

The U.S.-Israeli arms trade - It always takes two to tango

by Sean Odium

1. Introduction

On the afternoon of July 8th, 1967, an unarmed American surveillance ship was attacked in the Eastern Mediterranean. A fleet of unmarked fighter aircraft descended upon the USS *Liberty*, repeatedly pounding it with cannon fire and rockets, then dousing it with napalm to burn anything (and anyone) aboard the ship. Miraculously, the *Liberty* did not sink, and was able to limp to safe waters where it rendezvoused with two American destroyers. Of the *Liberty*'s crew of 294 men, 34 were killed and 171 were critically injured. In the aftermath of the attack, it surfaced that the country responsible for the attack was Israel.¹

At the time Israel was involved in the Six Day War against its Arab neighbors, and was planning an invasion of the Golan Heights for the next day. The Israelis, needing the communication space occupied by the *Liberty* for the attack, worried that if the Americans found out about their plans ahead of time, the American government would try to dissuade Israel from invading Syria. The Israelis apparently decided that this concern outweighed any loyalty to their key ally and gave the order to destroy the ship.

Any country that would so brazenly attack an unarmed American ship would surely suffer the wrath of the world's premier power - any country, that is, except Israel. As an excuse, the Israelis claimed, they had mistaken the *Liberty* for a hostile Egyptian ship. The Israeli government then asked President Lyndon Johnson to quietly bury the incident, which he incredibly agreed to do. A total news ban was ordered by the Pentagon, and the surviving crewmembers were threatened with courts-martial and prison if they spoke about the incident to anyone.² There must be very deep and very strong reasons for the close relationship between the two countries, such that not even a direct attack could harm relations. Since the *Liberty* incident, the U.S.-Israeli relationship has only grown stronger.

2. The "Real Deal" - American Subsidies

When the British mandate for Palestine officially expired on 14 May 1948 the Jewish People's Council officially declared the establishment of the State of Israel. Later that same day the new Israeli government was granted *de facto* recognition by the United States of America.

There are two main reasons why the United States has traditionally supported Israel. First,

early American sympathy with the plight of Jewish refugees and Holocaust survivors produced a desire to support the fledgling democratic state, with which Americans could easily identify. The hostility of Israel's Arab neighbors (Arab armies invaded Israel the day following the declaration of the new state, sparking the first Arab-Israeli War, also known as the War of Independence) reinforced the need for Israel to be supported from abroad. Second, Israel played a significant role in the U.S.'s Cold War containment policy. Israel's military and intelligence capabilities and strategic location were valuable assets in this struggle. The economic and military cooperation that has developed over the years between Israel and the United States is extensive. American aid to Israel was limited to economic support until 1962, when the first, small military loans were made.³

The aid relationship has evolved over the years, and since the mid-1980s total annual economic and military aid to Israel has averaged \$3 billion-\$3.5 billion, with aid in the last half century totalling \$81.3 billion in real terms, far more than to any other country. American aid has been absolutely crucial to Israel's existence: Israel is not economically self-sufficient, and relies on such foreign assistance and borrowing to maintain its economy. Beginning in the mid-1980s, Israel's aid package generally consisted of approximately \$1.2 billion in economic support funds (ESF) from the State Department and \$1.8 billion in foreign military financing (FMF) from the Department of Defense (DoD) per year. This continued for over a decade, but over the last several years more and more of Israel's aid has been delivered in the form of FMF.⁴

The FMF program, which is administered by the Pentagon, allocates funds to foreign governments for the purchase of American-made arms, which serves U.S. interests in three distinct ways.⁵

First, it serves American strategic interests. Only countries that are friendly to the U.S. receive FMF funds and are subsequently armed

with advanced American weaponry, and the level of funding (and hence arming) is generally decided by American strategic determinations with respect to the country in question.

Second, it supports the American defense industry. All countries are required to spend their FMF funds in the United States - with the notable exception of Israel, which is allowed to spend a portion of its FMF money each year (approximately \$475 million) to procure arms from its own firms - which benefits U.S. firms and protects American jobs in the labor-intensive defense industry.

