

THE STRATEGIC FUNCTIONS OF U.S. AID TO ISRAEL

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The U.S. aid relationship with Israel is unlike any other in the world or, indeed, any other in history. In sheer volume, the amount is the most generous foreign-aid program ever between any two countries, totaling \$77.72 billion through fiscal year 1996.¹ No country, including South Vietnam, has ever received as much congressionally mandated aid as has Israel. Indeed, Israel receives more U.S. aid per capita annually than the *total annual GNP* per capita of several Arab states, including Egypt, Mauritania, Sudan, Yemen and Morocco.² What is perhaps even more unusual is that Israel, like its benefactor, is an advanced, industrialized, technologically sophisticated country, as well as a major arms exporter.

This article examines the nature and extent of U.S. foreign aid to Israel, the strategic roots of this aid, how the relationship has been affected by the changing world order, the aid policy of the Clinton administration, its military component, its impact on Israel, the debate within both Israel and the United States, and the impact of aid on the Middle East peace process.

¹ Congressional Research Service, "Israel: U.S. Foreign Assistance," August 30, 1995, compiled by Clyde Mark.

This amount is higher than even that of the frequently cited Soviet aid to Cuba in the 30 years prior to 1991.

² Martha Wenger, "U.S. Aid to Israel: From Handshake to Embrace," *Middle East Report*, May-August 1990.

THE NATURE OF U.S. AID

U.S. aid to Israel began in the early 1950s with small grants and expanded modestly over the next decade to include Export-Import Bank loans, Food for Peace aid and general economic loans. Military loans began only after the 1967 War. These were replaced entirely by grants in 1985. U.S. economic aid increased greatly in subsequent years, and grants replaced loans for economic assistance in 1981. In recent years, the annual U.S. subsidy for Israel has remained at approximately \$3 billion in military and economic grants, in addition to more than \$500 million from other parts of the budget or off-budget.³ Unlike most U.S. recipients of economic aid, who are required to use the bulk of the money for specific projects such as buying certain U.S. agricultural surpluses or finished goods, Israel gets to put its aid directly into the government treasury. In every other country, officials of the U.S.

³ The breakdown of grant aid over the official \$3 billion is as follows: bank charges incurred by U.S. government for lump-sum withdrawal (\$60 million); interest earned by Israel on ESF aid money reinvested in U.S. treasury notes (\$90 million); supplemental State-Department-funded aid (\$93.5 million); supplemental Defense Department items (\$242.3 million); a contract with the Immigration and Naturalization Service (\$17 million); assistance from the Commerce Department (\$2.5 million).

⁴ House Appropriations Committee Funds U.S.-Israeli Cooperation, "Near East Report," vol. XXXIX, no. 18, August 14, 1995, p. 99, and Shawn Twing, "A Comprehensive Guide to U.S. Aid to Israel," *Washington Report on Middle East Affairs* April 1996, p. 7.

Agency for International Development (USAID) oversee the actual programs, either administered directly, through non-governmental organizations, or under cosponsorship with a government agency. Since 1971, however, Israel has been the exception: the U.S. government sets the funding level and these become simply cash transfers to the Israeli government.⁴

Since 1992, the United States has offered Israel an additional \$2 billion annually in loan guarantees. Congressional researchers have disclosed that between 1974 and 1989, \$16.4 billion in U.S. military loans were converted to grants and that this was the understanding from the beginning. Indeed, all past U.S. loans to Israel have eventually been forgiven by Congress, which has undoubtedly helped Israel's often-touted claim that they have never defaulted on a U.S. government loan. U.S. policy since 1984 has been that economic assistance to Israel must equal or exceed Israel's annual debt repayment to the United States.

Unlike other countries, which receive aid in quarterly installments, aid to Israel since 1982 has been given in a lump sum at the beginning of the fiscal year, leaving the U.S. government to borrow from future revenues. Israel even lends some of this money back through U.S. treasury bills and collects the additional interest.⁵

In addition, there is the more than \$1.5 billion in private U.S. funds that go to Israel annually in the form of \$1 billion in private tax-deductible donations and \$500 million in Israeli bonds.⁶ The ability of Americans to make what amounts to tax-deductible contributions to a foreign government, made possible through a number of Jewish charities,

does not exist with any other country. Nor do these figures include short- and long-term commercial loans from U.S. banks, which have been as high as \$1 billion annually in recent years.⁷

Total U.S. aid to Israel is approximately one-third of the American foreign-aid budget, even though Israel comprises just .001 percent of the world's population and already has one of the world's higher per capita incomes. Indeed, Israel's GNP is higher than the combined GNP of Egypt, Lebanon, Syria, Jordan, the West Bank and Gaza. With a per capita income of about \$14,000, Israel ranks as the sixteenth wealthiest country in the world; Israelis enjoy a higher per capita income than oil-rich Saudi Arabia and are only slightly less well-off than most Western European countries. AID does not term economic aid to Israel as development assistance, but instead uses the term "economic support funding."⁸ Given Israel's relative prosperity, U.S. aid to Israel is becoming increasingly controversial. In 1994, Yossi Beilin, deputy foreign minister of Israel and a Knesset member, told the Women's International Zionist Organization, "If our economic situation is better than in many of your countries, how can we go on asking for your charity?"⁹

THE ROOTS OF U.S. AID POLICY

The U.S. commitment to Israel has often been articulated by American officials in moral terms, even as a case of a democracy battling for its very survival. Yet, were this actually the primary motivation for the aid program, U.S. aid to Israel would have been highest in the early years of the existence of the Jewish state, when its democratic institutions were strongest and its strategic situation most vulnerable, and would have declined as its military power grew dramatically and its repression of Palestinians in the occupied territories increased. Instead, the trend has been in just the opposite direction: major U.S. military and economic aid did not begin until after the 1967

⁴ In other countries that receive U.S. economic aid, there is an AID mission as part of the U.S. embassy that audits all relevant expenditures. Without such oversight in Israel, there have been a number of scandals involving U.S. funds, such as when General Electric's manager for Israel was caught paying kickbacks to Israeli authorities responsible for procurement, or when General Rami Dotan was found to be siphoning off U.S. funds for his personal use.

