

U.S. Aid to Israel

Dr. Mohamed Rabie

On May 15, 1948, leaders of the Zionist Organization in Palestine proclaimed independence. A few hours later, President Harry S. Truman extended U.S. diplomatic recognition to the newly created Jewish state, a move not approved nor recommended by the President's closest advisors. Virtually all of Truman's foreign affairs advisors, including the Secretaries of State and Defense and the Joint Chiefs of Staff, opposed the creation of a Jewish state in Palestine from the standpoint of American interests.

Originally opposed to the idea of a Jewish state in Palestine, Truman justified his political move by saying, "I am sorry gentlemen, but I have to answer to hundreds of thousands who are anxious for the success of Zionism. I do not have hundreds of thousands of Arabs among my constituents."¹

At the time of Israel's creation, its military forces had already taken over a larger portion of the land of Palestine than the U.N. Partition Plan of 1947 had provided. A few days after the U.S. officially recognized the Jewish state, the Truman Administration gave Israel a \$100 million loan. At the same time, it deprived the estimated 800,000 Palestinians, who were driven from their homes, both

immediate economic assistance and moral and political support.

U.S. recognition of and aid to Israel in 1948 represented a commitment to help the Jewish state defend the Palestinian land it had captured. Such a commitment, however, was limited until the mid-1960's to insuring Israel's continued existence within the 1948-49 borders established by the armistice agreements with neighboring Arab states. In 1956, for example, President Eisenhower pressured the Israelis and practically forced them to withdraw from the Sinai and Gaza Strip which they had occupied during the Suez Canal war of that year.

The Johnson Administration, in contrast, sanctioned the Israeli invasion of three Arab countries in 1967 and the occupation of substantial portions of the invaded territory. In fact, the U.S. Government used the veto at the U.N. Security Council to ensure that the U.N. Resolution calling for a cease-fire would not include a call for a return to the pre-war lines. Thus, the Johnson Administration's Middle East policy extended the U.S. commitment to Israel far beyond securing its 1948 borders and moved into the realm of accommodating its expansionist ambitions.

President Johnson, who desperately needed public support for the war in Vietnam, had earlier sought help from the leaders of the American Jewish community, who in turn sought strong assurances that the U.S. would support Israel in any future crisis. Consequently, aid levels were increased, credit was extended and the U.S. President was forced in 1967 "to cover up the facts concerning one

of the most astonishing disasters in the history of the United States Navy, the Israeli attack on the USS *Liberty*."²

While Israel received less than \$24 million of U.S. aid in 1967, it received more than \$106 million in 1968, a 450 percent increase in only one year. In 1969, U.S. aid to Israel was increased again to \$160.3 million, more than half of which was in military assistance. (See Table 1, page 3, for details.)

In 1973, the Nixon Administration moved quickly to save Israel from defeat when the combined forces of Egypt and Syria attempted to liberate their occupied territories. During the first days of the October 1973 war, the U.S. provided Israel with advanced military equipment, including 40 F-4 Phantoms, 38 A-4 Skyhawks, 12 C-130 transport aircraft, 20 tanks, and much more. In fact, more than 22,000 tons of military equipment and supplies were airlifted to Israel in less than two weeks. In addition, the U.S. Congress passed emergency legislation giving Israel another \$2.2 billion in financial assistance, two-thirds of which was an outright grant. On the other hand, Israel's friends in Congress, who had supported this \$2.2 billion emergency aid, voted soon after to lower the U.S. defense budget.³ America's liberal members of Congress, in fact, have consistently voted for lower defense budgets for U.S. forces, but higher military aid to Israel; condemned human rights violations in Latin America, yet overlooked Israeli human rights violations against Palestinians; and voted for sanctions against South Africa, while supporting Israel, South Africa's major partner.

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About This Issue

United States aid to Israel and Israeli violence against Palestinians proceeds without letup.

Just how much aid is spelled out in our feature article; the violence is documented in our book review selection. The aid and the violence march in lock step. Reacting to the U.S. State Department's 1988 Human Rights Report charging Israel with "a substantial increase in human rights violations," both chairmen of the Congressional panels that appropriate foreign aid, Rep. David Obey of California and Sen. Patrick Leahy of Vermont, have advised Israel it could no longer count on the billions it receives each year if it continues to shoot at Palestinian demonstrators, deport them, detain them without trial, and blow up their houses.

Those billions actually reach \$12.5 billion, according to our feature writer, Dr. Mohamed Rabie, director of the Center for Research and Publishing in Washington, D.C. As for the violations the State Department refers to, they are graphically described in the Israeli League for Human and Civil Rights Report, whose chairman is Dr. Israel Shahak, a professor of organic chemistry and a survivor of Hitler's Bergen-Belsen concentration camp.

The Israeli League Report is reviewed on page 15 by Deirdre Boyd, AMEU's book program editor. This and other current books are offered at substantial discount prices on pages 15-16.

John F. Mahoney,
Executive Director

The Jewish Lobby

During the 1950's, U.S. assistance to the Jewish state remained modest. In the 1960's, aid levels increased gradually, and economic assistance represented more than 70 percent of the total.

The 1970's, however, saw a tremendous increase in both economic and military aid to Israel and witnessed the emergence of a strong Jewish lobby representing the most hawkish Israeli views. Israel's capacity to influence the political decision-making process in Washington increased, and more Americans became susceptible to Israeli propaganda and pressure tactics. In the wake of the 1973 war, aid levels were increased and more emphasis was placed on military aid. Military assistance, which represented less than 30 percent of the

U.S. aid in the 1960's, exceeded 70 percent of the total in the 1970's.

