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QI Panel:

Beyond Aid: How Defense Integration Could Entrench US Support for Israel

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Annelle Sheline

Thanks so much to everyone for joining. I'm Annelle Sheline, and you are here for Beyond Aid: How Defense Integration Could entrench US support for Israel. I'm going to read a brief description, and then introduce our panelists. So, the current Memorandum of Understanding, or MOU, between the United States and Israel is set to expire at the end of 2028. Discussions are already underway about what the security assistance relationship between the two countries should look like going forward. Prominent Israeli officials, including Prime Minister Netanyahu, say they support the phasing out of US military aid, calling it a critical step towards Israel's independence. But there is more here than meets the eye. Israeli policymakers wish to pivot from security assistance towards defense integration, a transformation that could deepen the US-Israeli strategic relationship, while insulating it from political oversight. Will shifting US financial support for Israel from the category of aid to that of mutual readiness stymie the growing call for ending unconditional US support for Israel?

To discuss these questions and more, I am joined by the Quincy Institute's own Steven Simon, a senior research fellow in the Middle East program. I'm going to just do a very brief bio. He is currently a distinguished fellow and visiting professor at Dartmouth College. He served as the National Security Council senior director for counterterrorism in the Clinton White House and for the Middle East and North Africa in the Obama White House and in senior positions at the US Department of State. We're also very pleased to be joined by Josh Paul, who is co-founder of A New Policy, a nonprofit lobbying organization dedicated to making American policies towards Palestine and Israel align with our national interests. Josh resigned from the State Department in October 2023 due to his disagreement with the Biden administration's decision to rush lethal military assistance to Israel in the context of its war on Gaza. He had previously spent over 11 years working as a director in the Bureau of Political Military Affairs, which is responsible for US defense diplomacy, security assistance, and arms transfers. We also have Ben Freeman, who is the director of the Democratizing Foreign Policy Program at the Quincy Institute. Ben is the co-author, with William Hartung, of the recently released *The Trillion Dollar War Machine: How Runaway Military Spending Drives America into foreign wars and bankrupts us at home*. He investigates money in politics, defense spending, and foreign influence in America.

So, I'm very pleased to have all of you here with us today. To be clear, the brief has not yet dropped, so this is a special preview. The brief will be coming out next week, if anyone on the call would like to have early access to it, please reach out, and we could send you an

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embargoed copy. But for now, we'll get to hear just briefly. If Steve Simon, you could please give us just a quick overview of the key points you're making in this report.

Steven Simon 4:02

Sure, no. thanks for that introduction, and thanks for signing up the research brief so effectively. So, you did a great job. You've covered the main points, but I'll reiterate or expand on a couple of things that might be useful for our viewers, the United States security assistance relationship with Israel is regulated by a memorandum of understanding, and these agreements, these executive agreements, last for 10 years. When, after being signed, and right now I believe we're in our second, no, our third one with with Israel, and these agreements establish the total amount over a 10 year period that the United States would supply Israel with in. In security assistance terms over the duration of the memorandum of understanding and and also establish certain rules of the road and and other collateral benefits that would accrue to Israel under the terms of the MOU that are separate from the sort of routine, if I can put it that way, a provision of security assistance.

So these are very important agreements, and they're negotiated generally during the last year of of the existing agreement. The following agreement is is batted back and forth between the Israelis and the United States until they come up with an agreement, a memorandum of understanding for the following 10 years that they both feel that both countries feel they can, they can live with that's the general background. Now, what's what's specifically important here is, is first that the US-Israeli defense relationship, and perhaps the relationship writ large, is now being questioned in Washington in a way that has never been the case, and this changes the context in which the next MOU is going to be negotiated and then put into effect, presumably in 2028 which is also a general election year, in which foreign policy will probably pay play a somewhat bigger part in the campaign process than than is typically the case, so the context is different.

The the Israelis understand that winds of change are blowing in Washington and in the United States overall, and that it's not a very favorable time to be coming to the United States and asking for a huge slug of money to be appropriated over the next 10 years, beginning at 2028 that the political basis for that kind of largess is is eroding, so there's a challenge for them in this, and, and this is why, as, as Annelle, you pointed out, Netanyahu himself, the Prime Minister of Israel, has said that, you know, something security assistance needs to be phased out over the course of the next next 10 years, and, and, and that's going to be what he described, and as you correctly noted, a step toward independence. Well, that's all good and well, and I'll return to that thought in a second, but I want to establish the second major point here, which is that up until the current memorandum of understanding ends, there's been an element to US security assistance, one of those collateral benefits that I mentioned a second ago called offshore procurement, and this has been a key part of these agreements, and what offshore procurement means in the context of this agreement is that a substantial portion of the overall level of security assistance that the United States provides Israel can be spent in Israel rather than in the United States.

