



האוניברסיטה העברית בירושלים

The Leonard Davis Institute for International Relations

**U.S. AID TO ISRAEL
PROBLEMS AND PERSPECTIVES**

by

Dr. LEOPOLD YEHUDA LAUFER

U. S. — Israel Project

Policy Oriented Publications * 7

May, 1983



THE HEBREW UNIVERSITY OF JERUSALEM

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CHAPTER I

OVERVIEW OF U.S. AID TO ISRAEL

Official assistance by the U.S. government to the government of Israel has been a permanent feature of the complex relationship between the two countries almost since the foundation of Israel in 1948. It supplemented and eventually surpassed by far the assistance provided from private sources, mostly Jewish, in the form of Israel Bonds, United Jewish Appeal contributions, etc.

Total official U.S. assistance to Israel from 1949-1983 amounts to over \$25.5 billion—more than the total U.S. assistance to South Viet Nam, and more than seven times as much as U.S. assistance to the Philippines, another country to which the United States has had firm political, strategic and moral commitments.¹

For the last ten years (1974-1983) U.S. assistance to Israel has averaged more than two billion dollars annually, two thirds of it in the form of military assistance. It has accounted for almost one third of all U.S. assistance during this period. As such it represents an extraordinary level of commitment for the United States, and an unprecedented political achievement for Israel. (See Table I, p. 2)

What have been the goals and patterns governing the U.S. aid program for Israel? What administrative and political processes influence the size and character of this program? What role has aid played in the political relations between the United States and Israel? What are the political and economic implications for Israel of the current aid relationship with the United States? What are the prospects for the current aid relationship to continue? And finally, what if any, conclusions can decisionmakers draw from an analysis of this element in the US-Israel relationship?

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Table I

U.S. ASSISTANCE TO ISRAEL, 1948-1983*
(millions of dollars)

Year	Total U.S. Aid	Total U.S. Aid to Israel	Economic Loans to Israel	Economic Grants to Israel	Military Loans to Israel	Military Grants to Israel	Soviet Jew Resettlement Funds
1948	8.017	-	-	-	-	-	-
1949	8.267	-	-	-	-	-	-
1950	4.850	-	-	-	-	-	-
1951	4.380	0.1	-	0.1	-	-	-
1952	3.839	86.4	-	86.4	-	-	-
1953	6.496	73.6	-	73.6	-	-	-
1954	5.793	74.7	-	74.7	-	-	-
1955	4.864	52.7	30.6	21.9	-	-	-
1956	5.402	50.8	35.2	15.6	-	-	-
1957	4.976	40.9	21.8	19.1	-	-	-
1958	4.832	61.2	49.9	11.3	-	-	-
1959	4.954	50.3	39.0	10.9	0.4	-	-
1960	4.804	55.7	41.8	13.4	0.5	-	-
1961	4.737	48.1	29.8	18.3	-	-	-
1962	7.034	83.9	63.5	7.2	13.2	-	-
1963	7.314	76.7	57.4	6.0	13.3	-	-
1964	5.215	37.0	32.2	4.8	-	-	-
1965	5.310	61.7	43.9	4.9	12.9	-	-
1966	6.989	126.8	35.9	0.9	90.0	-	-
1967	6.440	13.1	5.5	0.6	7.0	-	-
1968	6.894	76.8	51.3	0.5	25.0	-	-
1969	6.791	121.7	36.1	0.6	85.0	-	-
1970	6.787	71.1	40.7	0.4	30.0	-	-
1971	8.078	600.8	55.5	0.3	545.0	-	-
1972	9.243	404.2	53.8	50.4	300.0	-	-
1973	9.875	467.3	59.4	50.4	307.5	-	50.0
1974	8.978	2,570.7	-	51.5	982.7	1,500.0	36.5
1975	7.239	693.1	8.6	344.5	200.0	100.0	40.0
1976	6.413	2,229.4	239.4	475.0	750.0	750.0	15.0
TQ*	2.603	278.6	28.6	50.0	100.0	100.0	0
1977	7.784	1,757.0	252.0	490.0	500.0	500.0	15.0
1978	9.014	1,811.8	266.8	525.0	500.0	500.0	20.0
1979	13.845	4,815.1	265.0	525.0	2,700.0	1,300.0	25.0
1980	9.694	1,811.0	261.0	525.0	500.0	500.0	25.0
1981	10.549	2,189.0	0	764.0	900.0	600.0	25.0
1982	8.993	2,219.0	0	806.0**	850.0	550.0	13.0
1983	8.993	2,498.0	0	785.0	850.0	550.0	13.0
(proposed)***							
TOTAL	251,286.0	25,308.3	2,105.0	5,792.3	10,262.5	6,850.0	

*Transitional Quarter

*Does not include Export/Import Bank Loans or amounts of less than \$50,000.

**This figure includes \$21 million in economic assistance reprogrammed from the Israeli account in FY81

***Under the Continuing Appropriations Act 1983 which expired on Dec. 17 1982

Source: Agency for International Development U.S. Overseas Loans and Grants from International Organizations Annual Reports Prepared by the Congressional Research Service Library of Congress, November 29, 1982.

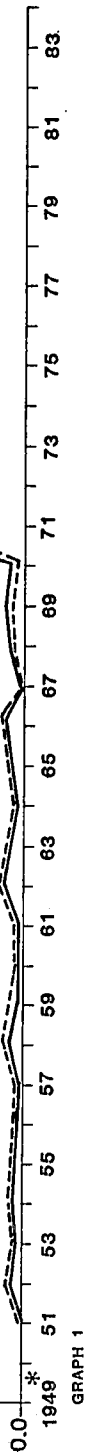
5 BILLIONS OF \$

U.S. ASSISTANCE TO ISRAEL 1949-83 (Fiscal Years)
(not including Export-Import Bank Loans)

Source: U.S. Agency for International Development,
Overseas Loans & Grants.

— Current \$
- - - Constant 1987 \$

* Export - Import Bank Loans only



GRAPH 1

These are the principal questions which will be addressed in this study, in the hope that they will help identify significant issues and problems that affect U.S.-Israel relations.

The extensive use of government-to-government assistance is one of the new phenomena which characterizes international relations in the post-World War II era. Initiated by the United States with the inauguration of the Marshall Plan, it quickly became a major element of U.S. foreign relations. This fact reflected not only the wealth and the humanitarian concerns of the United States in relation to the rest of the world, but also the realization that aid could serve a useful purpose in helping carry out U.S. foreign policy. All countries of post-World War II non-Communist Europe, of Latin America and most non-Communist newly developing countries came to regard such aid as part of their relationship with the United States.

It was not surprising therefore that, once the U.S. had decided to recognize the new state of Israel and to support it politically, aid became an important element in the new relationship.

With the benefit of hindsight, we may distinguish two distinct periods of U.S. aid to Israel. The first period, dating from 1949-1970, and the second period, from 1971-1983, the time of writing. The major substantive differences between the two periods relate not only to magnitudes and types of aid, but also to the political environment and the implications to be drawn therefrom.

FIRST PERIOD

The beginning of this period may be dated from the visit by Israel's first President, Chaim Weizmann, to President Truman on May 25, 1948, just ten days after the proclamation of the state. Weizmann recalls the visit in his memoirs:

We...discussed the economic and political aid which the State of Israel would need in the critical months that lay ahead. The President showed special interest in the question of a loan for development projects and in using the influence of the United States to insure the defense of Israel—if possible, by preventing Arab aggression...or...by insuring that we had the necessary arms.²

In fact, U.S. military aid played almost no role during the first fourteen years of Israel's existence, as the United States sought to stay out of the arms race between Israel and the Arab countries. Even later it did not reach a significant level until 1966, when Israel's deteriorating relations with France, combined with President Nasser's growing aggressiveness, threatened to leave Israel dangerously exposed to massive new Soviet weapons build-up in the area.

On the economic side, however, the United States proceeded quickly to carry out President Truman's promise. The aid program began in 1949 with a \$100 million loan from the Export/Import Bank, supplemented in 1951 by another \$35 million Export/Import Bank loan. Half of the funds went for development of agriculture, and the rest for industrial development and essential infrastructure. In 1952 the United States inaugurated a program of economic grants designed to help Israel absorb the thousands of destitute refugees streaming into the country and finance commodity imports, thus alleviating Israel's balance of payments deficits. At the same time the Food-for-Peace program (PL 480) was initiated, under which \$635 million worth of US wheat, feed grains, dairy products, fats and oils were

transferred to Israel between 1952-1973. About 10 percent of these imports were grants to finance free school lunches and programs for the needy—the rest were long term loans, most of which until 1968, were repayable in Israeli currency and were plowed back into the Israeli economy. The first major impact of the Food-for-Peace program was to relieve the food shortages of the early nineteen fifties, which had led to food rationing, and to provide further stimulus to economic growth through the use of local currencies (counterpart funds) generated by the sale of the agricultural commodities. In 1955 a program of development loans linked to specific projects was initiated and maintained until the onset of the Second Period of U.S. aid in the early nineteen seventies.

Some important aspects of U.S. assistance during the First Period were:

a. While the decision to grant aid was political and based on the basic commitment to Israel by President Truman which all subsequent Presidents have reaffirmed, the goals and framework of the program were primarily relief and economic development oriented.

b. Military assistance played only a minor role during this period, except for 1966 and 1969. Israel received virtually no military assistance from the United States prior to 1962, and even when significant military assistance was extended during the period immediately prior and subsequent to the Six Day War (1966-69), it did not exceed the amount transferred for economic assistance.

c. As Israel became economically stronger during the late nineteen fifties and the sixties, economic aid became relatively less important to the development of the economy. A study of Israel's import surpluses, compared to the growth in Israel's National Product, shows a declining ratio, from the nineteen fifties when the ratio of the import surplus to the National Product was about 45%, to 1967 when the ratio was only about 10%.³ Coincidentally, but not entirely unrelated, this was also the year when U.S. assistance to Israel reached an all-time low of \$13.1 million.

