

# MERIA

## **UNDERWRITING PEACE IN THE MIDDLE EAST: U.S. FOREIGN POLICY AND THE LIMITS OF ECONOMIC INDUCEMENTS**

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*The United States has invested huge amounts of financial capital in the Middle East and has seen "check-book" diplomacy as a key instrument for protecting its interests and promoting its policies there. Since, 1973, U.S. aid to the Middle East has provided well over \$100 billion in assistance. Over time, there were different principal reasons for this aid. After 1993, however, this spending was used to play a major role in promoting an Israel-Palestinian political settlement. This article discusses several key issues in this context: What has been gained from this tremendous outlay of resources? To what extent have these vast sums of economic and military aid served American interests? Have economic inducements helped or hindered America's decades' long search for peace between Israel and its neighbors?*

The United States has invested a tremendous amount of financial capital in the Middle East, using its "check-book" as a key diplomatic instrument for promoting American interests in the region. Since 1973, U.S. economic and military aid to the Middle East has topped \$100 billion [See three charts at end of article]. In the past decade, Israel and its neighbors have consumed between one-fourth and one-third of the total American foreign aid budget.(1) During this period, American outlays were used to underwrite an Israel-Palestinian political settlement as part of a comprehensive solution to the Arab-Israeli conflict.

What has been gained from this vast expenditure of resources? To what extent have these large sums of economic and military aid served American interests? Have economic inducements helped or hindered Washington's decades long search for peace between Israel and its neighbors?

This article evaluates the role of positive economic inducement strategies (PEIS) as part of U.S. involvement in Israeli-Palestinian Negotiations in the 1990s.(2) The Middle East represents the preeminent case of using economic and

military inducements to manage a major regional conflict. This study indicates that PEIS are a necessary, but not sufficient ingredient in promoting an Israeli-Palestinian peace settlement. Economic inducements can reassure insecure parties and provide domestic cover for leaders who take risks for peace.

But to be effective, integrated strategies are critical to PEIS utility. Pure "check-book" diplomacy does not work. Neither can PEIS be effective in the absence of basic political will and a political process, as evidenced since the failed Camp David Summit.

Economic inducements also function as diplomatic "follow-through." They can enable the implementation of agreements and sustain step-by-step negotiating processes. Their value is prospective and ongoing, not immediate. At the same time as policymakers consider how they will use PEIS at the negotiating table, they also need to develop a parallel domestic strategy to ensure support at home, without which PEIS may not be available as an instrument.

### **FROM LOAN GUARANTEES TO BILATERAL TALKS, 1991-1993**

At the end of the 1991 Gulf War, Washington immediately returned to Arab-Israeli peacemaking, believing there was a window of opportunity to use the political capital generated by the U.S. victory to revitalize the Arab-Israeli peace process. But unlike the strategy used in the 1974-1975 period, no new aid commitments would be used. This was not only because President George Bush and Secretary of State James Baker felt the coalition victory and increased U.S. prestige would itself induce a new Arab-Israeli dialogue, but also because their diplomatic initiative focused on process and procedure rather than on agreements and concessions. From Washington's perspective, PEIS would not be necessary. But economic inducements did enter the process because Israel injected them. Israeli Prime Minister Yitzhak Shamir's request for \$10 billion in U.S. loan guarantees quickly added a new dimension to U.S. diplomacy and sparked a political showdown between his government and the Bush administration.

The post-war U.S. peace initiative focused on convening a multi-party international conference that would then break into separate, bilateral and multilateral negotiating tracks. Baker made frequent shuttle trips to the region between March and October 1991 in an attempt to find a procedural formula acceptable to all sides. In May, Israel said it would soon ask the United States for a five-year \$10 billion loan guarantee package to help absorb immigrants from the USSR, Eastern Europe and Ethiopia.(3) Israel expected the loan guarantees would be approved. "It was a humanitarian issue, one that the United States had supported for many years," says Shamir.(4)

In light of Shamir's pro-settlement policy, Palestinians and many Arab governments viewed the loan guarantees as a test of America's credibility as mediator. In addition to Arab opposition, the Bush administration had its own problems with the request. There was residual ill-will

following Israel's refusal to verify whether the October 1990 \$400 million loan guarantee was used for settlement expansion. "Getting people into settlements was not a humanitarian issue," says a senior Bush advisor.(5)

Baker was not having an easy time finding the right formula to convene the conference, particularly on the issue of Palestinian representation. Throughout the run-up to the Madrid conference, Israel's loan guarantee request remained a sore point. By early September 1991, the Administration asked Congress for a 120-day delay on the loan guarantees. "[The postponement] was a way to get us to Madrid," explained a senior Bush advisor, "to buy time, and soften the [domestic] debate."(6) If a settlement freeze could not be obtained, Bush and Baker wanted the issue off the agenda.(7) "[The United States] must do everything we can to give peace a chance," Bush said in requesting the delay.(8) Israeli leaders opposed linking the loans to the political process. Shamir and the pro-Israel lobby in Washington decided to push forward with their request despite Bush's opposition.(9) "[It is] inconceivable that anyone would punish the new immigrants because they didn't like some component of Israeli policy," said then Defense Minister Moshe Arens.(10) Israel and its supporters in Washington began a campaign to support the loan request. Bush, with a 70 percent job approval rating, would not back down.

On September 12, more than 1000 pro-Israel supporters converged on Capitol Hill to lobby for the loans. AIPAC leader Tom Dine called for an "all-out campaign" against the Bush-Baker linkage between settlements and aid.(11) Bush responded to the lobbying effort with defiance. In an angry speech, Bush said the Israeli request was ill-timed considering that not only had American soldiers risked their lives to defeat one of Israel's fiercest enemies, but increased US aid was nearing "\$1000 per Israeli." Bush said he was "Up against some powerful political forces...I heard there were something like a thousand

lobbyists on the Hill working the other side of the question.... We've got only a lonely little guy down here doing it."(12)

By mid-September, U.S.-Israel relations were tense. Pro-Israel groups challenged the president and lobbied against the delay. According to Arens, the loan dispute hung like a cloud over Baker's September 16 visit to Israel.(13) Baker told Shamir that if Israel agreed to a postponement, the United States would consider more favorable terms for the guarantees. "My suggestion to you is to call off the dogs and strike the subject off the agenda for the next 120 days."(14) Shamir and Arens probed for a compromise position. They suggested that the United States grant \$2 billion in loans, and delay the rest. Baker would not budge. Arens records their September 17 meeting as follows.

Shamir: We are not imposing our views on settlements on you but we oppose your linking the settlements to the guarantees.

Baker: If you want US guarantees, you will have to accept our position on settlements.(15)

Shamir had originally believed he could outflank Bush and Baker and turn to U.S. public opinion and the pro-Israel lobby.(16) However, the U.S. Jewish community--though visibly mobilized on this issue--was not united in taking on the Administration, and Shamir soon backed away from a direct confrontation.(17) With Bush's approval ratings high, and his unambiguous show of determination and will, Bush quickly gained congressional support for the delay.

After Bush won the delay, the diplomatic pieces soon fell into place and the parties convened in Madrid at the end of October for a historic two-day peace conference. While this new phase of Arab-Israeli talks got under way, the United States tried to keep a lid on the loan issue. Shamir met with Bush in December 1991, but the two did not discuss the loans.(18) The silence was broken in February 1992,

when Baker testified before Congress and laid out a number of conditions for the loan request, demanding that Israel freeze settlement expansion in the West Bank and Gaza as a precondition to receiving the loans.(19) Shamir was not willing to accept the U.S. conditions and Bush did not back down. The White House killed an attempt by Congress in March to find a compromise formula.

