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The Limits of Economic Sanctions: The American-Israeli Case of 1953

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## The Limits of Economic Sanctions: The American-Israeli Case of 1953

**Economic sanctions are a means of coercion** employed by a given state (or states) in an effort to change the policy of another state. The purpose of economic coercion is to influence the behaviour of another state by threatening it with, or exercising against it, some form of economic damage or punishment.<sup>1</sup> The ability to employ economic coercion derives from a situation of economic interdependence between two states: 'If B is highly dependent on A for something of great economic value to him, and A is not similarly dependent on B, the latter is vulnerable to the threat of having the receipt of the valued object suspended. He is subject to the coercive exertion of economic leverage.'<sup>2</sup>

The effectiveness of economic sanctions as a political tool is contingent upon change in the target state's behaviour and/or commitment on its part to avoid such behaviour in the future. However, a strong consensus exists in the literature that economic sanctions alone have been ineffective in the fulfilment of their objectives. A combination of the following conditions may influence the degree of effectiveness of economic sanctions as a political tool: (1) the degree of control of the punishing state over the supply of the economic goods needed by the target state; (2) the degree of need of the target state for those economic goods, and its ability to obtain them elsewhere or to forgo them altogether; (3) the ratio between the cost of compliance and the cost of doing without the supply of economic goods; (4) the determination of the target state to carry out its policy; (5) the political will and ability of the punishing state to persist with its coercive policy and the ability to gain domestic support for it; (6) the degree of public support in the target state for the policy that leads to the imposing of economic sanctions and the willingness of the public to bear the consequences of its government's actions.<sup>3</sup>

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This study examines US sanctions against Israel in October 1953. Analysis of this case strengthens the thesis that economic sanctions as a sole means of influence are not always effective and that other means, including negotiations and alternative solutions to a given crisis may be necessary in order to induce a state to change its behaviour.

In July 1953, the government of Israel reached a decision to divert the waters of the Upper Jordan river to the Negev desert region of southern Israel. The site chosen for the diversion project was Gesher B'not Yaacov, located in the demilitarized zone between Israel and Syria. Reasons for choosing this particular site were both technical and economic. Gesher B'not Yaacov was situated on higher ground than the Sea of Galilee, located further to the south. This area of the Jordan river also had a lower level of salinity. According to government estimates, diversion of the Jordan outside the demilitarized zone would cost an additional 3 million Israeli pounds (3.5 million dollars). The project was deemed of vital economic importance to Israel.<sup>4</sup>

Israel's intention to proceed with the project was verbally communicated to Major-General Vagn Bennike, the UN Chief of Staff, on 31 July 1953, and a written statement to that effect was transmitted on 2 September. That same day, Israel began work on the canal.

On 23 September, Major-General Bennike, assuming his responsibility as the Chairman for the Mixed Armistice Commission, called upon Israel to cease work in the demilitarized zone, claiming that it violated certain provisions of the Armistice Agreement. He based his views on the following arguments: the work could affect the demilitarized character of the zone; in particular, the separation of the armed forces between Israel and Syria. Due to the topographical changes which would occur in the demilitarized zone, Israel might acquire a military advantage in the area. In addition, the construction of the project would affect the normal daily existence of those Arab civilians residing in villages dependent upon the river. Another question was whether Israel was legally entitled to undertake civilian works in the demilitarized zone without Syria's consent.

On the basis of this reasoning, Major-General Bennike concluded that a party to the Armistice Agreement must not, in the absence of prior agreement, carry out in the demilitarized zone any work likely

to prejudice the objectives of the demilitarized zone as stated in the Armistice Agreement.<sup>5</sup>

In his reply to Major-General Bennike on 24 September, Israeli Foreign Minister Moshe Sharett argued that the diversion project did not infringe upon the Israeli–Syrian armistice agreement and therefore it was not within Major-General Bennike’s authority to call for a halt.<sup>6</sup> In discussions with Major-General Bennike in late September and at the beginning of October, the Israeli government agreed to suspend construction temporarily, during which time UN claims could be investigated. Israel also committed itself to respect fully the rights of the Arab inhabitants of the demilitarized zone and agreed temporarily to delay the actual diversion of waters to the canal.<sup>7</sup>

Major-General Bennike, however, demanded unconditional cessation of the work. Subsequent discussions between Major-General Bennike and Foreign Minister Sharett did not resolve the differences; on 15 October, they agreed to refer the controversy to the UN Security Council. In the interim, Israel continued work on the project, her apparent aim being to complete the canal as soon as possible so as to present the UN with a *fait accompli*.<sup>8</sup>

On 16 October, Syria requested the convening of the Security Council in order to deal with what it claimed was an Israeli breach of the armistice agreement. In the meantime, the United States considered the possibility of withholding economic assistance to Israel even before Major-General Bennike requested Israel to stop work.<sup>9</sup> The United States preferred that Bennike request Israel to cease construction and encouraged him to do so by assuring him of ‘US general support on any decision he may make within his authority’.<sup>10</sup> However, even before Bennike requested Israel to stop the project, US Assistant Secretary of State Henry Byroade had informed the Israeli ambassador, Abba Eban, on 18 September, that the United States intended to withhold \$50 million earmarked for Israel from the Mutual Security Act funds. An allocation of \$26 million from this amount, due to be sent to Israel in a matter of weeks by the Foreign Operations Administration, would be immediately deferred until Israel agreed to the UN official’s demand.<sup>11</sup> Following Bennike’s request to Israel for unconditional cessation of the work, Secretary of State John Foster Dulles informed Eban on 25 September that the withholding of the funds would continue until Israel suspended the work in accordance with the request, i.e., unconditionally.<sup>12</sup> The President also authorized the Treasury

Department to draft an order nullifying the tax-deductible status of contributions made to the United Jewish Appeal and to other Zionist organizations engaged in private fund-raising for Israel.<sup>13</sup> Public announcement of the suspension of financial aid to Israel, however, was not made until 20 October.

