

USAWC STRATEGY RESEARCH PROJECT

**U.S. ENGAGEMENT ACTIVITIES AND THE PEACE PROCESS
IN THE ISRAELI-ARAB CONFLICT**

by

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The views expressed in this academic research paper are those of the author and do not necessarily reflect the official policy or position of the U.S. Government, the Department of Defense, or any of its agencies.

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ABSTRACT

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The United States has been actively engaged in trying to solve the Israeli-Arab conflict for more than 50 years. Each U.S. administration has brought its own unique approach in attempting to promote regional stability and has expended considerable resources in the process. The United States currently provides almost \$6 billion annually in the Levant—the countries of Israel and its bordering Arab neighbors of Egypt, Jordan, Lebanon, and Syria, and includes the Palestinian Authority (PA)—in economic and military assistance. Since 1974, the United States has provided more than \$242 billion (in 2001 dollars) in economic and military assistance. Additionally, the United States has expended an indeterminate amount of time, energy, and political capital to help push the Peace Process forward. One question often asked is whether the benefit of active engagement is worth the cost?

This study focuses on the U.S. national interests in the Middle East and what impact its engagement activities have had on promoting Israeli-Arab stability over the past several decades. At the heart of the analysis are discussions of what the physical costs of active engagement policies have been and the benefits derived from those investments for both the United States and the Levant. Three areas of active engagement are studied in detail: the cost and importance of ensuring free flow of oil from the region, the cost and impact of economic assistance to the countries of the Levant to promote economic viability, and the importance of controlled military sales to the region to maintain security and stability.

The United States has frequently used its economic and military assistance programs as leverage to influence, persuade, and sometimes coerce the countries of the Levant to reach resolution to regional issues and support regional stability while promoting U.S. national interests. The success of leveraging these programs to promote the Peace Process is discussed in detail. The United States has been and must remain actively engaged in the Middle East if it is to influence the Peace Process and achieve its national objectives.

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U.S. ENGAGEMENT ACTIVITIES AND THE PEACE PROCESS IN THE ISRAELI-ARAB CONFLICT

“The Middle East has always needed active American engagement for there to be progress, and we will provide it, just as we have for over half a century. The central diplomatic challenge we face in the Middle East is to obtain a just and lasting peace between Israel and its Arab neighbors.”

- Secretary of State Colin Powell, 2001

For much of the last century the Middle East has captured the spotlight of much of the world's focus because of its location, its history, and its intrigue. Its captivating images are often those of a center of ancient religious fervor for three of the world's largest and most powerful religions; of an ancient Jewish race gathering from the corners of the world for the first time in 2000 years to form a new nation in a desert wasteland; of newly independent Arab nations struggling for economic viability, self-determination, and international recognition; and, of another Arab people, the Palestinians, fighting for the right of self-determination in a permanent homeland, world recognition, and an independent identity distinct from that of their surrounding Arab brethren.

Its images are also those of a region in immense turmoil and conflict where distrust and enmity between ancient enemies — Jews, Muslims, and sometimes Christians — span decades or even, as some would argue, centuries. During the past 60 years, the Jews and the Arabs have fought over the land (and Israel's right to exist) in four major wars and have met in battle in numerous, but no less deadly, smaller conflicts. There have been two violent Palestinian uprisings (or *intifada*) lasting for years, innumerable Islamist terrorist attacks on innocent civilians, and violent Israeli reprisals. The wars and conflicts have cost the lives of tens of thousands of combatants and non-combatants and have wasted immeasurable wealth. Because of its historical impact on the world, the profound religious feelings often associated with the region, its proximity to the oil producing nations — the fuel for which most of the developed nations of the world rely upon so heavily — and other, often intangible yet firmly held reasons, the world has been transfixed with settling the Israeli - Arab conflict.

For the last half century, no country has been more determined and heavily engaged in finding a permanent peaceful resolution of the conflict than the United States. The U. S. has spent a considerable amount of time, energy, resources and political capital in the Levant — the countries of Israel and its bordering Arab neighbors of Egypt, Jordan, Lebanon, and Syria and includes the Palestinian Authority (PA) — trying to bring stability to the region for a variety of economic, political, and most importantly, strategic, reasons. How successful the United States

has been in influencing the parties through the so-called Peace Process, considering the amount of resources devoted to the effort, has been a matter of considerable debate. There are those that argue that the United States has wasted its time and resources in the region with only modest results towards implementing stability; that the intransigencies and hostilities are so deep that a lasting region-wide peace is an impossible dream. Others would argue that no matter what the obstacles or the cost, the United States has a moral responsibility as the world's only remaining global superpower to promote a lasting peace in the region, and it must use every resource available to achieve that goal. And still others would argue that pursuing a lasting peace is a noble objective, but expending valuable and finite resources must complement vital U.S. national interests with achievable objectives, otherwise the United States should limit its involvement.

The United States currently provides almost \$6 billion annually in the Levant in economic and military assistance. This amount represents a significant investment for which the United States expects to receive some benefit. One question often asked is whether the benefit is worth the costs? This paper will discuss the U.S. engagement activities in the Levant over the past 50 years and its efforts to promote peace between the regional antagonists. It will demonstrate that the U.S. efforts to promote the Peace Process have achieved remarkable success when given the alternatives of using tangible (e.g., time, monetary aid, military sales, and economic development grants) versus intangible (e.g., time and diplomatic dialogue alone) engagement activities. It will show that the United States has been and must remain actively engaged in order to achieve its national objectives in the Middle East.

The following discussion will focus on the U.S. national interests and current policies in the Middle East and what impact these have had on promoting Israeli-Arab stability over the past several decades. At the heart of the discussion will be what the physical costs of active engagement policies have been, and the benefits derived from those investments for both the United States and the Levant. Three areas of active engagement will be discussed in detail: the cost and importance of ensuring free flow of oil from the region, the cost and impact of economic assistance to the countries of the Levant to promote economic viability, and the importance of controlled military sales to the region to maintain security equity.

The United States has often successfully used its economic and military assistance programs as leverage to influence, persuade, and sometimes coerce the countries of the Levant to support regional stability and reach some resolution to regional issues. The success of leveraging these programs to promote the Peace Process will be discussed in some detail, followed by a discussion of some negative aspects of active engagement policies.

THE ISRAELI-ARAB CONFLICT

“The reawakening of the Arab nation, and the growing Jewish efforts at rebuilding the ancient monarch of Israel on a very large scale—these two movements are destined to fight each other continually, until one of them triumphs over the other.”

- Neguib Azoury, *Le Reveil, De La Nation Arabe*, Paris 1905

It is impossible to study the current Israeli-Palestinian conflict without looking at the historical beginnings of the dispute. This brief historical summation will also help explain how the United States became increasingly involved in the region in order to promote regional stability in pursuit of its own national interests.

Both Jews and Arabs claim to be descendants from the ancient Biblical patriarch Abraham, and therefore, both claim ancient rights to the Land of Canaan (or Palestine as it became known). The cultural, ethnic and religious differences between the Muslim Arab nations and the Jewish State of Israel are only a part of the reason for the seemingly never-ending conflict. The growing sense of nationalism for both Arabs and Jews, in conjunction with the waning days of European colonialism, contributed to the rising differences in national objectives and competing approaches to their desires for independent nation states.

Jews have long been one of history's beleaguered and persecuted people, dispersed throughout world in homogeneous communities, and generally held in a lower economic and social status than their neighbors. Until 1948, they had not had a nation of their own for over 2000 years and had not been self-ruled for over 2500 years. The Arabs of the Middle East were largely ignored or marginalized by the Western world. It wasn't until the rise of Jewish nationalism in the nineteenth century and the growing independent aspirations of the Arab leaders (both focusing on the same parcel of land), coupled with the increased strategic importance of the region with the construction of the Suez Canal and the discovery of oil, that the tension between the two groups began to rise. The following brief history of the resulting conflict is offered in order to place the current engagement strategy of the United States in context with the events of the past.

PRE-WORLD WAR II

The Middle East has been an area of conflict and dispute where wars over religion and regional dominance have occurred for centuries. Throughout history, the area now known as Palestine was at the crossroads of critical trade routes between the east and west regional hegemonies — the Israelites, Assyrians, Babylonians, Romans, Persians, Crusaders, Arabs, and the Ottoman Empire — where its ports and cities were strategic points for controlling the

wealth flowing through the region. Perhaps more importantly, however, the area has also been a dynamic focus of religious friction as it is the sacred ancient home for two of the three monotheistic religions of the world, Judaism and Christianity, and contains the third holiest site for the third monotheistic religion, Islam. The followers of these three religions comprise over one-half of the world's population making any effort of one religion or nation to dominate or influence the region a global concern.¹

The Ottoman Empire controlled the region from 1516 until the end of World War I. During this period the vast majority of Palestine was loosely controlled by the administrative pasha from Damascus, Syria. It had little military or strategic value to the Sultans in Constantinople until the mid-nineteenth century when trade once again became important with the completion of the Suez Canal and the French-Anglo rivalry for control of the Suez isthmus.² The population of the region was mostly Arabs comprised of Sunni Muslims, Druze, and Christian Arabs. Jews and non-Arab Christians were present in small numbers but lived tenuously as second class citizens in the Muslim ruled region.

The rise of modern Zionism, or the movement of Jews to find a permanent homeland, was heavily influenced in the mid- to late nineteenth century by a series of pogroms (state sponsored persecutions) in Russia. The more orthodox Jews had always hoped to return to what they consider their ancient religious homeland, but the more secular Jews were looking for a better life free from persecution. Jewish immigrants begin to arrive in Palestine in the 1880s, purchasing land from the Arabs and forming agricultural villages. The idea of a Jewish homeland was further strengthened when Theodore Herzl published a book in 1896 titled Der Judenstaat (The Jews' State) in which he declared that the rise of world anti-Semitism could only truly be combated if the Jewish people had their own nation state. Between 1882 and 1914 over 100,000 Jews immigrated to Palestine, although many subsequently departed. By 1914 the Jews comprised 13% of the population of Palestine and owned about 100,000 acres of land.³

During World War I, the British pledged support for both the Arabs and the Jews in the region in return for their help in defeating the Turks. The Arabs, already leery of the rise of Jewish settlers in the region but eager for independence from the Turks, began the Arab Revolt to help the British. In 1917 the British Foreign Secretary, Alfred Balfour, wrote a letter which stated that the British Government "viewed with favor the establishment in Palestine of a national home for the Jewish people" but made it clear that the civic and religious rights of non-Jewish population would not be prejudiced.⁴

In 1922 the League of Nations gave the British an administrative mandate over Palestine until the people were ready for independence and self-government. The Arab leaders began to fear that the rising Jewish population and increased land purchases would eventually destroy their chances for developing their own nation state and could diminish their opportunity for independence. The first Arab riots against Jews began in 1920 and continued sporadically throughout the 1920s and 1930s, often fueled by extremist Arab religious leaders. A series of British commissions and White Papers stated that while the Arabs were responsible for the violence, fears of the Jewish economic and population growth, and disappointment in the pace of Arab independence, were also contributing factors. The British responded by placing severe restrictions on Jewish immigration and land purchases but declared that Palestine would be an independent state within 10 years. In 1938, partition of a Jewish and Arab Palestine was formally discussed for the first time.⁵ Despite the restrictions on immigration, the Jewish population continued to grow, constituting approximately 30% of Palestine by 1939.

POST-WORLD WAR II

World War II saw an unprecedented holocaust by Nazi Germany whereby over six million Jews were systematically exterminated. Despite the massive post-war refugee problem, the British still continued their pre-WWII policy of restricting Jewish immigrants. This led to increasingly violent resistance by the Jewish population against the British authorities, and for the first time, organized resistance against the Arabs militants. With the violence intensifying, their resources depleted after years of war, and no end in site to the Middle East struggle, the British Government decided in 1947 to hand the "Palestine problem" off to the newly formed United Nations (UN) and withdraw from the region by May 1948. On November 29, 1947, the UN voted to partition Palestine into Jewish and Arab states which the Jews reluctantly accepted but the Arabs adamantly rejected.⁶

On May 14, 1948, the British ended its Mandate and withdrew the last of its forces from Palestine. On the same day, David Ben-Gurion, the leader of the Jewish people, declared the establishment of the State of Israel. The new state was immediately recognized by the United States and Soviet Union. On May 15, 1948, six Arab armies from Syria, Egypt, Transjordan, Lebanon, Saudi Arabia, and Iraq attacked the fledgling state and the first Israeli-Arab war began. Although outnumbered and initially fighting with no heavy weapon systems (i.e., tanks, artillery, or anti-tank guns), the Israelis managed to defeat or halt the advancing Arab armies. Armistice agreements were signed in the spring and summer 1949. At the end of the 1948 War, the Israelis had increased their territory by 20%.⁷ Transjordan continued to occupy East

Jerusalem and the area now known as the West Bank, separated from Israel by the armistice boundary known as the Green Line. Egypt retained the area around Gaza termed the Gaza Strip.

