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# U.S. Foreign Aid to Israel

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## Summary

This report provides an overview of U.S. foreign assistance to Israel. It includes a review of past aid programs, data on annual assistance, and analysis of current issues. For general information on Israel, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti.

Israel is the largest cumulative recipient of U.S. foreign assistance since World War II. To date, the United States has provided Israel \$127.4 billion (current, or non-inflation-adjusted, dollars) in bilateral assistance. Almost all U.S. bilateral aid to Israel is in the form of military assistance, although in the past Israel also received significant economic assistance.

At a signing ceremony at the State Department on September 14, 2016, representatives of the U.S. and Israeli governments signed a new ten-year Memorandum of Understanding (MOU) on military aid covering FY2019 to FY2028. Under the terms of the MOU, the United States pledges to provide \$38 billion in military aid (\$33 billion in FMF grants plus \$5 billion in missile defense appropriations) to Israel. This new MOU will replace the current \$30 billion 10-year agreement, which runs through FY2018.

The terms of the 2019-2028 MOU differ from previous U.S.-Israel aid agreements. For example, under the terms of the new MOU, Israel's ability to convert 26.3% of annual Foreign Military Financing grants from dollars to shekels for use in Israel will remain until FY2024, but will then be gradually phased out, ending entirely in FY2028. Israel also will no longer be permitted to use a portion of its FMF to purchase fuel from the United States. In addition, under the terms of the new MOU, the Administration pledges to request \$500 million in annual combined funding for joint U.S.-Israeli missile defense programs such as Iron Dome, Arrow II and Arrow III, and David's Sling. Previous MOUs did not include missile defense funding. Finally, as part of the new MOU, it has been reported that Israel pledged to reimburse the U.S. government if Israel receives more congressional assistance for FMF or missile defense in the last years of the current MOU (2017-2018). Israel also may have pledged not to request that Congress appropriate regular or supplemental military aid to Israel above the agreed upon annual amounts in the 2019-2028 MOU except in emergency circumstances, such as a regional war. In response, many Members of Congress have reiterated that funds pledged by the executive branch in any MOU are always subject to Congressional approval and that Congress may appropriate funds as it sees fit.

H.R. 5912, the House version of the FY2017 Department of State, Foreign Operations, and Related Programs Appropriations bill, would provide Israel with \$3.1 billion in FMF. The Senate version, S. 3117, would provide \$3.4 billion in FMF to Israel, an increase of \$300 million above what is outlined in the current MOU. As part of the terms of the new MOU, Israel has pledged to return to the United States treasury any FMF appropriated by Congress above agreed upon levels for FY2017 and FY2018, which is \$3.1 billion per year.

House (H.R. 5293) and Senate (S. 3000) FY2017 Department of Defense Appropriations bills would provide funding for Israel-based missile defense systems beyond the Administration's budget request. Both H.R. 5293 and S. 3000 include \$42 million for U.S. - Israel anti-tunneling cooperation.

In December 2016, Congress passed other legislation to assist and cooperate with Israel. P.L. 114-304, the United States-Israel Advanced Research Partnership Act of 2016, authorizes the expansion of an existing joint research-and- development program at the U.S. Department of Homeland Security to include cybersecurity technologies. P.L. 114-322, the Water Infrastructure Improvements for the Nation Act, calls for further U.S. cooperation with Israel in desalination and the development of new water technologies.

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## Background

For decades, the United States and Israel have maintained strong bilateral relations based on a number of factors, including robust domestic U.S. support for Israel and its security; shared strategic goals in the Middle East; a mutual commitment to democratic values; and historical ties dating from U.S. support for the creation of Israel in 1948. U.S. foreign aid has been a major component in cementing and reinforcing these ties. Although successive Administrations have disapproved of some Israeli policies, including settlement construction in the West Bank, U.S. officials and many lawmakers have long considered Israel to be a vital partner in the region, and U.S. aid packages for Israel have reflected this calculation. Some observers, including opponents of U.S. aid to Israel, argue that U.S. assistance to Israel supports Israeli arms purchases without providing sufficient scrutiny of controversial Israeli military actions that—these observers assert—contravene various laws and international norms, particularly regarding treatment of Palestinians.

Though aid to Israel has detractors as well as supporters, overall U.S. public support for Israel remains strong. According to a February 2016 Gallup poll that measured Americans' sympathies toward the disputants in the Israeli-Palestinian conflict, 62% said their sympathies lie with the Israelis and 15% said their sympathies lie with the Palestinians.<sup>1</sup> In March 2016, the Pew Research Center released a poll measuring, among other things, Israeli views of U.S. support for Israel during an October 2014-May 2015 survey period. That study revealed that 52% of Israeli Jews felt that Israel should receive more support from the U.S. government; 34% of Israeli Jews said the amount of U.S. support for Israel is about right. In a 2013 Pew survey of American Jews, 31% said that the United States does not support Israel enough; while 54% noted that U.S. support for Israel is about right.<sup>2</sup> Both of these surveys were conducted before the recent conclusion of the new \$38 billion, 10-year Memorandum of Understanding on U.S. assistance to Israel reached in September 2016 (see below).

## Qualitative Military Edge (QME)

### Overview

Almost all current U.S. aid to Israel is in the form of military assistance.<sup>3</sup> U.S. military aid has helped transform Israel's armed forces into one of the most technologically sophisticated militaries in the world. U.S. military aid for Israel has been designed to maintain Israel's "qualitative military edge" (QME) over neighboring militaries. The rationale for QME is that Israel must rely on better equipment and training to compensate for being much smaller in land and population than its potential adversaries. U.S. military aid also has helped Israel build a domestic defense industry, which ranks as one of the top global suppliers of arms.<sup>4</sup>

<sup>1</sup> "Americans' Views toward Israel Remain Firmly Positive," *Gallup*, February 29, 2016.

<sup>2</sup> "Israel's Religiously Divided Society," *Pew Research Center*, March 8, 2016.

<sup>3</sup> For many years, U.S. economic aid helped subsidize a lackluster Israeli economy, but since the rapid expansion of Israel's high-tech sector and overall economy in the 1990s (sparked partially by U.S.-Israeli scientific cooperation), Israel has been considered a fully industrialized nation. Consequently, Israel and the United States agreed to gradually phase out economic grant aid to Israel. In FY2008, Israel stopped receiving bilateral Economic Support Fund (ESF) grants. It had been a large-scale recipient of grant ESF assistance since 1971.

<sup>4</sup> See, CRS Report R44320, *Conventional Arms Transfers to Developing Nations, 2007-2014*, by Catherine A. Theohary. Also, according to the Stockholm International Peace Research Institute (SIPRI), from 2010 to 2014, Israel (continued...)

Successive Administrations have routinely affirmed the U.S. commitment to strengthening Israel's QME. However, for years, no official or public U.S. definition of QME existed.<sup>5</sup> In order to clarify U.S. policy on preserving Israel's QME, Congress has passed several pieces of legislation addressing the issue. For example, in 2008, Congress passed (P.L. 110-429, the Naval Vessel Transfer Act of 2008) that defined QME as:

the ability to counter and defeat any credible conventional military threat from any individual state or possible coalition of states or from non-state actors, while sustaining minimal damage and casualties, through the use of superior military means, possessed in sufficient quantity, including weapons, command, control, communication, intelligence, surveillance, and reconnaissance capabilities that in their technical characteristics are superior in capability to those of such other individual or possible coalition of states or non-state actors.

Section 201 of P.L. 110-429 required the President to carry out an "empirical and qualitative assessment on an ongoing basis of the extent to which Israel possesses a qualitative military edge over military threats to Israel." The 2008 law also amended Section 36 of the Arms Export Control Act to require certifications for proposed arms sales "to any country in the Middle East other than Israel" to include "a determination that the sale or export of the defense articles or defense services will not adversely affect Israel's qualitative military edge over military threats to Israel."

Congress has passed additional legislation addressing Israel's Qualitative Military Edge. In 2012, Congress passed the United States-Israel Enhanced Security Cooperation Act (P.L. 112-150), which, among other things, reiterated that it is the policy of the United States to "to help the Government of Israel preserve its qualitative military edge amid rapid and uncertain regional political transformation." In 2014, Congress passed The U.S.-Israel Strategic Partnership Act (P.L. 113-296), which expanded mandatory executive branch QME reporting requirements and amended Section 36 of the Arms Export Control Act to require that the Administration explain, in cases of sales or exports of major U.S. defense equipment, what is "Israel's capacity to address the improved capabilities provided by such sale or export." The act also requires the Administration to:

- Evaluate: "how such sale or export alters the strategic and tactical balance in the region, including relative capabilities; and Israel's capacity to respond to the improved regional capabilities provided by such sale or export;"
- Include: "an identification of any specific new capacity, capabilities, or training that Israel may require to address the regional or country-specific capabilities provided by such sale or export; and a description of any additional United States security assurances to Israel made, or requested to be made, in connection with, or as a result of, such sale or export."

Finally, P.L. 113-296 amends Section 201(c) of the Naval Vessel Transfer Act of 2008 (22 U.S.C. 2776) by changing the frequency of Administration reporting on QME from a quadrennial to a biennial basis.<sup>6</sup>

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(...continued)

was the 10<sup>th</sup> largest arms exporter worldwide, accounting for 2% of world deliveries. See, "Trends in International Arms Transfers, 2015," SIPRI Fact Sheet, February 2016.

<sup>5</sup> William Wunderle and Andre Briere, *U.S. Foreign Policy and Israel's Qualitative Military Edge: The Need for a Common Vision*, Washington Institute for Near East Policy, Policy Focus #80, January 2008.

<sup>6</sup> QME reports to Congress are reportedly classified.

## QME and U.S. Arms Sales to the Gulf

Israeli officials periodically express concern over U.S. sales of sophisticated weaponry, particularly aircraft, airborne radar systems, and precision-guided munitions, to Arab Gulf countries. As the United States has been one of the principal suppliers of defense equipment and training to both Israel and the Gulf Arab states, U.S. policymakers and defense officials have sought to carefully navigate its defense commitments, while following the legal requirement to maintain Israel's QME.

Between 2013 and 2016, Qatar, Kuwait, and Bahrain submitted Letters of Request (LoRs) to the Administration to purchase F-15Es (Qatar), F/A-18s (Kuwait), and F-16s (Bahrain). After the conclusion of the July 2015 Iran nuclear deal, Administration officials and some lawmakers sought to expedite U.S. arms sales to the Gulf (such as these potential aircraft sales) in order to reaffirm the U.S. commitment to Gulf security. In the case of Qatar, Section 1278 of the FY2016 National Defense Authorization Act (P.L. 114-92) required the Administration to brief select congressional committees on proposed sales of fighter aircraft to Qatar and any sales' presumed effects on Israel's QME.

According to multiple reports, final consideration of these sales was delayed due, in part, to Israel's QME concerns.<sup>7</sup> Some analysts further speculated that Israel used QME concerns to delay the sales until it could conclude a new ten-year aid deal with the Administration. In July 2016, Chairman of the Senate Foreign Relations Committee Senator Bob Corker remarked that "Everyone says there's no linkage" [between the MoU and the fighter jet sales] and I happen to think there's linkage.... Again, when the MoU is completed, hopefully as part of that, or shortly thereafter, these sales will be completed ... We're not getting a lot of clarity on these issues [from the White House]."<sup>8</sup>

In November 2016, the Administration notified Congress of its intention to sell up to 72 Boeing F-15 fighter jets to Qatar (valued at around \$21.1 billion) and 40 F/A-18E/F Super Hornets to Kuwait (valued at around \$10.1 billion).<sup>9</sup> At this point, there have been no reports of Israeli objections to these deals.

## U.S. Bilateral Military Aid to Israel

Since 1999, overall U.S. assistance to Israel has been outlined in 10-year government-to-government Memoranda of Understanding (MOUs). MOUs are not legally binding agreements like treaties, and thus do not require Senate concurrence. Also, Congress may accept or change year-to-year assistance levels for Israel, or provide supplemental appropriations. Nevertheless, past MOUs have significantly influenced the terms of U.S. aid to Israel, as Congress, to this point, has mostly appropriated foreign aid to Israel according to the terms of the current MOU.

<sup>7</sup> "Will Congress pick Qatar over Israel?" *Al Monitor*, March 10, 2016.

<sup>8</sup> "US Lawmakers Urge Action on Jet Sales to Qatar, Kuwait and Bahrain, *Defense News*, July 12, 2016.

<sup>9</sup> DSCA notifications are available at: [<http://www.dsca.mil/major-arms-sales/government-qatar-f-15qa-aircraft-weapons-and-related-support>] and [<http://www.dsca.mil/major-arms-sales/government-kuwait-fa-18ef-super-hornet-aircraft-support>]

### Brief History of MOUs on U.S. Aid to Israel

The first 10-year MOU (1999-2008), agreed to under the Clinton Administration, was known as the “Glide Path Agreement” and represented a political commitment to provide Israel with at least \$26.7 billion in total economic and military aid over its duration (of which \$21.3 billion was in military aid).<sup>10</sup> This MOU provided the template for the gradual phase-out of all economic assistance to Israel.

