

# Were, Are, and Will Sanctions be Effective against Israel?

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When the EU Commission published its “Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since 1967 for grants, prizes and financial instruments funding by the EU from 2014 onwards” (July 2013), it was seen as the latest in a history of sanctions against Israel dating back to the 1945 Arab League Boycott. Were these sanctions ever effective, and what factors contributed to their success or failure?

Military and economic sanctions have been leveled against Israel in many cases, among them: the US threat to withhold aid during the Suez Crisis, 1956; the French arms embargoes, 1967-69; the British arms embargo, 1973; the US reassessment, 1975; the US ban on the sale of cluster bombs, 1982; and the US postponement of loan guarantees, 1991-92. In each of these cases, the sanctions were applied by governments. These are clearly different from the new trend of boycotts by economic or academic entities, which require different tools for them to be resisted with any degree of success. Historically, sanctions have been most effective in achieving their goal when targeted at a specific situation or problem. Sanctions aimed at altering Israel’s policies toward the territories occupied since 1967 have hitherto failed to effect significant changes.

## The US Role in the Suez Crisis

Sanctions were decisive in resolving the 1956 Suez crisis. US President Dwight D. Eisenhower responded rapidly to the October 29, 1956 Israeli

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assault on Egypt, ordering Secretary of State Dulles to cable Israeli Prime Minister David Ben-Gurion: “Foster, you tell them goddamn it, we are going to apply sanctions, we are going to the United Nations, we are going to do everything that there is to stop this thing.”<sup>1</sup> As for the British, Eisenhower said, “We should let the British know our position...that nothing justifies double-crossing us. If the British back the Israelis they may find us in opposition.”<sup>2</sup>

The next morning, the US sponsored a UN Security Council resolution calling for Israel’s immediate withdrawal from Egyptian territory. As a precaution, the US added a paragraph prohibiting military intervention by UN member states. Britain and France vetoed the resolution and landed troops in the Canal Zone on October 31. The US turned to the General Assembly, which passed resolutions calling for an immediate ceasefire and withdrawal behind 1949 armistice lines.<sup>3</sup>

Financial sanctions were decisive in forcing Britain and France to withdraw. Indeed, the Suez crisis nearly bankrupted Britain. The Bank of England lost \$45 million between October 30 and November 2, 1956, as speculative pressures forced the government to deplete its dollar reserves to maintain the fixed exchange rate.<sup>4</sup> The Arab states imposed an oil embargo on Britain and France. US Treasury Secretary George M. Humphrey prepared to sell the country’s Sterling Bond holdings,

purchased as part of the Marshall Plan. The British government surprised its allies on November 6, 1956 by declaring a ceasefire, leading France to withdraw as well.

Eisenhower attempted the same with Israel. On November 1, 1956 he told the National Security Council, “It would be a complete mistake for this country to continue with any kind of aid to Israel, which was an aggressor.”<sup>5</sup> This included \$50 million in government aid to Israel and \$100 million annually in private donations from US citizens. The US also took intermediate measures, such as postponing a mission to Israel by the Export-Import Bank.

On November 8, Prime Minister Ben-Gurion sent the following message to President Eisenhower: “Your statement that a United Nations force is being dispatched to Egypt in accordance with pertinent

Many observers of the US-Israel relationship believe that the US pressure and the sense among Israeli voters that the relations were in a state of crisis caused Shamir’s loss to Rabin in the general elections of June 23, 1992.

Resolutions of the General Assembly is welcomed by us. We have never planned to annex the Sinai Desert. In view of the United Nations Resolutions regarding the withdrawal of foreign troops from Egypt and the creation of an international force, we will, upon conclusion of satisfactory arrangements with the United Nations in connection with this international force entering the Suez Canal area, willingly withdraw our forces.”<sup>6</sup>

In this case, the US fully achieved its goal of forcing the three partners to withdraw from Egypt. Israel withdrew later and more gradually than Britain and France, but it is still remarkable that Ben-Gurion’s message to Eisenhower came only one day after he had told the Knesset that Israel did not recognize the armistice lines, nor would it permit foreign forces of any sort in territory it occupied. At the same time, Israel might not have changed course so quickly had it not achieved its invasion goals. The Suez Canal reopened to Israeli maritime traffic, and Israeli troops were replaced in March 1957 by the United Nations Emergency Force (UNEF), bringing a decade of quiet to the border with Egypt and Gaza. Israel could thus claim that it had prevailed in the Suez campaign.