Despite intense pressure from the pro-Israel lobby and some members of Congress, Bush did not relent. As Israelis went to the polls in June 1992, the loan request was still in limbo. In Israel, Shamir faced a growing wave of public criticism over the loan dispute and the ensuing chill in relations with the United States. Many argued that Israel did not even need these loan guarantees. Shamir and his Likud-led government lost decisively to Yitzhak Rabin and the Labor party. Arens argues that the Bush administration conspired to bring Shamir's defeat. He places most of the blame for the Likud's loss on the loan guarantees "fiasco."(20)

Once Rabin entered office, it was not long before the loan dispute was resolved. During the election, Rabin pledged to end Shamir's settlement policy and reformulate national priorities. Bush and Rabin met in Maine on August 10-11, 1992, and reached an agreement on the loans. On 5 October, Congress approved the \$10 billion loan package, with Israel covering the "reserve costs" of \$400 million.(21)

The loan guarantees episode was one of the clearest U.S. attempts to use PEIS to gain policy compliance from Israel. The Israelis initiated the request, but the Administration transformed it into an opportunity to seek a settlement freeze. This result did happen, though through the Israeli electoral process rather than a direct negotiation regarding the aid issue. Arens claimed that the loan guarantee controversy played an important part in this outcome: "U.S.-Israel relations are close to the heart of the Israeli electorate. If one party is perceived to be the source of friction in that relationship, then it may pay

a price at the ballot box."(22) Still, there were other issues and factors involved in Shamir's defeat.

After the October 1991 Madrid conference, the parties broke into separate bilateral and multilateral negotiations. More than ten rounds of bilateral talks took place in Washington between Israel and three sets of interlocutors: Syria, Lebanon, and a joint Palestinian-Jordanian delegation. None of the negotiations made any serious progress. Parallel to the Washington talks, five multilateral working groups brought together Israel, its Arab neighbors (minus Syria), and a number of other Middle East and European countries plus the United States and Japan. These talks focused on water, refugees, economic development, arms control and the environment. Grandiose proposals were presented and the talks generated intense media interest but no substantive progress was achieved. The multilateral talks on economic development represent the clearest attempt to inject economic inducements into the larger process of regional normalization, but few concrete measures have been implemented.

The Israeli elections in 1992 effectively froze the talks and the subsequent change of government provided another delay. Real progress would not be reached until Israelis and Palestinians opened a secret channel in Norway in 1993 where they stitched together a framework peace agreement without U.S. mediation or involvement. While PEIS had little to do with the origins of the Oslo track, both sides expected inducements would be a critical tool to implement their secretly negotiated peace accord.

#### **SECRET TALKS IN NORWAY AND A 'MARSHAL PLAN' FOR PALESTINIANS**

The early Oslo talks apparently spent little time on economic issues, much less the issue of economic aid.(23) There were in-depth discussions about prospects for joint Israeli-Palestinian economic cooperation, regional measures, as well as

international aid to underwrite any new Palestinian entity. However, as the talks progressed to an advanced stage, and Rabin and Arafat became more personally involved, this was pushed onto the back burner. According to Israeli negotiator Uri Savir, "Economic cooperation, which had been so prominent in our thinking at the start of the talks [was] overshadowed by security concerns and political considerations for the Palestinians and for us, a pattern that would recur in later agreements as well."(24)

Nevertheless, economic issues were not forgotten. Both sides acknowledged early on that large-scale international aid would be required to implement any agreement. Israel and the Palestinians expected the United States and other wealthy countries would contribute to an aid effort to provide practical support for the Palestinian economy to give people a stake in the process. Both sides saw the post-Camp David U.S. aid program of the late 1970s as a precedent, though aid efforts were seen as necessarily multinational.(25) According to Foreign Minister Shimon Peres, a major U.S. aid program for the Palestinians would have difficulties given the past U.S.-PLO relationship, "So I came up with the idea for an international donors' conference. The aid itself didn't radically change how the Palestinians negotiated, but we both knew it would be crucial to the implementation of the agreement."(26)

Israelis thought gaining popular Palestinian support for the peace process depended on Palestinian economic development. In addition, Israeli-Palestinian economic cooperation would be critical to building common interests and conciliation.(27) Peres and his aides pressed these views on Prime Minister Yitzhak Rabin. They were eager to solicit Western economic support once it was clear an agreement was imminent.(28) The Palestinians knew a viable Palestinian economy would be crucial for the success of any agreement but tended to ignore economic issues during the negotiations.

In March 1993, lower-level talks in Norway had already produced a draft framework accord calling for international economic assistance for the Palestinians. By May, the Israeli-Palestinian draft included two economic plans: "Cooperation and Work Programs" for cooperative efforts and the idea of "a Marshall plan" for the West Bank/Gaza and the Middle East as a whole. As part of the latter plan, the two sides agreed to ask industrialized states to contribute to a post-agreement development program.(29) Both sides viewed economic payoffs provided by outside parties as a necessary part of the process.

Throughout the final months of the secret Oslo talks, both sides understood that "someone will have to pay" for making an agreement work but were content to leave the details for later.(30) In August, once it seemed certain a framework accord would be reached, Peres began to sound out European leaders on contributing aid to the Palestinians. On August 28, Peres traveled to California to reveal to Secretary of State Warren Christopher the full extent of the progress reached in Oslo and to discuss the need to gather economic support.(31)

#### **THE DECLARATION OF PRINCIPLES & THE U.S.-LED DONOR EFFORT**

On September 13, 1993, on the White House lawn, Israel and the PLO signed the Declaration of Principles on Interim Self-Government Arrangements (DOP). The agreement, which focused first and foremost on political and security arrangements, also contained substantial provisions on economic matters. Annex III covers bilateral economic cooperation and calls for joint efforts in the fields of water, energy, finance, transport, communications, trade and industry--though only in general and ambiguous terms. The annex also calls for promoting of international investment and forming a Palestinian Development Bank.(32) Annex IV discusses regional cooperation and

implicitly calls for major international aid efforts to help the Palestinians, Jordan, Israel and the entire region. The parties call on the G-7 group of industrialized states to initiate "A Development Program for the region, including the West Bank and the Gaza Strip."(33)

Before the signing ceremony, Clinton met with Arafat and the Palestinian delegation and, a Palestinian participant recalled, "Spoke in very clear terms about America's commitment to provide economic support."(34) After the signing ceremony, Peres told Palestinian officials that he had already secured commitments from European countries to give them aid. The goal, Peres explained, is to "strengthen you economically."(35) That same day, Christopher told Palestinian officials the United States would contribute to the aid effort to "make the [Palestinian] people feel the benefit of the accord."(36) "The Palestinians expected several dividends of peace," says senior negotiator Nabil Sha'ath, "including freedom, security and economic prosperity...[the aid component] was critical to this process."(37)

Though the United States was left out of the original Oslo track, the parties moved quickly to bring Washington into the heart of the process. Unlike previous agreements, Israel did not seek economic assistance for itself, instead helping to raise funds for the Palestinians. Israel did ask for U.S. permission to divert some of its annual aid toward West Bank and Gaza military redeployment costs but these were small amounts. For its part, Israel expected to seek major new aid packages only in the context of a final status peace agreement, when border, settlement and security arrangements would require significant implementation costs for Israel.(38)

