



SPECIAL REPORT

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The Kathryn and Shelby Cullom Davis Institute for  
National Security and Foreign Policy at The Heritage Foundation

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# U.S.–Israel Strategy: From Special Relationship to Strategic Partnership, 2029–2047

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**T**hough numerous successive American Administrations have sought to disengage the United States from the Middle East, the region continues to demand U.S. time and resources. However, the establishment of the Abraham Accords, the new strategic landscape that is taking shape due to Hamas’s October 7 attack on Israel and the subsequent wars, as well as Israel’s growth into a military, economic, and technological power demand that Washington re-evaluate how it engages with the region. In this environment, to meet its vital national security challenges while continuing to advance its regional interests, the United States should re-orient its relationship with Israel to an equal strategic partnership over the next two decades.

The United States and Israel’s “special relationship” is anchored in the recurring 10-year foreign military financing memorandum of understanding (MOU) established under President Ronald Reagan and also includes other critical elements of the alliance. The MOU has helped Israel to acquire the necessary capabilities to defend itself while providing the United States with a key regional military, security, and intelligence partner, while areas such as technological cooperation, trade, and shared values have become increasingly important to the engagement between the two countries.

Dramatic changes in the regional security environment—most notably the signing of the Abraham Accords in 2020 and Hamas’s attack on Israel on October 7, 2023—have altered the geopolitical dynamics in the Middle East. The rest of the globe is changing as well, and the United States faces a grinding war in Europe and a rising threat in East Asia that will pull resources and attention away from the Middle East. Meanwhile, as modern Israel prepares to mark its 80th anniversary in 2028, the Jewish State is no longer a beleaguered and isolated experiment in a hostile region; it is established as one of the most powerful and successful young states on the planet.

Given these new dynamics, constraints, and priorities, the United States should use the opportunity of the current MOU's expiration in fiscal year (FY) 2028 to forge a new relationship with the State of Israel that elevates and expands the bilateral ties from one of primarily a security aid recipient and elevates it into a true strategic partnership. The United States reserves this type of relationship with its closest and most trusted allies, such as the United Kingdom, as it is a reflection that the partner provides unique military, economic, cultural, and other compatibility and value to the U.S. It also sends a clear message to the partnership's enemies that both nations have a vested interest in working together to address strategic challenges.

To achieve this strategic partnership with Jerusalem, Washington must continue to work deliberately to change Israel's geopolitical position within the region. This goal can be accomplished through two tracks: creating and enhancing security and commercial ties between the Jewish state and its Arab neighbors and ending Israel's reliance on U.S. military financing.

To bolster Israel's security, the U.S. should pursue the new regional architecture that brings Israel into closer security alignment with other Western-aligned Arab countries as envisioned by President Donald Trump during his first term. The Middle East Strategic Alliance (MESA) is an example of one such framework, as it was intended as a security partnership between the Gulf Cooperation Council countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—and Egypt and Jordan. It should be revived, with some alterations, including the addition of Israel from the outset.

To deepen Israel's commercial ties with the region, the U.S. should expand the Abraham Accords, the first normalization deals between Israel and Muslim-majority neighbors in a quarter century. Official and public ties between Israel and Saudi Arabia and other, non-Middle Eastern countries, such as Indonesia, will create new markets for Israeli goods and technology. The member countries will find new avenues of trade and energy cooperation, thereby creating a convergence of interests between Israel and the Muslim world based on mutual prosperity.

Taken together, developing and enhancing Israel's security and commercial ties with regional partners, backed by the assurances of the United States, would fundamentally alter Israel's geostrategic position. No longer will it be isolated and left on its own to respond to threats on its borders or those farther afield. Instead, it will be an integral part of a new regional security and commercial paradigm with the requisite agreements and infrastructure with a vested and shared interest in addressing common threats to ensure stability.

In this new paradigm, Israel can afford to phase out its military financing relationship with the United States. Israel once received significant sums of financial aid from the United States, as it was repeatedly attacked in its early decades and operated a socialist economic model. From 1948 to 2019, the U.S. provided more than \$34 billion in economic assistance.<sup>1</sup> This reached a peak of \$1.95 billion in 1985, the same year the U.S. and Israel signed a free trade agreement. However, over time, Israel's economic success made it less dependent on this aid; the Jewish state stopped receiving almost all economic aid in 2007.<sup>2</sup>

Just as Israel once advanced from a financial assistance recipient to an economic partner of the United States, so, too, should it move from a military financing recipient to a security partner.

From 2029 to 2047, the United States should transition its military financing of arms procurements to direct military sales to Israel. Israel will then be positioned to celebrate its 100th anniversary in 2048 as an independent and full partner to the U.S. A concurrent increased investment in cooperative program spending will ensure that the defense industrial base ties between the U.S. and Israel continue to expand.

Ultimately, moving Israel into strategic partnership with the United States, which requires creating new security and commercial paradigms in the Middle East that sees Israel in greater control of its own security, will ensure the Jewish state's second century is firmly in the hands of Israelis.

In addition, the United States should re-evaluate other elements of the bilateral relationship to greater align capabilities with priorities to the benefit of American and Israeli shared interests that should flourish during this century. This *Special Report* therefore details recommendations for cooperation in the defense and security, economics, trade and technology, and diplomatic and political spaces.

## Strategic Framework

The U.S.–Israel relationship is one of the United States' most strategically vital partnerships, anchored in shared democratic values, common regional threats, and a decades-long commitment to deepening cooperation across security, economic, diplomatic, and technological domains.

**The U.S.–Israel Partnership: Shared Values and Vision.** Israel stands as an outpost for American values in one of the world's most volatile regions, boasting a robust civil society, democratic institutions, free and fair elections, an independent judiciary, and a commitment to freedom of speech and press. These features have enabled Israel to flourish as an engine



of innovation, a hub for technological development, and one of the most dynamic polities in the world. As the Middle East's only liberal democracy, Israel shares America's dedication to the rule of law, free markets, and technological innovation, forming the bedrock of the vital bond between the two nations and serving as the foundation for their strategic relationship.