In 1956-57, Israel lacked the political tools or the economic prowess to stand up to US pressure. Even two decades later, in the mid-1970s, when Israel’s influence in Washington was more significant, Israeli leaders were cautious in choosing when to confront the US administration.

### **The French and British Embargoes**

The arms embargoes by France and Britain of 1967-73 resulted from a combination of a punitive policy, a desire to improve relations with the Arab oil-producing countries, and a growing suspicion that Israel was not in a hurry to end the occupation of Arab territories held since 1967.

In addition to participation in the Suez affair, France’s record includes the sale of airplanes and tanks to Israel beginning in 1953, and provision of the technology for the Dimona nuclear reactor. The election of Charles de Gaulle as France’s president in 1958 signaled a shift in French policy. As the clouds gathered before the Six Day War, de Gaulle warned Israel, “The state that is first to resort to arms would not have [France’s] approval, still less her support.”<sup>7</sup> A day later, on June 3, 1967, he declared an embargo on the sale and delivery of arms and spare parts to all frontline states. This had an impact on only one party to the developing conflict – Israel.

Israel nonetheless attacked on June 5, 1967 and broke the Egyptian siege. Its victory and control over new territories gave de Gaulle an opportunity to abandon France's "very special and close ties with Israel."<sup>8</sup> In his press conference on November 27, 1967, the President described a "warrior State of Israel, determined to increase its land area and boundaries." He explained this development as a natural outcome of the need for increased territory due to "actions it had taken to double its population by encouraging the immigration of new elements," i.e., refugees from the Arab world and Europe. On January 3, 1969, de Gaulle imposed a full arms embargo in response to an Israeli raid on the Beirut Airport in retaliation for a fatal attack on an Israeli airliner by members of the Popular Front for the Liberation of Palestine.

The embargo of 1967 failed, as Israel felt it had to break the Egyptian siege. Although the US did not uphold its 1957 promise to keep the Red Sea straits open for navigation, it gave Israel the green light to act militarily against Egypt. Furthermore, Israel's impressive military victory over the Soviet arsenal used by Egypt and Syria helped Israel to replace France with the US as its sole arms supplier. France's exclusive role ended on December 27, 1968, when Israel signed a \$200 million deal to buy US Phantom jets, and the 1969 French embargo had little real impact.

The British government issued a similar embargo at the start of the Yom Kippur War. Although Egypt and Syria were the clear aggressors, the government of Prime Minister Edward Heath issued an arms embargo on all frontline parties. Though rhetorically evenhanded, Israel was the only party to make significant use of British equipment. Secretary of Foreign Affairs Sir Alec Douglas-Home defended the policy in the House of Commons, saying, "We can't [call for a ceasefire] with one hand and supply arms with the other."<sup>9</sup>

Members of Parliament were surprised to discover that Britain was continuing to train Egyptian military helicopter pilots.<sup>10</sup> The Foreign Office, when asked if the embargo applied to Jordan, responded, "We have not named the countries in the original announcement in order to give ourselves room for maneuver."<sup>11</sup> A shipment of tanks to Abu Dhabi and Kuwait was not affected.<sup>12</sup> The Heath government also hurt US efforts to assist Israel by denying permission to use British bases to gather intelligence<sup>13</sup> or to supply Israel during the war.<sup>14</sup> With the exception of Portugal, other European nations also refused to provide airspace for US resupply aircraft. This complicated the implementation of Operation

Nickel Grass, in which the US airlifted materiel to the Israeli side, by forcing a detour of nearly 2,000 miles.<sup>15</sup>

The French and British embargoes failed to have any lasting impact on Israel's attitudes and policies, and in fact eliminated the last vestige of their influence in the Middle East and indirectly contributed to Israel's reliance on the US. However, the embargoes certainly left a scar on the Israeli collective consciousness and the readiness to trust these two members of the Security Council.

