



# A Framework for U.S.-Israel Post-Aid Strategic-Industrial Cooperation

Beyond Military Aid: A Concrete MOU Proposal

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Participants at the March for Israel in Washington DC, November 2023 (photo: Rena Schild)

## **Main Points**

- Israel's strategic role has evolved from aid recipient to full U.S. partner.
- The current aid-based framework no longer reflects this reality.
- A post-aid model should strengthen, not weaken, the U.S.-Israel alliance.
- Israel should gradually assume full responsibility for funding its own defense.
- The United States and Israel should deepen technological, industrial, and operational cooperation.
- The new framework should include supply guarantees, joint production, future-defense technologies, and broader regional integration.



- The paper concludes with concrete proposed language for a new MOU and accompanying Letter of Intent.

## **Introduction**

Israel's newfound status as strategic partner of the United States in the Middle East, as exemplified by the unprecedented cooperation during operations Epic Fury/Rising Lion, stands in stark contrast with the current framework for defense industrial cooperation, centered around military aid grants. An emerging consensus in both Washington and Jerusalem views the aid as anachronistic and seeks changes that will bring it into alignment with Israel's role as a full strategic partner. An independent Israel that can decisively defeat its enemies and fund its own military will be a valuable asset and model ally.

As the two countries are in the process of discussing the parameters of a new MOU, they should approach it as a process of evolution. This paper identifies a) aspects of the current model that continue to serve the relationship well and should be maintained; b) aspects which are no longer in their mutual interests and should be updated; and c) new elements that should be incorporated to realize their full potential as partners.

The transition away from American military aid should not be understood as a weakening of the U.S.-Israel relationship but as the natural evolution of a partnership that has matured over decades. Israel's growing economic and military strength allows it to assume greater responsibility for its own defense while contributing more meaningfully to shared strategic goals. The guiding principle should be Israeli independence in funding and capability alongside greater integration in strategy. By replacing an aid-based structure with deeper technological, industrial, and strategic cooperation, Washington and Jerusalem can build a relationship better suited to the geopolitical realities of the twenty-first century.

This paper outlines proposals for how to implement a partnership model, divided into the following categories:

- Funding acquisitions and mutual supply guarantees
- Utilizing Israeli capabilities for future technologies
- Integrating Israel and U.S. production, maintenance and warfighting



- Integrating Israel into broader U.S. global agenda
- Regional considerations

It proposes numerous avenues to concretize a partnership model through each of the above categories. Many of these proposals are relevant to include explicitly in the new MOU, others could be included in a Letter of Intent (LOI) attached to the MOU, and others would be best pursued independently of the MOU. It concludes with a proposal of the text for a new MOU and LOI.

### **The Prospect of Strategic Partnership**

The unprecedented cooperation between Israel and the United States in their March 2026 war with Iran marked the culmination of a long shift in the nature of the relationship - from patronage to partnership. Elements of partnership always existed, but the relationship has now entered a qualitatively different phase. Never before have the two countries undertaken joint military action against a mutual enemy. Rather than relying on the U.S. to do the heavy lifting with the ally playing supporting roles, Israel operated as a full partner, dividing targets and operational responsibilities with U.S. forces.

Israel's newfound status as strategic partner in the Middle East, however, stands in stark contrast with the current framework for defense industrial cooperation. Under what can be called a patronage model, the U.S. currently provides Israel with \$3.3 billion annually in Foreign Military Financing to purchase American-made equipment, and an additional \$0.5 billion for joint missile-defense projects already under a partnership model. Yet an emerging consensus in both Washington and Jerusalem views the aid as anachronistic and seeks changes that will bring it into alignment with Israel's role as a full strategic partner. Prime Minister Netanyahu has [stated](#): "We've come of age and we've developed incredible capacities... and our economy will reach about \$1 trillion in the coming decade. So, I want to taper off the military aid in the next ten years."

In Washington today, there is a strong desire to see partners and allies across the globe move toward funding their own defense needs and away from subsidies and grants from the U.S. To better focus on its strategic priorities in the coming decade, the U.S. needs



to direct its resources more carefully and therefore seeks capable allies that carry their own weight.

In Jerusalem as well, there has been a growing sense over the past two years of war that it is unhealthy to be so dependent on American resupply and largesse. The Biden administration's withholding of munitions during critical periods of the first year of the war has driven home for many Israelis the need to re-establish its independence in this realm. Israel has also noticed that criticism of the aid has become widespread in both parties. Finally, previous decisions to grant aid were made, in many cases, to offset security risks that Israel assumed under the rubric of 'land for peace'. However, given the prevailing mindset post October 7<sup>th</sup>, Israel is not going to be taking on new security risks by forfeiting territory any time soon.