Two weeks after the signing, the United States organized a multilateral donors' conference for the Palestinians in Washington. According to Christopher, the meeting was to mobilize "the resources needed to make the agreement work."(39) More than \$2 billion dollars was pledged over five years, mainly by the United

States, the European Union, Japan, Norway and Saudi Arabia. (At later meetings, pledges rose to about \$3.6 billion.)(40) The United States was the single largest donor, pledging \$500 million. "International assistance," according to one U.S. official, was intended to "build a peace constituency (among the Palestinians)."(41)

Throughout the follow-up talks to the DOP that produced the Gaza-Jericho Agreement (May 1994), the early empowerment agreement (August 1994), the Interim Agreement (September 1995), and the Hebron Accord (January 1997), economic aid was not an important part of specific "moments" or decision points in the negotiations.(42) Still, the donor process was an ever-present element and the Palestinians were constantly striving for faster and less-conditional disbursements. While aid was not a major bargaining chip in these negotiations, it did hover over the process and remained the single most critical external component buttressing the Palestinian Authority (PA).(43) In the immediate wake of the DOP, aid was not expected to be the only instrument for Palestinian economic revival. The Palestinians, Israel, and the donor community expected private sector investment would pour into the territories.(44) Initially, a good deal of interest was expressed--particularly in the tourism field. But it was not long before the investment climate turned sour.

In addition to direct aid and investment, the United States and other donors developed a regional economic program, as called for in the DOP. In October 1994, a major regional business conference was held in Casablanca, Morocco, the first of four annual meetings. Also, the multilateral peace talks were renewed and the Regional Economic Development Working Group (REDWG) was revived. The United States was involved in a number of other economic initiatives, including efforts to create a Middle East Development Bank and a regional tourism board.(45) While heavy with hype, most of these regional

initiatives did not go beyond the planning stages. The regional track came to a complete halt when Arab states refused to participate in protest of Prime Minister Benjamin Netanyahu's policies after he came to power in 1996.

As for the donor aid, the effort was slow to begin functioning. Aid disbursement was seriously hampered, in a U.S. official's words, by, "Intra-PLO politics, the Palestinian leadership's resistance to donors' standards of accountability, and inexperienced [Palestinian] middle management."(46) In addition, the multilateral nature of the donor effort slowed the process. Also, donors like the United States faced domestic problems in disbursing aid. After the Palestinians assumed control in Gaza and Jericho in May 1994, Arafat and his aides were quick to complain that the donor effort was too slow. In response, donors created the World Bank-administered "Holst Fund" to pay recurrent and start-up costs. By the end of 1994, disbursement began to pick up, with 66 percent of donor pledges (\$523 million of \$789 million) going to projects. Implementation slowly improved from 1995-1997, with disbursement levels reaching 70-75 percent of commitments.(47) Despite delays, corruption and organizational problems, the aid effort was massive, going well beyond many other post-conflict U.S. aid efforts. In 1997 alone, per capita aid to the Palestinians was \$203, roughly 15 percent of the PA's GNP, an extraordinary figure.(48)

Though concerned about quick disbursement and the potential political impact of aid, the United States and other donors were equally concerned about transparency and accountability. The donor community generally insisted on strict accounting and disclosure standards in an effort to get the PA to follow internationally accepted norms of transparency and oversight. From the start, Arafat resisted such donor demands. He expected to receive the aid promptly,

directly, and without strings attached. Arafat wanted "walking-around money," says one senior US official, that could be used for PA activities and PLO political programs.(49)

According to Savir: "Arafat...had great difficulty acceding to the donors' demands for transparency and accountability, concepts that were alien to him. He treated the foreign aid as compensation that was naturally due to his people for suffering so valiantly throughout their history, particularly under Israeli occupation."(50)

Palestinian demands for quicker disbursement were also fueled by a deteriorating economic situation in the territories. Beginning in 1994, Israel responded to a wave of Palestinian suicide bombings by sporadically closing the territories and preventing Palestinian laborers from entering Israel. The closures also created severe obstacles for outside investment to reach the Palestinian areas. With the security situation in a downward spiral, problems in dealing with the PA, little foreign investment, slow aid disbursement, and the long Israeli closures, it was not long before the Palestinian economy took a nose-dive. Palestinian per capita GNP fell every year from 1993 to 1997, and the number of Palestinians working in Israel (a major source of income) fell by 60 to 80 percent.(51)

### **U.S. DOMESTIC POLITICS AND AID TO THE PALESTINIANS**

The Palestinian aid effort was certainly not helped by the heated debate that quickly developed inside the Beltway. Not only was the Israeli electorate divided on the Oslo accords, but so, too, was the American Jewish community, particularly at the leadership level and among the major New York and Washington-based public interest groups. U.S. Jews opposed to Oslo teamed up with Israelis "who brought their domestic issues to Washington" and together they pursued a campaign that focused most of its attention on Congress and the aid program.(52) The dynamic was new to Washington. The

Administration, the Rabin-Peres government, and some American Jewish groups teamed on one side while Israeli opposition groups and anti-Oslo American Jewish organizations pulled Congress in the other direction.(53)

When the Oslo accords were signed and the donor effort began, the United States still had a host of statutory provisions that severely limited relations with the PLO. Opponents of Oslo used these pre-existing laws as a pretext to obstruct America's participation in the donor effort, attack the PA and the PLO, and criticize the Clinton Administration and the Israeli government for supporting the Oslo process. Over the objection of the Administration and despite lobbying by Israeli diplomats, anti-Oslo Jewish organizations succeeded in convincing a small but influential group of Congressmen to enact the Middle East Peace Facilitation Act (MEPFA).(54) Formally, MEPFA allowed the President to suspend earlier statutory prohibitions so the United States could provide economic assistance to the Palestinians, as well as maintain formal ties with the PLO and the PA. Without MEPFA, the United States could not transfer aid to Palestinian development projects. MEPFA had a six-month certification provision that required the president to certify PLO and PA compliance with the Oslo accords and other commitments to Israel. Both versions of the act contain a host of reporting requirements.

The MEPFA process revealed a rift. Even AIPAC, traditionally supportive of Israeli government policy, shied away from backing the Rabin government and the Administration on the Palestinian aid issue.(55) Both supporters and opponents of Oslo wanted to build conditionality into the aid program but for different reasons. The Administration and the Israeli government wanted to balance the need for a quick injection of aid with traditional concerns about good governance and aid effectiveness.

But the critics used legislation like MEPFA as a way to oppose the Oslo

process. They found eager allies after 1994 in the Republican-led Congress whose relations with the White House were strained. The "trouble" with MEPFA, says then Israeli ambassador to the United States Itamar Rabinovich, "was that every sixth months we had to contend with a campaign by the Jewish right wing to cancel [aid]."(56)

The campaign reached a crescendo in late 1994 and the first half of 1995, as Israel and the Palestinians rushed to complete negotiations on the Interim agreement, commonly known as Oslo II.(57) Just a week before the signing of Oslo II, the Senate passed a new version of MEPFA with even stricter certification and reporting requirements.(58) The Senate had already set up a "Peace Accord Monitoring Group" that partly served as a vehicle for obstructionist sentiment.(59) Nonetheless, despite all the heated domestic debate, the Clinton Administration managed to meet U.S. aid commitments every year. The entire \$500 million five-year package was disbursed, except for \$125 million in OPIC guarantees that went unused due to poor investment conditions. In fact, the Administration would even succeed in increasing U.S. aid to the Palestinians for the second five-year pledge period. (see below)

The obstructionist campaign did not determine whether or not the United States provided aid, but it did influence the nature and character of the aid, particularly the stipulation that no direct US assistance could go to the PA. U.S. aid could only be disbursed to specific projects or NGOs. Unlike many other American aid programs, the U.S. Agency for International Development was heavily involved in project planning and implementation. Once Netanyahu and the Likud came to power in Israel in 1996, the obstructionist campaign died down. MEPFA was allowed to expire. In 1997, MEPFA and its certification requirements were replaced with a simple legislative prohibition against direct aid to the PA or

the PLO. This depoliticized the Palestinian aid program, which is where it remained for several years.