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One of the key factors in the popularity in years past of security assistance for the United States is that essentially it was a subsidy for the US defense industry, and in the US defense industry produces things in just about every congressional district in the United States. So assistance for Israel meant a real boon for every congressman and congresswoman sitting in the house of representatives, their district was going to benefit, so it was really, you know, you had a built-in constituency for this, you know, very high level of aid for Israel, but the Israelis sought to change that, that arrangement by getting permission from from the US government to spend initially 25% of the total amount of security assistance in Israel as a subsidy as a subsidy for the Israeli defense industry as against a subsidy. For the American defense industry, and this was just a tremendous benefit for Israel, and, and was important in Israel's development of the very advanced defense industrial base that it has today.

Okay, so why do I emphasize offshore procurement? Well, because what the Israelis would like to see in lieu of a security assistance relationship that is politically difficult to defend, they would like to have essentially an offshore procurement program that completely replaces the existing system of security assistance, so there's no obvious cash changing hands. That doesn't happen. There's no headline that says, well, the United States is providing Israel with x billion dollars this year in in security assistance funding, rather the United States will be purchasing from Israel weapon systems research and development services and other collaborative programmatic goods in the defense arena, and and that will be the form of the American subsidy for the defense industry in Israel going forward.

The only thing I'd add to that, which is kind of a punchline, but it's an important one, is that this will take us security assistance out of the realm of the visible under current circumstances, under the current arrangement, Congress has to appropriate money for these subsidies and grant aid amounts that the United States provides Israel, and that's great. Congress has to vote on it. It's there are reporters there, there's, you know, plenty of visibility. So, if Americans want to know what is going on, well, it's it's right there, you know. And and members of Congress have their chance to voice their choice, whether they wish to appropriate US funds for this purpose or or not. Now, how effectively this has worked over the years, well, but we can debate that, and probably we will in the course of this session, but nevertheless, the visibility has been a prominent feature of US assistance to Israel. Nothing secret about it, it's all out there and above board under the new arrangement. If the administration and Israelis agree upon it, you know, in 2028 the Pentagon will be controlling all the money that flows to Israel, and, and that money will flow in established channels for defense contracting of one sort or another.

Now, that information is public as well, by the way, but, but it's very difficult to find, and it, it won't, that the flow of funds won't be overseen or monitored in the way that security assistance funds are overseen and monitoring, because they'll be embedded in complex contractual arrangements with the Israeli defense industries, and that's how it would work with any country that the United States is buying these things from, whether it's Norway or Paraguay, or whatever, it's just part of, you know, the Pentagon doing business, and they have their infrastructure for doing that, and, you know, it's, it's a devil is in the details down in the weeds

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inside baseball, kind of kind of process, not like what currently exists, and the committees in Congress who oversee this process will also be different. It won't be the foreign relations committees of the Senate and, and, and the house on the appropriations, you know, side won't be that, it'll be the defense committees, and these committees have very different interests, very different priorities, their focus is extremely different, and you know, for the committees overseeing the pay. Pentagon in Congress, the issue is US defense readiness and US military power. It's not well. Is there an integrity to a bilateral relationship? Is the US-Israeli relationship serving us interested in any particular juncture? That's not of interest to the defense oversight committees, that's an interest set in the Senate. So I'll stop there.

Annelle Sheline 15:29

Thank you. And we'll return to you to hear, to hear more about this, but I wanted to turn to Josh now with two questions. One is, could you help us understand some of the terms you hear the words military aid used, for example, but then there's also foreign military financing or security assistance. So, if you could tell us just a little bit more of about those terms, and then also why does it matter? Why does the money that the US gives to Israel? Why? Why should people care?

Josh Paul 16:00

Sure, yeah. Thank you very much, Annelle. So, I think it's some useful table setting to just talk about some of that terminology without getting too far into the weeds. There is, if you think about it, a broad basket of security cooperation that essentially covers all of our defense relationships short of actual combat with countries around the world, and some cases, including in the combat environment, within that, of course, and particularly when it comes to arms transfers, there are the transfers themselves, the US, you know, ships weapons, whether from a private company or from the US government to a partner country, then separately, there is the question about how those transfers are paid for in the State Department, and the terminology is different on the Defense side, but in the State Department, that funding is what we're talking about, what they're talking about when they say security assistance.

