

Heard on the Hill

Senate calls for OECD membership for Israel.

The Senate passed a resolution by unanimous consent that supports Israel's membership in the Organization for Economic Cooperation and Development (OECD). The resolution notes the strength and vibrancy of Israel's economy and asserts that Israel's membership "would strengthen the OECD because of Israel's high living standard, liberal and stable markets and commitment to democratic values." The OECD is an international organization with 30 member countries that promotes responsible economic governance and trade. The resolution was sponsored by Sens. BEN CARDIN (D-MD) and NORM COLEMAN (R-MN).

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Lawmakers celebrate Israel's 59th birthday.

The Senate passed a resolution by unanimous consent that celebrates the 59th anniversary of the State of Israel's founding. The resolution notes that the Jewish state serves as a "shining model of democratic values" thanks to its support for freedom of religion, freedom of the press and representative government. The resolution also reaffirms the strength of the U.S.-Israel bilateral relationship. The resolution was sponsored by Sens. BARBARA MIKULSKI (D-MD) and SAM BROWNBACK (R-KS).

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House condemns Hizballah for using 'human shields.'

The House approved a resolution by voice vote that condemns the terrorist group Hizballah for using civilians as "human shields" during its war against Israel in the summer of 2006. "This resolution calls on all responsible nations to condemn such heinous acts and to work to eliminate them," said Rep. GARY ACKERMAN (D-NY) in a House statement. "No nation that calls itself a member of the international community can engage in such barbaric practices." The resolution was sponsored by Reps. ILEANA ROS-LEHTINEN (R-FL), RON KLEIN (D-FL), MIKE PENCE (R-IN) and BRAD SHERMAN (D-CA). •NER•

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NEAR EAST

Report

MAY 15-31, 2007

**AIPAC'S BIWEEKLY ON AMERICAN
MIDDLE EAST POLICY**

EDITOR'S COMMENTS

Syria's Threat

Just weeks after Syrian President Bashar al-Assad assured him that Damascus desired "peace and stability" in the Middle East, U.N. Secretary-General Ban Ki-moon has issued a damning report exposing Assad's words as mere cover for Syria's ongoing support for terrorism.

Ban's report highlights "detailed and substantial reports" that Syria's border with Lebanon is being used as a conduit for illicit arms shipments to Hizballah, the terrorist army that has attacked Israel and is now trying to topple the democratically elected government in Beirut.

The smuggling takes place "on a regular basis," according to documentation Ban has seen, and violates Security Council Resolution 1701, which forbids outside countries from giving arms to groups such as Hizballah in Lebanon.

The U.N. chief's report should help put to rest doubts about the Assad regime's nature. As the State Department said again in a report issued earlier this month, Syria is among the world's foremost sponsors of terrorism.

This fact hit home for most countries two years ago, when Syria was ...see *Editor's Comments cont'd on pg. 36*

Divestment Debut

**FLORIDA LAWMAKERS VOTE TO
DIVEST PUBLIC FUNDS FROM IRAN**

The Florida state Legislature has voted unanimously to drop any state investments in firms doing business with nuclear-minded Iran's energy sector.

With bipartisan support, the Senate passed the Protecting Florida's Investments Act by a vote of 39-0, and the House followed with a 118-0 endorsement. The bill, which also targets Sudan for its genocide in Darfur, now awaits Gov. Charlie Crist's signature.

With American companies already barred from conducting business with Iran, efforts have grown in recent months to take U.S. money away from foreign firms with ties



Photo by the Associated Press

Under President Mahmoud Ahmadinejad, Iran has stepped up its quest for nuclear weapons.

to Tehran's energy sector. Called divestment, this method is viewed as a promising means to deprive Iran of funds needed for its pursuit of atomic arms.

The Florida Legislature was the first in the country to pass an Iran divestment bill. If signed, the act will require the state's pension and investment funds to drop stocks in companies linked to Tehran.

"This is giving meaning to the words 'never again,'" said Sen. Ted Deutch (D-Boca Raton), referring to the Iranian president's declaration that Israel should be "wiped off the map." Added Sen. Don Gaetz (R-Niceville): "Some people would think this is common sense. We shouldn't be investing our money to help the economy of our enemies."