In 2007, the Bush Administration and the Israeli government agreed to the current \$30 billion military aid package for the 10-year period from FY2009 to FY2018. Under the terms of the agreement, Israel was explicitly permitted to continue spending up to 26.3% of U.S. assistance on Israeli-manufactured equipment (known as Off-Shore Procurement or OSP - discussed below). The agreement states that “Both sides acknowledge that these funding levels assume continuation of adequate levels for U.S. foreign assistance overall, and are subject to the appropriation and availability of funds for these purposes.”<sup>11</sup>

## The New 10-Year Security Assistance Memorandum of Understanding (MOU)

### Background

During congressional consideration of the Iran Nuclear Agreement Review Act of 2015, the Obama Administration sought to assure lawmakers that the United States would increase its military assistance to Israel as the Iran nuclear agreement was implemented. In letters to individual members, President Obama and Secretary Kerry each wrote that the Administration was prepared to “further strengthen” the U.S. security relationship with Israel by continuing talks on a new 10-year aid agreement, increasing joint U.S.-Israeli missile defense funding, and accelerating research and development for tunnel detection and mapping technologies.<sup>12</sup>

Between mid-2015 and mid-2016, the United States and Israel intermittently discussed the terms of the next MOU. The following issues were reportedly raised during negotiations:

- **Total amount of FMF:** Media reports noted that Israel requested an increase in annual FMF to perhaps as much as \$4 or 5 billion per year.<sup>13</sup> Reports also noted that the Administration countered with offers to increase annual aid from \$3.1 billion a year in FMF to \$3.6 or \$3.7 billion.<sup>14</sup>
- **Off-Shore Procurement (OSP):**<sup>15</sup> Media reports suggested that during the negotiations, one of the Administration’s positions was to gradually phase out

<sup>10</sup> See, Joint Statement by President Clinton and Prime Minister Ehud Barak, July 19, 1999. According to the statement, “The United States and Israel will sign a Memorandum of Understanding (MOU) which will express their joint intention to restructure U.S. bilateral assistance to Israel. The MOU will state the United States’ intention to sustain its annual military assistance to Israel, and incrementally increase its level by one-third over the next decade to a level of \$2.4 billion subject to Congressional consultations and approval. At the same time, the MOU will provide for a gradual phase-out of U.S. economic aid to Israel, over a comparable period, as the Israeli economy grows more robust, less dependent on foreign aid, and more integrated in world markets.”

<sup>11</sup> United States-Israel Memorandum of Understanding, Signed by then U.S. Under Secretary of State R. Nicholas Burns and Israeli Ministry of Foreign Affairs Director General Aaron Abramovich, August 16, 2007.

<sup>12</sup> See, “Obama’s Letter to Congressman Nadler,” *New York Times*, August 20, 2015. A copy of the letter is available online at: [<http://www.nytimes.com/interactive/2015/08/20/world/middleeast/document-obamas-letter-to-congressman-nadler.html>]

<sup>13</sup> See, “U.S. Officials: Israel wants up to \$5 billion in Annual Military Aid,” *Reuters*, November 4, 2015,

<sup>14</sup> See, “Top U.S. General to visit Israel as Defence Aid talks expected to resume,” *Reuters*, October 13, 2015. Also, “Obama, Netanyahu may agree Defence Deal in Washington next month, Envoy says,” *Reuters*, February 11, 2016.

<sup>15</sup> Israel’s ability to use a significant portion of its annual military aid for procurement in Israel is a unique aspect of its (continued...)

off-shore procurement (OSP).<sup>16</sup> The Administration argued that phasing out OSP would allow more FMF to be allocated toward large-scale defense contracts with U.S. suppliers, such as Israel's purchase of the F-35 and/or new procurement of other advanced systems like the V-22 Osprey.

- **Missile Defense:** U.S. funds for U.S.-Israel missile defense cooperation (which come from defense appropriations, not State and Foreign Operations) have not been “counted” in previous 10-year aid deals. However, various reports suggested that the Administration sought to include missile defense funding in the new MOU, not only to boost the total value of the aid package, but also to make missile defense funding consistent year-to-year, and thus facilitate long-term budgetary planning for U.S. defense officials.<sup>17</sup>

According to the Israeli newspaper *Ha'aretz*, after a few rounds, the talks ran aground in May 2016 and “the Americans made clear that their offer was final and it was up to Israel whether to sign while President Barack Obama is still in office or wait for the next president to take office in January 2017.”<sup>18</sup> On July 1, the Administration, in a letter from National Security Advisor Susan Rice, notified Congress that it was prepared to sign a new MOU “that would constitute the largest pledge of military assistance to any country in U.S. history.”<sup>19</sup> Press reports indicated that Israeli Prime Minister Benjamin Netanyahu had decided to sign a new MOU with the current U.S. Administration rather than risk trying to negotiate better terms with the next U.S. administration.<sup>20</sup>

### Terms of the New MOU on Security Assistance (2019-2028)

At a signing ceremony at the State Department on September 14, 2016, representatives of the U.S. and Israeli governments signed a new ten-year Memorandum of Understanding (MOU) on military aid covering FY2019 to FY2028. Under the terms of the MOU, the United States pledges to provide \$38 billion in military aid (\$33 billion in FMF grants plus \$5 billion in missile defense

(...continued)

assistance package; no other recipient of U.S. military assistance has been granted this benefit. Since FY1988, the FMF procurement earmark for purchases within Israel has been incorporated into annual foreign assistance legislation. Currently, approximately 26.3% of Israel's FMF funds may be used for domestic defense purchases (\$815.3 million in FY2016). Since the earmark is linked to a percentage and not a specific dollar amount, the amount set aside for defense purchases in Israel has increased as U.S. military aid to Israel has increased.

Israel was first granted FMF for use in Israel in 1977, when it asked for and received permission to use \$107 million in FY1977 FMF funds to develop the Merkava tank (prototype completed in 1975 and added to Israeli arsenal in 1979). Several years later, Israel asked for a similar waiver to develop the Lavi ground-attack aircraft, and Congress responded with legislation allowing Israel to spend \$250 million of FMF in Israel to develop the Lavi. It was estimated that the United States provided between \$1.3 and \$1.8 billion in Lavi development costs before the United States and Israel agreed to terminate the project in 1988. In order to defray the cancellation costs of the Lavi program, the United States agreed to raise the annual FMF earmark for procurement in Israel to \$400 million. For background on the cancellation of the Lavi fighter, see Dan Raviv and Yossi Melman, *Friends in Deed: Inside the U.S.-Israeli Alliance*, New York: Hyperion, 1994, pp. 263-268.

<sup>16</sup> “U.S., Israel Narrow Differences for new Talks on Defense Aid,” *Reuters*, August 1, 2016.

<sup>17</sup> “The White House Missile Aid Objection: An MOU negotiating Tactic?” *Jerusalem Post*, June 20, 2016.

<sup>18</sup> “Netanyahu Likely to Accept U.S. Defense Aid Conditions as Talks Enter Final Round,” *Ha'aretz*, July 25, 2016.

<sup>19</sup> “U.S. Offers to Increase Military Aid to Israel,” *New York Times*, July 1, 2016.

<sup>20</sup> “Record new U.S. Military Aid deal for Israel to be signed in Days,” *Reuters*, September 13, 2016.

appropriations) to Israel.<sup>21</sup> This new MOU will replace the current \$30 billion 10-year agreement, which runs through FY2018.<sup>22</sup>

Upon the signing of the MOU, National Security Advisor Susan Rice stated:

This is the single largest pledge of military assistance—to any country—in American history. At a time when we’re tightening our belts across the board, with the harmful “sequestration” spending cuts set to return in several years, this MOU nonetheless greatly increases our military assistance commitment to Israel. That’s not an accident. It’s a reminder of the United States’ unshakeable commitment to Israel’s security.<sup>23</sup>

### Figure 1. United States and Israel sign new Aid MOU

U.S. Under Secretary of State for Political Affairs Thomas Shannon and acting head of Israel’s National Security Council Yaakov Nagel sign the new MOU



**Source:** Voice of America.

The terms of the 2019-2028 MOU differ from previous agreements on such issues as:

- **Off-Shore Procurement (OSP)** – Under the terms of the new MOU, OSP will remain until FY2024, but will then be gradually phased out, ending entirely in FY2028. Israel also will no longer be permitted to use a portion of its FMF to purchase fuel from the United States.
- **Missile Defense** – Under the terms of the new MOU, the Administration pledges to request \$500 million in annual combined funding for joint U.S.-Israeli missile

<sup>21</sup> According to the terms of the MOU, Israel will receive annual amounts of \$3.3 billion in FMF and \$500 million in missile defense funding each year for the duration of the agreement.

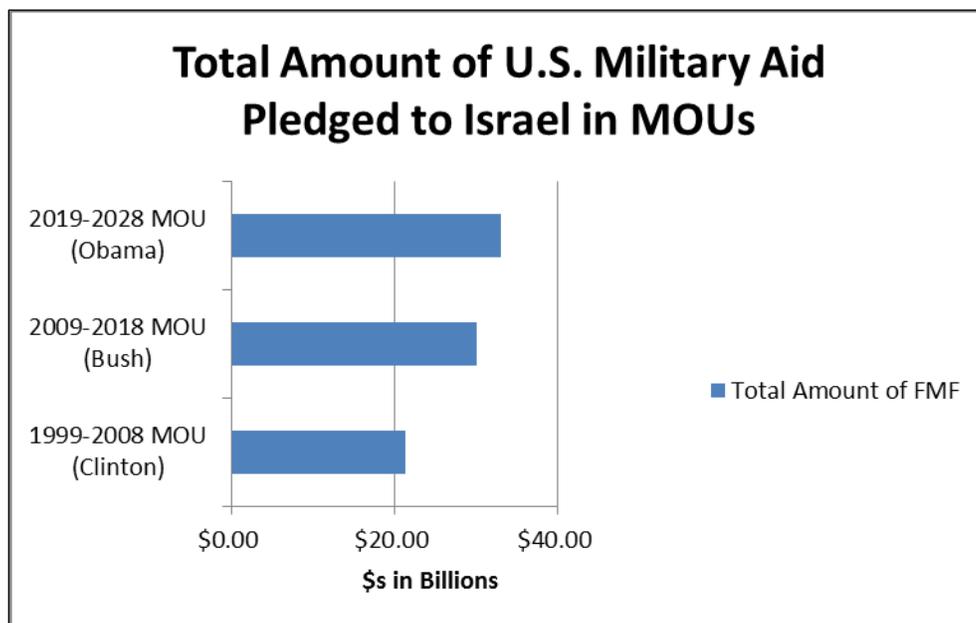
<sup>22</sup> Congress also separately appropriated \$3.677 billion in missile defense funds during that period not including FY2017 and FY2018.

<sup>23</sup> Ambassador Susan Rice, “The U.S. Is Making a Historic Investment to Protect the Security of Israel, White House Blog, September 14, 2016.

defense programs such as Iron Dome, Arrow II and Arrow III, and David's Sling. Previous MOUs did not include missile defense funding, which has traditionally been appropriated via separate interactions between successive Administrations and Congresses.

- **No Congressional Aid Increases or Separate Supplemental Funding** – Reportedly, Prime Minister Netanyahu, in a letter to Secretary of State John Kerry accompanying the MOU, pledged to reimburse the U.S. government if Israel receives more congressional assistance than specified in the last years (FY2017 and FY2018) of the current 2009-2018 MOU.<sup>24</sup> Netanyahu also may have pledged not to request that Congress appropriate regular or supplemental military aid to Israel above the agreed upon annual amounts in the 2019-2028 MOU except in emergency circumstances, such as a regional war.<sup>25</sup>

**Figure 2. U.S. Military Aid to Israel over Decades**



**Source:** CRS Graphics.

**Notes:** Figures included Foreign Military Financing only. Missile defense funds are not included. Figures are not adjusted for inflation.

Israeli reactions to the new MOU have been mixed. Former Israeli Prime Minister Ehud Barak criticized Netanyahu's handling of the deal, arguing that because of rising defense costs which he claims are 20% over the past decade, the new MOU actually decreases Israel's purchasing power.<sup>26</sup> Other Israeli politicians in the opposition have claimed that the new MOU, which gradually phases out OSP, represents a boon for U.S. defense contractors at the expense of Israel's

<sup>24</sup> "U.S.-Israel Deal held up over Dispute with Lindsey Graham," *Washington Post*, September 11, 2016.

<sup>25</sup> "ANALYSIS: \$38B Israel Aid Deal Is Political Boon for Benjamin Netanyahu — and Barack Obama," *Jewish Daily Forward*, September 15, 2016.

<sup>26</sup> "Ehud Barak: Netanyahu's Reckless Conduct Endangers Israel," *Washington Post*, September 14, 2016.

defense industry.<sup>27</sup> In response to such domestic criticism, Prime Minister Netanyahu remarked that:

I hear all kinds of background noise and disinformation about the agreement...I would like to make it clear: We were never offered more. We were not offered more money, not even one dollar, and we were never offered special technologies. These are distortions and fabrications of interested parties; either they do not have the facts or they are distorting the facts, and they are, of course, showing ingratitude. And, in my view, this is the saddest thing of all, ingratitude to our greatest and best friend, the United States.<sup>28</sup>

## Congressional Reaction to the New MOU

While most lawmakers called on the Obama Administration to conclude a new and more valuable MOU with Israel,<sup>29</sup> some Members have criticized the Administration, charging that the new MOU is less generous than previous agreements and that its terms circumvent Congress's constitutional prerogatives to appropriate funds. Senator Lindsay Graham, Chairman of the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs, has argued that Prime Minister Netanyahu's letter to Secretary Kerry, which allegedly calls on Israel to reimburse the United States for any additional aid it may receive from Congress in the last two fiscal years of the current MOU, is an attempt to restrict Congress' power of the purse. According to Senator Graham, the MOU is "not a treaty, and we're not a party to this."<sup>30</sup> Soon after the signing of the MOU, Senator Graham introduced S. 3363, the Emergency Supplemental Appropriations Act for the Defense of Israel, 2016. That bill would provide Israel with \$700 million in additional Department of Defense funds for missile defense to address security threats from Iran; another \$50 million in missile defense from the Department of Defense research, development, test and evaluation, defense-wide account; and \$750 million in additional FMF.

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<sup>27</sup> "Netanyahu cost Israel billions in US Arms Deal, Rival Lapid says," *Middle East Eye*, August 10, 2016.

