Israel must spend more on defense – and rethink its US alliance

written by David M. Weinberg | 30.08.2026

The Knesset will be asked over the coming month, meeting in special recess session, to vote on expansion of the defense budget for urgent IDF weapons procurement from NIS 70 billion to NIS 90b. (a rise from $20b. to $25b.).

This will push the annual defense budget to NIS 184b. (approximately $61b.). Israel's long-term military buildup plan has grown by about NIS 50b. ($17b.) in just one year. And over the next decade, the military budget is expected to double yet still.

There is currently no identified full funding source for these enormous defense expenses. Ultimately, Israel will have to cut the budget of other ministries and impose new taxes.

There is no choice. The war with Iran and its proxies is far from over. In fact, 2027 is shaping up as a year of continued military conflict on all fronts – against Iran, Hamas, Hezbollah, and the Houthis.

Only God knows what kind of instability Israel may yet have to overcome on its eastern border, and the West Bank is unsettled too. Turkey is threatening Israel as well.

This is the overall security scenario Israel needs to be prepared for, under whatever government is elected in Jerusalem this fall.

Therefore, Israelis will need to dig their hands deeper than ever into their own pockets, especially since Israel must transition toward a more independent military industrial posture.

How Israel's defense policies left the Jewish state unaware

Remember: Israel was caught flat-footed in 2023 by Hamas because of two decades of military downsizing and mistaken defense policies.

In 2013, then IDF chief of staff Lt.-Gen. Benny Gantz promulgated a misguided multiyear plan that accepted a significant decrease in funding to the IDF and shifted priorities away from the ground forces in favor of air force and cyber capabilities, intelligence, special operations forces, and standoff precision fire.

Gantz and then-defense minister Ehud Barak accepted the relative weakness of the maneuvering capabilities of the ground forces as a given. They did not think that the IDF would need to fight any army in the foreseeable future, nor have to conduct large-scale ground operations in enemy territory.

Lt.-Gen. Gadi Eisenkot, the next IDF chief of staff, along with then-defense minister Moshe (Bogie) Ya'alon, and later defense minister Avigdor Liberman, oversaw a continuation of the same hapless, dangerous policies.

The result: An IDF woefully unprepared – ideologically, doctrinally, and in terms of combat readiness and weapons supply – for years of hard war against deeply entrenched jihadist enemies.

The cost of this failure to prepare sufficiently: three years of warfare since late 2023 at a cost of approximately NIS 400b. ($134b.) in direct military expenses (ammunition, fuel, equipment, and personnel). It is likely that Israel spent more than $1b. alone on Arrow missile interceptions.

These figures do not include the cost of treatment and rehabilitation for 15,000 soldiers with varying degrees of injury, including many with long-term medical rehabilitation challenges plus trauma and other mental burdens. The numbers above also do not consider the tribulations and needs of 2,000 Israeli families with widows and orphans from this war.

Nor do the numbers above include necessary support for Israelis displaced from the Negev and Galilee, and the costs of rebuilding their cities and towns. In short, the defense and rehabilitation burden carried by Israelis is mammoth.

Israel already has decided that it needs a far larger military along with a more independent defense-industrial base. The latter is a hedge against embargoes – like the one imposed by the Biden administration when it decided in 2024 to delay delivery to Israel of 2,000-pound bombs.

In December 2025, Prime Minister Benjamin Netanyahu announced a plan to invest NIS 350b. (about $110b.) over the coming decade in the development of an independent Israeli arms industry. That has since grown to NIS 400b. ($133b.).

This year, two deals with Elbit totaling approximately NIS 1b. were signed – one for heavy aerial munitions and the other for the establishment of a national raw materials plant – a step described by the then-director-general of the Defense Ministry and current IDF chief of staff, Lt.-Gen. Eyal Zamir, as a central lesson of the war.

Contracts have been signed with Rafael to expand Iron Dome production, and with IAI to increase the production rate of Arrow interceptors.