The most prominent form of that is something called foreign military financing, or FMF, not to be confused with FMS, or foreign military sales, which are government to government arms sales that could be subsidized, paid for with foreign military financing, or could be paid for by the partner country, and it's important to make that separation, you know, not only because of these differing terminologies, and so we know what we're talking about, but also because different laws attach themselves, in particular depending on what the source of funding is.

If we are talking about US funding, about foreign military financing, for example, we are also talking about the Leahy law. The Leahy law famously provides that we cannot provide security assistance, which, defined in this context, means grant US funding to units of foreign security forces that are credibly alleged to be involved in gross violations of human rights. The Leahy law does not, under the current interpretation, certainly attach itself to arms transfers themselves.

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So, if you want to know, for example, why we are talking about Leahy in the context of Israel, but we're not talking about Leahy in the context of the Saudi and UAE-led coalition in Yemen. It is because of the funding source, it is because it is US funding in the context of Israel up to this point, but those countries were paying for themselves, just to sort of now. So, with that said, and with that framework, and you know, we can go if we need to more into the weeds of how the arms transfers themselves work. They can be through that government to government foreign military sales system, they can be through a licensing process, the direct commercial sales process. They can.. there are also a number, and we can get into that of DoD mechanisms to transfer arms or for cooperative development, and I think we'll circle back to that. So, as Steve laid out, the US is currently providing Israel under the current 10 year MOU with \$3.8 billion a year in a standard year. There's been a supplemental in the last couple of years, but in a standard year, \$3.8 billion of our money, I would say our tax money, but to be honest, if you look at the way the budget is structured, most of this is borrowing from our children.

So, thank you to them. But 3.8 billion, so 38 billion over 10 years, of which 3.3 billion a year, or 33 billion over 10 years, is foreign military financing. The remaining \$500 million is air defense cooperation through the Department of Defense Missile Defense Agency. If you look at the US-Israel arms transfers that then accompany that, so first of all, if you look at the IDF, you will see that while historically, if you look in the 1950s 1960s even into the 1970s they were equipped from a wide variety of sources. The US is now by far the major supplier and the major source of IDF equipment. Every IDF, IAF, Israeli Air Force fixed wing fighter jet is of US origin, F fifteens, F 16, F fifteens, F 16, F 30. Fives, you know, the large majority of bombs that are dropped, Israel does have, you know, and in great part, thanks to the offshore procurement we were just talking about, its own indigenous defense industry that also draws significantly on US technology.

So, for example, if you look at the Merk of our tank, the tank itself is designed and built in Israel, but the cannon of the tank is of US origin. The engine is of US origin, and even the treads are of US design. So, you know, significant amount of US origin material going in here that actually exceeds the amount of money that we are providing. So, if you look at the last 10 years, you know, about \$38 billion over that 10 year period, in part because of that supplemental, sorry, but yeah, of which, again, about \$33 billion is foreign military financing, but notified sales to Congress are actually about \$38 billion over that period, so you know, US funding provides on a typical year about 20% up to 20% I should say, of the IDF budget, and very much relieves the pressure on the procurement side, but that is not to say that they are not also spending some additional money from their own pockets on US material, and then to wrap up, so where this leaves us and why we should care about this, as Stephen said, this is certainly a lot of this money is coming back into the US defense industrial base and into districts around the country.

I think it's worth saying percentage wise, when you look at defense spending in this country, even defense exports, it's not a huge amount, right? If we think about \$3.3 billion in a typical year, minus, as it is now, about 200 million that goes directly into Israel's pocket. That's \$3.1 billion out of annual defense sales in the last few years that have been around \$180 billion or tall, all combined. So it's not. It is a subsidy in that sense, but it's not a huge subsidy. It is,

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however, over half of our military grant assistance around the world, which comes with a huge opportunity cost in terms of where we could also be applying that funding. The Indo-Pacific comes to mind as well. It is very much a case of entrapment is perhaps too hard, but guilt by association because we are not just providing the arms, also the funding for those arms there is a level of complicity. This is a toolkit as well, it has to be said, that is intended and designed to provide the United States with diplomatic and foreign policy leverage.

Not using that leverage further compromises us, and as I said, it is a toolkit that is also guided by and falls under a variety of US laws, and failure to apply those laws, and I would argue in the India-Israel context, particularly the Foreign Assistance Act, and laws like the Leahy Law, you know, that have been occurring for many years now across many administrations. I think should much earlier have really been a warning sign within our system about executive overreach and about the challenge that we face when our Congress and our system cannot bind an executive to its own laws, which we now see playing out in a much wider spectrum.

Annelle Sheline 23:29

Thanks, Josh. That was really useful, Ben. If you could say a little bit about why we're seeing this shift in this effort to move money that is currently visible and subject to these laws to avenues that would be less visible and less subject to this sort of logic of accountability.