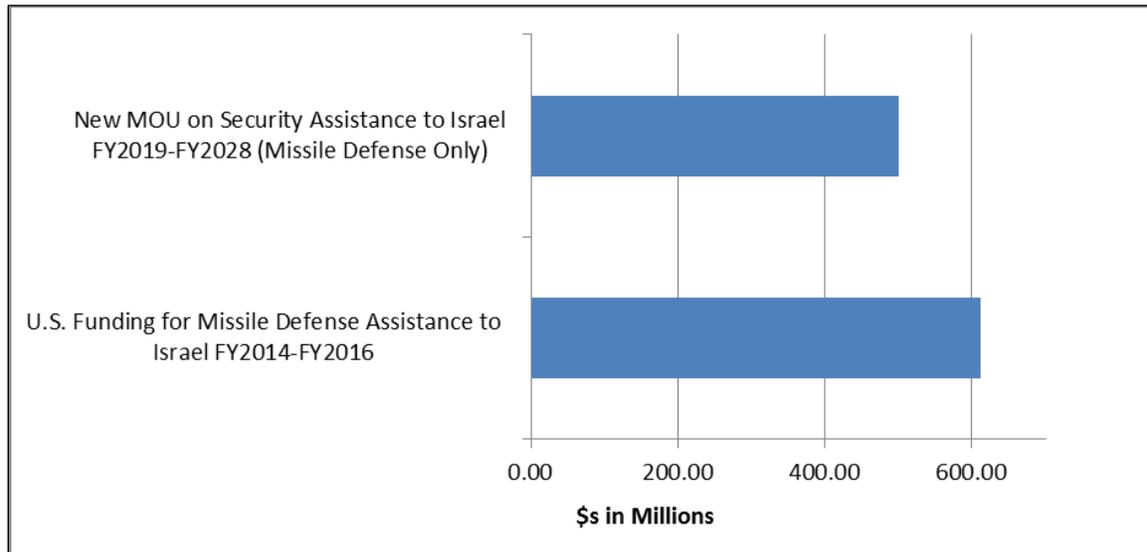
<sup>28</sup> "Netanyahu accuses Critics of US aid Deal of 'Ingratitude'" *Jewish Telegraphic Agency*, September 18, 2016.

<sup>29</sup> "Senators Coons, Graham lead Bipartisan Letter to urge Administration to quickly Renew, Strengthen Security MOU with Israel," April 25, 2016. The text of the letter is available online at:

[<https://www.coons.senate.gov/newsroom/press-releases/senators-coons-graham-lead-bipartisan-letter-to-urge-administration-to-quickly-renew-strengthen-security-mou-with-israel>]

<sup>30</sup> "Obama, Lawmakers at Odds over Israel Aid Deal," *Defense News*, September 16, 2016.

**Figure 3. Congressional Appropriations vs. MOU**  
(for Missile Defense only, annual averages)



**Source:** CRS Graphics

**Notes:** Figures include U.S. contributions for Arrow II, Arrow III, Iron Dome, and David's Sling.

### FY2017 Legislation Impacting U.S. Foreign Aid to Israel

Congressional consideration of FY2017 legislation that would impact U.S. foreign aid to Israel (such as the NDAA and Defense/State-Foreign Operations Appropriations bills) coincided with the Administration's negotiation with the state of Israel over the new MOU on security assistance. It also coincided with U.S. presidential and Congressional elections, leading to a number of unresolved differences in various proposed legislation for FY2017, including:

#### *The FY2017 National Defense Authorization Act (NDAA)*

The FY2017 NDAA contains several provisions on U.S. foreign aid to Israel, including:

- **Section 1274 Report on U.S.-Israeli cooperation on Directed Energy Capabilities:** This section requires a report on the potential for U.S.-Israeli directed energy cooperation to defeat ballistic missiles, cruise missiles, unmanned aerial vehicles, mortars, and improvised explosive devices.
- **Section 1295 Authorization of U.S.-Israeli Anti-Tunnel Cooperation:** This section increases the total authorization for the anti-tunnel cooperation program (see below) from \$25 to \$50 million, half of which must be spent in the United States.
- **Section 1690 Authorization of U.S.-Israel Missile Defense Cooperation:** This section authorizes a total of \$600.735 million, including \$150 million for David's Sling, \$120 million for Arrow III, \$62 million for Iron Dome, and \$268.735 million for the U.S.-Israeli cooperative missile defense program. Amounts authorized for Iron Dome would allow the Government of Israel to procure Tamir interceptors, which are co-produced in the United States. Amounts authorized for

David's Sling and Arrow III include co-production of parts and components in the United States, subject to certain certifications, one of which may be waived.<sup>31</sup>

### ***FY2017 State and Foreign Operations Appropriations***

H.R. 5912, the House version of the FY2017 Department of State, Foreign Operations, and Related Programs Appropriations bill, would provide Israel with \$3.1 billion in FMF. The Senate version, S. 3117, would provide \$3.4 billion in FMF to Israel, an increase of \$300 million above what is outlined in the current MOU. Senator Lindsey Graham helped secure Senate Appropriations Committee approval of a possible FMF increase, which reportedly drew criticism from the Administration for going beyond the terms of the current MOU.

In late July, the Israeli Prime Minister's Office issued a press release addressing the increase to FMF, noting, "it is not in Israel's interest for there to be any changes to the fixed annual MOU levels without the agreement of both the U.S. Administration and the Israeli government."<sup>32</sup> As mentioned above, as part of the terms of the new MOU, Israel has pledged to return to the United States treasury any FMF appropriated by Congress above agreed upon levels for FY2017 and FY2018, which is \$3.1 billion per year.

### ***FY2017 Department of Defense Appropriations***

Following the pattern from previous years, both the House-passed (H.R. 5293) and Senate-introduced (S. 3000) versions of this act would provide funding for Israel-based missile defense systems beyond the Administration's budget request (see below). On June 14, 2016, in a document opposing a number of items in H.R. 5293, the Administration said that it "opposed the addition of \$455 million above the FY 2017 Budget request for Israeli missile defense procurement and cooperative development programs."<sup>33</sup>

In a June 15, 2016, daily press briefing, the State Department spokesperson explained the Administration's position by saying that \$455 million "is the largest such non-emergency increase ever and, if it's funded, would consume a growing share of a shrinking U.S. Missile Defense Agency's budget." Both H.R. 5293 and S. 3000 include \$42 million for U.S.-Israel anti-tunneling cooperation.

## **Foreign Military Financing (FMF) and Arms Sales**

Israel is the largest recipient of U.S. Foreign Military Financing. For FY2017, the President's request for Israel would encompass approximately 54% of total requested FMF funding worldwide. Annual FMF grants to Israel represent approximately 18.5% of the overall Israeli defense budget.<sup>34</sup> Israel's defense expenditure as a percentage of its Gross Domestic Product (5.4% in 2015) is one of the highest percentages in the world.<sup>35</sup>

<sup>31</sup> For the certification language, see Section 1690(b)(2). For the waiver language, see Section 1690(b)(3).

<sup>32</sup> Israel Ministry of Foreign Affairs, "Prime Minister's Office Announcement," July 25, 2016.

<sup>33</sup> Office of Management and Budget (OMB), Statement of Administration Policy, H.R. 5293 – Department of Defense Appropriations Act, 2017, June 14, 2016.

<sup>34</sup> The Israeli Ministry of Defense provides funding figures for its domestic defense budget but excludes some procurement spending and spending on civil defense. The estimate referenced above is based on figures published by *Jane's Defence Budgets, Israel*, IHS Global Insight, September 21, 2016.

<sup>35</sup> Stockholm International Peace Research Institute (SIPRI), Military Expenditure (% of GDP), Yearbook: Armaments, Disarmament and International Security, accessed via World Bank Databank.

## Cash Flow Financing<sup>36</sup>

Section 23 of the Arms Export Control Act (22 U.S.C. §276351) authorizes the President to finance the “procurement of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations, on such terms and conditions as he may determine consistent with the requirements of this section.” Successive Administrations have used this authority to permit Israel<sup>37</sup> (and, until 2018 under current plans, Egypt) to finance multi-year purchases through installment payments, rather than having to pay the full amount of such purchases up front. Known as “cash flow financing,” this benefit enables Israel to negotiate major arms purchases with U.S. defense suppliers and acquire defense systems with payments scheduled over a longer time horizon.<sup>38</sup>

## Early Transfer and Interest Bearing Account

Since FY1991 (P.L. 101-513), Congress has mandated that Israel receive its FMF aid in a lump sum during the first month of the fiscal year.<sup>39</sup> The FY2016 Consolidated Appropriations Act (P.L. 114-113) states that “the funds appropriated under this heading for assistance for Israel shall be disbursed within 30 days of enactment of this Act.” Once disbursed, Israel’s military aid is transferred to an interest bearing account with the U.S. Federal Reserve Bank.<sup>40</sup> Israel has used interest collected on its military aid to pay down its bilateral debt (non-guaranteed) to U.S. government agencies, which, according to the U.S. Department of the Treasury, stood at \$318 million as of October 2013.<sup>41</sup> Israel cannot use accrued interest for defense procurement inside Israel.

<sup>36</sup> For more background, see CRS Report R44060, *Ending Cash Flow Financing to Egypt: Issues for Congress*, by Jeremy M. Sharp.

<sup>37</sup> To help Israel rebuild its military capabilities after the 1973 war with Egypt, Congress appropriated \$2.2 billion for Israel in P.L. 93-199, the Emergency Security Assistance Act of 1973. Section 3 of that act stated that “Foreign military sales credits [loans or grants] extended to Israel out of such funds shall be provided on such terms and conditions as the President may determine and without regard to the provisions of the Foreign Military Sales Act as amended.” At the time, the Foreign Military Sales Act of 1968 (amended in 1971 and the precursor to the Arms Export Control Act of 1976), capped the annual amount of foreign military sales credit that could be extended to a recipient at no more than \$250 million per year. Under the authorities contained in P.L. 93-199, President Nixon, in two separate determinations (April & July 1974), allocated the \$2.2 billion to Israel as \$1.5 billion in grant military aid, the largest U.S. grant aid package ever for Israel at the time. The remaining \$700 million was designated as a military loan.

A year and a half later, the Ford Administration reached a new arms sales agreement with Israel providing that, according to the *New York Times*, “the cost of the new military equipment would be met through the large amount of aid approved by the just-completed session of Congress as well as the aid that will be approved by future Congresses.” See, “U.S. Decides to Sell Some Arms to Israel that it had Blocked in the Past,” *New York Times*, October 12, 1976.

<sup>38</sup> Cash flow financing is defined in Section 25(d) of the Arms Export Control Act and Section 503(a)(3) of the Foreign Assistance Act.

<sup>39</sup> When government operations are funded by a continuing appropriations resolution, Congress may at times include provisions in such resolutions that would prevent the early transfer of FMF to Israel (presumably until a final year appropriations bill is passed). For example, see Section 109 of P.L. 113-46, the Continuing Appropriations Act, 2014.

<sup>40</sup> According to the Defense Security Cooperation Agency, “Some countries may establish an account with the federal reserve bank (FRB), New York, for their FMS [Foreign Military Sales] deposits. An agreement between the FMS purchaser’s defense organization, the purchaser’s central bank, FRB New York and DSCA identifies the terms, conditions, and mechanics of the account’s operation. Countries receiving FMFP funds must maintain their interest bearing account in the FRB.” See, Defense Institute of Security Assistance Management (DISAM), “The Management of Security Cooperation (Green Book),” 34<sup>th</sup> Edition, April 2015.

<sup>41</sup> CRS correspondence with the U.S. Department of the Treasury.

## F-35 Joint Strike Fighter

After years of negotiations, the United States and Israel announced in 2010 that Israel will purchase 19 F-35As at a cost of \$2.75 billion. The F-35 is a fifth-generation stealth aircraft considered to be the most technologically advanced fighter jet ever made. Israel will pay for the F-35s entirely using FMF grants. In February 2015, Israel signed a contract to purchase a partial second squadron of 14 F-35As for \$2.82 billion. In November 2016, Israel agreed to purchase an additional 17 F-35s, bringing the total number of F-35s on order to 50. Israel has received U.S. approval to purchase up to 75 aircraft—potentially leading to as much as \$15.2 billion in purchases if all options are exercised.

As part of the F-35 deal, the United States agreed to make reciprocal purchases of equipment (known as “offsets”) from Israeli defense companies. If Israel elects to purchase all 75 F-35s, it is estimated that its business offsets could be as high as \$4 billion. As of 2016, Israeli firms had received \$993 million worth of business from Lockheed Martin in building components for the F-35.<sup>42</sup>

In December 2016, Israel became the first country outside of the United States to receive the F-35. On December 12, two initial fighters arrived at Nevatim Air Base in Israel, where U.S. Defense Secretary Ash Carter attended a welcoming ceremony with Prime Minister Benjamin Netanyahu. Israel anticipates delivery of an additional seven or eight F-35s per year until 2021.<sup>43</sup> Israel will install Israeli-made C4 (command, control, communications, computers) systems in the F-35s it receives, and will call these customized F-35s “*Adirs*.”<sup>44</sup>

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<sup>42</sup> “Israel releases F-35 Offset Figures,” *Jane’s Defence Industry*, August 15, 2016.

<sup>43</sup> “Expensive War Toy,” *Jerusalem Report*, August 22, 2016.

<sup>44</sup> “After F-35 makes aliyah, it will get new Israeli identity,” *Israel Hayom*, May 2, 2016. “Adir” is a Hebrew expression for “mighty” or “powerful.”

**Figure 4. The Israeli Variant of the F-35A Lightning II**  
Known as the “Adir” (translated from Hebrew as ‘Mighty One’)



**Source:** Lockheed Martin.

**Notes:** Israel’s Minister of Defense Avigdor Lieberman inside the cockpit of the “Adir” during a June 2016 visit to Lockheed Martin’s F-35 production facility in Fort Worth, Texas.

## Excess Defense Articles

The Excess Defense Articles (EDA) program provides a means by which the United States can advance foreign policy objectives—assisting friendly and allied nations through provision of equipment in excess of the requirements of its own defense forces. The Defense Security Cooperation Agency (DSCA) manages the EDA program, which enables the United States to reduce its inventory of outdated equipment by providing friendly countries with necessary supplies at either reduced rates or no charge.<sup>45</sup>

As a designated “major non-NATO ally,”<sup>46</sup> Israel is eligible to receive EDA under Section 516(a) of the Foreign Assistance Act and Section 23(a) of the Arms Export Control Act. In 2016, the

<sup>45</sup> To access DSCA’s Excess Defense Articles database, see <http://www.dsca.mil/programs/eda>.

<sup>46</sup> On November 4, 1986, President Reagan signed into law P.L. 99-661, the National Defense Authorization Act for FY1987. In Section 1105 of that Act, Congress called for greater defense cooperation between the United States and countries that the Secretary of Defense could designate as a “major non-NATO ally” (MNNA). Such cooperation could entail U.S. funding for joint research and development and production of U.S. defense equipment. In February 1987, the United States granted Israel MNNA status along with several other countries (Egypt, Japan, South Korea, and Australia). According to press reports at the time, in the absence of a U.S.-Israeli mutual defense agreement, supporters of Israel had been advocating for Israel to receive “equal treatment” with regard to certain special military benefits (such as the ability to bid on U.S. defense contracts) that NATO allies received from the United States. See, “Israel (continued...)”