In examining the US decision to impose sanctions, four key questions emerge. First, why did the US decide to withhold economic aid? Second, why was announcement of this decision originally suppressed? Third, what caused the Administration to change its mind and make public its decision? And finally, how did the publication of the sanctions influence their effectiveness?

Secretary Dulles provided an answer to the first question at the press conference of 20 October, at which he originally announced the sanctions:

[Economic aid] was deferred because it seemed to us that the State of Israel should respect General Bennike's decision, and that as long as the State of Israel was acting in defiance of that decision, it was questionable at least as to whether we should make the allocation. I might add we recognized that there was a right of appeal from General Bennike's decision to the Security Council, but we felt that pending the exercise of that appeal it would have been better that the work be suspended unless General Bennike agreed that it could go on without prejudice to the interests which he thought were jeopardized on the part of Syria.<sup>14</sup>

The formal reasons for the withholding of economic aid were thus Israel's disregard of the UN appeal to cease work and what the US perceived as the likely jeopardizing of Syrian interests. Beyond these explicit reasons, other factors existed for US concern. First, the US was on the verge of announcing its own plan for the allocation of Jordan river waters. On 16 October, President Eisenhower announced the appointment of Eric Johnston as his formal envoy to the Near Eastern states. His mission was to seek a comprehensive programme to develop Jordan river water resources on a regional basis. The US position stated firmly that the waters of the Jordan river must be used to satisfy all the needs of all the people living in the Jordan Valley before they could be diverted elsewhere. Johnston was to negotiate with Israel, Egypt, Jordan, Syria and Lebanon in order to obtain agreement on the basis of a plan entitled the 'Unified Development of the Water Resources of the Jordan Valley Region', which had been prepared for the United Nations Relief and Works Agency for

Palestine Refugees (UNRWA), by the Tennessee Valley Authority.<sup>15</sup> The Gesher B'not Yaacov project was probably perceived by the Administration as a threat to this programme.<sup>16</sup> Indeed, the US embassy in Israel assessed that the diversion project was more of a political gesture than an economic necessity, and Secretary Dulles agreed with this evaluation.<sup>17</sup> It was widely believed in the Administration that Israel was acting in a manner to test the US position. If the US reacted immediately, Israel would then accept the Bennike decision.<sup>18</sup>

Secondly, the US may have been concerned about a potential military clash between Israel and Syria, and apprehensive regarding the possible collapse of the armistice agreements. These were perceived by the US as 'the essential bulwark against general hostilities and chaos in this area'.<sup>19</sup> New hostilities in the Arab-Israeli conflict would only endanger US interests in the Middle East. The US, therefore, 'had to back the local machinery of the United Nations in a situation which looked as if armed conflict might result'.<sup>20</sup>

This assessment is identical with the conclusion of a top-secret State Department study, completed in October 1953, outlining the grave political and economic problems facing Israel due to its high level of immigration. As a result of Israel's economic weakness and its lack of natural resources, the study argued that Israel would try to solve both her economic and political problems via territorial expansion.<sup>21</sup> The Israeli diversion project in the demilitarized zone between Israel and Syria could therefore be regarded as indicative of Israel's desire for expansion.

Finally, and perhaps most important, the US was engaged throughout this period in attempts to establish a regional alliance with Arab states. Withholding of economic aid was considered a means of proving to the Arabs that the US did not discriminate in favour of Israel.<sup>22</sup> Supporting this theory is the fact that, prior to the announcement of the sanctions, Syria had been informed of the Administration's intentions.<sup>23</sup>

Why were the sanctions not immediately made public? One possible explanation might have been Dulles' concern that such an announcement would ignite waves of protest on the part of American Jewish groups and Congressional supporters of Israel. Indeed, this concern proved well-founded. Alternatively, the Administration may have acted as it did in order to encourage Israel to change its policy without any loss of face. The implicit threat was that if the Israeli

government did not back down, it was likely to expose itself to considerable political embarrassment in the event of the sanctions being made public.

Israel's refusal unconditionally to halt the diversion project seems to have led to the change in US policy. In addition, Israel staged a military attack on 14 October on the Jordanian village of Kibya; an action which resulted in dozens of civilian casualties.<sup>24</sup> At his press conference on 20 October, Dulles denied the fact that US sanctions had anything to do with the raid. The press conference, however, may have been deliberately timed in an effort to forestall criticism of the Administration by pro-Israeli groups.

In retrospect, it seems that the Israeli government was not aware that the US would object so strongly to the Gesher B'not Yaacov project, much less threaten economic sanctions. Had US intentions been known, the project might never have been started. Once begun, however, construction of the canal was not halted when sanctions were made known. The sanctions proved a complicating factor, not only in the economic sense, but also in the political sense, for any yielding by Israel was likely to have been interpreted as an indication of surrender to US dictates.