The transition to a partnership model will offer new opportunities and avenues to deepen cooperation which is mutually beneficial to each country's broader security strategies. To better focus on its interests in the Western Hemisphere while also winning its great power competition with China, the U.S. seeks strong, reliable partners in key regions around the globe. Israel is emerging as the paradigm of such an ally, who can contribute to U.S. strategic goals in the Middle East, as well as in security realms relevant to other regions.

The United States and Israel face a converging set of threats from both state and non-state actors. Iran and its proxy network represent the central threat to Israel and a top-tier destabilizing force for U.S. regional interests. U.S. rivals, China and Russia, coordinate closely with Iran and rely on it as the leader of anti-U.S. actors in the Middle East. Israel and the U.S. also share operational threats in the form of cyber, drones, and missiles alongside the convergence of terrorist and international crime organizations.

In this context, an independent Israel that can decisively defeat its enemies and fund its own military will be a valuable asset and model ally. Israel can anchor America's Middle East strategy, serving as the bridgehead of the pro-American camp alongside the Gulf States, countering anti-Western forces, and underwriting the security needed for a post-Islamic Republic era of prosperity. If the regime survives the current war, Israel would lead efforts to prevent its resurgence, freeing U.S. attention and resources for priorities outside the region.



## The Benefits and Drawbacks of Aid

On the strategic level, a popular [argument](#) put forth in favor of the aid model is that it is a concrete sign of U.S. support for Israel which [strengthens](#) deterrence against its enemies, as well as a sign of continued U.S. commitment and influence in the region. Though there may be some truth to this, the current structure also works to undermine deterrence, as it projects an image of Israel as a dependent client, incapable of standing on its own two feet. Deterrence is ultimately judged in its failure, and clearly the symbolic value of aid was not enough to deter Iran from facilitating the multi-front existential war against Israel, launched in October 2023. Rather, the perception of U.S. commitment to Israel and to the region stands or falls on its concrete actions in the face of actual threats. If the U.S. has continued security interests in the region, then its actions will demonstrate this; if not, aid to Israel will not convince anyone.

On the economic level, it is frequently argued that the aid model is mutually beneficial, as it provides Israel with much-needed resources, for sums that are relatively minor when considering the \$7 trillion dollar U.S. budget. Further, it is said that because the aid is all spent on purchases from American manufacturers, it serves to [create jobs](#). It also [encourages sales](#) of U.S. weaponry to third parties as Israel demonstrates the superiority of U.S. weapons platforms on the battlefield.

There is much truth here too, but it is far from clear that the value of these benefits is greater than an alternative partnership model. The \$3.3 billion a year of FMF is indeed more economically significant for Israel than for the U.S. However, what is not fully appreciated is just how much Israel's economy has grown since the aid model was instituted in the 1970s. Since that time, the value of aid has been more or less consistent around \$3 billion a year. Therefore, accounting for inflation, its real value has diminished over time. In contrast, Israel's GDP has grown by a factor of ten in real terms. Together, this means that the economic significance of the aid for Israel has changed by orders of magnitude. While in the 1970s, on average the aid constituted 19% of Israel's GDP and 23% of its state budget, today it amounts to only 0.9% of GDP and around 3% of the state budget.



	<b>Aid as a % of Israel's GDP</b>	<b>Aid as a % of Israel's state budget</b>
<b>1974-79</b>	19.0%	23.3%
<b>1980-89</b>	8.3%	11.2%
<b>1990-99</b>	4.1%	7.5%
<b>2000-09</b>	1.8%	4.8%
<b>2010-19</b>	1.2%	3.6%
<b>2020-24</b>	0.9%	3.3%

**Source:** Dataset compiled by the author. Sources include: the World Bank, the Knesset website, the United States Department of State website, and others. The aid figures include grants (from 1974 onward) and loans (until 1984), military aid (for all years), economic aid (until 2007), as well as dedicated missile defense funding (from 1990 onward). For 2020-24 the numbers include the additional emergency aid given during the October 7<sup>th</sup> war. Discounting the additional emergency aid, the percentage of the budget drops to 2.8%.

Israel does indeed bear tremendous security costs, [consistently investing](#) between 4-6% of GDP - higher than any other democratic state with a modern economy. Trump has [demanded](#) that NATO countries invest 5% of their GDP in defense, while they remain far from reaching that goal. The close-to-3% of Israel's state budget provided by the aid is not a trivial amount to forgo. Finding alternatives will require budgeting adjustments and long-term reforms. Nevertheless, with a \$610 billion and growing economy, it is entirely feasible for Israel to undertake a gradual transition away from aid and toward fully funding its own acquisitions. Israel has, in fact, already taken into account the possible drawdown of aid in its new long-term IDF build-up plan, approved by the Ministry of Finance.

The current framework for defense-industrial-technological cooperation has also had the side effect of degrading Israel's indigenous military industry in general and most acutely its capabilities for independent munitions production. When there are FMF dollars to spend, it simply becomes more convenient to buy off the shelf munitions from the U.S. than to make the long-term commitment of orders that Israeli manufacturers need to justify maintaining production lines. And so, munitions production lines were simply allowed to close while Israel continued purchasing large quantities with FMF dollars from U.S. manufacturers. This phenomenon is especially acute since the phase-



out of “off shore procurement”, that is, the portion of FMF that could be converted to shekels for purchases from Israel’s defense industries.