**Mutual Challenges and Israel's Strategic Importance.** In a Middle East that has only grown more unstable in recent years, and in an era of intensifying competition between the U.S. and its allies and an axis of hostile revisionist powers led by the Chinese Communist Party (CCP), Iran, North Korea, and Russia, it is imperative that the United States prioritize strengthening its alliance with Israel as the region's most militarily and technologically capable partner. Key mutual threats include Iran's pursuit of nuclear weapons and regional hegemony, Sunni Islamist extremism and terrorism, great power competition with China and Russia in the Middle East, and the need to maintain freedom of commerce and stability. Addressing these shared challenges requires a robust and multifaceted partnership between the United States and Israel, spanning military, intelligence, diplomatic, and economic spheres.

Israel has emerged as an invaluable security partner, a driver of regional economic integration and development, and a central pillar in a pro-American regional architecture that advances stability and contains Iran as well as other extremist forces. Israel's strategic location, advanced military capabilities, and intelligence expertise make it an indispensable ally for the United States in confronting regional threats and safeguarding American interests.

At the same time, Israel faces continued threats on its borders from Iran and its terrorist proxies, persistent delegitimization campaigns that often manifest as antisemitism, and increasing efforts by Beijing and Moscow to undermine its global standing and partnerships. For the United States, bolstering Israel's ability to defend itself, project power, and expand its regional ties serves as a cost-effective force multiplier that enhances America's own deterrence and advances its vital national interests.

The United States should seek to deepen its relationship with Israel by viewing Israel's unique capabilities in the following areas:

- **Israel as a security producer.** The United States has sought to enshrine Israel's status as a "security producer" through a policy of ensuring Israel's military advantage over potential adversaries, known as qualitative military edge (QME), by providing it with cutting-edge technology, sensitive intelligence, and deep defense-industrial collaboration. These investments are anchored in an understanding that

Israel represents both the most dependable and the most capable partner America has in the Middle East to advance its values and strategic objectives.

- **Israel as an economic engine.** Israel’s economic dynamism has the potential to spur broader development of the Middle East via initiatives such as the Abraham Accords and the I2U2—the grouping of India, Israel, the United Arab Emirates, and the United States formed in 2021 to deepen private-sector technological cooperation. Integrating Israel more deeply into the economies and political dynamics of the broader Middle East will lay the basis for a true zone of prosperity that allows other U.S. partners in the region to benefit from Israel’s success. Meanwhile, Israel’s potential should also be harnessed to make it a vital link facilitating the more efficient movement of goods and services among African, Asian, and European markets. As a result, nurturing Israeli prosperity constitutes both a vested interest and an opportunity for the United States.
- **Israel as an equal partner.** The logical progress of the decades-long special relationship between Washington and Jerusalem would be into one of true and equal partnership. To prevent political disagreements from devolving into political blackmail, the partnership needs to move to more equitable footing, where security support is insulated from the vagaries of shifting national and global politics, and where America makes commitments to Israeli security that are truly ironclad.

This strategy aims to provide a framework for strengthening the U.S.–Israel partnership and harnessing its potential to advance key American interests in the Middle East and beyond.

## Historical Background of the U.S.–Israel Relationship

The United States and Israel have forged a unique and powerful bond over the past seven decades, rooted in shared values, common threats, and mutually beneficial interests. This special relationship has evolved significantly since Israel’s founding in 1948.

**Pre-State Era.** Under the Ottoman Empire, the area in the Levant that came to be known as “Palestine” was divided across several administrative units, stretching from Damascus into the Sinai Peninsula. Although Americans made religious pilgrimages to the Holy Land during the 19th century, the area held little interest for the United States government.



It was not until the League of Nations assigned the British Empire the newly established Mandate for Palestine following the Ottoman defeat in World War I that the U.S. began to play a more active role in the region.

When Harry Truman succeeded Franklin Roosevelt as President in 1945, he inherited a muddled policy toward Jewish national interests in the British Mandate of Palestine: Roosevelt had assured Jewish leaders that the U.S. would support a Jewish state and Arab leaders in the region that nothing would be done that would jeopardize their interests. Following Hitler's defeat and the end of World War II, with the full scope of the Holocaust coming to light and hundreds of thousands of Jews languishing in displaced-person camps across Europe, Truman supported a plan for Jewish sovereignty in Palestine. Despite resistance from the State Department, which favored supporting Arab interests and feared that the Jewish state might align with the Soviets, Truman backed the 1947 United Nations Partition Plan to divide the Mandate into Jewish and Arab states and then recognized the State of Israel when it declared independence in May 1948.

**Israel's Establishment and Its Early Years.** Despite the United States' political support for independence, financial and military aid was not forthcoming. As Israel fought for survival in the War of Independence (1948–1949), the U.S. maintained an arms embargo, leaving the newly formed Israel Defense Forces to acquire weapons, munitions, fighter planes, and other platforms from Czechoslovakia (already a Soviet proxy) and by clandestine means.

For the Truman and Eisenhower Administrations, relations with Israel were overshadowed by the emerging geopolitical contest between the U.S. and the Soviet Union. The State Department believed that embracing the Jewish state would push Arab countries—and their increasingly critical energy resources and much larger populations—into the Soviet camp. Yet the Soviets were already making strong inroads with Egypt under Gamal Abdel Nasser, then the most powerful Arab country and leader of the pan-Arab movement. It was this Soviet-trained, -advised, and -equipped Egyptian military that Israel decisively defeated in six days in 1967, and again in 1973.

**A New Relationship.** Israel's military capability convinced the United States to re-evaluate its relationship with the Jewish state as Washington now viewed Jerusalem as an asset in the Middle East. When the Islamic Republic overthrew the U.S.-allied shah of Iran in 1979 and launched a war against Iraq, the U.S. looked to Israel as a balancing force in the region. Historical foes of Israel, Egypt (1979) and Jordan (1994) made peace with the Jewish state in part to improve relations with the United States, but

also to pivot away from revolutionary forces in the region, particularly the Islamic Republic of Iran.

Under the Reagan Administration, the U.S. and Israel began codifying their new security relationship, starting with the 1981 Strategic Cooperation Agreement, followed by joint military operations and the stockpiling of U.S. military equipment in Israel. In 1989, the U.S. granted Israel “major non-NATO ally” status.

