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A FUNDAMENTAL RESET:

A New U.S. Strategy for Israel, Palestine, and the Middle East

The United States needs a fundamental reset of its approach to the Middle East, one that redefines the U.S.-Israel relationship and reorients American policy toward the Israeli-Palestinian conflict and the broader region. American policy should reflect U.S. interests in a secure, stable, and prosperous Middle East that no longer draws the U.S. into costly wars. This future is only possible if all Israelis and Palestinians can live in freedom, dignity, security, and prosperity. America must prioritize the twin goals of Palestinian statehood living alongside a Jewish, democratic Israel with freedom and equal rights for all citizens of both countries. And it must put forward a clear choice to Israel: moving toward a 23-state solution with Israel at peace with all of its neighbors, including the State of Palestine, or a much more limited U.S.-Israel relationship.

Pursue a U.S.-Israel security relationship that is consistent with U.S. values, law, and policy goals, conditioning U.S. support on Israeli actions.

The U.S. should rapidly and responsibly phase out the $3.8 billion per year in direct U.S. financial subsidies for Israeli weapons (including $3.3 billion in Foreign Military Financing, roughly half of America's FMF budget for the entire world). Continuing this assistance is both unnecessary for a country as powerful and wealthy as Israel and politically counterproductive, creating avoidable tensions in U.S. domestic politics and in the bilateral relationship. A responsible and relatively rapid phase-out would normalize the relationship and place Israel in the same category as other capable allies that purchase U.S. defense equipment without subsidy.

At the same time, the United States should ensure Israel can continue to obtain the necessary elements of defensive systems such as Iron Dome, David's Sling, and Arrow. These systems have been jointly developed, with American companies working alongside Israel to produce the necessary interceptors. They remain critical for protecting Israeli civilians.

Israel should also be subject to the same laws and standards that govern U.S. security assistance to its other partners. U.S. law already sets several universal conditions on security assistance to foreign countries, including Section 620I of the Foreign Assistance Act (which prohibits U.S. security assistance

to any government that restricts the delivery of U.S. humanitarian aid) and the Leahy Laws. In recent years, these laws have not been adequately enforced when it comes to Israel, and special vetting processes unique to Israel have undermined their credibility. These exceptions need to end, as they incentivize a lack of accountability and allow problematic behavior and policies to continue. The U.S. should apply the same legal standards to Israel as it does to all other partners, withholding offensive arms sales when those standards are not met and restoring them only once compliance is achieved.

When Israeli policies do not align with American policies and interests, Israel should not be able to use American weapons for those policies. That is why J Street supports legislation that would make clear that Israel must adhere to the October 2025 ceasefire agreement and 20-point plan for Gaza that it previously agreed to, facilitate the entrance of humanitarian aid into Gaza, prevent de facto and de jure annexation of the West Bank, and take material steps to prevent settler violence. If these conditions are not met, Israel should not be able to use U.S. weapons in Gaza or the West Bank. The Israeli government has already made these commitments, which should be entirely achievable but are currently not being met.

Finally, the United States should not enter into any new significant defense agreements with Israel until it comes into compliance with the October 2025 ceasefire agreement and 20-point plan for Gaza, tackles the scourge of settler violence, and reverses the expansion of settlements in the West Bank. Until Israel changes course, a Democratic Congress or President should terminate or suspend any significant agreements signed by the Trump Administration over the next two years, including a potential new long-term 10-year Memorandum of Understanding or dramatically expanded joint defense and technology cooperation as proposed in Section 219 (House) / Section 1217 (Senate) of the 2027 National Defense Authorization Act (NDAA).

Recognize the State of Palestine and help the Palestinians build it.

To restore legitimacy to Palestinian governance, the U.S. should begin by recognizing a Palestinian state. While such a move would not immediately create a State of Palestine next to Israel or transform realities on the ground, it would represent a fundamental commitment by the United States to press for that state. This commitment would carry profound symbolic weight for the Palestinian public, result in a flood of other countries recognizing Palestine, and unlock new legal and diplomatic pathways for Palestine — including expanded access to international institutions and a basis for Congress to unwind the many American laws that restrict U.S.-Palestinian relations.