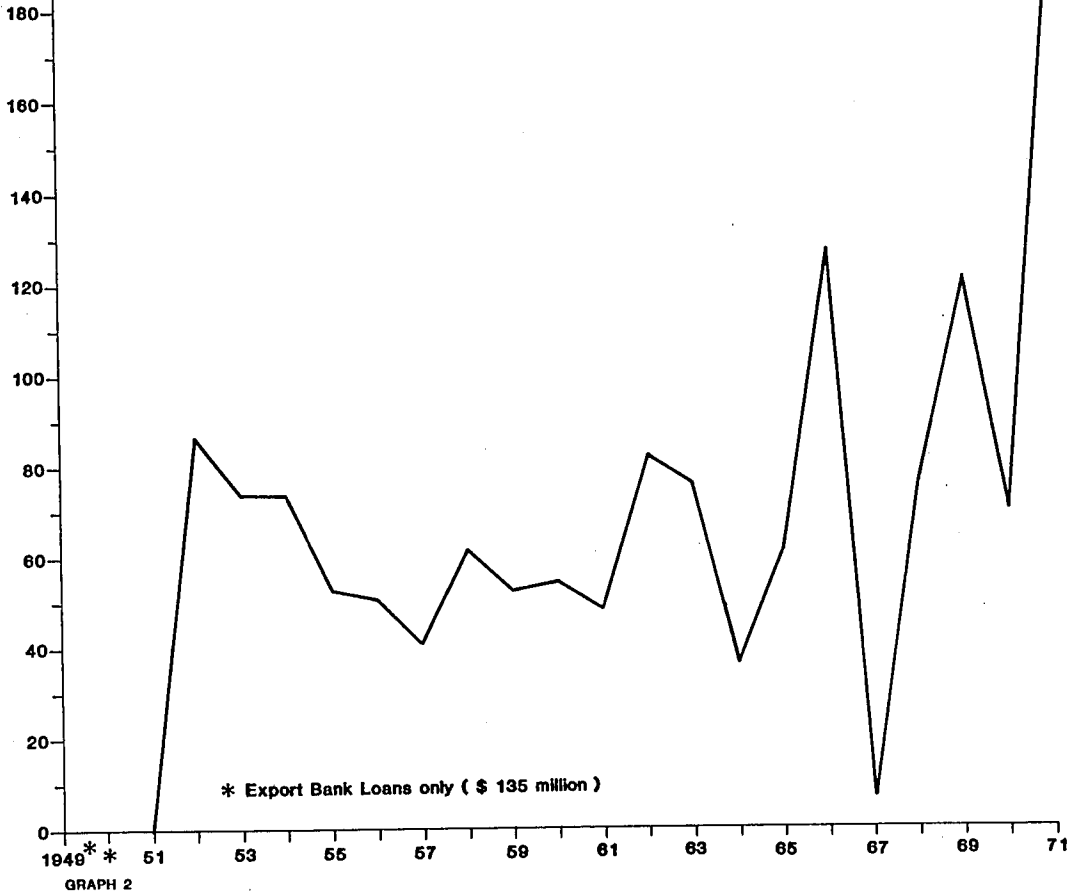
d. Despite the growing strength of the Israeli economy, Israel continued to depend on U.S. aid to finance better than 20% of her import surplus. But the composition and terms of the assistance underwent significant changes. Technical assistance was terminated by mutual agreement in 1962, grant programs were gradually phased down, and development loans were progressively reduced and finally eliminated in 1968. Food assistance was prominent throughout the First Period, and toward its end accounted for virtually all the economic aid Israel was receiving from the U.S.

e. Except for Food Assistance (PL 480), most of the aid was appropriated from the category of "development assistance," which under U.S. legislation requires economic justification, detailed monitoring and is usually related to specific projects. Total U.S. aid to Israel (excluding Export/Import Bank loans) for the entire First Period (1951-70) amounted to slightly more than \$1.26 billion, about 1.1% of all U.S. assistance to developing countries.

Considering Israel's small size and comparatively advanced stage of development, this was not an insignificant share of the total aid pie, but it clearly did not mark Israel as a major client of the United States (e.g., India received more than 12% of total U.S. aid during the same period). Furthermore, the policy goals behind the type of assistance program described above reflected, first of all, a desire—though not fully successful—to avoid military aid; and secondly, to strengthen the economy to the point where assistance could be terminated. These trends can be seen in Table I p. 2, and Graph #2, p. 8.

200 MILLIONS OF \$

U.S. ASSISTANCE TO ISRAEL 1949-70 (Fiscal Years)
(not including Import-Export Loans)



SECOND PERIOD

The change which occurred in the Second Period of U.S. aid to Israel is so drastic and all-encompassing, that it makes the earlier program almost unrecognizable in today's setting.

First of all, the magnitudes: The quantum jump occurred in 1971, when the program increased almost nine-fold, from \$71.1 million in 1970 to \$600.8 million in 1971. Since then the level never declined below \$400 million per annum, and in 1979 reached an all-time high of \$4.81 billion. After that, the annual level hovered around \$2.2 billion, until 1983 when it reached almost \$2.5 billion. Israel is the largest recipient of U.S. assistance, and in 1983 is receiving about one quarter of all U.S. assistance.

The bulk of U.S. aid is in the form of military assistance, which has accounted for about two thirds of the total during this period. Initially, this assistance was in the form of long-term credits, but beginning with 1974 a substantial portion of these credit obligations has each year been forgiven, thus in effect converting them into grants. About 38% of all military assistance during the Second Period has been in the form of grants, but during the last few years the proportion of grants has been rising.

On the economic side, not only the magnitudes but the character of the program has been totally transformed. Beginning with 1974, Food Assistance which had totalled between \$50-60 million annually, was drastically reduced, and discontinued altogether in 1980. On the other hand, most economic assistance to Israel, starting with 1972, was appropriated under the so-called "Security Supporting Assistance" category which is designed to support friendly countries, whose

economic and political stability is threatened and U.S. security interests are involved. This assistance, although economic in form, is usually granted primarily for political or security reasons rather than solely for economic development.⁴

In line with this definition, Security Supporting Assistance (SSA) funding requires virtually no economic development justification, little monitoring or cumbersome project-related transfer procedures. Its purpose is clearly political, it is legislatively linked with military assistance in a separate authorization (the International Security Assistance Act of 1977), and it passes through the same political review channels of the State Department as does military assistance.

During the last ten years of the existence of the Supporting Assistance Program for Israel, the terms and conditions of the program have undergone several significant changes. The Israel program began in 1972 with a so-called "cash grant" of \$50 million, which was not "tied" to purchases from the United States. In 1975 when the program level rose to \$324.4 million, a new concept—the Commodity Import Program (CIP)—was introduced, limiting that portion of the funds to purchase of an approved list of commodities from the United States, and providing some of the funds (usually about one-third) in the form of concessional loans rather than grants. The Commodity Import Program assured that the funds would be used on the basis of an approved list of commodities. However, as assistance levels to Israel increased, the list had to be progressively broadened, and the device had no significant effect on increasing total U.S. civilian exports to Israel. Moreover, the documentation of authorized purchases proved cumbersome and resulted in delays of the transfer of assistance funds.

In 1981 the CIP method of transfer was abandoned, and so was the formula of providing one third of the SSA funds in the form of loans. For the last two years, economic assistance to Israel has been entirely in the form of so-called "cash transfers," i.e. grants transferred to the Israel government in four annual instalments. The only limitations on the use of these grants are: ① total civilian imports from the U.S. must at least equal the amount of economic assistance; ② U.S. funds must not be used in the "Occu-

pied Territories, or for military purposes;" © fifty percent of grain shipments from the United States must be carried in U.S. ships. Except for the last condition which does increase the cost of imported U.S. grain because of above-market U.S. shipping costs, these limitations impose no significant restrictions on the Israel government.⁵

In reviewing the evolution of the assistance program during the Second Period, it is clear that beyond the dramatic increase in size and the preponderance of military aid, the terms and conditions of U.S. aid have also greatly changed in Israel's favor. Considering the general U.S. approach to foreign aid, with its strong emphasis on accountability and supervision, the aid program for Israel has been stretched almost to the limits of flexibility.

One technical problem still at issue is Israel's desire to have the total U.S. cash commitment transferred at the beginning of each fiscal year instead of four yearly instalments, thus saving the Israel Treasury another \$20 plus million dollars.

The remaining issues are only partly technical: should Israel's share of the aid pie be further increased in order to take account of inflation which reportedly has been particularly severe for military hardware? Can this be done in face of total aid program levels which since 1971 have virtually stagnated at the \$8-9 billion a year figure? Should the proportion of grant to loan in the military program be further increased in Israel's favor, in order to lessen the long-term debt burden? Israel claims that for every \$100 million of grant rather than loan, she saves \$22 million in debt service obligations. U.S. officials, on the other hand, explain that every grant obligation is a full charge to the national budget, whereas Military Sales Credits do not constitute a budget obligation unless there is a default in repayments. Should Israel be automatically entitled to some kind

of compensation (probably additional military hardware) for every major new arms deal between the U.S. and Arab countries—a reverse version of the "Evenhandedness Doctrine?" Clearly these issues bear thorough and dispassionate technical examination, but their resolution will be politically determined. The generally rising volume of U.S. aid can be seen in Graph 3, p. 14.