During the 1980's, both aid levels were increased substantially, the total exceeding \$3.75 billion in 1986. In 1982, for example, Congress accorded Israel the biggest subsidy of military and economic aid in its history, despite Israel's invasion of Lebanon and the destruction and atrocities committed by its forces. Douglas Bloomfield, staff director of the American-Israel Public Affairs Committee (AIPAC), said, "In fact, the Congress increased grant aid by \$510 million above what the Administration recommended, providing the most favorable aid package Israel had ever received."⁴ In addition, Congress increased the Administration's overall aid request by \$200 million. That

decision, taken despite the strong objections of the Secretary of State, was described by the *Washington Post* as "the most substantial foreign policy defeat the Administration has yet suffered."⁵

By the mid-1980's, it became clear that Israel's military debt was growing at a fast pace that posed a threat to Israel's survival. To remedy this situation, the U.S. Government shifted to grants designed to ease Israel's long-term financial obligations, and Congress decided that economic aid given to Israel each year would have to be more than enough to service Israel's past military debts to the U.S. Grants, which represented less than four percent of the total aid in the 1960's, exceeded 46 percent in the 1970's and have now reached 100 percent. (Consult Table 1 for details.)

The 1980's, therefore, have witnessed a tremendous surge in U.S. financial commitment to Israel. For such a commitment to continue, the influence of the Israeli lobby had to be increased and strengthened. Manipulating the news, financing election campaigns and blackmailing critics of Israel's excessive policies were among the methods used by the Israeli lobby to tighten its control of Congress and increase its influence over the Administration's policymaking process. Former Congressman Paul Findley wrote, "For many concerned Jews, establishing the conditions which assure continued U.S. backing is a task which merits the highest priority—and one that justifies extraordinary measures. Consciously or not, leaders of the pro-Israel lobby accept the impairment of free speech in the United States as a price that must be paid to assure Israel's survival. Whenever anti-Israel or pro-Arab expressions appear, the lobby's response is usually prompt and overwhelming."⁶

Financing the election campaigns of members of both the House and the Senate has emerged in the 1980's as the most effective tool to manipulate the nation's elected representatives. On June 24, 1987, the *Wall Street Journal* published an article documenting the apparent links between 80 pro-Israel PACs and AIPAC. It

TABLE 1

U.S. Assistance to Israel FY 1949-1987
(millions of dollars)

Year	Total	Loan	Grant
1949-59	652.9	339.3	313.6
1960-69	834.8	801.9	32.9
1970	93.6	80.7	12.9
1971	634.3	631.5	2.8
1972	480.9	424.9	56.0
1973	492.8	388.0	104.8
1974	2,646.3	1,055.0	1,591.3
1975	803.1	296.0	507.1
1976	2,654.1	1,260.2	1,393.9
1977	1,787.5	777.9	1,009.6
1978	1,822.6	772.2	1,050.4
1979	4,913.0	3,058.8	1,854.2
1980	2,146.0	1,091.9	1,054.1
1981	2,408.4	1,117.4	1,291.0
1982	2,245.5	874.0	1,371.5
1983	2,500.6	950.0	1,550.6
1984	2,628.5	851.9	1,776.6
1985	3,372.0	—	3,372.0
1986	3,800.0	—	3,800.0
1987	3,050.0†	—	3,050.0
1988	3,050.0†	—	3,050.0
1989	3,050.0†	—	3,050.0
Total	46,067.9	14,717.7	31,296.3

SOURCES: *Israel-American Relations*, Congressional Research Service, 1985, p. 11; *The Israeli Economy*, CRS, 1986, Table VI; The House and Senate Foreign Assistance Appropriations Bills, 1987; Proposed fiscal 1988 Foreign Aid Bill as published by the *Congressional Quarterly* and *The Washington Post* in August, 1987.

*Includes economic and military assistance.
† Approximate.

reported that "no fewer than 51 pro-Israel PACs—most of which draw money from Jewish donors and operate under obscure-sounding names—are operated by AIPAC officials or people who hold seats on AIPAC's two major policymaking bodies. The study shows that 80 pro-Israel PACs spent more than \$6.9 million during the 1986 campaigns, making them the nation's biggest-giving narrow-issue interest group."⁷

Lord Christopher Mayhew said on June 5, 1986, that Israel's dependence on the U.S. Senate is not a one-way affair. Members of its Appropriations Committee approve large subsidies to Israel; in return, Israel approves large "subsidies" to members of the Appropriations, Foreign Affairs and Armed Services Committees.⁸

On April 6, 1986, Thomas A. Dine, AIPAC's executive director, said that the relationship between the U.S. and Israel has entered "a revolutionary era." Such an era, he maintained, has been "raising U.S.-Israel relations to new heights....In the process, a whole new constituency of support for Israel is being built...among officials in the State, Defense, and Treasury Departments, in the CIA, in science, trade, agriculture and other agencies." He called Congress "the bedrock of the U.S.-Israel relationship," and stressed its role in securing "the most generous Israel aid package ever, and in blocking arms sales to Arab countries."⁹

As Table 1 reveals, the total official aid given to Israel since 1948 exceeds \$46 billion. Of this, less than \$15 billion, or 32 percent, was in loans; the remaining \$31 billion, or approximately 68 percent, was in grants. While the total assistance to Israel during the entire decade of the 1960's amounted to less than \$835 million, the 1970's saw a 2,000 percent increase in aid, which reached \$16.3 billion. The 1980's, moreover, marked another substantial increase in aid

levels, which exceed \$28 billion for the decade so far. In 1986, Israel alone received more than 25 percent of the entire foreign aid budget, while 45 African countries had to share one-fifth of the aid package.

The disparity is even more apparent in terms of wealth and population. Israel, with a Jewish population of approximately 3.5 million and a per capita income of about \$5,500 a year, was provided with more than \$1,000 per person in U.S. aid. Egypt, with 50 million people and a per capita income of less than \$700 a year, got about \$50 per person. "The 45 African countries, with a combined population of about 460 million, received \$2.13 per person in U.S. aid."¹⁰ From 1948 to 1985, Israel received about \$32.4 billion in official U.S. aid, as compared to \$21.3 billion to Latin America and \$16.3 billion to the entire African continent.¹¹ Since 1985, the disparity has continued to grow.

The U.S. aid given to Israel over the three fiscal years 1987-89 is equal in magnitude to the total American aid given under the Marshall Plan to all of the European countries devastated by World War II.