⁵ Figures cited in Edward T. Pound, "A Close Look at U.S. Aid to Israel Reveals Deals That Push Cost Above Publicly Quoted Figures," *The Wall Street Journal*, September 19, 1991, p. A16.

⁶ Martha Wenger, "The Money Tree: U.S. Aid to Israel," *Middle East Report*, May-August 1990, p. 12.

⁷ Ibid.

⁸ Background briefing, Department of State, March 26, 1996.

⁹ Cited in Joel Bainerman, "Looking the Gift Horse in the Mouth: Israelis Ask if U.S. Generosity Might Actually Be Hurting their Country," *The Washington Post*, October 29, 1995, p. C4.

War. Indeed, 99 percent of U.S. military assistance to Israel since its establishment came only after Israel proved itself to be far stronger than any combination of Arab armies and after Israeli occupation forces became the rulers of a large Palestinian population.

In the hypothetical event that all U.S. aid to Israel were immediately cut off, it would be many years before Israel would be under significantly greater military threat than it is to-

day. Israel has both a major domestic arms industry and an existing military force far more capable and powerful than any conceivable combination of opposing forces. While a cutoff of economic support might force Israel to negotiate a settlement with the Palestinians that would end the expensive patchwork of Israeli control and subsidizing of settlements, thereby increasing the likelihood of Palestinian statehood alongside Israel, there would be no question of Israel's survival being at risk militarily in the foreseeable future.

One of the most fundamental principles in the theory of international relations is that the most stable military relationship between adversaries (besides disarmament) is strategic parity. Such a relationship provides an effective deterrent for both sides against a preemptive attack by the other. If it were concerned simply with Israel's security, the United States would be dedicated to maintaining Israeli defenses to the point where they would be approximately equal to any realistic combination of Arab armed forces. Instead, leaders of both American political parties have called for the United States to help maintain *not* a military balance between Israel and its neighbors, but qualitative Israeli military superiority.¹⁰ When Israel was less dominant militarily, there was no such consensus for U.S. backing of Israel. The con-

tinued high levels of U.S. aid to Israel does not likely spring from concern for Israel's survival. One explanation may come from a desire for Israel to continue its strategic and political dominance over the Palestinians and over the region as a whole.

Indeed, the primary reason for the direction of U.S. policy is the role Israel plays for the United States. Israel has helped to defeat radical nationalist

movements in Lebanon, Jordan and Yemen, as well as in Palestine. They have kept Syria, for many years an ally of the Soviet Union, in check. Their air

force is predominant throughout the region. Israel's frequent wars have provided battlefield testing for American arms, often against Soviet weapons. They have been a conduit for U.S. arms to regimes and movements too unpopular in the United States to be openly granted direct military assistance, such as South Africa, Iran, Guatemala and the Nicaraguan Contras. Israeli military advisers have assisted the Contras, the Salvadoran junta, and other movements and governments backed by the United States. The Mossad has cooperated with the CIA and other U.S. services in intelligence gathering and covert operations. Israel has missiles capable of reaching the former Soviet Union and has cooperated with the U.S. military-industrial complex with research and development for new jet fighters, anti-missile defense systems and even the Strategic Defense Initiative, a relationship that is expected to continue.¹¹ As one Israeli analyst described it during the Iran-Contra scandal, "It's like Israel has become just another federal agency, one that's convenient to use when you want something done quietly."¹²

The pattern of U.S. aid to Israel is revealing. Immediately following Israel's spectacular victory in the 1967 War, when it demonstrated its military superi-

Immediately following Israel's spectacular victory in the 1967 War, when it demonstrated its military superiority in the region, U.S. aid shot up by 450 percent.

¹⁰ This commitment to Israeli superiority is often cast in terms of compensating for the superior numerical strength of the combined forces of neighboring Arab states. However, not only are Israeli forces far better trained and more mobile, but the idea of large numbers of Arab states uniting to destroy Israel at this point is highly questionable at best.

¹¹ Karen L. Puschel, *U.S.-Israeli Strategic Cooperation in the Post-Cold War Era: An American Perspective* (Boulder: Westview Press) 1993, p. 150.