CHAPTER II

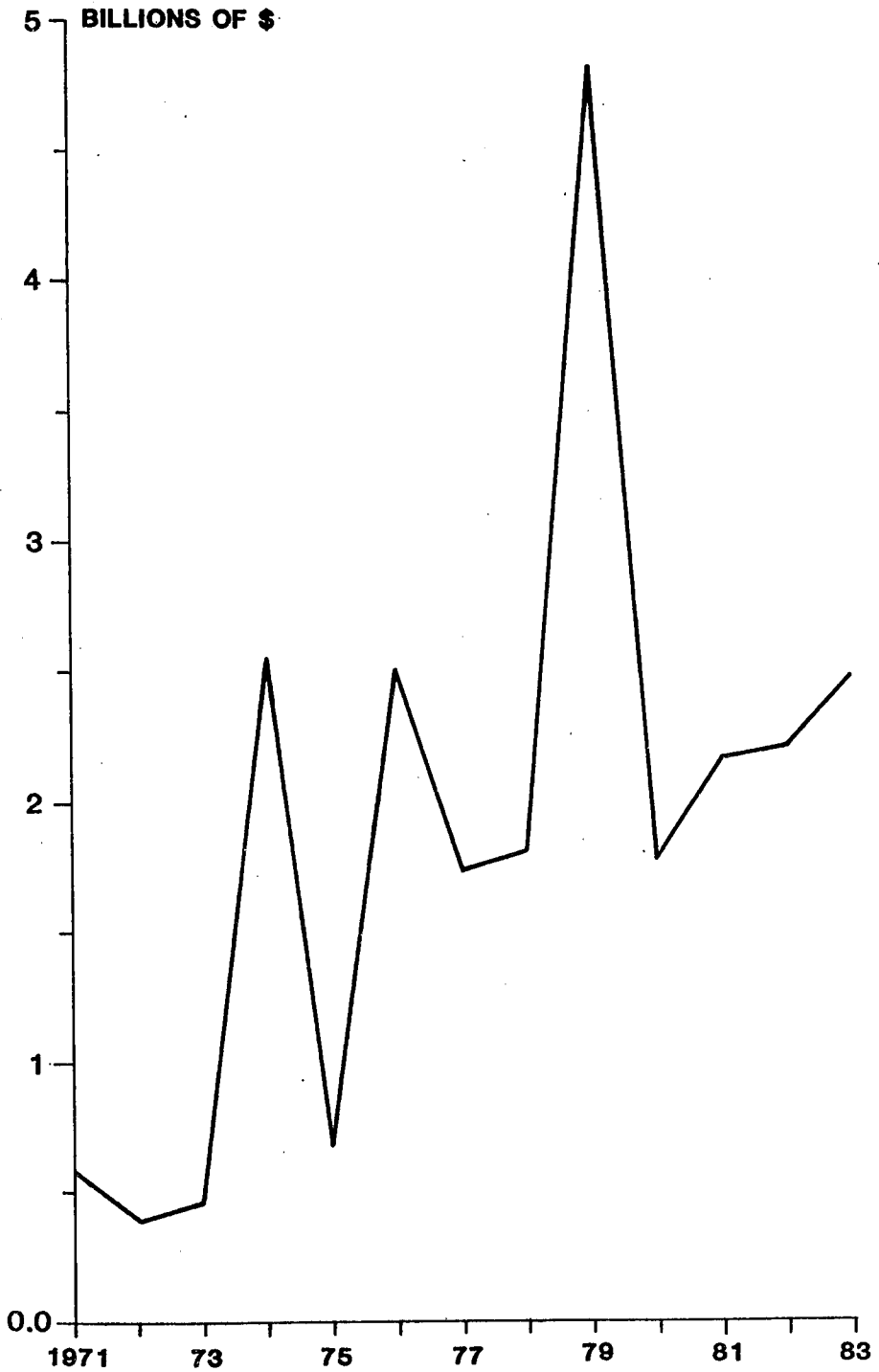
THE AID PROCESS

The record of U.S. financial and military support for Israel just described, is unique in history. It could not have taken place without a continuous dialogue between the two governments, the deep involvement of the U.S. Congress, and the support of the U.S. public. In order to understand this larger picture, it is necessary to comprehend the U.S. administrative and political process leading to the point where decisions are made on the aid program in general, and on assistance to Israel in particular.

THE ROLE OF THE EXECUTIVE BRANCH

The preparation of country assistance programs is the responsibility of the Executive branch of the U.S. government. In most countries which receive aid from the United States, the country mission of the U.S. Agency for International Development (AID), in consultation with the host government, prepares annual proposals in line with general policy guidelines sent from Washington. These proposals are evaluated at AID headquarters, and discussed with other interested U.S. government agencies, including in particular the Office of Management and Budget (OMB) which imposes a budget ceiling on the AID program as a whole. In the case of military programs, U.S. military attaches in host countries play an important role in developing the proposals while the Bureau for International Security Affairs of the Department of Defense, the Defense Security Assistance Agency, and the Arms Export Control Board, an inter-agency body chaired by the State Department, have major responsibility for the Washington review process.

U.S. ASSISTANCE TO ISRAEL 1971-83 (Fiscal Years)
(not including Import-Export Bank Loans)



GRAPH 3

At the end of this elaborate review exercise, the final country program proposals are submitted for White House decision, and incorporated into the budget proposal which the President submits every January to the Congress. The review process within the Executive normally takes up to a year and does not usually involve the recipient countries beyond the initial stage of consultation with their AID and/or Defense Department contacts. Once the Executive branch proposals have been transmitted to the Congress, government officials must support their proposals at hearings before Congressional committees and through personal contact work. AID, the State Department and the Pentagon maintain a staff of Congressional "specialists", whose job it is to lobby for passage of the Administration's Foreign Aid proposals.

In the case of Israel, the process described above has been modified in several important respects. First of all, there is no resident AID Mission in Israel to prepare and recommend the annual assistance program for Washington review. Instead, for the last 13 years, the Israel Ministry of Finance, in consultation with other Ministries, has prepared an annual report on "Requirements for U.S. Aid", which is usually presented to the U.S. Administration in Washington by the Finance Minister. The report reviews economic trends, civilian and military import requirements, and their balance of payments implications, and identifies the hard-currency gap between expected payments abroad and receipts. It is this gap for which U.S. funding is sought.

While the Israeli document serves as a formal basis for discussion, both within the U.S. Administration and between the U.S. and Israel, the President's ultimate proposal to the Congress on aid to Israel must clearly take account of other factors as well.

There follows a series of consultations both within the U.S. Administration and with Israeli officials on the details of the aid package, including additional visits of senior Israeli officials to Washington. Informal briefings and discussions are held with

key members of Congress, even before the Executive decides on its request to Congress. At the same time, since 1979 AID is also required to prepare a special report to the Congress on "The Israeli Economy and Debt Repayment Prospects." The purpose of the Report seems to be to supply additional background on the Israeli economy, and to justify the terms and conditions of the aid with regard to Israel's debt-carrying capacity. During the last few years these reports have tended to support the Administration's contention that a substantial portion of the aid can continue to be extended in the form of loans rather than grants, without over-taxing Israel's debt-carrying capacity. This is one of the perennial issues which comes up in U.S.-Israel discussions on the aid package. The principal issue, of course, is the magnitude of the package itself, i.e., whether the U.S. should be prepared to finance all or only a certain part of the gap in Israel's balance of payments. Traditionally, the "gap" identified in the Israeli report has been higher than the amount of aid proposed by the U.S. Administration to the Congress. In 1983, for example, the "gap" identified by Israel stood at \$3.2 billion, whereas the U.S. Administration's request amounted to \$2.5 billion. The policy message seems to be that the Administration is prepared to finance a large part of Israel's expected balance of payments deficit (nearly 80 percent in 1983 for example) but not all of it.

The process leading up to the presentation of Israel's aid request to the Congress, described above, illustrates the unique character of Israel's case. Unlike other aid recipient countries, Israel is closely involved both in the presentation of her needs to the Executive Branch, and in the internal review and consultative process which follow. The device of using Israel's own report as the basis for discussion is an added tactical advantage to her, but it should not obscure the basic fact that the magnitude of the package is primarily a political judgment in which economic factors do not necessarily play a decisive role. Thus it was a personal intervention by former Defense Minister Ezer Weizmann with President Carter in 1979, which reputedly yielded an extra \$200 million in

aid for Israel; and it was an understanding that Israel would receive an extra \$600 million in military aid which was supposed to sweeten the pill of the 1981 AWACS sale to Saudi Arabia.

However, the importance of the close and sustained relationship between Israel and the U.S. Executive Branch in the preparation of the aid request should not be underrated. In the next stage of the aid process - consideration by the Congress - the presentation of Israel's case by her representatives and friends is perhaps even more important.

THE ROLE OF CONGRESS

Under the U.S. constitutional system, the President has the responsibility and authority to conduct the country's foreign policy. Accordingly, as we have seen, it is the Executive Branch which determines the general magnitudes, and conditions of the foreign aid program, and selects the countries which are to benefit from it. However, since foreign aid involves significant sums of money and Congress has decision-making authority over all expenditures of government funds, the influence of Congress on foreign aid is greater than on other foreign policy issues. The Congress exercises this influence through extensive Committee hearings at which Administration spokesmen as well as proponents and opponents from the public present their views on the proposed aid legislation. The Congressional committees are central to the processing of the legislation through the Congress, for in an age of growing complexity and specialization, the legislative bodies have come to rely increasingly on the recommendations of their specialized committees. Even within the committees and sub-committees, particular members or staff advisors, by virtue of position, personality, knowledge, dedication or seniority, can exercise exceptional influence on foreign aid legislation.

The process itself is lengthy and complicated. As is the case with all legislation requiring the expenditure of funds, the foreign aid proposal requires two consecutive (or sometimes parallel) legislative decisions - an "authorization," which establishes policy guidelines and an overall monetary ceiling, and the "appropriation," which provides the actual funds within the limits established under the authorization.

The authorization process for aid to Israel, for example, begins in the Subcommittee on Europe and the Middle East of the Foreign Affairs Committee of the House of Representatives, and the Subcommittee on Near East and South Asian Affairs of the Foreign Relations Committee of the Senate. These subcommittees hold public and private hearings and 'markup' sessions at which the proposed legislation is examined in detail and often modified. The recommended bills are then considered by the full Committee, and ultimately "reported out" to the House and the Senate respectively. More often than not, the aid "Authorization" approved by the two chambers is not identical, and thus goes to a "Conference" committee of both chambers which seeks to arrive at a compromise version likely to be acceptable to the House and the Senate. This compromise version is submitted to the two chambers for final approval, after which it goes to the President for his signature. A similar procedure takes place for the "Appropriations" process. There the legislative process begins in the Appropriations Subcommittee on Foreign Operations of the House Appropriations Committee, moves on to the Appropriations Subcommittee on Foreign Operations of the Senate and so on. Only after identical "Authorization" and "Appropriation" bills have been approved by the House and Senate and signed by the President, is the legislative process complete. At numerous points along the way legislation can be changed, sidetracked or stopped altogether. This holds true particularly for controversial legislation such as foreign aid.

Historically, foreign aid has had a difficult time in the Congress and even in the Executive Branch it is at times regarded with considerable ambivalence. Symptomatic of this fact is that although the United States has had an official foreign aid program since the end of World War II, the agency administering the program has never been established as a permanent entity of the U.S. Government. Foreign aid generally is not popular with the American public or the Congress, and lacks a strong domestic constituency ready to lobby on its behalf. Because of these reasons, the annual battle for foreign aid is usually drawn-out and painful. The Administration struggles hard to explain and justify its program to the public and the Congress, and almost every year its funding proposals are cut and provisions are added to restrict its flexibility in administering the program.

The outstanding exception to this norm has been the aid request for Israel, which has consistently had strong support in the Congress. A recent study analyzed the period 1970-1977 from the point of view of Congressional action with respect to Israel, including decisions on foreign aid. It found that during this period the Congress with two minor exceptions consistently and significantly increased appropriations for Israel beyond the Administration's request. With regard to economic aid, Congressional appropriations for Israel exceeded Administration requests by 30 percent; military assistance was increased by about three percent above the request. Total assistance in both categories was increased by \$703.4 million, or 8.7 percent over the requested amount.⁶ This record of action is particularly impressive in face of parallel annual actions by the Congress to slash the overall aid program requests of the Administration. During the same period, 1970-1977, for example, the Congress reduced total foreign aid requests of the Administration by 23.5 percent.⁷

In appropriating more funds for Israel than requested, the Congress has at times risked a direct clash with the Administration. Thus, in 1972, the Congress appropriated \$50 million unrequested

economic aid for Israel under the International Security Assistance Act, despite the threat of the head of the aid agency, John Hannah, to impound the funds; and in 1976, Congress voted an unrequested \$200 million in military assistance and \$75 million in economic support for the "transition quarter" between two fiscal years, in face of a Presidential veto threat for the bill as a whole.⁸ Neither threat was in the end carried out. Moreover, the action of the Congress in appropriating economic support funds along with military aid set an important precedent, which was subsequently accepted by the Administration, and has resulted in channelling \$6.7 billion in economic aid to Israel since between 1972-1983.