"U.S. aid was instrumental in achieving accords between Israel and the PLO in 1993," argues Hook in a recent study on US foreign aid.(60) Such a blanket sentiment is off the mark. During the secret negotiations in Norway, economic issues were important but secondary. In addition, the traditional provider of economic and military aid, the United States, was not involved in the talks. Still, PEIS was critical for implementation, both in underwriting the actual costs of Palestinian self-rule and in providing the Palestinian leadership with assets it could use to increase domestic political support. Incentives helped assuage downturns in the process. It was not used to induce or pressure the parties to sign the Oslo accords but was part of their pay-off expectations. "Agreements weren't signed because of money...but if agreements were expected to work, money was needed more than anything else," says senior Palestinian official Nabil Sha'ath.(61) The Oslo process began without an American commitment to provide economic incentives, but it could not have continued without PEIS.

In what was expected to be drawn-out, step-by-step negotiations, economic aid was intended to maintain momentum and build a peace constituency among Palestinians. Unfortunately, the process did not unfold as policymakers expected. After 1993, the Palestinian economy contracted. Growth failed to materialize. Popular Palestinian expectations were shattered.(62) Rather than drive economic growth and build constituencies for peace, as one senior U.S. official, "assistance quickly became life support, not development aid."(63)

As the Palestinian economy deteriorated, and terrorism and closures fueled public discontent, Washington and other donors frantically tried to increase support for the peace process with emergency job creation and housing programs. "The political situation often



drove the aid disbursement process," says U.S. AID director Chris Crowley.(64) The switch to short-term economic needs undermined the original long-term development outlook.(65) In contrast to the Israeli-Egyptian peace process, PEIS were not used as side-payments or to pay for specific security provisions of a peace agreement.

But what about the role of conditionality and the donors' twin goals of economic growth and good governance? Patrick Clawson argues that the PA should have received more direct aid.(66) Others also contend that the donors could have been more generous in funding recurrent costs.(67) However, with per capita aid already very high, it seems unlikely that less conditionality would have turned around an already difficult political atmosphere. And conditionality was also a response to PA mismanagement of the aid. Rather than the "bandwidth" of the aid pipeline, political circumstances, most notably terrorism, had a much greater influence on the atmosphere of the process.

Those involved in the negotiations on both sides argued for the value of aid. According to Peres, conditionality promoted U.S. and donor goals, though his statement reflects the tremendous enthusiasm of a time when dramatic progress was expected: "[The donor effort] had a positive influence, 100 percent, it made the Palestinians more accountable than they have ever been....The Palestinians have been 'Americanized' by the process, Arafat has had a sea-change in how he views the United States, and the Palestinians are constantly courting the United States now....The aid process was a big part of this."(68) Senior Palestinian negotiator Saeb Erekat also said aid had been critical. "Aid is the only thing that saved the peace process," says Erekat.(69)

Donor insistence on transparency and accountability had a positive, but limited, affect on PA administrative practices of mismanagement, misappropriation, bribery and other corrupt practices.(70) Still, the PA is more transparent and accountable

than many other Arab states. The process, says Erekat, promoted more openness and transparency "than we would have practiced without the donors."(71)

MEPFA and the obstructionist campaign limited the Administration's flexibility in using economic inducements as a political tool but did not fundamentally undermine or overturn American political and economic commitments to the Palestinians. In fact, congressional action resulted in a tougher US approach to PA oversight and probably led to greater transparency.

### **THE WYE CONFERENCE**

The Wye River Memorandum (October 23, 1998) marked a clear transformation of America's role in the peace process. Historically, the United States served as facilitator and mediator using political support, security guarantees and economic aid (both positive and negative) to help implement peace agreements and create an atmosphere conducive to further progress. However, with the Wye accords the United States assumed the role of referee and arbitrator, moving from the sidelines to become a full-fledged party to an agreement between Israel and the Palestinians. It was a move from co-sponsor to co-participant. With the new U.S. political role came a greater reliance on economic inducements. For the first time since the Madrid conference the United States used PEIS to sign, seal and implement a peace accord.

Early in Netanyahu's tenure, there were signs of strains in the U.S.-Israel relationship. Netanyahu did not rush to carry out the planned Israeli redeployment in the West Bank city of Hebron. The Clinton Administration launched a campaign of intensive mediation and an agreement was signed in January 1997, partly due to an eleventh hour U.S. aid commitment for municipal improvements in Hebron.(72) However, in March 1997, Israeli-Palestinian talks were suspended after Israel announced it would begin housing construction at Har Homa, near

Jerusalem. Tension continued to grow between the Administration and the Netanyahu government, with President Clinton publicly criticizing Israeli settlement activity on more than one occasion.(73) By early 1998, U.S.-Israel relations had reached one of their lowest points since the 1991-92 loan guarantees dispute. A White House meeting in January between Clinton and Netanyahu went poorly.(74)

The Palestinians, convinced that Netanyahu would not negotiate unless pressured by the United States, increasingly sought a more active U.S. role. Arafat said yes to a U.S. bridging proposal that called for a 13 percent Israeli pullback in the West Bank, hoping the United States would force Israel to sign on.(75) In May, Albright met separately with Netanyahu and Arafat in Europe and issued an ultimatum for both sides to quickly reach an agreement-telling Israel publicly that it must accept the 13 percent formula. Netanyahu, still trying to avoid the figure (which became synonymous in Israel with U.S. pressure), wanted a compromise. At this point, Netanyahu seized on the possibility of additional U.S. aid to gain political cover at home should he decide to accept the 13 percent figure. He asked for \$1.2 billion in additional aid to cover the costs of a further redeployment.(76) Toward the end of the summer, Netanyahu signaled he would agree to the 13 percent figure and was hoping to use the \$1.2 billion to placate right wing members of his government. By August, U.S. officials were saying the aid request had been "dropped" and the senior USAID official in Israel called the request "dead in the water."(77) However, once the United States brought both sides to the Wye Plantation in October, the aid request suddenly sprung back to life.

The talks at Wye Plantation were intense and tumultuous, with Netanyahu threatening to leave at one point. Clinton was determined that the talks conclude with an agreement, and he spent many long hours personally involved in the

negotiations. To gain final Israeli acceptance of the 13 percent formula, and Palestinian agreement to additional Israeli security and political demands, the United States relied on a number of positive political and economic assurances. The political assurances centered on a commitment to monitor and verify each side's compliance with the accords, including Palestinian security measures against terrorism.(78) Clinton also said he would soon visit the region to oversee implementation of the Wye accord, a visit that would include a historic stop in Gaza and an address to the PA legislative council.

On the economic side, the United States was prepared to offer substantial new aid to both sides. For Israel, Netanyahu's \$1 billion May request was "resurrected."(79) Netanyahu reportedly saw a chance to gain further benefits and tried to increase the figure to \$2.3 billion and obtain a new U.S.-Israel Memorandum of Understanding (MOU) on security matters. In the end, he settled for a promise of \$1.2 billion in additional military aid that was conditioned on Israeli implementation of the accord.(80) Netanyahu wanted the money to pacify a growing number of elements in his coalition who opposed a deal.