### US Pressure on Israel

The US threatened to halt arms supplies to Israel in order to pressure Jerusalem during the post-1973 war negotiations with Egypt. In March 1975, Henry Kissinger launched a round of shuttle diplomacy to conclude a second interim agreement. Kissinger asked Israel to accede to Egyptian demands to withdraw from the Gidi and Mitla passes in the Sinai and the Um Hashiba early warning station. Prime Minister Yitzhak Rabin wanted to compromise, but his cabinet members demanded an Egyptian declaration of non-belligerency. Egyptian President Anwar Sadat offered only a "non-use of force" agreement. Negotiations broke down, and Kissinger returned to Washington on March 23, 1975.

President Gerald Ford was "mad as hell,"<sup>16</sup> though he publicly avoided blaming Israel. He sent Rabin a letter informing, "I have given instructions for a reassessment of United States policy in the region, including our relations with Israel, with the aim of ensuring that our overall American interests are protected."<sup>17</sup> The letter was quickly leaked to the press, forcing the White House Press Secretary to stress, "It is a total reassessment of all aspects of the Middle East," not just US ties with Israel.<sup>18</sup> Nonetheless, Ford froze handling Israel's request for F-15 fighter jets and delayed the delivery of Lance surface-to-surface missiles. Secretary of Defense James Schlesinger said at the March 28 National Security Council meeting, "We cannot let [Israel] conclude that they can upset the U.S. applecart but the administration can do nothing about it."<sup>19</sup> No new arms agreements were concluded between March and September 1975, in what Rabin termed "one of the worst periods in American-Israeli relations."<sup>20</sup>

Throughout the "reassessment process," the Ford administration maintained an outward appearance of neutrality. On August 5, 1975, US diplomat Robert Anderson denied that Ford was delaying arms deliveries

to Israel, saying, “We do not consider that pressure is the answer.” However, he clarified that, “Requests for some items representing new or advanced technology remain pending until completion of the reassessment.”<sup>21</sup> In June 1975, Ford sent Rabin a letter threatening to publicly blame Israel for the stalemate.<sup>22</sup> In the assessment of Kissinger, “The letter gave Rabin the ammunition he needed to convince his colleagues that Ford meant what he had been saying to Rabin and [Yigal] Allon for the past nine months.”<sup>23</sup>

US threats were effective because they provided Rabin with the necessary political cover to negotiate with Egypt. Defense Minister Shimon Peres introduced a compromise withdrawal proposal, which became the basis for the Sinai II agreement, laying the foundation for the 1979 peace treaty between Israel and Egypt. Israel, however, also benefited from the dynamic. The US rewarded Israel with a memorandum of agreement, described by Abba Eban as “a security alliance in everything but name.”<sup>24</sup> The US obligated itself to ensure that Israel would never lack arms or oil, guarantee Egyptian compliance with signed agreements, provide advanced military equipment including F-16s, and refuse to recognize the Palestinian Liberation Organization until it recognized Israel’s right to exist and accepted UN Security Council Resolutions 242 and 338. The US also promised not to push Israel into negotiations on the Golan Heights.<sup>25</sup>

The goal of “reassessment” was to change Israel’s attitude toward reaching an agreement with a neighboring state, Egypt. This coercion was successful, though the pressure may have been “invited.”

The Reagan administration exercised similar discretion on the three occasions it suspended arms deliveries to Israel as a punitive measure. The US suspended the delivery of F-16 Flying Falcon fighter jets twice in 1981 – in response to Israel’s annexation of the Golan Heights and to the attack on Iraq’s Osirak nuclear reactor. It suspended the delivery of cluster munitions in 1982 after Israel used American-made cluster bombs in Lebanon in contravention of arms agreements with the US.