Looking at the U.S. side of the economic balance, it is true that without the aid, Israel may shop around for some of the capabilities that it currently purchases with FMF dollars. Israel certainly intends to manufacture more of its munitions in-house. But Israel is not in a position to indigenously develop and manufacture its own jet fighter platforms, on which the bulk of the aid is spent. This means that even after the aid, Israel will continue to acquire these platforms from the U.S. in roughly the amount that it does today. The difference is that it will be Israeli money entering the American economy and creating American jobs instead of American tax dollars spent by the U.S. government. Israel will continue to use and enhance U.S. weaponry, raising its value internationally just as it does today.

Finally, it is said on the political level that the aid framework facilitates the deep defense-industrial cooperation between the countries to their mutual benefit. However, as much as it has facilitated cooperation and connections between the countries, today it is undermining the very alliance it is meant to uphold. What the American public appreciates about Israel is its image as a courageous, initiative-taking nation, that does the impossible and succeeds against all odds. Israel remains that nation. But it is increasingly difficult to argue that the start-up nation, at the forefront of global tech, whose economy has continued to grow even during its longest war, still requires handouts from the American taxpayer. Israel cannot be both the start-up nation while at the same time receiving vast sums of aid in a model similar to third-world economies.

Beyond undermining Israel’s image, at a time of unprecedented partisanship in America, the need for Congress to regularly pass the bills necessary to keep the aid flowing gets Israel unnecessarily tangled up in American domestic politics. During 2024, the [aid appropriations](#) for Israel were held up by the disagreements over aid to Ukraine and U.S. border security. Furthermore, the very fact that Congress grants these funds makes Israel into an acute political issue, as representatives feel they are directly responsible for everything Israel does with its funds. For many years, Israel was concerned that bipartisan support was important to keep the aid flowing; today the existence of aid contributes to the undermining of bipartisan support. On the other hand, the positive effects of deep cooperation can be attained by maintained and expanded under a partnership model, of the type proposed here.



The current model was last codified in the 2016 Memorandum of Understanding (MOU), which runs through 2028. As the two countries discuss the parameters of a new MOU, they should approach it as a process of evolution. This requires carefully delineating between aspects of the current model that continue to serve the relationship well and should be maintained, aspects which are no longer in their mutual interests and should be updated, and new elements that should be incorporated to realize their full potential as partners.

The transition away from American military aid should not be understood as a weakening of the U.S.-Israel relationship but as the natural evolution of a partnership that has matured over decades. Israel's growing economic and military strength allows it to assume greater responsibility for its own defense while contributing more meaningfully to shared strategic goals. The guiding principle should be Israeli independence in funding and capability alongside greater integration in strategy. By replacing a patronage-based aid structure with deeper technological, industrial, and strategic cooperation, Washington and Jerusalem can build a relationship better suited to the geopolitical realities of the twenty-first century.

The following section of this paper outlines proposals for how to implement a partnership model. It divides these proposals into five categories:

- Funding acquisitions and mutual supply guarantees
- Utilizing Israeli capabilities for future technologies
- Integrating Israel and U.S. production, maintenance and warfighting
- Integrating Israel into broader U.S. global agenda
- Regional considerations

### **Funding Acquisitions and Mutual Supply Guarantees**

1. Gradually transition from FMF with matching of Israeli funded purchases

The countries could transition away from aid and toward a partnership model while preserving those elements of the current framework that are mutually beneficial. The most significant challenge to this change is that in the coming years, Israel will need substantial investment to rebuild, rearm, and even expand the IDF after two and a half



years of intense war. Moreover, Israel and U.S. companies have already [contracted](#) for the sale of new fighter jets in the amount of approximately [\\$20 billion](#). Therefore, to balance Israel’s desire to move beyond aid with its urgent need to rebuild the IDF, a new MOU for 2028-2038 should outline a gradual ten-year phase-out of \$3.3 billion a year in FMF grants.

At the same time Israel should commit to matching the overall amount of aid given during the phase out period with Israeli funded purchases which would be phased in over the decade.

	US FMF grants \$US	Israeli funds \$US
2028	3,300,000	
2029	2,970,000	330,000
2030	2,640,000	660,000
2031	2,310,000	990,000
2032	1,980,000	1,320,000
2033	1,650,000	1,650,000
2034	1,320,000	1,980,000
2035	990,000	2,310,000
2036	660,000	2,640,000
2037	330,000	2,970,000
2038	0	3,300,000
<b>Total FMF for 2029-2037</b>	<b>14,850,000</b>	
<b>Total Israeli funds for 2029-2037</b>		<b>14,850,000</b>

## 2. Maintain and expand BMD collaboration

Unlike the FMF grant framework, the additional \$0.5 billion a year invested in ballistic missile defense (BMD) already operates under a collaborative framework. For the \$300 million research, development, testing, and evaluation (RDT&E) component, U.S. funds [are matched](#) by Israel annually and the intellectual property rights of this effort are shared. For the \$200 million procurement/co-production component, 50% or more must be spent in the United States. This cooperation could be maintained and expanded to meet both countries’ needs.