Israel also is pouring resources into indigenous production of the Roem artillery gun, Barak tank, Namer tracked APC, and the Eitan wheeled combat vehicle.

The navy is advancing a blue-and-white shipbuilding program aimed at reducing dependence on foreign shipyards too, including production of five Reshef missile ships at Israel Shipyards at a cost of NIS 2.8b. ($780 million).

In terms of diversifying procurement sources, Israel is advancing joint production in India and importing components from the Far East, thus reducing dependence on the US. For example, Elbit is now co-producing the Hermes UAV and IAI is co-producing the Heron UAV in India with Indian defense contractors.

Development of new military technologies that allow Israel to stay a step ahead of its enemies are necessary too. An example of this is the Iron Beam air defense laser for which Israel has signed an initial $500m. contract with defense contractors Elbit and Rafael. If the system is proven successful, the outlay will rapidly increase to over $2b.

Overall, Israel’s defense spending as a percentage of GDP, which stood at 4.5% in 2023, has risen to a whopping 8.8% – the second highest in the world.

Alongside these heavy expenditures, Israel faces the immediate challenge of reshaping its security relationship with the US around the principle of reciprocity in production.

Israel’s 10-year security memorandum of understanding with the US (in which Congress allocated budget for Israeli military purchases in the US) expires in 2028, and will not be renewed as is.

A new accord should transition from a pattern of one-way dependence on American aid to a reciprocal production partnership.

The new logic is reflected in the American National Defense Authorization Act (NDAA) for fiscal year 2027, which includes an initiative called the "US-Israel Defense Technology Cooperation Initiative," aimed at cooperation in the fields of artificial intelligence, quantum computing, directed energy, and autonomous systems.

Dr. Raphael BenLevi, a senior fellow at the Misgav Institute for National Security & Zionist Strategy, has penned a complete framework for post-aid strategic-industrial cooperation between the US and Israel. After speaking to just about everybody in the US and Israeli defense establishments and to senior leaders in the defense industries, he has written concrete language for a new MOU and an accompanying Letter of Intent.

BenLevi's new framework relates to a phase-out of FMF (foreign military financing) from the US to Israel (a slow phase-out to allow for completion of existing contracts and a smooth transition), joint production of weapon systems, co-development of future-defense technologies, possibilities for integrated war fighting, enhanced intelligence sharing, the possibility of a limited US military footprint in Israel, regional cooperation opportunities, and ways for Israel to assist with broader US global interests.

In this way, Israel will strengthen its strategic value to the US, while reducing its vulnerability to boycotts and intense pressure in times of critical decisions.

The Jewish Institute for National Security of America (JINSA) also believes that such a shift will benefit both countries. "Closer alignment and cooperation with Israel across military, technological and economic lines of effort will help make America safer abroad, more prosperous at home and one step ahead of its adversaries," it argues in a new report entitled "Shifting the Center of Gravity: Transforming the US-Israel Security Partnership."

JINSA would have the two countries sign one more aid MOU to maintain $3.8b. in annual US assistance through fiscal year 2038, while pairing that funding with a series of initiatives designed to deepen operational and strategic integration between the two militaries over the long term.

It suggests a “Model Ally” status for Israel that would provide a framework for deeper joint research and development, co-production, and reciprocal offsets. The report argues that greater integration of the two countries’ defense industries would strengthen their respective industrial bases and supply chains.

JINSA also supports a larger US military footprint in Israel, including a permanent air force presence at Israel’s Uvda Air Force Base, a forward CENTCOM headquarters in Israel for regional planning, expansion and modernization of the prepositioned US arsenal hub and war reserve stockpile in Israel, and even a limited US-Israel mutual defense treaty (with a deliberately narrow threshold for activation).

Thankfully, the miracle of Israel’s wartime economy and its hi-tech prowess make such aid transitions feasible for Israel and worthwhile for the US – something that was considered unfathomable just a few years ago.

Published in the Jerusalem Post, at August 29, 2026.

*The opinions expressed in Misgav publications are the authors’ alone.