Third, a strong export market allows the U.S. to maintain a very large defense base - deemed important to American national security in the event that the U.S. needs to quickly and significantly increase defense procurement in a time of crisis. The large export markets supported by FMF allow American defense firms to extend production runs (and hence keep open these production lines), lowering unit costs and achieving economies of scale.

In the last decade the United States has sold Israel approximately \$7.2 billion in weaponry and military equipment, with more than \$750 million coming from direct commercial sales (DCS) and over \$6.5 billion from foreign military sales (FMS). The Israel Defense Force (IDF) is loaded with American military equipment. The world's largest fleet of F-16's outside the U.S. belongs to the Israeli Air Force, which possesses over 200 of the jets and has another 102 on order from Lockheed Martin. Israel has also ordered thirty F-15Is, produced by McDonnell Douglas (which in 1997 merged with Boeing), which will be outfitted with new and unique weapons, avionics, electronic warfare and communications capabilities. In total, close to 400 American-made fighter planes are currently in use by IAF. Over 150 American-made helicopters - from makers including Boeing, Bell Textron and Sikorsky - are employed by the Israeli armed forces. An assortment of advanced missiles and countless smaller weapons and defense systems from American companies and the Pentagon fill out

the IDF's arsenal.⁶ The bulk of American arms sales to Israel is comprised by military aircraft. In fiscal year 1999, Israel spent over 60% of its FMF money to purchase American planes. Other important areas include sophisticated military electronics and command, control and communication equipment.

The exemption to the "buy American" rule is not the only peculiarity of Israel's aid package from the U.S. In 1973 President Nixon asked Congress for emergency aid for Israel following the Yom Kippur War. Congress granted the request, and the package included loans for which repayment would be waived. This was the beginning of a trend, and since 1974 much of U.S. military aid to Israel has been in the form of loans for which repayment has been waived by Congress.

This arrangement means the best of both worlds for Israel: it does not have to repay the money, making it more like a grant, but it also does not have to tolerate the presence of a U.S. military contingent in Israel overseeing a grant project, as would be customary. From Fiscal Year (FY) 1974 through FY 2001, Israel has received almost \$40 billion in waived loans, and Israel has had every cent of its loans waived since FY 1985.⁷ The net effect of this arrangement is that the U.S. has been furnishing Israel with direct budgetary support. One inevitable consequence of this, due to the fungibility of money, is that it is practically impossible for the U.S. to say exactly what Israel does with the American dollars it receives, meaning that Israel has virtual *carte blanche* in deciding how to use its U.S. aid.

As mentioned above, Israel is the only country that is permitted to spend American FMF funds outside the United States, which it instead spends in Israel. The reason for this exemption is, that Israel, facing constant external threats, can't afford to become solely dependent upon the American defense industry for equipping its military, as would be the case if Israel agreed to spend all of its FMF money on American-made arms. Spending some FMF money in Israel is an insurance policy against either a sudden worsening of the bilateral

relations, or asymmetries between the needs of the IDF and what American defense firms are producing.

Three of the biggest players in the Israeli armaments industry are the state-owned enterprises Israel Aircraft Industries (IAI), Israel Military Industries (IMI), and the Rafael Arms Development Authority. All in all, Israeli defense companies generated a turnover in excess of \$3.6 billion in 2001, with over \$2.5 billion coming from exports.⁸ These proportions are just the opposite of other countries with significant defense industries, who generally do the bulk of their business with their own government and export a relatively small fraction abroad.

Lacking the financial and technical base to compete on an even footing with the larger American and European aerospace defense firms, Israeli defense contractors have had to find their niche in the defense export market, specializing in products they make especially well and pursuing joint ventures with the larger foreign firms. For example, IAI's unmanned air vehicles (UAV) are state of the art technology. Israeli companies are also active in the production of sophisticated electronic warfare equipment. Joint ventures with the U.S. include the current development of the Arrow anti-ballistic missile system and the Tactical High Energy Laser (THEL), and in the recent past the Lavi attack aircraft.