Other Congressional initiatives on aid to Israel included support for the absorption of Soviet Jewish refugees in Israel, and the construction of a nuclear power and desalting plant.⁹ In addition, Congress since 1971 has earmarked most of the funds going to Israel to prevent any possible diversion, and has repeatedly eased the terms and conditions of aid. The 1976 Security Assistance Act, for example, provides that of a total of \$ 2.37 billion, \$ 1.5 billion "shall be available only for Israel," and the same Act goes on to stipulate that "Israel shall be released from one-half of its contractual liability to repay the United States Government."¹⁰ In the most recent instance of action to ease conditions of aid to Israel, the Congress, over objections of the Administration, transferred over half a billion dollars in the 1983 appropriation from proposed loan to the grant category.

The aid process described above has shown the operational stages of decision-making with respect to the U.S. aid program, and the special features which distinguish the aid program for Israel from the other ninety-plus countries which receive U.S. assistance. What has not been shown are the policy considerations, institutional elements and motivational sources which impinge upon the operational process just described.

CHAPTER III

SHAPING AID POLICY TOWARD ISRAEL

In 1983, over 26 percent of total worldwide U.S. assistance is going to Israel, and there have been years in the recent past (e.g. 1976) when Israel's share reached more than one third of total U.S. assistance. As we have also seen, much of this assistance is given as a grant, and comes at the end of a decision-making process in which Israel herself participates as a partner. These exceptional circumstances raise several questions regarding the shaping of U.S. aid policy.

First, why has the United States been prepared to sustain its aid program to Israel over such a long period of time, and for the last 10-12 years at such an unprecedentedly high levels?

Second, why is the U.S. Congress prepared, even at time of economic crisis and in face of serious cuts in domestic programs, to continue supporting the present high aid levels to Israel? In this connection, why has the Congress consistently been more generous to Israel than the Executive Branch?

The answers to these questions go to the heart of the overall relationship between the two countries. Briefly stated, they include the following precepts and perceptions:

1. The United States recognizes a moral commitment to the continued existence and welfare of the State of Israel.
2. The United States has a political interest in supporting and sustaining one of the few outposts of democracy outside Western Europe and North America.

3. The United States has a strategic interest in strengthening Israel as part of a deterrent bulwark to potential Soviet expansionism toward the Indian Ocean, the Persian Gulf and key communication links in the Eastern Mediterranean.

4. The United States believes its aid can encourage the Arab-Israeli peace process—by making Israel feel more secure, and by signalling to the Arab states that Israel is here to stay.

How firmly are these precepts and perceptions rooted in the American political consciousness and how are they articulated through the policy mechanism?

MORAL COMMITMENT—This first and probably the most permanent precept of the U.S.-Israel relationship dates back to the creation of the State of Israel. It was implicit in President Truman's decision that the United States would be the first country to recognize Israel, and was followed by the previously mentioned commitment to Chaim Weizmann on Israel's security and economic well being. Since then, this moral commitment has been affirmed by every U.S. President, on numerous occasions by the U.S. Congress, and by both political parties. Its roots probably go back deep into the American psyche—the redemption of the Biblical promise, and a mixture of guilt and outrage over the Holocaust, both of which clearly were part of President Truman's inspiration.

OUTPOST OF DEMOCRACY—The perception of Israel as an outpost of democracy is firmly anchored in U.S. political thinking about the world outside of Europe and about the Middle East in particular. It adds a strong ideological tie to the moral commitment and places Israel in the position of an ally of the United States, whose continued existence and welfare supports U.S. foreign policy objectives. The strength of this perception has been manifest almost since the beginning of the relationship, despite the absence of any formal contractual agreement or alliance.

STRATEGIC CONSENSUS—This doctrine began to gain plausibility with the emergence of Israel as a regional military power after the Six Day War, and increased in popularity with Israel's greatly increased military strength after the Yom Kippur War. According to this doctrine, Israel's military capability, beyond its defensive dimension, can serve U.S. strategic interests by deterring potential Soviet expansionism or other forms of extremism in the region.

As one long-time U.S. advocate of this thesis has put it: "The Israel Defense Forces have as their principal task the deterrence of Soviet military adventurism in the region. To achieve such deterrence, Israel's military technology must remain at the sharp edge of conventional power....The U.S. assistance package is the hard steel necessary for Israel's edge."¹¹ Some Administration and Congressional pronouncements have lent credence to this doctrine, even in the absence of a formal alliance between the two countries. The high point of acceptance of the thesis was probably the signature of the (now suspended) U.S.-Israel Strategic Cooperation Agreement of 1982.

SECURE ISRAEL—The basic premise of this doctrine is that only an Israel which feels herself secure economically and militarily would be ready to engage in a negotiating process involving compromise and risk-taking. This was the general approach taken by former Secretary Kissinger to smoothe the way in the various stages of the lengthy and often painful negotiating process, initiated during the Nixon and Ford Administrations, and continuing to this day. The sharp escalation of aid beginning with the Nixon Administration can be seen as a corollary to this doctrine, as can U.S. acceptance of the notion that Israel maintain a qualitative and technological edge over its regional adversaries. U.S. support for a "secure" Israel also carries its own indirect message to the Arab states—namely that the United States is prepared to back up its moral commitment to Israel with concrete steps designed to ensure her security.

The above precepts and perceptions form the basis for the U.S. interest in Israel and for the assessment which must be renewed annually, that this interest is served through the assistance program. However, neither the assessment nor the doctrines supporting it are static. They stand or fall with the political environment between the two countries, with their acceptance by the Administration, the Congress, and by U.S. public opinion. When seen in this context, the cluster of U.S. interests which support aid to Israel is tested continuously against other clusters of U.S. interests, as well as against changes in the intensity and validity of these doctrines and perceptions.

Thus, the "moral commitment" of 1983, though sanctified by time, cannot have the intensity of the early period, with vivid memories of the Holocaust, homeless refugees, and little Israel threatened by overwhelming Arab power. Some observers claim in fact that the "moral commitment" doctrine is virtually defunct, except for Christian fundamentalist support for "the return to Zion"—a not insignificant but basically secondary element of the doctrine. And indeed, it would be unrealistic to pretend that this set of beliefs and perceptions remains unaffected by the passage of time and the enormous increase in Israel's power in relation to the Arab countries, and especially the Palestinians. As a result of this change in the power relationship, one can discern a countertendency emerging, i.e., sympathy for the Palestinians as the underdog, and more outspoken advocacy of America's "moral commitment" to the "rights of the Palestinians." However, as long as one U.S. Administration after another takes pains to affirm its moral commitment to Israel, it would be premature to write off the political significance of this precept.

U.S. Assistant Secretary of State Nicholas Veliotis, testifying before a Congressional committee on the Administration's 1984 aid request for Israel, stated: "Support for Israel's security and economic well-being is a basic firm principle of American foreign policy. Our support for Israel grows out of a longstanding commitment to a free nation which has been a haven for immigrants from all over the world, and which shares many of our own social and democratic traditions."¹²

Similarly, the perception of Israel as an outpost of democracy continues to draw U.S. support, but here too, treatment of the Palestinian issue has somewhat tarnished Israel's democratic credentials, and annexation or near annexation of territories beyond the 1967 boundaries have raised questions regarding her dedication to the peace process. For example, after the Knesset adoption of the 1981 law subjecting the Golan area to Israeli civil jurisdiction, a public opinion poll in the state of New York reportedly showed a drastic decline in support for aid to Israel. Moreover, according to the same source, this loss has never been made up.¹³ Thus, it may represent a permanent erosion of support, due to a weakening of the democratic image.

The Strategic Consensus Doctrine has also been buffeted by the strong winds of dissension between Israel and the United States during the last few years. Its unspoken but implied condition is that it be part of a wider regional strategic consensus emerging from an attenuation of the Israel-Arab conflict. The absence of further movement in this direction since the signature of the peace treaty with Egypt, and the continuous U.S.-Israel disagreement about the goals of the Camp David peace process, have raised doubts about the realism of the doctrine. Thus it should not have been too surprising that the United States, while recognizing the existence of common strategic interests, has downplayed their significance and failed to give the doctrine an operational dimension. In fact, the almost casual ease with which the U.S. government suspended the Strategic Cooperation Agreement with

Israel after the initiation of the "Peace for Galilee" operation—almost before the ink had dried on the document—seems to downgrade the importance of the doctrine in the eyes of the United States.

The "secure Israel" thesis on the other hand has not been questioned—in fact, Assistant Secretary of State Veliotis in opening Congressional testimony in March, 1983, emphasized that the Administration was not attaching political conditions to its large aid package for Israel, but simply wanted Israel to feel "super secure."¹⁴ At other times U.S. Administrations have emphasized that whatever the cost of making Israel "secure", it is far cheaper than financing the costs of war, as the U.S. did in the aftermath of the Yom Kippur War.¹⁵ What may be at issue, however, is not the principle, but the quantities of hardware and dollars required to ensure Israel's "super security." In light of Israel's repeatedly demonstrated military and technological superiority over her adversaries, U.S. estimates tend to lag behind those of Israel.

In sum, the foundations upon which Israel builds its expectations of U.S. aid are subject to changes in their appeal and intensity, which depend partly on Israeli policy and partly on other or shifting U.S. interests over which Israel has little control. Successive U.S. Administrations, responding to some of these conflicting or at least competitive interests in the Middle East, have for many years espoused the so-called "Evenhandedness Doctrine," the notion that whatever Israel gets, should in some way also be given to the Arab states.

The former director of the America-Israel Public Affairs Committee (AIPAC) whose Washington career spans almost the entire period of U.S. aid to Israel, has pointed out that when he began his pro-Israel lobbying activities in Washington in 1951, the new Eisenhower administration planned to allot \$23.5 million in economic assistance to Israel and an identical amount to the Arab

states. In the end the amounts changed, but \$50 million of the first economic aid package for Israel was labelled "refugee aid" in order to parallel another \$50 million being requested for Arab refugees.¹⁶ Another attempt at "evenhandedness" was applied to Israel and Jordan in the two decades prior to 1970, when except for food assistance, both countries ran neck and neck in the receipt of U.S. economic development aid.