Economic Assistance

Since its creation in 1948, Israel has been very much dependent on foreign sources of economic assistance. For such assistance to be forthcoming, the Israeli leaders offered the services of their state to those powers whose interests in the Middle East were seen as vital. The importance of the world Jewry to Israel's survival as a source of new immigrants and financial aid, furthermore, necessitated the tightening of the Zionist grip over Jewish organizations worldwide.

Great Britain, France and, to some extent, West Germany provided the military assistance Israel needed during the 1950's and most of the 1960's. Economic assistance, on the other hand, was provided primarily by West Germany and the numerous

American and European Jewish organizations. In addition, direct investment by foreigners in Israel's economy and the sale of Israel Bonds in the U.S. and Europe have been and continue to be a steady source of financial aid to Israel.

In September 1952, negotiations, which were conducted in secrecy between the Germans and Israelis, were concluded, and a \$1.1 billion reparations deal was signed.¹² In 1960, the German Government extended to Israel a \$500 million, 10-year loan at a concessionary rate of interest. Germans and German institutions, moreover, began in 1959 to buy Israel Bonds and to invest directly in the Israeli economy. In addition, German arms deliveries, which started secretly in 1959 via France, accelerated

in the 1960's. In 1962, for example, the German Government allocated \$60 million in military aid to Israel, and this was followed in 1963 by a \$20 million deal to provide Israel with American-made tanks.¹³ Shimon Peres acknowledged Germany's military aid to Israel by saying, "America gave us money, France—arms for money, Germany—arms without money."¹⁴

Assaf Razin, professor of economics at Tel Aviv University, said that in the 1950's and 1960's "Germany reparations were the primary source of aid to Israel—payments of German reparations to individuals continue to this day."¹⁵ Estimates of such payments, which are being made regularly to some 200,000 Jews, range between \$850-900 million a year.

By the early 1970's, however, West German financial aid began to decline while Israel's need for foreign capital continued to rise. As a result, the U.S. Government and the American Jewish community were forced to provide the massive assistance needed to maintain Israel's economic viability.

The occupation of the West Bank, the Gaza Strip, the Golan Heights and the Sinai also helped meet some of Israel's financial needs, providing it with a captive export market, a free source of oil and a pool of cheap labor. Israel, moreover, began to receive hundreds of millions of dollars a year from taxes paid and tourism generated by the occupied territories. Meron Benvenisti, former deputy mayor of Jerusalem, estimated the occupation tax paid by West Bankers to the Israeli occupying authorities between 1967 and 1986 at "a conservative figure of \$700 million."¹⁶ The *New York Times* stated on January 5, 1986, that "the Israeli occupation has been beneficial [for Israel], providing a protected market for Israeli goods and a pool of cheap labor. Yet, the occupation does not constitute even a fiscal burden on the Israeli treasury. On the contrary, Palestinians contribute large sums of money to Israeli expenditure."¹⁷

From 1949 through 1965, U.S. official aid to Israel averaged about \$63 million per year, over 95 percent of which was in the form of economic

development assistance and food aid. Between 1966 and 1970, average annual aid increased to about \$102 million per year, but economic assistance declined to about \$27 million per year. In 1971, economic assistance changed from specific programs, such as agricultural development, to the Commodity Import Program, which was terminated in 1979.

By the mid-1970's, it became evident that Israel could no longer meet its balance of payments and budget deficits with foreign financial aid alone. Consequently, it began to rely more heavily on borrowed capital from foreign sources and on U.S. financial assistance. For example, U.S. economic assistance, which averaged about \$90 million per year between 1972 and 1974, averaged \$670 million per year between 1975 and 1978. In 1979, U.S. economic assistance approached \$800 million and became, to a large extent, unconditional direct cash transfer for budgetary support.¹⁸ Since 1985, annual economic aid has reached \$1.2 billion per year.

In 1976, Israel became the largest annual recipient of U.S. aid, and, as of 1981, all U.S. economic assistance to Israel has become an outright grant that need not be repaid. (Table 2 provides detailed information concerning U.S. economic assistance to Israel since 1949.)

In addition to the above, Israel has been receiving substantial amounts of financial aid and other forms of direct economic assistance from the U.S. Government. In 1978, for example, the Government Accounting Office (GAO) found hundreds of millions of dollars transferred to Israel via other channels not included in the annual foreign aid appropriations bills. Such transfers included the financing of a water desalination project in Israel and three U.S.-Israeli research foundations costing \$155 million.¹⁹

Other economic and financial assistance to Israel included: granting some 2,700 Israeli products import privileges to the U.S., allowing Israel to purchase obsolete military equipment at extremely low prices, most of which Israel resold to third parties, and much more. In 1979, Israel was

TABLE 2
U.S. Economic Assistance to Israel,
FY 1949-88
(in millions of dollars)

Year	Loan	Grant	Total
1949	—	—	—
1950	—	—	—
1951	—	.1	.1
1952	—	86.4	86.4
1953	—	73.6	73.6
1954	—	74.7	74.7
1955	30.8	21.9	52.7
1956	35.2	15.6	50.8
1957	21.8	19.1	40.9
1958	49.9	11.3	61.2
1959	39.0	10.9	49.9
1960	45.8	9.4	55.2
1961	38.6	9.5	48.1
1962	68.8	1.9	70.7
1963	61.8	1.6	63.4
1964	36.6	.4	37.0
1965	48.3	.5	48.8
1966	35.9	.9	36.8
1967	5.5	.6	6.1
1968	51.3	.5	51.8
1969	36.1	.6	36.7
1970	40.7	.4	41.1
1971	55.5	.3	55.8
1972	53.8	50.4	104.2
1973	59.4	50.4	109.8
1974	—	51.5	51.5
1975	8.6	344.5	353.1
1976	257.0	525.0	782.0
1977	252.0	490.0	742.0
1978	266.8	525.0	791.8
1979	265.1	525.0	790.1
1980	261.0	525.0	786.0
1981	—	764.0	764.0
1982	—	806.0	806.0
1983	—	785.0	785.0
1984	—	910.0	910.0
1985*	—	1,950.0	1,950.0
1986*	—	1,950.0	1,950.0
1987†	—	1,200.0	1,200.0
1988†	—	1,200.0	1,200.0
1989†	—	1,200.0	1,200.0
Total	2,136.3	14,192.0	16,328.3

SOURCES: *The Israeli Economy*, Congressional Research Service, 1986; *Israel: U.S. Foreign Aid Facts*, Congressional Research Service, 1986; *Foreign Assistance and Related Programs Appropriations Bills*, Senate and House of Representatives.