The net effect of Israel's special FMF status is that the United States is essentially underwriting what has become a robust Israeli arms industry in terms of export competitiveness.

3. Funding the competitor?

The importance of Israel's special FMF status can only be appreciated in the context of the importance of the Israeli defense industry. Defense is Israel's most important industrial sector, with industry revenues currently at about \$3.6 billion annually. The defense sector employs close to 50,000 people in Israel; these jobs are very important for Israel's technically

advanced workforce, especially with Israeli unemployment rate at almost 10%.⁹ Defense is Israel's primary export industry, which is key in securing foreign hard currency.

However, all is not well in the Israeli defense industry. The three largest defense companies (IAI, IMI, and Rafael) are mired in debt. Without the support of the Israeli government, they would not be around today. Yet in order to keep these companies afloat and not become entirely dependent on the American defense market, the Israeli government needs to keep pumping money into them, and to do so it needs American money. There are some privately-owned and very successful Israeli defense firms. Elbit Systems and its subsidiaries, for example, and the Elisra-Tadiran Group are both successful in their niche markets, specializing primarily in defense electronics and communications, but not the larger platforms that IDF inevitably needs.

The Israeli firms generally do not compete with the larger American and European firms in their prime market, which is fighter aircraft. But they are increasingly competing in other areas, a fact which is becoming more and more troubling to some U.S. defense firms. For example, Israel and Turkey announced a \$650 million deal in 1996 for IAI to modernize and upgrade Turkey's ageing fleet of F-4E Phantom attack aircraft; the upgrade is in process and scheduled to be completed in 2003.¹⁰ The deal was agreed on the back of Israeli government loan guarantees to Turkey to ensure that it could make the necessary payments to IAI. Absent any such loan guarantees themselves, at least one American defense contractor, according to the U.S. Department of Commerce, lost out on the bid.¹¹

Many involved in the American defense industry have complained bitterly that Israel, which at the time was the recipient of an enormous American loan guarantee (\$2 billion per year for five years) and continues to receive the \$3 billion or so in annual American aid, is meanwhile extending loan guarantees to enable its own military industry to bid

successfully against American defense firms. Israeli firms have also beaten out American firms to large contracts for the modernization of Turkish tanks and the upgrade of Polish helicopters. Such cases have led some members of the American military-industrial community to question the wisdom of the United States' aid relationship with Israel.

4. Questions of end-use

Competition in export markets is not the only source of arms trade friction between the U.S. and Israel. There are two other significant points of conflict, both stemming from how Israel uses what it gets from America.

The first major concern is the legality of how Israel uses American weaponry. The 1952 Mutual Defense Assistance Agreement and subsequent bilateral arms agreements limit the use of American military equipment to defensive purposes only, and the U.S. Arms Export Control Act states that the U.S. may stop aid to countries that use U.S. military assistance for purposes other than "legitimate self-defense." In light of these stipulations, Israel's record is troubling. A 2002 Congressional report states that, "on four different occasions the Secretary of State has stated in writing to Congress that Israel 'may have violated' the provisions of the Arms Export Control Act and the Mutual Defense Assistance Agreement: on April 5th, 1978, after Israel invaded Lebanon, on August 6th, 1979, after a series of Israeli raids into south Lebanon, on June 10th, 1981, after Israel bombed the Iraqi nuclear reactor, and in a 'secret' letter to Congress in July 1982, after the Israeli invasion of Lebanon".

Most recently, the U.S. has investigated Israeli misuse of U.S. equipment during the 2000-2001 "Intifada", specifically the use of Apache helicopters (manufactured by Boeing) to assassinate suspected Palestinian terrorists, and use of F-16 aircraft (Lockheed Martin) in attacks on Palestinian facilities.¹² The United States is chiefly concerned about this issue because of public perceptions. Essentially, it looks bad for the U.S. government to be

arming an aggressive Israel that preys on weaker states who do not have the benefit of advanced American military technology and hardware. Instead, the U.S. government promotes the notion that it is arming Israel for self-defense, since the country remains under constant threat from hostile neighbors.