¹² Glenn Frankel, *The Washington Post*, November 19, 1986.

ority in the region, U.S. aid shot up by 450 percent. Part of this increase, according to *The New York Times*, was apparently related to Israel's willingness to provide the United States with examples of new Soviet weapons captured during the war.¹³ Following the 1970-71 civil war in Jordan, when Israel's potential to curb revolutionary movements outside its borders became apparent, aid increased another sevenfold. After Arab armies in the 1973 war were successfully countered by the largest U.S. airlift in history, with Israel demonstrating its power to defeat surprisingly strong Soviet-supplied forces, military aid increased by another 800 percent. These increases paralleled the British decision to withdraw forces from "east of Suez," which also led to the massive arms sales and logistical cooperation with the shah's Iran, a key component of the Nixon Doctrine.¹⁴

Aid quadrupled again in 1979 soon after the fall of the shah, the election of the right-wing Likud government, and the ratification of the Camp David accords. Aid increased yet again soon after the 1982 Israeli invasion of Lebanon. In 1983 and 1984, when the United States and Israel signed memoranda of understanding on strategic cooperation and military planning and conducted their first joint naval and air military exercises, Israel was rewarded by an additional \$1.5 billion in economic aid, as well as another \$500,000 for the development of a new jet fighter.¹⁵ During and immediately after the Gulf War, U.S. aid increased an additional \$650 million.¹⁶

The correlation is clear: the stronger and more willing Israel is to cooperate with U.S. interests, the higher the level of aid.

POLICY DEBATES

In reality, the history of unconditional U.S. aid to Israel is not that unfamiliar: it is a result of the same kind of thinking that has guided U.S. policy elsewhere. As Ron Young observes in his study *Missed Opportunities for Peace*, the same world view—an emphasis on military solutions to political problems, the underestimation of the power of popular movements, the tendency to take an exaggerated East-West perspective, and the insistence on unilateral initiatives—has dominated U.S. policy towards Israel and the Middle East as well.¹⁷ This mistaken perception of Middle East exceptionalism in U.S. foreign policy has made the widespread dissemination and discussion of critiques of that policy even more difficult than on other issues.

Traditionally, there has been a division among foreign-policy elites regarding the wisdom of such large-scale and unconditional support for the Israeli government. One group, often referred to as the "State Department Arabists," held that the Arab world has much more to offer the United States strategically and economically than does Israel. Supporting a militant Israel, they argued, could lead to strong anti-American sentiment in the Arab world and increasing instability in the region. The other faction, which has traditionally been dominant, holds that Israel is sufficiently strong militarily to play a stabilizing role. Furthermore, whatever the resentment from the Arab masses, there is little political pluralism in the Arab world to worry about, and most Arab leaders—due to their investment of petrodollars in the West, recognition of Western military power, or general conservatism—can forgive the United States for its support of Israel. By blaming the "Jewish lobby" rather than American leaders for Washington's hostile position towards the Arab world, a perspective often deliberately encouraged by American diplomats, they can absolve the U.S. government of its responsibility. Indeed, since Israel is a status quo power whose interests often coincide with those of Arab regimes, a strong Israel can actually be to their advantage, not just because it offers

¹³ Cited in Stephen Green, *Taking Sides: America's Secret Relations with a Militant Israel* (Brattleboro, VT: Amana Books, 1988) p. 250.

¹⁴ Also known as the Guam Doctrine, or "surrogate strategy," where a Third World ally would be capable of military intervention on behalf of the United States, thus minimizing the political risks from direct American military intervention. For a description of this policy in relation to the Persian Gulf see Zunes, "The U.S.-GCC Relationship: Its Rise and Potential Fall" in *Middle East Policy*, vol. II; no. 1, 1993, particularly pp. 103-104.

¹⁵ The chronology of aid figures is taken from Wenger, op. cit.

¹⁶ Pound, op. cit.

¹⁷ Ronald Young, *Missed Opportunities for Peace: U.S. Middle East Policy 1981-1986* (Philadelphia: American Friends Service Committee, 1988).

protection against radical challenges from within and from outside, but because it serves as a useful diversion for popular dissatisfaction with their own leadership.

During the first 20 years following Israel's victory in the 1967 War, this latter tendency dominated U.S. foreign-policy circles, particularly during the Reagan administration. Indeed, most of the Arabists were purged or had retired by the 1980s. However, the *intifada* led to a slight shift in perceptions. The inability of Israeli military might to curb popular resistance in the occupied territories and the dangerous precedent it set for possible insurrections against pro-Western Arab leaders led to a reevaluation of the role of the Israeli military as a stabilizing force. Combined with the end of the Cold War, which lessened the need for Israel as a major link in the "strategic consensus" against possible Soviet penetration in the Middle East, the *intifada* resulted in the Bush administration's challenging Israeli policies to a degree unheard of in Washington for more than a generation. These protests were in rhetoric only—unconditional military and economic aid to the Israeli government continued to flow—but it did indicate something of a more balanced policy, at least symbolically.

In addition, the dramatic increase in military cooperation and arms transfers to the states of the Gulf Cooperation Council (GCC) during and after the Gulf War demonstrated that Israel was not the only country on which the United States relied to maintain its interests in the region. However, it soon became clear that the potentially unstable Gulf monarchies, still suspicious of U.S. intentions and lacking the advantages of Israel in terms of well-trained forces, technological sophistication, and ability to mobilize their human and material resources, could never be a substitute for the U.S. alliance with Israel.