In the case of the F-16s, the suspension was temporary. As Reagan wrote regarding Osirak, “Technically, Israel had violated an agreement with us not to use U.S.-made weapons for offensive purposes...I sympathized with [Prime Minister Menachem] Begin’s motivations and privately believed we should give him the benefit of the doubt.”<sup>26</sup> The use of cluster munitions in Lebanon led Reagan to request a review to determine

“whether we believe there was a question of this thing being an offensive attack or whether it was self-defense.”<sup>27</sup> The review was conducted in secrecy. On July 19, 1982, White House Deputy Press Secretary Larry Speakes announced only, “Until that review is completed, there will be no shipments of artillery projectiles or other cluster bomb unit-related materials.”<sup>28</sup> Reagan made the suspension indefinite on July 26 after sending a classified letter to Congress. The State Department spokesman emphasized that this was a political decision, not a legal determination as to Israel’s culpability.<sup>29</sup> A secret memo dated July 31, 1982 to Secretary of State George P. Schultz confirms the letter “did not draw any specific conclusions as to whether Israel’s use of CBU’s violated the terms of the 1978 agreement [on the use of cluster bomb units].”<sup>30</sup>

Sanctions against Israel during the Reagan administration were punitive and perfunctory. They were not intended to produce a real change in Israeli policy, but served as a tool to criticize it. When Reagan suspended shipments of cluster munitions to Israel, no other items were affected. He confirmed neither publicly nor in Congress that Israel had violated arms agreements, which could have led to demands for a serious response.

### The US Loan Guarantees

In 1991, Israel requested US guarantees for \$10 billion to finance the absorption of immigrants from the Soviet Union and Ethiopia. The country anticipated that it would spend \$45-50 billion over five years to provide housing, infrastructure, and employment assistance.<sup>31</sup> Israel submitted its request in early September 1991. President Bush asked Congress to postpone discussing the request for 120 days, lest it disrupt the Madrid Conference to resolve the Arab-Israeli conflict, which began in late October 1991. Both houses agreed to delay the issue until 1992. However, the President’s tone changed on September 11, 1991 when he told reporters, “I’m committed to seeing that they get considered...But I’m not committed to any numbers and never have been.”<sup>32</sup> During his September 16, 1991 visit to Israel, Secretary of State James Baker told Israeli Prime Minister Yitzhak Shamir, “If you want US guarantees, you will have to accept our position on settlements.”<sup>33</sup>

In January 1992, Baker told the House of Representatives, “This administration is ready to support loan guarantees for absorption assistance to Israel of up to \$2 billion a year for five years, provided though

there is a halt or end to settlements activity,” including construction of housing units, land clearing, and building of infrastructure.<sup>34</sup> Alternatively, Israel could complete projects underway, but the loan guarantees would be reduced by the amount spent on settlements.<sup>35</sup> In light of the President’s inflexibility, the Congressional leadership decided to postpone debate on the issue indefinitely, though the Senate issued a non-binding resolution on April 1, 1992 expressing the “sense of the Senate that the United States Government should support appropriate loan guarantees to Israel for refugee absorption.”<sup>36</sup>

The deadlock was broken not by political compromise but by the June 1992 Israeli elections. Newly elected Prime Minister Yitzhak Rabin announced his intention to curtail settlement activity.<sup>37</sup> On July 19, 1992 the government declared it would stop approving contracts for housing units,<sup>38</sup> reiterating an earlier announcement by the Housing Minister.<sup>39</sup> Baker arrived in Israel the following day and implied that the US government would be amenable to providing loan guarantees, leading Rabin to cancel housing projects not yet begun, plus some infrastructure projects.<sup>40</sup>

On August 11, 1992, following a meeting with Rabin, Bush said, “I am extremely pleased to announce that we were able to reach agreement on the basic principles to govern the granting of up to billion in loan guarantees. I’ve long been committed to supporting Israel in the historic task of absorbing immigrants, and I’m delighted that the Prime Minister and I have agreed to an approach which will assist these new Israelis without frustrating the search for peace.”<sup>41</sup>

The blocking of the loan guarantees was intended to fundamentally alter Israel’s settlement policy. This attempt clearly failed as Israel, even under Prime Minister Rabin, continued housing projects in the territories, though with greater scrutiny, building within the existing parameters of settlement. Nonetheless, many observers of the US-Israel relationship believe that the US pressure and the sense among Israeli voters that the relations were in a state of crisis caused Shamir’s loss to Rabin in the general elections of June 23, 1992.