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NER INTERVIEWS

DAN SCHUEFTAN, AUTHOR AND EXPERT ON THE SIX-DAY WAR

Historian Dan Schueftan served in Israel's Air Force intelligence during the Six-Day War and has analyzed the conflict in books and articles. Near East Report recently asked him to analyze the causes and consequences of the war. Excerpts from the interview follow. Visit www.aipac.org for analysis of the Six-Day War's 40th anniversary.



Photo courtesy of Israel Sun Agency

Historian Dan Schueftan views the Six-Day War as a triumph for U.S. interests in the Middle East.

Near East Report: What was the prevailing mood among Israelis following the military buildup and threats from Egypt on the eve of the Six-Day War?

Dan Schueftan: During the 1960s, Israelis were aware that whereas [Egyptian President Gamal Abdul] Nasser wanted to destroy Israel, his behavior indicated that he understood it was not a realistic goal for the near future. He was constantly telling the Arab world, "Yes, we should liberate Palestine [i.e., destroy Israel], but at the moment we are not strong enough to go to war." Israel's then-intelligence chief Aharon Yariv said at the time, "The only country that can lead a war against Israel is Egypt. Egypt doesn't want war now. Therefore, for now, there will be no war."

Because of such seemingly logical assumptions, we were conceptually unprepared for war. So when Egypt remilitarized the Sinai Peninsula and millions of Arabs poured into the streets and shouted "Death to Israel," Israelis were frightened. When Israelis realized during the three weeks preceding the war that nobody was going to

help Israel defend itself, and that even France—Israel's closest ally and arms provider at the time—was taking an anti-Israel stance, the anxiety deepened.

NER: How was this anxiety reflected among average Israelis?

DS: The notion that something terrible could happen here was so deeply felt that Israelis again started talking about the Holocaust. Remember that this was only six years after the Eichmann trial; Israelis were reminded of the fact that the Jews were left alone then, and now nobody really cared. Israel was even told not to defend itself—particularly by the French but also by others. Add to this the prevailing sense that the government was hesitant and not willing to take the necessary action, and you get a very depressed mood on the eve of the war.

The preparation of thousands of graves in the Tel Aviv area for the expected massive civilian losses in the looming war further heightened the alarm. There was also grave fear at the time—unjustified as it turned out later—that the Egyptians were going to use poison gas in the coming war as they had done shortly before during the war in Yemen. The Israel Defense Forces, on the other hand, was confident and used the waiting period very well to prepare for war.

NER: What was the main strategic significance of Israel's victory in the Six-Day War?

DS: By far the most important result of the war was the defeat of Nasser's radicalism. Nasser was a threat not only to Israel but also to the most vital global interests of the United States because of his liaison with the Soviet Union and his very significant role in bringing about massive Soviet influence in the Middle East. Nasser's 1967 defeat provided President Johnson with leverage to break this radicalism.

The U.S. message to Egypt was that if it wanted to retrieve the Sinai or other Arab territorial losses of the war, it would need not only to accommodate Israel but primarily to abandon its radical policies and its subservience to the Soviet Union. While Nasser rejected this message and tried to wear out Israel and the United States in the War of

Attrition, his successor, Anwar Sadat, understood that he did not have a choice. He kicked out the Soviets, turned Egypt into a U.S. ally, went to Jerusalem in 1977 and signed a peace treaty with Israel in 1979.

And so the Six-Day War gave the United States an instrument that finally demonstrated to the Arabs and to the Third World that

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if you want something done, you have to accommodate the United States because the Americans have real leverage. The period between 1967 and 1977 was a learning process for the Egyptians: They found out that to get what they needed, they had to go primarily through Washington, and to a lesser but significant extent, through Jerusalem.

NER: How has this development affected the U.S.-Israel relationship?