With threats to Israel’s security shifting from conventional nation-states to asymmetric terrorist organizations, Israel’s narrative of a plucky David surviving in a region of Goliaths became more complicated. In the 1980s, the optics of the Israeli ventures into Lebanon to root out the Palestine Liberation Organization, or efforts to quell the first intifada within its own borders, added, for American audiences, a new political pressure point to the U.S.–Israel relationship.

The end of the Cold War saw a new effort to broker peace between Israel and the Palestinians living in Judea and Samaria (the West Bank) and the Gaza Strip, territories conquered from Jordan and Egypt, respectively, in 1967. Beginning with the Madrid international peace conference in 1991, successive U.S. Administrations would relentlessly pursue the ever-elusive goal of a “two state solution.” Adding this highly complex, fraught, and sensitive element to a partnership anchored by a strong security relationship had the predictable effects of complicating ties, particularly as American audiences began to see Israel through a different lens. Now, Washington had leverage in the defense and security realm to wield if Jerusalem was not seen to be making sufficient progress on the “Palestinian issue.”

**Deepening Ties.** The beginning of the 21st century saw the United States and Israel face a new, common enemy: Islamic fundamentalist terrorism. In this new era of threats from asymmetric enemies, the U.S. and Israel developed stronger military ties and intelligence-sharing capabilities. In addition to the dangers of Sunni Islamist terrorism, the growing threat from Iran—which notably designates the U.S. the “Great Satan” and Israel the “Little Satan”—and its proxies have threatened both Israel and the U.S. in the Middle East. As a sign of the strength of their common interests and security, in 2016, the U.S. and Israel signed their third 10-year MOU, which provides \$38 billion in security assistance to Israel. Moreover, the U.S. is legally obligated to ensure that Israel maintains a qualitative military edge over neighboring militaries.

As the U.S.–Israel security and defense partnership continues to strengthen, so, too, does Israel’s place in the region, thanks in part to other U.S. policies and initiatives. In recent years, the U.S. finally relocated its

embassy to Jerusalem in recognition that the city is Israel’s capital, recognized Israeli sovereignty over the Golan Heights, and reassigned Israel from European Command to Central Command in the Department of Defense’s combatant command structure, among other measures. Finally, and most notably, the signing of the Abraham Accords in 2020 among the United States, Israel, the United Arab Emirates, and Bahrain, and later joined by Morocco and Sudan, ushered in the prospect for a new era in the Middle East.

**The U.S.–Israel Relationship Today.** The common values and principles that the two nations share form the bedrock from which every aspect of the U.S.–Israel relationship flows, including close relations between the two nations’ militaries, strong links between their technological sectors, their universities, and much more.

Congress’s extensive bipartisan support for the U.S.–Israel relationship reflects these ties, and, along with the executive branch, has codified the bilateral relationship through various agreements, including:

- **Security assistance MOU.** The 10-year MOU provides foreign military financing grant assistance to Israel for the purchase of U.S. military goods and services. The current MOU was signed in 2016 and took effect in FY 2019. It allocates \$3.8 billion per year, \$500 million of which is allocated for funding cooperative programs to develop, produce, and procure missile, rocket, and projectile defense capabilities. The Off-Shore Procurement that had historically allowed Israel to spend 26.4 percent of the annual Foreign Military Financing (FMF) on domestic acquisitions is being phased out over the course of the 10 years.<sup>3</sup>
- **The U.S.–Israel Binational Science Foundation (BSF).** Established in 1972 to promote academic relations and scientific cooperation through funding collaborative research projects, the BSF has awarded more than \$1 billion in grants to more than 5,500 research projects, with funding provided from an endowment contributed by both countries.<sup>4</sup>
- **The Israel–U.S. Binational Industrial Research and Development Foundation (BIRD).** Established in 1977 to stimulate, promote, and support industrial research and development cooperation between U.S. and Israeli companies in a range of technology sectors, BIRD has invested in more than 1,000 projects and generated sales of more than \$10 billion.<sup>5</sup>

- **The U.S.–Israel Binational Agricultural Research and Development Fund (BARD).** Established in 1977, BARD is a competitive funding program that supports collaborative agriculture research in areas of mutual interest for both countries. It has invested more than \$315 million in more than 1,300 research projects.<sup>6</sup>
- **The U.S.–Israel Free Trade Agreement (FTA).** The U.S.–Israel FTA entered into force in 1985 and represented the United States’ first FTA. The agreement has expanded trade and investment between the two countries by reducing barriers and promoting transparency. In the first 30 years of the agreement, U.S. exports to Israel increased by more than 450 percent and imports by nearly 1,000 percent.<sup>7</sup>
- **The Jerusalem U.S.–Israel Strategic Partnership Joint Declaration.** Signed in 2022 to correspond with the 75th anniversary of the founding of the State of Israel, the joint declaration reaffirms the “unbreakable bonds” between the two countries that are based on a “bedrock of shared values, shared interest, and true friendship” and the United States’ “enduring commitment” to Israel’s security.<sup>8</sup>
- **The U.S.–Israel Strategic High-Level Dialogue on Technology.** Launched in 2022, the dialogue establishes a partnership on “critical and emerging technologies” between the two countries to “address global challenges and protect and promote our innovative ecosystems in line with our national interests, democratic principles, and human rights.” It established four working groups: on climate change, on pandemic preparedness, on artificial intelligence, and on trusted technology ecosystems.<sup>9</sup>
- **Memorandum of Understanding on the Extension of Reciprocal Privileges and the Visa Waiver Program (MOU on Reciprocity).** Signed in 2023, this MOU on Reciprocity brings Israel closer to complying with the U.S. government’s requirements for the visa waiver program.<sup>10</sup>

## Current Landscape and Common Threats

The United States and Israel face a new array of challenges, threats, and opportunities made possible by the recent developments in the Middle East, in particular the historic Abraham Accords and the post–October 7 war in Gaza and Lebanon.

**The Middle East Today.** The signing of the Abraham Accords represented the most significant realignment of the Middle East since the Oslo Accords as the normalization of relations indicated the dawning of a new era in the region.