The second major American concern is Israeli transfers of arms and technologies to third parties that may be hostile to the U.S. and its allies. This is a concern with respect to all advanced military systems and technologies, but particularly for those that originate in the U.S. and are transferred to Israel. U.S. law requires that any recipient of American military technology - including Israel - obtain a license permitting it to transfer that technology to a third party. However, despite being the beneficiary of massive U.S. aid, and its designation as a major non-NATO ally, Israel is still "by far the principal offender and foremost concern of U.S. officials responsible for implementing the laws on re-export of U.S. defense products".¹³

The fact that the U.S. is committed to ensuring Israel's "qualitative edge" over potential adversaries in the region means that Israel has access to very sophisticated and sensitive American military technology, making its profligacy in re-exporting such technologies all the more worrying for the U.S. There have been numerous instances of Israel transferring technologies in contravention of U.S. law, the most troubling of which concern transfers to China.

The People's Republic of China (PRC) has aggressively sought out cutting edge military technology, and Israel has been its most willing provider. Indeed, former CIA director James Woolsey testified to Congress that "the Chinese seek from Israel advanced military technologies that the U.S. and Western firms are unwilling to provide".¹⁴

Recent controversies have centred around Israeli transfer to China of military technology and hardware that will qualitatively alter the military balance of power in East Asia. Perhaps the most serious Israeli transgression

was the alleged transfer of U.S. Patriot missile technology to the PRC. During the Gulf War the United States provided Israel with free Patriot air defense systems to counter the threat of Iraqi SCUD missiles. In 1992 the Bush administration disclosed that intelligence reports indicated that Israel had transferred Patriot technology to the Chinese, a charge that Israel denied. Chinese possession of such technology would allow modification of China's M-9 and M-11 missiles to prevent U.S. systems intercepting them, a crucial strategic issue in a potential future confrontation over Taiwan. Israel agreed to a joint State-Defense Department investigation to examine the Patriots in its inventory.

The investigation team found no evidence of an illicit transfer, and the State Department, but not the Defense Department, subsequently cleared Israel of all charges. In 1993 CIA Director Gates testified that China had obtained Patriot technology, but that U.S. officials had not found hard evidence that Israel was the source. Many U.S. officials, however, discount the findings of the investigation, contending that Israel provided China with technical documents on the Patriot system, rather than the actual hardware, something the physical on-site inspection could not have revealed, thereby rendering its conclusions meaningless.

Many highly placed officials in the defense and intelligence communities remain convinced that Israel was the source of China's Patriot technology, and it is important to note that DoD officials, unlike their counterparts in the State Department and Congress, have few incentives to overlook such transgressions by Israel, whose strategic importance, in their concerted opinion, has always been overblown.¹⁵

The Patriot episode is far from an isolated incident. However, it does not illustrate what has become a significant problem in the American-Israeli arms trade relationship, which is reverse engineering and re-export. Due to "the sophistication of Israeli engineers, transfer of these [American weapon] systems is

equivalent to transfer of the [weapons] technology itself".¹⁶ When advanced American weapons systems are sold to Israel, Israeli engineers often take apart the components to learn their design secrets, and then re-produce the design, often with minor modifications.¹⁷ Israel then markets these systems for export without applying for a license to do so from the U.S. government.

The consequences are two-fold: Israel is freely selling weapons that should come under the purview of U.S. re-export statutes, and Israel is profiting from the costly research and development undertaken by U.S. firms, who are not properly compensated for the sale of their technologies.

A typical example is Israel's handling of the Sidewinder missile. The AIM-9 Sidewinder missile is a supersonic, heat-seeking, short-range air-to-air missile carried by fighter aircraft, and is produced by Raytheon Co.¹⁸ Israel received Sidewinder missiles several decades ago, and used its design as a basis for its Shafir missiles. Israel then sold Shafir missiles to South Africa and Chile without U.S. authorization. Building on the Shafir design, Israel then developed its Python air-to-air missile, and sold the Python-3 to China's People's Liberation Army (PLA). Ironically for Israel, China then reverse engineered the Python and sold its version, the PL-8, to Iraq, one of Israel's most threatening neighbors in the Gulf. Needless to say, Raytheon Co. was not compensated for its contribution to any of the sales.

