



## **From Patronage to Partnership: Re-envisioning US-Israel Strategic Cooperation during the Second Trump Administration**

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December 2024

### **Key Points:**

- The incoming Trump Administration seeks allies who are willing to invest the resources necessary to meet their own security needs and defend themselves. This is particularly true as America makes East Asia the primary focus of its strategic and military resources.
- Israel can play a key role in America's Middle East strategy as the bridgehead, together with the Gulf states, of the pro-American camp, aligned against the anti-Western axis led by Iran and backed by China and Russia.
- At the same time, US-Israel defense-industrial cooperation should transition from being based primarily on Foreign Military Financing (FMF) grants to Israel, toward greater Israeli independence in funding its own defense acquisitions and rebuilding its defense industrial base, as well as toward greater mutual cooperation in the realms of defense innovation and start-ups.
- While the aid has greatly contributed to Israel's security and military build-up, the current framework of grants in the form of FMF has many drawbacks. It should be updated to reflect current American priorities, Israel's economic development, and the broader strategic context.
- Historically, alongside helping build up Israel's capabilities, the FMF framework has served to facilitate or encourage Israel's surrender of various strategic territories. It also contributed to Israel's adoption of a defensive and technology-focused security concept, whose weakness was exposed during the October 7th attack; and had the effect of downgrading critical sections of Israel's domestic military industry.
- However, in order to make the transition toward independently funding its security needs feasible, Israel must take steps to secure its borders and complete the change in the regional balance of power. Destroying Iran's 'ring of fire' built up around Israel over the past two decades, alongside additional steps, will change the risk environment and make the necessary transition from patronage to partnership feasible.
- Achieving these goals will allow for a new US-Israel Memorandum of Understanding (MOU) which would: Reduce FMF grants gradually over the next decade from current levels to zero; maintain Israeli access to technology and parts; reconstitute Israel's capacity for munitions production; and identify fields for mutual investment and expanded cooperation in development and production including UAVs, high-energy laser systems, offensive and defensive cyber capabilities, artificial intelligence, missile defense and subsystems for large combat platforms.

The foreign policy priorities of the second Trump Administration are becoming clear. In order to focus on winning its great power competition with China, America wants to make East Asia the primary focus of its strategic and military resources. To do this, the US would like its allies in Europe and the Middle East to invest the resources necessary to meet their own security needs, and to be willing to defend themselves.

In this context, an independent State of Israel that works to decisively defeat its enemies will be an asset to the US, and a model ally as a country willing to fight for itself. Israel can play a key role in America's Middle East strategy as the bridgehead of the pro-American camp alongside the Gulf States, aligned against the anti-Western axis led by Iran and its Chinese and Russian allies. Adopting such a vision will free up American attention and resources from the Middle East, which can then be dedicated towards its challenges in East Asia.

This is also the time to consider another significant change in the nature of US-Israel strategic cooperation. US-Israel defense-industrial cooperation should shift from being based primarily on FMF grants to Israel, toward greater Israeli independence in funding its own defense acquisitions and rebuilding its defense industrial base, as well as toward greater mutual cooperation in the realms of defense innovation and start-ups.

The most recent MOU defined the terms of FMF aid for the years 2019-2028. While the aid has greatly contributed to Israel's security and military build-up, the current framework of grants in the form of FMF to be purchased from American defense manufacturers has many drawbacks. It should be updated to reflect current American priorities, Israel's economic development, and the broader strategic context.

In the past, the overarching logic of US aid was coherent in a context in which Israel had agreed to surrender various strategic territories in order to facilitate peace agreements. The US assisted in finalizing these deals by providing Israel with greater security funding as a way to counter-balance the security risks Jerusalem was undertaking by surrendering such territories or committing to their future surrender.

This was the case in 1979 when Israel surrendered the Sinai Peninsula to Egypt in order to sign a peace agreement. The same logic held in 1999, when Israeli PM Ehud Barak requested to establish an MOU which would settle the level of aid for a ten-year period. President Clinton agreed to a significant raise in the amount of aid specifically because Barak sought to make far-reaching

concessions to Yasser Arafat at Camp David in 2000 and Clinton felt he had to support the Israeli PM in doing so. Similarly, in 2007, President Bush renewed the MOU with PM Ehud Olmert as they sought to convene the Annapolis peace summit and strengthen Olmert's ability to offer concessions. Most recently, President Obama renewed the MOU in 2016 after signing the JCPOA nuclear deal with Iran, in spite of Israeli protests against the agreement.

While increasing many of Israel's military capabilities, the accumulated effect of the current aid framework has also been to encourage Israel's adoption of a defensive and technology-focused security concept whose weakness was revealed during Hamas' October 7th attack. Since the 1990s, Israel's security concept has shifted from what had been an offense-focused doctrine which relied on taking the initiative, defeating the enemy and holding territory, to a defense-focused doctrine, which relies on standoff weapons and expensive missile defense technology, while surrendering control of strategic territory. The current US-Israel framework for defense-industrial-technological cooperation has also had the effect of downgrading and discouraging Israel's domestic military industry in general and most acutely, on Israel's independent munitions production capability.