The concept lost much of its relevance in the nineteen seventies, as oil politics, deteriorating relations with the Arab states, and the new U.S. commitment to Israel's military security outweighed "evenhandedness" considerations. However, lately the doctrine has seen a strong revival in relation to Egypt, which has openly demanded "equal treatment" with Israel in terms of military and economic aid. In the afterglow of the Camp David accords, these demands fell on fertile ground with the Carter and subsequently the Reagan Administration, and also found a favorable response in the Congress. The result is a certain symmetry in both military and economic assistance between Israel and Egypt since 1979. In that year the U.S. assumed the role of principal military supplier to Israel at an initial military assistance program level of \$1.5 billion; in addition the U.S. continued to provide Egypt with economic assistance which in 1979 amounted to about \$1 billion.

The symmetry is particularly apparent in the allocation of economic assistance (not including food aid), which was roughly equal for both Egypt and Israel over the 1977-82 period, amounting to \$4.75 billion and \$4.66 billion respectively.¹⁷

The "evenhandedness" doctrine has also re-emerged in the military area, in relation to arms supplies for Saudi Arabia and Jordan. Without going into details on these issues, it is clear that as long as U.S. policy in the Middle East rests on maintaining or strengthening its influence with the "moderate" Arab regimes, "evenhandedness" considerations will affect the U.S.-Israel aid relationship. In other words, the volume of aid

flowing to Israel may also be affected to a significant extent by the state of relations between the U.S. and Israel's Arab neighbors. "Evenhandedness" may mean more competition for aid funds, but it may also mean a greater disposition to provide aid, as a means of safeguarding peace and moderation. In any case, that seems to have been the experience with regard to the aid programs for Israel and Egypt during recent years.

Another potentially competing U.S. interest to aid for Israel (and incidentally also for Egypt) are the claims of almost one hundred developing countries and half a dozen international agencies, which also receive U.S. assistance. The fact that Israel year by year, corners about 25% of the total U.S. Security Assistance, is not welcomed by parts of the U.S. foreign policy establishment responsible for safeguarding U.S. interests elsewhere, and of course by the other claimants themselves. In the Congress too some members have questioned the wisdom of the present policy, including the chairman of the Foreign Affairs Subcommittee on Europe and the Middle East, Representative Lee H. Hamilton. In an article published in the *New York Times* he wrote that this imbalance caused difficulties for the United States:

"First, our commitment to economic development in poor countries and to alleviation of suffering around the world are called into question...Second, serious problems arise in our relations with other countries...The imbalance breeds envy and suspicion...many countries believe we can control those who receive so much of our aid, (and) find it hard to believe that they as old friends, should receive so much less than Egypt, a new friend...Third, there are risks for Egypt and Israel...because both are so dependent on our assistance, their economies are distorted, their debts burgeon, and their need for more aid grows...Fourth, because of this concentration of assistance, we have not begun to address adequately the world's social and economic problems...we may soon face grave threats to security and stability caused, in part, by our neglect.

"A review of our foreign aid programs is warranted. Without turning our back on Egypt and Israel, we need to rethink the purposes of foreign aid, what it can and must achieve, and whether the present distribution of aid is the best we can do."¹⁸

Partly no doubt in response to these competing thoughts and pressures, the Reagan Administration in February, 1983 appointed a high-level commission headed by former Ambassador Frank Carlucci to review U.S. foreign aid policy. While the commission is not likely to recommend a cut-off of aid to Israel, its work is bound to draw renewed attention to the material and political cost of this program.

In face of the countervailing political and economic pressures, aggravated during the past few years by economic crisis and persistent policy disagreements between the United States and Israel, it is all the more remarkable that the aid program for Israel has fared so well, comparatively speaking. For while it is true that the total real purchasing power of U.S. aid has declined as a result of inflation, this has affected not only Israel, but all U.S. aid recipients. Israel, in fact, has done better than most other countries in this regard, since she has received some compensation in the form of increased dollar allocations and better terms, (e.g., military assistance has risen from \$1 billion in 1980 to \$1.7 billion in 1983), and has also been able to supplement concessional aid with major medium-term loans from the U.S. Export Import Bank.¹⁹ The secret of Israel's success remains the continued support for Israel in American public opinion, and the effective articulation of this support by the organized Jewish community in relation to the Administration and particularly the Congress.

THE PRO-ISRAEL LOBBY

The American-Israel Public Affairs Committee (AIPAC), the major pro-Israel lobby in Washington, began operations in 1951 with a tiny staff, few resources, and its focus on key Congressmen who would be sympathetic to American aid for Israel.

One of the initial principles to be sorted out, was AIPAC's relationship to the Israel Government. After some discussion, it was decided that AIPAC would represent the Jewish community in the United States, and would have no official relationship to the Israel government. This decision, which may appear at first glance to be more formal than substantive, is actually of considerable importance. It means not only that there is no legal requirement to register as an agent of a foreign government, but also that AIPAC's policy line, its energy and effectiveness, depend in the final analysis on the support and enthusiasm of its U.S. supporters and not on orders issued in Jerusalem. This greatly increases the credibility of the organization as serving *American* and not "foreign" interests, but it also makes it incumbent upon Israel's leadership to fashion its policies with a view to maintaining and retaining the unstinting support of the organized Jewish Community—the ultimate sponsor of AIPAC.

In the many years since the founding of AIPAC, this unwritten (but nevertheless real) proviso has not been of great importance, because of the large measure of agreement between official Israeli government views and those of most of its U.S. supporters. However, during the past few years, differences have emerged between some important segments of the organized American Jewish community and the Israeli government over policies on the Palestinian issue, and AIPAC's automatic support of Israeli policy can no longer be taken for granted. Evidence of this became public when in September, 1982, the Israeli government abruptly rejected the Reagan peace plan, while Tom Dine, Director of AIPAC, saw in it "great worth" despite some negative elements.²⁰

Even though efforts were made immediately to patch up the differences, there is no denying that there are significant disagreements within the U.S. Jewish leadership as well as among the grass roots supporters of Israel, which reflect more or less the policy split existing within Israeli society itself. Only the overriding loyalty to Jewish survival, which still animates the large majority of organized American Jewry, has thus far prevented these disagreements from affecting the operations of AIPAC and of its grass roots activists with respect to the annual aid program. Yet this precious moral capital, like the other previously described assets favoring U.S. aid to Israel, is neither inexhaustible nor immune to potential erosion. To ignore this fact is at a minimum risky.

Thus far, however, AIPAC has been a very effective instrument in mobilizing and articulating public support for aid to Israel. A recent study of the Congressional Research Service for the House Foreign Affairs Committee on information sources in foreign policy states that AIPAC is "widely regarded today as the most effective ethnic/foreign policy lobby on Capitol Hill." AIPAC and the Conference of Presidents of Major American Jewish Organizations, the report goes on to say, "have been most effective in insuring (sic) a relatively uninterrupted flow of military and economic aid to Israel, especially since 1967."²¹

AIPAC's strength is built on three foundations: know-how, information, and organization.

KNOW-HOW—AIPAC today is a highly sophisticated organization, with a 40-person staff including professionals representing a broad range of expertise on the U.S. political process, particularly the workings of Congress, foreign affairs, communications and the operations of the U.S. Jewish community. I.L. Kenen, its first director, a journalist by profession, was a life-long

Zionist activist and organizer, with deep roots in the American Jewish community and close ties to the founders of the State of Israel. Kenen was succeeded by Morris Amitay, who was trained as a lawyer and served previously as a U.S. Foreign Service officer and Congressional aide.

The present director, Tom Dine, formerly worked for Senators Church, Muskie and Edward Kennedy; he has an academic background in South Asian history and served as a U.S. Peace Corps volunteer in the Philippines. The AIPAC staff constantly keeps its ear to the ground, and assesses the problems and opportunities for advancing Israel's aid request. After Israel's annual request reaches Washington, it begins its lobbying activities, first with the Administration, and at a later stage with key elements in the Congress. Because of its broad range of knowledge and contacts, AIPAC is in a position to identify key elements, issues, and personalities, and formulate a strategy. Although AIPAC's main focus is on the Congress, the Executive Branch has also learned to respect and appreciate AIPAC's strength and particularly its ability to mobilize support for foreign aid. Its know-how has made AIPAC both an ally and a contender of the Administration in the formulation and presentation of the annual aid bill—a contender in usually pressing for more or better conditions of aid to Israel than the Administration wishes to provide, and a valuable ally in lobbying for passage of the generally unpopular foreign aid legislation as a whole. A State Department official is quoted as saying:

"There aren't hostile relations between AIPAC and the Administration...Anyone sharing in the process knows that we are speaking of a complicated political activity in which many are involved, and the final product is a result of compromises by all the elements."²²

The 1983 battle for approval of the aid package for Israel illustrates the use of this know-how.

The Israeli aid request for 1983 (i.e., the balance-of-payments gap for which U.S. financing was sought) amounted to \$3.22 billion. The Administration's request to Congress, after internal consultations, amounted to \$2.485 billion (of which \$1.025 billion was a grant). AIPAC, working with the key Senate Foreign Relations and House Foreign Affairs Committees persuaded them to approve authorization on more favorable terms, i.e., with a higher proportion of grants in April and May 1982 and, in the case of the Senate Committee, to add \$125 million to the economic aid allotment requested by the Administration. In June came the "Peace for Galilee" operation with subsequent increased tensions and conflicts between the U.S. and the Israeli governments. AIPAC and its friends in the Congress counselled against convening the Senate and House Appropriations Committees which had to approve the funding requests. The strategy paid off, for by December, 1982, hostilities had ceased and there seemed to be prospects for a political solution. The Congressional climate and public opinion vis-a-vis Israel had improved, although tensions between the Reagan Administration and the Israeli government persisted. In the improved atmosphere, the Committees and the full House and Senate met and approved the original Administration request, but with the much improved terms authorized earlier in the year, which meant an additional half a billion dollars in grants rather than the loans. The Congress took this decision, despite last-minute high-powered Administration pressures against it. "I feel very good about the whole thing," said AIPAC director Tom Dine, whose machinery had been very much involved throughout the lengthy process of approval.²³

INFORMATION—Much of the strength and credibility which AIPAC possesses derives from its ability to produce timely and accurate information of direct relevance to the Congress and to AIPAC supporters among the public at large. AIPAC's principal regular information outlet is *The Near East Report*, a weekly newsletter produced under AIPAC's sponsorship, which summarizes and analyzes Mideast developments and monitors progress of legislation of interest to AIPAC supporters. It is sent to every member of Congress, and has some 60,000 subscribers. In addition, AIPAC's research and legislative departments produce many special studies and papers as needed.

