

FOUNDATION FOR MIDDLE EAST PEACE



**REPORT: THE UNITED STATES AND
ISRAEL AT A CROSSROADS**

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Summary

Today, the U.S-Israel bilateral relationship stands at a crossroads.

Increasingly the national interests of the two countries – and in particular its current leaders -- are diverging. While the latest crisis is focused on the nuclear talks with Iran, on no issue does this divide have greater long-term implications for U.S. interests in the region than the creation of two states, Israel and Palestine, living side by side in peace and security. For the United States, this is an imperative; for the current Israeli government it is not.

It is increasingly evident that Prime Minister Netanyahu and his right-wing allies are preparing for a one-state future, in which Israel controls the entire territory between the Mediterranean Sea and the Jordan River and the Palestinians are provided a highly attenuated form of “autonomy.” Among Palestinians there is a growing sense of pessimism that their national aspirations will ever be realized and a belief that negotiations with Israel are pointless.

In this report, we argue that this state of affairs will soon create an untenable situation for the United States – caught between its traditional support for Israel and the pursuit of policies by the Israeli government that will leave the U.S. isolated in the Middle East and among the broader international community. This dynamic will only accelerate if Prime Minister Netanyahu is asked to form the next Israeli government after national parliamentary elections in mid-March.

For that reason, the United States must take concerted action to achieve a permanent and realistic two-state solution. That effort must begin soon, with steps that make clear to the Israeli people between now and Election Day, the consequences of maintaining the status quo. A change of leadership in Israel that leads to a government that shares an interest in ending the Arab-Israeli conflict in a fair, secure and equitable manner is very much in America’s direct national security interests.

Based on interviews conducted over the past few years in Jerusalem, Ramallah, Tel Aviv and Washington, as well as a poll commissioned, last month, by the Foundation for Middle East Peace in conjunction with the Israeli firm New Wave Research, we believe that the White House may be pushing against an open door.

Our polling indicates that:

- Israelis overwhelmingly believe that their country depends on U.S. support.
- Fifty percent believe there is a growing crisis in the U.S.-Israel relationship
- Approximately two-thirds say that improving the bilateral relationship will play a role in how they vote

- A plurality agrees that another term as Prime Minister for Netanyahu will see a further deterioration in relations, and that center-left parties are more likely to improve the situation.

There is an opportunity for the United States to sharpen the choice facing Israeli voters – and on two issues in particular, settlements and the peace process.

Our polling found:

- Three-quarters of Israelis say it is important that the party they support in March makes progress in talks with the Palestinians.
 - This includes 60 percent of self-identified center-right voters.
- These numbers represent a significant change from the last Israeli election three years ago, when the diplomatic process was a lesser priority
- A strong majority of Israelis would support the Obama Administration releasing its own framework for a final status agreement.

Such a step by the United States would lend implicit support to parties whom Israelis overwhelmingly believe would be more likely to move forward with negotiations – while also shining a light on the inflexibility of the Netanyahu government.

In addition, while we found that Israelis are generally wary of direct U.S. pressure on Israel, the issue of settlements is an exception.

- Half of those we polled said settlement expansion was undermining Israel's legitimacy and its security.
- Our findings indicate that Israelis are as likely to blame Israel as they are to blame the United States if the latter escalated its criticism of Israel's settlement policies.

Based on our research, we think it is likely that if the U.S. were to support, or abstain from, a UN Security Council Resolution that condemned Israeli settlement expansion, it could have a decisive impact on many persuadable Israeli voters.

Finally, we found little evidence that direct U.S. pressure, if applied carefully, would create a pro-Netanyahu backlash.

- Forty-six percent of centrist voters that we polled said that if the U.S. were to follow the above course of action they'd be more inclined to vote for a centrist or left-wing party – and an equal number said it would have no effect at all.

- Less than 10 percent said it would make them more inclined to vote for a right-wing party.

While the impact of any U.S. effort would likely be limited, even the shift of just a handful seats from right to left could determine who is asked to form the next government.

There are, to be sure, inherent risks for the U.S. in being perceived as interfering in the election of another nation, particularly a close ally. Moreover, while the seating of an Israeli government committed to a workable two-state solution is an important first step toward a final agreement, on its own it is far from sufficient.

Nonetheless, U.S. interests require that the Israeli government be genuinely committed to a two-state solution to the Israeli-Palestinian conflict. The United States should consider taking steps over the next month to make such an outcome possible.

Part 1: The Peace Process Has Broken down

For more than four decades, the United States has played a leading role in the search for a resolution to the Arab-Israeli conflict. Since the 1970's, virtually every U.S. Secretary of State and every U.S. President has pursued a negotiated settlement between Israel and its neighbors. Beginning with Henry Kissinger's Shuttle Diplomacy of 1974-75, continuing through the 1978 Camp David Accords and later the convening of the 1991 Madrid Peace Conference, U.S. officials used a mixture of carrots and sticks to bring the sides together. After the signing of the Oslo Accords in 1993, the U.S. role evolved into that of a facilitator for a negotiating framework hammered out by Israel and the Palestinian Liberation Organization (PLO). While there have been small successes along the way, the conflict remains frustratingly unresolved.