For the Palestinians, Clinton promised to increase economic aid and quickly reconvene the donor countries to formulate the second five-year aid program. (Planning for the donor conference had been on hold for months while the United States waited for progress on the political track.) Arafat sought to justify the Wye deal by pointing to the new aid and the warming ties with the United States.(81) A month after Wye, Clinton convened the donor group and over \$2 billion was pledged to the PA for 1999-2003. The U.S. commitment rose 80 percent to \$900 million over five years.(82) There were even financial rewards for Jordan, after King Hussein helped close the Wye deal.

The new U.S. aid commitments were conditional on Israeli and Palestinian

compliance with the provisions of Wye. Disbursement would be delayed to maintain leverage and ensure compliance. It would also be segmented over several years as another form of conditionality. In addition, Clinton told Netanyahu at Wye that the money could not be used in the territories.(83) The ink was hardly dry before Israel began to push for quick disbursement of its share of the new aid. But the United States refused, saying Israel must first implement the Wye agreement. In December, Clinton visited Israel and the Palestinian areas. His meetings with Netanyahu revealed continuing strains in U.S.-Israel relations, while his visit to the West Bank and Gaza was a major symbolic victory for Arafat and the PA.

By January, after Netanyahu said he was freezing implementation of Wye, the Administration told Congress that Israel's special aid package should be withheld. However, the White House said Palestinian aid should be expedited since the PA was fulfilling its obligations.(84) The Administration believed that new U.S. aid and political commitments to the Palestinians gave Washington an "access point" to promote Israeli-Palestinian relations and moderate Palestinian behavior. In addition, after Wye the Administration felt the Palestinians gained a greater appreciation for congressional concerns--which only helped to move the aid process further along.(85)

On February 1, after Israel had already called new elections, the Administration submitted its \$1.9 billion Wye supplemental aid request to Congress.(86) But due to short-term uncertainties, the aid package was quickly put on hold until after Israel's May election.(87) In the months following Ehud Barak's election as prime minister, both Israel and the Palestinians resumed implementation of the Wye accords. By the fall, when Congress was deliberating the final version of the foreign operations bill, the Administration began to lobby hard for the \$1.9 billion Wye appropriation. After a brief confrontation over the FY2000 foreign aid bill--which

led to a temporary hold on the Wye request--Congress approved the new aid package in its entirety on November 19.(88) Some members of Congress were irked by what they saw as "Clinton's commitment, rather than an American commitment." In the end, despite the Republican attempt to disrupt Clinton's package, the new aid was approved. (89)

Wye also highlighted the "shelf life" problem. The longer the United States extended inducements to a recipient, the higher baseline expectations became. Washington gets caught in an almost never-ending process of "upping the ante." At Wye, Clinton did not touch the annual appropriations for Israel or the Palestinians. Instead, he used a new offer of aid as an inducement. Since the Wye package was offered as "supplemental" assistance, it may not lead to a permanent increase in U.S. aid to the region. Still, recipients may cite the new aid as precedent when making future requests.

## CONCLUSION

American Middle East peacemaking in the decade following the Gulf War illustrates that PEIS can have a major impact, but only if tied to other inducements and only if built on a foundation of basic political will expressed by all sides. Economic inducements did not catalyze every peace agreement or stop every outbreak of violence, but they did help to sustain and implement agreements as well as maintain momentum on various negotiating tracks. Undoubtedly, the Oslo accords would not have endured for as long as they had if PEIS were not used. Inducements have been most effective when combined with other positive incentives, like political and military promises and rewards, and vice-versa.

During this period, PEIS also had "expressive" value and provided political cover for recipient policymakers who faced domestic discontent. Economic inducements also allow providers to express displeasure, as the US did with Shamir in 1991-92, and with Netanyahu in

1999. Though modest in their immediate impact, PEIS have continued to demonstrate prospective and spillover value. They helped promote a variety of U.S. interests across time--as was the case with Egypt's participation in the Gulf war and continuing support (however unenthusiastic) for American policy in the Gulf.

For policymakers, this period in particular underlines the importance of "provider politics." Without domestic support, attempts to use PEIS can be frustrated by Congress and public interest groups. Motivated presidents can overcome domestic opposition (i.e. Bush and the loan guarantees, or Clinton with Palestinian aid after Wye) but there are costs in time, energy and political capital. Policymakers must also deal with the problems of "shelf life" and "perpetuity." Long-term inducements raise baseline recipient expectations and new leverage often requires new aid commitments (ala Wye). Recipients may come to view aid as a perpetual entitlement, and its effectiveness subsequently erodes over time.

A major test for the use and effectiveness of PEIS came in July 2000 at Camp David when President Clinton tried to broker an Israeli-Palestinian final status agreement. During those fateful days at the Maryland presidential retreat, and in the ensuing six months of frantic, last-ditch U.S. diplomacy, Washington attached aid figures in the tens of billions of dollars along with possible outlines of a final status agreement. A large portion of the aid was designated for Palestinian refugees. But dollar figures were not enough to consummate a deal. Lacking the basic political will to conclude an agreement, largely due to Palestinian obstinacy, the process collapsed and with it prospects of massive new U.S. aid commitments. If all that was needed was check-book diplomacy, perhaps President Clinton, Prime Minister Barak and Chairman Arafat would have walked away from Camp David with a deal. But, as the record in the

1990s shows, it would be misguided to think that the United States--or any third party--can simply "buy" peace and security in the Middle East. Economic inducements have made a major contribution to attempts to resolve the Israeli-Palestinian conflict and widen the circle of peace in the Middle East, but they cannot do the job alone. American policymakers should continue to draw upon economic inducements as a principal tool for managing the Israeli-Palestinian and Arab-Israeli conflicts, but need to remain modest in their expectations about the effectiveness of this diplomatic tool.

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*\*Scott Lasensky is a fellow at the Council on Foreign Relations. This article is taken from Lasensky's forthcoming book on the role of economic inducements in post-Cold War American foreign policy.*

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#### NOTES

1. Since World War II, the region has received 20 percent more U.S. foreign aid than Asia and nearly 50 percent more than Europe. Steven Hook (ed.), *Foreign Aid Toward the Millennium* (Boulder: Lynne Rienner, 1996), p. 61.
2. PEIS encompass a wide range of policy measures, including bilateral and multilateral foreign aid, military assistance, loans and preferential trading arrangements. A positive economic inducement entails state A ("the provider") extending or committing resources to state B ("the recipient") in exchange for a policy adjustment by B. PEIS involve a concessionary transfer of resources, or the extension of other value-added benefits, from the provider to the recipient at the

time of an influence encounter. PEIS seek to produce a voluntary behavior change by the recipient. See Knorr, *Power and Wealth: The Political Economy of International Power* (London: MacMillan, 1973), p. 165; see also Thomas Bernauer, Stefan Brem and Roy Suter, "The Denuclearization of Ukraine." in Dieter Ruloff ed., *The Politics of Positive Incentives in Arms Control* (Columbia, SC: University of South Carolina Press, 1999), pp. 111-158.

3. "Loan guarantees" meant that the US would in effect co-sign on commercial loans sought by the Israeli government. In such situations, Congress mandates that a certain percentage of the loan amount be set aside to support the guarantees in case of default. These "set-asides" represent the only direct cost to the US. Israel desperately wanted the guarantees because it could then secure commercial loans at a much lower interest rate.