Ben Freeman 23:49

Yeah, yeah, that's a great question. And now, thank you to you for organizing this panel, and thanks to Ky for having us. I know it sounds weird to thank your own employer, but I'm really happy where we are having this conversation, because to your question, I think what we're seeing here is Israel once again playing politics with US foreign policy, and I say this because the program I manage, the Democratizing Foreign Policy, the number one question I get is what the heck does that mean, and really it's just a fancy way of saying we're pushing for a foreign policy that represents the will of the people, not the powerful. And when it comes to the US-Israel relationship, it's been the powerful that have been dominating this relationship for years. It's been Israeli interests that have been dominating it. It's been US weapons contractors who are cashing in on this for all the reasons Josh and Steve said.

So you have a really well-entrenched group of special interests that has been driving this relationship, but I want to hammer home a point, kind of Steve hit on early on, which is where the American public is at right now. The American public is really at a historic level of distrust. Israel, right now, and to put a fine point on this, I'll read you some stats from an Institute for Global Affairs poll that was released just three days ago, just earlier this week. They found that by more than two to one margin, Americans think the relationship with Israel does more harm to US interest than to help us. And then another one, just 16% say the United States should keep supplying Israel with weapons without new restrictions. 38% want to stop supplying weapons entirely. Another 24% want weapons conditioned on how they're used.

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So this is a fundamental shift in the US relationship with Israel, and so if you're, you know, as we're having this conversation, I think it's very important to keep in our heads where the American people are at right now. They want a foreign policy with Israel that is not the status quo, you know, they're not okay with the US subsidy to the Israel defense sector that Josh and Steve have laid out here, they are not okay with billions of their taxpayer dollars going to Israel in the way they've been, and they certainly would not be okay with US taxpayer money flowing to Israel with even less transparency. So I think for all of these reasons, you know, as we're talking about this issue, you know, if you want to reflect the will of the American people, you want to put America first. You have to rethink what everything that's happening with the US-Israel relationship right now.

Annelle Sheline 26:31

Thanks, Ben. That's really useful context. A reminder to the audience that if you'd like to put a question in the chat, please do so, and I will try to pose them to the panelists, but now we'll get to our next round. So, Steve, I cut you off last time, so reflecting on what what you've heard, if you wanted to add more about what the specifics of what the brief gets into, or otherwise respond to Ben and Josh.

Steven Simon 27:00

Well, I think you know the two really important factors, or the changing context, political context surrounding the US-Israel relationship that Ben just detailed, I think, in interesting ways, and the survey data is accumulating, and, and it's, it's all pointing in the same direction, which is towards this American public skepticism about the utility and the basis of the US-Israeli relationship. This is not something really totally new. The survey data have been pointing in this direction over the past five or six years. There's been steady decline in US support for Israel, and a corresponding, if, if somewhat less dramatic increase in US public opinion regarding the Palestinian side of the Israeli-Palestinian equation, October 7, 2023 the Gaza war and the aftermath of the Gaza war greatly accelerated this trend, and it's from that point onward that we've seen these very dramatic shifts in in US popular support for the US-Israeli relationship.

The question people ask is, well, are these changes durable? Are they structural? Are we seeing a kind of fundamental shift in popular support for the US-Israeli relationship that's going to shape the course of that relationship and the nature of the US security assistance program over the next 10 years, covered by the memorandum of understanding that we're talking about today, is it really going to going to hold, and I think that the current consensus of social scientists who look at this survey data is that these these changes are pretty probably pretty durable, and they're concentrated in an age cohort, sort of the Gen Z age cohort that suggests that these views will shape American policy for as long as Gen Z is is the predominant factor, demographic factor in American politics and policy making, so.

So we are, it would seem, you know, at a turning point of some sort, and you know these turning points, well, you know, they, as F. Scott Fitzgerald, you know, said in another context, you know,

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namely bankruptcy, well, it starts gradually, you know, and then suddenly, and, and that seems to be the case here, with this support underpinning the US-Israeli relationship. So, if, if that's the case, then you could see the depth of the reason and the depth of for the US Israeli elite concerns, governmental concerns about how best to structure a security assistance relationship that can survive and and do what the two sides think it needs to do over against the decline, the likely enduring decline of US popular support for the relationship, and hence the desire to get it out of, you know, the the foreign affairs committees in the house and senate, and and get it, you know, into the domain of the defense committees in the house and senate.

Annelle Sheline 31:35

Thanks, Steve. Josh, I'm going to pose a question to you asked by someone in the audience. Alex Sadler asked, "Would defense integration or co-production impact Congress's leverage to conduct oversight on US arms transfers to Israel? So, if you could answer that, and also just kind of, you know, what effect would it have for this to shift?"