The reason for such direct U.S. involvement is clear: The United States is a close ally of Israel. The two nations share common interests and values, and have a long history of intelligence sharing and security cooperation. Moreover, United States has larger political and security interests in a region that uniformly backs the creation of a Palestinian state. For these reasons – as well as domestic political considerations - resolving the Arab-Israeli conflict is an abiding U.S. foreign policy concern and will remain one for the foreseeable future. However, for that goal to be achieved, it is essential that there is leadership in Israel and Palestine that shares the U.S. policy objective, first stated by President George W. Bush in 2002, of two states, “living side by side in peace and security.”¹

Today, however, the Israeli occupation and the settlement project it sustains are more entrenched than ever. Members of Israel's governing coalition openly oppose the creation of a Palestinian state. The Palestinian national movement remains divided between the Fatah-dominated West Bank and Hamas-ruled Gaza. The peace process, and the United States' role in it, has reached a crossroads in which, barring major political changes within both Israeli and Palestinian societies, there is little reason for optimism.

There is both little prospect for a breakthrough, and little chance of actual face-to-face talks between Palestinian Authority President Mahmoud Abbas and Israeli Prime Minister Benjamin Netanyahu. This view comes from a series of interviews conducted over the past year in Jerusalem, Ramallah, and Tel Aviv, and follow-up talks with U.S., Palestinian and Israeli officials and analysts.

The “era of negotiations is over” one high-ranking Palestinian official said to us. A U.S. official bluntly stated, “There is not a Palestinian alive who believes that there is any hope for political negotiation with Netanyahu and this government. It's all been exhausted.” Netanyahu's statement this summer that “there cannot be a situation, under any agreement, in which we relinquish security control of the territory west of the River Jordan” confirmed long-standing speculation about his lack of genuine commitment to the creation of a Palestinian state – or at least any “state” that deserves that name.² Even if this speculation is wrong, there is little

reason to believe that the current Israeli government, or one that is similarly right-wing, would be willing to seriously consider the compromises that will be necessary to reach a final agreement.

For that reason, America must take concerted action to achieve a permanent and realistic two-state solution – and that effort must begin soon, with steps that make clear to the Israeli people the consequences of maintaining the status quo. While both sides have taken steps that are counterproductive to the achievement of a final agreement, it is our view that the greatest impediment to peace today is in Jerusalem. Without changes in Israel’s leadership the status quo will continue with negative repercussions for the United States, Israel, the Palestinians, and the region.

While the Palestinian leadership would likely be willing to sit down with an Israeli government that is genuinely interested in achieving a realistic and workable final status agreement, this does not mean that a change in leadership in Israel is a panacea. The election of a genuinely pro-peace government in Israel is a necessary but not sufficient condition for a final agreement. The level of mistrust on both sides is so high that bridging gaps will prove extremely difficult. Moreover, while Israel deserves the greater share of blame for the failure of recent peace negotiations, as Secretary of State Kerry has made clear, the Palestinians are far from blameless. The decision, for example, by President Abbas to not engage with the United States over its proposed framework agreement for final status negotiations was a critical missed opportunity to test Israeli intentions.³ The continuing inability of the two main Palestinian factions – Fatah and Hamas – to end their political division raises questions about the moderate Palestinian leadership’s ability to deliver on any final agreement. And President Abbas’ occasionally inflammatory rhetoric, while perhaps understandable in a domestic context, does not reassure Israelis who have doubts about his commitment to a peaceful resolution.

Nonetheless, at this point, without a change of leadership in Israel, the potential for a peaceful resolution to the conflict is simply not in the offing. Instead all sides will need to begin preparing for an uncertain and unstable future; one in which Palestinians will exercise every lever at their disposal to alter an intolerable status quo, and Israel will seek to make permanent its nearly 48-year old occupation of the West Bank.

The United States will be placed in an increasingly difficult diplomatic situation.

The U.S. is the world’s most steadfast and powerful supporter of Israel. That will not change any time soon. But the absence of not just peace, but of an actual peace process, will bring considerable challenges for the U.S. Without the latter, the U.S. will come under increased pressure to defend Israel in international fora and provide diplomatic and military support for Israel at the same time that Israeli leaders implement policies that run contrary to America’s stated positions and undercut its interests in the region. This will undermine America’s relationships with key allies in the region and elsewhere, particularly Europe. The U.S. will also be increasingly isolated in key multilateral institutions.

In the past, the United States could point to ongoing negotiations as a reason to oppose Palestinian efforts to pressure Israel via international fora. With an Israeli government openly hostile to a Palestinian state (as the current one is) this will become more difficult.

If, for example, Israel continues its settlement expansion and the Palestinians move forward with efforts to increase diplomatic pressure on Israel, this will put the United States in an untenable position. If Prime Minister Netanyahu is re-elected and he forms a far right political coalition this dynamic will be reinforced. He is far from the only member of the Israeli government who has dismissed the possibility of territorial compromise. According to the current Defense Minister Moshe Ya'alon, "Only our continued presence in Judea and Samaria and the River Jordan will ensure that Ben-Gurion Airport and Netanya don't become targets for rockets from every direction."⁴ Naftali Bennett, leader of the Jewish Home Party which is expected to be the third largest in the Knesset after the upcoming elections – meaning Bennett will likely garner a major Cabinet post in the new government – says, "The idea of forming a Palestinian state in Israel has reached a dead end. There is a shift from seeking a solution to the problem to finding a situation that we can live with."⁵ These leaders will continue to demand that Netanyahu move forward with settlement expansion in the West Bank – and will likely resist any effort to restart a meaningful diplomatic process with the Palestinians.

Regional hostility toward Israel and its U.S. patron will not simply dissipate upon the end of Israel's occupation and the creation of a Palestinian state. Quite clearly, there are challenges in the Middle East that run far deeper than those between Israel and the Palestinians. But by sealing up one of the major wells of resentment from which demagogues and extremists have drawn for decades, securing a resolution to the Israeli-Palestinian conflict will make it easier to address those problems.