The Accords developed from a number of factors. Due to domestic politics and international commitments, the United States under the Obama Administration had begun a clear re-orientation of its national attention and resources away from the Middle East. At the same time, that Administration's efforts at engaging Iran through the nuclear agreement emboldened the regime in Tehran, which posed a growing threat to Arab countries in the region as well as Israel. Without a guaranteed U.S. presence, these countries increasingly turned to Israel as the strongest actor capable of deterring the Islamic regime.

Israel's rapprochement with the moderate Sunni Arab states as part of a U.S.-led regional effort has faced ongoing opposition from the "axis of resistance" made up by Iran and its proxy forces. The goals of this axis include destroying Israel and degrading American influence in the region and beyond, which it has pursued through Hezbollah missile assaults from Lebanon, the Houthis disrupting maritime commerce in the Bab-el-Mandeb Strait off the coast of Yemen and attacking U.S. Navy ships, and, especially, the Hamas invasion of southern Israel on October 7, 2023. That attack delayed, but did not fundamentally undermine, the regional agenda of the Abraham Accords.

**The October 7 War.** Since Hamas's October 7, 2023, invasion of Israel and subsequent massacre, Washington has generally stood by Israel, reflecting extensive support for Israel in the American public. Israeli war goals in response to the attack include freeing the Israeli, American, and other hostages and eliminating Hamas as a military threat. The U.S. has expressed support for these goals. Furthermore, as Israel engages Hezbollah in Lebanon, it is in both the interest of the United States and its regional allies to re-establish security along Israel's northern border and degrade Iran's proxy significantly. The sudden collapse of the Assad regime in Syria in December 2024 struck a blow to the Iranian regime's ability to resupply and support Hezbollah and attempts to establish a foothold for the Iranian Revolutionary Guard Corps in southern Syria from which to conduct operations against Israel.

Moreover, a U.S.-led security alliance played a key role in thwarting a massive Iranian missile assault on Israel on April 13, 2024, the largest combined missile and drone attack in history.<sup>11</sup> That attack demonstrated once again that the root cause of the regional instability—Iran's pursuit of regional

hegemony—continues unabated, including Tehran’s push to acquire nuclear weapons. Resolving the status of Palestinian governance in Judea and Samaria as well as Gaza is an important issue for both the Palestinians and Israelis, but ultimately secondary to Iran’s malign intent, which instrumentalizes the Palestinian cause through direct financial and military support for Hamas and other terror organizations. Establishing a Palestinian state that could serve as a base for Iranian ambitions would not be in the interest of the United States, Israel, or their regional allies and partners.

**Common Threats.** The United States and Israel face common regional and global threats. A loose coalition of adversaries—China, Russia, Iran, and North Korea, in particular—are cooperating to challenge American global power. The Islamic Republic, for its part, is intent on destroying Israel, supports Moscow in Russia’s war against Ukraine, and circumvents U.S. sanctions by selling oil to China, which Beijing needs as it tries to extend its reach in the South China Sea.

Not only nation-states threaten both the United States and Israel from the region. In the Middle East, failed states and ungoverned territories—often due to Iran’s meddling influence—also breed instability and provide a haven for terrorist organizations and other destabilizing forces.

Though Israel’s security interests are largely regional while America’s are more global in scope, both countries are allied in facing common threats and challenges.

**Iran.** The Islamic Republic of Iran is the chief common threat facing both the United States and Israel. The Islamic Republic is an expansionist regime that seeks to control the Middle East and, with it, the predominant supply of the world’s crude oil and international shipping lanes. To achieve its goals, it seeks to dislodge the U.S. from the region and to destroy Israel. It executes its objective through its network of proxy organizations that have destabilized their host countries or, as in the case of Hezbollah in Lebanon, Hamas in the Gaza Strip, and the Houthis in Yemen, partially or fully supplanted the local government. It is through its proxies—as well as its Iranian Revolutionary Guard Corps—that Iran has repeatedly attacked and harmed Americans and Israelis in the region. Of course, the greatest threat the Islamic Republic poses to Israel and the United States is its nuclear program and ambition to become a nuclear power. Accordingly, the United States and Israel share a common goal: deterring the Islamic Republic from its objectives.

**Great Power Competition.** Of course, Iran is not alone in threatening the United States and the Western world with designs on the Middle East. China and Russia present strategic threats to the United States, and their regional interests threaten America’s position in the Middle East.



Since the Syrian civil war, Russia has played a more assertive role in the region. Although Moscow lost its foothold in the Levant when the Assad regime fell in December 2024, Russia remains a regional presence through its expanded military relationship with Iran; Tehran has become a key supplier of unmanned aerial vehicles and other munitions in Moscow's war in Ukraine, while Russia has provided Iran with advanced air defense systems, including the S-300.<sup>12</sup>

The CCP poses a common threat to the United States and Israel. The CCP seeks to supplant the U.S. as the world's sole superpower and uses its growing ties with Moscow and Tehran to achieve this aim. The Islamic Republic often acts as the CCP's foil in the Middle East, destabilizing the region and attacking longtime U.S. allies, including Israel. The October 7 war between Israel and Iranian proxies like Hamas has witnessed an important pivot from Beijing, with Chinese propaganda taking a noticeably anti-Israel tone. Some evidence exists to suggest that Beijing has also helped to funnel arms and equipment to terrorist groups attacking Israel.<sup>13</sup> China's use of industrial espionage as a tool of statecraft also threatens the economic health of both the United States and Israel. In response, Washington and Jerusalem should secure and bolster their supply chains and work to prevent key sectors from being reliant on China. Beijing has appeared to abandon its "friends to all" approach to the Middle East and, increasingly, is a destabilizing force in the region.

**Terrorism and Failed States.** The threat from terrorist organizations that seek to create or exploit power vacuums remains in the Middle East. As the greatest state sponsor of terrorism, Iran is second to none in fomenting regional unrest. Iraq, Lebanon, Syria, and Yemen are failed or failing states in large part due to the regime's influence and support for organizations such as Hezbollah, the Houthis, and others. The takeover of Syria by Hayat Tahrir al-Sham brings another failed state run by a Sunni jihadist group to Israel's border.