In the coming years, the countries must focus on expanding production capacity for interceptors, given [how quickly](#) they can be used up in a high-intensity war. This means accelerating co-production of interceptors for operational systems as well as pushing forward High Energy Laser systems, which are vastly cheaper.



### 3. Two-way fast-track procurement for defense articles

The current model provides for fast-track mechanisms to reduce bureaucratic delays and ensure Israel's access to U.S. defense technologies. This should be maintained even once Israel is financing its purchases independently. It should be expanded to include an Israeli guarantee to prioritize U.S. access for articles it sells to the U.S. Military.

Israeli systems purchased by the U.S. include: Trophy Active Protection System for protecting tanks against anti-tank-guided-missiles and rocket propelled grenades and the Iron Fist Light Configuration active protection system for armored personnel carriers, both used by the U.S. Army; The Common Laser Range Finder used by the U.S. Marine Corps to concealed positions with imaging, range-finding, and navigation through combat areas; Joint Helmet Mounted Cueing System; LITENING Targeting Pod; UAV (Unmanned Aerial Vehicles); Python-4 Air-to-Air Missile and more.

### 4. Mutual guarantee not to block delivery for political reasons.

Unfortunately, we have seen attempts to block delivery of equipment for purely political reasons and this could repeat itself even for equipment purchased independently without FMF. The countries should explore possibilities to protect against this including legislation in the Senate. The commitment should be mutual, in which Israel guarantees to the same for any equipment it supplies to the US.

## **Utilizing Israeli Capabilities for Future Technologies**

### 5. Establish investment funds for U.S. investment in Israeli defense tech

Israel is a leading innovator in high-tech, particularly defense technologies. To keep both countries at the forefront of the tech arms race, they could establish investment funds allowing the U.S. government or private investors to fund R&D for Israeli companies with a clear financial return. Returns could also be strategic, such as guaranteeing U.S. purchases at cost price or other mutually beneficial arrangements. These funds could cover cyber, AI, quantum technology, drones and counter-drone systems, remotely piloted fighter aircraft, directed-energy (laser) systems, and space



and satellite technology. This could be similar to the BIRD framework that currently exists for non-defense technologies.

#### 6. Integrate Israel into Golden Dome project

One new potential avenue of expanded cooperation is the Golden Dome project. Israeli [ingenuity and practical](#) experience in conducting mass interceptions against ballistic missiles, drones, and cruise missiles, could be of vital importance for the administration's new project. Israel's role could be as technology supplier, especially for interceptor concepts and lasers; as a subcontractor or partner to U.S. primary contractors; and in an advisory role, with Israeli combat and engineering experience feeding into U.S. design decisions. Specifically, Israeli industries could contribute in the radar and threat detection realm, and as well in interception. The Arrow 3 system has proven itself highly combat effective against both long-range ballistic missiles and could be adapted for other contexts.

The land-based capabilities of the currently fielded Arrow-3 [could be employed](#) roughly as-is and could also be adapted to hit threats orbiting Earth in space, or intercept during the boost phase. Israel has another advantage as it could potentially provide systems for the dome in a mere two to three years. Israel could also contribute in laser interception.

#### 7. Israel's role in next-generation fighter F47

Israel could also play a key role in developing the next-generation F-47 and its advanced subsystems. For example: broadband satellite communications, multi-layered encryption systems integrating hardware and software, electronic warfare and soft and active defense systems, adaptive multi-purpose munitions, AR displays (helmets and cockpits with augmented reality), and synthetic aperture radars (SAR). In nearly all of these fields, Israel is at the forefront of technology globally.



### **Integrating Israel and U.S. Production, Maintenance and Warfighting:**

8. Make Israel regional hub for depot-level maintenance for platforms including the F35

Israel has unique technical capabilities for the high-level maintenance required to sustain a combat-ready fleet. Designating it as a depot for the U.S. military itself and other U.S. partners would strengthen the U.S. alliance network in the region and provide an efficient, local alternative for maintaining these platforms. The U.S. military currently flies its planes stationed in the Middle East vast distances at great cost to perform maintenance. Doing even part of this in Israel would save significant costs. Israel could also provide these services to U.S. partners in the Middle East region, potentially even Saudi Arabia if it normalizes relations. Greece, who is expected to receive the F35 in 2028, or other European operators could also do their depot-level maintenance in Israel. The U.S. could also consider transferring the manufacturing of F35 components from other locations to Israel.