* Includes supplemental aid, and does not include aid to refugee resettlement programs and Israeli universities.

† Does not include aid to refugee settlement, Israeli universities and a few other programs.

granted \$2.2 billion specifically appropriated for the withdrawal of Israeli military forces from the Sinai. Since Israel had to abandon an air

base in the Egyptian desert, it requested U.S. help in building two air bases in the Negev. The U.S. Corps of Engineers built the most sophisticated air bases ever, costing about \$1.1 billion. After the completion of the project, Israel received excess supplies, building materials and construction equipment, valued by the GAO at \$172 million, all free of charge.²⁰

As U.S. military and economic aid to Israel increased, aid to most other countries declined. The Congress' recent resistance to allocating more funds to the foreign assistance program and simultaneous insistence on allocating more funds to Israel served to deny many poorer countries the opportunity to get the assistance they badly needed. Some of the countries which lost all economic assistance in 1988 include Dominican Republic, Haiti, Jamaica, Cameroon, Gambia, Tanzania and Zambia.

Between 1985 and 1988, funds allocated to Latin America declined by 52 percent, and the number of recipient countries went from 11 to 5. African countries received 82 percent less in the Economic Support Fund (ESF), and the number of recipients went from 22 to 9.²¹

Meanwhile, 73 percent of the money allocated to the ESF went to Israel, Egypt and nine other countries granting the U.S. military base or access rights. Of the approximately \$1.85 billion given as cash transfer, Israel received \$1.2 billion, or 73 percent. Nine other countries received a combined \$635 million, only 35 percent.²²

As Table 3 indicates, Israel is the largest and the richest U.S. economic aid recipient state in the world; Egypt is the second largest aid recipient, but one of the poorest. Chad, on the other hand, is the poorest country in the world and gets the least U.S. aid in absolute terms.

Yet despite such massive assistance, the Israeli economy in the early 1980's faced multiple domestic and international problems. A stagnant domestic economy, sustained high spending levels on social services and military adventures, mounting foreign debt servicing, low productivity

TABLE 3

Per Capita Economic Aid to Israel as Compared to U.S. Economic Aid Given to Some of the World's Poorest Nations

Country	GNP Per Capita (1983)	Economic Aid (1986) (in millions)	Population (1983) (in millions)	Aid Per Capita
Chad	\$ 80	\$ 8.79	\$ 4.6	\$ 1.9
Bangladesh	130	75.0	92.9	0.81
Zaire	160	29.62	30.7	0.96
Nepal	170	14.40	15.4	0.94
Somalia	250	36.78	4.5	8.17
India	260	75.00	717.0	0.10
Haiti	320	25.13	5.2	4.83
Kenya	340	35.20	18.1	1.94
Pakistan	390	263.25	87.1	3.02
Sudan	400	87.81	20.2	4.35
Liberia	470	43.38	2.0	21.69
Bolivia	510	23.65	5.9	4.01
Yemen	510	23.00	7.5	3.07
Honduras	670	104.46	4.0	26.12
Egypt	700	1,031.38	44.3	23.28
Morocco	750	31.48	20.3	1.55
Philippines	760	138.51	50.7	2.73
Turkey	1,230	119.63	46.5	2.57
Tunisia	1,230	19.14	6.7	2.86
Israel	5,360	1,950,000	4.0	487.5

SOURCES: The Senate "Foreign Assistance Aid and Related Programs Bill, 1987," pp. 17-19; *World Development Report, 1984*, World Bank, pp. 218-19.

and high inflation combined with a worldwide recession to push the Israeli economy into a serious crisis.²³ Consequently, the U.S. Government was asked to rescue Israel from certain disaster, and Congress responded with more money, more grants, and no strings attached.

In 1984, for example, the Reagan Administration proposed converting all U.S. aid to Israel into a grant—a proposal the Congress promptly approved. Congress, moreover, decided in the same year to adopt an amendment proposed by Sen. John Glenn to deliver aid to Israel at the beginning of each fiscal year, rather than to disburse it in quarterly installments as is the case with all other aid recipient countries.

According to Congressional estimates, FY 1986 economic aid, which Israel received on October 30, 1985, increased the U.S. Treasury's cost of borrowing the funds by \$66 million.²⁴ Israel's savings due to the early delivery of economic aid, and the extra income it receives by investing a good portion of it, therefore, represent

another cost incurred by the U.S. Treasury year after year and added to the federal debt, which the American taxpayer will ultimately have to pay.

In 1985 the Israeli Government requested a huge supplemental aid package to save its treasury from bankruptcy. To avert a possible collapse of the Israeli economy, the Reagan Administration took two extraordinary measures: granting Israel a \$1.5 billion supplemental aid package, and forming a U.S.-Israel joint economic committee to help restructure Israel's economy. Meanwhile, Congress moved quickly to exempt Israel Bonds from the 1984 Deficit Reduction Act, which calls for taxing low-interest bearing loans and bonds at the going federal rate of interest.

Secretary of State George Shultz, wholeheartedly supporting Israel's request, asked Congress nonetheless "to wait until Israel had put in place economic reforms before boosting funding. Eager House members, however, began making it up anyway...In voting for the emergency aid boost, Congress instructed

the Administration to spend it before all of Israel's reforms were in place."²⁵ In doing so, Congress denied the U.S. Government the financial leverage it would have had to effect the necessary economic changes in Israel, and, therefore, gave Israel no incentive to implement badly needed but unpopular economic reforms.