The Gulf War proved once again that, rather than being a liability, Israel was a strategic asset: Israeli developments in air-to-ground warfare were integrated into allied bombing against Iraqi missile sites and other targets; Israeli-designed

conformal fuel tanks for F-15 fighter-bombers greatly enhanced their range; Israeli-provided mine plows were used during the final assaults on Iraqi positions; Israeli mobile bridges were used by U.S. Marines; Israeli targeting systems and low-altitude warning devices were utilized by American helicopters; and Israel developed key components for the widely used Tomahawk missiles. It served as yet another reminder of how Israel remains, in the eyes of American policy makers, an important strategic ally. Given that continued U.S. support of Israel—despite its ongoing and, indeed, worsening repression of the Palestinians—did not interfere with an unprecedented degree of cooperation with Egypt and the Gulf monarchies or with rapprochement with Syria, few risks seemed to be involved in continuing such an alliance.

With the weakening of the *intifada*, the triumph by the United States and its allied pro-Western monarchies in the Gulf War, and the election of a more moderate—and thereby less provocative—government in Israel, the odds of major political instability resulting from unconditional support of Israel decreased. As a result, the United States felt more confident in its unqualified backing of Israeli policies and increasing still further the level of aid, particularly when Bill Clinton became president in 1993.

CLINTON AND U.S. AID

Under the Clinton administration, the strategic relationship has been strengthened still further. This is in part because Israel's role as a surrogate for U.S. strategic interests has never been limited to concerns over Soviet influence. As in many other parts of the Third World, the Cold War was more the excuse than the actual reason for U.S. concerns over instability and challenges to U.S. economic and political hegemony. Indeed, radical nationalism and, more recently, extremist Islamic forces have been seen by American policy makers as at least as threatening to American interests in the region as was communism, and Israeli support in challenging such perceived threats to American hegemony has always been, and will continue to be, quite welcome.

Clinton's attitude towards the controversial \$10 billion loan guarantee is revealing. During the 1992 campaign, Clinton attacked Bush from the right, criticizing the incumbent's insistence that the loan guarantee be linked to curbing the Israeli settlements in the occupied territories or that it be withheld until after the Israeli elections in June, a position which many Israelis interpreted as Clinton's endorsement of the Likud. Feeling heat from Clinton, by this point the Democratic presidential nominee, Bush approved the loans in August, despite a lack of Israeli assurance that they would halt settlement activity. Though Clinton claimed that the loans would be used for housing for Jewish immigrants, none of the money was used for such purposes; indeed, Israel had thousands of unoccupied housing units, particularly in Beersheba, where most refugees were initially settled.¹⁸ The Israeli government acknowledged that the loans were more of a cushion than anything vital to the economy.¹⁹

Congress attached a provision requiring the president to deduct the costs of additional settlement activity from the \$2 billion annual installment of the loan. In October 1993, the United States officially announced to Israel that there would be a \$437 million deduction in the next year's loan due to settlement construction during the 1993 fiscal year. However, State Department Middle East peace-talks coordinator Dennis Ross immediately let the Israeli government know that the United States would find a way to restore the full funding. Within a month, Clinton authorized Israel to draw an additional \$500 million in U.S. military supplies from NATO warehouses in Europe. A similar scenario unfolded the following year: after deducting \$311.8 million on settlements from 1995 loans, Clinton authorized \$95.8 million for re-deploying troops from Gaza²⁰ and \$240

million to facilitate withdrawal from West Bank cities, based on the highly controversial assertion that it cost more to withdraw troops than to maintain them in hostile urban areas.²¹

Indeed, Clinton has explicitly promised the Israelis that aid would remain constant regardless of Israeli settlement policies.²² The Israelis know they will be compensated for every dollar (and more) that they contribute to maintaining their

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presence in the West Bank, despite the fact that all of those settlements are illegal, according to Article 49 of the Geneva Convention, which bans occupying powers from

transferring parts of their own civilian population into territory taken by military force. This conversion from loan guarantees to grants results in what amounts to a direct subsidy for Israeli settlement activity. U.N. Security Council Resolution 446, adopted unanimously with U.S. support, specifically requires Israel to withdraw from those settlements unconditionally, while Resolution 465 forbids any country from supporting Israel's colonization drive. Using U.S. aid to undermine U.N. Security Council resolutions is in sharp contrast to the U.S. insistence that the international community maintain strict sanctions against Arab states such as Iraq, Libya and Sudan for their violations of other U.N. resolutions.

Republicans in Congress, despite their fiscal conservatism and opposition to most other forms of foreign aid, are similarly munificent regarding aid to Israel. House Speaker Newt Gingrich (R-GA) has been a longstanding supporter of unconditional aid to Israel; indeed, his wife Marianne earns \$2500 per month plus commissions from a corporation to lobby U.S. companies to invest in Israel. Senate Foreign Relations Committee

port on *Middle East Affairs*, April-May 1995, p. 41-42.

²¹ Lucille Barnes, "Once Again, Israel Gets Away With Spending U.S. Aid on Settlements," *Washington Report on Middle East Affairs*, October-November 1995.

²² Nathan Jones, "Exempting Israel Makes Foreign Aid Savings Insignificant," *Washington Report on Middle East Affairs*, March 1995, p. 44.

¹⁸ Interviews at Ben-Gurion University in Beersheba, January 1994.

¹⁹ David Hoffman, *The Washington Post*, June 10, 1993.