The previously cited study on information sources for Congress notes:

"AIPAC and the other groups comprising the Israeli lobby are as effective as they are in part because of the services they supply to members of Congress and their staffs. These principally involve the production of carefully crafted and packaged information, designed to be of maximum value to a busy legislator."²⁴

The study goes on to stress the importance of information as a means of gaining access to legislators and building personal and institutional relations. It cites the findings of another researcher to the effect that "in a moment of perceived crisis (AIPAC) can put a carefully researched, well-documented statement of its views on the desk of every Senator and Congressman and appropriate committee staff within 4 hours of a decision to do so."²⁵

Similarly, AIPAC has an effective communications network to other Jewish organizations, and to its grass roots supporters all over the United States. Through letters, telegrams, telephone calls, AIPAC can get important information to them rapidly, together with requests for organizational action.

ORGANIZATION—Within the characteristic framework of American politics, all the political know-how and information which AIPAC is able to muster, would be of limited value without the back-up of articulate and preferably (but not necessarily) influential political activists. AIPAC has succeeded in tapping into this "grass roots" strength by way of a computerized "key contact" list, which can be activated at a moment's notice. In the previously described battle for improvements in the 1983 aid program for Israel, this network was mobilized, and produced personal communications from constituents, including particularly from important campaign contributors and others known personally to the legislators. "Without Jewish political action we wouldn't have won," said one pro-Israel lobbyist.²⁶

This political action is nurtured by a stream of information, and especially prepared materials explaining to AIPAC's 34,000 dues-paying members and its many other supporters, how to use effectively the American political process, of which they are a part. For example, a pamphlet entitled "The U.S. Congress: A Guide to Citizen Action" explains in some detail the Congressional legislative process, in particular with regard to the annual foreign aid legislation, and explains how citizens can influence this process. Another pamphlet, the "AIPAC Congressional Handbook" lists the names and Party affiliations of the Congressional leadership of all Representatives and Senators by State, as well as members and staff directors of key committees. To supplement this broad-gauged educational effort, AIPAC is in the process of organizing "Political Action Workshops" designed particularly for states with relatively small Jewish communities. AIPAC officials also meet regularly in Washington with representatives of other major Jewish organizations in order to coordinate positions, so that when AIPAC representatives testify, they usually speak for the majority of the organized Jewish community.

Observers of the American political scene have pointed out that, perhaps because of the Jewish historical experience, American Jews are more politically involved than other ethnic groups. Voter participation among Jews has been estimated at 80 percent, higher than that of any other ethnic group, and contributions to election campaigns are also thought to be out of proportion to population size.²⁷ AIPAC and the American Jewish community have learned to utilize these general qualities of good citizenship in order to influence American policy toward Israel, and more specifically to benefit the U.S. aid program for Israel.

In the final analysis, however, U.S. aid policy toward Israel is shaped by the precepts and perceptions of U.S. interests as seen by the U.S. government and supported by public opinion at large, including to a growing extent, the media. An ethnic lobby, no matter how effective and sophisticated, cannot in the long run prevail against such a power combination, as was shown in the AWACS controversy. But Israel's problem is even somewhat more complex, for it must in the first instance, retain the loyalty and support of its Jewish supporters, and with their assistance, the support of the governmental decision-makers and of broad U.S. public opinion. Israel's spectacular success in obtaining U.S. aid has been possible because all along this complex line of political perception and action, the vision affecting the ultimate decisions has been more or less identical among the various actors. Whether this will continue into the future depends principally on the resolution of the basic conflicts between the two governments on the Palestinian issue.

CHAPTER IV

AID LEVERAGE IN CRISIS OR NEAR-CRISIS SITUATIONS

The question of the existence and use of pressure- or leverage-linked to U.S. assistance for Israel is one of the most controversial and complex issues in U.S.-Israel relations. First of all, what constitutes aid leverage? Is it just the application of political pressure against the background of aid, with the threat that non-compliance would have negative effects upon the aid program? It is certainly that, but there are at least two other types of leverage which must also be considered. One type of leverage is formally incorporated into all military aid agreements concluded by the United States in the form of a pledge by the recipient country not to utilize arms aid except for defensive purposes and not to transfer the arms received to third parties without U.S. consent. Similarly, since the mid-1970's U.S. aid is to be withheld from countries engaged in consistent gross violations of human rights. Theoretically, any violation or suspected violation of those provisions could result in a partial or complete aid cut-off or suspension. A third, more subtle form of leverage, is unspoken, but can nevertheless be invoked merely by nurturing public discussion of possible aid cut-offs, reductions or suspensions.

In reviewing the extent to which aid leverage has been applied in U.S.-Israel relations, it is useful to clear away some of the psychological cobwebs surrounding this issue. As we have seen, part of the leverage conferred upon the United States originates from legal provisions which form part of the U.S. Foreign Aid legislation. While the definitions are left deliberately vague and flexible, both donor and recipients are clearly aware that they could at some point form the basis of leverage.

The nonformal types of leverage, through direct political persuasion or more subtle psychological pressure, are also no secret to international relations. The current U.S. Ambassador to the United Nations, Jean Kirkpatrick, wrote in a recent report regarding the motives for U.S. assistance:

"Obviously, when the administration proposes assistance to another country, and when the Congress votes it, both have in mind specific and important reasons for doing so. These can range from key geostrategic location, to economic or political (factors)...."²⁸

Clearly, by this description, foreign aid is part and parcel of U.S. foreign policy, to be used in the furtherance of U.S. foreign policy objectives. It follows therefore that aid is extended to support those objectives, and that it may be withheld or otherwise manipulated, i.e., aid leverage may be applied when those objectives seem threatened. The effectiveness of such leverage of course would depend on a number of factors, but especially on the importance of the aid to the recipient country. Applying this analysis to the U.S.-Israel relationship, we may draw the following conclusions:

1. When U.S.-Israel relations are calm and foreign policy objectives or tactics are identical or at least similar, aid leverage is a hypothetical matter, which barely penetrates into public or official consciousness;
2. The potential for the application of aid leverage to Israel is real and powerful particularly in light of periodic divergences in objectives or perceptions between the U.S. and Israel, and the enormously important place U.S. aid has assumed in the Israeli economy;

3. U.S. aid leverage is part of the price Israel pays for the security and relative comfort which aid buys. But its potential for the U.S. is not unlimited, despite Israel's enormous aid dependency, as long as Israel enjoys substantial support in the U.S. Congress and among the U.S. public. America's ability to apply aid leverage is also limited by the knowledge that an Israel free of aid strings might be more problematical for U.S. foreign policy than in the present conditions of dependency. Thus, in Israel's case, any invocation of aid leverage is conditioned both by Israel's unique place in the consciousness and political framework of the United States, and by countervailing consideration within the framework of U.S. foreign policy itself. It is perhaps this set of often complex and even contradictory considerations which explains the relatively judicious use of aid leverage in relation to Israel. But to deny that aid leverage does play a role in U.S.-Israel relations would be to deny reality.

DIRECT SANCTIONS

a. B'not Yaacov Hydro-Electric Project - Early in the Eisenhower Administration, in 1953, Israel's hydro-power construction project in the demilitarized zone of the Jordan Valley North of the Sea of Galilee was challenged by Syria, which took the issue to the United Nations Security Council. General Benikke, the Chief of Staff of the U.N. Truce Supervisory Organization (UNTSO), ruled that Israel would have to obtain Syrian consent to the digging of a water diversionary channel, thus giving Syria veto power over the development project. Israel considered the ruling unjustified and continued its construction activities. At this point, in September, 1953, the U.S. government suspended all aid to Israel, pending resolution of the conflict. The pro-Israel lobby in Washington intervened with Secretary of State Dulles, but to no avail, as U.S. policy sought to support the U.N. as arbiter of the Armistice Agreements, regardless of the merits of the case.

After more than a month of pressure, Israel notified the Security Council that work on the project was being suspended, and the next day, U.S. aid was resumed.²⁹

b. Sinai Campaign 1956 - Israel's preventive blow in Sinai, coordinated with simultaneous action at the Suez Canal by Great Britain and France, was perceived by the Eisenhower administration as unmitigated disaster. It not only smacked of a return to colonial intervention, but also seemed to doom Washington's favorite strategy of drawing the Arab and other Near Eastern countries (except for Israel) into the Western alliance system. All U.S. efforts in the aftermath of the invasion therefore were aimed at "limiting the damage" by getting the three invading countries to accept a U.N. cease-fire and to withdraw as quickly as possible from occupied territories along the Suez Canal, in Sinai and the Gaza Strip. The invaders' grievances, including Israel's security concerns over Egyptian-directed terrorist attacks and the blockage of Israel's Red Sea maritime approaches, as well as its right to use the Suez Canal, were definitely of secondary consideration.

As the documents of the period show, threats to cut U.S. aid to Israel—then amounting to approximately \$50 million in economic assistance—were used repeatedly in an effort to persuade Israel to conform to U.S. wishes.

Right after the operation began, Secretary Dulles was quoted as saying to an assistant: "It looks so bad we may have to stop our aid. They (the Israelis) don't think we would do that."³⁰ During the following weeks and months of negotiations, the aid theme remained a major one in discussions between the Israeli and U.S. governments, though aid was never apparently suspended. However, when Israel sought to delay its final withdrawal in the hope of extracting better terms, the U.S. threatened to turn another screw. Undersecretary of State Hoover, amplifying a sharp letter

from President Eisenhower to Ben Gurion, told the Israeli Minister in Washington:

"Israel's attitude will inevitably lead to most serious measures, such as the termination of all U.S. *governmental and private* [emphasis added] aid, U.N. sanctions and eventually expulsion from the United Nations."³¹

The same idea was repeated in another personal letter from President Eisenhower to Prime Minister Ben Gurion in February 1957, despite a groundswell of pro-Israel sentiments in Congress and the press. Finally, on March 1, 1957 Israel announced her willingness to withdraw in exchange for a U.N. Emergency Force (UNEF) presence in Gaza and Sharm el Sheikh. In the aid sphere, Israel's "reward" was U.S. support for a substantial World Bank loan to Israel, as well as continuation of direct U.S. economic assistance (\$40.9 million in 1957). But the confrontation had left deep imprints of resentment and even hostility on the consciousness of the U.S. foreign policy establishment as reflected in the following private remarks by Secretary Dulles:

"I am aware how almost impossible it is in this country to carry out a foreign policy not approved by the Jews. Marshall and Forrestal [former Foreign and Defense Secretaries] learned that. I am going to try to have one.