DS: Israel's victory—and even more so the U.S. determination not to change the consequences of that victory without an Egyptian *quid pro quo*—proved the effectiveness of the U.S.-Israeli alliance. The reason for the deep strategic cooperation between the two countries is not only shared values but also shared vital interests in the region. There may be disagreements between them here and there, but what is vitally important for both countries is best achieved when they work together as they have done in the last four decades.

Now, were there a lot of tensions between Israel and the United States in the postwar period? Yes. Were the relations between them in the late 1960s half as good as they are today? No. But even during that period, the deep U.S. understanding that you can use Israeli achievements to further vital American interests was demonstrated in the way the United States handled the consequences of the Six-Day War. •NER•

Unparalleled Opportunity

ISRAEL MAY SOON GAIN MEMBERSHIP IN ONE OF THE WORLD'S PREMIERE ECONOMIC FORUMS, ANOTHER POTENTIAL ACCOMPLISHMENT FOR A COUNTRY WHICH HAS THRIVED DESPITE A LONGSTANDING ARAB TRADE BOYCOTT

Buoyed by a thriving economy, Israel is on the verge of gaining membership in the Organization for Economic Cooperation and Development (OECD), an exclusive club of the world's 30 leading economic powers.

The OECD—which has enlarged its membership only once before—will decide May 15-16 whether to admit new members, and Israel is a top-seeded candidate being championed by the United States. The Bush administration has strongly made Israel's case to other OECD members, while Congress has also called for Israel's inclusion. A resolution sponsored by Sens. Ben Cardin (D-MD) and Norm Coleman (R-MN) in support of Israel's OECD membership passed by unanimous consent in early May, complementing a House resolution last year led by Reps. Ileana Ros-Lehtinen (R-FL) and Tom Lantos (D-CA).

America is promoting Israel's candidacy, touting the Jewish state's economic prowess, pluralistic democracy and commitment to good government and the rule of law—the criteria for OECD membership.

Israel Enjoys Enhanced Prospects for Further Economic Growth

Israel's admission into the OECD would be an unambiguous endorsement of its position in the global economy. Membership would encourage greater foreign investment, improve Israel's credit rating and yield better rates on foreign loans.

Membership in the OECD is a natural next step for a country that has become a world leader in high technology and the sciences and has a demonstrated ability to make hard economic reforms to grow its private sector and streamline its public sector.

Per capita, Israel is home to the most high-tech start up companies and scientific publications and leads the world in research and development spending. Leading companies such as Microsoft, Intel and Motorola have chosen to locate their international plants in Israel,

investing billions of dollars and helping to create the largest high-tech sector outside Silicon Valley.

As a result, the World Economic Forum ranked Israel as the world's 15th most competitive economy, citing "a culture of innovation, supported by first-class institutions of higher education and scientific research. Israel has become a world technology powerhouse."

The International Embrace of Israel's Economy Clashes With the Persistent Arab Boycott of the Jewish State

However, while the United States and other advanced economies are actively looking for ways to strengthen ties to Israel, the Arab League has been unable to overcome old prejudices.

Though the boycott has had minimal economic impact on Israel, it perpetuates a stigma that hinders efforts to bring about peace and prosperity in the Middle East.

The United States has used its leverage in negotiating trade agreements to push for dismantling the embargo. For example, Bahrain and Oman, both of which signed free trade agreements with the United States, committed to end their boycott activities in return.

Likewise, the Saudis pledged to stop their boycott in exchange for U.S. support for Riyadh's bid to join the World Trade Organization. After the kingdom's accession, U.S. Trade Representative Susan Schwab put it plainly: "Any government sanctioned activity on the boycott would be a violation of Saudi Arabia's obligations."

Saudi Arabia has ignored this obligation and continues to disallow trade with Israel. Members of Congress have repeatedly raised this violation in committee hearings, letters and resolutions.

As the upcoming OECD vote helps demonstrate, though, the Arab League's boycott has not stopped Israel from gaining international recognition for its thriving economy. Consequently, continued economic integration with the rest of the world seems the most likely prospect on Israel's financial horizon. •NER•

LEADING INDICATORS

SIGNS OF ISRAEL'S ECONOMIC STRENGTH

ROBUST GROWTH

Israel's gross domestic product grew by 5.5 percent last year, a rate higher than that of many European economies.