Presently, Egypt and Jordan face significant internal and external challenges that threaten the stability of both countries. As power abhors a vacuum, the potential for widespread regional instability is amplified if one or both countries succumb to domestic and foreign pressures. This has significant security implications for Israel, given that the Jewish state's two longest borders are with Egypt and Jordan.

More generally, terrorism and regional instability pose significant threats to global commerce and the world's energy markets. From their base of operations in western Yemen, the Houthi terrorist group is disrupting shipping lanes to the Red Sea and the Suez Canal. Piracy in the Gulf of Aden

and off the Horn of Africa disrupts shipping lanes to the Red Sea and Suez Canal, causing price shocks and uncertainty in Western markets.

## A New Era of the U.S.–Israel Relationship

The United States and the State of Israel are in a new strategic environment. The political, security, economic, and technological landscapes in Washington, Jerusalem, and the Middle East have evolved dramatically since the inception of the now-recurring 10-year security assistance MOUs.

Of particular note is the growth of Israel's spending on defense capabilities. From 2000 to 2022, Israel has increased its defense spending from \$8.5 billion to more than \$23.4 billion. However, the significant growth in Israel's economy over the same period meant that defense spending as a percentage of gross domestic product (GDP) dropped from 6.3 percent to 4.5 percent.<sup>14</sup> However, in the wake of the October 7 war, Israel's government approved a significant increase for 2025 to \$32.4 billion, accounting for 6.5 percent of GDP.<sup>15</sup> The increased spending comes as Israel looks to bolster its domestic industry and reduce reliance on foreign suppliers, including the United States.<sup>16</sup> In addition, its loosening of export restrictions will create additional growth opportunities for Israel's defense industry.<sup>17</sup>

The bilateral relationship must adapt to reflect this and other changes in both nations' respective capabilities, objectives, priorities, and threats. With the current MOU set to expire in FY 2028, the United States should use this opportunity to expand and deepen the relationship, ultimately recalibrating it to better reflect and further each nation's comparative advantages and strategic priorities.

To this end, the U.S. should over time transition the relationship with Israel from one predominately of an aid supplier into an equal partnership with an enduring ironclad commitment to its security. By moving beyond the current framework of foreign military financing and toward a more sustainable partnership, the United States and Israel can insulate their strategic ties from political pressures and forge a powerful bond based on mutual trust and shared interests.

This transition is made possible by and can be successful due to Israel's economic dynamism, which can enable regional development and integration. By leveraging Israel's innovative economy, energy resources and technological prowess, the United States can promote economic growth, job creation, and improved living standards across the Middle East, thereby reducing the appeal of extremist ideologies and fostering a more prosperous region.

## Memorandum of Understanding, 2029-2047

**Regional Integration.** To achieve strategic partnership, the United States will improve Israel's regional position by strengthening existing or establishing new regional security, economic, and commercial architectures. This will simultaneously diminish Israel's threat environment while integrating the Jewish state with the region, thus enhancing its security, influence, and power projection capabilities in the Middle East.

*Regional Defense Architecture.* Building on a history of collective security initiatives in the Middle East, including the Middle East Strategic Alliance (2017) and the Middle East Air Defense (2022),<sup>18</sup> the U.S. will establish and support a new enduring regional security architecture with its allies and partners to counter common threats and enemies. The U.S. will offer increased bilateral and multilateral defense cooperation—including arms sales, joint training exercises, and munitions stockpiling—to participating nations, while remaining committed to ensuring Israel's qualitative military advantage.

*Bilateral and Multilateral Trade Agreements.* The United States will advance new trade relations with Israel and its regional partners. The U.S. and Israel will begin negotiations to update the 1985 FTA and bring the bilateral economic relationship into the 21st century. In addition, the U.S. will finalize FTAs with individual members of the Abraham Accords and advance a cooperative regional trade agreement among the accords' countries and other nations that have normalized relations with Israel. These FTAs will form an economic bloc to facilitate commerce and free trade between Israel and the Arab countries.

*Middle East Energy Cooperation.* The United States will encourage regional energy cooperation that advances projects in the Eastern Mediterranean and through the Abraham Accords framework, to include investing in natural gas, electricity, and other infrastructure with Israel and partner nations. The U.S. will help to broker energy agreements among Israel and Cyprus, Egypt, Jordan, Lebanon, and Turkey in the Eastern Mediterranean and support efforts to connect energy infrastructure, trade, and financing opportunities among Israel and Bahrain, the United Arab Emirates, and future accords countries in the Gulf and throughout the Arab and Muslim world.


*Additional Initiatives.* The Middle East can and should serve as a key transit point for the flow of goods and energy between the Asian and European economic markets. The more closely aligned Israel and its Arab partners are in service of this critical function the more secure the Jewish state's regional position. Therefore, the U.S. will continue to advance and bolster regional and other multilateral initiatives, in particular, the India-Middle

TABLE 1

### Overview of Security Cooperation Financial Obligations

Year Number	Fiscal Year	U.S. OBLIGATIONS		ISRAEL OBLIGATIONS
		Foreign Military Financing (billions)	Cooperative Programs (billions)	Foreign Military Sales (billions)
1	2029	\$4	\$0.5	\$0
2	2030	4	0.5	0
3	2031	4	0.5	0
4	2032	3.75	0.75	0
5	2033	3.5	1	0
6	2034	3.25	1.25	0
7	2035	3	1.5	0
8	2036	2.75	1.75	0
9	2037	2.5	2	0
10	2038	2.25	2.25	0
11	2039	2	2.25	0.25
12	2040	1.75	2.25	0.5
13	2041	1.5	2.25	0.75
14	2042	1.25	2.25	1
15	2043	1	2.25	1.25
16	2044	0.75	2.25	1.5
17	2045	0.5	2.25	1.75
18	2046	0.25	2.25	2
19	2047	0	2.25	2.25

NOTE: Author’s notional amounts for illustrative purposes only.