Josh Paul 31:57

Sure, so there's a lot to pick apart there. Start with the appropriations process, which is the process the audience knows, through which we provide every year this funding to Israel. First of all, if you're taking this out as a line item under foreign military financing, that is, I think probably, if we can retain the status quo, if a new MOU was signed by this administration, so for the next 10 years we will provide \$3.3 billion or let's say \$5 billion whatever it might be, in grant assistance to Israel. As Stephen said in the opening, that is an executive agreement. It is not binding on Congress, right, because under the Constitution, Congress has the power of the purse, and I suspect if that were to be the case, you would actually see a very fulsome, probably heated debate every congressional cycle about are we going to give Israel this money that the Trump administration committed.

If you take that out of the equation, first of all, you're doing two things. You are first of all removing that debate. That debate is not happening. There is not that forcing function on an annual basis, you are also again removing, and, and this is, I think, overall a positive, but still worth noting, the applicability of some of those laws we were talking about. The Leahy law, for example, would not apply if we are moving to a purely sales and contracting relationship. Also, as Steve identified, you're also moving this from different committees of jurisdiction, particularly on the authorizing side. I think it's worth noting a couple of lessons here from the last few years. One being, if folks here recall, so in addition to providing Israel with this money, we also provide Israel with access to a mechanism called cash flow financing, which essentially means that they can put a small deposit down on their future procurement, so if they are buying a fleet of 50 F 35 which is going to cost \$20 billion they don't have to put the cash up front like some countries would have to, they can say, "Here's, you know, the first 10% because we know that there's a cash flow that's following it. That cash flow is our money, essentially. You know, if we were to go to zero, so in 2014 this happened with Egypt. We decided no more cash flow financing with for you, Egypt. That actually proved to be very difficult to implement, because guess what? Who's

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left holding the bag on those contracts without that cash flow? It's the United States, it's the taxpayer, and so there was a process of off-ramping from Egypt, in which we can the cash flow financing until we turned back on sort of the full mechanisms, and that would, I think, we would expect that to be the case here, most likely.

But so in terms of the congressional oversight then first of all, you're thinking about a program like the F 35 right? So, F 35 is, I think I'll give you two examples. One is the F 35 program. The F 35 is, you know, led by Lockheed Martin, but it is built by a global group of states, the F 35 consortium of 12 different countries. Is and different parts are built in different parts of the world. Turkey used to be a part of that consortium after it procured a Russian air defense system. It was removed from the production consortium that took three years, because it turns out that they produced a critical part that we had to shift the production for to other countries, which took time, and you know, without that would have sort of led to the sort of collapse of the ability of the program to sustain itself, but when you think about Congress's role, yes, it authorizes F 35 sales that are done through the foreign military sales process, but essentially the mechanisms through which parts flow within the F 35 program, particularly in the construction phase, Congress really, you know, has no oversight of having established under the NDAA when the F 35 program was set up 20 something years ago, essentially a broad authority for the flow of parts. So Congress has really no role in within that consortium, and if you want to remove someone from that consortium, again, that is something that the consortium can do. Congress sure can do that by statute, but it proves very difficult to do.

The other sort of oversight example I'd like you to think about is AUKUS, and just a quick bit of background for those who aren't familiar. So, AUKUS is the Australia, UK, US deal, if you remember a few years ago, that led to an agreement on submarines, that's pillar one of August, that we will co-produce submarines together, and you know, give Australia nuclear submarines, etc. AUKUS pillar two is technology sharing, co-development of technology, and research on emerging tech and between these three countries, and in order for the technology to flow between these three countries, the United States had to amend, and is continuing to amend, both its statutory and its regulatory frameworks again, so that technology can flow, so that contracts can be let without the same sort of, you know, need to notify Congress of a transfer every time a piece of technology goes back and forth, without that same sort of congressional oversight of the flow of information, and in fact, with a regulatory, with regulatory oversight, so even the State Department doesn't have to continually license the flow of defense services of defense information of defense technology.