The U.S. should dramatically upgrade diplomatic relations with Palestine by exchanging ambassadors and reopening the Palestinian mission in Washington and the U.S. mission in East Jerusalem. The President should exercise available waiver authorities and make the necessary certifications to allow the Palestinians to reopen the mission, and Congress should repeal laws that unnecessarily block a constructive U.S.-Palestinian diplomatic relationship.

As part of a broader effort to rebuild Palestinian institutions, Washington should actively support new Palestinian presidential and legislative elections. It should apply pressure on the Palestinian Authority (PA) to proceed with those elections and on Israel not to stand in the way. To address concerns regarding the risk of a Hamas takeover, all participating parties should be required to renounce violence. This would either limit Hamas's role or force it to take moderating steps. And to reinvigorate public support for Palestinian moderates willing to negotiate with and accept Israel, the U.S. should also advocate for the release of the single most popular politician in Palestine — Marwan Barghouti.

Of course, as outlined later in this paper, this approach toward Hamas should also be paired with a Gaza strategy that focuses on the phased disarmament of Hamas and its eventual replacement with the PA.

The United States should support efforts underway with the European Union and Saudi Arabia to work with the PA to improve governance capacity and root out corruption. It should also send an auditing team to verify that the prisoner payment system established by the PA has in fact been terminated, and if that is confirmed, certify that the PA is complying with the Taylor Force Act and eliminate the Act's many restrictions on U.S. support for the PA or a Palestinian state.

Finally, a Palestinian state will not thrive as long as Israel withholds billions of dollars in tax revenue that it collects on behalf of the Palestinians. Washington should make clear to Israel that if it does not resume its transfers, the U.S. will suspend the bilateral free trade agreement and withdraw from other joint research and economic cooperation projects.

Pursue a regional vision of a 23-state solution in which a secure Israel lives at peace with all of its neighbors, including the State of Palestine.

If America's goal is a stable, integrated Middle East, it must demonstrate to Israel's leaders and its public that broad regional acceptance is a better option than the continued occupation of Palestinian territory and endless wars. The U.S. should therefore work with Israel's Arab neighbors to set up a clear choice for the Israeli people: a comprehensive, regional agreement in which Israel has a secure and prosperous future alongside a Palestinian state and full acceptance by its neighbors — or continued occupation, conflict, and growing isolation, including from the United States. While the Israeli public does not currently support a two-state solution, there is much broader support for the establishment of a Palestinian state when it is framed as part of a broad regional normalization effort. Progress on key elements of building a Palestinian state, such as rebuilding Gaza and helping build Palestinian governing institutions, offers an opportunity for Israeli-Arab collaboration, but Saudi Arabia has made clear that its full cooperation on those issues is contingent on Israel committing to a pathway to a Palestinian state.

The United States should also make it clear to all in the region that it will pursue a new Middle East strategy that emphasizes diplomatic and economic tools and that while the U.S. will not militarily abandon the region, it will be taking on a smaller role with a lighter footprint and will no longer serve as a backstop for regional security.

The United States should continue to work toward a non-aggression pact between Israel and Syria. In addition, the U.S. should encourage the implementation of all elements of the November 2024 ceasefire arrangements and support peace talks and an eventual peace agreement between Israel and Lebanon. Central to these efforts is continuing to support the Syrian and Lebanese governments as they seek to project greater control over their respective territories and to reduce the influence of militias.

The U.S. should continue to play a facilitating role in bringing Israel together with its Arab partners to manage and respond to shared security challenges, especially regional missile defense. Israel's gas deals with Egypt and Lebanon in recent years, along with its past cooperation with Jordan on water rights, demonstrate that Israel and its Arab neighbors can be brought closer together by identifying areas of mutual benefit short of full normalization. Israel should pursue similar cooperation in agriculture, water, and clean energy. While full normalization is needed to realize the full benefits of cooperation in these areas, targeted projects can build trust, deepen economic and people-to-people ties, and build momentum toward broader integration. Successful cooperation demonstrates the upside of normalization and fosters familiarity among political and business leaders who influence their governments' policies.

Reverse Israel's occupation of the West Bank and the settlement project using economic pressure.