One of the major issues resulting from the 1948 War, and one that remains a major obstacle to permanent peace agreements today, is that the war created a massive Jewish and Arab refugee problem. Estimates vary on the number of Arab refugees but the UN estimated that approximately 725,000 Arabs fled to neighboring states.⁸ The creation of a Jewish State also served to create a future homeland for displaced and persecuted Jews from around the world. By the end of 1951, over 680,000 Jews had immigrated to Israel. While the Jewish refugees were readily absorbed into the new State of Israel, most Arab countries refused to assimilate the Arab refugees into their local population, placing them instead into refugee camps. Approximately 160,000 Arabs remained in Israeli-controlled territory during the war or immigrated back into Israel by 1949 and subsequently became Israeli citizens. The United Nations Relief and Works Agency (UNRWA) estimates there are approximately 3.8 million Palestinian refugees today.⁹

During the seven years following the signing of armistice agreements, the relationship between Israel and the neighboring Arab nations worsened. The Arab countries were undergoing tremendous turmoil and unrest with numerous coups and assassinations of wartime leaders. In 1949 the army led a coup in Syria followed by the assassination of King Abdullah of Jordan in 1951. In 1954, the army overthrew King Farouk of Egypt whereby Lieutenant Colonel Gamal Abdul Nasser was subsequently made President of Egypt. Attacks by Arab-sponsored terrorist groups, known as *fedayeen*, began to operate inside Israel throughout this period resulting in a series of violent counterattacks by the Israel military.¹⁰

Gamal Nasser was determined to expel any Western influence from Egypt, and in 1955 arranged for the purchase of \$400 million in arms and other military support from the Soviet Union in order to rebuild Egypt's shattered army. This was the Soviet Union's first foothold in the Middle East. In 1951, the Egyptian parliament nullified the 1936 Suez Canal Treaty, then effectively negotiated with the British to leave Egypt by 1955. Nasser closed the Strait of Tiran to Israeli shipping, cutting off Israel's vital link to the Gulf of Aqaba, and then nationalized the Suez Canal in July 1956.¹¹

The Israelis, convinced that Egypt was preparing for war, launched the Sinai Campaign in October 1956 to reopen the Straits, and to destroy the *fedayeen* camps operating out of eastern Egypt.¹² Both the French and the British launched attacks on Egypt in November 1956 in order to help secure the Suez Canal Zone. These two countries had publicly declared that securing

the free flow of goods, especially oil, through the canal was a vital national interest. Additionally, the French had become Israel's largest provider of arms and felt a certain sense of responsibility to help.¹³ The Israeli military captured all of the Sinai Peninsula to the Canal Zone while the British and French conducted air attacks and limited port landings in Egypt. Under heavy UN and U.S. pressure, all forces agreed to a ceasefire and Israel withdrew from the Sinai in 1957. United Nations' forces were deployed along the Egyptian-Israeli border and the Strait of Tiran to enforce the ceasefire agreements.¹⁴

Prior to and during the Sinai Campaign, the United States for the first time became a major regional power broker. It began using its growing economic and diplomatic status to influence the antagonists in the region. Examples of the growing status of the United States as a world power were seen as it used its influence to halt British military activities in the war by threatening to withhold a \$1 billion loan, and it was the United States who sponsored the UN resolution in November 1956 calling for the withdrawal of Israel from the Sinai.¹⁵ The United States was increasingly concerned about the free flow of oil from the region, but was mostly uneasy about the growing influence of the Soviet Union in the Middle East. The Truman Doctrine of communist containment that began in the late 1940s in Europe, China and Korea was now beginning to spread to the Middle East. At the end of the Sinai Campaign, the United States and the Soviet Union had greatly increased their influence on Israel and the surrounding Arab states, respectively; a drama that would greatly intensify over the next several decades.

During the period from 1957 to 1967, Israel made important gains economically, militarily, and politically. The free flow of goods (and oil secreted from Iran) through the Strait of Tiran helped Israel's manufacturing and agricultural sectors grow exponentially. Israel established diplomatic ties with African and Asian governments. Immigration to Israel was also accelerating; between 1948 and 1973, Israel's population grew from 657,000 to over 3 million.¹⁶ Israel began to import more than token quantities of military hardware from the United States for the first time — the Kennedy administration agreed to sell Hawk anti-aircraft missiles and tanks to Israel in 1962 — as a counterbalance to the amount of arms being sold to Egypt, Syria, and Iraq by the Soviets.¹⁷ This was the small beginning of an impressive arms race in the Middle East that greatly influenced future U.S. engagement policies in the region.

Throughout the 1950s and 1960s, the Arab world continued to undergo unrest and political instability. King Faisal II of Iraq was assassinated in 1958, civil war broke out in Lebanon (in which the U.S. military had to intervene), and King Hussein called for British military to help stabilize the civil unrest in Jordan. President Nasser of Egypt became a focal point for Arab unity but was also the instigator of much of the region's trouble. Additionally, Egypt's

nationalization policies and large investment in military hardware from the Soviets drove the country toward economic disaster. The United States, wanting to use its economic policies to influence foreign policy, provided Nasser \$150 million a year in wheat surpluses in the early 1960s as economic aid, but the program was terminated in 1964 when Nasser refused to end support for Belgian Congo rebels.¹⁸

The confrontation between Israel and the surrounding Arab countries was reaching critical mass. Syria tried to divert water from the Jordan River to prevent the water from reaching the Sea of Kinnereth (Galilee), Israel's main water source. Syria also began increased shelling of Israeli settlements from their overwatch positions along the Golan Heights, resulting in rising confrontation and retaliatory attacks by Israel. The Palestine Liberation Organization (PLO) was formed at the Arab Summit Conference in Cairo in 1964 and, along with the al-Fatah organization (of which Yasser Arafat was a founding member), began cross-border attacks against Israel in 1965.¹⁹

In the spring of 1967, heavily influenced by the Soviet circulated (and untrue) rumors of Israeli build-up of forces along the Syrian border, Nasser ordered the UN forces out of the Sinai and once again closed the Strait of Tiran to Israeli shipping and to any ship carrying Israeli goods. The countries of Jordan, Syria, Egypt, Saudi Arabia, and Iraq mobilized their military forces, and aided by forces from Kuwait and Algeria, surrounded Israel with over 250,000 soldiers.²⁰ On June 5, 1967, Israel, convinced that war was imminent, launched pre-emptive air strikes that crippled the Egyptian Air Force. Israel quickly defeated the combined Arab armies and after six days of fighting, controlled the Sinai Peninsula and Gaza (captured from Egypt), the West Bank and all of Jerusalem (captured from Jordan), and the Golan Heights (captured from Syria).

The United States once again wielded its political might as it was instrumental in drafting and passing UN Resolution 242 which has played a central part of the negotiations between the Arabs, Palestinians, and Israel since the 1967 War. Resolution 242, in part, calls for the "withdrawal of Israeli armed forces from territories occupied in the recent conflict."²¹ For the Arabs this means complete withdrawal of all Israeli forces from recently captured territories to borders commonly drawn before June 5, 1967. To Israel, it means something less than complete withdrawal. Furthermore, for Israel any withdrawal must be made in conjunction with comprehensive peace agreements. The resolution also reaffirms the right for Israel to exist without conflict from its neighbors, something no Arab state would do until Egypt and Israel signed a peace treaty in 1979 (currently, only Egypt and Jordan recognize Israel). Additionally, the resolution calls for a "just settlement of the refugee problem" which is a major obstacle for

Israel given the large number of Palestinian refugees, and would radically change the demographics of the State of Israel if all were allowed to settle in Israel.²²

During the 1967 War, Israel established itself as the region's premier military power. The Arab countries, particularly Egypt and Syria, were humiliated by the swift defeat of their military. The Soviets were also embarrassed as it was Soviet military equipment that had been so easily defeated by Israel who was using United States and European military hardware. Numerous Arab states severed diplomatic ties with the United States but Jordan and Saudi Arabia did not. At the Arab Summit in 1967, the participants declared that there would be no peace, no recognition, and no negotiations with Israel. Another confrontation was inevitable.²³

The period between 1967 and 1973 saw increased Arab military build-up with equipment mostly supplied by the Soviets, and increased terrorist attacks on Israel originating primarily from Jordan, Egypt, Lebanon, and Syria. The PLO charter was amended in 1968 to endorse armed struggle as the principle method by which to establish a Palestinian state. Nasser died of a heart attack in 1971 and was replaced by Anwar Sadat who continued Nasser's anti-Israeli fervor. Additionally, Jewish settlements began to appear along strategic points within the West Bank, Gaza Strip, and in the Sinai. Finally, after what it considered adequate military build-up of anti-aircraft missile weapons to neutralize the superior Israeli Air Force, Egypt and Syria launched simultaneous surprise attacks against Israel on October 6, 1973, Israeli's holiest holiday, Yom Kippur.

The Yom Kippur or October War (or the Ramadan War as it is known to the Arab states) lasted 18 days and resulted in some of the heaviest fighting between the antagonists to date. The United States was initially reluctant to provide emergency military supplies to Israel for fear of provoking an Arab backlash on its oil supplies. However, once President Nixon became aware that the Soviets were airlifting \$3.5 billion in military equipment to Egypt and Syria, he authorized the airlift of \$2.2 billion in military equipment to Israel in order to sustain a regional balance and prevent a devastating loss for Israel.²⁴ On October 22, the United States and the Soviet Union sponsored UN Resolution 338 which called for a cease-fire, for implementation of UN Resolution 242 guidelines and activities, and authorized direct negotiations between regional countries.²⁵

Although the Israeli military was initially driven back under the onslaught of the Arab armies, it eventually regained momentum and recaptured all territories held prior to the outbreak of hostilities. Furthermore, Israeli forces had advanced within 40 kilometers of Damascus and within 100 kilometers of Cairo (with the Egyptian's Third Army surrounded along the Suez Canal) before being pressured by the UN and the United States to halt. The Egyptian and

Syrian militaries were defeated but the war was widely considered a major victory for Sadat as it demonstrated that the Arab states could inflict heavy casualties upon Israel and were not to be ignored or taken for granted by Israel or the United States.

The period after the October 1973 War and up to the present has contained escalating guerrilla and terrorist attacks orchestrated by the PLO and other radical Arab militant groups, with military reprisals by the Israeli Defense Forces (IDF). The period also included the Israeli invasions of Lebanon in 1978 and again in 1982 (the latter occupation lasting until May 2000) in attempts to combat terrorism and increase security along its northern border. However, the period has also seen remarkable achievements towards establishing regional peace, not only with the Arab states (specifically Egypt and Jordan) but also with the Palestinians (at least up until the second *intifada* began in late 2000). The United States became the dominant superpower in the region after the 1973 war although the Soviet influence in the region was never far from each President's mind. U.S. national interests and engagement strategies have developed differently with each administration but each has had a consistent theme — to push the Peace Process forward.

U.S. ENGAGEMENT AND THE PEACE PROCESS

More than any other regional conflict, the Israeli-Arab conflict has consistently been one of the top priorities for every U.S. administration since World War II.²⁶ Polls consistently show that the Middle East Peace Process is much more important to the American public, and therefore to the U.S. administrations, than any other long running regional conflict, to include the Northern Ireland or the Pakistan-India disputes.²⁷ Every President since Truman has sought a lasting peace or has at least tried to foster stability in this region which has been deemed important to U.S. national interests.

The amount of aggressive, active involvement in the Peace Process that each U.S. administration employed towards resolving the Israeli-Arab conflict is largely a reflection of the complex and often conflicting regional (and U.S. national) agendas. Before the 1967 War, the Arab nations were fairly unified in their Israel policy and were quietly working together from the position of “no peace, no war, and no recognition”. While the Israelis were willing to consider terms of peace if security arrangements were guaranteed, it was felt that as long as the Arab nations rejected Israel's existence no such peace talks could begin. Then Arab nationalist, Gamal Nasser, came to power in Egypt and pursued a more militant agenda, vowing the destruction of Israel which culminated in the 1967 War with more territorial gains by Israel and the total defeat and humiliation of the regional Arab armies. The 1967 War resulted in more

intransigent Arab and Israeli positions: Israel demanded recognition and secure borders with very limited return of refugees before comprehensive peace negotiations, while the Arabs demanded return of all captured land and the right of return for all Palestinian refugees before they would recognize Israel or negotiate a settlement.