9. Israel's munitions production capacity as a component in U.S. and allies supply chain

Israel is already in the process of rebuilding its manufacturing lines for a variety of munitions. This is necessary both to ensure its independence in warfighting and given that the U.S. is experiencing a lack in its supply and production capacity, especially in the event of a direct conflict. The challenge in Israel is how to maintain the economic feasibility of these manufacturing lines over time, once stockpiles have been established. Israel and the U.S. could come to an agreement for Israel to be a supplier to the U.S. military, as well as for U.S. allies who are also in need of munitions. Part of this would entail cooperation to secure the critical raw materials necessary for munitions. Conditions could include that Israel grant supplying the U.S. priority during a U.S. war; Israeli priority during an Israeli war, and sell to U.S. and allies during peacetime.



#### 10. Flight-data sharing and enhancements to American platforms

Israel is the leading combat user of the F35 and has much experience with additional platforms such as the F15. Israel currently shares with the U.S. invaluable flight data from its combat experience that helps the latter use its jets more efficiently and to develop newer versions and upgrades to the platforms. This information sharing should be formalized in the MOU and also accounted for in future contracts for Israeli purchases of American platforms. Likewise, Israeli enhancements to the F35 are [already being shared](#) with manufacturers to great benefit. Israel's extended range modifications reduce exposure of re-fueling tankers to attack and have direct benefit to U.S. potential warfighting theatres. Also, electronic warfare modifications help Israel against air-defense systems in Iran. Israel's sharing of modifications should also be formalized.

#### 11. Establish dialogue on new warfighting doctrines in the era of drones and missiles

Over the course of Israel's Iron Swords War and particularly in the front with Iran, Israel has moved one step ahead in future warfighting. Israel implemented a doctrine of decapitation to paralyze enemy command and control structures that could be highly relevant to possible U.S. conflicts in other regions. In addition, Israel has lessons in mass drone warfare, both offensive and defensive, as well in maintaining the F35 and operating it with unprecedented efficiency. Senior [US officials have said](#) that lessons learned by these high-tempo Israeli F-35 operations will be especially important in preparing for a fight in the Pacific.

There are also tactical ground fighting lessons to be discussed on urban warfare, counter-tunnel methods. A formal forum for dialogue on Israel's doctrinal lessons from the past two years could be established. As well, the joint warfighting during Operation Epic Fury/Roaring Lion demonstrated the vast potential for cooperation and mutual enhancement. A formal forum could be established to share these doctrinal lessons with the U.S. and its allies.



## 12. US basing in Israel

Israel should consider offering the U.S. a long-term military footprint in its borders. The Roaring Lion/Epic Fury operation have [clarified the advantages](#) of such an arrangement for both sides. Major considerations should be to utilize a location that is operationally valuable, but will minimize any potential constraints on Israel's future freedom of action. Israel can offer to host the American forces, but funding for any construction necessary should be primarily American.

## 13. US-run nuclear power plants in Israel

Israel currently faces obstacles that prevent its utilization of nuclear energy as it is not a signatory to the NPT. However, coming to a unique agreement with the U.S. for American nuclear power plants in Israel could be a mutually beneficial solution that will [help Israel meet](#) its energy needs for growing AI data centers.

## 14. Release or lend-lease of platforms/technologies

Historically, the U.S. has not been interested in selling certain platforms that Israel may lack. The countries can consider a lend-lease agreement that would allow Israeli usage with fully exporting these platforms. A strategic bomber is currently a leading platform of this sort alongside bunker buster bombs.

## **Integrating Israel into Broader U.S. Global Agenda**

### 15. Expand intelligence sharing dialogue on external actors in Middle East

The U.S. and Israel already share intelligence closely, and existing arrangements should be maintained and acknowledged as part of Israel's contribution to U.S. security. Cooperation could be expanded to have Israel provide intelligence specifically on the presence and activities of external actors who are hostile to the U.S., across the Middle East. Utilizing and growing Israeli intelligence capabilities in this way could be of great mutual value to American interests globally.



## 16. Israeli release technologies to U.S. allies/partners in East-Asia: export Arrow to India

In order to strengthen U.S. allies' and partners' abilities to face their own security challenges, the U.S. and Israel should identify which of their needs could be met by the export of Israeli defense technologies and systems. Israeli knowledge, experience, and technologies could support U.S. allies in East Asia, including the Philippines, Vietnam, Taiwan, Japan, and South Korea (and potentially Indonesia if it decides to establish relations with Israel). This could include training programs and facilitating exports of Israeli capabilities and technologies to strengthen these partners.

Israel already exports various systems to many of these countries, and what works on a bilateral basis can remain so. However, there are some systems that require U.S. approval. Specifically, India [has expressed interest](#) in the Arrow missile defense system. This would make strategic sense to bolster India's defense and integrate it into the broader U.S. alliance, as well as assist Israel in growing its economy after aid.