Consequently, Israel was faced with a renewed economic crisis in 1988. Corporate investment declined 20 percent, unemployment climbed to 7.2 percent and the trade deficit reached \$5.3 billion, the equivalent of 25 percent of Israel's GNP.²⁶ In comparison, the U.S. trade deficit in 1988 was less than 3 percent of its GNP. In addition, "the [Palestinian] uprising had cost the economy two percentage points of growth...and had caused a 30 percent drop in tourism," according to Israeli Finance Minister Shimon Peres.²⁷

In an attempt to contain the crisis, the Israeli Government launched a new austerity program in January 1989. Sharp increases in the prices of subsidized goods were announced, and the Israeli shekel was devalued

twice in less than a week. Controversial new budget cuts were also proposed in education, social services and health care.²⁸

Moreover, the U.S. Government was asked to help alleviate Israel's financial problems. A \$4.8 billion bond issue, the largest ever in the history of the New York Stock Market, was arranged to refinance Israel's high interest bearing debts. Because of Israel's credit unworthiness, the U.S. Government had to guarantee 90 percent of the bonds' value. As a result, the bonds were sold on the New York Stock Market within days last September, and Israel was able to save \$290 million a year in interest. Consequently, the U.S. Treasury will now lose an equivalent amount every year for many years to come.

The bailing out of Chrysler Corporation during the Carter Administration was the subject of much controversy despite the fact that Chrysler is an American company employing tens of thousands of Americans. In contrast, the bailing out of the Israeli treasury, which subsidizes Israeli corporations competing with Ameri-

can products, stirred no controversy, not even an interest by the American media.

Israel's economic and financial problems have been the result of a political strategy aimed at maintaining Jewish occupation of Arab land and a socio-economic strategy intended to sustain an artificially high standard of living to attract more Jewish immigrants. By increasing aid levels without conditions, the U.S. Government has, in effect, committed itself to underwriting the cost of Israel's strategy, thus enabling Israel to continue its military adventures and at the same time live beyond its economic means.

A former Israeli Finance Minister said, "The prosperity of the last seven years [the Likud years] was not real. People had a high standard of living at the expense of future generations or someone else outside of Israel, for instance the American people or Jewish people around the world. To live at the expense of someone else is easy; it happens with individuals and it can happen with states."²⁹

Military Assistance

U.S. military assistance to the Jewish state, which is intended to maintain Israel's qualitative edge over its Arab neighbors,³⁰ has been very impressive. From 1948 to 1989, the U.S. Government has given Israel about \$28 billion in military aid. Of that total, about \$11.2 billion was provided as loans and almost \$16.5 billion as grants. (Consult Table 4 for details.)

U.S. military assistance to Israel remained insignificant until the mid-1960's. In 1966, assistance began to increase substantially, but the level remained below \$100 million per year until 1971. In 1974, military grants were extended for the first time as the U.S. Government waived repayment of some 60 percent of the \$2.5 billion given to Israel in military aid in that year. This practice continued through 1984, after which all U.S. aid to Israel

was converted into outright grants.

In 1967, Israel fought and won the biggest and probably the most decisive war in its history, when it occupied the West Bank, the Golan Heights, the Sinai and the Gaza Strip. France, which warned Israel against invading the territories of its Arab neighbors, stopped supplying Israel with arms. Consequently, the U.S. emerged as Israel's major supplier of arms and its only backer concerning the position it adopted vis-a-vis the future of the occupied territories. Israel's claim that it was the only Middle East state to promote Western values and defend American interests against Soviet threats provided extra justification for those U.S. Government officials and legislators who were determined to support Israel's military build-up and its occupation and possible annexation of Arab land.

As Table 4 demonstrates, aid levels were raised every time Israel went to war against its Arab neighbors. Following the 1967 Six Day War, military aid was increased from \$7 million in 1967 to \$25 million in 1968 and \$85 million in 1969. In 1974, after the 1973 October war, Israel received \$2.5 billion in U.S. military assistance, up from \$307.5 million in 1973, an increase of 810 percent in one year. Following the invasion of Lebanon, military aid was increased from \$1.4 billion in 1982 to \$1.7 billion in 1983.

In 1967, Israel was given \$1.7 billion in military aid after signing the disengagement agreements with both Egypt and Syria. For signing the Camp David peace treaty in 1979, the Carter Administration gave Israel \$4 billion in military aid, \$1.3 billion of which was an outright grant. In late 1985, when Israel sent its Air Force to

TABLE 4

U.S. Military Assistance to Israel
(millions of dollars)

Year	Total	Loan	Grant
1948-61	0.9	0.9	—
1962	13.2	13.2	—
1963	13.3	13.3	—
1964	—	—	—
1965	12.9	12.9	—
1966	90.0	90.0	—
1967	7.0	7.0	—
1968	25.0	25.0	—
1969	85.0	85.0	—
1970	30.0	30.0	—
1971	545.0	545.0	—
1972	300.0	300.0	—
1973	307.5	307.5	—
1974	2,482.7	982.7	1,500.0
1975	300.0	200.0	100.0
1976	1,700.0	850.0	850.0
1977	1,000.0	500.0	500.0
1978	1,000.0	500.0	500.0
1979	4,000.0	2,700.0	1,300.0
1980	1,000.0	500.0	500.0
1981	1,400.0	900.0	500.0
1982	1,400.0	850.0	550.0
1983	1,700.0	950.0	750.0
1984	1,700.0	850.0	850.0
1985	1,400.0	—	1,400.0
1986	1,800.0	—	1,800.0
1987	1,800.0	—	1,800.0
1988	1,800.0	—	1,800.0
1989	1,800.0	—	1,800.0
Total	27,712.5	11,212.5	16,500.0

SOURCE: Clyde Mark, *The Israeli Economy*, CRS, 1986 and other House and Senate Foreign Aid Bills for 1987, 1988 and 1989.

attack Tunisia, Congress approved a supplemental grant of \$1.5 billion to strengthen Israel's military and support its faltering economy. In 1987, the year which witnessed the full exposure of Israel's role in both the Iran-Contra affair and the Pollard spy case, Israel was granted "major non-NATO" ally status, and in 1988 it became "the largest foreign participant in the U.S. Strategic Defense Initiative program," according to SDI director Lt. Gen. James Abrahamson.³¹

In 1986, Senator Kasten proposed a new bill to allow the Jewish state to borrow U.S. military equipment free of charge. He said that the proposal was "prompted by the positive experience of the U.S. Navy, which last year entered into a leasing agreement

with Israel wherein the Israeli Air Force leased a squadron of Kfir jet fighters to perform the aggressor role in certain training programs conducted by the Navy."³²