4. Yitzhak Shamir, former Israeli prime minister, interview by author, June 16, 1999, Tel Aviv.

5. Former NSC official under George H.W. Bush, interview by author, November 11, 1999, Washington; see also William Quandt, *Peace Process* (Washington: Brookings Institution Press, 1993), p. 400.

6. Bush NSC official interview.

7. Quandt, p. 403.

8. Yossi Melman and Dan Raviv, *Friends in Deed* (New York: Hyperion, 1994), p. 218; see also Moshe Arens, *Broken Covenant* (New York: Simon and Schuster, 1995), p. 245.

9. Shamir interview.

10. Arens, p. 246.

11. Melman and Raviv, p. 419.

12. J.J. Goldberg, *Jewish Power: Inside the American Jewish Establishment* (Reading, MA: Addison-Wesley Publishing Co., 1996), p. xv.

13. Arens, p. 247.

14. James Addison Baker, *The Politics of Diplomacy: Revolution, War and Peace* (New York: Putnam, 1995), p. 552; also Arens, p. 248.

15. Arens, p. 249.

16. Shamir interview.

17. Shamir, Yitzhak Shamir, *Summing Up* (Boston: Little, Brown and Company, 1994), p. 234; Melman & Raviv, p. 407.

18. Shamir, p. 246.

19. Melman and Raviv, p. 441; See also Baker ch. 29.

20. Arens, pp. 281, 298. While Shamir does not comment in his memoirs on whether the guarantees affected the 1992 Israeli elections, and he refused to discuss the issue in an interview with the author, he is eager to make the case that Bush's handling of the issue influenced the 1992 US elections by severely damaging Bush's prospects for reelection. See Shamir interview.

21. Quandt, p. 407-408; Melman and Raviv, p. 441. In the end, Bush and Baker did not obtain a full Israeli settlement freeze. Rabin wanted construction projects that were already well underway to be completed. The US and Israel devised a formula whereby Washington would deduct the amount Israel spent in the territories each year from the total amount of the loans. This arrangement was strictly implemented over the course of the loans. For example, according to Melman and Raviv, \$437 million was deducted in 1994.

22. Moshe Arens, Israeli Defense Minister, interview by author, June 15, 1999, Tel Aviv.

23. See Uri Savir, *The Process* (New York: Random House, 1988); Mahmoud Abbas, *Through Secret Channels* (Reading, UK: Garnet Publishing, 1995); David Makovsky, *Making Peace with the PLO* (Boulder: Westview, 1996).

24. Savir, p. 56.

25. Shimon Peres, former Israeli prime minister, former and current foreign minister, interview by author, June 27, 1999, Tel Aviv. Uri Savir, former Director General of Israeli foreign ministry, interview by author, October 18, 1998, Tel Aviv. Shlomo Gur, former senior Israeli foreign ministry official (1992-96), interviews by author, September 28, 1998 and July 9, 1999, Jerusalem.

26. Peres interview. According to one of Peres' aides, Shlomo Gur, Israelis understood that there was a growing, post-Cold War negative attitude toward foreign aid in US politics.
27. See Shimon Peres, *The New Middle East* (New York: H. Holt, 1993) and Savir, p. 56.
28. Savir interview; Gur interview
29. Abbas, pp. 143-149. See also Makovsky.
30. Gur interview.
31. Christopher, p. 80; Savir interview; Author's off the record interview with member of Clinton administration Middle East "peace team," November 2, 1998, Washington.
32. "Declaration of Principles on Interim Self-Government Arrangements," signed by Israel and the PLO, September 13 1993, Washington. Found in Walter Laqueur and Barry Rubin (eds.), *The Israel-Arab Reader*, (New York: Penguin, 1995), pp. 607-08.
33. *Ibid*, p. 608-609. The annex called for the establishment of a regional development bank, an effort that limped forward for five years before finally being abandoned in 1998. Aside from the aid to the Palestinians, which quickly materialized, most other economic provisions of the DOP remain dreams rather than reality.
34. Abbas, p. 213.
35. Savir, p. 80, Abbas, p. 213. Peres had already begun to sound out governments in Scandinavia and western Europe in August after the draft Oslo agreement was signed in secret. Peres approached European governments before the US, knowing it would be easier for them to support the PLO. A day after initialing the Oslo draft, Peres met with the five Scandinavian foreign ministers in Stockholm. See also Peres and Savir interviews.
36. Abbas, pp. 8, 214.
37. Nabil Shaat, senior Palestinian negotiator and Minister for Planning and International Cooperation, Palestinian National Authority, interview by author, January 31, 1999, Davos, Switzerland.
38. Gur interview; Savir interview.
39. Warren Christopher, *In the Stream of History* (Stanford: Stanford University Press, 1998), p. 84.
40. See Palestinian Authority, Ministry of Planning and International Cooperation (MOPIC), "MOPIC's 2000 First Quarterly Monitoring Report," May 2000, Ramallah.
41. Interview with Clinton peace team official.
42. Savir interview. During talks on the Interim agreement (also known as "Oslo II" - signed in September 1995), the US tried to bring closure by pointing to the Congressional budget calendar. The White House encouraged both sides to conclude an agreement before October 1, when the new fiscal year began, saying it could improve the prospects for Congressional approval of aid to the Palestinians. There was one other incident where PEIS entered the negotiating process. In the final stages of negotiations over the Hebron accord (January 1997), the US offered to finance a number of infrastructure improvements in the city. The overall amount of aid was small (several million dollars), and the impact on the negotiations was marginal. The aid did provide some political cover for the Palestinians, and was meant to improve living conditions in the strife-torn city. These two instances were exceptions to the rule, since PEIS usually did not play a direct role in the negotiations.
43. It was not until the Wye talks in October 1998, that positive economic inducements would play a serious role.
44. Joan Spero, former Undersecretary of State for Economic, Business and Agricultural Affairs, interview by author, November 5, 1999, New York.
45. See Patrick Clawson and Zoe Godal, *Dollars and Diplomacy* (Washington: Washington Institute for Near East Studies, 1999), pp. 75-98. The regional development bank came closest to becoming a reality, but the effort was completely abandoned in late 1998, see *The New York Times*, November 30, 1998.

46. Joan Spero, US Undersecretary of State for Economic Affairs, speech at Columbia University, April 3, 1995.

47. Rex Brynen, Hisham Awartani and Clare Woodcraft, *Donor Assistance in Palestine* (Draft, Montreal: April, 1998), p. 49; MOPIC 2000 report.

48. See Clawson and Gedal, p.23.

49. Spero interview.

50. Savir, p. 146.

51. Brynen, pp. 21, 67.

52. AIPAC lobbyist, off the record interview by author, January 11, 2000, Washington, including quote; See also Sidney Blumenthal, "The Western Front," *The New Yorker*, June 5, 1995, pp. 36-42. When not attacking economic aid to the Palestinians, the obstructionist campaign focused on America's Jerusalem policy, as well as US involvement in a future Israeli-Syrian peace deal.

53. For a deeper analysis of this paradigm shift in US-Israel lobbying dynamics, see Abraham Ben-Zvi, "Paradigm Lost? The Limits of the American-Israeli Special Relationship," *Israel Affairs* Vol. 4 (Winter 1997), pp. 1-46.

54. MEPFA had two main versions, one passed after the signing of the DOP (The Middle East Peace Facilitation Act of 1993, also HR103-125 or S.1487), and a second version passed after the signing of the Israeli-Palestinian Interim Agreement (See the 105th Congress, foreign operations act, or H.R. 1868, "Title IV The Middle East Peace Facilitation Act of 1995").