Israeli dialogues on warfighting and lessons learned could also be established with U.S. allies/partners in East-Asia as part of this assistance to the U.S. broader agenda.

## 17. Integrating cyber research and operations

Israeli capabilities in cyber have great demand amongst mutual allies and partners of the US. However, in the past few years Israel [significantly limited](#) the countries it would sell these capabilities to, including at the request of the U.S. Now is the time for renewed consideration of expanding this list, in a cautious and coordinated way to assist worthy partners, who already meet criteria for the sale of sensitive weapons. The two countries should also explore possibilities for Israeli companies to provide cyber-related services to American government users and for joint research and development projects. Doing so could limit proliferation of cyber capabilities to undesirable actors while keeping both countries at the forefront of technology.

## 18. Support further expansion of Israeli gas exports to Europe

Israel already exports natural gas from its fields in the Eastern Mediterranean but more can be done to facilitate exploration and grow infrastructure that would allow greater



exports to Europe and to position Israel as a regional hub for gas pipelines. There is likely more gas to be found and the U.S. could facilitate and encourage American companies to engage in further exploration and development. Among these steps could be considering investing in a Liquefied Natural Gas (LNG) plant in Israel or possibly in Cyprus to facilitate Israeli exports to Europe as an alternative supplier.

## **Regional Considerations**

### 19. Regional integration of BMD architecture

BMD collaboration has been operationalized during Epic Fury/Roaring Lion. This could be the basis for a more integrated missile defense among U.S. allies in the Middle East.

### 20. Renew commitment to QME: conditions on sale of F35 to regional users

Mechanisms to uphold Israel's qualitative military edge should be maintained. Israel supports security cooperation with states that normalize relations with it but must guard against potential upheavals that frequently occur in the Middle East. This can be done by limiting the capabilities of the additional F35 users while also releasing new technologies to Israel.

Any sale of F35 should be conditioned on normalization with Israel as well as guarantees that the technology would not be shared with China. Beyond the stealth capabilities, the F-35's advanced detection, data-processing and networked systems are one of the pillars of Israel's air superiority in the region. Harm to Israel's QME could be limited by placing limitations on numbers of aircraft, timeline for delivery and capabilities on any platforms sold to other countries in the region. Reporting has [mentioned seven years](#) until first delivery, and limitation to two squadrons only.

Limitations on capabilities could include at a minimum to exclude any of the [Israeli-developed upgrades](#) which include classified avionics, locally integrated mission systems and operational software Israel is uniquely authorized to tailor. Beyond that, it would mean limiting the software that manages electronic-warfare and target-recognition. Also, [the type of weapons](#), meaning not selling the AIM-260 missile, under development, which represents the most sensitive missile technology associated with



the F35 platform with a 120 mile-plus range while releasing the missile to Israel. Finally, the U.S. must have control of software updates, data systems and maintenance diagnostics, spare parts, and depot-level support.

#### 21. Review aid model to Egypt and Jordan to fully align with U.S. interests

The emergence of FMF grants to Egypt and Jordan were, historically, tied to the establishment of aid to Israel. Therefore, as Israel moves to transition away from FMF, this should open a discussion on the continued logic of FMF aid to Egypt and Jordan as well. It is in Israel's and the U.S. interest to maintain these regimes' stability but they must also be expected to behave as allies. If Egypt and Jordan desire to maintain this model they should be required to more fully align with U.S. interests and make an independent case as to why this is beneficial. Part of this alignment should be that Egypt and Jordan must fully comply with the terms of their peace agreements with Israel, specifically regarding the growing Egyptian military presence in the Sinai Peninsula. Given the aid they currently receive, and the assistance they receive from Israel on civilian infrastructure (water, gas), both Egypt and Jordan should commit to cease their hostile diplomatic activity toward Israel in international forums.

#### 22. Public rollout of new MOU should emphasize Israel's growing strength and its desire to be a more independent U.S. ally

The public rollout of a new MOU transitioning away from FMF grants should emphasize that it is the product of Israel's growing strength and its desire to be a more independent U.S. ally. It should make clear that the change will not weaken strategic ties but rather strengthen the relationship. The mutual nature of the new agreement including Israeli commitments to buy American in the same amount of the phase-out FMF should be emphasized. This can be done with a joint press conference with both heads of state and possibly a speech by the Israeli PM to U.S. congress to clarify these messages.



### 23. Facilitate implementation of the India-Middle East–Europe Economic Corridor (IMEC)

The IMEC provides a strategic economic counterweight to China's Belt and Road Initiative while strengthening alignment among U.S. partners in the Middle East and Indo-Pacific. Integrating ports, rail, energy pipelines, and digital infrastructure, IMEC would deepen economic ties among pro-American states forged since the Abraham Accords and position Israel as a central logistical and commercial hub linking Asia, the Gulf, and Europe. In light of the recent vulnerability of the Straits of Hormuz, investing in alternative pathways for exporting energy from the Gulf have become more urgent.



