

# Israel and foreign aid

Danny Richardson  
11 January 2012

Dear Artemis,  
Thank you for your email.

In it, you describe the statement that Israel is “a government entirely dependent upon foreign aid” in my January 3 article as “a strange assertion.”

You argue, “Israel has a thriving economy; it is a wealthy industrial state with a per capita income above that of many European countries such as Spain or Ireland. The foreign ‘aid’ in the form of billions of US tax dollars enables Israel to pursue its brutal occupation of Palestinian lands. Were the US to halt such ‘aid,’ I doubt that it would have much effect on the Israeli economy. But without it, the occupation would no doubt fast come to an end.”

Israel is a small country without natural resources and at war with its neighbours. From its creation under the aegis of the major Western powers, it was dependent upon external aid from these same powers—without which it was no more viable than such states as Jordan and Lebanon.

Israel’s greater economic success conceals one of the most polarised societies in the world (See, “Oligarchy and Inequality in Israel”). “Success” is not shared with the majority of its citizens, as testified by last summer’s mass protests.

Israel’s economic performance was the product of a very specific set of circumstances: the long post-war boom, overseas grants and loans for investment, a continuous flow of immigrants, many highly qualified, and cheap labour in the form of Palestinian and migrant workers.

In its early years, Israel saw an investment rate of 25 percent of annual income a year, very little of which came from within Israel. Virtually all of this was provided by foreign aid. A major source came from the Diaspora, which contributed \$200 million a year before 1967 and a then massive \$700 million a year in the following six years. German reparations money was to

provide another important source of finance in the early years, \$125 million a year before 1966. Even after the reparations money came to an end, West German aid continued at a higher level than before.

By far the most important source was the United States. After 1967, US aid rose from \$50 million a year to \$3 billion a year by 1986 (\$1.2 billion economic aid and \$1.8 billion military), making Israel the highest per capita recipient of US aid in the world. Whereas most US foreign aid is tied to specific projects and the purchase of US goods and services, and overseen by the government agency USAID, US aid to Israel goes straight into the country’s exchequer as a cash transfer.

Most of the military loans were converted into grants and the remaining loans were “forgiven” by Congress. But even these annual \$3.5 billion in aid and grants were to become insufficient. In 1992-96, the US stepped in to provide \$10 billion in loan guarantees and a similar amount in 2003. Without such guarantees, Israel would have been bankrupt.

As well as rescuing the economy, US funding permitted the settlement expansion even after the signing of the Oslo Accords in 1993. While officially President Bill Clinton deducted the cost of settlements from the aid, he made equivalent amounts available as grants from other sources.

Military aid alone is now more than \$3 billion a year. According to *Globes*, the US 2012 budget proposed \$3.075 billion in military aid for Israel, \$75 million more than in fiscal year 2011, rising to \$3.1 billion in fiscal year 2013, and remaining at that level through 2018.

Without this, Israel would not be able to maintain its military superiority in the region, suppress the Palestinians or conduct military assaults on its neighbours. It would mean an even greater assault on the living standards of the Israeli people and provoke a revolutionary movement in the working class. Such a

movement would necessarily have to forge a united struggle with the Palestinian and Arab working masses against the Israeli state and the criminal policies of world imperialism, a unity that US aid is in part aimed at preventing.

This brings me to a further point. You started your email by referring briefly to the anti-democratic measures adopted by the Israeli government: “Coming from Israel, none of these appalling measures should surprise us that much.”

This reflects a complacent attitude that, if it guided our own work, would be a recipe for passivity in the face of such attacks, helping to disarm the working class in Israel and internationally.

The implementation of such measures will have a profound impact on both Palestinians and Israelis. The *World Socialist Web Site* takes seriously any attacks on democratic rights wherever they occur. Such rights were always bitterly fought for by earlier generations. We are not in the business of letting them be taken away.

There is, moreover, an additional political significance to such attacks that take place in Israel. This was, after all, a country formed explicitly as a safe haven for the Jewish people where they would be free from the centuries of oppression and social injustice under European governments. Yet they now face social inequality and injustice at the hands of their “own” ruling class, which has for decades oppressed another people while claiming to be the region's only democracy. Combating this view is a vital political task.

Israel's experience is not unique. The peoples of Africa and Asia have been no more successful in their attempts to throw off the yoke of imperialism via the establishment of “independent” nation states led by the bourgeoisie. The *World Socialist Web Site*, far from dismissing such attacks on working people as something that should not “surprise us that much,” draws attention to their significance in order to advance the perspective of the unification of Israeli, Arab, Iranian, Turkish, and Kurdish workers in a combined struggle to defend their common interests against capitalist exploitation and imperialist oppression and establish the United Socialist States of the Middle East.

For Artemis's letter, see “Letters from our readers,” January 5, 2012.



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