With these diametrically opposed positions, both the Arabs and the Israelis looked more and more to the United States to act as mediator. Arab nations looked for the United States, as Israeli's largest economic supporter and political ally, to pressure Israel for concessions, particularly given the precedent established during the Eisenhower administration where the President, through the U.N., pressured Israel to relinquish the land gained during the Suez War in 1956 in return for "guaranteed" free access for Israeli ships through the Gulf of Aqaba.²⁸ Israel looked to the United States to insure Israel's security and to act on its behalf, and has historically been leery of European or Russian mediation. The United States was initially reluctant to become deeply engaged in the Peace Process but was willing to engage to a point when U.S. national interests were clearly at stake.

United States prosecution of its national interests has also exacerbated tension in the area as its goals are often inconsistent with regional players' objectives. For example, the U.S. policy of helping to maintain security and regional stability for Israel by providing arms and massive economic assistance is routinely condemned by Arab countries as being too "pro-Israel." Simultaneously, providing arms and maintaining economic ties with friendly Arab nations in order to insure regional stability and economic viability for the free flow of oil is frequently denounced by Israel as undermining its security.²⁹ The resulting strain and supposed inconsistencies caused by these policies have resulted in often radically different approaches to pursuing the Peace Process as each U.S. administration comes to power. Some have taken a more hands-off approach to promote regional stability (e.g., Presidents George W. Bush and Reagan), and others have expended considerable personal energy trying to find a far-reaching, comprehensive final peace solution (e.g., Presidents Carter and Clinton).

U.S. NATIONAL INTERESTS AND THE PEACE PROCESS

While the form and substance of engagement has developed differently with each Administration, three broad overarching national interests in the region have remained constant through the years: (1) insuring reliable access to Middle East oil for the United States and its allies; (2) insuring security for Israel and maintaining regional stability within the Levant; and (3) containment of the Soviet influence in the area. With the fall of the Berlin Wall, containment of the Soviet influence became largely irrelevant for that region or at least displaced to a much

lower level of national interest. Another interest often assumed but rarely published as a national interest is what William Quandt terms the “special American commitment to Israel” based on the long standing support that the United States has given since the founding of the State of Israel, the moral empathy that was felt for the Jews following the end of World War II, and the attachment that American Jews have for Israel.³⁰

Prior to 1990, the containment of the Soviet Union was a primary concern for each U.S. administration. The Eisenhower Doctrine announced the support for anti-communist regimes in the region and it played a critical role in limiting the amount of influence that the Soviets would have in Israel during and after the Suez War in 1956. Up to that point, the United States had been reluctant to provide Israel with significant arms or economic support for fear of upsetting its Arab economic partners upon which the United States depended for much of its oil supplies. The Soviet Union, however, was very interested in achieving a foothold in the Middle East as a method of outflanking NATO and upsetting the balance of power. In 1955, the Soviets supplied Nasser with \$400 million in military hardware, and in 1958 agreed to help build the Aswan High Dam.³¹ Over the next three decades, U.S. policy and diplomacy in the region was primarily dictated by efforts to counter the Soviet Union’s Middle East influence which included debates on how much military support (sales and grants) to provide Israel. The United States, however, could not adopt a more aggressive attitude towards the Soviets as it did not wish risking a direct military confrontation with them. Therefore, U.S. policies were often limited in scope and, not surprisingly, generally provided limited successes in pushing the Peace Process forward. After the Soviet Union disintegrated in 1990-1991, the United States no longer based its national policy on containment but focused on the two remaining national interests in the region—the free flow of oil and regional stability.

How the United States has developed its engagement strategies in the region in pursuit of the two national interests have had strong implications on the stability of the Middle East and the implementation of the Peace Process. The national interests and how the pursuit of these interests evolved into U.S. engagement strategies are critical in understanding the development and implementation of the various “peace” agreements that the United States has been instrumental in achieving in the area since the Suez War in 1956. While it is argued that the U.S. national interests in the region are not necessarily beneficial to all members of the Levant at a single moment in time — immediate benefits to one player may be perceived as detrimental to another — the overall U.S. active engagement policies in pursuit of those interests, when analyzed over decades, have directly benefited most of the Levant members at one time or another. The U.S. engagement strategies today are still helping to push the Peace Process

forward, still have a profoundly positive impact in maintaining stability in the region, and have heavily influenced domestic policy in the United States as well. The U.S. engagement policies and their effects on the region and the Peace Process will be demonstrated in the following discussion.

THE OIL FACTOR

The importance of the region to the economic stability of the United States can be seen by looking at the U.S. critical requirement for oil as a principle source of energy. Consider, for example, the following statistics from the Department of Energy:³²

- Oil provides 40 percent of the U.S. energy needs.
- The United States consumes 19.5 million barrels of oil per day.
- Since the 1950s, the United States has developed into a net importer of energy, with oil accounting for 89 percent of the energy imports.
- The United States currently imports 52 percent of its oil requirements (but projections show that may increase to 62 percent by 2020).³³
- The United States uses over 25 percent of the world supply of oil each year.
- By 2020, oil production in the United States is expected to decrease by 12 percent, but oil consumption is anticipated to increase 32 percent.

The Middle East Arab countries contain approximately two-thirds of the world's oil reserve. While the United States has been aggressively seeking energy alternatives for the past 20 years in order to alleviate its heavy reliance upon Middle East oil, the region still currently supplies the United States with 24 percent of its oil imports requirements (up from 17 percent in 1996). Furthermore, projections indicate the United States may import approximately 30 percent of its oil from the Middle East by 2015 given the current usage rates.³⁴ It is estimated that the Gulf Region will produce between 54 and 67 percent of the world's oil supply by 2020.³⁵

The increasing reliance upon Middle East oil products has made the insurance of free flow of oil out of the region, and thus regional stability, one of the U.S. vital national interests both from security and economic perspectives. President George W. Bush's Energy Policy published in May 2001 states that a "significant disruption in the world oil supplies could adversely affect our economy and our ability to promote key foreign and economic policy objectives, regardless of the level of U.S. dependence on oil imports" and that "this region [Middle East] will remain vital to the U.S. interests."³⁶

While ensuring free oil flow from the Middle East is considered vital to the U.S. national interest by most Americans, U.S. engagement policies in the region are arguably more critical

for securing free flow of oil for our allies who are even more reliant upon oil imports for maintaining their economies. It is estimated that U.S. allies in Europe and Asia receive over 80 percent of their oil requirements from Middle East imports.³⁷ Further projections indicate that world oil demand will increase from 76 million barrels per day in 2001 to 112 million barrels per day in 2020, a 47 percent increase.³⁸ This represents a critical dependency upon a single source of energy for global economic viability. While some would argue that the Europeans are more diversified in their energy usage than the United States (to include more reliance upon alternative energy sources), without the United States - Middle East engagement policies to insure that some semblance of stability and peace is maintained, any restriction of oil exports could have devastating consequences to our allies and to a lesser degree, the U.S. economy. As stated in the Bush Energy Policy, "By any estimation, Middle East oil producers will remain central to the world oil security" for the foreseeable future.³⁹

The U.S. interest in maintaining stability in the region to insure oil availability is based on historical economic security concerns. In December 1973, following the October War, the Arab oil producers imposed a total oil embargo against the United States and several other nations for supporting Israel during the war. This was not the first time that an oil embargo was tried or that oil was used as a weapon, however. The first attempt after the 1967 War was a total failure.⁴⁰ This time the attempt was coordinated by the Organization of Arab Oil-Producing Countries (OAPEC) and later by the Organization of Petroleum Exporting Countries (OPEC), of which many Arab oil producing countries are members. As the Arab states produced 37 percent of the oil consumed by the West (and with the world's third largest producer of oil, Saudi Arabia, participating in the embargo), the effects were immediate and dramatic. Gas prices shot up and gas shortages caused long lines at the pumps. A 1974 Department of Energy report stated that the embargo, while lasting only 5 months, cost the United States between \$10 to \$20 billion in gross domestic product (GDP) and an estimated loss of 500,000 jobs.⁴¹ Additionally, many economists point to the oil embargo as one of the key reasons for the recession that followed in the late 1970's. For the first time, economic stability and oil access were being discussed in terms of national security strategies.

Partially as a result of the fallout from the oil embargo and the resulting economic and political turmoil it caused in the United States and around the world, the United States has consistently attempted to wean itself from heavy reliance upon Middle East oil. Conservation and alternative energy research has been one of the hallmarks of U.S. energy policies since the late 1970s. As a result, per capita oil consumption has fallen 20 percent from its peak in 1978 and oil is projected to stay at about the same portion of energy consumption in 2020 as it is

today.⁴² The United States is committed to decreasing its oil dependency by 25 percent over the next 20 years and is investing heavily in alternative fuel sources.⁴³ Additionally, the United States is aggressively looking at new oil sources in Russia, Mexico, and other markets in order to reduce possible economic disruption from Middle East oil flow interruptions.⁴⁴

Maintaining stability in the region to insure the free flow of oil has had, and continues to have, a high price. Many politicians and economists question the cost—which has been estimated to range from \$30 to \$60 billion a year—as being uneconomical compared to the value of the oil imported from the region.⁴⁵ However, petroleum is the primary fuel that runs the world's economy; at least until something better and cheaper is discovered. The cost of petroleum is, therefore, minor compared to the global economic benefit derived from its use. The United States and the world must have oil—particularly Middle East oil—to maintain their global economies.

The U.S. direct engagement in the region to insure the free flow of oil to the world remains a vital national security issue and remains directly tied to its economic viability and to the economic viability of its allies. This was formalized in a policy statement by President George H. W. Bush in his NSD-26 issued in the spring of 1990 which stated “access to Persian Gulf oil and the security of key friendly states in the area are vital to US national security.”⁴⁶ This linkage between energy security and national security was reinforced in President Clinton's National Security Strategy (NSS) where he stated “the United States will continue to have a vital interest in ensuring access to foreign oil sources.”⁴⁷ President George W. Bush's Energy Policy went so far as to recommend that energy security be a priority when discussing trade negotiations and foreign policy.⁴⁸ The West's economic viability is clearly linked to the guarantee of oil from the Middle East which in turn is reliant upon the regional stability that the United States provides each year through trade, economic and military aid, and diplomatic policies.

THE ECONOMIC AID FACTOR

The United States commits tremendous sums of money and equipment to the Levant each year in an effort to influence the region's economic viability and to propel the Peace Process to a comprehensive and lasting conclusion. From 1974 to 1999, the United States provided \$51.8 billion in economic assistance programs, \$9.9 billion in loan guarantees, and \$3.8 billion in export financing. In all, the United States has provided the Levant over \$5.8 billion per year in economic and military assistance which amounts to over \$230 billion in 1999 dollars.⁴⁹

United States' economic support has generally been in the form of foreign aid for specific programs, regional cooperation efforts to include economic summits and development agreements, and promotion of trade and investment with the regional players and third-country partners.⁵⁰ The United States uses its economic assistance and military arms sales programs as a means of leveraging, influencing, and sometimes coercing the Middle East nations into achieving regional stability through economic development and military parity. Although many U.S. economic engagement policies are aimed at helping to promote the Peace Process rather than for purely regional economic assistance, they have arguably helped to instill relative stability and some economic viability in the region since the signing of the 1979 Camp David Peace Accords.

Attempting to correlate peace with economic viability is often heavily disputed. Some would question why economic assistance is necessary at all as peace should be its own reward, with the added benefit of providing economic stimulus to the peace partners.⁵¹ The idealistic understanding of the correlation between peace and economic stability would conclude that if a country has a stable, peaceful environment, it will spend less on military arms, freeing up more of its gross domestic product for economic and social expenditures, and therefore, increasing economic growth. Additionally, regional Middle East peace and stability should increase the likelihood for outside investors and increase tourism, thus triggering more trade and growth. However, if peace is good for economic development, then economic stimulation to help promote peace, whether from outside sources or internal policies, should be seen as the natural corollary.

A good example of the link between regional stability and economic growth, specifically in the area of tourism, can be seen in Israel. In 1994, after the Oslo Accords were signed between the PLO and Israel, hotel occupancy rates in Israel were approximately 60% and tourism was flourishing. By the end of 2001, after approximately 18 months of violence resulting from the second *intifada* (Arabic for uprising), the hotel occupancy rate had dropped to less than 40% with the tourism industry suffering huge financial losses.⁵² Devastation to the Palestinian tourism as a result of the *intifada* is even more dramatic. Hotel reservations in the Gaza Strip have gone to essentially zero with the West Bank and Gaza tourism industry down over 80% since the beginning of the *intifada* in September 2000.⁵³

However, the connection between investment (generally foreign aid) and peace and stability isn't always obvious when the data is deciphered. The realist could argue that the presence of a strong military, accomplished through high security investment, enhances regional security which would then increase foreign investment and economic viability. There is

some degree of evidence to back up this premise. For example, South Korea and Taiwan clearly demonstrate high economic growth in spite of large military expenditure.⁵⁴ Therefore, in the realist's mind, foreign economic aid to the region, while helpful, would not necessarily be the most crucial component for economic development.