55. Itamar Rabinovich, former Israeli ambassador to the US, interview by author, December 23, 1998, Tel Aviv; Goldberg, pp. 225-226, Blumenthal.

56. Rabinovich interview. All the Israelis and Americans interviewed for this study noted that the irony of MEPFA was that the certification requirement forced the Administration to "lie" and give the PA a passing grade each time since the alternative would have been a complete shutdown of the US aid program and a major blow to America's role as mediator. There was no flexibility, as with other

certification laws like the one for Mexico's drug policy. According to one AIPAC official, even though MEPFA--as a policy tool--was based on "fictions," it remained politically important for its backers. It was a way to express displeasure with the Oslo process.

Among Israeli officials, there has been some finger pointing on who is to "blame" for the obstructionist campaign. Savir accuses Rabinovich of "Syria warp," and neglecting Congress and the Palestinian aid issue. (Savir, p. 205) Rabinovich says the obstructionist campaign was domestically driven by a highly mobilized minority within the American Jewish community. In particular, he points to New York Representative Ben Gillman (R), chair of the International Relations committee, as beholden to anti-Oslo activists in his district. (Rabinovich interview)

The obstructionist effort was also helped by the 1994 mid-term elections and the Republican majority that swept into office--Palestinian aid became another issue for the Republicans to challenge the Clinton White House.

Palestinian officials are quick to complain about the obstructionist campaign and Congressional hostility to economic aid, saying it "damaged" or had a "negative" effect on the peace process. (See Saeb Erekat, senior Palestinian negotiator and Minister for Local Governments, Palestinian National Authority, interview by author, July 9, 1999, Jericho. Also Waleed Siam, Director General, Palestinian Ministry for Planning and International Cooperation (MOPIC), interview by author, October 15, 1998, Gaza.). However, none of the officials interviewed for this study would agree that the obstructionist campaign seriously compromised the US commitment to the Oslo process, or undermined the negotiations.

57. Savir interview; Gur interview; Savir, p. 205.

58. *The Jerusalem Post*, September 24, 1995; also see Blumenthal. The House version was passed July 25, 1995.

At that particular moment, one year after the 1994 Republican victory and one year before the 1996 presidential elections, Middle East issues became a great source of conflict between Congress and the White House. The jostling went well beyond Palestinian aid. Bob Dole, the Senate majority leader and Republican presidential candidate, sponsored a bill in 1995 to relocate the US embassy from Tel Aviv to Jerusalem--sparking a minor crisis in the peace process. Ironically, Dole had opposed such a measure several years earlier.

59. *The Jerusalem Post*, August 24, 1994.
60. Hook, p. 66.
61. Shaat interview.
62. Siam interview; See also Adel Zagher and Manal Jamal. *Foreign Aid and Development in Palestine: Phase 1-3 Reports* (Jerusalem: The Jerusalem Media and Communication Center, 1997-98).
63. Spero interview.
64. Chris Crowley, USAID Director for West Bank and Gaza, interview by author, September 15, 1998, Tel Aviv.
65. The political situation also drove new US aid to Israel. After a spate of terrorist attacks in Spring 1996, the US pledged an additional \$100 million in aid to Israel. But the aid package and special attention from Clinton was not enough to turn around Shimon Peres' campaign for prime minister. In May, he lost to Likud leader Benjamin Netanyahu.
66. Clawson & Gedal, p. 32.
67. Ball et. al. in David Cortright (ed.), *The Price of Peace* (Lanham, MD: Rowman & Littlefield, 1997), pp. 254-259.
68. Peres interview.
69. Erekat interview.
70. Many reports of PA corruption and mismanagement have been published, see PA Public Monitoring Department, "First Annual Report 1996," May 1997; Proceedings of the Ad-Hoc Liaison Committee of donor countries, June 5, 1997; "British Aid Used to House Arafat Elite," *London Sunday Times*, November 29, 1998.

71. Erekat interview. In October 1999, at a donors meeting in Tokyo, PA Chairman Arafat responded to criticisms of mismanagement and pledged to crack down on corruption. Then in January, Arafat issued a number of directives tightening PA accounting procedures and governance practices.

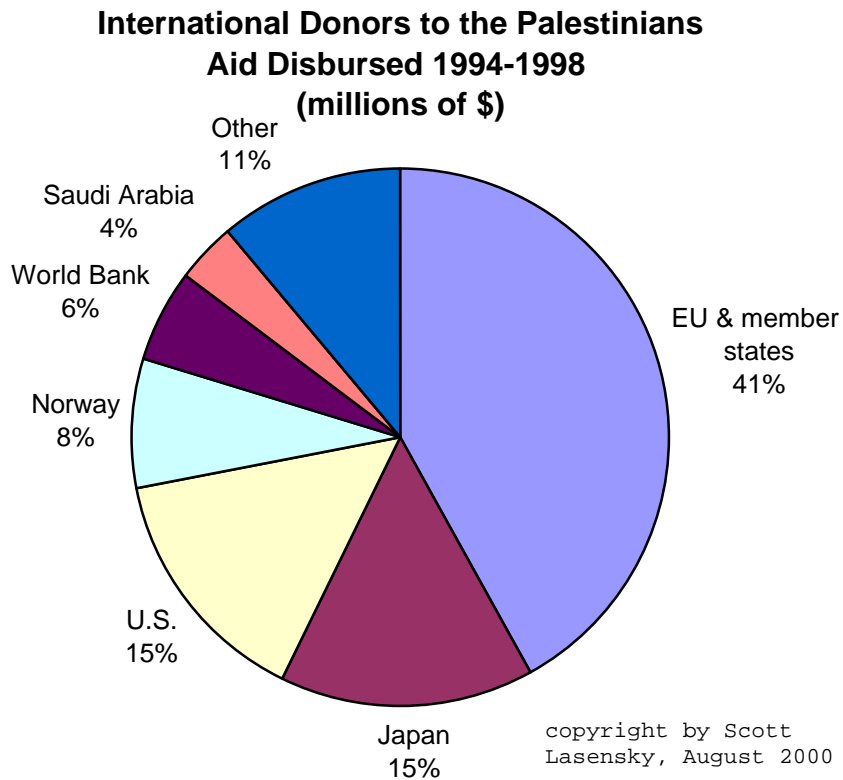
72. Crowley interview.
73. See Scott Lasensky, "Israel Must Heal its Strained US Ties" *The Boston Sunday Globe*, March 20, 1997. In December 1996, Clinton called Israeli settlement expansion an "obstacle to peace," and in March 1997, said Israeli plans to build Jewish housing in east Jerusalem created "mistrust."
74. *Ha'aretz*, December 4, 1998.
75. *Ha'aretz*, December 4, 1998.
76. *The Washington Post*, May 23, 1998.
77. On the aid request being "dropped," see *Ha'aretz*, August 28, 1998; for the "dead in the water" quote, see Crowley interview.
78. See text of Wye River Memorandum. The CIA was charged with implementing the verification commitments.
79. Interview with Clinton peace team official.
80. *Ha'aretz*, March 5, 1999; interview with Clinton peace team official.
81. *Ha'aretz*, December 4, 1998.
82. See The White House, "Remarks by the President at Conference to Support Middle East Peace and Development," November 30, 1998.
83. *Ha'aretz*, January 4, 1999.
84. *Ha'aretz*, January 4, 1999; November 22, 1998 .
85. *The Jerusalem Post*, February 26, 1999.
86. The package consisted of \$1.2 billion in foreign military financing (FMF) for Israel, \$400 million in economic support funds (ESF) for the Palestinians, and \$300 million in FMF and ESF for Jordan. See Martin Indyk, Assistant Secretary of State for Near East Affairs, Congressional testimony on the Middle East peace process, March 25, 1999. <www.state.gov>