So if you picture that in the Israel context, ultimately what that means is that you've taken away the annual debate over appropriations, you've shifted the jurisdiction over the defense cooperation relationship, you have reduced the amount of transparency that there is, and you know the ability to sort of guide and frame and inform that transparency, and oh, by the way, final thing, you've also shifted essentially where the leverage lies, because it is one thing for us to be the provider, but so if you look at what Congress is doing recently, you know, those last year Congressman Joe Wilson introduced HR 1229 the US-Israel defense, I think it was, you know, Cooperation Act, or whatever it was, some of which found its way into the NDAA this year,

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Congressman Jackson is introducing the Israel-US Futures Act, which builds on it, but essentially establishes a whole range of cooperative programs, tries to, you know, some of these are happening now, cooperative development on countering UAS, counter tunnel, some of these are, you know, theoretical, so the NDA took, takes part of the 1229 to essentially say DOD has to open a Defense Innovation Unit, a DI UX agency in Israel, and the NDA has a study on that, you know, trying to bring Israel into the national technological industrial base from which the US then draws a lot of its sort of basic defense requirements and sourcing, and that integration ultimately transforms the leverage to increase the leverage that Israel has over the US, so that if we want to pull out of something, if we want to start using some of the diplomatic tools we might have to condition to pressure Israel to take a different course. They can then turn around and say, well, you know, we are now your source for some of these key technologies, and you know, the shoe is on the other foot.

Annelle Sheline 39:33

Thanks so much, Josh. We're getting more questions, which I appreciate, but unfortunately, we'll be able to get to everyone. But there's a great question from Brittany Gordon for you, or I'm going to direct at you, Ben D asks, to what extent could the current MOU framework accelerate a shift from direct government to government military assistance towards contractor-led infrastructure? What is the risk of completely transferring our military power to firms like Palantir and Oracle through outsourcing sensitive aspects of military coup? Operation, and this gets at someone else's questions around sort of spying and just sort of IP issues.

Ben Freeman 40:09

Right, yeah, yeah, it's a good question, and sort of adding fuel to the fire here, you know, throwing Palantir into a conversation of Israeli influence, but I do think it also kind of piggybacks off of some of the remarks Josh was saying there, and you know what, what we're seeing right now is, you know, as we've had this, this MOU, and this big grant model, Israel and the US defense industrial base have sort of quietly been doing what Steve is talking about for years now, you know, Josh mentioned some of the things, but I want to put a finer point on some of the co-production that we're already seeing. There's already every level of the Israeli missile defense system, from, you know, Arrow to David Sling down to Iron Dome. All of that is already being co-produced with US partners, and you've already got co-production facilities that are operating in the US, Arkansas, you've got Rafael and Raytheon working on missile production facility for both Israel and US demand, Mississippi Israeli Aerospace Industries subsidiary, Stark Aerospace, they're working with Boeing for aero production cooperation there

And the reason I bring that up is to Brittany's point here about the defense contractor involvement. What they're doing with these co-production facilities is they're pulling from the playbook that defense contractors always use in the US, and that's jobs when defense contractors go to lobby Congress, the number one weapon that they have in their pocket is the jobs that they have in your congressional district, because then, if heaven forbid you, you vote against them, they will let everybody know that you are voting against jobs, you are voting

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against the economy in your home district, so this is the danger that we run into with these co-production facilities, and when Israel, Israeli firms start co-producing with the US in the US, then Israel is responsible for US jobs in the US. It's really, really hard to unseat that, you know, as Josh was talking about, you know, taking three years to replace just one small component of the F 35 international production system from Turkey, taking three years. It's even harder to do that when those production facilities are in the US.

So, if folks are serious about pushing back on this new Israeli defense industrial base incursion, an ounce of prevention is going to be worth a pound of cure. You know, it's going to be really hard to stop those co-production facilities that are already running, but what folks can do is prevent them from happening in the first place. You know, you might think it's, you know, America first, it's helpful for us jobs, but the fact of the matter is, the more of those co-product production facilities that we start up, the more leverage Israel is going to have over US foreign policy.

Annelle Sheline 43:10

Thanks, Ben. We're now getting to our third final round of questions, so I wanted to get to that question a little bit more for you, Steve. Of I mean, basically, so in order to reflect the will of the American people, who do not want our money paying to kill children in Gaza or enable Israeli aggression around the region, is there any way to try to prevent this? As Ben said, an ounce of prevention is worth a cure?

Steven Simon 43:42

Well, that's the question, isn't it? And I, you know, I think both Ben and Josh laid out very powerfully how difficult it will be to get a grip on this situation. In the first instance, the agreements that we're talking about, that that underpin all of this activity, there, those agreements are business contracts, you know, they're contracts signed between firms, or parastatal, you know, firms, you know, on the on the Israeli side in the United States, you know, on the other side, and getting out of contract is really hard. It's just a hard thing to do, because a contract is a contract, and you want to buy yourself out of the contract, where you can do that, but it's extremely expensive, and you know when, when you need to do this again and again in many domains, you know, in very expensive contracts, large contracts. Well, you know, that's kind of a problem. S

Secondly, there's the obstacle that that Ben raised, which is that. If the argument in favor of this new way of doing business will be that it fosters us security requirements and fosters the security of the United States itself, and that, and that you know, we can't, we can't play around with this, we can't, ironically, play political games with arrangements that are essential to the strategic interest of the United States, because they contribute to the capacities and the readiness of US military forces.