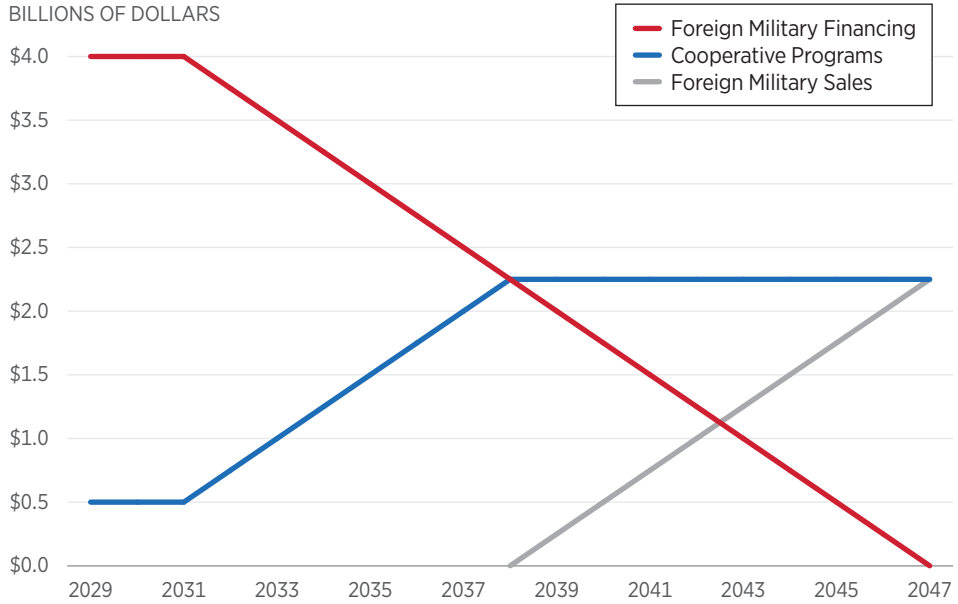
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East–Europe Economic Corridor (IMEC), I2U2 framework, and Middle East Regional Cooperation (MERC).

**Security Cooperation.** Re-affirming the importance of the relationship between the United States and Israel while considering their respective national priorities, interests, and capabilities, the U.S. shall continue the FMF and funding for Cooperative Programs. However, as Regional Integration advances, the United States will begin to transition its FMF dollars to Cooperate Program spend and then to Foreign Military Sales (FMS) through FY 2047. The total annual package of U.S. military goods and services financed or sold and investment in cooperative programs is \$4.5 billion.<sup>19</sup>

CHART 1

### Distribution of Spending by Type

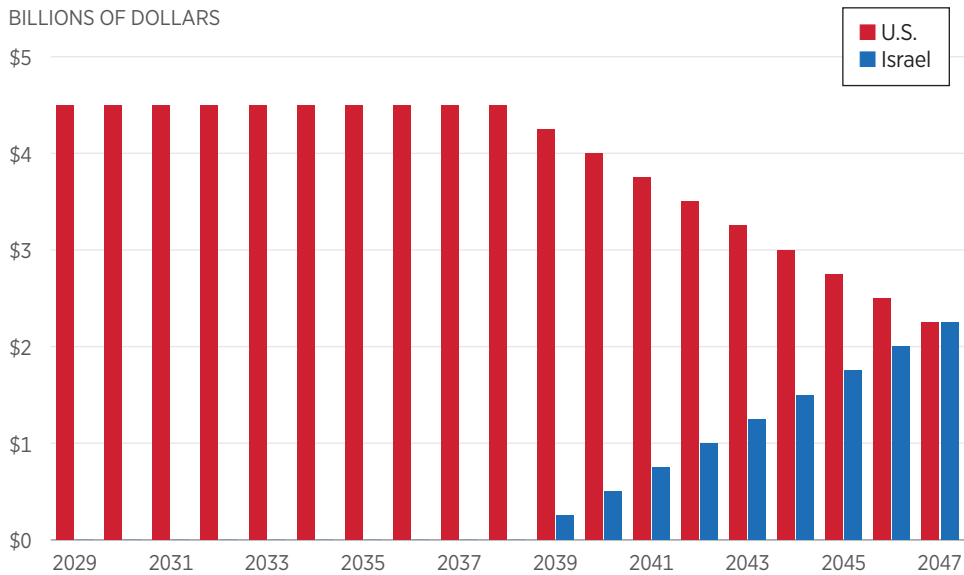


NOTE: Author's notional amounts for illustrative purposes only.

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CHART 2

### U.S. and Israel Financial Obligations



NOTE: Author's notional amounts for illustrative purposes only.

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*Foreign Military Financing.* The United States will increase the commitment of FMF to \$4.0 billion annually beginning in FY 2029. These resources are available to finance the purchase of U.S. military goods and services in the United States. Beginning in FY 2032, the FMF grant assistance will decrease by \$250 million annually until it ends in FY 2047.

*Cooperative Programs.* The United States and Israel shall maintain the ongoing support for cooperative programs. While this cooperative engagement has historically been used to develop, produce, and procure missile, rocket, and projectile defense capabilities for the security and defense needs of both nations, it is not limited to this capability and does not restrict Israel from seeking additional missile defense funding from the United States for the duration of this understanding. In FY 2032, this spending shall automatically increase by \$250 million annually until it reaches \$2.25 billion in FY 2038, at which point this spending level is maintained through FY 2047. This increased investment in cooperative programs will further strengthen the interoperability and compatibility between both nations' respective militaries and defense industrial bases.

*Foreign Military Sales.* The annual drawdown in FMF grant assistance beginning in FY 2032 and the capping of Cooperative Program spend in FY 2039 will correspond with the beginning of FMS to Israel of U.S. military goods and services. Beginning in FY 2039, Israel will begin a \$250 million per year increase in FMS spend, until it reaches \$2.25 billion in FY 2047.

## Supplementary Elements of the New U.S.–Israel Partnership

In addition to the security-cooperation and regional-integration elements of the new U.S.–Israel partnership, the relationship should consider additional opportunities for evolution and growth. What follows is an extensive, but not exhaustive, list of action items, statements of intent, and other policy objectives that the U.S. should initiate in cooperation with Israel or, when appropriate, unilaterally, to bring the bilateral relationship into greater alignment with equal-partner status.