It will also open the door to new potential alliances among America's regional allies and partners. In a 2013 interview, General James Mattis, former head of U.S. Central Command (CENTCOM), explained his support for Secretary of State Kerry's efforts to restart Israeli-Palestinian negotiations this way: "I paid a military security price every day as a commander of CENTCOM because the Americans were seen as biased in support of Israel. All the moderate Arabs who want to be with us... can't come out publicly in support of people who don't show respect for the Arab Palestinians."⁶ These views echo those of previous CENTCOM chiefs.⁷

Israeli leaders are also aware of the ceiling that the conflict places on their own regional alliances. "We don't have border conflicts with Egypt and Jordan, but this is a cold peace," former Foreign Minister Tzipi Livni told the 2011 Herzliya Security Conference, "It is a cold peace because of the linkage between the conflict and our relationship with these countries... These governments have had to cope with hostile public opinion because of the conflict."⁸

Thus it is incumbent upon U.S. policymakers to seek ways to influence Israeli public opinion in order to create a partner in Israel that fully shares an interest in ending the Arab-Israeli conflict in a fair, secure and equitable manner. Based on our reporting, merely uttering tough talk about Israel's policies – and its leaders – will not suffice. As one Israeli political analyst said to

us, U.S. officials need to “shock and awe” the Israeli public. U.S. leaders must take this course of action because, based on America’s own stated support for a two-state solution and its oft-stated argument that resolving the conflict can create the framework for a broader peace, America’s national security interests and values demand it.

Polling commissioned by the Foundation for Middle East Peace and conducted by New Wave Research in Israel strongly indicates that the United States can have an impact in shifting Israeli public opinion between now and the March 17th election. But it must tread carefully.

For example:

- Israelis strongly believe that Israel depends on U.S. support (94 percent of those polled in total. Sixty-three percent of all respondents said Israel depends “a great deal” on the US);
- Fifty-seven percent of Jewish Israelis believe there is a crisis in U.S.-Israel relations (50 percent of all Israelis, Jewish and Arab believe this);
 - Approximately half the Israeli public believes America could face increasing isolation because of its relationship with Israel and, as a result, could stop being as supportive of Israel as it has been historically.
- Sixty-five percent say that improving the U.S.-Israel bilateral relationship will play a role in how they vote;
 - The Zionist Camp (Labor and Hatnua coalition) is generally seen as the party most likely to improve U.S.-Israel relations.

However, Israelis are likely to judge the U.S. harshly if aggressive steps are taken to isolate Israel diplomatically or punish Israel directly – with two major exceptions, the peace process and settlements.

- Three-quarters of Israelis say it is important that the party they support re-start the diplomatic process with the Palestinians – including 60 percent of self-identified moderate right-wing voters and a near consensus on the center and left.
- A strong majority of Israelis would support an effort by the U.S. to put forward a framework for a final status agreement.
- Other public opinion polling, strongly suggests that a framework based on a return to the 1967 lines with land swaps, recognition of Israel by the Arab world, mutual recognition of two states for two peoples, withdrawal from some settlements (primarily those outside the large settlement blocs), no significant right of return for

Palestinian refugees and an agreement to divide Jerusalem would likely receive the support of a majority of Israelis.

- A December 2014 Truman Institute poll still shows that 50 percent of Israelis would accept a “permanent settlement package along the Clinton parameters and the Geneva Initiative” – though this number is on a downward trajectory. However, as one political analyst said to us, “the iron rule of public opinion on Israel-Palestinian peace agreements is the whole is always greater than parts. A whole package inevitably receives higher support than the lowest-ranked line item, i.e., large portions will always reject dividing Jerusalem and refugee clauses, but still a majority usually supports the whole package.”⁹

According to our polling Israelis also believe that continued settlement expansion has a negative impact on relations with the United States.

- Israelis are as likely to blame Israel as they would the United States if the latter criticized Israel’s settlement policies. This was the only issue on which Israelis were more evenly divided about whether this made them more critical of the US, or of Israel itself.

Finally, our polling identified a notable ideological divide among Israelis. Centrist voters almost uniformly share the positions of leftist voters – though not at the same percentages. In an election in which centrist voters will likely determine the winner, our polling found that these self-defined centrist voters were unlikely to be pushed to the right by U.S. pressure. If anything the opposite appears to be the case – they say they would be slightly more inclined to support a center or left party.

There are inherent risks in the U.S. being seen as interfering in the domestic politics of another nation, but in the history of U.S.-Israel relations this is hardly unprecedented. In 1996 and 1999, U.S. officials including President Bill Clinton provided direct political advice – and took diplomatic measures -- to bolster preferred Israeli leaders. U.S. officials have regularly offered support for preferred candidates in elections – Russia in 1991 and Serbia in the late-90s, for example. Moreover, in recent years Israeli leaders have directly tried to influence American public opinion – Prime Minister’s Netanyahu’s planned March 3rd speech to Congress opposing a nuclear deal with Iran being the latest and most blatant example.

With so much to lose from an election result that maintains the status quo, the U.S. must take steps to influence Israeli public opinion, even if these measures are only taken around the margins. U.S. interests require that the Israeli government be genuinely committed to a two-state solution to the Israeli-Palestinian conflict and be willing to take the necessary steps to achieve that outcome.

Part 2: A Relationship in Crisis

That there are tensions in the U.S.-Israel relationship will come as no surprise to anyone who follows the issue closely. Based on our conversations with U.S. officials there is within the Obama Administration – and the U.S. diplomatic corps - little affection, and at times outright hostility toward the current Israeli government in general and to Prime Minister Netanyahu in particular.