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The third thing is that, depending upon the overall thrust of US policy, let's say you get policies going forward that are like the ones that Donald Trump is now pursuing in the Middle East, military activity will grow, necessarily, because you're going to have deployments, you're going to be fighting wars, you're going to be preparing for the next war. It's just, it's, it's really going to mean that the programs we're talking about are going to scale up, so with every increased threat, with every new commitment, with every round of fighting that the United States engages, whether in the Middle East or elsewhere, with every new threat that emerges over the horizon that the US military believes it needs to prepare for, or else fall behind the the agreements, these contracts with Israel and a lot of other suppliers as well, but but Israel is what we're talking about, for certain reasons, and well, you know those things are going to scale up and they're going to be infinitely harder to reverse.

So, so I think you know the momentum and the justification for this change, you know, are both taken together going to be quite formidable, looking looking down the road, so you know I'd conclude that that the first thing that that the Congress needs to do is, and this has to happen, you know, under the defense committees, and they're going to be very reluctant to accept this, but to build into contracts foreign policy related considerations, and that I can't emphasize how difficult that will be, but there, but there absolutely must be conditions written into those contracts that say, well, listen, you know, if, if, if you're going to be engaging in policy initiatives, and, and, and just activities generally that, that are counter to American strategic interest, American security interests or foreign policy priorities. Well, then you know that's a deal breaker for this particular contract, and you know that's that's a challenge because there are so many of these contracts and they're worth a lot of money, and the parties on both sides will be reluctant to introduce non business related factors into contract language, so that's the one thing.

The second, and this again, is down to Congress. There, there has got to be strong oversight of the implementation of these contracts, and that in itself would be difficult again, because of the size of the contracts, the very number of them, and the justification for them, and it's going to entail cross committee cooperation, which is not, you know, the normal way of doing business in Congress, you know, where you're going to have very intensive interaction and collaboration between the staffs, the committee staffs in House and Senate, on, you know, in both houses, and you know, committees that oversee defense and foreign policy that they don't typically, you know, interact, so let's just say that the obstacles are are pretty big, and and we need to start thinking through those obstacles. And how best to to defang the problem, and we need to do that soon, because this new dispensation is practically upon us. The next MOU is going to be negotiated, you know, the negotiations will begin in earnest after the midterm elections, and you know they're going to be, you know, conducted quietly. I think you know for the most part, but there needs to be, you know, a strong interest and commitment on the part of Congress and and the public to to injecting oversight into arrangements that would typically not be, you know, not be obvious or visible to most observers.

Annelle Sheline 50:57

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Thanks, Steve. Josh, same question to you. In terms of what can be done to try to prevent this, and I think I saw you were also going to respond to a question in the Q and A.

Josh Paul 51:07

Sure, first on what can be done to prevent this, I think the first thing all of us have to do is educate ourselves and sort of also help educate our ecosystems, educate the hill, and set the expectations and the terms. Right, I'm thinking of that famous moment in the first Trump administration when he was calling up Putin, one of his advisors getting a note that said, 'Do not congratulate. So, you know, even Lindsey Graham, even Benjamin Netanyahu are saying that we need to end the US military grant assistance under the MOU, I think that could very plausibly happen as part of a ramp down in a pending MOU. Do not congratulate.

I think that is on the one hand, I think for many of us who would like to see that money go away, absolutely an important and pivotal moment, but it is not by itself the victory, because of what we've been talking about in this context, and when you look at where Congress is on this, so I was talking before about HR 1229 the Joe Wilson US-Israel defense cooperation bill that underpins and sets the framework for a lot of this transition. There are members of Congress who are co-sponsoring that bill, who are also co-sponsoring Block the Bombs, which is, you know, for those of you who aren't familiar, the bill that cuts off, you know, six different weapon systems immediately for Israel, which is, you know, one of the sort of paradigmatic bills that are in this space right now. We have to educate that, yes, the ramp down the end of the grant assistance is good, but we also have to make sure that we understand that our members of Congress understand that there is a lot more complexity and nuance here, and I do worry that a lot will get lost because of that complexity and nuance.