Economic disparity between the negotiating partners is often seen as an obstacle to peace agreements and regional stability. A country's economic strength may be used as leverage in peace negotiations as the weaker country usually has more to gain from peace, such as improved trade agreements and economic stimulus packages (in the form of international bank loan guarantees, debt forgiveness, grants, etc.) than the stronger country. Therefore, the stronger country may require more favorable peace terms (and be a barrier to peace) than if both countries were economically sound. To understand the disparity between countries and the influence that economics might have on their decision making, Tables 1 and 2 show the GDP per capita and the GDP growth rate, respectively, for Jordan, the Palestinian Authority (PA), Egypt, and Israel (note — 2001 data are estimates only).

	1994	1995	1996	1997	1998	1999	2000	2001
Jordan	1394	1430	1532	1533	3500	3500	3500	4200
Egypt	762	810	832	1218	2850	2850	3600	3700
PA	-	-	653	1600	2000	2050	1500	1000
Israel	14,150	15,014	15,870	16,368	18,100	18,300	18,900	20,000

TABLE 1. GDP PER CAPITA (\$) ⁵⁵

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Jordan	5.6	8.5	5.9	0.8	2.2	2.0	2.0	2.0	2.8
Egypt	2.5	3.9	4.7	4.9	5.0	5.0	4.0	4.0	2.5
PA	-	-	-	3.3	2.1	2.8	4.9	-7.5	-35.0
Israel	3.5	7.5	7.1	4.5	1.9	2.1	2.1	5.9	-0.6

TABLE 2. GDP GROWTH RATE (%) ⁵⁶

As can be seen in the above tables, in dealing with its neighbors, Israel clearly has a more vibrant economy and standard of living and could be influenced from outside economic stimulus the least. However, since the second *intifada* began in September 2000, its GDP growth rate is beginning to decline significantly, indicating that economic viability and peace are intertwined

with the probability that the relationship could be significant. Also shown is that since the second *intifada*, the PA economy is in massive decline. Unemployment is over 40 percent as would be expected since the majority of its trade is with Israel, and hundreds of thousand of Palestinians who used to work each day in Israel are now prevented from entering because of security restrictions and closures.⁵⁷ Therefore, the potential leverage that the United States has with its economic assistance programs to these two regional players is considerable.

How much has the United States provided in economic aid to the Levant each year and has it helped the Peace Process? Let's look at four key members: the PA, Jordan, Israel and Egypt.

Palestinian Authority

During the 1980s, U.S. aid to the West Bank and Gaza Strip was limited to primarily small humanitarian support programs because of the PLO's support and sponsorship of international terrorism, and because the PLO charter did not recognize Israel's right to exist. It wasn't until the PLO and Israel signed the Declaration of Principles agreement (DOP) in September 1993 that U.S. aid to the Palestinians increased dramatically. The United States pledged \$100 million per year to the PA for the period of 1993 to 1998, representing 11.9% of the total world pledge of \$4.2 billion. After the Wye River Memorandum was signed in October 1998, the United States authorized an additional \$400 million in economic support funds (ESF) to be administered through the United States Agency for International Aid (USAID).⁵⁸ An additional assistance effort of approximately \$75 million per year was donated each year between 1993 and 1998 for the United Nations Relief and Works Agency (UNRWA) which provides the majority of support to the Palestinian refugee camps inside the West Bank and Gaza.⁵⁹

In summary, the United States has pledged over \$1.2 billion since 1993, although only about 70-80% has been disbursed. It can be clearly seen that economic viability is an important part of regional stability for the Palestinian Authority. The United States provides considerable economic support to the PA to assist them with developing their economy and infrastructure. The United States can and has provided significant influence on the Peace Process through economic policy leveraging, and has pledged to provide even more help should the necessary political reforms and security conditions be met by the PA. These pledges and reform conditions were announced by President Bush in his policy speech in June 2002 and included such reforms as a change in political leadership for the PA, economic reforms, and clamping down on all terrorism emanating from Palestinian controlled territories. President Bush's policy will be discussed in greater detail in another section.⁶⁰

Jordan

The U.S. economic aid program to Jordan has never been very substantial. During the 1980s, the United States distributed only about \$50 million per year in economic assistance to Jordan. After the Gulf War, economic assistance dropped to less than \$43 million per year because of King Hussein's lack of coalition support against Iraq during the war. After Jordan signed the 1994 Jordan-Israel Peace Treaty, the United States decided to provide economic stimulus to the agreement by giving debt relief to Jordan totaling almost \$700 million over the next five years and encouraging other nations to do the same. The United States continues to push for economic assistance to Jordan to ensure their continued partnership in maintaining full peace with Israel. From 1997 through 1999, the United States provided Jordan with an additional \$417 million in economic assistance.⁶¹ Additionally, following the Wye River Memorandum in 1998, Jordan received \$100 million in ESF from the United States⁶²

While Jordan has never received anywhere near the same level of annual aid for making peace with Israel that Egypt received for its peace agreement at Camp David in 1979 (e.g., Jordan has received only \$37 per capita annually, compared to Egypt's \$71 per capita and Israel's \$960 per capita)⁶³, the United States continues to view Jordan as a key partner in the region and continues to seek ways to expand its aid program. Jordan has stated that it sees economic assistance as U.S. commitment to Jordan and as recognition of the strategic importance that Jordan has in the region.⁶⁴

Egypt

The United States has a long history of providing economic assistance to Egypt, even when relationships were strained as a result of Egypt's aggressiveness towards Israel. After the 1973 October War, the U.S.-Egyptian relationship was at a very low point, but the United States still provided \$200 million per year in food aid through 1985. During the 1970s, Egypt's economy was floundering due to socialistic policies left over from the days of Nasser's government. Egypt was borrowing heavily and its foreign debt reached dangerous proportions. After the 1978 Camp David Peace Accords were signed, the United States substantially increased military and economic aid to Egypt as a "peace dividend" and in order to promote Egypt's prominence in the Middle East. As a new strategic regional ally and a leader of the Arab world, it was necessary for the United States to improve Egypt's struggling economy and enhance its military capabilities (and to replace decades of Soviet military influence in Egypt).

Economic aid has been primarily in the form of cash assistance, commodity import programs, and development project assistance. Cash assistance programs (approximately \$265 million per year) are used extensively to enhance economic reform while the commodity import programs (directed by Congress not to exceed \$200 million per year) help finance the import of U.S. equipment and commodities. Over \$350 million per year is given to Egypt for developmental projects such as electricity, water, and sewage infrastructure improvements. In the 1999, the United States cut economic aid to Egypt (and Israel) by about 5% in an effort to increase funding for Jordan, not because of wavering support for Egypt.⁶⁵

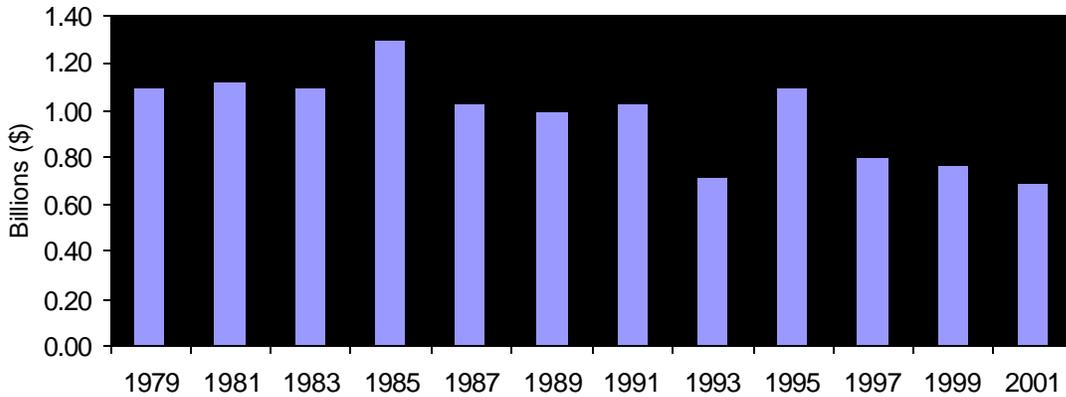


FIGURE 1. U.S. ECONOMIC AID TO EGYPT⁶⁶

Figure 1 shows the economic assistance that the United States has provided Egypt since the Camp David Accord, and demonstrates the importance the United States places on maintaining Egypt's regional economic viability. United States' economic aid, though getting smaller, remains vital to Egypt's economy (approximately 3% of Egypt's GDP), and critical to the U.S. national strategy. The overall goals for assisting Egypt have not changed substantially since 1979 — to keep the Peace Process alive between Egypt and Israel, to keep nudging the Egyptian government towards a more democratic state, to assist the Egyptian government with keeping the Islamic extremists within its borders in check, and to promote Egypt as the Arab power in the region.

Israel

Israel is by far the largest recipient of economic aid in the Middle East. Small economic assistance aid began to flow to Israel in the 1960s but it wasn't until after the 1973 October War that the United States began to invest heavily in Israel's economy. Between 1967 and 1974, the United States provided only \$156 million in economic aid. The United States was much more

interested in investing in Israel's security structure than its economy for obvious reasons. Israel's economy after the 1973 October War was weakened but sustainable. However, they had fought two major wars within six years against Arab countries armed with Soviet equipment, and the United States was determined to counter that presence with military aid and to bolster Israel's sagging economy.

Beginning in 1979, the United States dramatically increased its economic assistance programs to Israel in response to the Camp David Peace Treaty. It was vital to U.S. national interest to protect and improve Israel's security in part through improving its economic viability. This was accomplished through grants, loans, and cash supplements. During Israel's economic crisis of 1985, the United States provided Israel with additional cash infusion to help relieve its growing debt from military expenditures; primarily as a result of its wars in Lebanon (Israel's debt had climbed from \$11 billion to \$21 billion by 1986).⁶⁷ Economic aid has averaged approximately \$1.2 billion since 1986. In 1986, total aid (military and economic) represented approximately 12% of GDP, but by 1998, U.S. aid had been reduced to approximately 3% of GDP.⁶⁸ Figure 2 graphically depicts the U.S. aid to Israel from 1977 to 2001 in current year dollars.

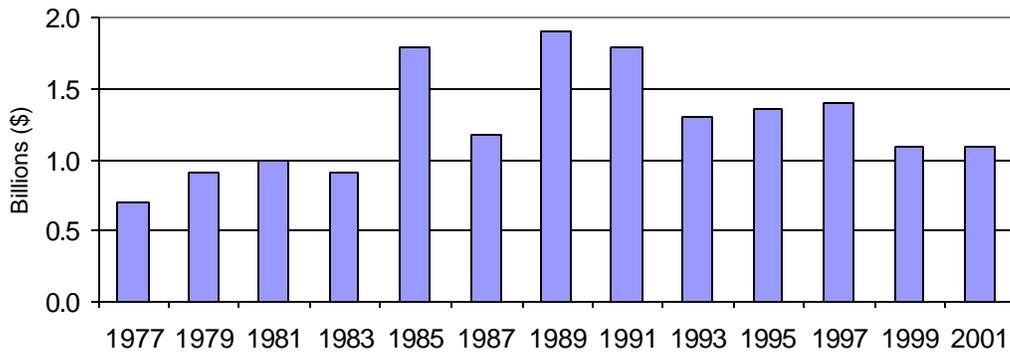


FIGURE 2. U.S. ECONOMIC AID TO ISRAEL⁶⁹

While still substantial, U.S. economic aid has become less influential in Israel than in other countries in the region, primarily due to Israel's strong economy relative to its neighbors. However, economic leverage has been used successfully in the past. In 1991, the United States agreed to provide Israel \$650 million in additional aid as partial reward for staying out of the Gulf War, to assist Israel's economy which was severely weakened by the war, and to assist with Israel's resettlement of former Soviet Union immigrants that were flooding the country after the breakup of the U.S.S.R. This amount later became a loan guarantee but was delayed by

the United States in order to influence the on-going peace initiatives the Bush Administration was developing in Madrid to bring Israel, Arabs, and the PLO to the negotiation table.⁷⁰

President Bush also objected to Israel's policy (under Prime Minister Yitzhak Shamir), of expanding its construction of settlements in the Occupied Territories to house hundreds of thousands of immigrants from the former Soviet Union. Israel's settlement policy has been one of the major stumbling blocks for Israeli-Arab peace negotiations since construction first began after the 1973 October War. Secretary of State Baker publicly stated in early 1992 that the United States would "support loan guarantees for absorption assistance to Israel up to \$2 billion a year for five years, provided though, there is a halt or end to settlement activities."⁷¹ When Shamir openly opposed the Bush policy and accelerated settlement construction, a more moderate Yitzhak Rabin won the summer elections and the settlements were promptly halted (at least temporarily) demonstrating that the United States could successfully leverage its economic assistance programs to influence Israeli policies. This was seen as a major victory for the United States and its ability to influence the Peace Process.