From Prime Minister Netanyahu's refusal to abide by a U.S. request for a settlement freeze in 2009, to and his infamous "history lesson" to Obama in the Oval Office in 2011 on the security challenges facing Israel to his near endorsement of Obama's 2012 Republican presidential opponent Mitt Romney – not to mention numerous statements from members of his government criticizing Secretary Kerry's peace efforts –the relationship has been more rancorous than at any time in recent memory. Tensions in the relationship were exacerbated by Prime Minister Netanyahu's announcement last month that he'd accepted an invitation from House Speaker John Boehner to address a joint session of Congress –to speak in favor of Iran sanctions legislation opposed by the Obama Administration.

Our conversations with Israeli officials indicated a commensurate lack of friendliness for top U.S. leaders, in particular President Obama and Secretary of State Kerry. While there is broad recognition and appreciation for the extent to which security and intelligence cooperation has deepened under the Obama Administration, many Israeli officials expressed particular frustration to us about the U.S. decision not to follow through on threats to militarily attack Syria for its use of chemical weapons in 2013. While the U.S. was able to coerce Syria into giving up its entire stockpile of chemical weapons, the dominant view among Israelis was that a failure to use force was viewed in the region as a sign of weakness, particularly in Tehran.

The personal antipathy toward Obama is palpable. A right-wing Israeli Knesset Member insisted to us that a recent proposal by the European Union to boycott Israeli ministers who don't accept a two-state solution was instigated by Obama himself.

Negative perceptions of the president are widely shared by the electorate. In our poll a full 63 percent of all Israelis and 70 percent of Jewish Israelis believe that a new president – either Democrat or Republican – would make for a better U.S.-Israel relationship. Netanyahu fares little better – only 18 percent of Israelis expect him to improve relations if he is re-elected. Nearly twice as many believe relations will get worse if he remains in office.

This tension is clearly seeping into the larger bilateral relationship.

Since the breakdown of the Kerry-led peace talks, there has been a deepening chill in U.S.-Israel relations. In the spring, during a closed door, off the record speech Secretary Kerry used the word "apartheid" to describe Israel's future if a deal is not reached with the Palestinians (an

argument that has since been echoed even by Israeli Foreign Minister Avigdor Lieberman¹⁰). Strikingly, Kerry refused to apologize or take back his comments. While noting that he likely should have used a different word, he steadfastly stuck by his view that Israel is facing a dark, un-democratic future.¹¹

When members of the Kerry team spoke, off the record, to Israeli journalist Nahum Barnea about the failure of the Secretary of State's peace initiative last spring they placed the lion's share of blame on Israel, particularly on its settlement policies. "There are a lot of reasons for the peace effort's failure," reported Barnea, "but people in Israel shouldn't ignore the bitter truth - the primary sabotage came from the settlements." Kerry himself later confirmed this view in testimony to Congress.¹²

Israelis themselves hold few illusions about this. Based on our polling, fully half of Israelis recognize that the settlement policy is damaging to Israel. They agree that there is a linkage between the growth of settlements and international isolation, and is thus damaging to Israel's long-term security.

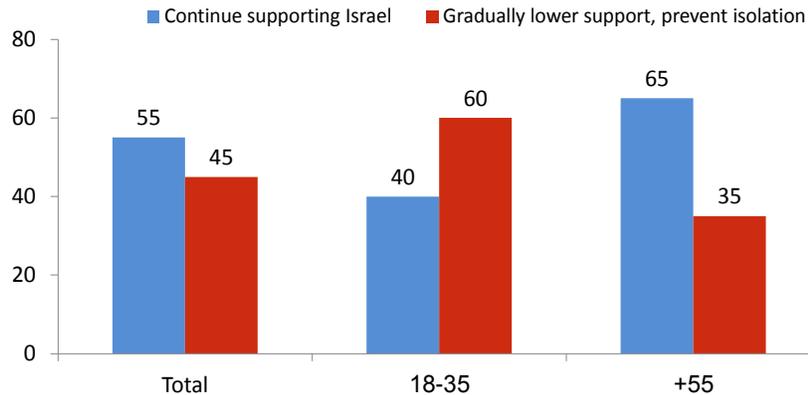
After the U.S. and its partners in the P5+1 signed an interim nuclear deal with Iran in the fall of 2013 the relationship took a further turn for the worse. The Obama Administration was furious at Israel's highly public efforts to torpedo the agreement, a key item on the president's foreign policy agenda. Of particular note was the push in Congress (supported strongly by the powerful American Israel Public Affairs Committee) for passage of new sanctions legislation against Iran, which would have violated the terms of the interim agreement and potentially destroyed any chance at a final deal. This divergence of views is due, in large measure, to Prime Minister Netanyahu's refusal to countenance any compromise with Iran that would allow the country to maintain a domestic nuclear enrichment capacity that could potentially leave it with a path to a nuclear weapon. This public spat provides compelling evidence that both countries are increasingly moving in different directions when it comes to defining their interests in the region.

Israel wants to continue containing Iran. The United States, on the other hand, appears to be focused on taking the threat of Iran's nuclear program off the table – and inducing Iran to play a less destabilizing role in the region – in the hopes that this would enable the U.S. to reduce its political and military footprint. There is a growing and palpable sense in the Israeli security community that the U.S. is less engaged in the region and that this is to the detriment of Israeli interests.

According to our polling almost half of those surveyed believe America may face increasing isolation because of its close ties to Israel, and that such a situation could undermine U.S. support in general. Our survey also found that young people are more likely to see a decline in U.S. support for Israel, while older Israelis are more confident that the relationship will remain largely the same.