Other examples of this trend include the transfer of aerial refueling technology to South American countries, the marketing of the Popeye air-to-ground missile and STAR cruise missiles to China, the sale of thermal imaging tank sights to China and others, and the alleged transfer to China of Lavi technology. The Lavi was an Israeli prototype of a state-of-the-art fighter aircraft. Its development was heavily dependent upon American technology and approximately \$1.5 billion in American aid (on top of the \$3 billion annual aid package). The program was ultimately cancelled due to

huge cost overruns, but Israel was left with cutting edge American fighter aircraft technology, some of which (it is unclear how much) it then sold to China, and which China then used in its new generation of fighter aircraft, the F-10.¹⁹

The central problem is that Israel has powerful economic and strategic incentives to reverse engineer and then re-export American defense technology. Israel's defense export industry is extremely important to the Israeli economy, and as a result Israel aggressively tries to export its high-end systems, generally without regard to American technological content, which Israel maintains is usually low. Doing so, of course, boosts Israel's defense industry with all its benefits (hard currency, employment), but it also, crucially, wins Israel friends abroad. Israel has in recent years been fostering closer relations with the PRC, as well as with a number of South American countries, and feels that these are ties that need strengthening. When the U.S. steps in with re-export concerns, it hampers Israel's efforts in this area. Furthermore, the Israelis say, the Americans are often depriving them of desperately needed funds, since if they can't export a given system, some other country inevitably will.

This problem is compounded by the fact that the political will to publicly confront Israel over illegal transfers is virtually nowhere to be found in Washington. The central reason for this lack of will is a ubiquitous fear of congressional reprisal. A Pentagon official has said that "an amber light is always flashing" because Congress will not "go after Israel". A Senate staff member added: "It is very difficult politically to even ask questions on this topic because of fear of firing up the pro-Israel lobby".²⁰

5. Barriers to Change

The pro-Israel lobby indeed plays a very significant role in the relationship between the United States and Israel, and arms transfers is no exception. The pro-Israel lobby consists of a coalition of many distinct groups, all

interested in promoting ties between the U.S. and Israel. By far the most powerful member of this lobby is the American Israel Public Affairs Committee (AIPAC), which is one of the top five lobbies in Washington and by far the most powerful foreign lobby. It would be a mistake to assume that "pro-Israel" is synonymous with "Jewish." Jews make up only 2% of the American population, far too small to make a significant electoral difference except in a very few congressional districts. Many others are involved in the pro-Israel lobby for many different reasons - for example, the Protestant right makes up a significant part of the pro-Israel lobby; conversely, many of Israel's harshest American critics are Jewish. Groups like Jews Against the Occupation reject the Israeli government's policy of "subjugating Palestinians for the sake of keeping Jews safe," arguing that security can only come from mutual respect. They also call on the American government to stop its support, alleging that American aid has "propped up the occupation and fuelled the Israeli government's war machine."²¹

The pro-Israel lobby has considerable financial resources, and it targets its efforts. A telling example is the case of Jesse Helms, the notoriously conservative and anti-foreign aid Republican Senator from North Carolina. Senator Helms was the most powerful Republican on the Senate Foreign Relations Committee, and was also rated by AIPAC as the most anti-Israel member of the Senate. The pro-Israel lobby saw Helms as a real threat to Israel's future support from America, and mounted a campaign to unseat him when he came up for re-election in 1984. Pro-Israel political action committees contributed over \$200,000 to the campaign of Helms' challenger, North Carolina Governor James Hunt. Helms was ultimately successful in his re-election bid, but won only by a very small margin, far too small for a powerful incumbent. Despite the fact that their candidate did not win, the pro-Israel lobby's efforts had the desired effect. Helms got the message and executed a remarkable turnaround with respect

to Israel. He gathered as many of his Jewish constituents as he could find and they together made a pilgrimage to Israel, where Helms, a Baptist, had himself photographed wearing a yarmulke and kissing the Western Wall. From then on Jesse Helms became an unwavering supporter of ever-increasing American aid to Israel.²² More recently, intense pressure from the pro-Israeli lobby has contributed to the political failures of U.S. Representatives Cynthia McKinney and Earl Hilliard, two Democrats who had criticized U.S. support of Israel and subsequently lost Congressional primaries to more Israel-friendly opponents.