**Defense and Security Cooperation.** As the FMF relationship phases out, the new bilateral partnership should evolve to increased cooperation in defense, intelligence and counterterrorism, cybersecurity, and other sectors.

**Defense.** The United States ensures Israel's security in part through retaining Israel's qualitative military edge (QME) in the Middle East, a strategic imperative guaranteeing that Israel maintains technological, tactical, and operational superiority over any potential adversaries. The



U.S. should continue to prioritize advanced defense technology transfers, joint development programs, and sustained security assistance to ensure that Israel maintains its QME and to uphold other critical components of the bilateral defense strategy.

The U.S. and Israel should:

- **Enhance joint technology development.** The two countries should enhance collaboration on cutting-edge defense technologies, including missile defense systems, cybersecurity measures, and artificial intelligence applications. This includes continued support and joint development of the Iron Dome, David's Sling, Arrow missile defense, and next-generation air and missile defense systems.
- **Enhance logistical and operational support.** The two countries should enhance logistical support frameworks to ensure rapid and efficient deployment of forces and resources. This includes pre-positioning U.S. military equipment in Israel, joint maintenance and logistics planning, and streamlined supply-chain operations.
- **Expand military training and exercises.** The two countries should expand the scope and frequency of joint military exercises, including air, land, and naval operations. These exercises will enhance interoperability, readiness, and tactical proficiency. They should place particular emphasis on joint air defense drills, special operations training, and cybersecurity exercises.
- **Facilitate defense procurement.** The two countries should facilitate streamlined processes for defense trade and procurement to ensure that Israel has timely access to the latest U.S. defense technologies for either financing or sale. This includes fast-tracking approvals for critical defense articles and services and exploring new avenues for co-production and licensing agreements.

**Intelligence and Counterterrorism.** Israel is a key intelligence and counterterrorism partner for the United States in the Middle East. In operations inside Iran and against Hezbollah in Lebanon, Israel has demonstrated an unprecedented level of intelligence on enemies of both the Jewish state and the United States. In the post-October 7 Middle East, Israel will continue to be a key generator and provider of intelligence and counterterrorism operations in the region, and the United States should expand on current cooperative efforts.

The U.S. and Israel should:

- **Strengthen intelligence sharing and joint counterterrorism measures.** The two countries should strengthen existing frameworks to improve real-time data exchange and operational coordination. They should expand cooperative efforts—including joint training exercises—to target groups that pose threats to both nations, such as Hezbollah and Hamas, and the region through their exploitation of power vacuums and ungoverned spaces.
- **Establish a regional working group.** The two countries should establish a regional working group to facilitate capabilities across allied and partner nations in the region. This should be done both bilaterally and, through the framework of the Abraham Accords, multilaterally.

**Cybersecurity.** Israel is a defense and commercial cybersecurity powerhouse. It has a world-class cyber ecosystem, high levels of investment from the military and private sector, and is active on offensive and defensive fronts against regional enemies. In the age of autonomous systems, artificial intelligence, and other digital domain capabilities, Israel is poised to be a leading power. A robust cybersecurity and information warfare partnership between Israel and the United States would serve as a force multiplier for America in the Middle East and globally.

The U.S. and Israel should:

- **Develop a comprehensive cybersecurity partnership.** The two countries should develop a cybersecurity partnership that addresses emerging threats in cyberspace to include joint research initiatives, threat intelligence sharing, and collaborative defense against cyberattacks targeting critical infrastructure.

The U.S. Congress should:

- **Pass the U.S.–Israel Cybersecurity Cooperation Enhancement Act (S. 1193 and H.R. 2659).** This bill directs the Department of Homeland Security to establish a grant program that supports cybersecurity research and development as well as the demonstration and commercialization of cybersecurity technology.<sup>20</sup>

**Information Warfare.** The U.S. and Israel face intense, weaponized information warfare from their shared adversaries, both state (such as China, Iran, and Russia) and non-state actors (such as anti-Western and anti-Israel nongovernmental organizations, foreign media, and social media influencers), whose aims include creating or exacerbating domestic unrest, sowing doubt in each country's strategy toward these actors, and creating daylight between Washington and Jerusalem. The United States and Israel should jointly move from defense to offense against these malign actors.

The U.S. should:

- **Elevate information warfare to a national security priority.** The U.S. government should elevate information warfare as a national security priority to align disparate U.S. government national security-related communications (official and non-official) with a reporting structure within the office of the National Security Advisor, the Director of National Intelligence, or similar post. The U.S. should encourage reciprocation from Israel to enable peer-to-peer collaboration.

The U.S. and Israel should:

- **Establish an information warfare working group.** The two countries should establish a working group to coordinate shared national security-related communication priorities, to include collaborative public awareness campaigns to inoculate their publics from disinformation, incitement, and antisemitic narratives. Efforts should focus on educating the publics about foreign technological threats to individual rights, intellectual property, and national security through apps and other technologies.
- **Enlist the private sector.** The U.S. and Israeli governments should take advantage of their nations' robust private-sector capabilities in the marketing, advertising, public relations, and technology fields. Skilled communications practitioners and technology professionals should be recruited into leadership roles. Washington and Jerusalem should encourage the creation of a bilateral, privately funded entity that augments the governments' strategic messaging campaigns.

**Economics, Trade, and Technology.** The 1985 United States-Israel FTA served as the foundation for nearly four decades of reduced

barriers to expand trade and investment.<sup>21</sup> Today, annual bilateral trade amounts to nearly \$50 billion in goods and services.<sup>22</sup> Israel boasts the 13th-highest GDP per capita in the world at about \$58,270, and its economy grew at a rate of 6.5 percent in 2022. Despite more than a year of war, Israel is poised to remain a leading economic engine in the region.

**Economic Cooperation and Trade.** Israel is an economic power in the Middle East. The U.S. will work to solidify its economic relationship with the Jewish state and advance efforts to further integrate Israel with the region's economies.

The U.S. and Israel should:

- **Establish a high-level economic dialogue.** Build on the U.S.–Israel FTA to create a new, high-level platform modeled after other bilateral dialogues (such as the U.S.–Mexico High-Level Economic Dialogue and the U.S.–Guatemala High-Level Economic Dialogue).<sup>23</sup>

The U.S. should:

- **Loosen export controls.** The U.S. should change bilateral export restrictions to allow greater collaboration on defense, commercial, or dual-use technologies and to limit duplication of effort. The Department of Commerce should review existing control guidelines and update them in light of the new strategic partnership.