²⁰ Ruth E. Steele, "Why Republicans Have Put Cuts in Aid to Israel 'Off the Table,'" *Washington Re-*

chairman Jesse Helms (R-NC) insists that cutting U.S. aid to Israel is "off the table," and former Senate majority leader Bob Dole has also opposed any aid cut-backs.²³

ARMS TRANSFERS CONTINUE

Contrary to many predictions, the end of the Cold War and early advances in the Middle East peace process have not lessened U.S. military and economic aid to Israel. It is higher now than 20 years ago, when Egypt's massive and well-equipped armed forces threatened war, when Syria's military was expanding rapidly with advanced Soviet weaponry, when armed factions of the PLO were launching terrorist attacks into Israel, when Jordan still claimed the West Bank and stationed large numbers of troops along its lengthy border and demarcation line with Israel, and when Iraq was embarking upon a vast militarization program. Now, given a longstanding peace treaty with Egypt and a large demilitarized and internationally monitored buffer zone; given ongoing peace talks with a gradually demilitarizing Syria weakened by the collapse of its Soviet patron; given the PLO's close cooperation with Israeli security; given Jordan's having signed a peace treaty fully normalizing relations; and given the weakness of Iraq's armed forces, devastated during the Gulf War and under strict international sanctions and monitoring, why do such high levels of aid continue?

Matti Peled, the late Israeli major general and Knesset member, reported that as far as he could tell, the \$1.8 billion figure for annual military support was arrived at "out of thin air."²⁴ Such a figure is far more than Israel needs to replenish stocks, is not apparently related directly to any specific security requirements, and has remained relatively constant in recent years, thereby reinforcing the impression that it is little more than a U.S. government subsidy for American arms manufacturers. This benefit to American defense contractors is multiplied by the fact that every major arms transfer to Israel creates a new demand by Arab states—most of which can pay hard currency through petrodollars—for

additional American weapons to challenge Israel. Indeed, Israel announced its acceptance of a Middle Eastern arms freeze in 1991, but the United States effectively blocked it.

In 1993, when 78 Senators wrote President Clinton insisting that aid to Israel be continued at the current levels, they justified it on the grounds of massive arms procurement by Arabs states, neglecting to note that 80 percent of those arms transfers were of U.S. origin. Had they really been concerned about Israeli security, they would have voted to block these arms transfers to the Gulf monarchies. Yet this was clearly not the purpose. Even Israel did not actively oppose the sale of 72 highly sophisticated F-15E jet fighters to Saudi Arabia in 1992, since the Bush administration offered yet another increase in U.S. arms transfers to Israel in return for Israeli acquiescence.²⁵

In many respects, U.S. aid policy nicely serves the interests of both sides. Israel, Saudi Arabia and the United States all share an interest in curbing radical nationalism and preserving the regional status quo—if deemed necessary, by military force. In addition, for the Israelis, Arab militarism serves as an excuse for continued repression in the occupied territories and resistance to demands for territorial compromise. For autocratic Arab leaders, Israeli military power serves as an excuse for their lack of internal democracy and inability to address badly needed social and economic reforms. It is noteworthy that for many years before the Oslo accords, the United States was sending billions of dollars in arms to Gulf states, which took a harder line towards Israel than the PLO did, while at the same time refusing to even talk with the Palestinians.

The resulting arms race has been a bonanza for U.S. weapons manufacturers, which may actually be a major explanation for U.S. aid policy. For while the pro-Israel political action committees (PACs) certainly wield substantial clout with their contributions to congressional candidates supportive of large-scale military and economic aid to Israel, the

²³ Steele, op. cit.

²⁴ Interview, Major General (ret.) Mattityahu Peled, May 12, 1992, Seattle, WA.

²⁵ Alan Kronstadt et al., *Hostile Takeover: How the Aerospace Industries Association Gain Control of American Foreign Policy and Double Arms Transfers to Dictators*, (Washington, DC: Project on Demilitarization and Democracy, 1995).

Aerospace Industry Association—which promotes massive arms transfers to the Middle East and elsewhere—is even more influential, contributing more than \$7.4 million in each of the most recent two election cycles,²⁶ and provides the additional inducement of creating jobs and bringing federal dollars into key states and congressional districts. Indeed, the Clinton administration has showed no qualms about continued aid to Morocco, despite its ongoing occupation of Western Sahara, and to Indonesia, despite its continuing occupation of East Timor. Like Israel, these U.S. allies, all serious human-rights violators, continue to occupy neighboring states in defiance of U.N. Security Council resolutions, yet the Clinton administration—like its predecessors—has rejected linking aid to these countries to their compliance with international norms, even without the support of a strong domestic lobby.

IMPACT OF AID TO ISRAEL

Arguably, the large amounts of U.S. aid to the Israeli government have not been as beneficial to Israel as many would suspect. Most of the economic assistance has gone primarily to finance non-productive sectors such as settlements and the military, as well as to finance loan repayments to American banks. Indeed, each fiscal year since 1974, approximately \$1 billion of Israel's \$1.2 billion in Economic Support Funds has been used to cover the interest and principal due on previous U.S. loans that were made primarily to finance arms purchases from the United States.²⁷ In addition, the \$1.8 billion in annual military aid is in fact simply a credit line to American arms manufacturers and actually ends up costing Israel two to three times that amount in training, staffing and maintenance, procurement of spare parts, and other related expenditures.²⁸ The overall impact is to increase Israeli economic and military dependency on the United States and to drain Israel's fragile economy,²⁹ taking money away

from Israel's once-generous social welfare system.