Another key actor in the U.S.-Israeli relationship is the Washington Institute for Near East Policy (WINEP). The Institute is not active in Congress like AIPAC, but it is extremely influential in the Washington foreign policy circle. WINEP tries to present itself as an independent think tank that is "friendly to Israel but doing credible research on the Middle East in a realistic and balanced way".²³ Critics have challenged this claim, citing the almost unwaveringly pro-Israeli slant of the Institute's work, the heavy personnel overlaps between the Institute and the openly pro-Israeli AIPAC, and the number of WINEP board members who are involved in pro-Israeli political action committees around the country.

Whether WINEP is actually biased or simply sympathetic to the Israeli cause, its clout in Washington is enormous where Middle Eastern policy is concerned. For evidence of this, look no further than the revolving door relationship between the Institute and the executive branch of the U.S. government. WINEP's founder and director, Martin Indyk, went on to become Special Assistant to the President and Senior Director of the Near East and South Asia Office at the National Security Council in the first Clinton White House. He then went on to become U.S. Ambassador to Israel. Many others from WINEP have gone on to senior positions in the executive branch, and numerous former foreign policymakers have made the reverse trip to WINEP. The Institute

features such foreign policy luminaries as George P. Schulz, Alexander Haig, Jeane Kirkpatrick, and several other big names.²⁴ WINEP's total domination of the dialogue in Washington on the Middle East leaves little room for views that do not fall in line with those of the Institute, namely those that would challenge the steadfast support Israel depends on from the United States.

There are of course limits to this influence, as has been manifested in the past several years. In July of 2000, then-Israeli Prime Minister Ehud Barak announced that Israel would not complete a 1997 deal that would have given China its first advanced airborne early-warning (AEW) capability. The cancellation of the sale of four Phalcon radar systems represents a \$1 billion loss to Israel, not to mention a straining of its relations with the PRC. The cancellation was prompted by U.S. congressional threats to withhold aid to Israel if the AEW deal went forward.²⁵ However, the Phalcon case is the exception to the rule, which has been a general permissiveness (a few gripes from the Pentagon and CIA aside) when it comes to Israeli arms exports. The most significant contributing factor to this attitude is the simple fact that for a United States legislator to appear anti-Israel is a politically untenable position.

A final factor that would seem to preclude any substantive change in the relationship between the United States and Israel is the somewhat symbiotic nature of the American and Israeli armament industries. This is very clear from the Israeli side: the Israel armed forces are heavily dependent on the United States and American weaponry for their continued qualitative edge in the Middle East. The majority of Israel's fighting capability - outside of IDF personnel - is "American born". Absent assistance from the United States, Israel's military position in the Middle East would be drastically undermined, so much so that Israel's viability as a state - given the hostility of Israel's neighbors - would come into question. The picture is less stark from the American side, yet still significant.

As mentioned above, the inability of Israeli defense firms to compete with American and European aerospace defense firms has forced them to find their niche in the export market. One such niche they have found is supplying components to the U.S. military. For example, the United States buys some parts for the F-16 aircraft—an important and widely-used fighter jet in the American Air Force—from Israel.

Israel is also involved in a number of joint projects with the U.S. military, including the Arrow anti-ballistic missile system and the Tactical High Energy Laser anti-missile system. Even though the respective levels of dependence on one another are hugely asymmetric, the crucial fact is that Israel figures in American military procurement plans. The U.S. would not procure such items from a country that it had any reservations about at all in terms of reliability and stability of relations, meaning that the United States fully assumes that Israel will be a strong and dependable ally for years to come. The mutually beneficial nature of American-Israeli military procurement is a very strong sign of entrenchment in U.S.-Israel relations.