Divided about continued US support

If US is increasingly alone due to its strong support for Israel – what will it do? (% by age)



We believe it is unlikely that the gap between the U.S. and Israel will be minimized in the near future, particularly if Israelis return Netanyahu to power. Indeed, as international pressure on Israel increases, it will almost certainly place even greater strains on the U.S.-Israel relationship.

Part 3: Israel's Growing Isolation

There is a widely held view among Israelis that the current status quo – while far from perfect – is better than the alternative of a peace agreement with the Palestinians. Indeed, Israelis continue to express support for a two state solution (around 60-70 percent support) and negotiations with the Palestinians (63 percent), but don't believe it will happen. A super-majority of 70 percent say that talks will not lead to an agreement, and 64 percent do not see Palestinian President Abbas as a partner for peace.¹³

The problem for Israelis – and one that is increasingly re-shaping the nation's politics – is the belief that the status quo can be continued . . . until it cannot. The U.S.-Israel relationship may be unchanged going forward. Palestinian efforts to pressure Israel in international fora could fail and there may be no ramping up of economic sanctions by European companies. While many governments may take a negative view of Israel's settlement policies there is an open question as to how aggressively, and how soon, they will want to punish Israel. In addition, it is widely-recognized that the process of economic leverage could take many years to effect real change. Interestingly, when we spoke to Israeli analysts in February 2014, several were skeptical about the EU's willingness to take steps to isolate Israel. By November, there was far less skepticism – and greater concern.¹⁴

According to a leaked internal paper highlighted in the English-language Israeli news site, Ynet, Israel's Foreign Ministry is concerned about growing European efforts to penalize Israel, including "moves to mark settlement products; stop the supply of replacement parts; debates on sanctions against Israel; demands for compensation for damage caused by Israel to European projects in the Palestinian territories; European activity in Area C, under Israeli rule; and more." The document notes, "The Europeans are creating a clear connection between diplomatic relations and economic ones [and] in this context, it is important to note that Europe is Israel's main trading partner."¹⁵

Britain, Belgium and Spain have, in recent years, stopped certain weapons shipments to Israel out of concern that they could be used in violation of international law. Leading banks and investment funds in Denmark, Norway, and the Netherlands have halted cooperation with Israeli financial institutions that do business in the territories. Companies in Germany and the Netherlands have cancelled critical infrastructure projects. The Foreign Ministry report expressed concern that these efforts would escalate in the year to come.¹⁶

With regard to U.S. support, the report says, "American influence is successful, at present, in delaying practical decisions until after the elections in Israel. But in the wake of the systematic Palestinian policy to move the conflict to the UN arena, there's no guarantee the U.S. will continue using its veto rights after elections."

In addition to these diplomatic moves, the issue of Palestinian statehood is on the public agenda in a way that it has not been in the recent past. With the burgeoning international boycott, divestment, and sanctions (BDS) movement, which is generating growing calls for boycotts against Israel in Europe and the United States, Israel's isolation is likely to grow.

Israel's political leaders are expressing concern about precisely this outcome. According to Moshe Kahlon, the head of the new centrist Kulanu party, "genuine friends of Israel are distancing themselves, and Israel's place in the world is not like it was in the past." Even hawkish Foreign Minister Avigdor Lieberman has begun making the argument that a diplomatic agreement with the Palestinians is essential in order to avoid growing alienation from the E.U. and the United States.¹⁷

It is a point also made regularly by Tzipi Livni and Isaac Herzog, the co-leaders of the Zionist Camp that is currently running neck-and-neck with Netanyahu's Likud Party in public opinion polling. Herzog recently upbraided Netanyahu for the planned visit to Congress, and endangering vital U.S. presidential support for Israel.¹⁸

Former Finance Minister Yair Lapid, who was fired by Netanyahu in early December 2014 (which led the way to elections in March), has also criticized the Prime Minister for undermining the U.S.-Israel relationship, "You caused an ongoing severe damage to the strategic alliance between Israel and the U.S.," said Lapid. "Senators call me to find out about your patronizing and disparaging treatment of our best friend in the world, whose relationship with us is our greatest security asset. Go explain to them that you're so disconnected that you

think America is stuck in the '80s. At one point, you understood America, but America has changed, and you are disconnected.”¹⁹

Such comments reflect changing public attitudes about the nature of the U.S.-Israel relationship. In a recent survey conducted for the U.S. lobbying group J Street, 60 percent of Israelis said Netanyahu had damaged U.S.-Israel relations.²⁰

In a speech a year ago at the Israeli Institute for National Security Studies, Lapid offered the most far-reaching examination, by an Israeli leader, of the potential consequences of greater economic isolation for Israel:

“If ... we enter the reality of a European boycott, even a partial one, the Israeli economy will retreat, every Israeli citizen will be hit directly in his pocket, the cost of living will rise, budgets for education, health, welfare and security will be cut, and many international markets will be closed to us.”

“Thirty-three percent of Israeli trade is with the European Union. If there is no political settlement and we enter a scenario where our economy drops 20 percent in exports to the EU, the impact on the GDP would be 11 billion shekels annually, and 9,800 employees will be laid off immediately.”

“These figures would dramatically bump up the cost of living that is already expensive here and threatens Israeli society and the Israeli middle class.” It will also raise the price of food, cars, transportation, telecommunications, electricity, and of course cut budgets for education, welfare, health and defense.”

Lapid, citing a Finance Ministry analysis claims that a peace deal could save Israel NIS 20 billion (about \$5.2 billion) in annual spending and boost exports by NIS 16 billion (about \$4.1 billion).²¹

While it’s unrealistic to expect the U.S. to implement similar steps, referencing these E.U. measures could be a way for the U.S. to help sharpen the choice for Israeli voters, and should be a focus of U.S. messaging. For decades, Israel has faced few consequences for deepening the occupation of East Jerusalem and the West Bank and expanding settlements. As a result, successive Israeli governments have seen little reason to cease these policies and Israeli voters have had little reason to be concerned with electing governments who carry them out.