The primary arguments for providing economic aid to the region are: to continue to enhance Israel's and key regional allies' security needs, to stimulate economic growth, and to promote regional prosperity while enticing Israel and its Arab neighbors to be more willing to pursue the Peace Process. Additionally, it is highly probable that economic aid could be used (and has been used in the past) as a leverage to urge recipients to move forward. However, as much as economic engagement has influenced the region, military support to the Levant has even more potential as political leverage.

THE MILITARY ARMS SALES FACTOR

The U.S. engagement strategy of selling military arms to foreign countries has many purposes other than to benefit U.S. defense industrial manufacturers, which has often been the claim of many arms control activists. While there is considerable merit for maintaining a viable defense industrial base (which will be discussed later), since the end of WWII the trade in military arms has primarily been used as a critical strategic planning element when developing U.S. foreign policy to support national interests.⁷² In 1985, former Secretary of State George Shultz declared in a letter to Congress requesting foreign military assistance aid that "the programs presented here constitute the predominant proportion of what is, in effect, the foreign policy budget of the United States...It is that portion of the total Federal budget which directly protects and furthers U.S. national interests abroad [and by which] we contribute to the military capabilities of a friendly or allied country against a common threat."⁷³

President Clinton strengthened this notion when he released the Conventional Arms Transfer Policy as part of his Presidential Decision Directive 34 (PDD-34) in which his administration viewed “conventional arms transfers to be a legitimate instrument of the United States foreign policy when they enable the U.S. to help allies and friends deter aggression, promote regional stability, and increase interoperability of the U.S. and allied military forces”.⁷⁴ Foreign arms sales must be approved on a case-by-case basis, but the policy guidance was broad enough to allow most sales to proceed if they support U.S. national interests and foreign policy objectives. Supporting friendly nation states with military preparedness or attempting to influence national policy in neutral-to-unfriendly nations is, therefore, a principle focus of the U.S. military sales program that has developed over the last half-century.

There are those who argue that the arms transfer program is a no-win affair that can only destabilize regions rather than strengthen them over time. Arms control advocates argue that when nations acquire arms, they do so to gain superiority over their adversaries rather than primarily for defensive purposes. They further argue that this results in a continuous cycle of arms races, ultimately resulting in probable preemptive strikes if a country believes it can no longer afford to match weapon system for weapons system with its enemies or feels that they are losing the regional arms race. Critics have used the Middle East as an example of this theory by citing the numerous Israeli-Arab wars.⁷⁵ However, Middle East history has shown that there are myriad underlying reasons for the Israeli-Arab conflicts that have little to do with perceived military superiority of the Israelis over the Arabs or vice versa. In fact, since the signing of the Camp David Peace Accords in 1979, and despite the considerable investment in military equipment by both Israel and Egypt — coupled with the 1994 peace agreement between Jordan and Israel — an all out regional war is generally considered by most experts as less likely now than at anytime in the past 40 years.

Other arms control advocates argue that the arms-for-security theory, which asserts that client states (arms receivers) will be strategically influenced by patron nations (arms sellers) as the clients become more dependent on the patron for security requirements, is fundamentally flawed. Their counter-argument is that the client state will, in fact, become the more dominant, politically, than the patron (a condition termed “reverse dependency”). This would occur, in theory, when the client state eventually demands more and more arms in exchange for providing favorable patron state policies (e.g., allowing patron state military landing rights or over-flights in times of emergency).⁷⁶ However, it is equally arguable that even should client states become more demanding, in times of global crisis, the United States must still rely upon nation states that are reasonably friendly in critical regions of the world such as the Middle East,

and that costs to maintain those friendships are secondary. Military arms sales is one method of helping to ensure that regional states remain reasonably friendly and heavily dependent on United States support for their security needs.

There have been other reasons for providing military arms sales to the Levant. During the 1970s and 1980s, the United States was aggressively seeking to counter the proliferation of Soviet arms sales to many regions in the world, especially the Middle East. It was attempting to maintain military parity among antagonistic states, while also endeavoring to minimize the Soviet influence in the region. After the fall of the Soviet Union, their dominance in the world's arms trade diminished dramatically, but military sales continued in the Middle East with the void now filled by the United States, as well as by France, Great Britain and other European countries eager to expand their military sales export market. The United States remains committed to maintaining its status as lead arms supplier to the region for economic and strategic reasons.

Another less obvious reason for supplying U.S. arms and equipment to the Levant is the considerable interoperability benefit derived from having U.S. military equipment in the countries in the event of U.S. military involvement in the region. Should the United States be required to become militarily engaged in one of the countries in the region, working with host nations that are equipped with similar U.S. arms will benefit both nations from both a logistics and operational support requirement. Additionally, the United States has gained extensive testing data on the survivability and field operational capabilities of U.S. equipment, as well as the weakness and strengths of Soviet equipment, under actual combat conditions. The Israeli Defense Force (IDF) was equipped with primarily French and limited U.S. equipment in the 1967 War, but by the 1973 October War the United States was the predominate supplier of military equipment to the IDF. The Arab armies, on the other hand, were primarily supplied with Soviet equipment until after the 1979 Camp David Accords. In these two major conflicts, the United States gained valuable combat survivability data on its manufactured equipment as well as the operational effectiveness of that equipment. Even today, as the IDF make extensive use of U.S. supplied equipment in the conduct of their security operations, the United States continues to receive valuable lessons learned on equipment survivability, lethality, dependability, and maintainability.

But how much influence or leverage does the United States exert with its military arms sales engagement policies to the Levant? Are the U.S. arms sales programs in the region significant or secondary? To answer those questions, we will look at the role the United States

has in the global arms market, their significances to the Levant security needs and what impact the U.S. arms policies have had on the Peace Process.

U.S. Arms Export Business

The global market for military arms sales is big business. The United States leads military arms exports worldwide and has for much of the 1990s. During 1999 the United States alone exported more than \$33 billion in arms, accounting for over 64% of the world total, and representing a 52% increase in market share since 1989. As further evidence of the dominance of the United States in international arms trade, between 1997 and 1999, of the 43 countries with over \$500 million in arms imports, 23 of them obtained at least two-thirds of their imports from the United States.⁷⁷ Figure 3 shows the global dominance of U.S. arms sales since the breakup of the Soviet Union and their subsequent decline in prominence in the world arms market.

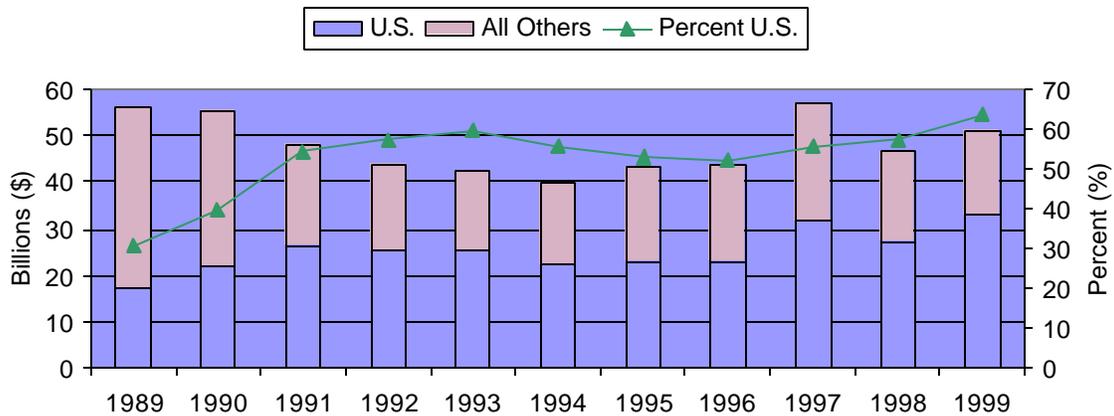


FIGURE 3. U.S. ARMS DELIVERIES WORLD MARKET SHARE⁷⁸

While foreign military arms sales are substantial, military arms trade represents only about 5% per year of the total U.S. export business.⁷⁹ However, these sales are vital for the survivability of the U.S. ever shrinking military industrial base complex.

The United States dominates the arms production industry. Seven of the top ten sellers of military hardware throughout the 1990s were U.S. companies to include defense industry giants such as Lockheed Martin, Boeing, Raytheon, and Northrop Grumman. Many of these companies rely primarily on arms manufacturing and sales for their survivability. For example, approximately 65% of Lockheed Martin's total sales are in military hardware. Other companies are even more reliant upon arms sales for their business survivability. A large portion of these companies' arms sales are for overseas export either as Department of Defense Foreign

Military Sales (FMS) or commercial sales. For example, in 1998, Boeing's FMS sales were \$1.4 billion, representing over 22% of the total U.S. market share.⁸⁰ Furthermore, overseas sales are, in general, the most lucrative for defense contractors. This allows contractors to focus their stateside efforts on research and development to provide the Defense Department with needed technological innovations. As defense contractors continue the process begun in the 1990s to consolidate, reorganize, and aggressively pursue the shrinking global arms market, it is imperative that the overseas market remains a viable option for those few companies that still develop U.S. military hardware and technology. They must continue to be profitable and competitive in the world market so that the United States can meet its own national security military equipment needs at reasonable costs.

U.S. Arms Sales to Developing Nations

Arms sales agreements to developing nations — defined by the Department of State as all nations except the United States, Russia, European countries, Japan, Canada, Australia, and New Zealand — account for the largest market share of world arms sales. During the period 1994-2001, world wide arms transfers to developing countries accounted for over 68% of all arms sales.⁸¹ Since 1992, the United States has been the global leader in arms deliveries to developing nations averaging approximately 40% of the world market share each year. The United States delivered \$82.7 billion (in constant 2001 U.S. dollars) in arms to developing nations for the period 1994 - 2001 for a world market share of 41.7%.⁸²

The Middle East has dominated the arms sales market for over two decades, consistently ranking first each year for total arms imported until recently overtaken by Western Europe.⁸³ The United States is deeply involved in arms sales to the Middle East countries, and is, in fact, the dominant provider of military arms to the region. During the period 1994-2001, the United States provided the Middle East (to include Saudi Arabia which was by far the largest recipient in the Middle East of U.S. military sales as a result of the policies implemented after the Gulf War) with over 54% of all arms transfer agreements. Between 1998-2001, the United States was responsible for over 70% (\$27 billion) of all arms agreements to the region.⁸⁴

United States dominance of arms sales to the Levant has been even more pronounced. Between 1974 and 1999, the United States sold to the Levant \$167 billion in military equipment, provided \$72 billion in military financing, gave \$1.8 billion of U.S. equipment, and provided \$1 billion for missile defense and antiterrorism assistance.⁸⁵ Overall arms sales to the Levant (and to the Middle East in general) steadily fell in the 1990s as a result of post-Cold War military industrial base consolidations and to the United States and European military drawdowns.

However, the U.S. share of that market rose from under 40% prior to the Gulf War to about 80% by 1998, primarily as a result of the Soviet Union breakup. Since 1994, total U.S. arms sales to the Levant have equaled almost four times the combined sales of all other countries to the Levant.⁸⁶ Figure 4 shows the amount of U.S. military arms deliveries made to the Levant since 1990 in current year dollars and demonstrates the U.S. large market share of the sales.