The current Israeli government has established a record number of new settlements, enabled the construction of a record number of illegal outposts, and allowed settlers to attack and displace dozens of Palestinian communities with impunity. It has also approved construction in E1, with tenders issued for companies to make construction bids, which would bisect the West Bank, isolate East Jerusalem, and cause significant damage to the viability of a Palestinian state. While stopping short of legal annexation, these actions signal to the world Israel's intent to permanently occupy significant swaths of the West Bank and to prevent a Palestinian state from emerging.

The UK, France, and Canada recently took an important step by announcing sanctions against entities involved in financing, constructing, and supporting Israeli settlements. They also imposed trade restrictions on goods being produced in the settlements.

The United States should follow suit, first by passing the West Bank Violence Prevention Act, which sanctions extremist violent settlers and the entities that support them and is based on the West Bank violence Executive Order implemented during the last year of the Biden Administration. The United States should also sanction entities that finance, build, or support new settlements, as well as government officials directly responsible for settlement expansion, as outlined in the Stop the Settlements Act. This would essentially impose a settlement freeze by deterring financing of new construction. These sanctions should also focus on existing settlements that threaten the viability of a Palestinian state, including the new farming outposts that have been established under the extremist Netanyahu-Smotrich-Ben Gvir government and are the source of most settler violence.

Given the threat that construction in the E1 area poses to a viable Palestinian state, there should also be a special focus on sanctions on any entity enabling construction there, as emphasized in both the Stop the Settlements Act in the House and the Sanction E1 Construction Act in the Senate. In East Jerusalem, these sanctions should exclude the Old City and existing Jewish neighborhoods, while still applying to new construction in East Jerusalem that threatens the viability of a Palestinian state.

The United States should also impose a trade ban on commercial goods produced in West Bank settlements, while exempting goods carried in personal luggage.

Finally, Washington must press Israel to relax some of the onerous restrictions on movement in the West Bank that have been imposed in recent years. These restrictions are doing great damage to the Palestinian economy and harming Palestinian freedom. If Israel refuses, the United States should suspend Israeli participation in the U.S. Visa Waiver Program so that Israelis will no longer be eligible to enter the U.S. without a visa.

Disarm Hamas and replace it with Palestinian security and governance institutions in Gaza.

The U.S. should work with Qatar, Turkey, and Egypt to pressure and convince Hamas — a terrorist organization — to hand over its heavy weapons and to transfer responsibility for governance and internal security in Gaza to the National Committee for the Administration of Gaza (NCAG) or the PA through a phased process. This would allow for the end of Hamas's repressive rule in Gaza. Hamas has already agreed to such a proposal in the summer of 2026 in exchange for a phased Israeli withdrawal from Gaza, and America should ensure Qatar, Turkey, and Egypt use their leverage on Hamas to ensure it remains committed to and fully implements that plan.

Simultaneously, the U.S. must use its considerable leverage over Israel to ensure the Israeli government agrees to and fully implements a plan for the phased disarmament of Hamas alongside a phased

Israeli withdrawal and allows more aid and reconstruction materials into Gaza. So far, the Netanyahu government has rejected phased plans, insisting on full disarmament before taking any steps toward withdrawal. This is unrealistic and a recipe for paralysis. If it continues, the U.S. should condition arms sales to Israel on it cooperating with a verifiable disarmament plan that addresses Israel's legitimate security concerns.

Parallel to disarmament, the role of maintaining internal security within Gaza — previously carried out by Hamas-aligned police forces — must be transferred to an alternative force. The key is to train alternative Palestinian police and security forces, an area in which the United States and the international community have a strong track record of success. An International Stabilization Force can play a supporting and enabling role for Palestinian security forces.

The U.S. should leverage its influence globally, especially with the Gulf states, to pursue an international reconstruction plan for Gaza. Securing this financing depends on addressing potential donors' legitimate fears that future rounds of conflict would again destroy donor-financed projects, and on convincing Israel to ease its restrictions on "dual-use" items essential to reconstruction. Progress on Hamas disarmament, Israeli withdrawal, and establishing alternative security and governance for the Strip will be key to instilling confidence in donor states.