Israeli decision-makers were well aware of the fact that up to that point the US had rarely employed economic sanctions as an instrument of policy. In 1951, for example, the US continued to give economic aid to Egypt, despite the latter's refusal to comply with Security Council resolutions regarding freedom of navigation in the Suez Canal. Similarly, South Korea was not punished for its actions in violation of the armistice resolution in Korea. The US denied allegations that it withheld economic aid to Yugoslavia during the Trieste affair. All these cases indicated to the Israeli decision-makers that the US would not employ economic sanctions in an effort to impose its will.<sup>25</sup>

Between the beginning of October and the proclamation of sanctions on 20 October, the Israeli government displayed surprisingly little anxiety over the possible loss of \$50 million in economic aid.<sup>26</sup> The first discussion concerning the sanctions was held on 12 October at an informal meeting in Prime Minister David Ben Gurion's office. Israeli decision-makers discussed possible Israeli reactions in the event of a Security Council resolution ordering Israel to cease work at Gesher B'not Yaacov, and how such responses might

affect its economic situation. Finance Minister Levi Eshkol observed that Israel could withstand US sanctions until the end of the fiscal year (March 1954). Acting Defence Minister Pinchas Lavon joined others in arguing that the Gesher B'not Yaacov project was of prime economic importance and that therefore it was imperative to continue work, even if such action brought Israel into conflict with the UN. Sharett disagreed, claiming that defiance of the UN could inevitably lead to additional sanctions on the part of the superpowers. Sharett was particularly concerned that the US government might move to block financial aid to Israel on the part of American Jewry. He suggested that Israel announce a temporary halt in construction prior to the convening of the Security Council. Ben Gurion, however, agreed with the majority, maintaining that it was preferable to continue work while awaiting developments in the Security Council.<sup>27</sup> Although this meeting was aimed at examining the influence of the American economic sanctions on the Israeli economy, the issue was not discussed seriously. Israeli decision-makers were more concerned about possible UN repercussions over the issue. The Israeli ambassador in Washington, Abba Eban, sent a cable to Jerusalem on 13 October, in which he proposed the cessation of construction in order to prevent the adoption of a negative Security Council resolution. Such a resolution would be a major political setback for Israel. Sharett, who had supported the idea the day before at the meeting in Ben Gurion's office, now rejected it, emphasizing the importance of the project in economic and settlement terms.<sup>28</sup> This absence of any sense of urgency or severity due to economic sanctions also characterized the meeting between Sharett and Ben Gurion on 18 October, shortly before the cabinet meeting. Sharett told Ben Gurion that he intended to raise current developments, such as the work in the north, the Kibya affair, and the withholding of American economic aid, for discussion at the government meeting. Ben Gurion, however, preferred to discuss the issue of the re-organization of the army. Sharett, astonished at Ben Gurion's indifference, mentions in his diary his amazement at how Ben Gurion, who generally possessed an 'electric sensitivity' to foreign affairs, could ignore such important developments.<sup>29</sup>

At the cabinet meeting immediately following that between Ben Gurion and Sharett, Sharett urged a temporary halting of the work in an attempt to gain support from members of the Security Council. His proposal, however, was rejected by most of the cabinet members. Sharett emotionally voiced his concern over the glaring contradiction



between Israel's objective dependence on the support and understanding of the world and what he viewed as Israel's total insensitivity towards the reaction of world public opinion to its actions. 'I deplored this narrow-mindedness with which we have become afflicted. We stubbornly refuse to budge from the position we have adopted in one sector of the front, thereby jeopardizing all other sectors and running the risk of total defeat.'<sup>30</sup>

During this meeting, US sanctions were again left undiscussed. It is worth noting that Prime Minister Ben Gurion's decision to resign (at the beginning of November) may help explain the government's apparently inexplicable insensitivity to this issue of such vital economic and political importance. Yet such an analysis is too simplistic. Ben Gurion's policy, favouring continuation of the work in the demilitarized zone, despite the resistance of Syria, the UN, and the US, characterizes his disregard for external constraints, even those imposed by the superpowers, if they conflicted with or threatened Israel's national security. Golda Meir summarizes Ben Gurion's approach regarding Israel's attitude vis-à-vis the external constraints in the following manner: 'Ben Gurion was an activist, a man who believed in doing rather than explaining, and who was convinced that what really mattered in the end — and what would always really matter — was what the Israelis did and how they did it, not what the world outside Israel thought or said about them . . . Ultimately, history would judge Israel on the record of its deeds; not its statements, or its diplomacy, and certainly not on the number of favourable editorials that appeared in the international press. Being liked or not — or even being approved of or not — was not the kind of thing that interested Ben Gurion. He thought in terms of sovereignty, security, consolidation, and real progress, and he regarded world opinion or even public opinion, as relatively unimportant compared to these.'<sup>31</sup>

Public announcement of the sanctions, on 20 October, had important psychological and political implications for Israel. The disagreement between Israel and the US had the potential of isolating Israel within the Security Council. Moreover, public disclosure tremendously increased the political and diplomatic price that Israel would have to pay in order to have the sanctions terminated. Consequently, the Israeli government finally began to address the issue with some seriousness.