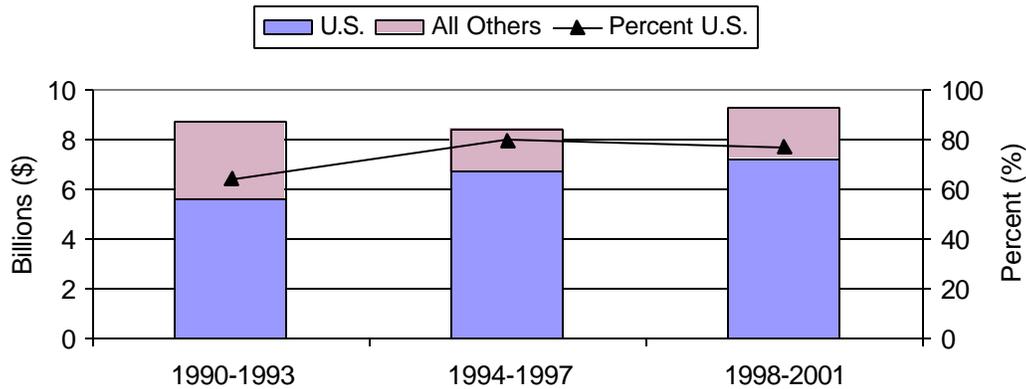


FIGURE 4. ARMS DELIVERIES TO THE LEVANT⁸⁷

After signing separate peace agreements, Egypt, Israel and Jordan have become highly dependent upon U.S. equipment for their security needs. An example of the Levant's dependence on arms from the United States is clearly shown in Figure 5 for the period 1997 to 1999. Since 1983, military aid to Egypt has averaged \$1.3 billion per year and military aid to Israel has averaged \$1.8 billion, the two largest recipients of annual U.S. military aid.⁸⁸

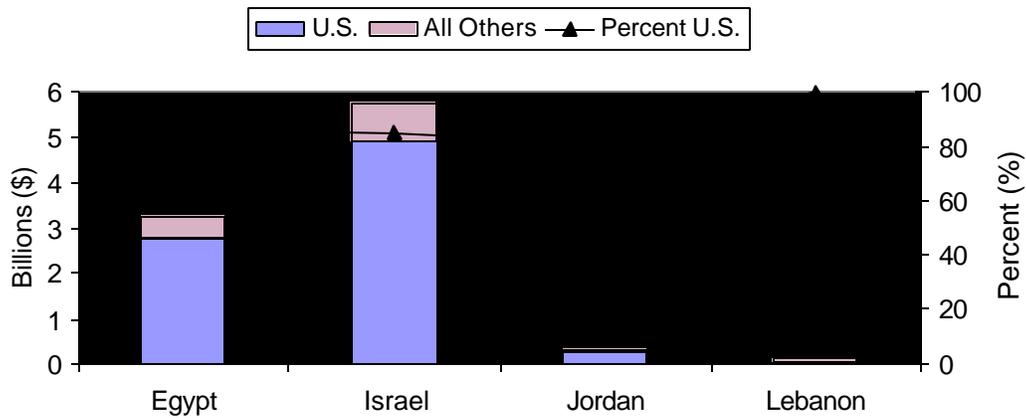


FIGURE 5. ARMS TRANSFERS FOR 1997-1999⁸⁹

LEVERAGE AND THE PEACE PROCESS

POST-1967 WAR

Israel is particularly dependent upon U.S. supplied arms, with the United States supplying 80% to 90% of its imported military arms since the late 1970s. Until 1967, arms sales to Israel were fairly modest with the United States providing only about \$100 million in total arms from 1950 to 1967.⁹⁰ The United States was reluctant to provide Israel with more arms for fear of upsetting the regional balance with Arab countries. However, after the 1967 War, the United States began to provide military equipment fairly routinely based on Israel's requests, although every sale was on a case-by-case basis. Some of the first equipment approved by the Johnson administration was fifty high performance F-4 Phantom jet aircraft.⁹¹ Additional arms and military aid were provided to Israel between 1967 and 1973 (approximately \$900 million) primarily as an effort to balance the rapid build-up of Soviet supplied arms to the surrounding Arab countries, but also as a primary means to win concessions from Israel for post-1967 War ceasefire activities. The Nixon Administration believed that it could forge a better relationship and win more concessions if the Israelis felt they were working from a position of strength and security. The United States used arms shipment delays (although the United States would not state so publicly) when the Israelis became distracted from negotiations with Egypt, and then used acceleration of shipments as inducements and rewards with talks resumed. This was the beginning of the U.S. policy of using arms as leverage in promoting the Peace Process.⁹²

During the 1973 October War, President Nixon sent to Congress a request for \$2.2 billion (half in equipment transfers and half for military loan forgiveness) in emergency military aid to Israel only after it looked as though the Israelis might lose the war and as a response to massive Soviet resupply efforts to the Egyptians. The United States provided military equipment during the early part of the war (up to 1000 tons per day using an air bridge)⁹³ but was reluctant to provide massive supplies of arms for fear of escalating the Soviet involvement and an Arab backlash (which proved to be prophetic as the Arab countries launched their oil boycott the day after the aid package was sent to Congress for approval and most Arab countries suspended diplomatic contact with the United States). This lack of a guarantee for a steady resupply of U.S. military arms was partially responsible for the Israeli government agreeing to a cease-fire on October 12, 1973. However, the Syrians and Egyptians refused to accept a cease-fire, and after a direct request by Israeli Prime Minister Meir to President Nixon for additional arms, the United States agreed to provide military equipment immediately by airlift.

The United States simply could not afford to let Soviet arms carry the battlefield nor could they let Israel lose the war.⁹⁴

After the 1973 War, the United States used further release of the \$2.2 billion emergency aid package as leverage to persuade Israel to conduct disengagement negotiations with Syria to include waiving repayment of \$1 billion of the loan during a breakdown in talks.⁹⁵ Additionally, when the United States became convinced that Israel was not being flexible enough in disengagement talks with Egypt in the so-called Sinai II talks, President Ford declared a “reassessment” of the U.S. policy towards Israel which included withholding, delaying or threatened withholding of military and economic aid to Israel. The result was that President Ford and Israeli Prime Minister Rabin met in June 1975 for resumed talks where some Israeli concessions were made and a final agreement was signed in September 1975 in Geneva. As a result of the signing, the United States signed agreements with Israel promising, among other things, to unfreeze arms shipments and meet Israel’s future security needs.⁹⁶

It has been argued that the U.S. leverage was minimized after the 1973 October War because it allowed Israel to dictate the terms of the cease-fires and allowed Syria and Egypt to get concessions from Israel without any lost capital.⁹⁷ While it is debatable that perhaps Israel’s short term security needs were not interrupted by the halting or slowing of arms deliveries during the post-1973 October War cease-fire period, Israel was very concerned about the long term effects of the deliveries as the United States was fast becoming their predominant arms supplier. Economic and military aid used as leverage often means that the United States is only seeking concessions in order to influence the Peace Process, not necessarily trying to win advantages for the United States or another player. Leveraging military and economic aid often takes the form of the “carrot and stick” approach — rewarding participants for positive steps, or withholding aid (or threatening to withhold aid) for intransigence to move the process forward. This methodology would be used repeatedly over the next 20 years of the Peace Process, with varying degrees of success.

CAMP DAVID ACCORDS

The Sinai II agreement in 1975 was the precursor to a final settlement between Egypt and Israel on the issue of what to do with the Sinai Peninsula which the Israelis had occupied since the end of the 1967 War. Israel had no historical claim to the area and was mainly interested in using it as a military buffer zone from Egypt as well as for a vast military training and maneuver area. President Carter came to office in January 1977 determined to bring a comprehensive, lasting peace to the region and began to work towards that end immediately. However, Carter

was also an advocate of slowing down what he considered the dangerous arms race in the region. In May 1977, he announced a new policy in Presidential Directive No. 13 that all arms transfers would be viewed as an “exceptional foreign policy implement” and would be used only when U.S. national security interests were at stake.⁹⁸ Israel was supposed to be exempt but this policy did lead to some suspension and postponement of arms sales previously agreed to by President Ford after the Sinai II agreements. Israel was also restricted from selling the Kfir fighter jet to Ecuador because it contained a General Electric engine and, therefore, fell under the U.S. arms control agreements.⁹⁹ This proved detrimental to the Israeli’s own military industrial economic growth and was an effective, although limited, leverage tool to get Israel to cooperate and be more flexible in reaching agreements with Egypt.

Initial U.S. efforts to open peace negotiations between Israel, Egypt and the several other Arab states were met with mixed results, as the United States was hoping to reach comprehensive settlements with numerous Arab states on all issues. However, it soon became evident that Egypt was interested in forging peace directly with Israel regardless of other Arab states or the PLO intentions, as long as full peace meant returning all of the Sinai to Egypt and evacuation of Israeli settlements from the Sinai. This “peace for withdrawal” proposal would include Israel evacuating security facilities in the Sinai, to include airfields, which the Israelis considered critical to their strategic needs. The United States had decided to use arms transfer agreements as part of the process to get Israel and Egypt to cooperate. In April 1978, when discussions between Egypt and Israel were not progressing well, President Carter asked Congress to approve arms sales which included fifty F-5s to Egypt, sixty F-15s to Saudi Arabia (whose cooperation was considered critical for any comprehensive settlement), and seventy-five F-16s and fifteen F-15s to Israel.¹⁰⁰ Israel’s reaction was one of apprehension as the United States was now providing arms to its Arab neighbors, but the point was made: if Egypt and Israel wanted security assistance from the United States, they would have to a develop meaningful dialogue.

During the Camp David talks in September 1978, Israel was reluctant to give up its strategic airfields in the Sinai. Israel was highly dependent upon its air superiority for its national defense, and its two major bases in the Sinai — Etzion and Eitam Airbases — were critical components of Israel’s defense strategy. Once again the United States used military aid as an inducement for moving the Peace Process forward, and pledged to provide “support” for new airbases in Israel to replace the ones they would evacuate. After the historic signing of the “Framework for Peace in the Middle East” on September 17, 1978 at Camp David, the United States was still very much interested in halting Jewish settlement activities in the West Bank,

even though this topic was purposely excluded from the final Camp David agreement. President Carter managed to win a three month freeze on settlement activities from Prime Minister Begin so that the final Egyptian-Israeli peace treaty could be worked out. With this small win, President Carter authorized support for replacing Israeli air fields.

Secretary of Defense Harold Brown sent a letter to Israel's Defense Minister Ezer Weizman in March 1979 stating "in the context of the peace treaty between Egypt and Israel, the United States is prepared to provide extraordinary assistance in order to help Israel in relocation of Sinai military facilities to the Negev."¹⁰¹ The eventual arrangement would be for the United States to provide the construction costs and supervision, using the U.S. Army Corps of Engineers as the construction execution agent, for two new state-of-the-art airfields to be built at Ramon and Ovda. Construction was to begin in 1979 and had to be completed within three years at which time the Israeli would evacuate the existing Sinai bases as agreed at the accord.

During the interim negotiations between the signing of the "Framework for Peace in the Middle East" in September 1978 and the signing of the final peace treaty on March 26, 1979 at the White House, intense negotiations between Carter, Begin, and Sadat ensued. Promises of U.S. economic and military aid (and implied threats of withholding aid) were used extensively as part of the negotiation process. Following the successful signing of the Peace Treaty, President Carter submitted a supplemental aid request to Congress requesting \$3.3 billion in economic and military aid (including the "plane package" discussed above) to Israel which included the \$800 million as a FMS grant for construction of the airfields beginning in 1979. More significantly, the United States pledged for the first time considerable military assistance to Egypt (\$1.5 billion) including state-of-the-art military equipment.¹⁰² This was in addition to the existing 1979 foreign aid appropriation of \$1 billion to Egypt and \$1.8 billion to Israel.¹⁰³ The United States also agreed to provide troops as part of the international monitoring forces beginning in 1982, called the Multinational Forces and Observers (MFO); a non-UN mission. The United States currently provides over 47% of the troop support (an infantry battalion, a support battalion, and staff support) to the operation.¹⁰⁴

FROM LEBANON TO MADRID

Using economic and military aid as leverage to influence the Israeli-Arab Peace Process proved to be difficult for the newly elected Reagan Administration. President Reagan entered office in January 1981 determined to downsize the federal government and to aggressively fight communism, which he perceived as a growing influence around the world. To the Reagan administration, the Soviet invasion of Afghanistan in 1979 was further proof that the Soviets'

foreign policy was becoming more aggressive. Reagan was determined to prevent Soviet influence from growing in the Middle East. Therefore, maintaining strong military ties with Israel (who was seen as a strategic ally in the region) and Egypt (who had abandoned Soviet influence after the 1973 October War and was looking forward to the promised massive U.S. aid after Camp David) were considered key national interests.

In June 1982, six Israeli divisions crossed the southern border of Lebanon and launched “Operation Peace for Galilee” to remove the PLO military threat along Israel’s northern border.¹⁰⁵ However, the Israelis also intended to completely destroy the PLO and, if operations went well, to also remove the Syrian presence from Lebanon. Most of the PLO, to include Yasser Arafat, was eventually evicted from Lebanon but the Syrian presence, while militarily defeated, did not significantly decrease. Internal Lebanese militias intensified the struggle for control of Lebanon leaving Israeli and multinational forces (to include U.S. Marines) caught in the middle of the conflict.

The Reagan Administration, eager to end the conflict in Lebanon and seeing an opportunity with the eviction of the PLO from Beirut, initiated a separate peace initiative in August 1982, eventually dubbed “The Reagan Plan” — a Jordan-Israel solution to the West Bank and Gaza. The plan opposed both Israel’s annexation of occupied land — Israel had annexed the Golan Heights in December 1981 — and the establishment of an independent Palestinian State. The plan also stated that Israel should honor withdrawal provisions specified in UN Resolutions 242 and 338. Israel disagreed with the withdrawal provisions and rejected the plan.¹⁰⁶ The United States immediately attempted to use arms leverage by withholding the sale of previously approved F-16s, and President Reagan asked Congress to reduce the aid to Israel for Fiscal Year 83.¹⁰⁷ These measures had some, though probably limited, effect on Israel’s actions in Lebanon as the United States was still very interested in maintaining close ties with Israel in order to, among other reasons, gain intelligence information of Syrian military capabilities. Syria was using state-of-the-art Soviet-supplied equipment in Lebanon, including advanced SS-21 missiles, which the IDF were successfully neutralizing.¹⁰⁸ The United States was also very interested in maintaining strategic ties to Israel as the United States developed plans to negate Syrian (and thus Soviet) influence in Lebanon.