By making those costs clearer the E.U. could play an important role in clarifying the options for Israeli voters: An Israeli government that ceases settlement expansion and works to end the occupation will enjoy a closer and more fruitful relationship with Europe. One that continues to consolidate the occupation and expand settlements will face increasing isolation and de-legitimization.

As Israelis select their next government, they should be encouraged to carefully consider the ramifications of their choice.

Part 4: A Newly-Aggressive Palestinian Diplomatic Effort

What makes the current situation particularly challenging for both Israel and the United States is that the Palestinians, having become increasingly disillusioned with the U.S.-dominated bilateral track, are now attempting to advance their goals via international fora like the United Nations and the International Criminal Court. They are also joining a variety of international treaties and conventions and enhancing their new status as a Non-Member Observer State in the United Nations. As President Obama and Secretary Kerry have made clear at various points over the past year, it will become harder for the U.S. to offer diplomatic support for Israel, particularly with regard to policies such as settlements that run counter to stated U.S. interests and international law. The challenge for the United States will come in deciding where to draw the line on supporting Israel or allowing Israel to face the consequences of its policy decisions.

Last February, in our talks with Palestinian officials and members of civil society there was little enthusiasm for the Kerry talks. The general sense was that the talks would fail and the Palestinians would, as usual, be blamed. There was recognition, however, that Abbas had slightly more flexibility because of the weakened position of Hamas.

Since the signing of the Oslo Accords in 1993, rejectionists on both sides have consistently undermined the peace process. In this regard, Hamas has been one of the most effective spoilers. Attacks in 1994 on civilian targets in Israel convinced skittish Israeli political leaders to slow down the peace process – thus playing into the terrorist’s hands. A wave of bombings in 1995 helped to swing parliamentary elections to the right-wing Likud that year (1996). Hamas’ campaign of violence during the Second Intifada (2000-2005), which was joined by elements of Fatah, convinced a generation of Israelis that the Palestinians were not serious about peace.

Before this summer’s Gaza War, Hamas was at its weakest point in decades and certainly its weakest since it took over control of Gaza in 2007. Its relationship with the Assad regime was harmed by Syria’s brutal efforts to end that nation’s civil war. This also undermined Hamas’s relationship with Iran. The fall of the Muslim Brotherhood government in Egypt cost the group a key ally and replaced it with one that is hostile to Hamas and Islamist groups in general. The Sisi government’s destruction of the vast network of smuggling tunnels on Gaza’s border with Egypt had removed a vital source of tax revenue, leaving Hamas in a fiscal crisis. As a result the group’s public approval among Palestinians had declined dramatically, as had support for violent resistance to the Israeli occupation.²²

The Gaza War changed that dynamic, giving Hamas a temporary political boost and increasing pressure on Abbas to more directly confront Israel. The decision in April 2014 to join 15 international institutions, and to join the International Criminal Court in January 2015 while pursuing recognition of Palestinian statehood at the United Nations is indicative of this more

confrontational position from Abbas. It is also a reflection of his desperation to show the Palestinian people that non-violence and diplomacy can bring results, even if only symbolic ones.

There is a pervasive sense of hopelessness among the Palestinian people – one that was bolstered by the failure of the Kerry talks and the war in Gaza. A number of individuals we spoke with stated flatly and without ambiguity that the two-state solution is dead. Abbas may be the last Palestinian leader inclined, or able, to make a deal with Israel. Once he passes from the scene, the dynamic among Palestinians on the question of negotiations may shift dramatically and unalterably.

Among Palestinian we spoke to in the West Bank, there is little confidence that the current situation is going to change. Some said that the occupation has become so entrenched that Palestinians have acclimated themselves to its permanent presence. Many younger Palestinians have dismissed the two-state concept altogether, and now see their struggle purely in human and civil rights terms. One diplomat we spoke with said that this is “the most frustrating time ever” in the West Bank.

Public opinion polls bear this out. According to the most recent polling from the Palestinian Center for Policy and Survey Research (PCPSR), 48 percent of Palestinians support the two-state solution -- a five point drop from polling done a year ago. More worrisome is the fact that only 38 percent support -- and 60 percent oppose -- a settlement along the lines of the Clinton Parameters and the Geneva Initiative. In December, 46 percent of Palestinians were supportive. After nearly 47 years of occupation and more than 20 years since the Oslo Accords, Palestinians are deeply pessimistic that any positive outcome can be reached. Fifty-eight percent believe that the two-state solution is no longer practical due to settlement expansion and 42 percent believe that armed resistance is a more effective means for establishing a Palestinian state with 26 percent backing negotiation and 28 percent support non-violent approaches.²³

The undercurrent of frustration in Palestinian society is forcing the moderate Palestinian leadership to embrace diplomatic pressure as the only means toward changing the status quo. Paradoxically, the more widely held this view becomes-- and the more Israeli isolation continues – the more Palestinian intransigence may increase, based on a belief that gains can be accomplished as much through pressure on Israel as through painful concessions by the Palestinians.

Part 5: A Silver Lining?

While the current situation between Israel and the Palestinians is dire, it is not hopeless. Polling shows that majorities of Israelis and Palestinians continue to support a two-state solution and, under the right circumstances and with the right leadership, would be inclined to make concessions necessary for an agreement.