**Appendix 1: Proposed draft for new MOU<sup>1</sup>**

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**MEMORANDUM OF UNDERSTANDING (MOU)**

The United States and Israel affirm their mutual desire to deepen their relationship in a way that strengthens their technological, industrial, military and strategic cooperation. This MOU, alongside the attached Letter of Intent (LOI), outlines the pathway to transition away from Israeli reliance on U.S. financial assistance and toward a model of strategic partnership which will strengthen the national security of both countries.

**I. Phase Out of FMF Grants and Israeli Matching**

Reflecting the mutual desire to transition in a way that strengthens their security interests and avoids dislocations in long-term planning, the countries resolve to phase out all Foreign Military Financing grant assistance down to zero over the course of the ten-year period beginning in Fiscal Year (FY) 2029 and ending in FY 2038. The drawdown will proceed linearly such that in 2038 FMF grants will be zero. All of these FMF resources will be made available exclusively to finance the purchase of U.S. military goods and services in the United States.

In parallel, Israel will phase in its own funds with which it will commit to purchasing U.S. military goods and services such that over the course of the ten-year long MOU Israeli funds will match the total amount of FMF funds for this period, according to the following schedule:

	US FMF grants \$US	Israeli funds \$US
2028	3,300,000	
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2035	990,000	2,310,000
2036	660,000	2,640,000
2037	330,000	2,970,000
2038	0	3,300,000
<b>Total FMF for 2029-2037</b>	<b>14,850,000</b>	
<b>Total Israeli funds for 2029-2037</b>		<b>14,850,000</b>

<sup>1</sup> The language from the previous MOU has been retained wherever applicable.



## **II. Missile and Rocket Defense Cooperative Programs**

In contrast to FMF grants, the decades-long cooperation on missile, rocket, and projectile defense is already structured as a partnership that contributes directly to both countries' national security. Therefore, the United States supports mutual funding for cooperative programs to develop, produce, and procure missile, rocket, and projectile defense capabilities to help Israel meet its security needs and to help develop and enhance U.S. missile defense capabilities. Such funding should, over a ten-year period beginning in FY 2029 and ending in FY 2038, be provided at the level of \$500 million per year. Total funding over the course of this understanding would equal \$5 billion.

This level of funding is not associated with any particular quantity of the Iron Dome, David's Sling, Arrow 3 weapon systems, components or interceptors. Also consistent with past practice, the United States and Israel are to enter into separate bilateral agreements for such cooperative programs.

The United States and Israel jointly understand that missile defense funds are to be used primarily for the purposes of developing and procuring articles and services necessary to missile, rocket, and projectile defense systems for the defense of Israel. Both sides jointly understand that any U.S. funds provided for these purposes should be made available on the basis of best efforts at matching financial and non-financial contributions by Israel for such systems, as negotiated in the memoranda of agreement. The United States and Israel note the importance of maximizing co-production of parts and components of such defense systems in the United States, at a level equal to or greater than 50 percent of U.S.-appropriated funds for production, or as negotiated in the production memoranda of agreement.

Based upon their comprehensive discussions, both sides jointly commit to respect the missile defense funding levels specified in this MOU, and Israel commits not to seek additional missile defense funding from the United States for the duration of this understanding, except in exceptional circumstances as may be jointly agreed by the U.S. administration and Israel, such as in the event of a major armed conflict involving Israel.



### **III. Purposes of U.S. Security Assistance, Promotion of Effective Cooperation, Transparency, and Accountability**

Both governments are committed to the most efficient expenditure of security funds. Both sides understand that the ultimate intent of FMF assistance is to help enable Israel to defend itself by itself and develop long-term capacity, through the acquisition of advanced capabilities that are available from the United States. Accordingly, with the commencement of this MOU, both sides understand that FMF is not intended for the purchase of fuel or other consumables.

The United States and Israel intend to continue their active dialogue on security and security policy in existing bilateral committees. The two sides expect, through ongoing bilateral consultations, to maximize understanding and transparency regarding how U.S. funding is used for defense purposes in Israel, as well as how U.S. financial contributions to Israel's security relate to Israel's investment in its own security via the expenditure of its national funds. To that end, Israel is to provide:

- a. Detailed programmatic information related to the use of all U.S. funding.
- b. Program/acquisition plans for each weapons system procured using funds provided by the United States.
- c. An annual update on all cooperative defense programs, to include progress reports and spend plans, as well as the top-line figure of the Israel Missile Defense Organization (IMDO) budget.

Both sides acknowledge that the funding levels in this understanding assume continuation of adequate funding levels for U.S. foreign assistance and missile defense overall, and are subject to the appropriation and availability of funds for these purposes.

