By George Friedman

Amid the rhetoric of U.S. President Barack Obama's speech June 4 in Cairo, there was one substantial indication of change, not in the U.S. relationship to the Islamic world but in the U.S. relationship to Israel. This shift actually emerged prior to the speech, and the speech merely touched on it. But it is not a minor change and it must not be underestimated. It has every opportunity of growing into a major breach between Israel and the United States.

The immediate issue concerns Israeli settlements on the West Bank. The United States has long expressed opposition to increasing settlements but has not moved much beyond rhetoric. Certainly the continued expansion and development of new settlements on the West Bank did not cause prior administrations to shift their policies toward Israel. And while the Israelis have occasionally modified their policies, they have continued to build settlements. The basic understanding between the two sides has been that the United States would oppose settlements formally but that this would not evolve into a fundamental disagreement.

The United States has clearly decided to change the game. Obama has said that, "The United States does not accept the legitimacy of continued Israeli settlements. This construction violates previous agreements and undermines efforts to achieve peace. It is time for these settlements to stop." Israeli Prime Minister Benjamin Netanyahu has agreed to stop building new settlements, but not to halt what he called the "natural growth" of existing settlements.

Obama has positioned the settlement issue in such a way that it would be difficult for him to back down. He has repeated it several times, including in his speech to the Islamic world. It is an issue on which he is simply following the formal positions of prior administrations. It is an issue on which prior Israeli governments made commitments. What Obama has done is restated formal U.S. policy, on which there are prior Israeli agreements, and demanded Israeli compliance. Given his initiative in the Islamic world, Obama, having elevated the issue to this level, is going to have problems backing off.

Obama is also aware that Netanyahu is not in a political position to comply with the demand, even if he were inclined to. Netanyahu is leading a patchwork coalition in which support from the right is critical. For the Israeli right, settling in what it calls Samaria and Judea is a fundamental principle on which it cannot bend. Unlike Ariel Sharon, a man of the right who was politically powerful, Netanyahu is a man of the right who is politically weak. Netanyahu gave all he could give on this issue when he said there would be no new settlements created. Netanyahu doesn't have the political ability to give Obama what he is demanding. Netanyahu is locked into place, unless he wants to try to restructure his Cabinet or persuade people like Avigdor Lieberman, his right-wing foreign minister, to change their fundamental view of the world.

Therefore, Obama has decided to create a crisis with Israel. He has chosen a subject on which Republican and Democratic administrations have had the same formal position. He has also picked a subject that does not affect Israeli national security in any immediate sense (he has not made demands for changes of policy toward Gaza, for example). Obama struck at an issue where he had precedent on his side, and where Israel's immediate safety is not at stake. He also picked an issue on which he would have substantial support in the United States, and he has done this to have a symbolic showdown with Israel. The more Netanyahu resists, the more Obama gets what he wants.

Obama's read of the Arab-Israeli situation is that it is not insoluble. He believes in the two-state solution, for better or worse. In order to institute the two-state solution, Obama must establish the principle that the West Bank is Palestinian territory by right and not Israeli territory on which the Israelis might make concessions. The settlements issue is fundamental to establishing this principle. Israel has previously agreed both to the two-state solution and to not expanding settlements. If Obama can force Netanyahu to concede on the settlements issue, then he will break the back of the Israeli right and open the door to a rightist-negotiated settlement of the two-state solution.

In the course of all of this, Obama is opening doors in the Islamic world a little wider by demonstrating that the United States is prepared to force Israel to make concessions. By subtext, he wants to drive home the idea that Israel does not control U.S. policy but that, in fact, Israel and the United States are two separate countries with different and sometimes conflicting views. Obama wouldn't mind an open battle on the settlements one bit.

For Netanyahu, this is the worst terrain on which to fight. If he could have gotten Obama to attack by demanding that Israel not respond to missiles launched from Gaza or Lebanon, Netanyahu would have had the upper hand in the United States. Israel has support in the United States and in Congress, and any action that would appear to leave Israel's security at risk would trigger an instant strengthening of that support.