Obama Administration approved a delivery of 10 F-15D fighters to Israel with an estimated value of \$181 million.<sup>47</sup>

## Defense Budget Appropriations for U.S.-Israeli Missile Defense Programs

Congress and successive Administrations have demonstrated strong support for joint U.S.-Israeli missile defense projects designed to thwart a diverse range of threats, from short-range missiles and rockets fired by non-state actors, such as Hamas and Hezbollah, to mid- and longer-range ballistic missiles in Syria's and Iran's arsenals. Congress provides regular U.S. funding for Israeli and U.S.-Israeli missile defense programs in defense authorization and appropriations bills. Israel and the United States each financially contribute to several weapons systems and engage in co-development, co-production, and/or technology sharing in connection with them.

### Multi-Tiered Missile and Rocket Defense

In addition to the supply of U.S.-origin Hawk and Patriot missile batteries to Israel,<sup>48</sup> U.S.-Israeli missile defense cooperation has evolved in the past several years to include the co-development of several systems. Israel also has developed its own missile defense programs without U.S. collaboration.

The following section provides background on Israel's four-layered active defense network: Iron Dome (short range), David's Sling (low to mid-range), Arrow II (upper-atmospheric), and Arrow III (exo-atmospheric).

### Iron Dome

Iron Dome is a short-range anti-rocket system developed by Israel's Rafael Advanced Defense Systems and originally produced in Israel. Iron Dome's targeting system and radar are designed to fire its Tamir interceptors only at incoming projectiles that pose threats to the area being protected (generally, strategically important sites, including population centers); it is not configured to fire on rockets headed toward unprotected areas. Iron Dome batteries can be moved to respond to changes in Israeli areas subject to threat.

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(...continued)

seeks to obtain the kind of Financial Aid that NATO Members get from U.S. Government," *Wall Street Journal*, February 3, 1987. Nearly a decade later, Congress passed additional legislation that further solidified Israel's MNNA status. In 1996, Section 147 of P.L. 104-164 amended the Foreign Assistance Act of 1961 by requiring the President to notify Congress 30 days before designating a country as a MNNA. According to the Act, Israel, along with several other countries, "shall be deemed to have been so designated by the President as of the effective date of this section, and the President is not required to notify the Congress of such designation of those countries." See, 22 U.S.C. 2321j.

<sup>47</sup> "USAF confirms F-15D delivery to Israel," *FlightGlobal*, September 15, 2016.

<sup>48</sup> In 2014, Israel's Patriot missile batteries shot down two unmanned aircraft launched from the Gaza Strip. In separate incidents, a Patriot system also intercepted combat and unmanned aircraft launched from Syria. These 2014 intercepts marked the first time Patriot batteries in Israel had been used in 20 years. See, Israel Defense Forces Blog, "The Patriot Missile: Aerial Defense against Enemy Infiltrations," November 17, 2014.

### *Iron Dome's Performance*

Iron Dome was declared operational in early 2011. Its first major test came in November 2012 during a weeklong Israel-Hamas conflict (termed Operation Pillar of Cloud/Defense by Israel). Israeli officials claim that Iron Dome intercepted 85% of the more than 400 rockets fired by Gaza-based militants that were selectively targeted based on the criteria discussed above. (A total of about 1,500 rockets were fired during the conflict.)

During the 2012 conflict, four Israeli civilians were killed by rocket fire. Between 2012 and 2014, Israel upgraded Iron Dome's various tracking and firing mechanisms and expanded the number of batteries deployed from five to nine. During the 2014 conflict, media reports generally based on Israeli claims would seem to indicate that Iron Dome's performance had a successful interception rate close to 90%.

In September 2016, an Iron Dome battery stationed in the Israeli-controlled Golan Heights intercepted two stray projectiles fired from Syrian territory, marking the first instance when Iron Dome was used to defend Israeli territory against threats emanating from the Syria conflict.

**Figure 5. Iron Dome Launcher**



Source: Raytheon

### *Co-Production and U.S. Funding*

To date, the United States has provided \$1.335 billion to Israel for Iron Dome batteries, interceptors, co-production costs, and general maintenance. In FY2016, Congress appropriated \$55 million for Iron Dome.

Because Iron Dome was developed by Israel alone, Israel initially retained proprietary technology rights to it. The United States and Israel have had a decades-long partnership in the development

and co-production of other missile defense systems (such as the Arrow) and, as the United States began financially supporting Israel's development of Iron Dome in FY2011, U.S. interest in ultimately becoming a partner in its co-production grew. Congress then called for Iron Dome technology sharing and co-production with the United States.<sup>49</sup>

In March 2014, the United States and Israeli governments signed a co-production agreement to enable components of the Iron Dome system to be manufactured in the United States, while also providing the U.S. Missile Defense Agency (MDA) with full access to what had been proprietary Iron Dome technology.<sup>50</sup> U.S.-based Raytheon is Rafael's U.S. partner in the co-production of Iron Dome, and Raytheon's facility in Tucson, Arizona, is one of several U.S. sites where production takes place.

On September 30, 2014, Raytheon received a \$149 million contract from Rafael to provide parts for the Tamir interceptor. The FY2014 Emergency Supplemental Appropriations Resolution, P.L. 113-145, exempted \$225 million in Iron Dome funding—requested by Israel on an expedited basis during the summer 2014 Israel-Gaza conflict—from the co-production requirements agreed upon in March 2014.

Section 1678 of P.L. 114-92, the National Defense Authorization Act (NDAA) for Fiscal Year 2016, states that “not more than \$41.4 million may be provided to the Government of Israel to procure radars for the Iron Dome short-range rocket defense system.” The FY2016 NDAA also requires that the Director of the Missile Defense Agency and the Under Secretary of Defense for Acquisition, Technology, and Logistics certify to Congress that the March 2014 Iron Dome co-production agreement is being properly implemented with the goal of maximizing the production of Iron Dome radars in the United States by U.S. industry.

## David’s Sling

In August 2008, Israel and the United States officially signed a “project agreement” to co-develop the David’s Sling system.<sup>51</sup> David’s Sling (aka Magic Wand) is a short/medium-range system designed to counter long-range rockets and slower-flying cruise missiles fired at ranges from 40 km to 300 km, such as those possessed by Hezbollah in Lebanon, Iran, and Syria. David’s Sling is designed to intercept missiles with ranges and trajectories for which Israel’s Iron Dome and/or

<sup>49</sup> In conference report language accompanying P.L. 112-239, the National Defense Authorization Act for FY2013, conferees agreed: “The Department of Defense needs to obtain appropriate data rights to Iron Dome technology to ensure us the ability to use that data for U.S. defense purposes and to explore potential co-production opportunities. The conferees support this policy and expect the Department to keep the congressional defense committees informed of developments and progress on this issue.” The following year, Section 234 of P.L. 113-66, the National Defense Authorization Act, FY2014, expressed a sense of Congress that: “second-source production of parts and components of the Iron Dome short-range rocket defense program that is based in the United States is in the national security interest of both Israel and the United States”; and “the move towards such a second-source capacity in the United States for integration and assembly of all-up rounds of the Iron Dome short-range rocket defense program will further enhance the security of Israel by ensuring added production capability of such a vital program.” The act also authorized up to \$15 million for nonrecurring engineering costs in connection with the establishment of a capacity for co-production in the United States for Iron Dome. In addition, it required the Administration to report on the progress of U.S.-Israeli co-production of Iron Dome.

<sup>50</sup> The co-production agreement is formally titled, “Agreement Between the Department of Defense of the United States of America and the Ministry of Defense of the State of Israel Concerning Iron Dome Defense System Procurement.”

<sup>51</sup> This joint agreement is a Research, Development, Test and Evaluation (RDT&E) Framework agreement between the U.S. and Israel. The joint program to implement the agreement is known as the Short Range Ballistic Missile Defense (SRBMD) David's Sling Weapon System (DSWS) Project. The Department of Defense/ U.S.-Israeli Cooperative Program Office manages the SRBMD/DSWS program, which is equitably funded between the U.S. and Israel.

Arrow ballistic missile interceptor is not optimally configured. It is being developed jointly by Rafael Advanced Defense Systems and Raytheon. David's Sling uses Raytheon's Stunner missile for interception, and each launcher can hold up to 16 missiles. Once the United States and Israel reach a co-production agreement for the Stunner, the interceptors may be built in Tucson, Arizona by Raytheon.

In December 2015, David's Sling successfully passed its final series of pre-production tests at a test facility in the Negev desert. In March 2016, the Israeli Air Force began a months-long process to integrate David's Sling into its multi-layered missile defense architecture.

### ***Co-Production and U.S. Funding***

Since FY2006, the United States has contributed over \$1.127 billion to the development of David's Sling. The United States and Israel are negotiating a co-production agreement to jointly manufacture the Stunner interceptor.

For FY2016, lawmakers appropriated a total of \$286.526 million for David's Sling. The FY2016 Consolidated Appropriations Act (P.L. 114-113) and the 2016 National Defense Authorization Act (P.L. 114-92) specify how funds may be allocated, including:

- According to the FY2016 Consolidated Appropriations Act (P.L. 114-113), of the total amount appropriated for David's Sling, \$150 million shall be for production activities of interceptor missiles in the United States and in Israel, of which "not more than \$90 million...may be obligated or expended until establishment of a U.S.-Israeli production agreement for David's Sling."
- According to the FY2016 NDAA (P.L. 114-92), "not more than \$150 million may be provided to the Government of Israel to procure the David's Sling Weapon System, including for co-production of parts and components in the United States by United States industry. The law also includes a certification that the Under Secretary of Defense for Acquisition, Technology, and Logistics must make to Congress before the \$150 million authorization may be spent.<sup>52</sup> The certification

**Figure 6. David's Sling launches Stunner Interceptor**



**Source:** Israel Ministry of Defense

<sup>52</sup> According to the Joint Explanatory Statement accompanying the FY2016 NDAA, the Under Secretary of Defense for Acquisition, Technology, and Logistics must certify that "the Government of Israel has demonstrated the successful completion of key knowledge points; that such funds will be provided on the basis of a one-for-one cash match made by Israel or in another mutually agreed matching amount; that the United States has entered into a bilateral agreement with Israel; that there is complete transparency on the requirement of Israel for the number of interceptors and batteries to be procured; that technical milestones are established for co-production; that there is a joint approval process for third party sales; and that the level of co-production for the David's Sling Weapon System is equal to or greater than 50 (continued...)"

may be waived<sup>53</sup> if the United States receives sufficient data from the government of Israel that, among other things, demonstrates how co-production of David's Sling components in the United States may be maximized without incurring additional nonrecurring engineering activity or cost. Finally, the law also requires that the Administration submit a plan on co-production of David's Sling to Congress.

## The Arrow and Arrow II

Since 1988, Israel and the United States have been jointly developing the Arrow Anti-Missile System.<sup>54</sup> The Arrow is designed to counter short-range ballistic missiles. The United States has funded just under half of the annual costs of the development of the Arrow Weapon System, with Israel supplying the remainder. The Arrow II program (officially referred to as the Arrow System Improvement Program or ASIP), a joint effort of Boeing and Israel Aerospace Industries (IAI), is designed to defeat longer-range ballistic missiles. One Arrow II battery is designed to protect large swaths of Israeli territory.

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percent for U.S. industry." See, <https://www.gpo.gov/fdsys/pkg/CPRT-114JPRT97637/pdf/CPRT-114JPRT97637.pdf>

<sup>53</sup> According to the Joint Explanatory Statement accompanying the FY2016 NDAA, "The Under Secretary may waive the certification if the funds are provided to Israel solely for funding the procurement of long-lead components and that the long-lead procurement will be conducted in a manner that maximizes co-production in the United States without incurring additional non-recurring engineering activity or cost. The Director of the Missile Defense Agency would also be required to submit to the Congress, at the same time the President submits to Congress the budget request for fiscal year 2017, a plan to achieve a rate of co-production by United States industry of parts and components of the David's Sling Weapon System at a rate that is not less than 50 percent." See, <https://www.gpo.gov/fdsys/pkg/CPRT-114JPRT97637/pdf/CPRT-114JPRT97637.pdf>

<sup>54</sup> Shortly after the start of the Strategic Defense Initiative (SDI) in 1985, the Reagan Administration sought allied political support through various cooperative technology agreements on ballistic missile defense (BMD). Israeli interest in BMD was strengthened by the missile war between Iran and Iraq in the later 1980s, and the experience of being attacked by Scud missiles from Iraq during Operation Desert Storm in 1991. A memorandum of understanding was signed with Israel on May 6, 1986, to jointly develop an indigenous Israeli capability to defend against ballistic missiles. Subsequently, a number of additional agreements were signed, including, for example, an April 1989 Memorandum of Agreement (MOA) to develop an Israeli computer facility as part of the Arrow BMD program, a June 1991 agreement to develop a second generation Arrow BMD capability, and a September 2008 agreement to develop a short-range BMD system to defend against very short-range missiles and rockets.

**Table I. U.S. Contributions to the Arrow Program (Arrow, Arrow II, and Arrow III)**

\$s in millions

Fiscal Year	Total	Fiscal Year	Total
1990	52.000	2004	144.803
1991	42.000	2005	155.290
1992	54.400	2006	122.866
1993	57.776	2007	117.494
1994	56.424	2008	118.572
1995	47.400	2009	104.342
1996	59.352	2010	122.342
1997	35.000	2011	125.393
1998	98.874	2012	125.175
1999	46.924	2013	115.500
2000	81.650	2014	119.070
2001	95.214	2015	130.908
2002	131.700	2016	146.069
2003	135.749	<b>Total</b>	<b>2,642.287</b>

**Source:** U.S. Missile Defense Agency.

Under the 1986 agreement (see footnote 54) allowing Israel to participate in the Strategic Defense Initiative (SDI), the United States and Israel have co-developed different versions of the Arrow anti-ballistic missile. The total U.S. financial contribution exceeds \$2.6 billion. The system became operational in 2000 in Israel and has been tested successfully. Since 2001, Israel and the United States have conducted a joint biennial exercise, called Juniper Cobra, to work on integrating their weapons, radars, and other systems.<sup>55</sup>

### High Altitude Missile Defense System (Arrow III)

Fearing a potential nuclear threat from Iran, Israel has sought a missile interceptor that operates at a higher altitude and greater range than the Arrow. In October 2007, the United States and Israel agreed to establish a committee to evaluate Israel's proposed "Arrow III," an upper-tier system designed to intercept medium-range ballistic missiles. The Arrow III is a more advanced version—in terms of speed, range and altitude—of the current Arrow II interceptor. In the spring and summer of 2008, Israel decided to begin development of the Arrow III and the United States agreed to co-fund its development despite an initial proposal by Lockheed Martin and the Department of Defense (DOD) urging Israel to purchase the Terminal High-Altitude Area Defense (THAAD) missile defense system instead.

