

# The reality of US-Israel relations—Part 2

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## Israel: a US outpost during the Cold War, 1948-91

From its inception, the Zionist state—whose borders were shaped not by the United Nations partition plan but by Israel’s military victory in 1948 and the displacement and dispossession of more than 700,000 Palestinians—faced severe structural constraints.

Israel was a small country with few natural resources, limited water, and exclusion from the surrounding Arab economies, which imposed boycotts, closed their borders and refused trade. Few other 600-kilometre corridors cut through so many conflict zones—Gaza, Israel, Lebanon, and Syria—making any overland route from Rafah in Egypt to Antakya in Türkiye impossible. These conditions rendered the economy non-viable without external support and pushed successive governments toward territorial expansion, high military spending, and settlement building, generating recurring economic crises.

For nearly four decades until the 1985 Stabilisation Plan, Israel took the form of a state-led, Labour-Zionist developmental regime, built on the institutions of the pre-state Yishuv (settlement) and dominated by the Histadrut and the Mapai/Labour movement.

The United States provided almost no economic aid in the early years—limited mainly to food assistance. Early US policy was pragmatic, cautious, and often ambivalent. Seeking alliance with the Arab states and wary of alienating key regional partners, Washington avoided close relations with Israel. France, not the US, was Israel’s primary arms supplier in the 1950s.

US strategy in the Middle East centred instead on three pillars: Saudi Arabia, Iran, and Egypt, with Iran the most important. Washington deepened its relationship with Saudi Arabia after Roosevelt’s 1945 “oil-for-security” understanding; orchestrated the 1953 coup against the elected government in Iran to restore the Shah and secure US control of Iranian oil; and initially cultivated ties with Egypt’s new regime after the 1952 Free Officers coup. During the 1956 Suez Crisis, the Eisenhower administration forced Britain, France, and Israel to withdraw from Egypt, prioritising regional stability over Israeli ambitions.

Israel nevertheless worked to secure US support. David Ben-Gurion, Israel’s first prime minister, sought to present Israel as a reliable Cold War partner, offering military cooperation and intelligence. Mossad collaborated with the CIA and MI6, including in the 1953 coup in Iran, and provided intelligence on Soviet activities. Israel also attempted covert operations to shape US and British policy, most notoriously the 1954 “Lavon Affair” in Cairo: false-flag terrorist operations aimed at ensuring a British and US presence in Egypt. It backfired spectacularly and caused a major political crisis in Israel.

Without substantial economic assistance from Washington in its early decades, Israel survived largely through diaspora funding and German

reparations. Reparations and compensation payments—amounting to a sum equivalent to 86 percent of Israel’s GDP in 1956—financed infrastructure, industry, shipping, and energy systems. Even after formal reparations ended in 1966, West German aid continued at high levels.

By the mid-1960s, Israel remained economically fragile, militarily dependent on external suppliers, and politically constrained by US regional strategy. This dependency shaped its foreign policy, its domestic economic structure, and its search for a great-power patron—conditions that would shift only after the 1967 war.

## US–Israel Relations Warm After the Suez Crisis

The 1956 Suez Crisis marked a turning point in Middle Eastern geopolitics and a warming of US–Israel relations. Although the US forced Britain, France, and Israel to withdraw from Egypt, the crisis unintentionally elevated President Gamal Abdul Nasser’s prestige, boosted pan-Arab nationalism, and destabilised the pro-Western regional order. The Baghdad Pact collapsed after the 1958 Iraqi revolution; Egypt and Syria briefly united; Jordan and Lebanon sought British and US military support; and Washington announced the Eisenhower Doctrine, asserting US responsibility for the Persian Gulf and Arabian Peninsula.

As the Cold War intensified, Washington reassessed Israel’s strategic value. In the early 1960s, the Kennedy administration initiated the first formal US–Israel security ties, ending the arms embargo and supplying Hawk anti-aircraft missiles. Covert cooperation deepened as Israel positioned itself as an ally against Soviet influence, with Mossad acting as a subcontractor for US intelligence operations abroad.

President Kennedy, however, opposed Israel’s nuclear programme, fearing a regional arms race. He demanded inspections of the French-built Dimona reactor, but after his assassination the pressure faded. By 1968, US intelligence concluded that Israel had achieved nuclear capability, and subsequent administrations avoided confronting the issue as relations with Israel deepened. Washington later blocked Arab attempts to raise Israel’s nuclear arsenal at the International Atomic Energy Agency.

Nasser attempted to counter Israel’s nuclear advantage by developing missiles with German scientists, prompting Mossad’s 1962 campaign to intimidate or assassinate those working on Egypt’s programme. Egypt never matched Israel’s capabilities, leaving Israel the region’s sole nuclear power.