On 21 October, the Ministerial Committee of Foreign and Defence Affairs convened in Ben Gurion's office. Economic advisers present at the meeting proposed a plan combining cutbacks and appeals to outside sources of revenue to fill the \$50 million gap. This included: \$9 million to be cut from food subsidies and government services; \$13 million to be cut from development programmes; \$10 million in foreign debt to be deferred; and \$18 million to be raised through appeals to world Jewry. Disagreement was again evident between Sharett and the other ministers. Sharett believed there was little chance that the American Jewish community would increase its contributions to Israel, while Ben Gurion and others maintained the opposite.<sup>32</sup>

Over the next few days, two schools of thought evolved concerning how best to fill the financial gap. The first school of thought essentially agreed with the idea of an economic programme combining cutbacks and appeals for external assistance. Others in the government, however, argued that there was no room for further cutbacks in the Israeli budget and that the chances of raising such large sums of money abroad were slim. The proponents of this school of thought proposed instead to use German reparations as a means of supplementing the financial loss. Two specific suggestions were presented: (1) a change in the type of goods provided by Germany and/or the procurement of German agreement that Israel could buy such goods (mainly food and commodities) on credit in other countries; or (2) the attainment of German willingness to hasten the final installments of the reparations payments.<sup>33</sup>

Although German reparations seemed at first to be an attractive substitute for the US grant, the Israeli government eventually rejected this idea. First of all, there was considerable doubt as to the likelihood that the German government would agree to changes in the reparations agreement, especially since such change could constitute a potential source of German-American controversy. Second, the Israeli government had already formulated specific plans for the use of the German reparations. Finally, according to the German-Israeli agreement, the bulk of reparations was to be made in goods, as opposed to hard currency. Since US aid was to be given in cash, German reparations could not be regarded as a viable alternative.

In practical terms, the Israeli government did little to address the problem of sanctions. Some time before, Israel had stockpiled several months' supply of vital commodities such as oil, wheat, fodder, sugar

and fuel. As a result, the government may have felt no immediate need to deal with the possible repercussions of sanctions. Alternatively, Israeli policy-makers may have been influenced by the fact that US aid, at the time, was intended to be given on a one-time basis. Israel thus inevitably faced a budget crisis; the question was whether such a crisis could be postponed for another year. There was also the not entirely unfounded hope that the sanctions would soon be lifted as a result of either favourable developments in the Security Council or domestic pressure on the US Administration.<sup>34</sup>

Following the US announcement of sanctions, Israel's strategy became one of indirect opposition. On 21 October, Sharett met Israeli journalists for a briefing. Sharett first sought to minimize the significance of the sanctions by pointing out that no formal economic agreement existed between the US and Israel. Second, he argued, US sanctions against Israel were aimed at improving the American position within the Arab world — a tenuous proposition at best. Sharett went on to state that national pride was more crucial than economic imperatives, arguing that a programme of cutbacks and increased aid on the part of world Jewry would enable Israel to withstand the sanctions.<sup>35</sup>

The following day, Sharett authorized leaks to the US media concerning the Johnston mission. Israel's argument was that the UN call for an unconditional halt in construction was influenced by the announcement of an alternative US plan for diversion of the Jordan river; in the absence of such an announcement, the UN might never have intervened. Israel thus placed indirect blame for the crisis on the US Administration.<sup>36</sup>

In retrospect, Israel's understated strategy was effective. By refraining from official comment on the sanctions, Israel avoided an open clash with the US. Moreover, public announcement of the sanctions led to considerable dissent within the US. This dissent helped persuade the US Administration that sanctions alone would not prove effective in changing Israeli behaviour.

Following Dulles' announcement of economic sanctions, it became apparent to US officials that they were not producing the desired results. Backed by a considerable number of Congressmen, the American Jewish community organized large-scale protests against the sanctions, which also became an issue in the New York City

mayoral campaign. One of the candidates, Democrat Robert Wagner, sought to manipulate the issue in his favour. He attacked the Administration for punishing Israel, the 'greatest bulwark of democracy and freedom in the Middle East', and defined the sanctions as 'an intemperate and cruel action'. Wagner also claimed that the sanctions were a response to the Kibya raid.<sup>37</sup> However, as Eban mentions in his memoirs: 'The Republican candidate for the mayoralty of New York found himself in desperate straits because of Administration policy.'<sup>38</sup>

Indeed, Senator Irving M. Ives from New York called Dulles on 23 October and said that although 'he did not want to get in the Secretary's hair about this Israel thing, the Republicans were in a spot for the city campaign'. In particular, Senator Ives argued that 'Israel's action has had a serious effect on Reigelman'. He suggested, as an alternative compromise, that aid be withheld from the Arabs in an effort to balance the precarious situation. Dulles replied that, except for Iran, the Arab states had not been granted any aid.<sup>39</sup>

On 23 October, the economic sanctions were publicly condemned by the American Jewish Congress, the National Council of Jewish Women, the Labor Zionist Organization, the Zionist Organization of America, and the Revisionist Zionists of America.<sup>40</sup> On 26 October, a delegation of the American Jewish community met Secretary Dulles and impressed upon him their concern about the 'sharp difference in the treatment accorded Israel and that accorded the Arab states'.<sup>41</sup> Against this pressure to lift sanctions, three members of the Anderson sub-committee of the House Appropriations Committee called upon the President on 18 October to continue with sanctions until Israeli compliance with the UN directive was achieved. 'Our recent on-the-spot investigation of the Arab-Israeli situation leads us to the unanimous conclusion that our government should immediately cease all aid to Israel until said state takes appropriate action to comply with United Nations directives and resolutions. We are convinced that continued economic support of Israel in the face of the reported acts of aggression and other flagrant violations of United Nations directives and recommendations has led to serious deteriorations of not only Arab-American relations, but also our relations with the entire Moslem world.'<sup>42</sup>

The Israeli government, encouraged by the public campaign against Administration policy, showed no inclination whatsoever to halt work at Geshet B'not Yaacov. Hence, the US policy-makers decided to switch tactics in an attempt to reach a negotiated settlement.