Ezra Sohar has observed how, unlike borrowing money to build a factory, borrowing for armaments does not produce profits or create the ripple effect or ancillary industries that strengthen the overall economy.³⁰ Until the 1967 War, when Israeli military spending averaged a little over 8 percent of the GNP, Israel's annual growth rate was a healthy 9 percent. When military spending dramatically escalated with an enormous increase in procurement of U.S. weapons, at times reaching as much as 35 percent of GNP, the economy faltered. Currently, military spending is slightly under 20 percent of the GNP, and the economy is still struggling.³¹

Some critics from the right, particularly those calling for a liberalization of the Israeli economy, have started calling for the reduction or elimination of economic aid. Arnon Gafny, the former governor of the Bank of Israel, argues that U.S. aid has impaired the country's long-term competitiveness. Similarly, Moshe Syrquin of Bar-Ilan University notes how the Israeli economy went downhill with the dramatic upsurge of U.S. aid in the early 1970s.³² Even the selling of Israeli bonds is now questioned: According to Joel Bainerman, editor of *Tel Aviv Business*, the slogan, "Investing in Israel's Future," should be replaced by "building a bigger debt for Israel." Including interest, the Israeli government currently owes bondholders \$6 billion; interest rates are well above similar bonds in the United States. As a result, fewer bonds are purchased by committed Zionists, and increasing amounts are bought up by international banks, financial institutions, pension funds, and state and local government agencies in the United States.³³

Bainerman further writes, "The end of foreign aid would not only improve the chances of reforming Israel's over-centralized economy, in which subsidies play an important part, but increase the

²⁶ Joshua Goldstein, *PACs in Profile: Spending Patterns in the 1994 Elections* (Washington: Center for Responsive Politics, June 1995).

²⁷ Twing, op. cit.

²⁸ Peled interview.

²⁹ It is noteworthy that in the development of a new anti-missile defense system for Israel, the United States initially insisted that it be mobile,

despite the Israeli preference for a cheaper and simpler fixed system, which would have been quite adequate for their small territory.

³⁰ Bainerman, op. cit.

³¹ Simcha Bahiri, "A Peace Economy for Israel," *The New Economy*, Spring 1995.

³² Bainerman, op. cit.

³³ Ibid.

chances for political reform as well."³⁴ In the United States, such sentiment is not only echoed among traditional conservative critics of Israel; even the staunchly pro-Israeli *New Republic* has cited how U.S. aid has "retarded free enterprise by supporting subsidies and monopolies for favored constituencies."³⁵

Some left-wing Israelis argue just the opposite: that the United States is using its aid weapon to pressure the Israeli government to weaken the *Histradut* (Israel's powerful trade-union federation), privatize state-controlled enterprises, cut social services and lower taxes.³⁶ Such economic restructuring has been a requirement for U.S.-backed loans to a number of countries as a means of creating a more favorable climate for U.S. investment, so it should not be surprising for Israel to be held to such standards as well. Indeed, State Department officials admit that U.S. aid is used as leverage to encourage greater privatization and that U.S. officials routinely give advice on long-term macroeconomic planning.³⁷

Yet the dissent from the left regarding U.S. aid goes far deeper. First of all, the failure of the United States to use aid as leverage is seen as effectively sabotaging the efforts of peace activists in Israel to change Israeli policy, a policy which Peled referred to as pushing Israel "toward a posture of callous intransigence."³⁸ In the Israeli press, one can find comments like those in *Yediot Ahronot* which describe their country as "the Godfather's messenger," since Israel undertakes the "dirty work" of the Godfather, who "always tries to appear to be the owner of some large, respectable business."³⁹ Israeli satirist B. Michael describes U.S. aid to Israel as a situation in which "My master gives me food to eat and I bite those whom he tells

me to bite. It's called strategic cooperation."⁴⁰

A number of Israelis and other left-wing Zionists argue that, like any other nationalist movement, Zionism has its pluralist, democratic and inclusivist elements alongside reactionary, chauvinistic and militarist elements. The primary reason the latter have dominated, they argue, is not anything inherent in Zionism, but the blank check offered by the United States that encourages Israeli oppression of its Middle Eastern neighbors and close ties with the West, undermining the last vestiges of Labor Zionism's commitment to socialism, non-alignment and cooperation with the Third World.⁴¹ As former Secretary of State Henry Kissinger put it, "Israel's obstinacy...serves the purposes of both our countries best."⁴² The rise of the Likud bloc in Israel from a minority faction to the dominant party, as well as the rightward drift of the Labor party, is in large part due to this large-scale American support. No parties with those kinds of policies could last very long in office, given the self-defeating effect of such militarization on economic grounds or in terms of international isolation, were they not supported to such a degree that they did not have to worry about the consequences of their policies on their own population.

These left-wing critics fear that Israel's dependence on what is seen by many as an imperialist power like the United States alienates Israel's potential allies in the Third World and leaves Israel vulnerable to the whims of U.S. foreign policy. Indeed, some go as far as to argue that Israel is being set up to be the scapegoat for U.S. policy in the region, much as the Jews of Europe were set up as tax collectors, money lenders and other positions leaving them vulnerable to popular reaction.⁴³

³⁴ Ibid.

³⁵ Charles Lane, "Rabble Rousing: National Insecurity" *The New Republic*, June 12, 1995.

³⁶ Peled interview.

³⁷ Department of State, op. cit. Given that AID support goes directly into the Israeli treasury with few restrictions, it is unclear just how this pressure is applied.

³⁸ Matti Peled, *New Outlook*, May/June 1975.