**Technology and Energy.** The leading powers in the 21st century will be those who can harness today's advanced technologies. While the United States and Israel are both technological powerhouses in their own rights, joint efforts are essential for meeting this century's challenges in national security (including artificial intelligence, border control, drones, countering inexpensive weapons, and trauma response), ensuring food security, maximizing the efficient use of water, and more.

The U.S. and Israel should:

- **Strengthen and expand bilateral cooperative initiatives.** The two countries should strengthen and expand numerous bilateral initiatives, including the BSF, BIRD, and BARD. Any geographic restrictions—including related to the post-1948 Green Line—should be removed.

- **Collaborate on critical commercial technologies.** The two countries should deepen cooperation and joint development of future technologies, including artificial intelligence, quantum computing, space technologies, precision medicine, bio-convergence, smart mobility, desert technology, and others to ensure global leadership in these fields.

**Sanctions and Economic Measures.** The U.S. will leverage the might of America’s economy and financial position to impose crippling costs on shared adversaries and deny them the resources needed to fuel their malign conduct. Such measures will counter Iran’s “ring of fire” strategy of encircling the Jewish state with an array of terror proxies.

The U.S. should:

- **Restore sanctions against Iran.** The U.S. should restore sanctions pressure on Iran’s energy exports, unilaterally and in concert with partners, to deny the regime the resources necessary to develop, support, and sustain terror organizations. The U.S. should enforce secondary sanctions on countries and private companies involved in the sale of Iranian energy resources.
- **Enlist allies to sanction Iran’s terror arms.** The U.S. should press partner countries, especially in Europe, to designate Iran’s Islamic Revolutionary Guard Corps and Mahan Air as terror organizations and sanction them accordingly.
- **Impose retaliatory sanctions on the International Criminal Court.** The U.S. should sanction key figures at the International Criminal Court (ICC) to deter them from initiating lawless prosecutions of American and Israeli personnel in the future and hold them accountable for doing so in the past. The current Administration should ensure that change to any sanctions regime is contingent upon the ICC abiding by the terms of the regime and not on changes in domestic politics.

**Diplomacy.** Following changes in the U.S. government policy that more closely aligns to the reality “on the ground”—such as relocating the U.S. embassy to Jerusalem and recognizing the Golan Heights as Israel’s sovereign territory—the U.S. should move from a reactive, defensive position to a proactive, offensive one on engaging the international community in issues related to Israel.

The U.S. will use its diplomatic clout in bilateral relationships and in appropriate multilateral fora to promote shared interests between Washington and Jerusalem, and to isolate and impose costs on shared adversaries. Similarly, the U.S. will rally key partners and allies—particularly in Europe and the Gulf—and press them to adopt similar measures. The U.S. should:

- **Press partner countries to recognize Jerusalem as Israel’s capital.** The U.S. should press partner countries to follow its lead in recognizing Jerusalem as the capital of Israel and relocate their embassies there as well.
- **Support Israeli security requirements in Gaza.** In any “post-war” scenario in the Gaza Strip, the United States will ensure that Israeli security requirements are met, including that Hamas and other terror groups play no governing role and that a robust security architecture prevents Gaza from ever again posing a threat to Israel.
- **Insist on Iranian nuclear accountability.** The U.S. should insist on full accountability and consequences for Iran’s nuclear program at the International Atomic Energy Agency, the U.N. Security Council, and with key member states.
- **Expand existing sanctions mechanisms against terror organizations.** The U.S. should expand the mandate of the United Nations 1267 committee, which currently has authority to sanction individuals and entities associated with al-Qaeda and ISIS, to include Iran-backed terrorist groups, such as Hezbollah and Hamas, and pursue the listing of such groups under the expanded authorities.

**Political Support.** The U.S. will advance legislation and executive measures that advance areas of mutual interest. The U.S. should:

- **Make Palestinian aid conditional.** The U.S. should condition its aid to the Palestinians, on the implementation of a robust deradicalization and disengagement programming in Palestinian territories to undo decades of antisemitic and anti-Israel propaganda, including ensuring that schools or institutions of higher learning are free of antisemitic curricular materials, including denying the existence of legitimacy of the state of Israel.



- **Prosecute Hamas figures.** Criminally prosecute surviving Hamas figures, including those located outside Gaza, for their actions on and since October 7 and other terrorist attacks carried out by the group over the years, which resulted in the killing and abduction of American and Israeli citizens. The U.S. should arrange for their extradition to the U.S. or Israel to face justice for their crimes.
- **Defund the United Nations Relief and Works Agency (UNRWA).** The U.S. and partner countries should end their support to the fatally flawed UNRWA, rerouting all humanitarian assistance to the Palestinian people through organizations not tainted by antisemitism or support for terrorism. The current Administration should ensure that U.S. aid is permanently withheld from the UNRWA.

## Conclusion

The United States' greatest national security challenge in the 21st century is a rising and predatory China ruled by the Chinese Communist Party. Increasingly, the various tools of statecraft and state power—diplomatic, political, economic, and military—will need to be employed in the Indo-Pacific to address this threat. Consequently, to sustain and advance its national interests around the world, Washington will have to increasingly rely on regional allies and coalitions.

In the Middle East, Israel is the United States' most important ally. However, given the new strategic landscape in the region, the relationship should be elevated to strategic partner for the benefit of Israel, the United States, and the Middle East. Transforming the U.S.-Israel relationship requires changing the regional paradigm, specifically advancing new security and commercial architectures. This change will enable Israel to move from a position of a recipient of U.S. military financing to one of a full security and strategic partner.

The recommendations laid out in this *Special Report*, while not exhaustive, describe the various goals, means, and mechanisms through which this partnership can yield greater strategic benefits for both countries. If followed, they can help to usher in a Middle East that advances America's national interests by strengthening its allies, first and foremost Israel, weakening its enemies, and creating the opportunity for greater security and prosperity for all.

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