing enough to promote it. By contrast, Israel feels that if it withdraws from the West Bank, serious security risks will develop, similar to the risks that developed in the 1990s after the Oslo Accord and following the disengagement from the Gaza Strip in 2005. Furthermore, Israel views Iran, Hezbollah, and the Islamic State as its major threats, and these will not be eliminated even if Israel and the Palestinians resolve their conflict.
 3. **Israel's value as a Middle East ally:** According to the Obama doctrine, the Middle East is less important to the United States than are Asia and the Pacific. The United States is no longer dependent on energy from the Middle East for domestic consumption, and Israel's value as a strong militarily ally is also not of great significance to the administration, which, as per the Obama doctrine, has no intention of intervening militarily in the Middle East. Unlike the Cold War era, when Israel's contribution against the Soviet bloc was highly important, in the last quarter century Israel was asked not to intervene when the United States was militarily involved in the Middle East. Israel, on the other hand, sees itself as the only democracy in the Middle East, an anchor of stability, and a loyal ally of the United States in the region in any future context and development.
 4. **The expectation of a larger package:** Israel expected an increase of at least \$1 billion annually; Prime Minister Benjamin Netanyahu hinted that he expected an even greater increase. For its part, the administration is offering an increase to \$3.7 billion – a growth of 20 percent – in defense aid, but the Obama administration made the Congress's past additions to the aid package – some \$0.5 billion designated specifically for projects such as the Arrow, Iron Dome, and

- David's Sling systems, as well as solutions to the tunnel problem – part of the base of the aid for the coming decade. When this \$0.5 billion is added to the previous package's figure of \$3.1 billion, the increase is negligible.
5. **Requests to Congress for aid beyond the base agreement:** In the past, Congress added significant sums above and beyond the package the administration requested. These came mostly from the Pentagon's budget rather than from the foreign aid budget. The administration is asking Israel to commit itself not to ask for special purpose additions from Congress beyond what the administration agrees to provide. For its part, Israel sees the right to appeal to Congress on important subjects that may arise as crucial flexibility that must not be forfeited.
 6. **Off-shore procurement and the aid package:** Since the cancellation of the IAI Lavi project in the late 1980s, Israel was allowed to convert some one-quarter of aid funds (which were originally dollar "purchase coupons" to be used in the United States) into shekels for off-shore procurement (OSP), i.e., purchases from Israeli defense industries (hurt back then by the Lavi project cancellation). This allows Israel to develop unique Israeli solutions that maintain their qualitative edge. The US administration, however, claims that in 2016 Israel's industries have matured, even to the point where they successfully compete with their US counterparts, and that therefore this arrangement in the aid package must be discontinued, even if gradually. For Israel, this represents a harsh blow to its defense industries and the nation's ability to maintain a qualitative edge, as well as a further 3 billion shekel burden on the shekel defense budget, making it difficult to provide a response to critical needs.
 7. **US budgetary limitations:** The administration points to serious problems in receiving approval for budgetary additions, the large federal budget deficit, the slashes to the Pentagon budget, and the difficulty in providing security aid to other allies, as well as the limits that Congress imposes on any budgetary expansion. Israel, meanwhile, points to its special relationship with Congress, which sees defense aid to Israel as an exceptional issue (as made clear in the letter by the senators), and the security advantage to the United States resulting from the strengthening of the IDF and Israel's military industries.
 8. **The next administration:** The Obama administration points to the difficulties any future administration – whether Republican or Democrat – will pose when it examines the possibility of increasing military aid to Israel. Donald Trump, for example, has said that nations receiving military aid from the United States should have to pay for it; this is an example of an administration that would not provide Israel even what the Obama administration grants. In Israel, however, many feel that virtually every future administration will change Obama's reserved

stance on the Middle East and view the significant strengthening of Israel as an integral part of an updated strategy to confront Iranian subversion, its support for terrorism, and its military nuclear ambitions.

9. **Linking the Palestinian issue to the President's legacy:** Some in the Israeli government are leery of giving President Obama yet another opportunity to prove his uncompromising support for Israel's security by means of a 10-year aid package. This aid would be presented by the administration as a very generous package, and in turn, ease movement on the Palestinian issue even without an agreement with Israel. Challenges for Israel in the international arena in general (such as the French initiative) and in the Security Council in particular (resolutions condemning the Jewish settlements in the West Bank and pointing to their illegality) as well as the delineation of new parameters for future Middle East peace that are problematic for Israel (as a substitute for Resolution 242) would be a very difficult legacy from Israel's point of view.
10. **The gap in personal trust:** Relations between Obama and his senior officials and Prime Minister Netanyahu suffer from a lack of basic trust, a problem that has worsened over the years and reached a nadir in the confrontation between them with the JCPOA and the failure of Secretary of State Kerry's efforts regarding the political process. This atmosphere impacts negatively on any dialogue between the US administration and the Israeli government, and on the leaders' ability to meet for a summit to hash out and resolve key issues. While nobody in the administration will acknowledge this publicly, it seems that the bad blood between the leaders detracts from the administration's willingness to allow the Israeli Prime Minister to score a victory when it comes to the defense aid package.

Conclusion and Policy Recommendation

Security relations between Israel and the United States must be seen in a comprehensive perspective, and the defense package should be part of a broader approach relating to many parameters of Israel's security vis-à-vis the Iranian nuclear threat and Hezbollah terrorism, the Islamic State, and Hamas. Last summer, I proposed a "parallel agreement" – a bilateral Israeli-US agreement that would relate to all security and political issues emerging from the risks in the nuclear agreement with Iran. The MOU on defense aid was only one issue. Other important topics were Israel's qualitative military edge, beefed-up anti-missile defenses, a policy to confront Iranian terrorism and subversion in the Middle East and its weapons transfers to Hezbollah, preparations for Iranian violations of the nuclear agreement and a coordinated response toward the intentions of the Iranian regime (especially its explicitly-stated intention to destroy Israel) toward the end of the period of the agreement, and intelligence and cyber cooperation between Israel and the United States.

In the spring and summer of 2015, Israel took a different approach – confronting the US administration and giving the cold shoulder to US proposals to provide a response to the risks stemming from the nuclear agreement. The refusal to discuss compensation for Israel with Secretary of Defense Ash Carter before the JCPOA was concluded and approved in the United States, as well as Benjamin Netanyahu's defiant March 2015 speech before Congress, greatly weakened Israel's position in security discussions after the Congressional vote. Furthermore, Israel's subordinating its Department of Defense in favor of the National Security Council – a body that has weakened over time – in contacts with the United States makes it difficult to bridge existing gaps between the nations on the MOU and formulate an overall approach to strengthen Israel's security, particularly with regard to Iran – a potential nuclear threat in the long term and a conventional threat in the short and mid terms.

The failure to reach an agreement on the MOU in the summer of 2015 was the result of mistaken policy. Israel is paying dearly for this mistake, even on the issue that the Obama administration cites as proof that it is the most positive United States administration toward Israel – security. Therefore, it is recommended that discussions with the US administration be renewed in order to formulate comprehensive agreements on security issues, first and foremost a response to the long term Iranian nuclear threat, retention of Israel's qualitative military edge, and an upgrade of Israel's status on technological and intelligence permissions – with negotiations on the defense aid package incorporated into this process. This would place greater aid at Israel's disposal in real rather than symbolic terms and prevent damage to Israel's defense industries. It is also necessary to work toward an agreement in which Israel's right to request additional aid from the next administration and Congress is retained, in case the pessimistic forecasts about the growing strength of Iran and the Islamic State materialize or if other negative developments in the Middle East emerge.