Finally, while the United States should continue to support elements of the 20-point plan agreed to by Israel and Hamas, the Board of Peace construct should be phased out and replaced with an alternative governance structure. Concerns about corruption and efforts to undermine the international system associated with the Board of Peace have led many countries to choose not to engage, hampering Gaza reconstruction efforts.

End the unnecessary war with Iran. Use diplomacy to secure U.S. interests, including freedom of navigation and preventing Iran from obtaining a nuclear weapon.

The United States should terminate the destructive war of choice with Iran. Iran is unlikely to agree to a bilateral agreement with the United States in the aftermath of President Trump's decisions to walk away from the Iran nuclear agreement, repeatedly escalate tensions over the years, and eventually start an unnecessary and illegal war. However, the U.S. can work with Gulf states to de-escalate the situation and ultimately pursue an agreement with Iran that ensures the reliable free flow of energy and goods through the Strait of Hormuz.

At the same time, the United States should encourage and support regional efforts to build resilient alternatives, such as pipelines and other infrastructure, that bypass the Strait of Hormuz chokepoint. It should also pursue energy policies that reduce U.S. dependence on oil.

The United States should continue to seek verifiable restrictions on Iran's nuclear program, including robust International Atomic Energy Agency (IAEA) monitoring, in exchange for sanctions relief. It should also continue to work with regional actors to deter and contain the destabilizing regional actions of Iran's proxies, while making clear to its regional partners that the U.S. military will no longer act as a backstop to regional security. The United States should not support offensive Israeli military action against Iran unless there is a clear and imminent threat.

Vote according to U.S. interests and values at the United Nations and support international accountability.

International bodies have displayed bias against Israel over the years. When that bias is on display with unfair actions that single out Israel, the United States should step in and oppose them. At the same time, the United States should not reflexively shield Israel from international censure. When United Nations Security Council resolutions or other actions in the U.N. align with U.S. interests and principles, including de-escalation, protecting civilians, and supporting negotiated conflict resolution, the United States should allow them to proceed or actively vote for them. This should be especially true when Israel is behaving counter to U.S. interests.

Similarly, the U.S. should stand aside at the International Court of Justice (ICJ) and the International Criminal Court (ICC), rather than consistently exerting pressure in Israel's favor. The U.S. has mounted an aggressive defense of Israel against the ICC arrest warrants for Israeli Prime Minister Benjamin Netanyahu and former Israeli Defense Minister Yoav Gallant. The Trump Administration has even imposed sanctions against the ICC in an effort to destroy it, undermining accountability for human rights violators around the world. These U.S. sanctions should be removed, and the U.S. should approach global courts' work on the Israeli-Palestinian conflict the way it does with other conflicts — allowing them to pursue their work.

Take a strong stand against antisemitism and all forms of hate while protecting legitimate debate and free speech.

Since October 7th, there has been a disturbing surge in antisemitic incidents in the United States and across the globe. This surge has come from both the far right, where Donald Trump has enabled extremists and created a permission structure for antisemitic dialogue and action, and from the far left, where legitimate criticism of Israeli government policies has at times crossed into antisemitism. Criticism of policies is part of a healthy democracy and should be protected as free speech. However, when rhetoric crosses into violence, support for violence, or holding American Jews collectively responsible for actions taken by the Israeli government, it must be condemned and addressed. At the same time, the U.S. government should not enact policies and legislative actions that present almost any criticism of Israeli government action as antisemitic, limit free speech, and make it harder to distinguish between genuinely problematic and harmful behavior and legitimate political disagreement.

The Antisemitism Response and Prevention Act (ARPA) offers a serious, constructive response — providing security funding for faith communities, strengthening hate crime tracking and response, and ensuring students have support on college campuses. Critically, this legislation makes clear that combating antisemitism must not come at the expense of free expression. And it does not insist on using the International Holocaust Remembrance Alliance (IHRA) definition of antisemitism, which in several instances defines legitimate criticism of Israel as antisemitism.

Finally, we must also recognize that a critical component of fighting antisemitism is to stand up against all forms of hate and discrimination and work in coalition with other minority groups, including with the Muslim community to combat Islamophobia and with the Black community to counter racism. Historically, Jews have pursued such an approach, and not only is it the right thing to do, but it has been the most effective way to keep Jews safe.