³⁹ Nathan Shaham, *Yediot Ahronot*, November 28, 1996, cited in Noam Chomsky, *World Orders Old and New* (New York: Columbia University Press, 1994), p. 206.

⁴⁰ B. Michael, *Haaretz*, November 11, 1983, cited in Ibid.

⁴¹ For example, see Cherie Brown, et al., "A Draft Policy on Jewish Liberation," *Ruah Hadashah* #4 (1981), particularly pp. 11-13.

⁴² Henry Kissinger, *Years of Upheaval*, (Boston: Little, Brown, Company, 1982), p. 621.

⁴³ For example, see Cherie Brown, op. cit; and Zunes, "Zionism, Anti-Semitism and Imperialism," in *Peace Review*, vol. 6, no. 1 (Spring 1994).

DISSENT IN THE UNITED STATES

U.S. aid to Israel, like most foreign aid, is not popular with the American public. According to a 1994 poll by the Wirthlin Group, a majority of Americans favored a phase-out of aid to Israel by 1998. In another question, one-third of those polled called for an immediate phase-out of aid, a slightly larger number called for a reduction and only 18 percent supported current levels.⁴⁴

Foreign aid is generally unpopular with the American public, particularly among conservatives, who are suspicious of internationalism in general and advocate a more isolationist foreign policy. Yet it has traditionally been the American left that has raised these issues and forced them into the national debate, most prominently regarding Central America, but in other Third World regions as well.

However, the American left, even among those concerned with issues of peace and justice in the Middle East, are divided over the question of aid. Historically, countries that invade and occupy the territory of their neighbors engage in systematic human-rights violations, refuse to recognize the national rights of a people that it exiles and continually subjugates, use American weapons against civilian targets, arm and train death squads, ignore U.N. resolutions, and systematically flaunt international legal conventions are the targets of American peace activists.

Yet, just as with the tendency by some on the right to single out Israel for criticism, there is a tendency on the left to single out Israel for immunity from criticism. One resulting problem is the

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failure of peace and human-rights activists to aggressively challenge assistance to the Israeli government on grounds of human rights and international law. Consequently, some of the more prominent groups challenging U.S. aid to Israel are those that fail to take similar positions *vis-à-vis* Arab regimes with human-rights records as bad or worse than Israel's.

Such double-standards leave these groups open to charges of antisemitism, which is not helped by their occasional appeals to nativist sentiments that indeed sometimes contain antisemitic overtones.

One outcome of continued high levels of unconditional aid to Israel is that it hampers congressional efforts to curb U.S. military aid to repressive regimes elsewhere. Efforts to pass legislation that would restrict aid systematically to countries that refuse to sign the Nuclear Non-Proliferation Treaty or engage in certain violations of international law have been blocked solely because the provisions of the bill would include Israel.

It is doubtful that Israel could afford the heavy economic burden of continuing their occupation of neighboring Arab lands, such as the costs of maintaining the military forces in the territories, the construction of illegal settlements, and the expanded infrastructure to bypass autonomous Palestinian population centers, without U.S. financial support. Another problem is that the increasingly interlocked military-industrial complexes of the two nations have furthered the questionable projection of U.S. military power into other conflict-ridden areas. For example, back in the 1980s, when the American peace movement had mobilized public opinion in the United States to levels which prohibited direct U.S. military assistance to Guatemala, South Africa, Iran and the Contras, the United States simply armed these countries through Israel.

Yet virtually no leading political figures, outside of some right-wing isola-

⁴⁴ Wirthlin Group, 95 percent confidence level, polled September 6-8, 1994. 53 percent favored phase-out, 36 percent opposed, 11 percent did not know or had no opinion. On the question of amount of aid, 33 percent said cutoff, 36 percent said reduction, 18 percent favored current levels, 6 percent favored an increase, 6 percent did not know or had no opinion. Cited in *Washington Report on Middle East Affairs*, November-December 1994.

tionists like Patrick Buchanan, have publicly questioned these ongoing high levels of U.S. aid to Israel. Most prominent liberal Democrats, who have raised questions about U.S. aid to repressive regimes elsewhere, have categorically rejected linking aid to Israeli compliance with international law and human rights. While the role of the pro-Israel lobby is often exaggerated as the determining factor in the overall thrust of U.S. Middle East policy,⁴⁵ there is little question that it has effectively neutralized liberal opposition on Capitol Hill. Yet congressional liberals have not had to endure much pressure from the other direction: most liberal lobbying groups have avoided addressing the Middle East altogether.

Indeed, most organized peace and human-rights groups have been unusually silent regarding U.S. aid to Israel. This derives in part from the fact that, while most strategic analysts recognize that Israel is not under immediate military threat, there is still a widespread *perception* that Israel is under siege. As a result, those who oppose military aid to Israel are easily depicted as advocating the destruction of the Jewish state and are thus relegated to the fringe of U.S. public opinion along with anti-Jewish bigots. Consequently, there is virtually no chance that the U.S. government will consider a cessation or reduction in military aid to Israel in the foreseeable future. Therefore, many peace and human-rights groups argue that they should focus their energy on more immediately attainable goals, such as supporting the ongoing peace process and an Israeli freeze on expanding settlements in the occupied territories, and not risk losing their political credibility on the aid issue. Furthermore, those opposing emphasis on the aid question believe that it raises an unnecessarily divisive issue at a time when there is a pressing need to reach out to those with a more mainstream political perspective in both the Jewish community and elsewhere, particularly since opposing military aid to Israel will

inevitably be depicted as putting Israel's survival at risk and thus alienate many potential allies.