In 1984, the Israeli Government offered the U.S. Navy a free loan of 12 Kfir jet fighters, an offer the Navy Secretary, John F. Lehman, Jr., hailed as a major example of cooperation between allies. In April 1985, when the first Kfirs were delivered to the U.S., Lehman said, "This marks a major event for us, because the Israeli Government has made three aircrafts available to us at no cost to the U.S. taxpayer. It will save a lot of money for both governments in the future."³³

But thanks to an exclusive maintenance contract with a firm owned by the Israeli Government, the Navy is paying more than twice as much to service the Kfirs than it pays for any other war plane in its inventory. According to Navy estimates, maintenance cost on a single-seat, single-engine Kfir F-21A in 1986 was \$5,817 per hour of flight time, compared with \$2,474 per hour for the Navy's hottest jet, the twin-seat, dual-engine F-14A. The Kfir hourly cost, in fact, is more than five times the average \$1,036 spent to keep Navy aircrafts flying.³⁴

Currently, the U.S. Navy has 24 Kfirs from the Israeli Ministry of

Defense in exchange for a maintenance contract. The total cost of this exclusive maintenance contract with Israel for the first 12 Kfirs will be at least \$165 million through 1988, the equivalent of the cost of buying 12 F-16N's, an American-made aircraft far superior to the Israeli Kfir. Senator Kasten's proposal of "no-cost" reciprocal leases with Israel, could potentially give Israel as-yet-unspecified quantities of valuable U.S.-made military equipment at no cost and without much publicity. At the same time, the U.S. would be forced to subsidize the Israeli military industry through expensive maintenance contracts and give Israel free access to top U.S. military technology and intelligence. In view of the Pollard spy scandal, it is clear that the adoption of the Kasten proposal would pose a very serious threat to American national interests. Israelis, given the opportunity to penetrate the U.S. armed forces, might be tempted, if not instructed by their government, to steal American military secrets.

By 1985, military and economic loans to Israel had evolved as an American obligation. The Continuing Resolution for FY 1985 (P.L. 98-453) stated that annual ESF aid to Israel would be at least equal to the annual amount Israel owes the U.S. in payments on past debts.³⁵

U.S.—Israel Strategic Cooperation

In 1981, the U.S. signed a "Memorandum of Understanding" with Israel aimed at coordinating military policies and activities. By concluding that agreement, the two governments committed themselves to closer military cooperation.

The Memorandum of Understanding was followed in 1983 by the U.S.-Israel "Strategic Cooperation" agreement which provided Israel with more financial, technological and intelligence assistance. It actually facili-

tated the shift from loans to grants for Foreign Military Sales (FMS), permitted Israel to negotiate contracts with American military manufacturers to include Israeli components in weapons systems purchased by Israel, and obligated the U.S. to purchase up to \$200 million a year of Israeli goods and services for use by the U.S. Department of Defense.³⁶ In addition, Israel was permitted to bid for U.S. defense contracts and to obtain the latest military technology to build its

own military industry. The perceived convergence of strategic interests between the U.S. and Israel furthermore dictated Israeli access to U.S. intelligence information gathered by satellite.

Perceived global considerations and domestic political pressures induced the Reagan Administration to formalize a military alliance with Israel and give it more assistance, more grants and more diplomatic backing than any other country has ever re-

ceived from the U.S. In fact, the Reagan Administration has given Israel about \$13.5 billion in military aid and more than \$10 billion in economic assistance during the last eight fiscal years (1982-89).

Closer U.S.-Israel relations, however, have served to heighten Arab fear and suspicion and to weaken U.S. credibility in the Arab world. The Saudis, for example, continue to spend about \$17-18 billion a year on defense,³⁷ while the Syrians and Jo-

rdanians continue to allocate the equivalent of 40 percent of their GNPs to the military. The Arab countries' focus on the Israeli threat, moreover, has contributed to the regional arms race and has further complicated future initiatives to effect peace between Israel and its Arab neighbors.³⁸

As a result, Soviet influence in many Arab countries has increased, and U.S. ability to influence Arab policies and military actions has diminished.

Private Assistance

Since the early 1970's, the U.S. has become the largest single source of financial assistance to Israel's troubled economy and increasingly militarized society. Such assistance has been provided by the U.S. Government and by the many Jewish American organizations committed to helping Israel.

Charitable Jewish organizations operating in the U.S. have been used as instruments to raise private funds and create vehicles to channel them into Israel. The number of tax-exempt Jewish organizations which operate in the U.S. and play an active role in raising funds for Israel exceeded 200 in 1986. In addition, Israeli organizations that qualify for tax exemption in Israel automatically qualify for tax exemption in the U.S.

Some of the funds raised by these presumably charitable organizations, however, have been diverted to the occupied territories and used to finance activities considered illegal under the charter of tax-exempt organizations. "Charles Fischbein, long-time Washington executive director of the Jewish National Fund [JNF], was shocked when Israelis proudly told him that tractors bought with tax-exempt funds he had raised in the U.S. had been diverted from Israeli farmers by the IDF [Israeli Defense Forces] to bulldoze through

bombed Lebanese villages and open the way for invading Israeli tanks."³⁹ In 1967, JNF operations were expanded to include East Jerusalem, the West Bank, the Gaza Strip and the Golan Heights. Rabbi William Berkowitz, president of the JNF, proclaimed in 1981 that "the JNF is also creating historic conditions, establishing strategic realities and forming geopolitical security certainties..."⁴⁰

After the partition of Palestine by the U.N. in 1947, Golda Meir, who later became an Israeli prime minister, was dispatched to the U.S. for the purpose of raising funds for the Jewish groups fighting the Palestinians and the British at the time. During her tour, she told potential donors that money was needed to fight the Arabs. Meir wrote in her autobiography, "By the time I came back to Palestine in March [1948], I had raised \$50 million, which was turned over at once for the Haganah's secret purchases of arms in Europe."⁴¹

Jewish Americans contribute about \$2 billion a year to Israel for a variety of programs and in support of certain economic and military policies.⁴²

Private American assistance to Israel is obtained through three major channels: private individuals; private institutions; and the sale of the State of Israel Bonds.