But there is not much support in the United States for settlements on the West Bank. This is not a subject around which Israel's supporters are going to rally very intensely, in large part because there is substantial support for a two-state solution and very little understanding or sympathy for the historic claim of Jews to Judea and Samaria. Obama has picked a topic on which he has political room for maneuver and on which Netanyahu is politically locked in.

Given that, the question is where Obama is going with this. From Obama's point of view, he wins no matter what Netanyahu decides to do. If Netanyahu gives in, then he has established the principle that the United States can demand concessions from a Likud-controlled government in Israel and get them. There will be more demands. If Netanyahu doesn't give in, Obama can create a split with Israel over the one issue he can get public support for in the United States (a halt to settlement expansion in the West Bank), and use that split as a lever with Islamic states.

Thus, the question is what Netanyahu is going to do. His best move is to say that this is just a disagreement between friends and assume that the rest of the U.S.-Israeli relationship is intact,

from aid to technology transfer to intelligence sharing. That's where Obama is going to have to make his decision. He has elevated the issue to the forefront of U.S.-Israeli relations. The Israelis have refused to comply. If Obama proceeds with the relationship as if nothing has happened, then he is back where he began.

Obama did not start this confrontation to wind up there. He calculated carefully when he raised this issue and knew perfectly well that Netanyahu couldn't make concessions on it, so he had to have known that he was going to come to this point. Obviously, he could have made this confrontation as a part of his initiative to the Islamic world. But it is unlikely that he saw that initiative as ending with the speech, and he understands that, for the Islamic world, his relation to Israel is important. Even Islamic countries not warmly inclined toward Palestinians, like Jordan or Egypt, don't want the United States to back off on this issue.

Netanyahu has argued in the past that Israel's relationship to the United States was not as important to Israel as it once was. U.S. aid as a percentage of Israel's gross domestic product has plunged. Israel is not facing powerful states, and it is not facing a situation like 1973, when Israeli survival depended on aid being rushed in from the United States. The technology transfer now runs both ways, and the United States relies on Israeli intelligence quite a bit. In other words, over the past generation, Israel has moved from a dependent relationship with the United States to one of mutual dependence.

This is very much Netanyahu's point of view, and from this point of view follows the idea that he might simply say no to the United States on the settlements issue and live easily with the consequences. The weakness in this argument is that, while Israel does not now face strategic issues it can't handle, it could in the future. Indeed, while Netanyahu is urging action on Iran, he knows that action is impossible without U.S. involvement.

This leads to a political problem. As much as the right would like to blow off the United States, the center and the left would be appalled. For Israel, the United States has been the centerpiece of the national psyche since 1967. A breach with the United States would create a massive crisis on the left and could well bring the government down if Ehud Barak and his Labor Party, for example, bolted from the ruling coalition. Netanyahu's problem is the problem Israel has continually had. It is a politically fragmented country, and there is never an Israeli government that does not consist of fragments. A government that contains Lieberman and Barak is not one likely to be able to make bold moves.

It is therefore difficult to see how Netanyahu can both deal with Obama and hold his government together. It is even harder to see how Obama can reduce the pressure. Indeed, we would expect to see him increase the pressure by suspending minor exchanges and programs. Obama is playing to the Israeli center and left, who would oppose any breach with the United States.

Obama has the strong hand and the options. Netanyahu has the weak hand and fewer options. It is hard to see how he will solve the problem. And that's what Obama wants. He wants Netanyahu struggling with the problem. In the end, he wants Netanyahu to fold on the settlements issue and keep on folding until he presides over a political settlement with the

Palestinians. Obama wants Netanyahu and the right to be responsible for the agreement, as Menachem Begin was responsible for the treaty with Egypt and withdrawal from the Sinai.

We find it difficult to imagine how a two-state solution would work, but that concept is at the heart of U.S. policy and Obama wants the victory. He has put into motion processes to create that solution, first of all, by backing Netanyahu into a corner. Left out of Obama's equation is the Palestinian interest, willingness and ability to reach a treaty with Israel, but from Obama's point of view, if the Palestinians reject or undermine an agreement, he will still have leverage in the Islamic world. Right now, given Iraq and Afghanistan, that is where he wants leverage, and backing Netanyahu into a corner is more important than where it all leads in the end.

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