As Soviet influence expanded in Egypt, Syria, Algeria, and Iraq, the Johnson administration moved closer to Israel. In 1966, Washington cut economic aid to Egypt and began supplying Israel with tanks, aircraft, and missiles. During the 1960s and 70s, Israel also acted as a proxy for US interests, aiding pro-Western forces in Ethiopia, Yemen, Iran, Morocco, South Africa, and parts of sub-Saharan Africa—often where the US could not intervene directly.

In June 1967, the Johnson administration gave Israel the green light for its pre-emptive war against Egypt, Syria, and Jordan, hoping it would

weaken Nasser. Israel's rapid victory reshaped the region: it destroyed Egyptian and Syrian air forces and occupied the Sinai Peninsula, Gaza, the West Bank, East Jerusalem, and the Golan Heights. Israel's attack on the USS Liberty—apparently a “friendly fire” incident that killed 34 US sailors for which it apologised and paid compensation—did not derail the emerging strategic relationship, with Washington judging that a public confrontation could play into Moscow's hands. But it did generate enduring controversy and mistrust beneath the surface.

The 1967 War, with Israel's capture of Arab lands, served to advance its longstanding Greater Israel policy. The war extended Israel's de facto boundaries and created new waves of refugees and internally displaced people. The government established colonial-style settlements in the newly conquered territories in defiance of international law. The settlements in turn created a social layer that had a vested interest in Israel's expansionary policy, providing a pole of attraction for some of the most reactionary forces, whose fascist heirs are in government today, dictating policy.

These forces moved Israeli politics rapidly to the right in the 1970s, increasing social instability and ending Labour's grip on government.

### **The 1967 War: a turning point in US-Israel relations**

The 1967 War was the decisive turning point in US–Israel relations. Israel's rapid victory established it as the dominant military power in the Levant, shattered the appeal of pan-Arab nationalism, and weakened Soviet influence in the region. By demonstrating that it could achieve militarily what Washington sought politically—containing Arab nationalism and checking Moscow—Israel proved its value to the US as a strategic Cold War asset, laying the foundations for the “special relationship” that would define the next decades.

Washington began formally integrating Israel into its regional security system, supplying it with advanced weapons previously reserved for NATO allies. Under the Nixon Doctrine of 1969, while Washington would provide a nuclear shield, its regional allies rather than US ground forces would police the world on its behalf, thereby reducing American intervention in local conflicts. The Nixon Doctrine opened the floodgates of US military aid to allies in the Persian Gulf as the petrostates moved closer to the US, aligning against radical Arab states and the Soviet Union.

American support for Israel increased dramatically: 99 percent of all US military aid to Israel has been provided only after 1967. US aid rose from roughly \$50 million annually before 1967 to about \$3 billion a year by the mid-1980s and \$3.8 billion a year 2019–28, totalling almost \$318 billion since World War II and making Israel the highest per-capita recipient of US assistance.

US aid to Israel took an exceptional form. Unlike standard American foreign aid—tied to specific projects and monitored by USAID—most US assistance to Israel is transferred as unrestricted cash, deposited directly into the Israeli treasury. Military loans were routinely converted into grants, and Congress eventually forgave outstanding balances. Washington also agreed to front-load the entire annual aid package at the start of each fiscal year, allowing Israel to earn interest on unspent funds. Israel is uniquely permitted to spend up to one quarter of US military aid inside Israel, subsidising the development of its domestic arms industry, and is exempt from detailed reporting requirements on how economic aid is used.

Beyond direct transfers, the US provides loan guarantees, favourable tax treatment for private donations, and even guarantees Israel's oil supplies in the event of a crisis. Diplomatic protection has been equally crucial:

since 1972, the US has used its veto in the UN Security Council to block dozens of resolutions critical of Israel, ensuring no international action is taken over its illegal occupation of Palestinian territory, settlement expansion, or nuclear weapons.

This system of support expressed a consistent political logic. After 1967, Israel became one of the pillars of US strategy in the Middle East. Its military strength, intelligence capabilities, and alignment with US interests justified an aid regime exceptional in scale, structure, and political insulation. The transfers of US arms also fuelled a regional arms race, generating lucrative contracts for American defence manufacturers.

In return, Israel acted as the custodian of Washington's interests in the region, preventing victories by Palestinian movements and their allies in Jordan (1970) and Lebanon (1976–82), that threatened the decrepit, corrupt, US-dependent Arab regimes, and countering Soviet-aligned states during the Cold War. It served as a conduit for US arms to regimes Washington couldn't be seen arming openly: apartheid South Africa, Khomeini's Iran during the Iran–Iraq war, Central American death squads. Mossad provided intelligence and carried out illegal covert operations on Washington's behalf. In effect, Israel replaced Britain—after its withdrawal “East of Suez”—as Washington's primary strategic partner and security proxy in the Middle East.

