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THE PLAYERS AND THE PROCESS: SETTLEMENTS AND AID FOR ISRAEL

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Israel is the single largest recipient of U S aid Since the 1970's, Israel has received annually \$1.8 billion in Foreign Military Financing and \$1.2 billion in Economic Support Funds ¹ Congress has specifically directed that the economic assistance be provided as an immediate cash transfer without restrictive conditions The combination of a Congress sympathetic to real or perceived Israeli needs, a powerful pro-Israel lobby and bipartisan Administration support for Israel's security was believed to make requests for aid to Israel untouchable Yet, in the 1990-92 period, the Bush Administration succeeded in first delaying and then placing conditions on the approval of additional aid in the form of \$10 billion in loan guarantees to help Israel absorb Soviet Jewish emigrants

How did Bush tip the balance of power in the equation with Congress and the Israel lobby on this issue? The question can be analyzed according to a bureaucratic politics model where the key players are President Bush and Secretary Baker for the Administration the American-Israel Political Action Committee (AIPAC) as the major Israeli lobby, and key Congressional leaders, particularly the Chairmen of the Foreign Operations Subcommittees of the House and Senate Appropriations Committees

Background of Events²

In October 1989, Israel requested an initial program of \$400 million in housing loan guarantees which the Congress approved in March, 1990 In testimony before the House Appropriations Foreign Operations Subcommittee, Secretary of State Baker made the Administration's support for this program contingent on receiving Israeli assurances of advance notice of plans for new Israeli settlements in the Occupied Territories and strict accounting on housing loan disbursements to insure that U S -guaranteed funds were not spent outside Israel's pre-1967 boundaries (the "Green Line") Six months of negotiations on these assurances

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between the State Department and Israel made little progress until September/October when Israeli Foreign Minister David Levy provided assurances that the government of Israel would not direct or encourage Soviet Jews to settle beyond the Green Line, would not use U S loan guarantees for housing beyond the Green Line and, most controversially among Levy's Cabinet colleagues, promised his best efforts to provide information on the Government's settlement activities ³ Although the loan guarantees were finally issued in early 1991, Baker interpreted Israel's continuing settlement activity, including tours for Soviet emigrants of sites in the Occupied Territories, and the government's failure to provide information on settlement plans as evidence of Israeli bad faith The Administration's experience in negotiating this much smaller program was to color its views when Israel's larger request surfaced in 1991

Israel's Finance Minister first raised the need for \$10 billion in loan guarantees over five years shortly after the air campaign commenced in the Persian Gulf War Stung by the poor timing of this request in the midst of the war but wanting also to keep Israeli goodwill and cooperation in not retaliating directly for Scud missile attacks, the Administration provided \$650 million in direct compensation for Israeli war damage while obtaining Prime Minister Shamir's agreement to postpone the request for additional guarantees until September, safely past the end of the Gulf War As Congress returned from summer recess and took up consideration of foreign aid legislation, the stage was set for the Administration and AIPAC to face off over linking loan guarantees with Israeli settlement policy

External and Psychological Factors

The bureaucratic politics model focuses on the players, but the players do not act in a vacuum Several external factors were influential in the decision-making process on Israel loan guarantees in 1991/92 Foremost of these was the Persian Gulf War

In the aftermath of its successful coalition with the Arabs, the Bush Administration believed that it had an historic opportunity to build a Middle East peace process which became its primary foreign policy initiative of 1991. Consequently, it was opposed to expanded Israeli settlement activity in the Occupied Territories which the Arabs might use as an excuse not to take part in the peace process. (Opposition to settlements has always been U.S. Government policy but it has been voiced with varying intensity.) This was particularly a consideration when the Administration sought a four-month delay in Congressional action scheduled for September 1991 so as not to have a contentious debate on settlements before the Madrid peace conference between the Arab countries and Israel. Another after-effect of the coalition success and the deliberate effort to keep Israel out of the action in the war, as well as of the end of the Cold War, was to undermine the argument that Israel was important to the U.S. as a strategic ally and thus deserved unquestioning support of aid requests. As Representative Howard Berman, a strong supporter of Israel in the Congress, put it, "Israel no longer has that much relevance as a deterrent to Soviet expansionism in the Middle East and so the Administration can get away with being tougher on Israel."⁴