Assistant Secretary of State Henry Byroade was authorized by Dulles to negotiate with Judge Joseph Proskauer, chairman of the American Jewish Committee, and with the Israeli ambassador, Abba Eban. On 22 October, Byroade had two meetings with Eban and Proskauer. Byroade implied that the State Department may have made a mistake when it decided to employ economic sanctions against Israel, and proposed a solution to solve the crisis. Dulles would lift the sanctions, provided that Israel immediately announced to the State Department its willingness temporarily to halt the construction at Gesher B'not Yaacov for the duration of the Security Council meetings on the issue, in accordance with the Security Council request to that end.<sup>43</sup>

Eban described his meeting with Byroade in the following manner: 'On a memorable day, Dulles dispatched Henry Byroade to my hotel in New York to implore me to agree to an immediate statement signaling the resumption of American financial aid to Israel. It was the only occasion on which I was pressured by a foreign government to receive and not relinquish something.'<sup>44</sup>

Byroade called Dulles twice on 22 October and reported his impression of the meetings. During his first call (1.50 pm), he said that his meeting with Proskauer 'was good [and] they are working out something that might let Eban announce that they have stopped work'. He hoped the Secretary 'will not say any more on the funds situation'. The secretary promised that 'he would not make any comments without checking with Byroade'.<sup>45</sup> Byroade was probably referring to the public announcement by Dulles regarding the sanctions which had triggered the domestic crisis against the Administration's policy. In his second call (6.15 pm), Byroade said that he hoped that his efforts would succeed and added: 'If they [the Israelis] won't do that I don't know what to recommend.'<sup>46</sup>

Dulles' proposal, as relayed by Byroade, was strikingly similar to the one originally proposed by Sharett at the Cabinet meeting of 18 October, and subsequently rejected. However, it was not a formal American proposal, admitting that economic sanctions were a mistake and agreeing to negotiate with Israel on how to resolve the crisis.<sup>47</sup>

On the morning of 25 October, before the cabinet meeting, Sharett discussed the American proposal with Ben Gurion. Although Ben Gurion did not explicitly express his opinion, Sharett understood that he was ready 'to compromise with the compromise'.<sup>48</sup> During the cabinet meeting the following morning, Sharett introduced the American proposal and requested its adoption as a reasonable

solution to the current crisis. The great majority did indeed accept it. Ben Gurion himself, who tacitly supported the proposed solution, preferred to abstain from voting. The cabinet objected to the proposal of Moshe Dayan (then head of the Operations Division of the Israel Defence Forces) that the US sanctions be lifted prior to the cessation of construction activity. It also objected to the suggestion of Golda Meir (then Minister of Labour) that the decision be delayed until the Security Council formally requested Israel to cease work.<sup>49</sup>

Subsequent to the arrival of Israel's reply in Washington, the US ambassador to the UN, Cabot Lodge, and the Israeli ambassador, Eban, held discussions in which they attempted to formulate an Israeli response to the Security Council, announcing Israel's decision to suspend the work temporarily. Eban felt it would be preferable to make the statement at the 3.00 pm meeting of the Security Council in order to avoid being forced into action by a Security Council resolution.<sup>50</sup> This position was accepted by US officials. Nevertheless, Dulles requested that the Israeli statement include Israel's acquiescence 'to co-operate with the Security Council', to 'abide by the decision of the Security Council', or some statement that would enable the US to proceed with economic aid before the New York elections. Dulles maintained that 'we need to have them express some desire to co-operate with the UN before we can do that.'<sup>51</sup> The Israeli statement, as read by Lodge in a telephone conversation with Dulles, did include Israel's readiness to co-operate with the Security Council.<sup>52</sup>

At the 4.30 pm meeting of the Security Council on 27 October, Eban, without prior consultation with Jerusalem, announced to the Security Council that Israel would accept 'a temporary suspension in the demilitarized zone . . . without prejudice to the merits of the case itself', and expressed Israel's desire 'to co-operate with the Council's efforts to reach a solution taking account of all legitimate interests'.<sup>53</sup> Sharett, who was surprised by Eban's announcement, evaluated correctly that Eban's actions were based on an effort to avoid a binding resolution at the Security Council, and thus prevent Israel from being placed in an awkward position.<sup>54</sup>

Following Eban's announcement, Lodge called Dulles in order to inform him about the improved situation. He recommended a delay in the announcement of the resumption of aid, so as not to make it appear like a 'deal', but Dulles preferred to make a public statement before election day.<sup>55</sup> Israel's construction was halted at midnight on 28 October.<sup>56</sup> Later that day, Dulles responded by announcing the resumption of economic aid to Israel.<sup>57</sup>