In the surprise attack mounted by Egypt and Syria against Israel in October 1973, Israel suffered early losses, prompting it to consider a nuclear alert (the “Samson Option”). The US responded by launching a massive airlift—the largest since the Berlin Airlift of 1948–49—that enabled Israel to regain the initiative, cross the Suez Canal, and encircle Egypt's Third Army, while signalling to Moscow that it would not permit an Arab victory. It also demonstrated Israel's dependence upon a powerful backer.

The war triggered the 1973–74 oil embargo, unleashing global inflation and recession and convincing Washington that regional stability—and secure energy supplies—required deeper diplomatic and military engagement. After the collapse of Secretary of State Henry Kissinger's shuttle diplomacy in March 1975, and in recognition of Israel's dependency, President Gerald Ford ordered a punitive “reassessment” of US–Israel relations to pressure Israel into limiting its territorial ambitions and avoid alienating Arab oil producers.

This pressure forced Israel to accept ceasefire and disengagement agreements with Egypt and Syria, laying the foundation for the Camp David Accords and the 1979 Egypt–Israel Peace Treaty, which returned the Sinai to Egypt and cemented the US role as the region's indispensable mediator. It laid the basis for Arab–Israeli normalisation (Jordan in 1994 and eventually the Abraham Accords in 2020) and the isolation of the Palestinians, as key Arab states no longer viewed the Palestinian question as a barrier to cooperation with Israel.

In the aftermath of the 1973 war, Washington fully integrated Israel into its regional security network—alongside Egypt and Jordan—providing unprecedented military and economic assistance, financing new airbases in the Negev, and supplying advanced weaponry to guarantee Israel's qualitative military edge.

### **The Iranian Revolution and the consolidation of the US–Israel partnership**

The 1979 Iranian Revolution removed Washington's most important ally in the region. The Shah's sudden overthrow produced a regime openly hostile to both the US and Israel. The Islamic Republic backed the Palestinians—handing the former Israeli embassy in Tehran to the Palestine Liberation Organisation (PLO)—energised Islamist movements across the region, and destabilised conservative Arab monarchies. For Washington,

the loss was profound: Iran had been its strongest regional ally, a key intelligence outpost on the Soviet border, a major arms client, and a crucial source of recycled petrodollars.

The US responded—alongside the Soviet invasion of Afghanistan—with the 1980 Carter Doctrine, reversing the 1969 Nixon Doctrine. President Jimmy Carter declared that the US would use military force to defend its interests in the Persian Gulf. This led to a major expansion of the US military presence, the creation of what became CENTCOM, and a long era of direct American intervention. The Reagan administration reinforced this posture in 1981, pledging to protect the “internal stability” of Saudi Arabia.

With Iran lost, Israel was left as the only stable, militarily capable, pro-Western power in the region. Washington increasingly relied on Israeli intelligence and military capacity, while Israel pressed for expanded US aid and advanced weapons systems. This dovetailed with Defence Minister Ariel Sharon’s 1981 doctrine of unilateral military dominance, pre-emption, and the destruction of hostile political infrastructures.

Israel acted as a regional enforcer in ways that aligned with US interests: destroying Iraq’s Osirak reactor in 1981, preserving Israel’s nuclear monopoly in the region; invading Lebanon in 1982 to expel the PLO; and providing intelligence and covert support to pro-Western regimes and insurgencies across Africa and the Middle East.

Although Washington publicly criticised some actions—such as the Osirak strike, the Lebanon invasion, and the massacre of Palestinians in Sabra and Shatila—cooperation continued to deepen. Israel’s wars offered the US real-time testing of American weapons, often against Soviet-supplied systems, while Israel’s nuclear arsenal provided long-range deterrent capacity.

During the Iran-Iraq war (1981–86), Israel served as the conduit for secret US arms sales to Iran despite official American opposition. The arms helped prolong the war, weakening both hostile states, while the proceeds funded US-backed “Contra” forces in Central America.

At the same time, Israel pursued its own interests, sometimes at Washington’s expense. The most damaging episode was the Jonathan Pollard espionage case, in which a US Navy intelligence analyst passed classified material to Israel, some of which reached the Soviet Union. The scandal strained relations for years. But despite such tensions, US policymakers continued to view Israel’s military strength and intelligence capabilities as essential to American power in the Middle East.

Israel became known in Washington as “America’s aircraft carrier.” In 1985, the US concluded its first-ever free trade agreement with Israel, and in 1987 designated it a major non-NATO ally, embedding Israel within the broader Western security and technological ecosystem.

Israel’s strategic utility was repeatedly emphasised in Washington. In 1986, Joe Biden, during a Senate speech, argued against selling weapons to Saudi Arabia, saying, “It’s about time we stop apologising for our support for Israel. It is the best \$3 billion investment we make. If there weren’t an Israel, the United States of America would have to invent an Israel to protect her interests in the region.” This was an opinion he was to restate more than once.

*To be continued.*



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