### **IV. Mutual Commitment to Expedited Procurement and Delivery Of Defense Articles**

With the understanding that sales of military equipment between the United States and Israel serve both countries' core national security interests, they commit to establishing and/or maintaining fast-track mechanisms to reduce bureaucratic delays whether purchased with FMF or Foreign Military Sales resources. This applies also to military



equipment purchased by the United States from Israel. Both countries affirm that any unnecessary delays undermine long-term national security interests.

#### **V. Flight-Data Sharing and Enhancements to American Platforms**

As a leading combat user of the F35 and an experienced user of additional U.S.-made platforms, Israel commits to sharing with the U.S. flight data from its combat experience, which assists the U.S. with raising efficiency and in further development for newer versions and upgrades to the platforms.

#### **VI. Dialogue on new warfighting doctrines**

A twice-yearly dialogue on warfighting doctrine will be established in which the two countries' militaries will share their insights and best practices on developing warfighting techniques and doctrines.

#### **VII. Expand intelligence sharing dialogue outside hostile powers in Middle East**

The U.S. and Israel resolve to expand their intelligence-sharing by establishing a new dialogue on the presence, activities and capabilities of external hostile powers in the Middle East. This dialogue will allow for the utilization of Israel's capabilities as a regional intelligence leader to provide information and insights on topics of broader interest to the U.S.

#### **VIII. Maintaining Israel's Qualitative Military Edge**

The U.S. re-affirms its commitment to maintaining Israel's qualitative military edge and to continuing its close dialogue and on any new sales of military equipment to the region that may impact on it.



SIGNED at Washington, this \_\_\_-th day of \_\_\_\_\_, 2026, in duplicate, in the English language.

### **Letter of Intent on Further Avenues of Cooperation**

#### UTILIZING ISRAELI CAPABILITIES FOR FUTURE TECHNOLOGIES

##### **24. Funds for U.S. investment in Israeli Defense Technologies**

The U.S. and Israel resolve to establish investment funds that would facilitate and encourage U.S. government or private investors to fund R&D for Israeli companies with a clear financial return. These funds could cover cyber, AI, quantum technology, drones and counter-drone systems, remotely piloted fighter aircraft, directed-energy (laser) systems, and space and satellite technology.

##### **25. Integration of Israeli Innovation into Golden Dome Project**

The U.S. resolves to integrate Israeli ingenuity and practical experience in missile defense into its new Golden Dome Project. Israel is a leader in development and combat use of missile defense systems and this knowledge could make a critical contribution to the success of the project and for the defense of the U.S. homeland.

##### **26. Israel's Role in Next-Generation Fighter F47**

The U.S. resolves to integrate Israeli knowledge and experience in the development stage of the next-generation F-47 and its subsystems.

#### INTEGRATING ISRAEL AND U.S. PRODUCTION, MAINTENANCE AND WARFIGHTING:

##### **27. Israel as regional maintenance hub for depot-level for platforms including the F35**



Recognizing that Israel has unique technical capabilities for the high-level maintenance required to sustain combat-ready jet-fighter fleets, the U.S. resolves to designate it as a depot qualified to work on U.S.-owned platforms and those of U.S. partners. This with the aim of strengthening the U.S. alliance network in the region and provide an efficient, local alternative for maintaining these platforms.

### **28. Israel's Munitions Production Capacity as a Component in U.S. Supply Chain**

The U.S. and Israel will negotiate a memorandum of agreement on cooperation in munitions production. Given the current need to expand the industrial base for munitions manufacturing for both the U.S. military and U.S. partners, Israeli production capacity could play a role as part of U.S. infrastructure. The negotiating agreement will discuss levels of purchasing of Israeli-made munitions by the U.S. and commitments to give priority supply to the U.S. in the event of an active front in which the U.S. is fighting while Israel is not. This agreement should include cooperation to secure the critical raw materials necessary for munitions production.

### **29. Expanded U.S. Military Footprint in Israel**

Israel resolves to provide an appropriate space for an expanded U.S. military footprint on its soil. The Roaring Lion/Epic Fury operation have clarified the advantages of such an arrangement for both sides. Major considerations should be to utilize a location that is operationally valuable, and defensible, but will minimize any potential constraints on Israel's future freedom of action. Israel will provide the space and U.S. will provide funding for necessary construction to be executed by local contractors.

### **30. Sale or Lend-Lease Agreement for Platforms and Technologies**

The countries resolve to positively explore any critical military capabilities that Israel currently lacks that the U.S. could help fill by releasing new platforms. For example, a B-1 strategic bomber could be lend-leased to Israel and/or bunker buster bombs.



### **31. Israeli Release of Co-owned Technologies to U.S. allies/partners in East-Asia**

In order to strengthen U.S. allies' and partners' abilities to face their own security challenges, the U.S. and Israel will explore which of their needs could be met by the export of systems which have been co-developed by Israel and the U.S., primarily in the realm of missile defense. Specifically, they should explore the release of the Arrow System to appropriate countries.

SIGNED at Washington, this \_\_\_-th day of \_\_\_\_\_, 2026, in duplicate, in the English language.