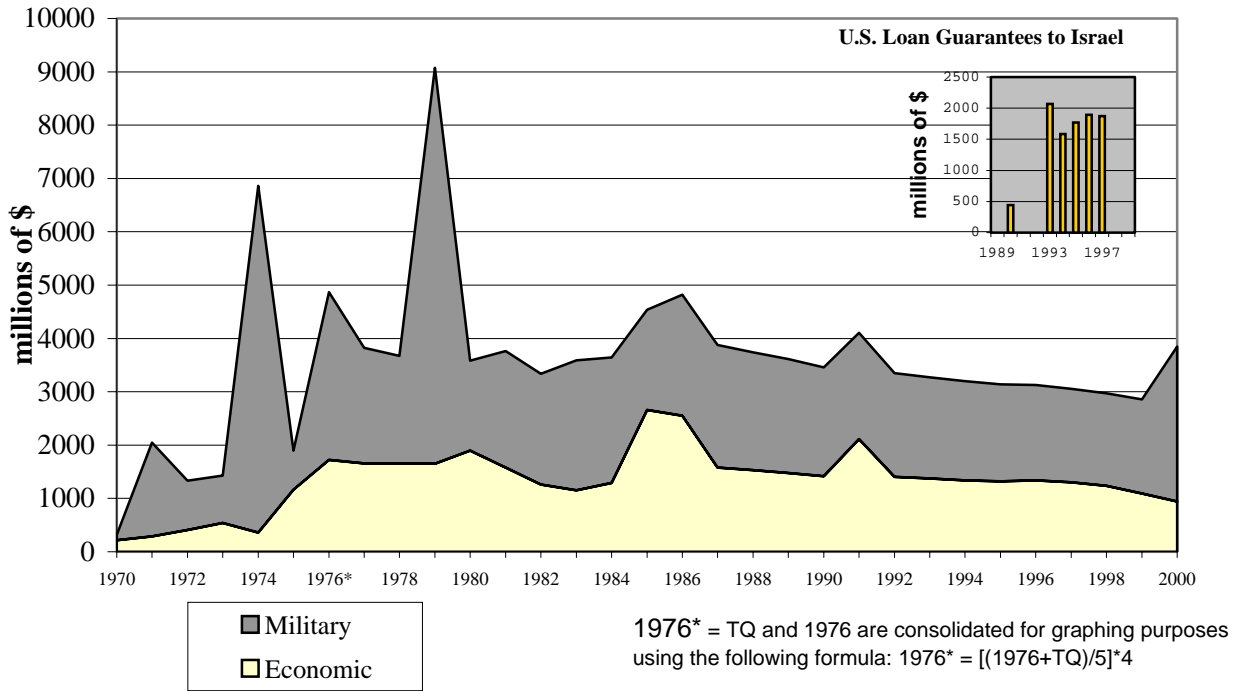
87. Despite the February-May waiting period, the Administration and pro-Israel groups did successfully lobby Congress to release some of Jordan's Wye aid.

88. *The Jerusalem Post*, December 3, 1999.

89. Quote from AIPAC interview. The AIPAC official said several legislators used the referenced description of the aid package (i.e. "Clinton's commitment").

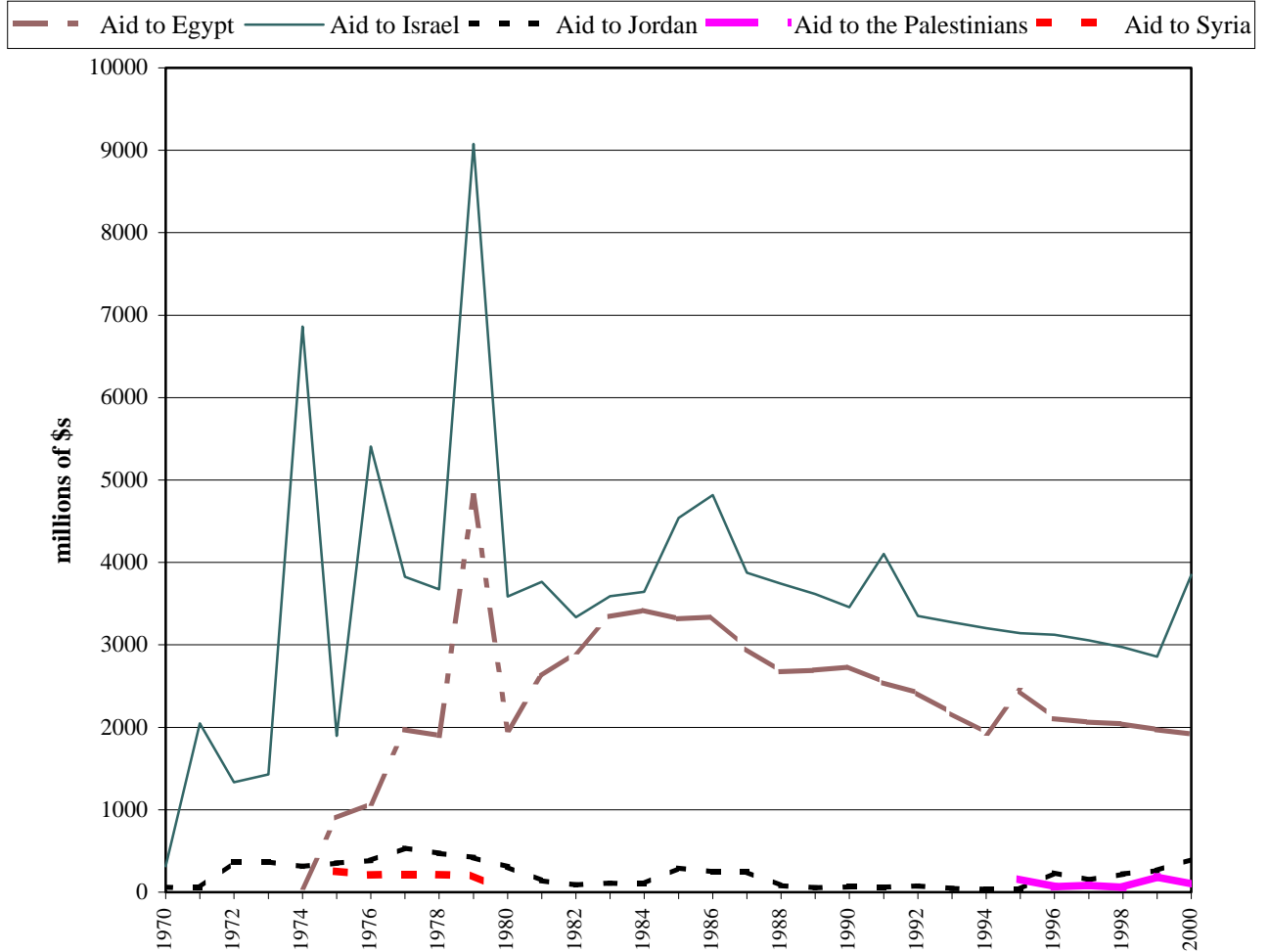


### U.S. Aid to Israel from FY1970 to FY2000



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**The Middle East Peace Process and U.S. Aid: 1970 to 2000**  
constant 1996 dollars; loans and grants; actual disbursements



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