### **Europe Re-emerges**

The European Union has adopted a more aggressive attitude against Israel’s settlement policy. The EU’s first measure was to re-apply import duties on Israeli-made products from the West Bank, including East



Jerusalem, as well as Gaza and the Golan Heights, claiming that the 1995 Association Agreement only applies within Israel's pre-1967 borders. Israel reluctantly agreed in February 2005 to include the production site on certificates of origin for the benefit of EU customs officials. This agreement has harmed exports from the territories,<sup>42</sup> though the Israeli government compensates exporters affected by the higher duties.<sup>43</sup> The EU continues to import annually €230 million worth of goods from the settlements.<sup>44</sup>

In 2013 the EU increased economic pressure on Israel, and on July 19, 2013 published "Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards." The guidelines effectively bar financial transactions between the European Union and any Israeli entity that is located or conducts operations in territories captured in June 1967.<sup>45</sup> The EU insists the guidelines are not sanctions, but a clarification of policy.

In late November 2013, Israel and the EU reached an agreement on Israel's participation in the EU's "Horizon 2020," the European R&D program for the years 2014-20. Each side included a statement, incorporated into the agreement, in which the EU affirms its position against the use of EU funds by Israeli entities beyond the 1967 lines, and Israel declares the unacceptability of the EU's policies on this issue. A serious loss to the research community was thus averted. The loss would not only have included some €75 million over the lifetime of "Horizon 2020," but the incalculable damage to working relations between Israeli and European research entities.

## Conclusion

Reviewing the various threats of sanctions and the actual sanctions employed, it appears that only the US has succeeded in changing Israel's behavior. France and Britain failed with their arms embargoes in 1967-69 and 1972, respectively, mostly because they had already lost their exclusivity in supplying arms to Israel and because their decisions were not pressing for a specific goal, and were perceived by Israel as purely punitive.

Most of the US threats and measures to be taken against Israel resulted from specific incidents related to relatively minor issues. Only once since 1967 has the US clearly used pressure to change a major Israeli policy –

that regarding settlements. The blocking in 1991-92 of US loan guarantees may have caused deep concern in Israeli public opinion, but not enough to create a long term, profound change of policy. In all other – minor – cases, threats to halt assistance and short interruptions and suspensions of arms supplies achieved their goal. The 1975 “reassessment,” the 1982 case of the cluster munitions, or the intended sale of an AWACS system to China are cases in point.

While economic measures clearly produced a change in Israeli policy in 1956-57, forcing it to withdraw from Sinai, to date they have failed to influence Israel’s settlement policy. They have, however, rattled the Israeli government, as in the case of the EU. Thus, the Israeli government agreed to issue certificates of origin that allow European customs authorities to discriminate against goods produced in the settlements and agreed that no EU financial transactions will be conducted with Israeli entities beyond the 1967 lines.

New sanctions are most likely to come from Europe. At the same time, European governments may overestimate the real impact of their sanction policies. The added duties to imported goods from beyond the 1967 lines are negligible, and the Israeli economy can easily absorb the damage. The direct financial loss that would have been incurred had Israel and the EU failed to reach an agreement on “Horizon 2020” could have amounted to about €75 million over seven years: it is doubtful that this would be sufficient to change Israel’s policies concerning the future of the territories. On the other hand, Israel may be underestimating the direct and collateral economic damage. Whereas governments are constrained by agreements and wider economic interests, civil society, NGOs, and private sector entities may adopt measures with a profound, cumulative impact on the Israeli economy. It is too early to judge the quantitative impact of the non-governmental rush to boycott settlement or general Israeli goods and services, but one should not dismiss these efforts lightly.

Ever since 1967, the United States administration has come out with several initiatives concerning the relations between Israel and its neighbors. Best known are the Rogers Plan of 1969, the Reagan Plan of 1982, and the Clinton Parameters of 2000. The US urged Israel to accept these plans but has never applied sanctions in order to coerce it to do so. The US has also vetoed UN Security Council draft resolutions regarded

by Israel as one-sided. A change in the US pattern of voting could be seen by Israel as much more damaging than economic or military moves of limited duration and impact. Abstention on a resolution admitting the Palestinian state as a full member or a more detailed, interpretive resolution overtaking UNSCR 242 would certainly be seen by Israel as a profound change in its geostrategic balance.

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