**Analysis of the US economic sanctions** against Israel indicates that sanctions alone did not enable the US to achieve its aim. Israel eventually suspended work on the Gesher B'not Yaacov project, but not as a direct result of sanctions. Rather, the US was compelled to resort to another method in an attempt to persuade Israel to change its behaviour —i.e. direct negotiations. It seems that the United States failed to understand the importance to Israel of the Gesher B'not Yaacov project and the reasons behind Israel's determination to resist sanctions. Contrary to US fears, the Johnston plan was favourably received in Israel, largely because it held the promise of additional US economic aid in developing and allocating Jordan river resources.<sup>58</sup>

In retrospect, Israel's agreement to halt work on the B'not Yaacov project was based on the same condition originally put to Major-General Bennike and earlier rejected. Had the US originally accepted that compromise, there would have been no need to employ economic sanctions, and it is probable that the crisis could have been averted. As Sharett maintained in the Knesset on 7 December 1953: 'We offered to cease the work prior to the withholding of the grant in accordance with the same conditions upon which it was recently halted. It was before the grant's suspension and the two things were entirely unrelated.'<sup>59</sup>

Israel refused to comply with the US demands. Although dependent on the US for aid and possessing no other viable alternatives (including German reparations), the Israeli government, especially Ben Gurion, was ready to face the costs of economic sanctions because of the great importance attributed to the construction. Moreover, efforts to force Israel to comply by employing economic coercion only served to increase its determination. As Sharett stated: 'We are a unique state with regard to external assistance which is a vital need for us . . . but we shall not sell our freedom and independence on behalf of those grants. We have until now received those [grants] as an independent people, and only as free men shall we continue to receive them.'<sup>60</sup>

The Administration's decision to negotiate with Israel, which later brought about the resolution of the crisis, was the result of two factors — the assumption that economic coercion alone would not achieve its goal, and the increase in domestic pressure, especially by the Jewish community, upon the Administration. Dulles' proclamation of the imposition of economic sanctions did not achieve its intended effect. Instead of increasing pressure on Israel, as Dulles had

hoped, the announcement triggered a political campaign against US policy which served to encourage Israel's refusal to alter its policy.

In a telephone conversation with Dulles on 31 October, Lodge mentioned the impact of Jewish pressure on the Administration: 'Ives and Javits organized to bring the Jewish leaders along, and without that you can't do anything here.' He pointed to the pressure Dulles noted of the small New York city election on the White House and Congress, and argued that it could become much worse unless the US resolved the crisis amicably.<sup>61</sup> This was also the impression of Sharett, who mentions in his diary: 'Indeed, American Jewry's inherent power was not diminished when in its arisal to warn of injustice to Israel, it was capable of compelling a man as rigid and inflexible as Dulles to recalculate his deeds and seek a way to reconciliation.'<sup>62</sup>

Sharett did not view the outcome as a total victory for Israel, but did believe that Israel had emerged the victor on three fronts. First, it gained time to advance the Gesher B'not Yaacov project — although ironically the project itself was eventually abandoned. Second, the Security Council's appeal to Israel for cessation of work was moderately worded and did not contain any denunciation of Israel for its prior refusal to comply. Finally, there was no loss of Israeli prestige. The US, not Israel, initiated negotiations. At his meeting with Judge Proskauer, Byroade commented that payment of the grant was even more important for Dulles than for Eban.<sup>63</sup>

One, of course, can argue that the US could have more readily facilitated the achievement of its goals had it intensified the economic sanctions to include private financial aid to Israel. It is difficult to assess the possible consequences of such an act, as it might also have instigated an exacerbation of the political campaign against the Administration. However, a top-secret State Department Study completed on 29 October 1953, a few days after the resolution of the conflict with Israel, found US alternatives for dealing with Israel severely limited. Moreover, the study concluded that too much economic pressure on Israel could have resulted in negative consequences. 'It might cause the moderates to be overthrown by the firebrands.'<sup>64</sup>

In sum, this case-study provides additional evidence that economic sanctions are not effective unless the punishing state is willing to employ other positive methods in attempting to attain its ends. US-initiated negotiations, together with an alternative proposal regarding diversion of the Jordan river, proved to be effective in



convincing Israel of the merits of halting construction at Gesher B'not Yaacov.

## Notes

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1. On the use of economic sanctions as a political means, see James Barber, 'Economic Sanctions as a Policy Instrument', *International Affairs*, 55, 1979, 367–87; Muriel J. Grieve, 'Economic Sanctions Theory and Practice', *International Relations*, 3, 1968, 431–3; Margaret Doxey, *Economic Sanctions and International Enforcement* (London 1971); Klaus Knorr, 'International Economic Leverage and Its Uses', in Klaus Knorr and Frank N. Trager (eds), *Economic Issues and National Security* (Lawrence 1977), 99–126; Richard Stuart Olson, 'Economic Coercion in World Politics: With a Focus on North-South Relations', *World Politics*, XXI, 1979, 471–94; Robin Renswick, *Economic Sanctions* (Cambridge Center for International Affairs, Harvard University 1981); Peter Wallenstein, 'Characteristics of Economic Sanctions', *Journal of Peace Research*, 5, 1968, 248–66.

2. Knorr, op. cit., 102.

3. Ibid., 102–16; Barber, op. cit., 373–9; Richard Rosecrance, 'Reward, Punishment and Interdependence', *Journal of Conflict Resolution*, 25, 1981, 32–6.