Israel is no longer the small country with a fledgling economy that it was in the 1970s when the FMF framework was established. Its GDP has been among the top 30 in the world in recent years, and GDP per capita was ranked 13th in 2023. In 1979, the value of US aid constituted 19% of Israel's GDP, in 1995 it was 5.7%, and today it is 0.7%. The current annual aid is 3.8 billion USD (~14.3 billion NIS), while Israel's state budget for 2024 is 584 billion NIS. Therefore, the value of US aid is currently equivalent to about 2.4% of the state budget. This percentage is not negligible, but it is also not insurmountable, assuming Israel's continues to purchase the same value of equipment from the US or from Israeli industries.

Of course, the resources required to meet Israel's security needs are currently extremely high. By consistently spending over 4% of its GDP on defense (6.5% in 2024), Israel bears a heavy financial defense burden that few modern democracies are willing to carry. As well, the grant framework, while assisting Israel greatly, has also created entrenched dependencies on the US within the IDF force build-up plans. It will take significant effort to disengage from these dependencies. The original (pre-October 7 war) 2023 defense budget was 63 billion NIS, placing the FMF at around 18% of the total amount. The updated 2024 defense budget is 117 billion NIS, placing the FMF at around 11% of the total funds.

Therefore, in order to make the transition toward independently funding its security needs feasible, Israel must take steps to secure its borders and complete the change in the regional balance of power. The current environment of constant and immediate threats on all sides, and great uncertainty regarding Iran, undermines Israel's ability to take the initiative in transitioning toward independence. Destroying the Iranian 'ring of fire' built up around Israel over the past two decades, alongside additional steps, will change the risk environment and open the door to the necessary transition from patronage to partnership.

In order to achieve this new balance of power, a number of aims must be achieved. These include:

- Dismantling Iran's terror proxy network across the region, including Hamas, Lebanese Hezbollah, Houthis, and others, in a manner that does not allow them to reconstitute themselves.
- Ending the threat of the Iranian nuclear program by eliminating Iran's enrichment infrastructure and other facilities, as well as its accumulated stockpile of enriched uranium.
- Degrading Iran's missile threat by targeting its missile arsenal as well as its missile production capabilities.
- Applying maximum pressure to the Iranian economy by returning to a severe sanctions regime, which will make it difficult for Tehran to rebuild its proxy forces.
- Assisting Iranian dissident groups in their struggle for liberty and an alternative to the current regime.
- Stabilizing and securing Israel's borders by asserting Israeli sovereignty over areas which are essential for its long-term security, including, at a minimum, its eastern border along the Jordan Valley.
- Removing the potential threat of the hostile and corrupt Palestinian Authority, which remains committed to inciting terror, and replacing it with alternative governing structures that will allow for self-rule and prosperity for the Arab population, conditioned on their abandonment of all aspirations to destroy Israel.
- Defunding corrupt international institutions which are biased against Israel and the US, and undermine the sovereignty of independent nations.

The above steps will consolidate Israel's successes in the war that began on October 7, 2023. This will result in a significant change in the regional balance of power, and create a lowered risk environment in which Israel will be able to transition towards becoming a more independent partner of the US. It can also be expected that the more stable security environment in Israel, which will be the result of its achieving decisive victories, will usher in a decade of renewed economic growth in Israel, enabling a further increase in GDP. The constant threat of rocket fire and terrorism into civilian territory undermines foreign investment, and the unprecedented demands on Israel's workforce due to the extensive reserve duty performed by many Israelis over the past year have been a tremendous burden on Israel's economy. But decisive victory will greatly decrease both of these burdens, and allow Israel's economy to spring back and grow in the coming decade.

Completing the change in the regional balance of power that Israel has begun in the past year will also encourage the Gulf states to fully commit to the US-backed camp and avoid hedging their bets with China. This will weaken China's growing influence in the region.

In previous decades, the US had to balance its interest in maintaining its relationship with the Arab world against its interest in supporting Israel. The result of this dynamic was that Israel would make concessions on the gains it achieved on the battlefield, which served to weaken its strategic position, while the US raised aid levels to strengthen Israel's "sense of security," thereby increasing Jerusalem's dependence on American largesse.

It is time to update this model and reverse the equation. Israel must consolidate its battlefield gains to achieve decisive victories over shared enemies in ways that brings it actual security. Doing so will allow it to reduce its dependence on the US FMF grant system while deepening the strategic partnership between the countries and encouraging the historic process of normalization between Israel and the Gulf Arab States.

With this understanding, it is proposed that Israel and the US begin discussing a new MOU that includes the following changes:

- Reduce FMF grants gradually over the decade of 2029-2038 from current levels to zero by the end of that period.

- Maintain current mechanisms which allow Israel to access advanced technologies and hardware (Israel will simply transition to purchasing them with its own funds instead of with FMF).
- Identify fields in which the two countries can expand collaboration in development and production, with mutual investment, such as UAVs, high-energy laser systems, offensive and defensive cyber capabilities, artificial intelligence, missile defense and subsystems for large combat platforms.
- Allow for the possibility of the provision of long-terms loans if necessary to fund the acquisition of certain large platforms.
- Allow for the provision of aid in an emergency situation, if necessary.
- Israel must strengthen independent production capabilities of armaments for air, land and sea systems.

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