There is today, and has been for some time, strong support among Israelis for a two-state solution. A December 2013 poll from the Truman Research Institute found 63 percent of Israelis back the creation of a Palestinian state.²⁴

According to another older poll conducted by the Israeli think tank Molad, “The Israeli public supports a peace agreement based on the expected parameters, including the evacuation of some 100,000 settlers who live outside the settlement blocs, a limited right of return for Palestinian refugees, and the division of Jerusalem . . . A clear majority of Yesh Atid voters support such an agreement, and a surprising majority among Likud-Beiteinu voters would be willing to evacuate settlements.”²⁵

Our own polling revealed that 74 percent of Israelis think it is important for the party they support in March to make a priority out of the diplomatic process with the Palestinians. Among left wing voters, 94 percent consider this important. Eighty-three percent of centrist voters concur.

Indeed, the issue of negotiations between Israel and the Palestinians is, according to our polling, tied for third place in terms of public priorities, behind socio-economic concerns. This represents a shift from polling in the recent past, which placed the issue significantly lower on the public agenda.²⁶ Moreover, the peace process remains the main dividing line between the right and the center-left in Israel. Contrary to conventional wisdom, Israeli society is not overwhelmingly right wing; in fact, the right and the center-left bloc (since the latter two think very similarly on these issues) constitute nearly equal portions of the population.

This data suggests that if Israelis are presented with a comprehensive deal that strongly takes into account Israel’s legitimate security concerns they are likely to put aside narrow concerns over single issues and embrace the agreement. In general, years of polling on the peace process indicate that Israelis consistently support a whole package based on standard two-state parameters, at higher rates than they support certain sensitive items (mainly Jerusalem and the Palestinian refugee arrangements). In our discussions with Israelis there was broad consensus that a referendum on a peace agreement that ended all claims would receive between 60 and 70 percent support of voters. In 2011, the first-ever “two-state caucus” was created in the Israeli Knesset.²⁷ There is today in the Knesset a sizable majority of members (perhaps 80 to 90 out of 120) who would likely support a comprehensive two-state deal that took into account Israeli’s security concerns.²⁸

Part 6: Options for the United States

The combination of growing public concern over Israel's isolation and the fraying bilateral relationship with the United States provides a window of opportunity for U.S. policymakers to influence Israeli public opinion between now and the March 17th election.

One point should be noted: Our polling was done *before* the recent diplomatic imbroglio over Prime Minister Netanyahu's decision to accept an invitation to address a joint session of Congress. The overwhelmingly negative reaction in both Israel and Washington to Netanyahu's move has created even more opportunity for the Obama Administration, particularly as elite opinion in the United States has been highly critical of Netanyahu. President Obama would now likely face less criticism than might have been the case in the past if his administration was publicly critical of Israel and if he appeared to be taking steps intended to influence the Israeli electorate. More important, however, is the growing concern in Israel over the bilateral relationship – one that has been heightened by Netanyahu's congressional gambit.

As noted earlier, nearly two-thirds (65 percent) of Israelis say it is important that the party they support in the elections work to improve U.S.-Israel relations. Approximately 80 percent of center and left voters as well as 57 percent of right-wing voters say it is important. Concern among Israelis is real. Still, that apprehension is tempered by a quite reasonable sensitivity among Israelis to outside pressure.

This raises the question of what specific steps would influence Israeli public opinion. We polled a number of possibilities. These included:

- America keeps quiet when Europe and the international community condemn Israel's settlement policy in the West Bank;
- America decides not to veto a United Nations resolution recognizing Palestinian statehood;
- America begins marking products it imports from Israel to distinguish those that are made in the West Bank from those made inside Israel/the Green Line;
- America decides to limit the number of annual visas given to Israelis who wish to visit, as a means to pressure Israel to change settlement policies.

Israelis reported that they would be more critical of the United States than of Israel if Washington took any of these steps.

- There is again a clear ideological divide. The left is at best evenly divided in criticizing Israel or the United States. Among the center, a plurality blames the U.S. (up to twice as

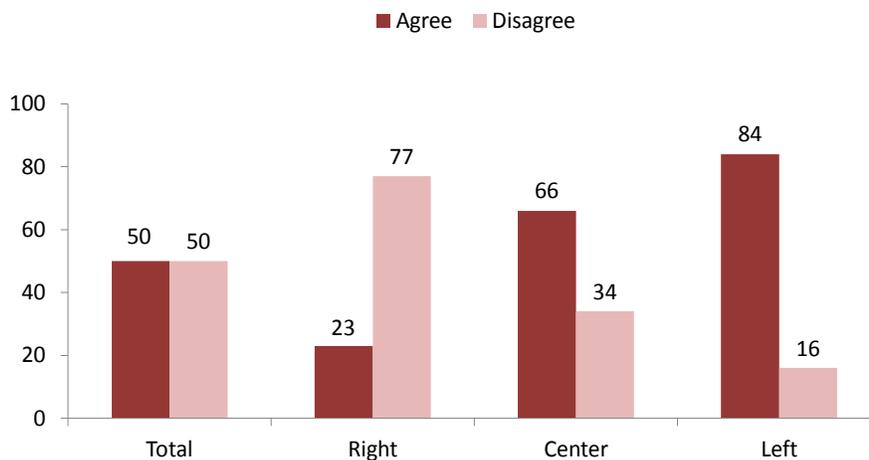
many as those critical of Israel) and among the right, a near-consensus criticizes the United States.

- It should not be surprising that the majority of the public resents U.S. action against Israeli policy. This is the very meaning of “shock and awe,” and even if the long-term effect might be that of bitter medicine that works, the impact on electoral dynamics could easily become more dramatic than even our poll indicates.