4. On the Israeli project at Gesher B'not Yaacov, see Nissim Bar-Yaacov, *The Israel–Syrian Armistice: Problems of Implementation, 1949–66* (Jerusalem 1967), 114–30; Michael Brecher, *Decisions in Israel's Foreign Policy* (London 1974), 173–224; Moshe Sharett, *Personal Diary* (Hebrew) (Tel Aviv 1978), 7–92.

5. Bar-Yaacov, op. cit., 117–18; Brecher, op. cit., 191; Sharett, op. cit., 16. The demilitarized zone between Israel and Syria was established in July 1949 as an integral part of the Israeli–Syrian General Armistice Agreement. The demilitarized zone was established in order to compromise the different attitudes of both sides regarding the question of the delineation of permanent armistice lines. According to the Armistice Agreement, Syria agreed to withdraw its forces from small sections of territory on the East Bank of the Upper Jordan, territory which the Partition Plan had awarded to Israel. Israel, in return, acquiesced regarding the establishment of a demilitarized zone on its side of the international border. According to Article V, paragraph 2, the armistice demarcation line and the demilitarized zone were defined with a view towards the separation of the armed forces of Israel and Syria, in order to minimize the possibility of confrontation. This development would enable the restoration of normal civilian life in the area of the demilitarized zone. According to the Armistice Agreement, the Chairman of the Mixed Armistice Commission should be responsible for ensuring the full implementation of the article regarding the demilitarized zone.

(For the full text of the Israeli–Syrian General Armistice Agreement, see Bar-Yaacov, op. cit., 339–53.)

6. According to the Israeli interpretation of Article V, the demilitarized zone was to remain free of armed forces but normal civilian life was to be resumed in it under Israeli sovereignty. (Bar-Yaacov, op. cit., 64, 118.)

7. Sharett, op. cit., 17, 33; *Ha'aretz*, 1, 2, 4 October 1953.

8. Ibid., 39–40.

9. The Secretary of State to the embassy in Israel, No. 658, 8 September 1953, 6.55 pm *Foreign Relations of the United States, 1952–1954 (FRUS) The Near and Middle East* (Washington 1986), vol. IX, part 1, 1303; the Chargé in Israel (Russell) to the Department of State, No. 661, 10 September 1953, 9 pm *FRUS*, 1306–8; the Secretary of State to the embassy in Israel, No. 664, 12 September 1953, 1.39 pm, *FRUS*, 1310–11; the Chargé in Israel (Russell) to the Department of State, No. 665, 13 September 1953, 8 pm, *FRUS*, 1311–12.

10. The Secretary of State to the embassy in Syria, No. 663, 11 September 1953, 7.53 pm *FRUS*, 1309; see also, the Chargé in Israel (Russell) to the Department of State, No. 665, 13 September 1953, 8 pm, *FRUS*, 1311–12; the Acting Secretary of State to the embassy in Syria, No. 668, 16 September 1953, 2.07 pm *FRUS*, 1315.

11. The Acting Secretary of State to the embassy in Israel, No. 670, 19 September 1953, 3.31 pm, *FRUS*, 1317; see also, Memorandum by the Acting Secretary of State to the President, No. 699, 21 October 1953, *FRUS*, 1371–2.

12. Telephone conversation between Dulles and Harold Stassen, 25 September 1953, 12.35 pm, *Eisenhower Library – John Foster Dulles Files, Telephone Conversations, Box 1*; Memorandum of Conversation, by the Politico-Economic Adviser on the Bureau of Near Eastern, South Asian, and African Affairs, No. 673, 25 September 1953, *FRUS*, 1320–5.

13. Stephen Green, *Taking Sides* (New York 1984), 80.

14. *Department of State Bulletin*, 2 November 1953, 589–90. President Eisenhower made it known the following day that Dulles had consulted him and that he had approved the decision to employ sanctions. See Brecher, op. cit., 191–2.

15. The Secretary of State to the Chairman of the Advisory Board for International Development (Johnston), No. 686, 13 October 1953, *FRUS*, 1348–53.

16. This was the reason why the United States preferred to introduce economic sanctions as a response to the Israeli violation of the Armistice Agreement rather than as a reaction to the damage caused by Israel to its plan for the allocation of the Jordan River waters and why it was in favour of Major-General Bennike demanding that Israel stop work. See, for example, the Chargé in Israel (Russell) to the Department of State, No. 661, 10 September 1953, 9 pm, *FRUS*, 1306–8; the Secretary of State to the embassy in Israel, No. 664, 12 September 1953, 1.39 pm, *FRUS*, 1310–11.

17. The Chargé in Israel (Russell) to the Department of State, No. 671, 20 September 1953, 5 pm, *FRUS*, 1317–18; the Chargé in Israel (Russell) to the Department of State, No. 674, 25 September 1953, 7 pm, *FRUS*, 1325–7.

18. Telephone conversation between Dulles and Harold Stassen, 25 September 1953, 12.35 pm, *Eisenhower Library – John Foster Dulles Files, Telephone Conversations, Box 1*.

19. Memorandum of the State Department, 25 October 1953, *Eisenhower Library – John Foster Dulles Files, Subject Series, Box 10*.