The Arrow III, made (like the Arrow II) by Israel Aerospace Industries (IAI) and Boeing, is expected to be deployed by 2017. In July 2010, the United States and Israel signed a bilateral agreement (The Upper-Tier Interceptor Project Agreement) to extend their cooperation in developing and producing the Arrow III, including an equitable U.S.-Israeli cost share.

In December 2015, the Arrow III successfully intercepted a target for the first time during a test carried out by Israel and the United States. The Arrow III's interceptor locked its warhead on a target after leaving the earth's atmosphere.

<sup>55</sup> Juniper Cobra was last held in February 2016, its eighth time since joint missile defense exercises began in 2001.

### Co-Production and U.S. Funding

Since co-development began in 2008, Congress has appropriated \$538.8 million for Arrow III. P.L. 114-113, the FY2016 Consolidated Appropriations Act, provided \$89.550 million for Arrow III, of which not more than \$15 million could be obligated or expended until the establishment of a U.S.-Israeli co-production agreement, which is still pending. The FY2016 NDAA (P.L. 114-92) also states that not more than \$15 million may be provided to Israel for co-production of Arrow III, and it places the same certification requirement (and waiver) on Arrow III as it does on David's Sling (see above).<sup>56</sup>

**Table 2. Defense Budget Appropriations for U.S.-Israeli Missile Defense: FY2006-FY2016 Request**

(Current \$ in millions)

Fiscal Year	Arrow II	Arrow III (High Altitude)	David's Sling (Short-Range)	Iron Dome	Total
FY2006	122.866	—	10.0	—	<b>132.866</b>
FY2007	117.494	—	20.4	—	<b>137.894</b>
FY2008	98.572	20.0	37.0	—	<b>155.572</b>
FY2009	74.342	30.0	72.895	—	<b>177.237</b>
FY2010	72.306	50.036	80.092	—	<b>202.434</b>
FY2011	66.427	58.966	84.722	205.0	<b>415.115</b>
FY2012	58.955	66.220	110.525	70.0 <sup>a</sup>	<b>305.700</b>
FY2013 After Sequestration	40.800	74.700	137.500	194.0	<b>447.000</b>
FY2014	44.363	74.707	149.712	460.309 (includes supp)	<b>729.091</b>
FY2015	56.201	74.707	137.934	350.972	<b>619.814</b>
FY2016	56.519	89.550	286.526	55.000	<b>487.595<sup>b</sup></b>
FY2017 Request	10.831	55.793	37.211	42.000	<b>145.835</b>

- These funds were not appropriated by Congress but reprogrammed by the Obama Administration from other Department of Defense accounts.
- The Missile Defense Agency's (MDA) FY2016 request totals \$157.8 million, including \$55 million for Iron Dome, \$36.7 million for David's Sling, \$55.1 million for Arrow III, and \$11 million for Arrow II. For FY2015, it requested \$96.803 million for all three Israeli Cooperative Programs (Arrow II, Arrow III, and David's Sling) and \$175.9 million for Iron Dome. For FY2014, it requested \$95.78 million for all three Israeli Cooperative Programs and \$220.3 million for Iron Dome. The MDA forecasts Israeli Cooperative spending over several fiscal years in advance. Congress has appropriated funding for joint U.S.-Israeli missile defense cooperation exceeding MDA's request over the past several fiscal years. MDA requests for Israeli Cooperative programs (not including Iron Dome) from FY2010 to FY2013 have been \$119.6 million (FY2010), \$122 million (FY2011), \$106.1 million (FY2012), and \$99.83 million (FY2013).

<sup>56</sup> See, <https://www.gpo.gov/fdsys/pkg/CPRT-114JPRT97637/pdf/CPRT-114JPRT97637.pdf>

## Emergency U.S. Stockpile in Israel

In the early 1980s, Israeli leaders sought to expand what they called their “strategic collaboration” with the U.S. military by inviting the United States to stockpile arms and equipment at Israeli bases for use in wartime.<sup>57</sup> In 1989,<sup>58</sup> the United States agreed to establish munitions stockpiles in Israel for use by the United States and, with U.S. permission, by Israel in emergency situations. Section 514 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321h) enables U.S. defense articles stored in war reserve stocks to be transferred to a foreign government through Foreign Military Sales or through grant military assistance, such as FMF.

The United States European Command (EUCOM) manages the War Reserves Stock Allies-Israel (WRSA-I) program. The United States stores missiles, armored vehicles, and artillery ammunition in Israel.<sup>59</sup> According to one Israeli officer, “Officially, all of this equipment belongs to the US military.... If however, there is a conflict, the IDF [Israel Defense Forces] can ask for permission to use some of the equipment.”<sup>60</sup> According to David Schenker of the Washington Institute, “WRSA-I is a strategic boon to Israel. The process is streamlined: No 60-day congressional notification is required, and there’s no waiting on delivery.”<sup>61</sup> During the 2006 war against Hezbollah in Lebanon, the United States granted Israel access to the stockpile. In July 2014, during Israeli military operations against Hamas in the Gaza Strip, the Defense Department permitted Israel to draw from the stockpile, paid with FMF, to replenish 120 mm tank rounds and 40 mm illumination rounds fired from grenade launchers.<sup>62</sup>

Section 7034(k)(11)(A) of P.L. 114-113, the FY2016 Consolidated Appropriations Act, extended the authorization of WRSA-I through fiscal year 2017.<sup>63</sup>

At times, Congress has passed legislation that has authorized EUCOM to increase the value of materiel stored in Israel. If EUCOM contributed the maximum amount legally permitted in a given fiscal year, then the non-inflation adjusted value of materiel stored in Israel would currently stand at \$2.2 billion. The following legislation authorized increases in value to the stockpile:

- FY1991: P.L. 101-513, the Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY1991, authorized additions to defense articles in Israel up to \$200 million in value for FY1991.
- FY1993: P.L. 102-391, the Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY1993, authorized additions to defense articles in Israel up to \$100 million in value for FY1993.

<sup>57</sup> “U.S.- Israel Strategic Link: Both Sides Take Stock,” *New York Times*, October 2, 1981.

<sup>58</sup> In October 1989, the United States and Israel agreed to pre-position \$100 million worth of dual-use defense equipment in Israel.

<sup>59</sup> The government of Israel, using both its national funds and FMF, pays for the construction, maintenance and refurbishment costs of WRSA ammunition storage facilities. It also pays for the packaging, crating, handling and transportation of armaments to and from the stockpile.

<sup>60</sup> “US may give Israel Iraq Ammo,” *Jerusalem Post*, February 11, 2010.

<sup>61</sup> “Best Friends Don’t Have to Ask,” *Politico Magazine*, August 14, 2014.

<sup>62</sup> “U.S. Defends Supplying Israel Ammunition during Gaza Conflict,” Reuters, July 31, 2014.

<sup>63</sup> The authorization extension states that: (A) Section 12001(d) of the Department of Defense Appropriations Act, 2005 (P.L. 109-108-287; 118 Stat. 1011) is amended by striking “more than 11 years after the date of enactment of this Act” and inserting “after September 30, 2017”.

- FY1994: P.L. 103-87, the Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY1994, authorized additions to defense articles in Israel up to \$200 million in value for FY1994.
- FY1995: P.L. 103-306, the Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY1995, authorized additions to defense articles in Israel up to \$100 million for FY1995.
- FY2007-FY2008: Section 13(a)(2)(A)(i) of the Department of State Authorities Act of 2006 (P.L. 109-472) amended Section 514 of the Foreign Assistance Act of 1961, as amended (P.L. 87-195; 22 U.S.C. 2321h) to authorize additions to defense articles in Israel of up to \$200 million in value for each of FY2007 and FY2008.<sup>64</sup>
- FY2011-FY2012: P.L. 111-266, the Security Cooperation Act of 2010, authorized additions to defense articles in Israel up to \$200 million in value for each of FY2011 and FY2012.
- FY2014-FY2015: P.L. 113-296, the United States-Israel Strategic Partnership Act of 2014, authorized additions to defense articles in Israel up to \$200 million in value for each of FY2014 and FY2015.
- FY2016-FY2017: Section 7034(k)(11)(B) of P.L. 114-113, the FY2016 Consolidated Appropriations Act, authorized additions to defense articles in Israel up to \$200 million in value for each of FY2016 and FY2017.

## Defense Budget Appropriations/Authorization for Anti-Tunnel Defense

In 2016, The Israeli and U.S. governments began collaborating on a new system to detect underground smuggling tunnels and counter cross-border tunnels used to infiltrate Israel. Reportedly, this new technology uses acoustic or seismic sensors and software to detect the sounds of digging by monitoring vibrations underground.<sup>65</sup>

Section 1279 of P.L. 114-92, the FY2016 National Defense Authorization Act, authorized the establishment of a U.S.-Israeli anti-tunnel cooperation program. This authorization would allow funds from the research, development, test, and evaluation defense-wide account to be used, on a joint basis with Israel, to establish anti-tunnel capabilities that detect, map, and neutralize underground tunnels that threaten the United States or Israel. The authorization requires the Secretary of Defense to report to Congress on, among other things, the sharing of research and development costs between the United States and Israel. The law also limits the amount of U.S. support to the program to \$25 million. The authority for this program expires on December 31, 2018.

Initial funding for the U.S.-Israeli anti-tunneling program was contained in the Joint Explanatory Statement accompanying P.L. 114-113, the FY2016 Consolidated Appropriations Act. That

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<sup>64</sup> This increase for each fiscal year is based on legislative language contained in Section 12002 of P.L. 108-287, the Department of Defense Appropriations Act, 2005.

<sup>65</sup> "Israel's Underground War --- Technology and Specialist Troops deployed in face of Subterranean Threat, *Wall Street Journal*, March 2, 2016.

statement indicated that the United States would contribute \$40 million for a “Combating Terrorism Technology Support Program,” using funds from the Research, Development, Test & Evaluation, Defense-Wide/OCO account.<sup>66</sup> According to one report, Israel may seek additional funding for anti-tunneling in the years ahead.<sup>67</sup>

## Aid Restrictions and Possible Violations

U.S. aid and arms sales to Israel, like other foreign recipients, are subject to U.S. law. Some U.S. citizens and interest groups periodically call upon Congress to ensure that U.S. military assistance to Israel is conditioned on the Israeli government’s “compliance with applicable U.S. laws and policies.”<sup>68</sup>

### Arms Sales and Use of U.S.-Supplied Equipment

The 1952 Mutual Defense Assistance Agreement and subsequent arms agreements between Israel and the United States limit Israel’s use of U.S. military equipment to defensive purposes.<sup>69</sup> The Arms Export Control Act (AECA, 22 U.S.C. 2754) authorizes the sale of U.S. defense articles and services for specific purposes, including “legitimate self-defense.” The AECA (22 U.S.C. 2753) states that recipients may not use such articles “for purposes other than those for which [they have been] furnished” without prior presidential consent.<sup>70</sup> The act stipulates that sale agreements entered into after November 29, 1999, must grant the U.S. government the right to verify “credible reports” that articles have been used for unauthorized purposes. The Foreign Assistance Act of 1961, as amended, also contains general provisions on the use of U.S.-supplied military equipment.<sup>71</sup>

In the late 1970s and early to mid-1980s, the Carter and Reagan administrations questioned Israel’s use of U.S.-supplied equipment during various military operations in the region.<sup>72</sup> After Israel’s 2006 war in Lebanon, the State Department issued a preliminary report to Congress concluding that Israel may have violated the terms of agreements with the United States that restrict Israel’s use of U.S.-supplied cluster munitions to certain military targets in non-civilian areas.<sup>73</sup>

<sup>66</sup> See, <http://docs.house.gov/meetings/RU/RU00/20151216/104298/HMTG-114-RU00-20151216-SD004.pdf>

<sup>67</sup> “Israel Eyes US Funding To Detect, Destroy Hamas Tunnels,” *DefenseNews*, April 18, 2016.

<sup>68</sup> One example from October 2012 featured representatives of Baptist, Lutheran, Catholic, Presbyterian, Methodist, Orthodox, Quaker and other Christian groups. Available online at <http://www.pcusa.org/news/2012/10/5/religious-leaders-ask-congress-condition-israel-mi/>.

<sup>69</sup> U.S. State Department, *Treaties in Force*, Agreement relating to mutual defense assistance, Entered into force July 23, 1952; TIAS 2675.

<sup>70</sup> Nevertheless, in 22 U.S.C. 2753, the AECA also states that the consent of the President shall not be required for the transfer by a foreign country or international organization of defense articles sold by the United States if the recipient is the government of a member country of the North Atlantic Treaty Organization, the Government of Australia, the Government of Japan, the Government of the Republic of Korea, the Government of Israel, or the Government of New Zealand.

<sup>71</sup> For example, see (among other sections), Section 502B, Human Rights (22 U.S.C. 2304), Section 505, Conditions of Eligibility (22 U.S.C. §2314), and Section 511, Considerations in Furnishing Military Assistance (22 U.S.C. §2321d).

<sup>72</sup> For illustrative responses of the United States Government to possible Israeli violations of agreements on use of U.S.-provided defense articles, see CRS Report R42385, *U.S. Defense Articles and Services Supplied to Foreign Recipients: Restrictions on Their Use*, by Richard F. Grimmett.

<sup>73</sup> “U.S. Says Israel May Have Violated Agreement on Cluster Bomb Use,” *Reuters*, January 29, 2007.