A second factor was the economic recession which made foreign aid increasingly unpopular. Israel's lobbyists faced the difficult public relations task of defending a seemingly huge request (\$2 billion annually for five years), even though technically it would not be an expenditure of U.S. funds but only a guarantee of repayment should Israel default on commercial borrowing. Nonetheless, budget accounting rules required that such guarantees be scored at a portion of their face value as a government expenditure. Israel's basic security assistance package might be untouchable but Congressional and public support was not automatic for a proposal to increase aid, even for Israel, in the face of domestic priorities. Domestic political

targeted Senator Charles Percy for defeat in 1984 because of his support for the sale of AWACs to Saudi Arabia⁸ AIPAC's key concern has been aid for Israel and it has tended to measure its success by the dollar level achieved

In late summer 1991, AIPAC formulated its strategy to get the \$10 billion in loan guarantees included in the FY 92 foreign assistance legislation AIPAC's plan was to generate a Congressional juggernaut of support so strong as to overpower any potential Administration opposition It circulated a draft of legislation to its friends in Congress, stepped up member lobbying of Congressional leaders, and set out to convince Senate Majority Leader Mitchell and House Speaker Foley to endorse the guarantees⁹ AIPAC called for an all-out campaign by the pro-Israel community to support loan guarantees on moral grounds to assist Soviet refugees and to defeat any linkage with settlements policy in order to preserve the principle that aid to Israel should come without conditions attached The high point of AIPAC's public campaign was the citizen action day on September 12, 1991, for Jewish-Americans to lobby their members of Congress, which triggered President Bush's remarks on being outnumbered by Israeli lobbyists¹⁰

AIPAC, however, misjudged both the President's determination and how arrogant its stubborn refusal even to consider a postponement until after the Madrid peace conference would appear to Congress In the end the Senate was persuaded by the Administration's argument that a debate on the guarantees and settlements issue before Madrid could derail the Middle East peace process and agreed to a 120-day delay This was said to be only the second time that AIPAC had been defeated on a legislative initiative (after the 1981 AWACs sale)¹¹

Player Two: The Administration

In the Middle East peace process generally, and especially with regard to the settlements issue, Administration policy was defined and implemented by President Bush and Secretary Baker directly. The role of the Middle East experts at the State Department was limited to developing strategy options within those policy parameters.¹² Learning from Congressional contacts of AIPAC's plans to push for guarantees legislation, the Administration developed its own pre-emptive Congressional strategy. Baker called the Congressional leadership, before they could commit themselves publicly to support Israel's request. He argued that proceeding on the aid request at that time would doom the peace process and warned that the Administration would clearly fix the responsibility for such a breakdown on the Congress. Bush added the weight of the Presidency to this argument when he pressed the same argument on Senator Patrick Leahy, who, as Chairman of the Senate Foreign Operations Subcommittee, controlled Senate action on foreign assistance requests. Congressional action was postponed until February 1992.¹³

As the time approached for Congress to reconsider the guarantees, the Administration concluded that it was in a stronger position than ever on the settlements issue. Shamir was facing an election in June, polls showed that a majority of Israelis were willing to accept some conditionality on U.S. aid in order to get the needed assistance to resettle Soviet refugees, and American Jewish sentiment seemed to be turning against the Likud Party's hard-line position. In February, Baker unveiled the President's position in testimony before the House Subcommittee on Foreign Operations, chaired by Representative David Obey. The Administration would support the full \$10 billion of guarantees if Israel froze all settlement activity or it would support smaller amounts on an annual basis with a dollar-for-dollar deduction for Israeli expenditures on finishing settlements already under construction (the so-called Leahy deduction). In either case, the Administration insisted Israel must halt all new settlement activity if it wanted loan

guarantees. As final leverage, Bush threatened to veto the foreign assistance appropriations bill (which included Israel's regular security assistance) if it contained the loan guarantees without an Israeli commitment to freeze new activity. Given the unpopularity of settlements and the sensitivity of Congress to appearing to endanger the Middle East peace process, Congress passed the foreign aid bill in April without loan guarantees for Israel.¹⁴

Player Three: The Congress

In the field of foreign affairs, Congress has two major direct routes to influence policy: the power to advise and consent to treaties and diplomatic appointments, and its power of the purse which is particularly significant in the allocation of foreign assistance. "The influence of Congress and interest groups on U.S. foreign policy is nowhere more evident than with regard to Israel."¹⁵ AIPAC and the Administration spent relatively less effort trying to convince each other and concentrated their attentions on the Congress because of its control of appropriations.

The key players in the Congress on any issue touching on assistance were Senator Leahy and Representative Obey, the chairmen of their respective chambers' Appropriations subcommittees. Obey was a long-time opponent of Israeli settlements in the Occupied Territories. Leahy was considered a very reliable friend of Israel but was willing to support the Administration's position on the loan guarantees if the Administration could demonstrate genuine progress in the peace process.¹⁶ As the guarantees were debated over the course of a year, Leahy came up with the deduction idea to foster an agreement that would provide assistance to Israel without having the U.S. pay for settlements to which it was opposed in principle. With these two leaders willing to back the Administration on this issue, AIPAC had lost its leverage.