INTERNATIONAL RECOGNITION

The chief economist of the World Economic Forum has lauded Israel for "having more innovation than India, China and Russia combined."



THRIVING MARKETS

The Tel Aviv Stock Exchange has consistently grown at rapid rates, even during turbulent times such as last summer's Lebanon war.



OUTSIDE INVESTMENT

Israel's economy has attracted investors such as Warren Buffett, whose 2006 purchase of an Israeli firm was his largest ever outside the United States.



widely blamed for the assassination in Beirut of Rafik Hariri, a former Lebanese prime minister who opposed Damascus' domination of his country. After months during which Syria has stonewalled an investigation of the killing, Secretary of State Condoleezza Rice said recently that Washington may ask the United Nations to mandate a probe of the killing by an international tribunal, which would have the authority to indict and try suspects.

Meanwhile, not content with merely blocking probes of assassinations it may have sponsored, Syria is also stoking fears of another Middle East war.

According to *The Jerusalem Post*, Syria has moved military units and infrastructure closer to Israel. The Israeli newspaper *Yedioth Ahronoth* said Damascus' preparations include an underground "missile city" housing primarily Scud missiles capable of covering the entire state of Israel.

The prospect of conflict with Syria is fraught with danger for Israel, which already faces a terrorist arms buildup by Hamas in Gaza and Hizballah's efforts to circumvent the international arms embargo in Lebanon, not to mention a potential nuclear threat from Syria's main ally, Iran.

If it were a responsible member of the international community, Syria would drop its support for the terrorist groups on Israel's northern and southern borders. That might be the beginning of the "peace and stability" Assad assured Ban he was seeking. •NER•

Voyage Into History

AIPAC LEADERS COMMEMORATE THE SAGA OF *THE EXODUS*, A SHIP THAT ATTEMPTED TO BRING HOLOCAUST SURVIVORS TO ISRAEL 60 YEARS AGO

Top AIPAC leaders recently embarked on a Mediterranean cruise to mark the 60th anniversary of the valiant voyage of *The Exodus*, which captured the world's attention while trying to bring Holocaust survivors from Europe to their ancestral homeland.

The AIPAC cruise included stops in Turkey, Greece and Cyprus before arriving in Haifa for Israel's Independence Day. In each country, the group met with business and industry leaders and heads of state, including the President of Cyprus, the Deputy Foreign Minister of Greece, the Foreign Minister of Turkey and the Prime Minister and Foreign Minister of Israel.

Travelers were joined aboard ship by Middle East scholar Ken Stein of Emory

University, political analyst Norm Ornstein and Israeli Ambassador to France Daniel Shek, as well as the Captain and a passenger—Professor Yitshak Ganoz—from the original *Exodus*.

Ganoz, who is one of Israel's foremost experts on Jewish folklore, was a 20-year-old Holocaust survivor when he helped organize a large group of young survivors to board *The Exodus* in 1947. When the British turned the ship back from the shores of the future state of Israel, Ganoz became a youth counselor at a Cyprus internment camp and subsequently a leader of efforts to bring young people to Israel.

Speaking about the AIPAC cruise, Ganoz stated, "I was very moved to have the chance to tell my story, especially to a group of American Jews." •NER•



Photo by Suzanne Mazer
Isaac Arienne, the captain of the original Exodus voyage, was honored on a recent AIPAC cruise.

Divestment Debut....cont'd from pg. 33

The bill complements an already multifaceted campaign to stop Iran's nuclear ambitions. On the international front, the U.N. Security Council has passed multiple sanctions resolutions demanding that Iran halt its nuclear program.

On the domestic side, Congress is consid-

ering the Iran Counter-Proliferation Act, which aims to close loopholes in current U.S. sanctions against Iran. In addition, the Treasury Department has taken action to bar Iran's access to the international banking system.

State-level initiatives, such as the one in Florida, are yet another avenue to pressure Iran to end its illicit nuclear program. •NER•

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