While the United States had limited success in using arms sales as leverage to influence the Israel-Lebanon conflict during the early 1980s, more positive examples of military sales leverage can be seen in U.S.-Jordan relations during this time frame. Shortly after Reagan’s reelection in 1984, King Hussein of Jordan arrived in Washington with a joint Jordan-PLO proposal stating that they would work together to form a “Jordanian-Palestinian confederation” if

Israel agreed to withdraw from occupied territories. Since the United States and Israel refused to negotiate with any PLO member because of its official charter pledging to destroy Israel and condoning the use of violence to implement policy, the joint Jordan-PLO initiative was rejected. King Hussein continued to press for joint Jordanian-PLO dialogue with the United States and Israel, while the United States insisted on direct negotiations between Israel and Jordan without any PLO representation. With no change in King Hussein's position, in February 1986 Reagan withdrew the \$2 billion arms sales program for Jordan to which he had previously agreed in 1982. King Hussein finally became convinced that being closely tied to the PLO was becoming a liability.

In late February 1986, less than a month after Reagan withdrew the arms sales, King Hussein negated the necessity for joint Jordan-PLO participation to future negotiations with Israel. In July 1988, Jordan officially renounced all legal and administrative claims to the West Bank, thus opening the way for Israel to negotiate directly with the Palestinians (but not any member of the PLO) on the future of the West Bank and Gaza without Jordanian presence at the table.¹⁰⁹ Diplomatic contact and dialogue between Israel and Jordan subsequently began to improve, and the Palestinians were now free to develop negotiating positions for any future meeting with Israel, should the Israelis agree to such a meeting. Additionally, international pressure increased for the PLO, as the self-declared representative of the Palestinians, to change its charter if it was serious about negotiations. After numerous attempts to get Arafat to publicly state that the PLO recognized Israel's right to exist, renounced terrorism, and agreed to the conditions of UN Resolution 242, on December 14, 1988, he publicly agreed to these conditions (or well enough for the United States to accept). This announcement opened the way for direct dialogue between the United States, Israel and the PLO.¹¹⁰

President George H. W. Bush brought a new administration into office which believed that only the Palestinians and the Israelis could ultimately settle their conflict. Secretary of State Baker publicly declared that "it is not the role of the U.S. to pressure Israel."¹¹¹ In the late 1980s, U.S.-led talks with the PLO were not going well for numerous reasons, to include continual terrorist attacks in Israel by radical PLO elements. In late June 1990, the United States officially announced suspension of U.S.-PLO talks.¹¹² The situation did not improve when Iraq invaded Kuwait in August 1990, and Arafat supported Iraq. During the Gulf War, the United States exerted tremendous pressure on Israel not to enter the war, even after Iraq launched SCUD missiles into Israel. As part of the agreement to stay out of the war, the United States rushed Patriot missile batteries to Israel to help protect it from the Iraqi missiles, and also promised additional economic aid to help offset any damage caused by the war. Once again

the United States successfully used leverage (political and economic) to promote U.S. national interests and influence regional cooperation.

After the Gulf War, the United States saw an opportunity to re-start the Peace Process. With the cooperation that existed with many Arab countries during the conflict, the United States calculated that the Palestinians (and to some degree Jordan as they had remained neutral during the war) would be in a weaker negotiating position after backing Baghdad and having lost considerable Arab support. It was even seen as a chance to bring Syria into negotiations with Israel over the fate of the Golan Heights. The PLO saw that the Bush Administration was serious about its rejection of settlement activities in the occupied territories (one of the most sensitive issues in the Israel-Arab Peace Process debate) and delayed the Israel loan guarantee request for housing of newly arriving immigrants in 1991, as previously discussed. Secretary of State Baker made numerous trips to the Middle East to convince the players that now was the time for renewed negotiations. Finally, in October 1991, a conference was held in Madrid with the United States, Russia, Israel, Syria, Lebanon, Jordan, Saudi Arabia, and Palestinian representation. This represented the first time that Palestinian representatives were present with Israeli delegates. This was only made possible through the successful leveraging, negotiating, and strong influence that the United States exerted on all parties, especially Israel and the Palestinians, to be flexible. Not the least of the leverages used was the strong implication that further U.S. aid to Israel “would be accompanied by some conditions to slow down the pace of settlements.”¹³ The importance of this economic and military aid could not be underestimated.

OSLO TO WYE RIVER

President Clinton came to office determined to reinvigorate the Peace Process that had stalled once again after the Madrid Conference. However, his administration was not in favor of influencing the parties through direct pressure. During the campaign, Clinton criticized President Bush for using the housing loan guarantee issue to pressure Israel. The Israeli Government still refused to negotiate, at least publicly, with the PLO and preferred to work with more moderate Palestinian leaders not directly associated with Arafat. In fact, secret meetings were beginning to be held between Israeli and Arafat’s negotiators under Norwegian orchestration in which mutual recognition of each other was one of the primary objectives.¹⁴ The result was the Oslo Accord, a series of transitional steps designed to take effect over five years while recognizing Palestinian right to self-determination and Israel’s right to security. The Israeli-Palestinian Declaration of Principles (DOP) was signed officially at the White House in

September 1993. Although the United States was not directly involved in the negotiations, it was quick to use its influence to garner worldwide support for the Accord to include significant international promises of economic aid to the West Bank and Gaza. The United States pledged \$500 million to assist the Palestinians.¹¹⁵

In October 1994, a peace treaty was signed between Israel and Jordan. Furthermore, serious negotiations, under U.S. mediation, were underway between Israel and Syria over the Golan Heights. An additional Israeli-Palestinian agreement was signed in September 1995 (the so-called Oslo II Accord) laying out areas that were to come under direct Palestinian control, and Israeli withdrawal agreements from certain areas of the West Bank and Gaza. The Palestinian Authority held elections in January 1996 and soon afterwards voted to remove all wording in the PLO charter that denied Israel's right to exist.¹¹⁶ Everything appeared to be on track for full peace in the region, but the Peace Process came unraveled following a series of traumatic events: Prime Minister Rabin was assassinated in October 1995, a series of deadly suicide bombers killed more than 50 Israelis in Jerusalem and Tel Aviv in March 1996, Israeli retaliation strikes killed numerous Palestinians and Lebanese in Southern Lebanon, and Israeli-Syrian negotiations came to a halt. Once again, the United States had to come up with a way to reinvigorate the stalled process.

Clinton convinced Prime Minister Netanyahu and PA Chairman Arafat to come to the Wye River Plantation in Maryland in October 1998 for negotiations to break the deadlock of the past two years. Israel wanted additional security agreements and the Palestinians wanted larger (and faster) troop withdrawals from the West Bank and Gaza. In an effort to help both parties reach an agreement, the United States committed itself to providing the PA \$400 million in economic aid, \$300 million to Jordan, and \$1.2 billion in Foreign Military Funding (FMF) to Israel.¹¹⁷ Aid for Israel included \$266 million in FMS construction for relocation of IDF forces from the West Bank to Israel. Construction, to be supervised by the U.S. Army Corps of Engineers, included two new state-of-the-art military training bases, an armored reserve division storage base, and two additional military facility projects.¹¹⁸ After several innovative changes were made to the agreement to help stimulate Israel's sagging economy, both parties signed the Wye River Memorandum on October 23, 1998 with Jordan's King Hussein witnessing the agreement. The United States once again successfully leveraged the prospects of economic and military aid to induce a degree of flexibility in order to reach viable agreements between all parties.

CURRENT U.S. ENGAGEMENT POLICY

The current National Security Strategy (NSS) states that regional Middle East stability is a critical national objective because of the heavy human suffering in the area, Americans' ties to Israel and key Arab states, and the "region's importance to other global priorities".¹¹⁹ The NSS details two revolutionary policy statements that will have significant impact on the Peace Process, i.e., U.S. recognition of a Palestinian State and a call for new Palestinian leadership and democratic reform. These two policy changes were significant in their content but could dramatically impact how the United States conducts its future engagement activities.

President George W. Bush entered office determined not to become as embroiled in the Israeli-Arab conflict as the previous administration had been. Failure to arbitrate agreements between Syria and Israel in 2001 and the failed July 2001 Camp David II Summit convinced the Bush Administration to take a more indirect approach.¹²⁰

Two dramatic events in the world compelled the Bush Administration to develop a more active engagement policy. On September 28, 2000 the second Palestinian *intifada* began. A visit by Israeli's Likud Party Leader (and later Prime Minister) Ariel Sharon to the Muslim holy site of Haram al-Sharif in Jerusalem sparked a violent reaction by the Palestinians and an equally violent response by the Israeli government.¹²¹ Almost 2300 Israelis and Palestinians have died in the second *intifada* conflict to date.¹²² In order to halt the cycle of violence, President Bush was obligated to reinvigorate the stalled Peace Process.

The second event was the terrorist attacks in the United States on September 11, 2001, and the subsequent U.S.-led War on Terrorism (WOT). As the Bush Administration tried to rally the Arab world to support the WOT, his emissaries were repeatedly asked why the United States was not using its influence to resolve the Israeli-Palestinian conflict as a prelude to the WOT.¹²³ To these countries, solving the Middle East conflict took priority over the WOT.

Secretary of State Colin Powell delivered the first consolidated presentation of the developing Israeli-Palestinian policy in a speech on November 19, 2001.¹²⁴ In his speech Powell stated the U.S. vision of peace in the region is for two states, Palestine and Israel, living side-by-side. This was a critical elaboration to an earlier speech by President Bush to the UN General Assembly where for the first time the United States called for the creation of a separate Palestinian state. In March 2002, the United States sponsored UN Security Council Resolution 1397 calling for two states, Palestine and Israel, to live side-by-side within secure and recognized borders.¹²⁵

After several more months of public debate, President Bush delivered his long-awaited policy speech on June 24, 2002 in which he further defined the U.S. vision for settling the

Israeli-Palestinian conflict as well as reiterated the major points of Secretary Powell's speech of November 2001. Significantly, for the first time in a major policy speech, Bush urged the Palestinians to elect new leadership "not compromised by terror" that will engage in dramatic reforms based on democratic principles rather than on terrorism and corruption. President Bush stated that when the Palestinians have "new leaders, new institutions, and new security arrangements with its neighbors, the U.S. will support the creation of a Palestinian state whose borders and certain aspects of its sovereignty will be provisional until resolved as part of a final settlement in the Middle East."¹²⁶ The President estimated that a final settlement agreement could be reached in three year, if all parties worked hard at reaching comprehensive solutions.

President Bush has made it abundantly clear that the United States remains committed to the Peace Process. It continues to work hard to bring all parties to reach comprehensive, reasonable objectives that include security for Israel, and statehood and self-determination for Palestinians. The President has made it clear that the full weight of the United States is behind helping the Israelis and Palestinians reach these objectives, and that appropriate support (i.e., economic and military assistance) will be forthcoming to assist with these goals. However, President Bush has taken a hard line on terrorism and puts the blame firmly at Arafat's feet for not doing enough to control the terrorist activities of the radical Palestinians in the West Bank and Gaza. But pressure is also on Israel to comply with long-standing U.S. objections, namely to freeze settlement activities in the occupied territories and to comply with UN Resolutions 242 and 338. The U.S. engagement strategy remains active yet constrained with no support for direct presidential involvement, ala Camp David II; preferring instead to a phase approach that will first instill confidence in the two antagonists, see a halt to terrorist attacks, and then a gradual building of peace negotiations, picking up where Oslo and Wye River left off, and using the framework established in the 2001 Mitchell Plan.¹²⁷

THE NEGATIVE ASPECTS OF ACTIVE ENGAGEMENT

During its engagement activities, the United States has consistently attempted to maintain "flexible neutrality" when pursuing the Peace Process, determined to treat each member in the negotiation process equally. Leverage tied to economic or military assistance has been applied to all players with rewards for flexibility, or withholding of support during periods of inflexibility, appropriately portioned out to both Israel and Arab states with equal fervor. Even though the United States is an ardent supporter of Israel, and has been since being among the first countries to officially recognize the newly declared state in 1948, Israel is still often the recipient of the harshest criticism from the White House or Congress for its intransigence during

negotiations, for its often aggressive behavior towards Palestinians, or for other acts seemingly contrary to the Peace Process.