Discussing the factors contributing to a weakening of Congressional support for Israel, Obey noted that it is difficult enough to get public support for foreign aid when there is a coincidence of values between countries. The deep policy divisions that appeared between Bush and Shamir on the peace process and on settlements led to a tremendous erosion of Israel's support. Representative Berman and other Congressional supporters, however, criticized AIPAC for an over-dependence on the strategic relationship argument instead of emphasizing the historical and emotional ties between the U.S. and Israel. AIPAC was also faulted for having allowed its ties to Congress to weaken and for neglecting the development of ties to new Members, especially Democrats, during the days of close White House connections under the Reagan Administration.¹⁷

The Final Outcome

By the summer of 1992, the political environment had changed sufficiently to allow a compromise on the guarantees. Israel's new Prime Minister Rabin visited Bush in August to resolve the issue. Rabin was not ideologically attached to the settlements as Shamir had been and he wanted to show that he was a better manager of relations with Israel's most important friend. Bush wanted to grant the loan guarantees to win swing votes among Israel's supporters as he was losing to Clinton in the reelection campaign.¹⁸ Bush and Rabin soon reached agreement that the Israeli government would reorder its priorities away from new settlements and accept the "Leahy deductions", and Bush would support legislation for the \$10 billion request.¹⁹

Under Obey's and Leahy's leadership, the loan guarantees program was approved beginning in FY 93 with the stipulation for deducting the cost of any "nonsecurity" housing built in the Occupied Territories.²⁰ The Clinton Administration deducted \$437 million from loan

guarantees in 1994 under this provision, although the actual impact on Israel was counterbalanced by a new aid program to help with troop redeployment from Palestinian Authority areas²¹

Conclusion

The upshot of the long tug-of-war between the Administration and the pro-Israel lobby for Congressional action on loan guarantees was that the Administration preserved its principle of not financing settlement activity while Israel obtained, after significant delay, all the assistance requested. In the process, AIPAC's aura of invincibility on Capitol Hill was dimmed. Whether Bush's policy in the end had much impact on reducing settlements is debatable, but the issue, as it played out, demonstrated several important factors in the bureaucratic process. The merits of a position are important, but so are external factors affecting the political environment and psychological factors affecting personal relations among the major players. Arrogance or complacency from past success can result in underestimating the opponent's strength. A good Congressional strategy aimed at winning over early key members of Congress is crucial. Finally, the President inherently carries great weight on a foreign policy issue even against a traditionally-strong interest group/Congress balance of power.

NOTES

¹ Duncan L. Clark, "U.S. Security Assistance to Egypt and Israel: Politically Untouchable?" *The Middle East Journal* (Spring 1997): 200.

² This chronology summarizes events as described in James A. Baker, *The Politics of Diplomacy* (New York: G.P. Putnam's Sons, 1995): 540-557.

³ Unpublished report to the Foreign Operations Subcommittee, House Appropriations Committee, drafted by the Office of Israel and Arab-Israeli Affairs, Department of State (March 1991): 1.

⁴ Christopher Madison, "Strained Friendship," *National Journal*, (April 18, 1992): 927.

⁵ Yossi Melman and Dan Raviv, *Friends in Deed: Inside the U.S.-Israel Alliance* (New York: Hyperion, 1994): 419-20.

⁶ Norman Podhoretz "America and Israel: An Ominous Change" *Commentary* (January 1992): 22

⁷ "Reconcilable Differences" *U.S. News and World Report*, (October 12, 1992): 48

⁸ John T. Tierney "Interest Group Involvement in Congressional Foreign and Defense Policy" in *Congress Resurgent*, ed. Randall B. Ripley and James M. Lindsay (Ann Arbor: University of Michigan Press, 1993), 93-94

⁹ Baker, 549

¹⁰ Melman and Raviv, 419-25

¹¹ Baker, 553

¹² Madison, 927

¹³ Baker, 549-51

¹⁴ *Ibid.*, 554-55

¹⁵ Clark, 205

¹⁶ *Ibid.*, 551

¹⁷ Madison, 928

¹⁸ Melman and Raviv, 440

¹⁹ Baker, 557

²⁰ "Sending a Message," *The Christian Century* (November 10, 1993), 1115

²¹ "Land or Peace," *The Nation* (August 22, 1994), 186

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