A major exception, however, was settlements. As noted earlier, large majorities of self-identified center and left voters agree that settlements harm Israel’s legitimacy and its security. Just under a quarter of right-wing voters agree.

Settlement expansion hurts Israel’s legitimacy, security

Agree or disagree? (% by ideology)



Undecided voters are split on the question, which indicates that half are open to the argument that Israel must change course on settlement construction.

The divide is even clearer when looking at vote intention:

- Seventy-three percent of Yesh Atid voters believe settlements are damaging Israel;
- Eighty-five percent of intended Zionist Camp (Herzog and Livni’s party) agree;
- Even among those who intend to vote for the center-right Kulanu party, half agree that settlements are damaging.

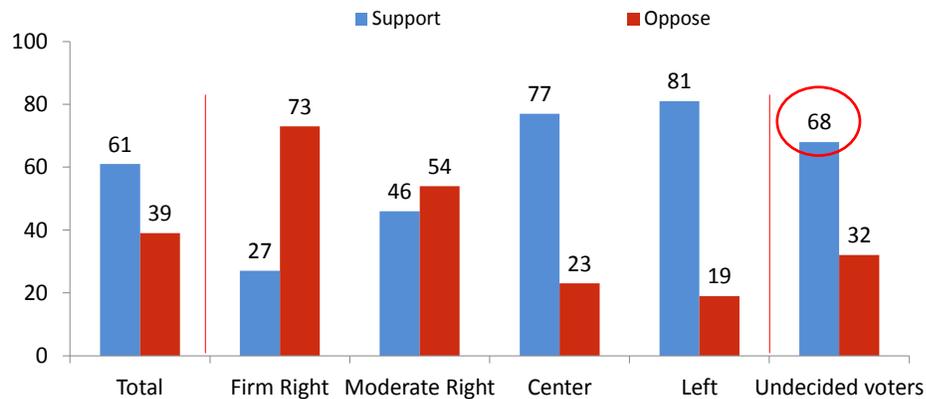
Among those who share the view that settlements are harmful to Israel, the clear majority indicate that if America were to state in strong language that one of its goals is to prevent settlement expansion they would become even more critical of Israel – not the United States. Undecided voters are once again split evenly on this issue. Even one-fifth of intended Likud voters would be more critical of Israel.

Our polling suggested that when the U.S. and Israel get into a public spat over settlement expansion, Israelis are inclined to view U.S. frustration as legitimate – and are inclined to hold their own leaders responsible for taking steps that enflame the bilateral relationship.

Our polling also indicates that a U.S. carrot could potentially be effective in shifting Israeli public opinion – namely a U.S. framework proposal for ending the conflict.

Majority support for US peace plan

US proposes a framework for a peace agreement – do you support or oppose? (% by ideology)



- As noted earlier, three-quarters (75 percent) of Israelis say it is important for them to support a party that will re-start the peace process; and a majority believes the Zionist Camp is the party most likely to do that. So a U.S. effort to push a peace framework could lend implicit support to the center-left, without seeming to be interfering with Israel's internal politics.
- Very strong majorities on the center and left support the introduction of a U.S. plan (77 percent and 80 percent, respectively); even one-third of right-wing voters would back such an initiative. When the right is broken down into firm and moderate right voters, nearly half of the moderates are in favor.

- Among undecided voters this group behaves more like the center than the left, and favors such a plan at a slightly higher rate than the total population.

An American plan could also serve to reassure Israelis that any potential permanent agreement would not force unacceptable compromises on them. This could be especially important to centrist and moderate right voters who are concerned that a center left party might give away too much in a potential negotiation.

There is, however, limited evidence that U.S. pressure could shift the votes of substantial numbers of Israelis.

- For example, when asked about the impact of potential U.S. measures 46 percent of centrist voters said they would make them more inclined to vote for a centrist or left-wing party.
- Approximately the same percentage said it would have no impact on their vote. Only 8 percent said it could move them to the right.

Granted these are relatively small numbers, but in a close election even a shift of a few percentage points could determine who is asked to form the next government. What is perhaps of greatest importance for U.S. officials, however, is that the polling evidence suggests that U.S. pressure – if applied judiciously - would not have a serious backlash effect.

This is still a gamble, but probably the most cautious and realistic option for the United States. In the end, it is a political risk worth taking.

Part 7: Recommendations

Therefore, the U.S. government could take the following steps to further its own national security interests in the Middle East:

1. Make clear that while the United States remains committed to Israel's genuine security requirements and right to defend itself, it will cease to expend significant diplomatic capital to protect Israel from international actions against Israeli policies that are contrary to U.S. positions, such as settlement expansion.
2. Once again publicly refer to settlements as "illegal" rather than the current "illegitimate." While the final disposition of the settlements will be determined by negotiations, until that time it remains the view of the U.S. State Department that they are a violation of the Fourth Geneva Convention, and this should be stated clearly by U.S. spokespersons.

3. Offer support for a United Nations Security Council resolution that condemns Israel's policy of settlement construction, particularly those outside the major settlement blocs.
4. Work with its partners to produce a UN Security Council resolution setting clear terms of reference for negotiations, similar to those articulated by President Obama himself in his May 2011 speech at the State Department.
5. Announce plans to more closely scrutinize the tax-exempt status of U.S. organizations that support the settlement enterprise in East Jerusalem and the West Bank to ensure that these activities do not violate U.S. laws and guidelines for charitable contributions and tax-exempt purposes.
6. Publicly present the framework of a final status agreement that would lead to the creation of two states for two peoples along the lines of the Clinton Parameters. This framework would take into account Israel's legitimate security concerns and would include recognition of Israel by the Arab League, per the Arab Peace Initiative.

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