It's very easy to say here is \$3.3 billion that is no longer going to Israel. It is much more complicated to sort of unwrap some of these bureaucratic and corporate relationships mechanisms, less you know, that are less visible, so I think there is, you know, a fair amount of work there in the most immediate term, in terms of educating ourselves, educating our members of Congress, and then making sure that there is an understanding of what is the oversight that is being lost, and that it is not logically consistent to support the end of the military financing, but also, you know, support the, you know, the continuation of the deepening of the relationship, and final thing on that front as well, just say very quickly.

I also think we have to think about some non-traditional alliances in this space, when we think about the offshoring of defense production, or the sourcing, foreign sourcing of defense supply, and this actually leads into sort of the question that was up in the chat, you know, I think first of all, when we talk about offshoring, we always have to be thinking about unions and American workers, honestly, we might also find ourselves in some very strange coalitions with some major US defense entities that do not want to outsource the technology or the production to a foreign party, particularly when that foreign party will make it more difficult in some cases to then sell that onwards to other countries, and particularly the Middle East, but then also, with I think there's a very strong national security case to be made here as well.

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You know, someone asked in the chat, what about Israel's track record of espionage? There is a track record of espionage, right, and not just the headline cases of Jonathan Pollard and, you know, Donald Franklin, and all that sort of thing, but, but for those of us, you know, who have come out of government, we certainly know what the concerns are, and you know, by opening some of our most sensitive technologies to Israel, you know, when we talk about the People's Republic of China, we talk about military civil fusion, the idea that you cannot separate the military sector from. The civil corporate sector, because what the government says the corporate sector executes, it's really invented military civil fusion. Let's be honest about it. And so the idea that we would open our most sensitive and our supply chains, our most sensitive technologies on our supply chains to that risk, I think, is one that should, you know, we should also be educating our members of Congress about, and really sort of setting off alarms and working with those who do care about national security to address.

Annelle Sheline 55:27

Thanks so much, Josh. I think your answer got some aspects of other people's questions. I know there are a lot of questions. So, Ben, final five minutes to you on what can be done to try to again prevent Americans were tired of our money paying for Israeli aggression, and the ways that this is going to become less visible. What can be done?

Ben Freeman 55:50

Yeah, I'll strive to be very quick, and I'm going to piggyback, actually, on something that Josh said. There, I think there is a counterintuitive alliance to be found in the defense industrial base itself, and there's a business case here, and I'm going to speak very quickly to shareholders at major defense contractors. I never do this, so listen up, shareholders at major defense contractors, there's both a reputational risk and a business risk of now collaborating closely with Israeli defense firms, and you know that might seem counterintuitive. Steve is right, you know, there's plenty of technology, there's plenty of US benefits from working with some Israeli firms, but right now Israel is toxic. The Israeli military is toxic, both in the US and particularly across Europe too, and where we're seeing that manifest on the business side in Europe is with major Israeli defense exports to Europe being canceled.

So last year Israel set a record, over \$14 billion in foreign military sales announced a lot of those going to the majority going to Europe, a lot of those European countries have now started rescinding those contracts. Spain alone has canceled almost a billion dollars in contracts, that is not trivial. So, when you're thinking, if you're a defense contractor sitting there now, you're looking at a US pipeline, the trillion dollar war machine sitting right over my shoulder, and you know the promise of even more billions and billions of dollars coming from the US government to you over the coming years. You have finite capacity, and so you have to say, you know, am I going to fulfill these US government orders or am I going to expand my co-production with Israel, there is a business risk in doing that. Now, there's a reputational risk that can bleed into an economic risk of working with them. I think that's a leverage of influence right there. And if I'm

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a shareholder at one of these firms, I think twice about expanding co-production with Israeli firms.

Annelle Sheline 58:02

I great. I really appreciate everyone's insights. Again, the brief will be available early next week, most likely published on Tuesday. If you would like access to the copy of the brief in advance, please reach out. Also, there were some great questions in the Q&A that we did not manage to get to, so please feel free to reach out. You can email media at quincyinst.org and we will direct them, or you can tell us who you want them directed to. But we have two minutes left. If there are any final points that I know I had to, we were trying to get through a lot of technical information very quickly, so if there are any final points near to, we've got two minutes. Our panelists are restraining themselves. Oh, I see some people are asking for early copies of the brief. We'll, we'll get that to you, and finally, just really want to extend our appreciation to all of you for the work that you're doing, Josh, the courageous stance you took in resigning, you did it way before I did,

And also to Steve and Ben, my colleagues at Quincy, and to the Quincy Institute for sponsoring this. Very much appreciate everyone's time, and hope everyone will read the brief once it's out, or request a copy in advance. Oh, to question the chat, this will be recorded and available. It will be at the link on the Quincy website, where it's currently sits under the events tab, that's where this recording will be available. So, again, many thanks to you all, and forward to future conversation.