Private Individuals

Private individuals play a crucial role in helping Israel achieve its economic, financial and political objectives inside the U.S. Jewish Americans occupying sensitive positions in the government, primarily in the Defense Department, the State Department, the CIA and the National Security Council, help facilitate Israel's access to U.S. military technology, intelligence and other sensitive information. Morris Amitay, former advisor to Sen. Abraham Ribicoff and director of AIPAC, said that "there are now a lot of guys at the working level up here who happen to be Jewish, who are willing to make a little bit of extra effort and to look at certain issues in terms of their Jewishness."⁴³ In 1979, the CIA stated in a report, entitled "Israel: Foreign Intelligence and Security Services," that "the Israeli intelligence service depends heavily on the various Jewish communities and organizations abroad for recruiting agents."⁴⁴

Jonathan Jay Pollard was one of those American Jews who tried "to look at certain issues in terms of his

Jewishness." Recruited in 1984 by Israeli intelligence officers to spy on the U.S., Pollard was found guilty on March 4, 1987, of espionage and was sentenced to life in prison. His wife, Anne Henderson Pollard, who helped him carry out his espionage activities, received two concurrent five-year terms.⁴⁵

The Pollard espionage case involved delivering to Israel more than 1,000 documents of top U.S. military secrets. Secretary of Defense Caspar Weinberger described that case as causing "very serious damage to U.S. interests."⁴⁶ In addition, the case raised anew the question of double loyalty which Zionists have always tried to implant in the hearts and minds of all Jews living outside Israel. Nahum Goldman, a former president of the World Zionist Organization, declared in Jerusalem, on February 3, 1975, that Jews "should fight for the recognition of double loyalties." He also added that "Jews should support Israel against the views of the states in which [they] live."⁴⁷

Since the creation of Israel in 1948, about 50,000 Jewish Americans have emigrated to Israel, and more than 350,000 Israelis have emigrated to the U.S. Remittances and family support sent to Israel by Israelis living in the U.S. equal about \$300 million a year. When donations sent directly to Israeli institutions are included, the figure reaches about \$350 million. In addition, more than 400,000 American adults, primarily Jewish, visit Israel alone or with their children, and, in the process, transfer to Israel hundreds of millions of dollars each year.

While donations, remittances and family support sent to Israel by private individuals are about \$350 million a year, contributions extended to Israel since 1947, excluding tourism, are estimated at \$7 billion. When American tourism is included, the figure would certainly exceed \$12 billion.

Financial contributions of private Americans to Israel are multifaceted and large in volume. While some businessmen have invested significant amounts of money in Israel's industry, others have committed time

and effort to promoting Israeli products in the U.S. Others, moreover, have deposited billions of dollars in Israeli-owned banks in the U.S. and Israel.

Private Institutions

Jewish and non-Jewish American organizations that contribute financially to Israel are numerous. While some are large and support a variety of programs, others are small and confine their activities to supporting one project.

Although financial contributions from the one-purpose organizations are usually small in size, they are valuable in terms of the support they provide to the many charitable social and educational institutions in Israel. Israel's seven universities, for example, have "American friends" groups that raise money for budgetary support and endowments. "The American friends of the Hebrew University alone have sent more than \$25 million to the school in Jerusalem."⁴⁸

Large organizations that operate in the U.S. and raise funds from Jewish and non-Jewish Americans are small in number. Nonetheless, they provide Israel with more than \$400 million a year in tax-deductible contributions. The major organizations include the following:

United Jewish Appeal (UJA) The UJA was established in 1939, and, since its inception, has been the principal American Jewish fund-raising organization. The UJA is registered with the Internal Revenue Service (IRS) as a not-for-profit organization, and therefore contributions it raises are tax-deductible. In 1980, for example, the UJA-Federation Central Campaign raised \$508 million; in 1982, it raised \$567 million. Out of the \$508 million raised in 1980, Israel received \$261 million, or more than 51 percent.⁴⁹

During the period 1967-78, the

Central Campaign raised more than \$4.7 billion, \$3.2 billion of which was the UJA's allocation, and most of which went to Israel.⁵⁰ With the campaign's average income increasing to more than \$600 million a year in the 1980's, the total raised by such campaigns since 1948 is estimated at about \$17 billion. Of this total, some \$10 billion has been given to Israel.

Yet many of the aid-recipient Israeli institutions are located in the new Jewish settlements illegally built on the Arab land that Israel occupied in 1967. Prof. Kaanan Weitz, retired chairman of the Jewish Agency Settlement Department, said that "U.S. law prohibits the use of American Jewish money in the territories" and described the building of Jewish colonies as "a tragic mistake." He also said that "the Likud-sponsored settlement projects are totally unplanned, unviable, and not only do not enhance our self-determination, they are done at the expense of the self-determination of others."⁵¹

The UJA-Federation Central Campaign, which oversees the collection and distribution of funds, appoints each year a prominent Jew to serve as a general chairman. In 1985, Ivan Boesky was selected to be the general chairman. In 1986, however, Boesky was indicted by the U.S. Government for insider trading in one of the largest scandals ever to hit the New York Stock Market. Ivan Boesky paid the government \$100 million in fines and illegal profits despite his cooperation with the authorities. On December 19, 1987, Boesky pleaded guilty and was sentenced to three years in prison.

United Israel Appeal (UIA) The UIA, as a link between the American Jewish community and the Jewish Agency for Israel, supervises the flow and expenditure of the funds provided for Jewish emigration and resettlement in Israel. While the UIA receives most of its funds from the UJA, it has been receiving support from the U.S. Government since 1971.

On June 16, 1987, the Settlement Department of the Jewish Agency announced that it had spent some \$600 million in the past 20 years on developing 152 settlements beyond the Green Line. Some \$400 million

was spent in the Jordan rift, Gaza and the Golan Heights, and the balance was spent in other parts of the West Bank.⁵²

Other not-for-profit organizations, which operate in the U.S. and channel American tax-deductible contributions to Israel, include the Jewish National Fund, the Israel Endowment Fund, and the New Israel Fund. The combined budget of these organizations is approximately \$75 million a year, about 20 percent of which comes from the U.S. Government.