20. Memorandum of a conversation between Dulles and prominent Jewish leaders, 26 October 1953, *Eisenhower Library – John Foster Dulles Files, Subject Series, Box 10*.

21. Donald Neff, *Warriors at Suez: Eisenhower Takes America Into the Middle East* (New York 1981), 44–5; see also Memorandum by the Assistant Secretary of State for Near Eastern, South Asian and African Affairs (Byroade) to the Secretary of State, No. 725, 10 November 1953, *FRUS*, 1406–9.

22. The Secretary of State to the embassy in Israel, No. 664, 12 September 1953, 1.39 pm, *FRUS*, 1310–11; the Chargé in Syria (Geren) to the Department of State, No. 666, 14 September 1953, 7 pm, *FRUS*, 1312–13; the Chargé in Jordan (Lynch) to the Department of State, No. 667, 15 September 1953, 11 am, *FRUS*, 1313–15; the Chargé in Lebanon (Bruins) to the Department of State, No. 669, 17 September 1953, *FRUS*, 1316.

23. Sharett, op. cit., 46; the Secretary of State to the embassy in Syria, No. 697, 19 October 1953, 7.16 pm, *FRUS*, 1369.

24. On the Kibya Affair, see Sharett, op. cit., 39–72.

25. These arguments were raised by Sharett and Gideon Rafael (from the Israeli Foreign Ministry) at their meeting with Francis H. Russell from the American Embassy in Israel (ibid., 45–6).

26. The American grant represented 20 per cent of the unilateral transfer from foreign resources, or 10 per cent of the Israeli budget for that year.

27. Sharett, op. cit., 27–8.

28. Ibid., 23.

29. Ibid., 49.

30. Ibid., 50; Gabriel Sheffer, 'Resolution vs. Management of the Middle East Conflict: A Re-examination of the Confrontation Between Moshe Sharett and David Ben Gurion', *Jerusalem Papers on Peace Problems*, no. 32 (Jerusalem 1980), 37.

31. Golda Meir, *My Life* (New York 1975), 273. Excerpt from the debate between Ben Gurion and Sharett regarding the Arab–Israeli conflict and the role of the superpower constraints. See, for example, Sheffer, op. cit.; Michael Bar-Zohar, *Ben Gurion: A Political Biography* (Tel Aviv 1977), 959–99, 1125–1203; Michael Brecher, *The Foreign Policy of Israel: Setting, Images, Process* (London 1972), 251–90; Avi Shlaim, 'Conflict Approaches to Israel's Relations with the Arabs: Ben Gurion and Sharett, 1953–56', *The Middle East Journal*, 37 (1983), 180–201.

32. Sharett, op. cit., 60.

33. *Ha'aretz, Davar*, 20–22 October 1953.

34. Ibid.

35. Sharett, op. cit., 62; *Ha'aretz, Davar*, 22 October 1953.

36. Ibid., 63.

37. Green, op. cit., 90.

38. Abba Eban, *An Autobiography* (New York 1977), 178.

39. Telephone conversation between Dulles and Senator Ives, 23 October 1953, 3.20 pm, *Eisenhower Library — John Foster Dulles Files, Telephone Conversations, Box 1*.

40. Green, op. cit., 90–1.

41. Memorandum of Conversation, by the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Byroade), No. 707, 26 October 1953, *FRUS*, 1384–7.

42. Telegram from Carl Anderson, Ben F. Gensen and Oakley Hunter to the President, on 18 October 1953, *Eisenhower Library — John Foster Dulles Files, Subject Series, Box 10*.

43. Sharett, op. cit., 77.

44. Eban, op. cit., 179.

45. Telephone conversation between Dulles and Byroade, 22 October 1953, 1.50 pm. *Eisenhower Library – John Foster Dulles Files, Telephone Conversations, Box 1.*
46. Telephone conversation between Dulles and Byroade, 22 October 1953, 6.15 pm, *ibid.*
47. Sharett, *op. cit.*, 77.
48. *Ibid.*
49. *Ibid.*, 78.
50. Telephone conversation between Dulles and Lodge, 27 October 1953, 1.07 pm. *Eisenhower Library – John Foster Dulles Files, Telephone Conversations, Box 1.*
51. *Ibid.*
52. Telephone conversation between Dulles and Lodge, 27 October 1953, 2.50 pm. *Ibid.*
53. *United Nations, Security Council Official Records*, Meeting 633, 27 October 1953, 4.30 pm, Sharett, *op. cit.*, 88.
54. Sharett, *op. cit.*, 90.
55. Telephone conversation between Dulles and Lodge, 27 October 1953, 6.20 pm, *Eisenhower Library – John Foster Dulles Files, Telephone Conversations, Box 1.*
56. Sharett, *op. cit.*, 92.
57. Statement by Secretary Dulles, *Department of State Bulletin*, 16 November 1953, 674–75.
58. Sharett's statement, *Divrei Ha-Knesset*, 15, 30 November 1953, 270.
59. Sharett's statement, *Divrei Ha-Knesset*, 15, 7 December 1954, 317.
60. *Davar*, 23 October 1953.
61. Telephone conversation between Dulles and Lodge, 31 October 1953, 9.30 am. *Eisenhower Library – John Foster Dulles Files, Telephone Conversations, Box 1.*
62. Sharett, *op. cit.*, 77.
63. *Ibid.*, 78.
64. Neff, *op. cit.*, 66.

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