However, regardless of its approach to neutrality or its public criticism of Israel, in the eyes of the Arab world (and much of the rest of the world), the United States remains intimately linked to Israel and, therefore, equally responsible for Israeli actions. It should be remembered only Jordan, Egypt, and the PA (some argue this) recognize Israel's right to exist. To many Arab countries, Israel continues to be the enemy. Therefore, by extension, the United States, as Israel's principle supporter, is also seen as "the enemy." This has led many analysts to suggest that if the United States was less engaged or at least more "balanced" in its approach to the Israel-Arab Peace Process, it would be less distrusted by the Muslim world and less likely to be targets of Islamist terrorism.¹²⁸

Islamist terrorism has been on the rise worldwide for the past 40 years, and attacks on U.S. personnel and property have become increasingly violent: embassy bombings in Lebanon, Tanzania, Kenya, and Pakistan; bombings of military targets in Saudi Arabia, Lebanon, Germany, and Yemen; kidnappings and murders in Lebanon; hijacking of airlines; and of course, the September 11, 2001 terrorist attacks in New York and Washington, D.C. But what are the reasons for so much hatred against the United States by a growing portion of the Islamic world? Is it simply our association with Israel that draws the wrath of the Islamic extremist? Osama bin Laden stated that was precisely one of the primary reasons for his hatred of the United States.¹²⁹ Or, is the reason jealousy for western successes, freedoms, and wealth of which the United States is looked upon as the global leader and, thus, the global "Satan"? These questions have been, and will continue to be, debated for years, especially after the 9/11 attacks. There are no simple answers as to why much of the Islamic world dislikes the United States but the support that it provides to Israel is often cited as a principal reason.¹³⁰

However, to use fear of Islamic resurgence and attacks on the United States as the primary reason to disengage from the Middle East Peace Process is unreasonable and goes against historical facts. Even if the Camp David II peace talks in the summer of 2000 would have been successful (during which Chairman Arafat rejected Prime Minister Barak's far-reaching compromises), events on September 11, 2001 would still have happened. While it may be debatable so say that if the Peace Process was progressing further that some within the Islamic extremist organizations would feel less rage towards Israel or the United States, the growing rise in Islamic terrorism worldwide and their hatred of the United States and Western values in general, has been reaching a boiling point for many years. This can easily be attested by noting the various Islamist terrorist attacks on the United States long before the complete

breakdown of Israeli-Palestinian talks in 2000. To most of the moderate Arab world, the United States presence at helping to mediate the Peace Process is considered essential by helping to insure that Israel and the PA will continue to act responsibly and progressively towards reaching a permanent negotiated settlement.

Another negative aspect of active U.S. engagement could be something termed “American fatigue”, i.e., the weariness that the Arab world and the Israelis may feel from undue U.S. pressure to reach an agreement, or simply the feeling that the United States is getting too deeply involved in their own internal business. During the President George H.W. Bush administration, Israeli Prime Minister Shamir vehemently objected to the Administration’s delay of the \$2 billion loan guarantee for housing new immigrants because the United States objected to using this funding for building immigrant housing in the occupied territories. Settlement construction was something that Shamir felt very strongly about and refused to freeze construction of the settlements and, in fact, accelerated construction.¹³¹ Even Shamir’s opponent in the 1992 election, Yitzhak Rabin, while stating that he supported halting the settlements, objected to having “foreign elements...involved in any internal matter of the State of Israel.”¹³² When Prime Minister Barak came into power in Israel in 1999, he was intent on developing a new model of U.S. engagement activities in the Peace Process, one based on more strategy and less concern with the minutiae of the details. He was very critical of the Clinton team for their micromanagement style during the Wye River talks and publicly stated so.¹³³

President Clinton was determined to reach some sort of Middle East peace agreement before his term expired. The Clinton Administration conducted extensive “arm twisting” to get regional players to numerous meetings in order to reach comprehensive peace agreements. Secretary of State Christopher flew to Syria over 20 times trying to get a peace treaty negotiated between Syria and Israel, all to no avail.¹³⁴ During late 1999 and all through 2000, Clinton and his team presided over Israeli-Palestinian, Israel-Syrian, U.S.-Syrian, U.S.-Israeli, and U.S.-PA meetings at Sharm al-Sheikh (twice), Washington (twice), Shepherdstown, Geneva, and Camp David, even though many of the parties attending knew that no substantive agreement could be reached even before they went.¹³⁵ During the second *intifada*, the second Bush administration has sent numerous special envoys, to include Secretary of State Powell, to the region dozens of times in an effort to bring both parties back to the peace tables and halt the violence. All of these examples of U.S. intervention and attempts at mediation have led some regional leaders to become increasingly frustrated and somewhat critical of the U.S. active policy of engagement. However, as in the Islamist discussion, it is still widely desired among the more

moderate Arabs and Israeli politicians, and especially among the majority of the American population, that the United States maintain a very strong active style of engagement in helping mediate a lasting settlement.¹³⁶

Finally, the most obvious negative aspect of U.S. engagement is the costs that have been discussed throughout this paper. Congress allocates more than \$5.8 billion a year to the Levant in military and economic aid. Included in this total is over \$5 billion given to Egypt and Israel each year and since 1985, most of this aid is in the form of grants. Throughout the 1970s, 80s, and 90s, and during special events (for example, Camp David Accord and Wye River Accords), even more funding has been granted to the countries, including forgiving over \$7 billion in past loans to Egypt in 1990.¹³⁷ Egypt and Israel remain the two largest recipients of U.S. foreign aid each year.

While this price tag may seem steep, the engagement process is not going away anytime soon given the strong Congressional support for resolution of the Middle East Peace Process, and especially given the support for Israel among the U.S. population. In fact, financial support to the Levant is likely to increase in the coming years rather than decrease. For example, in the Fiscal Year 2003's budget, the House Appropriations Foreign Operations subcommittee approved an additional \$200 million to be added to the nearly \$3 billion annual amount given to Israel, and an additional \$50 million for the Palestinians.¹³⁸ This may be considered by some to simply be the cost of doing business in the Middle East. The benefits to maintaining a strong hand (indeed, the strongest hand) in the region, promoting regional stability in pursuit of U.S. national interests, and supporting key allies in the region clearly outweigh the cost of support to most congressional members and to the public.

CONCLUSIONS

Since World War II, solving the Israeli-Arab conflict has consistently been one of the top priorities for every American President with considerable energy, creativity, time, material, diplomatic resources, and especially money devoted to resolving this problem. While every President's ultimate objective has been to establish a lasting peace in the region, the U.S. policy of active engagement in the Middle East Peace Process to reach that objective has varied considerably. The goal has not always been to reach comprehensive settlements with each meeting or dialogue. Sometimes the effort expended by an administration has simply been to energize the parties to renew a reasonable discourse and cease hostilities (e.g., the Mitchell Plan, the Taba Conference, and UN Resolution 242), or establish a framework for future negotiations or implementation procedures (e.g., Madrid Conference, Wye River Accord), or at

other times to try and clinch the elusive lasting peace treaty, sometimes with positive results (Camp David Accords) and sometimes with less than positive results (Rogers Plan, Reagan Plan, Clinton Plan, and Camp David II). Each of these efforts has pushed the Peace Process forward, albeit with subjective ratings of success.

One theory in conflict analysis argues that countries that are economically prosperous and militarily secure will be less likely to wage war with each other — the more parity that exists between antagonists, the less likely that a future conflict could occur. While that theory has its foundations in logic, we have seen that the Middle East conflict often transcends logic with Arab-Israeli animosity and deep-seated distrust for each other going back decades. Distrust is so ubiquitous that often what could be viewed as a gain for Israel (military strength or economic prosperity) is viewed by the Arabs as a loss for the Palestinians or Arab states, and vice-versa. It is this profound mutual distrust that the United States has tried to overcome through its active engagement policies to mediate a peace process that can be viewed by all parties as equitable and just.

In the Middle East, it is said that all politics are business and all business is politics. The United States has determined that while prosperity and security are critical elements in the regional stability equation, active U.S. engagement activities using military and economic aid (business) to leverage, influence, and sometimes coerce can be quite useful to affect the political agenda — the Peace Process — if used decisively at the right time and with the right incentives.

Economic assistance from the United States has had many avenues but has generally been in the form of regional development cooperation programs, promoting regional and worldwide trade agreements, conducting regional development summits, donating foreign aid for specific programs, and promoting outside investment to the region, all in the hope of improving the prosperity of the countries involved. Commercial and governmental military arms sales, military construction programs, joint research and development programs, equipment donation programs, and foreign military funding programs are just some of the means by which the United States assists with providing military security in the region.

What has been the cost of this engagement activity and has it been successful? The cost of engagement has not been cheap. Economic and military assistance provided to the Levant by the United States totals more than \$242 billion (in 2001 dollars) since 1974.¹³⁹ Aid to the region has averaged about \$5.8 billion per year (in 2000 dollars) and has established Egypt and Israel as the largest annual recipients of U.S. foreign aid since 1979. The majority of the aid to Egypt and Israel is in the form of grants rather than loans or direct sales. From 1974 to 1999,

the United States has provided to the Levant over \$52 billion in economic assistance programs, provided almost \$10 billion in loan guarantees, donated almost \$5 billion in food aid, provided approximately \$4 billion in export financing, given approximately \$236 million in other economic assistance programs, sold \$167 billion in military equipment, made available over \$72 billion in military financing, given away \$1.8 billion of excess U.S. military equipment, donated \$1 billion for research and development assistance programs, and provided about \$145 million in military training.

How effective this aid has been in promoting the Peace Process has always been open to much debate. However, this paper has discussed that economic and military aid have been, and continues to be, effective implements in promoting U.S. national interests, when used judiciously. One of the most effective uses of economic aid was in the 1991-1992 \$2 billion per year loan guarantee dispute with Israel. The United States effectively used delaying the loan guarantee to affect Israel's settlement policy, at least temporarily. Furthermore, even if the gains achieved through active leveraging could only be assessed as limited successes, some benefits were inevitably derived as well. For example, U.S. economic aid has shown the Palestinians that the United States does care about the economic prosperity of their people, and this assistance may have helped offset the negative impression that many of the Palestinians have of the United States as being too pro-Israel.¹⁴⁰

There have been several significant U.S. engagement successes. The less obvious ones would include sponsoring UN Resolution 242 which established the basic framework by which all future peace initiatives are based, and the Madrid Conference whereby the United States was able to get all of the key players to a single conference (to include Soviet participation) and, for the first time, Palestinian representatives were also present. Though no tangible results came from that meeting, it is considered by most analysts to have broken the taboo that neither the United States nor the Israelis could negotiate directly with the Palestinians; thus allowing future negotiations to proceed directly between Israel and the Palestinians. One of the primary results of the Madrid Conference was the later signing of the Oslo Accords, which established a set of principles for Palestinian self-determination and Israeli security. Once the Oslo Accords were completed, Jordan immediately negotiated and signed a peace treaty with Israel—another positive outcome of U.S. engagement process established at the Madrid Conference.

The most obvious and visible result of U.S. engagement was the peace negotiations between Egypt and Israel, mediated by President Carter. For the first time, an Arab state signed a full peace treaty with Israel and recognized Israel's right to exist. This set the pattern for other Arab nations, with U.S. mediation, to also attempt separate peace agreements with

Israel. Peace attempts with Syria and Lebanon have been made, and although they have not resulted in peace treaties to date, the United States did establish the framework for future negotiations.

Finally, tangible benefits for the United States are also derived by remaining actively engaged in the Middle East Peace Process. The United States supplies over 60% of the world's arms and over 80% of the arms sold to the Levant. As the Levant's principle arms supplier, it plays a major role in insuring interoperability and maintaining control of what weapons are allowed in the area. This helps to enforce the regional balance of power. Additionally, overseas arms sales generate much needed revenue for the dwindling number of U.S. defense contractors that must continue to stay abreast of technological advances necessary to arm the U.S. military with state-of-the-art weapon systems. These remaining U.S. defense contractors must remain profitable and competitive on the world market so that the United States can economically meet its national security and defense needs.

The Middle East contains approximately two-thirds of the world's oil reserves. The United States receives over one-fifth of its oil from the Middle East each year. Insuring the free flow of oil from the region is vital to U.S. national interests and will remain so in the foreseeable future. However, insuring the free flow of oil from the region for our allies, who are much more reliant upon Middle Eastern oil for their economic viability than the United States, is equally critical. The United States must continue to remain actively engaged in the Peace Process by promoting regional stability through national policies in order to insure that the supply of oil is not interrupted.

While only the Arabs, Palestinians, and Israelis can ultimately decide their fates, it remains the responsibility of the United States, as the leader of the free world, to create the favorable conditions necessary to move the peace initiatives forward. As William Quandt states, "Almost certainly...the United States will be called on to help elaborate the contents of future peace agreements if negotiations are to succeed. Nothing in the historical record suggests that the parties will reach agreement on final-status issues if left alone in direct negotiations."⁴¹

WORD COUNT = 18,884

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