Even if such a movement to cut U.S. aid were successful, so this argument goes, it might make matters worse. Such a cutoff might cause the Israeli public, increasingly open to the idea of granting the Palestinians partial rights, to close ranks behind right-wing politicians and destroy the peace process. Many Israelis would see such a move as an abandonment and betrayal that would reinforce feelings of isolation and persecution built over centuries. According to this argument, this would not encourage necessary compromise but would lead to even more reckless behavior by the Israeli military. Such concerns have led many Israelis on the left, including most of the recognized leadership of the Peace Now movement, to oppose any threatened cutoff or reduction in U.S. aid.

Those peace activists advocating this more cautious approach point out that many critics of Israeli policies do not share such universal principles, and use Israeli violations of human rights and international law as an excuse for attacking the world's only Jewish state. While such people are certainly a minority among those critical of U.S. policy in the Middle East, it reinforces a widespread assumption that any criticism of U.S. support of the Israeli government carries just such a hidden agenda. For this reason, many who support a two-state solution and a more even-handed U.S. policy believe that a confrontational approach is counterproductive, that there should be no threats of a reduction of aid and that any criticism of the Israeli government should be kept private. While critics of this approach note its similarity with the Reagan and Bush administrations' "quiet diplomacy" toward Latin American dictatorships and "constructive engagement" towards South Africa, its defenders observe that Israel's isolation and the Jews' history of persecution dictates such a cautious strategy. Indeed, Americans for Peace Now, one of the few American Jewish groups to openly challenge the Likud government's policies, argues that U.S. aid to Israel should be kept at current levels to maintain the

⁴⁵ Zunes, "The Roots of the U.S.-Israeli Relationship," *New Political Science*, Spring-Summer 1992, nos. 21-22.

For similar conclusions, albeit from a very different perspective, see A.F.K. Organski, *The \$36 Billion Bargain: Strategy and Politics in U.S. Assistance to Israel* (New York: Columbia University Press, 1990), especially chapter 3.

"strong and prosperous Israel necessary to make peace."⁴⁶

IMPACT ON THE PEACE PROCESS

Aid to Israel, particularly in recent years, has been justified as necessary to support the peace process. However, as noted authority on negotiations Roger Fisher has observed, one must apply both a carrot and a stick to convince a party to make the compromises necessary in diplomacy. Using either one alone denies the party you are trying to influence any incentive.⁴⁷ Yet, the United States has used the carrot with Israel almost exclusively. With repeated public pronouncements by U.S. officials that aid to Israel is unconditional, Israel has no incentive to make the necessary concessions that could lead to peace, or even to end its human-rights abuses and violations of international law. As former Secretary of State Henry Kissinger once told a colleague, "I ask Rabin to make concessions, and he says he can't because Israel is weak. So I give him more arms, and he say he doesn't need to make concessions because Israel is strong."⁴⁸

This stands in contrast to the frequent use of aid as leverage to Jordan, Lebanon, Egypt and other Arab states, as well as the Palestinian authority.

Yet, as this article has shown, it has long been in the U.S. interest to maintain a militarily powerful and belligerent Israel dependent upon the United States. Real peace could undermine such a relationship. The United States therefore has pursued a policy of *Pax Americana*, one that might bring greater stability to the region while falling short of real peace. The Camp David agreement was a prime example, in that it more closely resembled a tripartite military pact than a true peace treaty, promising more than \$5 billion of additional weaponry and economic assistance to both countries and closer American strategic cooperation.

The United States refused to follow through on provisions of the agreement calling for Palestinian autonomy, increasing aid to Israel even as Jewish colonization and anti-Palestinian repression in the territories greatly increased. Indeed, this aid package was supposed to be a one-time loan, but has since evolved into an annual grant that now takes up the majority of the U.S. foreign-aid budget.

The ability of those in the United States and Israel who oppose large-scale and unconditional aid to Israel will perhaps determine the fate of the peace process. Currently, those who support the status quo—American and Israeli military and political officials, American supporters of the Israeli government and U.S. arms manufacturers—exercise enormous political power. Indeed, despite some of the opinions of critics cited in this article, there has been virtually no debate on a national scale in either country about the risks inherent in the U.S.-Israel relationship.

The result could be tragic, not just for the Palestinians, Lebanese and others who are the immediate victims of the largess of American aid to Israel, but ultimately for Israel itself. Like El Salvador and South Vietnam, Israel has become a client state whose leadership has made common cause with U.S. global designs in ways that could ultimately create considerable damage. Israeli leaders and their counterparts in many American Zionist organizations have been repeating the historical error of pursuing short-term benefits for their people over long-term security. For Israel's economic and military security ultimately lies not in the amount of economic and military aid it receives from the United States, but in Israel's willingness to recognize Palestinian statehood, share Jerusalem and withdraw from all occupied territories—in short, to make peace with its neighbors.

⁴⁶ Interview with director Barry Rubin, April 29, 1996.

⁴⁷ Roger Fisher et al., *Beyond Machiavelli: Tools for Coping with Conflict* (Cambridge: Harvard University Press, 1994).

⁴⁸ Edward Sheehan, *The Arabs, Israelis and Kissinger: A Secret History of American Diplomacy in the Middle East* (New York: Readers Digest Press, 1976), p. 200.