## Human Rights Vetting (Leahy Law)<sup>74</sup>

Section 620M of the Foreign Assistance Act of 1961 (FAA), as amended, prohibits the furnishing of assistance authorized by the FAA and the Arms Export Control Act to any foreign security force unit where there is credible information that the unit has committed a gross violation of human rights. The State Department and U.S. embassies overseas implement Leahy vetting to determine which foreign security individuals and units are eligible to receive U.S. assistance or training.

In February 2016, Senator Leahy and 10 other Members of Congress sent a letter to Secretary of State John Kerry asking the State Department to determine whether alleged extrajudicial killings or torture by Israeli military and police (and Egypt separately) should trigger Leahy law restrictions.<sup>75</sup> In its response to Congress, the State Department stated that no Israeli individual or unit potentially involved in the letter's alleged incidents had been submitted to receive U.S. assistance.<sup>76</sup>

## Use of U.S. Funds within Israel's Pre-June 1967 Borders

In some instances, U.S. assistance to Israel may only be used in areas subject to the administration of Israel prior to June 1967 (see "Loan Guarantees"). For example, U.S. State Department-provided Migration and Refugee (MRA) assistance (see below), per agreement between the State Department and United Israel Appeal, may only be used for absorption centers, *ulpanim* (intensive Hebrew-language schools with particular focus on immigrants to Israel), or youth *aliyah* (relocation to Israel) institutions located within Israel's pre-June 1967 area of control.<sup>77</sup> In addition, according to agreements between the U.S. and Israeli governments, programs funded by certain U.S.-Israeli binational foundations, such as the U.S.-Israel Binational Science Foundation (see below), "may not be conducted in geographic areas which came under the administration of the Government of Israel after June 5, 1967 and may not relate to subjects primarily pertinent to such areas."<sup>78</sup>

## Other Ongoing Assistance and Cooperative Programs

### Migration & Refugee Assistance

Since 1973, Israel has received grants from the State Department's Migration and Refugee Assistance account (MRA)<sup>79</sup> to assist in the resettlement of migrants to Israel. Funds are paid to

<sup>74</sup> For background on the Leahy Law, see CRS Report R43361, "Leahy Law" Human Rights Provisions and Security Assistance: Issue Overview, coordinated by Nina M. Serafino.

<sup>75</sup> The letter's text is available at <http://www.politico.com/f/?id=00000153-c56c-d662-a75b-cfecc6be0000>.

<sup>76</sup> See the text of Assistant Secretary of State for Legislative Affairs Julia Frifield's April 18, 2016, response letter to Representative Henry C. Johnson at <http://www.politico.com/f/?id=00000154-7c2f-d905-a357-7c7f04750000>.

<sup>77</sup> This stipulation is found in grant agreements between the U.S. State Department's Bureau of Population, Refugees, and Migration (PRM) and United Israel Appeal (clause 8. F. 2 – Use in Territories Subject to the Administration of the State of Israel Prior to June 1967). The FY2013 agreement (S-PRMCO-13-GR-1041 – March 13, 2013) is for \$15 million. CRS Correspondence with U.S. State Department, March 2014.

<sup>78</sup> <http://www.bsf.org.il/BSFPublic/DefaultPage1.aspx?PageId=221&innerTextID=221>.

<sup>79</sup> The MRA account is authorized as part of the State Department's institutional budget but is appropriated through the (continued...)

the United Israel Appeal, a private philanthropic organization in the United States, which in turn transfers the funds to the Jewish Agency for Israel.<sup>80</sup> Between 1973 and 1991, the United States gave about \$460 million for resettling Jewish refugees in Israel. Annual amounts have varied from a low of \$12 million to a high of \$80 million, based at least partly on the number of Jews leaving the former Soviet Union and other areas for Israel.

**Table 3. Migration and Refugee Assistance Funding Levels for Israel**

FY2000-FY2012	\$519.3 million total
FY2013	\$15 million
FY2014	\$15 million
FY2015	\$10 million
FY2016	\$10 million
FY2017 Request	\$7.5 million

**Source:** U.S. State Department.

Congress has changed the earmark language since the first refugee resettlement funds were appropriated in 1973. At first, the congressional language said the funds were for “resettlement in Israel of refugees from the Union of Soviet Socialist Republics and from Communist countries in Eastern Europe.” But starting in 1985, the language was simplified to “refugees resettling in Israel” to ensure that Ethiopian Jews would be covered by the funding. Technically, the legislative language designates funds for refugee resettlement, but in Israel little differentiation is made between Jewish “refugees” and other Jewish immigrants, and the funds are used to support the absorption of all immigrants.

## Loan Guarantees

### Overview

Since 1972, the United States has extended loan guarantees to Israel to assist with housing shortages, Israel’s absorption of new immigrants from the former Soviet Union and Ethiopia, and its economic recovery following the 2000-2003 recession, which was probably partly caused by Israeli-Palestinian conflict known as the second intifada. Loan guarantees are a form of indirect U.S. assistance to Israel, since they enable Israel to borrow from commercial sources at lower rates. Congress directs that subsidies be set aside in a U.S. Treasury account for possible default. These subsidies, which are a percentage of the total loan (based in part on the credit rating of the borrowing country), have come from the U.S. or the Israeli government. Israel has never defaulted on a U.S.-backed loan guarantee.

### Loan Guarantees for Economic Recovery

In 2003, then-Prime Minister Ariel Sharon requested an additional \$8 billion in loan guarantees to help Israel’s ailing economy. The loan guarantee request accompanied a request for an additional \$4 billion in military grants to help Israel prepare for possible attacks during an anticipated U.S.

(...continued)

Foreign Operations Appropriations bill.

<sup>80</sup> The Jewish Agency for Israel’s website is available at <http://www.jafi.org.il/>.

war with Iraq. P.L. 108-11, the FY2003 Emergency Wartime Supplemental Appropriations Act, authorized \$9 billion in loan guarantees over three years for Israel's economic recovery and \$1 billion in military grants. P.L. 108-11 stated that the proceeds from the loan guarantees could be used only within Israel's pre-June 5, 1967, area of control; that the annual loan guarantees could be reduced by an amount equal to the amount Israel spends on settlements in the occupied territories; that Israel would pay all fees and subsidies; and that the President would consider Israel's economic reforms when determining terms and conditions for the loan guarantees.<sup>81</sup>

On November 26, 2003, the Department of State announced that the \$3 billion in loan guarantees for FY2003 were reduced by \$289.5 million because Israel continued to build settlements in the occupied territories and continued construction of the security barrier separating Israelis and Palestinians. In FY2005, the U.S. government reduced the amount available for Israel to borrow by an additional \$795.8 million. Since then, Israel has not borrowed any funds.

According to the U.S. Department of the Treasury, Israel is legally obligated to use the proceeds of guaranteed loans for refinancing its government debt and also has agreed that proceeds shall not be used for military purposes or to support activities in areas outside its pre-June 5, 1967, areas of control (the West Bank—including East Jerusalem—and Gaza and the Golan Heights). However, U.S. officials note that since Israel's national budget is fungible, proceeds from the issuance of U.S.-guaranteed debt that are used to refinance Israeli government debt free up domestic Israeli funds for other uses.<sup>82</sup>

As of 2016, Israel has issued \$4.1 billion in U.S.-backed bonds.<sup>83</sup> After deducting the amounts mentioned above, Israel would still appear to be authorized to issue up to \$3.814 billion in U.S.-backed bonds. However, if the Israeli government sought to issue new U.S.-backed bonds, it is unclear whether and to what extent doing so might be subject to a reduction in the loan guarantees available based on Israel's estimated expenditures for settlements in the occupied territories. Since its original authorization in 2003, Congress has extended the loan guarantee program for Israel four times.<sup>84</sup> The program is currently authorized through the end of fiscal year 2019.

In general, Israel may view U.S. loan guarantees as a "last resort" option, which its treasury could use if unguaranteed local and international bond issuances become too expensive. According to

<sup>81</sup> According to P.L. 108-11, "[Loan] guarantees may be issued under this section only to support activities in the geographic areas which were subject to the administration of the Government of Israel before June 5, 1967: Provided further, That the amount of guarantees that may be issued shall be reduced by an amount equal to the amount extended or estimated to have been extended by the Government of Israel during the period from March 1, 2003, to the date of issue of the guarantee, for activities which the President determines are inconsistent with the objectives and understandings reached between the United States and the Government of Israel regarding the implementation of the loan guarantee program: Provided further, That the President shall submit a report to Congress no later than September 30 of each fiscal year during the pendency of the program specifying the amount calculated under the preceding proviso and that will be deducted from the amount of guarantees authorized to be issued in the next fiscal year."

<sup>82</sup> CRS correspondence with the U.S. Department of the Treasury's Office of International Affairs, October 2009.

<sup>83</sup> This includes \$1.6 billion in FY2003; \$1.75 billion in FY2004; and \$750 million in FY2005.

<sup>84</sup> P.L. 108-447, the FY2005 Consolidated Appropriations Act, first extended the authority of the loan guarantees from FY2005 to FY2007. P.L. 109-472, the 2006 Department of State Authorities Act, extended the authority to provide loan guarantees through FY2011. Under that legislation, the loan guarantee program had a stated end of September 30, 2011; however, there was also a "carryover" provision in the statute under which Israel could draw on unused U.S. guarantees until September 30, 2012. In the summer of 2012, Congress passed and the President signed into law P.L. 112-150, the United States-Israel Enhanced Security Cooperation Act of 2012. Section 5(b) of the law extended the loan guarantee authority until September 30, 2015. Section 7034(k)(10) of P.L. 114-113, the FY2016 Consolidated Appropriations Act, further extended the program until September 30, 2019, allowing unused amounts to be carried over into FY2020.

one Israeli official, “We consider the loan guarantees as preparation for a rainy day.... This is a safety net for war, natural disaster and economic crisis, which allows Israel to maintain economic stability in unstable surroundings.”<sup>85</sup> Israeli officials may believe that although they have not used the loan guarantees in the last eleven years, maintaining the program boosts the country’s fiscal standing among international creditors in capital markets.

**Table 4. U.S. Loan Guarantees to Israel: FY2003-FY2017**  
(current \$ in millions)

Fiscal Year	Deductions for Settlement Activity	Amount Borrowed by Israel	Amount Available for Israel to Borrow
FY2003	289.5	1,600.0	1,110.5
FY2004	—	2,500.0	1,610.5
FY2005	795.8	—	1,814.7
FY2006	—	—	2,148.0
FY2007	—	—	2,481.4
FY2008	—	—	2,814.7
FY2009	—	—	3,148.0
FY2010	—	—	3,481.0
FY2011	—	—	3,814.0
FY2012	—	—	3,814.0
FY2013	—	—	3,814.0
FY2014	—	—	3,814.0
FY2015	—	—	3,814.0
FY2016	—	—	3,814.0
FY2017	—	—	3,814.0

Source: U.S. Department of the Treasury and U.S. State Department.

## American Schools and Hospitals Abroad Program (ASHA)<sup>86</sup>

Through Foreign Operations appropriations legislation, Congress has funded the ASHA program as part of the overall Development Assistance (DA) appropriation to the United States Agency for International Development (USAID). According to USAID, ASHA is designed to strengthen self-sustaining schools, libraries, and medical centers that best demonstrate American ideals and practices abroad. ASHA has been providing support to institutions in the Middle East since 1957, and a number of Israeli universities and hospitals have been recipients of ASHA grants. In FY2015, ASHA grant recipients in Israel include: Shaare Zedek Medical Center in Jerusalem, St. John Eye Hospital Group, Nazareth Hospital, and the Hadassah Medical Organization. According to USAID, institutions based in Israel have received the most program funding in the Middle East region.

<sup>85</sup> “U.S. to Grant Three-year Extension of Loan Guarantees to Israel,” *Ha’aretz*, January 24, 2012.

<sup>86</sup> According to USAID, recipients of ASHA grants on behalf of overseas institutions must be private U.S. organizations, headquartered in the United States, and tax-exempt. The U.S. organization must also serve as the founder and/or sponsor of the overseas institution. Schools must be for secondary or higher education and hospital centers must conduct medical education and research outside the United States. Grants are made to U.S. sponsors for the exclusive benefit of institutions abroad. See [http://www.usaid.gov/our\\_work/cross-cutting\\_programs/asha/](http://www.usaid.gov/our_work/cross-cutting_programs/asha/).

**Table 5. ASHA Program Grants from Israel Account, FY2000-FY2015**

Fiscal year	Amount
FY2000	\$2.75 million
FY2001	\$2.25 million
FY2002	\$2.65 million
FY2003	\$3.05 million
FY2004	\$3.15 million
FY2005	\$2.95 million
FY2006	\$3.35 million
FY2007	\$2.95 million
FY2008	\$3.90 million
FY2009	\$3.90 million
FY2010	\$3.80 million
FY2011	\$4.225 million
FY2012	\$3.00 million
FY2013	\$3.800 million
FY2014	\$3.052 million
FY2015	\$3.075 million
<b>Total</b>	<b>\$45.000 million</b>

Source: USAID.

## U.S.-Israeli Scientific & Business Cooperation

In the early 1970s, Israeli academics and businessmen began looking for ways to expand investment in Israel's technology sector. At the time, Israel's nascent technology sector, which would later become the driving force in the country's economy, was in need of private capital for research and development. The United States and Israel launched several programs to stimulate Israeli industrial and scientific research, and Congress has on several occasions authorized and appropriated<sup>87</sup> funds for this purpose to the following organizations:

- **The BIRD Foundation** (Israel-U.S. Binational Research & Development Foundation).<sup>88</sup> BIRD, which was established in 1977, provides matchmaking services between Israeli and American companies in research and development with the goal of expanding cooperation between U.S. and Israeli private high tech industries. The mission of the Foundation is "to stimulate, promote and support

<sup>87</sup> With the exception of recent funding for U.S.-Israeli energy cooperation (see "U.S.-Israeli Energy Cooperation" section below), Congress has not appropriated funding for binational foundations since the mid-1980s. At this point, the foundations are able to sustain grant making with interest earned from their respective endowments and fees collected from companies who successfully profited after receiving research support from the foundations.