"The Jewish influence here is completely dominating the scene and making it almost impossible to do anything they don't approve of. The Israeli Embassy is practically dictating to the Congress through influential Jewish people in this country."³²

These remarks illustrate, perhaps more clearly than any other, the hidden emotions and calculations which at times also affect not only the use or non-use of aid leverage but the entire fabric of U.S.-Israel relations. However, it was the clash of strategic interests and perceptions which no doubt largely determined the thrust of U.S. policy and tactics in the first Sinai crisis.

INDIRECT SANCTIONS

With the coming of the Nixon Administration, the application of aid leverage toward Israel took a somewhat different course. But again there was a crisis and a divergence of strategic interests flowing from it which triggered the process.

As Israel struggled to recover and snatch victory from the great psychological and military trauma of the Yom Kippur War, there emerged for her three vital strategic objectives: to demonstrate to the Arab world the futility of military solutions; to ensure herself against any such eventuality; and to assure continued political, economic and military support from the United States. The U.S. connection in particular became a matter of life and death in light of the military losses sustained on the battlefield and the wave of hostility toward Israel which swept through the world.

U.S. strategic perspectives and objectives looked quite different. They were primarily: to bring an end to the oil embargo and to ensure herself against its repetition; to limit Soviet involvement in the Middle East; and to demonstrate the essential role of the United States to both parties in the Arab-Israeli conflict. These goals required a central U.S. mediating role, a conciliatory posture toward the Arab states; and protection for Syria and Egypt from the consequences of Israel's military victory.

Whether by design, as asserted by some, or by happenstance as maintained by others, aid became a prime instrument signalling the course preferred by the U.S.

The delay in the immediate U.S. resupply of arms, planes and ammunition, whether superbly orchestrated from above or the result of resistance from lower levels of the Pentagon and State Department bureaucracy, carried the message that Israel's military victory would have to be limited. President Nixon's message to Congress of October 19, 1973, asking for \$2.2 billion in military aid for Israel "to maintain a *balance* [emphasis added] of forces and thus achieve stability" carried a similar message.³³

Nixon's tactics, in fact, in distinction from those of Secretary Kissinger, tended later toward the invocation of direct sanctions. Secretary Kissinger cites at least four such instances—first, a threat to hold up one quarter of the \$2.2 billion arms package "as insurance of Israel's good behavior" at the upcoming Geneva peace conference³⁴; instructions to cut off aid unless Israel changed her position in the Syrian disengagement negotiations³⁵; an order to suspend current arms deliveries and receipt of new arms requests until Israel agreed to a comprehensive peace agreement³⁶. The latter order however, was never carried out, since President Nixon resigned three days later, before signing the necessary papers ; and a muted warning during Nixon's visit to Israel in June, 1974 that in return for continued massive aid, the U.S. expected Israeli "flexibility" in negotiations.³⁷

Kissinger's more subtle tactics nevertheless also may have included use of the leverage conferred by Israel's dependency on U.S. aid, particularly in the military sphere. According to several sources, both the initial resupply operation in 1973, and later arms deliveries were manipulated by Kissinger in order to extract Israeli concessions in conformity with U.S. strategic objectives in the post-Yom Kippur War era.

According to the Israeli journalist Matti Golan who based himself on Israeli sources, U.S. arms and deliveries unaccountably slowed down again in July, 1974, as U.S. pressure mounted to bring Israel and Jordan into peace negotiations. The slowdown, reputedly, was due to a new Kissinger directive to the Pentagon to stall on deliveries—"not enough to hurt, but enough to be felt".³⁹ Finally, at the end of the period of Kissinger's "shuttle diplomacy", between Israel and Egypt, in March, 1975, a frustrated Secretary of State announced a "reassessment" of U.S. policy toward Israel which, again according to Golan, was accompanied by a drying up of the delivery pipeline and cancellation of planned talks on new deliveries. Israeli officials also feared possible suspension of economic aid.⁴⁰ After holding out for three months, Israel yielded and agreed to Egyptian demands—supported by the U.S., for evacuation of the Sinai passes and return of the Abu Rodeis and Ras Sudr oil fields.

Although the details of Secretary Kissinger's operations may be contested, the use of indirect sanctions and of the carrot-and-stick approach would appear to fit well into the Kissinger style of diplomacy. And as the "reassessment" crisis has shown, the hint of economic sanctions—combined with the military supply pressures—may have been enough to bend Israel to the will of the United States.

Indirect leverage through a steady stream of rumors and speculative press leaks about U.S. intentions with respect to Israel's aid program, also appears to have been used by the Reagan Administration in the aftermath of Israel's invasion of Lebanon in 1982. While it is impossible at this writing to gauge the ultimate effectiveness of this effort, it is likely that these indirect sanctions do have some restraining effect upon Israeli government actions. The same can also be said for the more formal sanctions invoked in accordance with the aid legislation.

FORMAL SANCTIONS

As indicated earlier, leverage resulting from formal sanctions can only be applied if there is an actual or suspected violation of the provisions under which the aid has been granted. While there has never been a determination that such violations have occurred in relation to Israel, questions have been raised regarding possible violations in a number of instances when Israel has resorted to military action. These have included the bombing of the Iraqi nuclear reactor, numerous air force strikes against Lebanese targets, the ground action of March, 1978, known as the "Litani Operation", and most prominently the June, 1983 "Peace for Galilee" war in Lebanon. The latter action triggered the suspension of the delivery of so-called "Cluster bombs," and an embargo on the sale of previously promised F-16 fighter planes. The Reagan Administration, moreover, has evidently decided to extract maximum leverage from finding that a violation "may have occurred", without going so far as to charge Israel with an actual violation. A State Department spokesman explained, echoing earlier (but less precise) remarks by President Reagan:

"As the President pointed out, under law, any weapons supplied must be for purposes of legitimate self-defense...While Israeli forces remain in Lebanon, concerns arise as to whether it would be consistent with the spirit of the law to go ahead with the Congressional notification regarding (the sales of) these aircraft, which has been held up since Israel went into Lebanon... However, the President was not stating that he was making a determination of ineligibility under U.S. law."⁴¹

By taking this line, the U.S. government seeks to derive the benefits of leverage under the mantle of law—thus avoiding the odium of a political act which could be interpreted as hostile to Israel, and protecting itself against attack from pro-Israel elements in the Congress and the public.

No matter which type of sanction, or the manner in which they are applied, it is clear that aid leverage has played and continues to play a significant role in U.S.-Israel relations. And it could not be otherwise, given the circumstances of the relationship. However, it is also worth pointing out that by and large the United States has used its aid leverage on Israel with restraint, and that rarely if ever has the aid pipeline been actually cut. Most recent American policymakers have tended toward the Kissinger thesis that a "satisfied" Israel—militarily and economically secure—is more likely to show flexibility than one which is pushed against the wall by threats of abandonment and punishment. Nevertheless, the possibility of U.S. action—at any time—to curtail or suspend aid, hangs like the sword of Damocles over the heads of Israeli policy makers.

CHAPTER V
DEPENDENCY AND ITS ALTERNATIVES

As has been pointed out before, during the early period of U.S. governmental assistance to Israel, the aid provided an important stimulus to Israel's economic development and in the food sector, enabled Israel to cover a significant portion of its food imports. While this aid played a significant role in Israel's economic life, it was overshadowed by transfers from other major sources such as Jewish communities, Israel Bonds, German reparations and restitution payments—all sources, a large proportion of which were non-repayable contributions. From 1948-70 transfers from these four sources amounted to \$6.535 billion, whereas U.S. government aid came to \$1.523 billion, or less than a quarter of this amount.⁴² In terms of Israel's chronic balance of payments deficit, U.S. government aid financed about one-fifth of the import surplus.

The year 1971 with its quantum jump in U.S. military assistance to Israel, changed the picture radically. German reparations ended in 1970 and while contributions from Jewish communities, Israel Bonds and German restitution payments held their own, they lost in importance relative to the increasing aid allotments from the U.S. government. This was also reflected in the increasing importance of U.S. official aid to the financing of Israel's import surplus. Since 1974, U.S. aid has covered between 65-75 percent of Israel's annual trade deficit, and in absolute terms, far overshadows the remittances from Israel's other sources of assistance.

At the same time, although the terms of U.S. official assistance to Israel are very favorable and almost two-thirds of the aid is in the form of grants, Israel's indebtedness to the United States has been growing steadily. In 1977, for example, Israel's debt

service payments to the United States amounted to \$375 million, about half of total U.S. economic assistance for the year.⁴³ By 1981 the annual payments had risen to about \$700 million, almost equal to economic assistance for the year.⁴⁴ And in 1983, payments according to Israel Finance Ministry estimates are expected to exceed \$900 million, substantially more than the \$785 million in U.S. economic aid. According to the same source, Israel's debt to the United States in 1973 accounted for 26% of her total foreign debt, whereas by 1983 it is expected to reach 51 percent (see Table II, p. 49)⁴⁵

The overwhelming conclusion which flows from the above figures is one of Israel's enormous and constantly growing economic dependency on the United States. This economic dependency forms the background for Israel's additional dependency in the military and political sectors, where the United States has emerged as Israel's sole supplier of major weaponry and often her sole defender in the international-political arena.

The United States not only finances a large part of Israel's trade deficit, but through her economic and political support, assures Israel's access to the international financial market, which is vital for financing that portion of the foreign currency gap not covered by the United States. Thus in the absence of any material change in the basic situation, any threat to the U.S. aid flow could quickly produce a major economic emergency by simultaneously also drying up short-term commercial borrowing. Although the bulk of Israel's foreign debt is long or medium term and at concessional rates of interest; the financial journal *Euro Money*, recently classified Israel as one of the riskiest countries for short-term lending—ahead of Turkey, Jordan, Cyprus and Italy.⁴⁶ Recent economic developments are adding to Israel's exposed economic situation. The year 1982 saw a mostly stagnating economy, without any growth in the Gross National Product, but with increased imports and declining exports. The estimated import surplus in 1982 reached \$4.9 billion, some \$500 million more than in 1981.⁴⁷

Table II

Forecast of Israel's Foreign Debt Service
1978 - 1983

	<u>millions of U.S. dollars</u>						
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	
Outstanding Foreign Debts :	12,184	14,300	16,920	19,185	21,400	23,195	
=====	=====	=====	=====	=====	=====	=====	
thereof: U.S. Government	4,626	5,557	7,029	8,549	10,333	11,485	
<u>Total Interest Payments</u>	<u>938</u>	<u>1,005</u>	<u>1,210</u>	<u>1,395</u>	<u>1,640</u>	<u>1,875</u>	
<u>Total Debt Service</u>	<u>1,925</u>	<u>2,205</u>	<u>2,310</u>	<u>2,595</u>	<u>2,940</u>	<u>3,275</u>	
thereof: U.S. Government	561	534	635	750	851	939	

Under these circumstances of economic, military and political dependency on the United States, Israeli and U.S. policy makers have only a limited number of choices.