6. Brothers in Arms for better or worse

The main concerns of the United States with respect to its arms trade relationship with Israel are strategic, industrial, and political. The strategic problems stem from Israel's propensity to re-export American hardware and technology. Defense is a dominant industrial sector of Israel, and in an otherwise struggling economy, economic imperatives provide a strong driving force for Israel to export whatever defense products it can. Given that Israeli defense firms cannot compete with the larger American and European aerospace defense firms, who sell to the United States, Western Europe, and other nations friendly to the West, Israel is largely left with the "shadier" markets of Africa, South America and East Asia.

The strategic problems of course arise from the altered balances of power affected by Israeli weapons transfers to these parts of the world.

For example, it has been the policy of the United States since the Korean War to prevent the rise of a hegemon in East Asia, and Israel's continued transfers of sensitive and sophisticated military technologies to the PRC are not helpful in this regard.

American industrial concerns arise both from Israeli re-export practices and from the policy of the U.S. Government itself. Israel's practice of routinely reverse engineering American defense hardware and then either selling the technical data or repackaging and re-exporting it in an Israeli form is economically injurious to the American defense firms who have invested in the research and development of such technologies, and are having those technologies illegally expropriated for profit by Israeli firms. Secondly, the U.S. policy of allowing Israel to spend FMF in Israel is problematic for U.S. industry.

The main complaint from defense contractors is that United States (tax payers) is essentially underwriting the Israeli defense industry, which is more and more becoming a competitor for foreign contracts in a market that has been contracting since the end of the Cold War.

A "softer" concern of the United States is the political situation that its close relationship with Israel creates. It is becoming increasingly difficult for the United States to appear as an honest broker in the search for a negotiated peace in the Israeli-Palestinian conflict - despite the U.S.'s very significant military support of Egypt, which is designed to avoid the impression of open bias - when on an almost daily basis American guns, helicopters and missiles are being used to destroy Palestinian facilities, homes and lives.

However, in spite of these misgivings, the relationship between the United States and Israel is not likely to change any time in the foreseeable future. The central reasons for this is that there are too many segments within American government and industry that consistently and forcefully back Israel, and that shows no sign of changing.

It is mostly the defense and intelligence communities who have strong misgivings about Israel and Israel's handling of U.S. aid. They feel that Israel's strategic importance has been grossly overstated, that the United States' relationship with Israel unnecessarily poisons relations with Israel's Arab neighbors, and that Israeli abuse of generous American aid threatens the security interests of the United States.

However, those with different professional imperatives feel very differently. The American diplomatic community, beginning with the State Department, continues to back Israel, as illustrated by its relatively casual willingness to clear Israel of wrongdoing in the Patriot case. These government officials are primarily concerned with the smooth functioning of America's external relations, which would not be well served by a high profile confrontation with Israel. United States congressmen are perhaps the most formidable obstacle to meaningful change in the U.S.-Israel relationship. As long as the United States Congress continues to control the purse strings of the American government - which it has since 1789 - and as long as the political climate in Washington remains so strongly pro-Israel, Israel will continue to receive its \$2.5-\$3 billion each year, at the very least.

The consequences of this reality are troubling. The level and form of American aid have at least partially enabled increasingly aggressive Israeli policies during the current Intifada, none of which have thus far appreciably improved Israel's security - the argument has been made that such policies have in actuality contributed to Israel's worsening security situation.

It is very difficult to say whether American military support actually promotes more aggressive policies vis-à-vis Palestine, or if it simply enables Israel to pursue its preferred policy, but it can be safely said that in the absence of such robust American support Israel would be pursuing a significantly different course of action.

In any case, the IDF is using American equipment in the occupied territories on a sometimes daily basis, in outright defiance of UN resolutions. All the while, the American government supports Israel to the hilt, and American corporations materially benefit as a result. Ignoring the strategic and economic implications of this last point, this reality should present a serious moral dilemma for the American public, which ultimately finances Israeli arms purchases from American defense firms.