<sup>88</sup> See <http://www.birdf.com/default.asp>. Congress helped establish BIRD's endowment with appropriations of \$30 million and \$15 million in 1977 and 1985, respectively. These grants were matched by the Israeli government for a total endowment of \$90 million.

joint (non-defense) industrial R&D of mutual benefit to...” the two countries.<sup>89</sup> Projects are supported in the areas of homeland security, communications, electronics, electro-optics, software, life sciences, and renewable and alternative energy, among others.<sup>90</sup> According to the Foundation, \$329 million in grants have been awarded to almost a thousand projects. Awards typically range from \$700,000 to \$900,000. The award size varies based on total project budget and other considerations. The recipients must provide at least 50% of the total project budget. While support for military projects are not a part of the program, several of the completed ventures have yielded products that might be useful in a military setting, including the Aircraft Enhanced Vision System (EVS) camera, “which is designed to provide day/night improved orientation during taxiing or flying. It allows visual landing in reduced visibility conditions, such as fog, haze, dust, smog etc.” The Foundation also funded the creation of a Through-Wall Location and Sensing System that is portable and “detects whether people are present behind walls, how many, and where they are situated.”<sup>91</sup>

- **The BSF Foundation** (U.S.-Israel Binational Science Foundation).<sup>92</sup> BSF, which was started in 1972, promotes cooperation in scientific and technological research.
- **The BARD Foundation** (Binational Agriculture and Research and Development Fund). BARD was created in 1978 and supports U.S.-Israeli cooperation in agricultural research.<sup>93</sup>
- In 1995, the United States and Israel established **The U.S.-Israel Science and Technology Foundation (USISTF)** to fund and administer projects mandated by the U.S.-Israel Science and Technology Commission (USISTC),<sup>94</sup> a bilateral entity jointly established by the United States Department of Commerce and the Israel Ministry of Industry, Trade, and Labor in 1994 to foster scientific, technological, and economic cooperation between the two countries.

<sup>89</sup> Eitan Ydilevich, “Building U.S.-Israel Economic Partnerships, The BIRD Model,” Washington, DC. June 10, 2010, p. 2.

<sup>90</sup> BIRD Foundation, What is BIRD?, available at <http://www.birdf.com/Index.asp?CategoryID=22&ArticleID=79>.

<sup>91</sup> Information from the BIRD Foundation website, <http://www.birdf.com>.

<sup>92</sup> See <http://www.bsf.org.il/Gateway4/>. Congress helped establish BSF’s endowment with appropriations of \$30 million and \$20 million in 1972 and 1984 respectively. These grants were matched by Israel for a total endowment of \$100 million. According to the treaty establishing the Foundation, the Foundation shall use the interest, as well as any funds derived from its activities, for the operations of the Foundation.

<sup>93</sup> See <http://www.bard-isus.com/>. Congress helped establish BARD’s endowment with appropriations of \$40 million and \$15 million in 1979 and 1985 respectively. These grants were matched by the State of Israel for a total endowment of \$110 million. In recent years, Congress has provided funds for BARD in annual Agriculture Appropriations legislation at approximately \$500,000 a year.

<sup>94</sup> The U.S.-Israel Science and Technology Commission (USISTC) was established in 1993 to facilitate cooperative ventures between high tech industries in the two countries. The goal of the program is to “to maximize the contribution of technology to economic growth.” While the collaborative work may be somewhat similar to that supported by the BIRD Foundation, “the Science and Technology Commission assists in the commercialization of new technologies with longer lead times to market. These projects involve higher risk and require substantial capital commitments.” The ventures are funded and administered by the U.S.-Israel Science and Technology Foundation. The U.S. and Israeli governments each committed \$15 million to the effort over three years for a total of \$30 million.

## U.S.-Israeli Energy Cooperation

In 2005, Congress began to consider legislation to expand U.S.-Israeli scientific cooperation in the field of renewable energy. Lawmakers reviewed legislation in the House and the Senate entitled, “The United States-Israel Energy Cooperation Act.” Various forms of the bill would have authorized the Department of Energy to establish a joint U.S.-Israeli grant program to fund research in solar, biomass, and wind energy, among other directives. Section 917 of P.L. 110-140, the Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007, contains the original language of the U.S.-Israel Energy Cooperation Act (H.R. 1838). Although it did not appropriate any funds for joint research and development, it did establish a grant program to support research, development, and commercialization of renewable energy or energy efficiency. The law also authorized the Secretary of Energy to provide funds for the grant program as needed. Congress authorized the program for seven years from the time of enactment, which was on December 19, 2007. Then, in December 2014, the President signed into law P.L. 113-296, the United States-Israel Strategic Partnership Act of 2014, which reauthorized the U.S.-Israeli Energy Cooperation program for an additional ten years until September 30, 2024.

To date, Congress and the Administration have provided a total of **\$13.7 million** for the grant program, known as BIRD Energy. As of 2016, total combined U.S. and Israeli investment in BIRD Energy for 32 approved projects stands at \$21.6 million.<sup>95</sup>

- In FY2009, Congress provided **\$2 million** for the program in P.L. 111-8, the Omnibus Appropriations Act, 2009.<sup>96</sup>
- In FY2010, Congress provided an additional **\$2 million** in P.L. 111-85, the Energy and Water Development and Related Agencies Appropriations Act, 2010.
- In FY2011, the Department of Energy allocated **\$300,000** in discretionary spending for BIRD Energy.
- For FY2012, Congress provided an additional **\$2 million** in funding. In report language (H.Rept. 112-331) accompanying P.L. 112-74, the Consolidated Appropriations Act 2012, lawmakers directed the Department of Energy “to only fund activities within the International Program that directly benefit domestic industry, increase American energy self-sufficiency, further United States research efforts, or reduce domestic pollution. Within available funds, the conference agreement includes \$2,000,000 for the U.S.-Israel energy cooperative agreement.”
- For FY2013, the Department of Energy allocated **\$1.4 million** in discretionary spending for BIRD Energy.
- For FY2014, Congress directed in the Joint Explanatory Statement accompanying the FY2014 Consolidated Appropriations Act (P.L. 113-76) that the Department of Energy allocate **\$2 million** toward BIRD Energy out of the \$23.55 million Energy Efficiency and Renewable Energy Strategic Programs account.

<sup>95</sup> Statement of Jonathan H. Elkind, Assistant Secretary for International Affairs, Committee on Foreign Affairs, Subcommittee on Middle East and North Africa and Committee on Science, Space, and Technology, Subcommittee on Energy, September 8, 2016.

<sup>96</sup> P.L. 111-8 did not specify an amount for the program but adopted the House version of the energy and water appropriations bill that recommended \$2 million to fund the U.S.-Israeli cooperative agreement. The Senate version had recommended \$5 million for FY2009.

- For FY2015, the Department of Energy allocated **\$2 million** in discretionary spending for BIRD Energy.<sup>97</sup>
- For FY2016, the Department of Energy allocated **\$2 million** in discretionary spending for BIRD Energy.<sup>98</sup>

### *Joint U.S.-Israeli Research Center*

In May 2016, Senators Murkowski and Cantwell wrote a letter to U.S. Secretary of Energy Ernest Moniz urging the creation of a joint U.S.-Israel Energy Center.<sup>99</sup> The establishment of such a cooperative endeavor was called for in P.L. 113-296, the United States-Israel Strategic Partnership Act of 2014. That law states:

The Secretary may establish a joint United States-Israel Energy Center in the United States leveraging the experience, knowledge, and expertise of institutions of higher education and entities in the private sector, among others, in offshore energy development to further dialogue and collaboration to develop more robust academic cooperation in energy innovation technology and engineering, water science, technology transfer, and analysis of emerging geopolitical implications, crises and threats from foreign natural resource and energy acquisitions, and the development of domestic resources as a response.

In testimony before a joint House hearing in September 2016, Assistant Secretary for Energy Affairs Jonathan H. Elkind stated that “Our Department is preparing to establish in FY 2017 a virtual center that will facilitate joint research in energy and related areas, subject to appropriations.”<sup>100</sup>

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<sup>97</sup> In H.Rept. 113-486 accompanying H.R. 4923, the Energy and Water Development and Related Agencies Appropriations Act 2015, lawmakers specified \$2 million in funding for BIRD. Although this specific directive was not included in the FY2015 Omnibus Appropriations Act, the Department of Energy intends to follow the intent of House appropriators and provide \$2 million to BIRD for FY2015.

<sup>98</sup> In S.Rept. 114-54 accompanying H.R. 2028, the Energy and Water Development Appropriations bill for FY2016, lawmakers recommend \$2 million for BIRD and direct the Administration to report on the implementation of U.S.-Israeli cooperation in the research and development of natural gas energy technologies, as specified in Section 12 of P.L. 113-296, the United States-Israel Strategic Partnership Act of 2014. The House version of the bill also specifies \$2 million for BIRD in FY2016.

<sup>99</sup> [http://www.energy.senate.gov/public/index.cfm/files/serve?File\\_id=01550074-5EB9-4F3C-B902-863898C8B0D2](http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=01550074-5EB9-4F3C-B902-863898C8B0D2)

<sup>100</sup> Statement of Jonathan H. Elkind, op.cit.

## Appendix A. Historical Background

### 1948-1970

U.S. government assistance to Israel began in 1949 with a \$100 million Export-Import Bank Loan.<sup>101</sup> For the next two decades, U.S. aid to Israel was modest and was far less than in later years.<sup>102</sup> Although the United States provided moderate amounts of economic aid (mostly loans), Israel's main early patron was France, which provided Israel with advanced military equipment and technology.<sup>103</sup> In 1962, Israel purchased its first advanced weapons system from the United States (Hawk anti-aircraft missiles).<sup>104</sup> In 1968, a year after Israel's victory in the Six Day War, the Johnson Administration, with strong support from Congress, approved the sale of Phantom aircraft to Israel, establishing the precedent for U.S. support for what later came to be referred to as Israel's qualitative military edge over its neighbors.<sup>105</sup>

### 1970-Present

Large-scale U.S. assistance for Israel increased considerably after several consecutive Arab-Israeli wars in the late 1960s and early 1970s created an apparent sense among many Americans that Israel was continually under siege.<sup>106</sup> Consequently, Congress, supported by broad U.S. public opinion, committed to strengthening Israel's military and economy through large increases in foreign aid. From 1966 through 1970, average aid per year increased to about \$102 million and military loans increased to about 47% of the total.

In 1971, the United States provided Israel with military loans of \$545 million, up from \$30 million in 1970. Also in 1971, Congress first designated a specific amount of aid for Israel in legislation (an "earmark"). Economic assistance changed from project aid, such as support for agricultural development work, to a Commodity Import Program (CIP) for the purchase of U.S. goods.<sup>107</sup> In effect, the United States stepped in to fill the role that France had relinquished when French President Charles de Gaulle refused to supply Israel with military hardware to protest its preemptive launch of the Six Day War in June 1967.

Israel became the largest recipient of U.S. foreign assistance in 1974, and has only been superseded at various times by Iraq and Afghanistan in the past decade because of short-term U.S.

<sup>101</sup> In 1948, President Harry Truman, who sympathized with the plight of Israel in its early days and recognized its statehood over the objections of some of his top advisors, placed an arms embargo on Israel and its Arab neighbors in order to keep the United States neutral in the ongoing Arab-Israeli conflict. The Tripartite Declaration of 1950 reaffirmed U.S., British, and French opposition to the development of Arab-Israeli arms races.

<sup>102</sup> From 1949 through 1965, U.S. aid to Israel averaged about \$63 million per year, over 95% of which was economic development assistance and food aid. A modest military loan program began in 1959.

<sup>103</sup> France supplied Israel with military equipment mainly to counter Egypt. In the 1950s and early 1960s, Egypt antagonized France by providing arms and training for Algeria's war for independence against France.

<sup>104</sup> "America's Staunchest Mideast Ally," *Christian Science Monitor*, August 21, 2003.

<sup>105</sup> Section 303 of P.L. 90-554, *Foreign Assistance Act of 1968*, expressed the sense of Congress to see the United States negotiate the sale of supersonic aircraft to Israel.

<sup>106</sup> Between 1967 and 1973, Israel and its Arab neighbors fought the June 1967 War, the ensuing War of Attrition (1969), and the October 1973 War. Israel also was engaged in low level guerrilla warfare with the Palestinian Liberation Organization and other groups, which had bases in Jordan and later in Lebanon. The 1974 emergency aid for Israel, following the 1973 war, included the first U.S. military grant aid to Israel.

<sup>107</sup> The Commodity Import Program for Israel ended in 1979 and was replaced with direct, largely unconditional cash transfers.

aid aimed at building those countries' indigenous security capabilities. From 1971 to the present, U.S. aid to Israel has averaged over \$2.6 billion per year, two-thirds of which has been military assistance.

## **The 1979 Israeli-Egyptian Peace Treaty**

The 1979 peace treaty between Israel and Egypt ushered in the current era of U.S. financial support for peace between Israel and its Arab neighbors. To facilitate a full and formal cessation of hostilities and Israel's return of the Sinai Peninsula to Egypt, the United States provided a total of \$7.5 billion to both parties in 1979. The "Special International Security Assistance Act of 1979" (P.L. 96-35) provided military and economic grants to Israel and Egypt at a ratio of 3:2, respectively.<sup>108</sup>

## **Emergency Aid**

U.S. assistance also has been used to help ease financial pressures on the Israeli treasury during recession.<sup>109</sup> In 1985, the United States significantly increased U.S. assistance to Israel, with Congress passing a special economic assistance package of \$1.5 billion in order to help the Israeli economy cope with soaring inflation and economic stagnation.<sup>110</sup> As part of the assistance agreement, the United States and Israel formed the U.S.-Israel Joint Economic Development Group (JEDG) to support Israeli economic reforms.<sup>111</sup> In addition, U.S. economic aid was converted to a cash grant transfer in 1981, and all U.S. military aid to Israel was converted from loans into grants in 1985.<sup>112</sup>

During difficult times for Israel, U.S. aid to Israel has increased. In 1991, Congress provided Israel \$650 million in emergency grants to pay for damage and other costs from Operation Desert Storm, as well as Patriot missiles to defend against Iraqi Scud missile attacks. After the 1991 collapse of the Soviet Union and the ensuing increase in migration of Russian and other Eastern bloc Jews to Israel, Congress approved \$10 billion in loan guarantees for Israel to help it absorb immigrants and provide them with adequate social services.

