

Despite anger, US unlikely to cut military aid to Israel; it benefits both sides

By **KAROUN DEMIRJIAN** , Associated Press

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JERUSALEM - The diplomatic crisis between the U.S. and Israel has sent a tremor through their alliance, but one key part of the bond seems virtually untouchable: the roughly \$3 billion a year in U.S. military aid.

Israel's harsher critics often call for aid cuts to twist Israel's arm. Yet amid the uproar of recent days over plans to build 1,600 new homes for a Jewish neighborhood in a disputed part of Jerusalem, there has been no serious talk of using aid as a club.

One reason may be the potential backlash from Israel's supporters in the U.S. Another is that the overwhelming part of the money cycles back into the American economy.

Israel is the biggest recipient of American aid after Afghanistan. But unlike most other countries, Israel's aid is earmarked entirely for military spending. Under an agreement between the two allies, at least three-quarters of the aid must be spent with U.S. companies.

This means that the "close, unshakable bond," as Secretary of State Hillary Rodham Clinton described it, is also a mutually beneficial one: Israel gets the latest American military technology, and American weapons makers — Lockheed Martin, Raytheon, Boeing and others — get a steady stream of income.

The U.S. stepped up funding to Israel after the Arab-Israeli wars of 1967 and 1973, at a time when the Soviet Union was arming the Arabs. Following the 1979 Israeli-Egyptian peace treaty, Washington guaranteed Israel would continue receiving annual military and civilian aid in a 3:2 ratio with aid given to Egypt. Since then, Israel's share has ranged between \$2.1 billion and \$3.7 billion a year.

Over the last decade, as Israel's economy has grown, the U.S. has converted the whole package to military funding, under an agreement to have it at \$3.15 billion a year by fiscal 2013 and keep it at that level until 2018.

The package amounts to only about 2 percent of Israel's annual gross domestic product, compared with 14 percent in 1985. But for a country with hostile neighbors, and where military spending ranks sixth in the world proportional to size of economy, that aid is vital. It represents about 20 percent of the country's annual defense budget.

Equally important, it gives Israel ready access to advanced and unique hardware.

"Israel has developed its own military industry, but there are things you can only get from the United States," said Eytan Gilboa, an expert on Israeli-American relations at Israel's

Bar-Ilan University.

According to Israeli defense sources and U.S. congressional reports, Israel spends the bulk of its aid on warplanes such as F-15s and F-16s, jet fuel, high-end munitions and missile defense systems — weaponry the Israeli military would find difficult to replace or do without.

"If aid were to stop, it would directly affect Israel's security and have an indirect effect on its economy," said Arie Arnon, an economics professor at Ben Gurion University near Beersheba.

With that potential influence in mind, advocacy groups such as Amnesty International called on the U.S. to withhold aid dollars from Israel after its offensive in Gaza last year, arguing that the money was paying for weapons that were killing Palestinian civilians.

But the divestment effort failed to gain traction in Washington.

Still, using the aid for at least temporary leverage wouldn't be unprecedented. The Reagan administration delayed delivery of combat aircraft following Israel's attack on Iraq's nuclear reactor in 1981, and of cluster bombs following Israel's siege of Beirut in 1982.

The threat of losing military aid played a large role in Israel's decision to disengage from South Africa during the mid-1980s, according to Alon Liel, a retired Israeli diplomat who served in Pretoria.

Loan guarantees, which Israel needs to raise capital, also have played a role.

President George H.W. Bush withheld \$10 billion in loan guarantees to make Israel curb the building of settlements in the West Bank, and didn't restore it until the dovish Yitzhak Rabin was elected in June 1992. The administration of President George W. Bush deducted some \$1 billion of a \$9 billion loan guarantee package because of continued settlement activity.

Earlier this year, U.S. chief negotiator George Mitchell said such deductions could be an option.

Liel, an outspoken critic of Prime Minister Benjamin Netanyahu's government, said the power of the military aid package as a diplomatic stick depends on how forcefully the U.S. wants to wield it.

"If you stop that \$3 billion, Israel will not collapse — it's stopping American political support that's the existential problem," he said. "Aid is just an indication that the political link is doing well and is alive."

He said that if the U.S. merely signals that it is thinking about cutting aid, it could have an "unbelievable" effect. "If the United States is very determined, I think Israel will change its policies," he said.

Before any such move, however, the U.S. would have to weigh its own interests. U.S. jobs are at stake, and several projects, such as the development of the advanced Arrow missile defense system, are joint partnerships

"There's integration...so when you're talking about a cutoff, just threatening to do it for a few months doesn't have much impact," said Anthony Cordesman, an analyst with the Center for Strategic and International Studies in Washington, D.C. "In practical terms, this is a fantasy."

Associated Press writer Ian Deitch contributed to this report.

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