Perhaps most distressing, any significant change will inevitably cause major upheaval. Any sort of rift with Israel would ultimately harm American defense firms, who have come to count on the business Israel provides. Furthermore, Israel's level of dependence on the U.S. is such, that a sudden suspension of American aid would drastically undermine Israel's position in the Middle East, in all likelihood making it militarily vulnerable to its many hostile neighbors. This is an eventuality the U.S. government is not prepared to allow.

Endnotes

¹ Ennes, James M.: „The Assault on the USS *Liberty* Still Covered Up After 26 Years“, *Washington Report on Middle East Affairs*, June 1993, p.19.

² for a full account see James Bamford: "Body of Secrets", New York, 2001, p.185-239.

³ Mark, Clyde R.: "Israeli-United States Relations", *Congressional Research Service*, 6 June 2002, p.11.

⁴ Hartung, William D. / Berrigan, Frieda: "U.S. Arms Transfers and Security Assistance to Israel", *Arms Trade Resource Center Report* (World Policy Institute), 6 May 2002.

⁵ The FMF program provides loans to foreign nations for the purchase of American weapons, defense equipment, defense services and military training. The program is authorized by the Arms Export Control Act (AECA). Under the terms of the AECA, Congress appropriates FMF funds in the International Affairs Budget, the Department of State allocates the funds for eligible friends and allies, and the Department of Defense (DoD) executes the program. FMF credits are issued to foreign governments in the form of DoD direct loans which require repayment, or DoD direct loans for which repayment has been waived by Congress. FMF credits can be used to purchase American defense products from U.S. military departments under the DoD-run Foreign Military Sales (FMS) program, or, less frequently, directly from U.S. commercial suppliers with prior DoD approval.

⁶ Hartung, W. / Berrigan, F., see above.

⁷ Mark, p.6.

⁸ Amnon Barzilay: "Defense Exports in 2001", in: *Ha'aretz*, 4.2.2002; Amnon Barzilay: "Two Clouds on the Horizon of Defense Exports", in: *Ha'aretz*, 11.2.2002; "The Israeli Defense Industry." *Jewish Virtual Library*, 2002

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¹⁰ Eisenstadt, Michael: "Turkish-Israeli Military Cooperation: an Assessment." *Policy Watch*, No. 262, 24 July 1997.

¹¹ Twing, Shawn L.: "Israeli Defense Contract Illustrates How U.S. Aid Harms American Industries." *Washington Report on Middle East Affairs*, October 1996, p.72.

¹² Mark: „Israel-United States Relations,“ p.12

¹³ Clarke, Duncan: "Israel's Unauthorized Arms Transfers." *Foreign Policy*, 22 June 1995, p.89

¹⁴ Clarke, p. 97

¹⁵ Clarke, p.97.

¹⁶ Clarke, p.90

¹⁷ Clarke, pp.90-92.

¹⁸ Federation of American Scientists: "Military Analysis Network". <http://www.fas.org/man/dod-101/sys/missile/aim-9.htm>

¹⁹ Clarke, p.107; DeLoughry, James P.: "The United States and the LAVI", *Airpower Journal*, Vol. 4, No.3, Fall 1990, p. 34-44

²⁰ Clarke, p.101

²¹ Jews Against the Occupation.

<http://jewsagainsttheoccupation.org>

²² Barnes, Lucille: "Jesse Helms Caved to pro-Israel Lobby" *Washington Report on Middle East Affairs*, March 2002.

²³ WINEP founder Martin Indyk quoted in Ali Abunimah / Sam Hussein: "Truth in Labeling - Despite ties to two governments, WINEP succeeds in neutral pose", *Think Tank Monitor*, November/ December 2000, <http://www.fair.org/extra/0011/winep.html>

²⁴ Norton, Augustus: "Clinton's Middle East Legacy: A Scuttled Peace?" *Current History*, Vol. 97, No. 615, January 1998, p.1-6

²⁵ Adelman, Jonathan: "The Falcon Sale to China: The Lessons for Israel" *Jerusalem Center for Public Affairs*, No. 473, 1 March 2002.

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