Finally, in the aftermath of the 2003 Iraq invasion and during a time of Israeli-Palestinian conflict (the second Palestinian intifada), Congress passed the FY2003 Emergency Supplemental Appropriations Act (P.L. 108-11), which included \$9 billion in loan guarantees over three years for Israel's economic recovery and \$1 billion in military grants.

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<sup>108</sup> This ratio is not found in the text of the 1978 Camp David Accords and or the 1979 Israel-Egypt treaty. U.S. officials have not formally recognized the ratio. Egyptian officials often assert that, since Egypt took political risks in making peace with Israel, the United States should be even-handed in its assistance policy to the region. The Egyptian government claims that a 3:2 ratio between Israel and Egypt was established during the negotiations.

<sup>109</sup> Beginning in the mid-1970s, Israel could no longer meet its balance of payments and government deficits with imported capital (gifts from overseas Jews, West German reparations, regular U.S. aid) and began to rely more on borrowed capital. Growing debt servicing costs, mounting government social services expenditures, perennial high defense spending, and a stagnant domestic economy combined with worldwide inflation and shrinking foreign markets for Israeli goods to push the Israeli economy into a near crisis situation in the mid-1980s.

<sup>110</sup> See Title I, Chapter V of P.L. 99-88, Economic Support Fund Assistance for Israel, Egypt, and Jordan. In 1985, the United States and Israel also concluded a Free Trade Agreement, which dramatically boosted Israeli exports to the United States.

<sup>111</sup> The JEDG meets on an annual basis to discuss financial sector and labor market reforms, trade liberalization, and privatization. The JEDG also monitors the disbursement of U.S. loan guarantees to Israel.

<sup>112</sup> The 1974 emergency aid for Israel, following the 1973 war, included the first U.S. military grant aid.

## **Using Aid to Support the Peace Process**

During the 1990s, the United States provided aid to support the Israeli-Palestinian peace process. In late 1998, Israel requested \$1.2 billion in additional U.S. aid to fund the movement of troops and military installations out of areas of the West Bank as called for in the October 23, 1998, Wye Agreement.<sup>113</sup> The Clinton Administration requested this amount for Israel despite the fact that the Wye Agreement's implementation had stalled. President Clinton vetoed H.R. 2606, the FY2000 foreign operations appropriations bill, in part because it did not include the Wye funding. On November 29, 1999, the President signed the consolidated appropriations bill, H.R. 3194 (P.L. 106-113), which included in Division B passage of H.R. 3422, the Foreign Operations Appropriations bill. Title VI of H.R. 3422 included the \$1.2 billion Wye funding for Israel.

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<sup>113</sup> The full text of the 1998 Wye River Memorandum, a U.S.-brokered Israeli-Palestinian security agreement, is available at <http://www.mfa.gov.il/NR/exeres/EE54A289-8F0A-4CDC-93C9-71BD631109AB.htm>.

## Appendix B. Bilateral Aid to Israel

**Table B-1** shows cumulative U.S. aid to Israel for FY1949 through FY1996, and U.S. aid to Israel for each fiscal year since. Detail for the years 1949-1996 is shown in **Table B-2** and **Table B-3**.

**Table B-1. Recent U.S. Bilateral Aid to Israel**

(millions of dollars)

Year	Total	Military Grant	Economic Grant	Immig. Grant	ASHA	All other
1949-1996	68,030.9	29,014.9	23,122.4	868.9	121.4	14,903.3
1997	3,132.1	1,800.0	1,200.0	80.0	2.1	50.0
1998	3,080.0	1,800.0	1,200.0	80.0	—	—
1999	3,010.0	1,860.0	1,080.0	70.0	—	—
2000	4,131.85	3,120.0	949.1	60.0	2.75	—
2001	2,876.05	1,975.6	838.2	60.0	2.25	—
2002	2,850.65	2,040.0	720.0	60.0	2.65	28.0
2003	3,745.15	3,086.4	596.1	59.6	3.05	—
2004	2,687.25	2,147.3	477.2	49.7	3.15	9.9
2005	2,612.15	2,202.2	357.0	50.0	2.95	—
2006	2,534.5	2,257.0	237.0	40.0	—	0.5
2007	2,503.15	2,340.0	120.0	40.0	2.95	0.2
2008	2,423.9	2,380.0	0	40.0	3.90	0
2009	2,583.9	2,550.0	0	30.0	3.90	0
2010	2,803.8	2,775.0	0	25.0	3.80	0
2011	3,029.22	3,000.0	0	25.0	4.225	0
2012	3,098.0	3,075.0	0	20.0	3.00	0
2013	2,943.234 (After Sequestration)	3,100.0	0	15.0	—	0
2014	3,115.0	3,100.0	0	15.0	—	0
2015	3,110.0	3,100.0	0	10.0	—	0
2016	3,110.0	3,100.0	0	10.0	—	0
2017 request	3,107.5	3,100.0	0	7.5	—	0
<b>Total</b>	<b>127,410.804</b>	<b>79,823.4</b>	<b>30,897.0</b>	<b>1,708.2</b>	<b>162.075</b>	<b>14,991.9</b>

**Notes:** ESF was earmarked for \$960 million for FY2000 but was reduced to meet a 0.38% rescission. FY2000 military grants include \$1.2 billion for the Wye agreement and \$1.92 billion in annual military aid. Final amounts for FY2003 are reduced by 0.65% mandated rescission, and final amounts for FY2004 are reduced by 0.59%.

The \$600 million in housing loan guarantees, \$5.5 billion in military debt reduction loan guarantees, \$9.2 billion in Soviet Jew resettlement loan guarantees, and \$9 billion in economic recovery loan guarantees are not included in the tables because the United States government did not transfer funds to Israel. The United States underwrote loans to Israel from commercial institutions. Total aid figure does not include most recently requested amounts.

**Table B-2. U.S. Assistance to Israel, FY1949-FY1996**  
(millions of dollars)

Year	Total	Military Loan	Military Grant	Economic Loan	Economic Grant	FFP Loan	FFP Grant
1949	100.0	-	-	-	-	-	-
1950	-	-	-	-	-	-	-
1951	35.1	-	-	-	0.1	-	-
1952	86.4	-	-	-	63.7	-	22.7
1953	73.6	-	-	-	73.6	-	a
1954	74.7	-	-	-	54.0	-	20.7
1955	52.7	-	-	20.0	21.5	10.8	0.4
1956	50.8	-	-	10.0	14.0	25.2	1.6
1957	40.9	-	-	10.0	16.8	11.8	2.3
1958	85.4	-	-	15.0	9.0	34.9	2.3
1959	53.3	0.4	-	10.0	9.2	29.0	1.7
1960	56.2	0.5	-	15.0	8.9	26.8	4.5
1961	77.9	a	-	16.0	8.5	13.8	9.8
1962	93.4	13.2	-	45.0	0.4	18.5	6.8
1963	87.9	13.3	-	45.0	-	12.4	6.0
1964	37.0	-	-	20.0	-	12.2	4.8
1965	65.1	12.9	-	20.0	-	23.9	4.9
1966	126.8	90.0	-	10.0	-	25.9	0.9
1967	23.7	7.0	-	5.5	-	-	0.6
1968	106.5	25.0	-	-	-	51.3	0.5
1969	160.3	85.0	-	-	-	36.1	0.6
1970	93.6	30.0	-	-	-	40.7	0.4
1971	634.3	545.0	-	-	-	55.5	0.3
1972	430.9	300.0	-	-	50.0	53.8	0.4
1973	492.8	307.5	-	-	50.0	59.4	0.4
1974	2,621.3	982.7	1,500.0	-	50.0	-	1.5
1975	778.0	200.0	100.0	-	344.5	8.6	-
1976	2,337.7	750.0	750.0	225.0	475.0	14.4	a
TQ	292.5	100.0	100.0	25.0	50.0	3.6	-
1977	1,762.5	500.0	500.0	245.0	490.0	7.0	-
1978	1,822.6	500.0	500.0	260.0	525.0	6.8	-
1979	4,888.0	2,700.0	1,300.0	260.0	525.0	5.1	-
1980	2,121.0	500.0	500.0	260.0	525.0	1.0	-
1981	2,413.4	900.0	500.0	-	764.0	-	-

Year	Total	Military Loan	Military Grant	Economic Loan	Economic Grant	FFP Loan	FFP Grant
1982	2,250.5	850.0	550.0	-	806.0	-	-
1983	2,505.6	950.0	750.0	-	785.0	-	-
1984	2,631.6	850.0	850.0	-	910.0	-	-
1985	3,376.7	-	1,400.0	-	1,950.0	-	-
1986	3,663.5	-	1,722.6	-	1,898.4	-	-
1987	3,040.2	-	1,800.0	-	1,200.0	-	-
1988	3,043.4	-	1,800.0	-	1,200.0	-	-
1989	3,045.6	-	1,800.0	-	1,200.0	-	-
1990	3,034.9	-	1,792.3	-	1,194.8	-	-
1991	3,712.3	-	1,800.0	-	1,850.0	-	-
1992	3,100.0	-	1,800.0	-	1,200.0	-	-
1993	3,103.4	-	1,800.0	-	1,200.0	-	-
1994	3,097.2	-	1,800.0	-	1,200.0	-	-
1995	3,102.4	-	1,800.0	-	1,200.0	-	-
1996	3,144.0	-	1,800.0	-	1,200.0	-	-
<b>Total</b>	<b>68,030.9</b>	<b>11,212.5</b>	<b>29,014.9</b>	<b>1,516.5</b>	<b>23,122.4</b>	<b>588.5</b>	<b>94.1</b>

**Notes:** a = less than \$50,000

- = None

NA = Not Available

TQ = Transition Quarter, when the U.S. fiscal year changed from June to September.

FFP = Food for Peace

Cooperative Development Grant: Three programs are in the cooperative development category: Middle East Regional Cooperation (MERC) intended for projects that foster economic growth and economic cooperation between Israel and its neighbors; Cooperative Development Program (CDP); and the Cooperative Development Research (CDR), both of which fund Israel's foreign aid program. Israel received about one half of the \$94 million MERC, and all of the \$53 million CDP and \$39 million CDR.

"Other Loan" is a CCC loan. "Other Grants" are \$20 million in 1975 for a seawater desalting plant and \$50 million in 1996 for anti-terrorism.

Definition of Aid: Under the category of foreign aid, some people include other funds transferred to Israel, such as the \$180 million for research and development of the Arrow missile, or the \$7.9 billion in loan guarantees.

**Table B-3. U.S. Assistance to Israel, FY1949-FY1996**  
(millions of dollars)

Year	Ex-Im. Bank Loan	Jewish Refug. Resettle Grant	Amer. Schools & Hosp. Grant	Other Loan	Coop. Devel. Grant	Other Grant
1949	100.0	-	-	-	-	-
1950	-	-	-	-	-	-
1951	35.0	-	-	-	-	-
1952	-	-	-	-	-	-
1953	-	-	-	-	-	-
1954	-	-	-	-	-	-
1955	-	-	-	-	-	-
1956	-	-	-	-	-	-
1957	-	-	-	-	-	-
1958	24.2	-	-	-	-	-
1959	3.0	-	-	-	-	-
1960	0.5	-	-	-	-	-
1961	29.8	-	-	-	-	-
1962	9.5	-	-	-	-	-
1963	11.2	-	-	-	-	-
1964	-	-	-	-	-	-
1965	3.4	-	-	-	-	-
1966	-	-	-	-	-	-
1967	9.6	-	1.0	-	-	-
1968	23.7	-	6.0	-	-	-
1969	38.6	-	-	-	-	-
1970	10.0	-	12.5	-	-	-
1971	31.0	-	2.5	-	-	-
1972	21.1	-	5.6	-	-	-
1973	21.1	50.0	4.4	-	-	-
1974	47.3	36.5	3.3	-	-	-
1975	62.4	40.0	2.5	-	-	20.0
1976	104.7	15.0	3.6	-	-	-
TQ	12.6	-	1.3	-	-	-
1977	0.9	15.0	4.6	-	-	-
1978	5.4	20.0	5.4	-	-	-
1979	68.7	25.0	4.2	-	-	-
1980	305.9	25.0	4.1	-	-	-
1981	217.4	25.0	2.0	-	5.0	-
1982	6.5	12.5	3.0	17.5	5.0	-

Year	Ex-Im. Bank Loan	Jewish Refug. Resettle Grant	Amer. Schools & Hosp. Grant	Other Loan	Coop. Devel. Grant	Other Grant
1983	-	12.5	3.1	-	5.0	-
1984	-	12.5	4.1	-	5.0	-
1985	-	15.0	4.7	-	7.0	-
1986	15.0	12.0	5.5	-	10.0	-
1987	-	25.0	5.2	-	10.0	-
1988	-	25.0	4.9	-	13.5	-
1989	-	28.0	6.9	-	10.7	-
1990	-	29.9	3.5	-	14.4	-
1991	-	45.0	2.6	-	14.7	-
1992	-	80.0	3.5	-	16.5	-
1993	-	80.0	2.5	-	20.9	-
1994	-	80.0	2.7	-	14.5	-
1995	-	80.0	2.9	-	19.5	-
1996	-	80.0	3.3	-	14.0	50.0
<b>Total</b>	<b>1218.5</b>	<b>868.9</b>	<b>121.4</b>	<b>17.5</b>	<b>185.7</b>	<b>70.0</b>

**Notes:** a = less than \$50,000

- = None

NA = Not Available

TQ = Transition Quarter, when the U.S. fiscal year changed from June to September.

FFP = Food for Peace

Cooperative Development Grant: Three programs are in the cooperative development category: Middle East Regional Cooperation (MERC) intended for projects that foster economic growth and economic cooperation between Israel and its neighbors; Cooperative Development Program (CDP); and the Cooperative Development Research (CDR), both of which fund Israel's foreign aid program. Israel received about one half of the \$94 million MERC, and all of the \$53 million CDP and \$39 million CDR.

"Other Loan" is a CCC loan. "Other Grants" are \$20 million in 1975 for a seawater desalting plant and \$50 million in 1996 for anti-terrorism.

Definition of Aid: Under the category of foreign aid, some people include other funds transferred to Israel, such as the \$180 million for research and development of the Arrow missile, or the \$7.9 billion in loan guarantees for housing or settling Soviet Jews in Israel. None of these funds is included in this table.

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