ISRAEL'S OPTIONS

The only effective way to reduce Israel's dependency on U.S. aid is to strive to close the gap between her exports and imports, i.e., to do away with or at least reduce, Israel's chronic deficit in her balance of payments. However, this would require a stringent economic policy aimed at reducing imports drastically—including defense imports which account for a large part of the import surplus—while making supreme efforts to increase exports. In the absence of peace, such restraints may be judged incompatible with the country's security. On the civilian side, restrictions on foreign travel (another nonproductive source of consumption of foreign currency), on consumer goods imports, and relocations of manpower to import substitution and productive export sectors, were suggested in 1975 by a group of academicians to the Executive Committee of the Likud Government coalition. The proposal, entitled "Guidelines for Preparation of an Emergency Economy" was submitted but never again heard from.⁴⁸ Perhaps the reason was that the proposal's total effect, according to the authors of the report, would have been to roll back Israel's living standard by four years, to 1971 levels. Recent calls by Likud Knesset members Cohen-Orgad and Yigal Hurvitz for a policy of "more production, more export, and less consumption" went similarly unanswered by the government leadership.⁴⁹ Thus by their inaction, Israel's leaders have tacitly decided to continue the policy of relying on massive U.S. aid to sustain Israel's prevailing standard of living and defensive capacity. The price for continuing this policy is the risk that U.S. government aid leverage may be invoked directly or indirectly, at any time, and that the total dependency on the U.S. may have negative effects on Israel's international credit worthiness, her economic and political health, as well as the internal fabric of Israeli society.

Is there a relationship between manifestations of cynicism and erosion of moral fiber within Israeli society, and the many years of a "shnorrer" policy? Are the outbursts of hostility and frustration which have increasingly crept into U.S.-Israel relations another part of the price for chronic dependency to which there seems to be no end? There is no evidence that Israel's leadership has sought to address these difficult questions to any extent in shaping its policy decisions.

U.S. OPTIONS

U.S. policy makers, like their Israeli counterparts, face complex questions in deciding on their aid policy for Israel. To what extent can or should they invoke their awesome power over Israel's future to make Israel conform to U.S. policy objectives in the Middle East? Some of the complexities of the relationship have been stated eloquently by Secretary Kissinger in his memoirs:

"Israel is dependent on the United States as no other country is on a friendly power...The Arab nations blame us for Israel's dogged persistence. Israel sees in intransigence the sole hope for preserving its dignity in a one-sided relationship....It takes a special brand of heroism to turn total dependence into defiance; to insist on support as a matter of right rather than favor; to turn every American deviation from an Israeli cabinet consensus into a betrayal to be punished rather than a disagreement to be negotiated. And yet Israel's obstinacy, maddening as it can be, serves the purpose of both countries best. A subservient client would soon face an accumulation of ever-growing pressures. It would tempt Israel's neighbors to escalate their demands.

It would saddle us with the approbium for eventual deadlock. That at any rate has been our relationship with Israel—it is exhilarating and frustrating, ennobled by the devotion and faith that contains a lesson for an age of cynicism; exasperating because the interests of a superpower and of a regional ministate are not always easy to reconcile and are on occasion unbridgeable. Israel affects our decisions through inspired persistence and a judicious, not always subtle or discreet, influence on our domestic policies.⁵⁰

In light of these considerations, U.S. policy makers also appear to have opted for the status quo in their aid policy toward Israel. They realize that the turmoil a total aid cut-off would create is not in the U.S. interest, and might not be sustained by the Congress or U.S. public opinion. However they also seem to realize that much less than that—while perhaps symbolically important—is not likely to affect seriously Israeli political decisions. They appear to believe that aid leverage can continue to be invoked partially—indirectly through hints, or formally by reference to the aid legislation. Such restrained use of aid leverage may not bring any breakthroughs from the American point of view, but it serves at least to restrain Israeli policy, and to strengthen the hand of the more moderate elements in the Israeli government.

What could produce a fundamental change in U.S. aid policy toward Israel? The following contingencies, while speculative, do not appear to be beyond reason: First, if Israel chose to take major action totally contrary to U.S. policy objectives, such as the formal and total annexation of the West Bank; permanent Israeli occupation of large parts of Lebanon; or large-scale expulsion of Palestinians from the West Bank and Gaza. Second, if growing perceptions of Israeli "aggressiveness" and of Palestinian "rights" were to result in a gradual but persistent erosion of support for Israel among the American public and Congress.

The fact that neither of the contingencies have yet been triggered affords Israeli and American leadership an opportunity to review fundamentally the current aid relationship. The question for the policymakers in such a review would be whether the long-range interests of U.S.-Israel friendship are best served by: (a) the status quo aid relationship, fraught as it is with many elements of mutual frustration, hostility and potential instability; or by (b) a gradual, mutually agreed upon reduction of U.S. aid, coupled with other appropriate economic measures to ensure the viability of the Israeli economy.

FOOTNOTES

- 1 Statistics based on U.S. Agency for International Development report "U.S. Overseas Loans and Grants, 1945-80, and U.S. Library of Congress Congressional Research Service statistical compilation "U.S. Assistance to Israel, 1948-83," November 29, 1982. Figures do not include U.S. Export/Import Bank Loans, unless specifically mentioned, and refer to U.S. Fiscal Years.
- 2 Weizmann, Chaim, *Trial and Error*, Harper & Brothers, New York, 1949, p. 481.
- 3 Michaely, Michael, "Israel's Dependence on Capital Imports," *The Jerusalem Quarterly*, No. 3, Spring 1977.
- 4 Comptroller General of the United States, Report to the Congress of the United States. U.S. Economic Assistance for Israel, 18.8.78, p. 1.
- 5 Civilian imports from the U.S. came to about \$16 billion in 1981—thus economic assistance only accounts for a fraction of imports from the U.S.; as to the second restriction, since dollar funds are freely transferable, the Israel government has no difficulty applying U.S. economic assistance funds outside the "Occupied Territories" and the military sector, using other funds for these purposes.
- 6 Feuerwerger, Marvin C., *Congress and Israel - Foreign Aid Decision-Making in the House of Representatives 1969-76*, Greenwood Press, Westport, Conn., 1979, pp. 29-30.
- 7 *Ibid.*
- 8 *Ibid.*, p. 31.
- 9 *Ibid.*, pp. 32, 49, 40.
- 10 *Ibid.*, p. 33.
- 11 *Jerusalem Post*, 19.10.82, Letter to the Editor by Joseph Churba, Director, Centre for International Security, Washington, D.C.
- 12 *Jerusalem Post*, 4 March, 1983.
- 13 Statement by Dr. David Luchins, Spec. Asst. to Sen. Moynihan, *Jerusalem*, 25.1.83.
- 14 *Jerusalem Post*, 4 March, 1983.

- 15 Secretary Vance letter to Sen. Frank Church, 23.4.79, quoted in *Hearings Before Senate Foreign Relations Committee on Middle East Peace Package*, GPO 79, p. 130.
- 16 Kenen, I.L., *Israel's Defense Line*, Buffalo, New York, 1981, pp. 72 ff.
- 17 U.S. Overseas Grants and Loans, 1945-1980, *op. cit.*, pp. 13, 18; FY 1983 Security Assistance Submission to Congress, p. 17.
- 18 *New York Times*, 28.3.82.
- 19 Loans to Israel from the Export Import Bank amounted to \$301.4 million in 1980, and \$265.7 million in 1981.
- 20 *Maariv*, 12.11.82.
- 21 Executive-Legislative Consultation on Foreign Policy, Congress and Foreign Policy Series No. 4, Foreign Affairs Committee Print, U.S. Government Printing Office, Washington, D.C., February, 1982, pp. 46-47.
- 22 *Maariv*, 12.11.82.
- 23 *Jerusalem Post*, 24.12.82.
- 24 Executive-Legislative Consultation on Foreign Policy, *op. cit.*, p. 48.
- 25 *Ibid.*
- 26 *Jerusalem Post*, 24.12.82.
- 27 *Maariv*, *op. cit.*
- 28 *Jerusalem Post*, 1.4.83.
- 29 Neff, Donald, *Warriors at Suez*, N.Y., 1981, p. 44.
- 30 Neff, *op. cit.*, p. 365.
- 31 *Ibid.*
- 32 *Ibid.*, p. 433.
- 33 Sachar, H.M., "A History of Israel", Knopf, N.Y., 1976, p. 784.
- 34 Kissinger, H., "Years of Upheaval", Little Brown & Co., Boston, Toronto, 1982, p. 792.

- 35 *Ibid.*
- 36 *Ibid.*
- 37 *Ibid.*
- 38 Luttwak and Laqueur, "Kissinger and the Yom Kippur War", *Commentary*, September, 1974; Golan, Matti, "Secret Conversations of Henry Kissinger", Quadrangle/N.Y. Times Book Co., N.Y., 1976.
- 39 Golan, *op. cit.*, p. 220.
- 40 *Ibid.*, pp. 243-246.
- 41 *Jerusalem Post*, 3.4.83.
- 42 Derived from Library of Congress, Congressional Research Service Study "Foreign Assistance to the State of Israel: A Compilation of Basic Data", by Clyde R. Mark, September, 1976, Table II.
- 43 U.S. Comptroller General's Report to Congress, "U.S. Economic Assistance for Israel", August 18, 1978, Appendix II, and Agency for International Development, U.S. Overseas Loans and Grants (annual report).
- 44 Agency for International Development, "Report on the Israeli Economy and Debt Repayment Prospects, January, 1981, p. 13.
- 45 Israel Ministry of Finance, "Israel's Requirements for U.S. Aid for Fiscal Year 1981", September, 1979, Appendices 7 and 8.
- 46 Razin, Assaf, "Foreign Aid of the United States to Israel", *Skirah Chodsheets*, No. 1, January, 1983, p. 39.
- 47 *Jerusalem Post*, 31.12.82.
- 48 The report also included a chapter co-authored by the present Defense Minister, Professor Moshe Arens, which called for greatly strengthened domestic military production.
- 49 *Jerusalem Post*, 16.1.83.
- 50 Kissinger, *op. cit.*, p. 484.