When all the funds raised by the approximately 200 private organizations operating in the U.S. are totaled, contributions received by Israel so far would be about \$12 billion, more than three quarters of which has been contributed by the UJA.

Israel Bonds Organization

The IBO was established in 1951 for the sake of raising large-scale investment funds for the economic development of Israel. Through the sale of the State of Israel Bonds in the U.S., Canada, Western Europe and other parts of the world, IBO raises more than \$450 million a year. In 1981, for example, sales totalled \$432 million.⁵³ *The Washington Post* reported in 1986 that, since its inception, the IBO has raised "more than \$8 billion...about 80 percent of which is in the U.S."⁵⁴

Based on the figures above, it can be estimated that the total funds raised by the sale of Israel Bonds worldwide between 1951 and 1988 would approximate \$10 billion, some \$8 billion of which would have been raised in the U.S.

American aid that reaches Israel through the numerous private channels is huge in volume and extremely important in terms of the task it performs. From 1948 to 1988, private individuals contributed an estimated \$7 billion, private institutions \$12 billion and the sale of Israel Bonds another \$8 billion, for a total of \$27 billion.

In addition to the above sources, Israel has developed another reliable source of financial assistance that does not require much effort and involves little risk. Deposits placed with Israeli banks in Israel by U.S. citizens and by branches and subsidiaries of Israel-domiciled banks have been providing Israel with foreign loans on easy terms. Such deposits have been increasing steadily, especially over the last few years. Based on Israel's overseas bank liabilities, this financial source might have provided Israel with another \$8-10 billion over the past four decades.

When all funds obtained from the above-mentioned private sources are totaled, U.S. private aid to Israel since 1948 would be about \$35 billion. This total, however, includes Americans' deposits in Israeli banks, but excludes Israel's income from American tourists.

Other Grants and Subsidies

U.S. support for Israel extends beyond direct governmental and private transfer of financial resources, estimated at about \$6.5 billion a year. Other forms of assistance, though not as well publicized, are nonetheless important insofar as they play a crucial role in helping Israel develop its military, industrial and agricultural capacities and in meeting its foreign currency needs.

On December 22, 1970, a Master Defense Development Data Exchange Agreement was concluded between the U.S. and Israel. The agreement permits and facilitates the exchange of information important to the development of a full range of military systems, including tanks, surveillance equipment, electronics warfare, air-to-air and air-to-surface weapons and engineering. As of July 1982, 19 separate data exchange annexes, which cover individual projects under the agreement, had been

The estimated \$35 billion in private contributions sent to Israel since 1948 comes at minimum cost and with no strings attached. Since a good portion of these contributions is tax-exempt, it comes out of the American taxpayer's pocket.

This huge transfer of American funds to Israel has been made possible by the role played by U.S. Jews in American life. To most Jews in America, the welfare of Israel is their major priority; to most Jewish organizations, harnessing support for Israel is the only item on their agenda. Harry Hall, an American Jew who is the representative in Jerusalem of the Anti-Defamation League of B'nai B'rith, said, "Israel is the religion for a lot of American Jews; Israel is the home team, and the members of the American Jewish community are the fans."⁵⁵

concluded.⁵⁶

According to the GAO report, "almost every Israeli arms production effort includes a U.S. input."⁵⁷ A State Department official added that "the U.S. has permitted Israel to coproduce U.S. defense equipment through licensed production at a higher level of technology than it has permitted any other FMS [Foreign Military Sales] recipient."⁵⁸

A March 19, 1979, Memorandum of Agreement permits Israeli firms to bid on certain defense contracts, without Buy American Act restrictions, and facilitates cooperation in research and development between Israel and the U.S. Department of Defense. In April 1981, a commitment made by former Secretary of State Alexander Haig provided for the purchase of Israeli-made military equipment worth up to \$200 million a year "to stimulate Israel's defense industry."⁵⁹ Later in the year, this com-

mitment was made an integral part of the Memorandum of Understanding of Strategic Cooperation, which calls for: expanding cooperation in research and development; promoting reciprocal military procurement; expanding the 1970 Data Exchange Program; establishing a Scientist and Engineer Exchange Program; supporting the logistics of selected military equipment; and, further, enlarging of Israel's access to bidding on Department of Defense requirements.

In April 1983, Moshe Arens, Israel's defense minister at the time, asked Rep. Charles Wilson (D-Tex.), who was visiting Israel, to sponsor legislation that would permit U.S. aid money to be spent on the Lavi. A few months later, Wilson asked AIPAC to draft the language of the amendment. The amendment earmarked \$550 million of that year's \$1.7 billion military aid package for the development of the Lavi.⁶⁰ Congress, eager to respond positively to Israel's aid request, approved the appropriation with virtually no questions. Between 1983 and 1989, Congress earmarked a total of \$2.95 billion for the development of the Lavi and other military equipment and systems. Of that total, \$1.9 billion, or almost 65 percent, was to be spent in Israel and \$1.05 billion, or 35 percent, in the U.S.

According to a study prepared by the Congressional Research Service, "Israel originally estimated the plane would cost \$7 million per copy; in 1987, it revised that figure to \$15 million."⁶¹ However, Dor Zakheim, former Deputy U.S. Undersecretary of Defense, said at a press conference in Tel Aviv, January 7, 1987, that the Pentagon had estimated the Lavi's cost at 45 percent more than the \$15.2 million per plane projected by Israel.⁶²

In view of the high cost of producing the Lavi and the strong opposition to the continuation of its development inside Israel, the U.S. Government began in 1987 to pressure the Israelis to terminate the project. On August 30, 1987, the project was terminated, and the Lavi became history after having wasted more than \$2 billion.

In November 1983, the U.S. and Israel signed a strategic cooperation agreement giving Israel's arms industry almost unrestricted access to U.S. technology. This agreement involves the supply of weapons technology, intelligence, joint military planning and exercises, the stationing of American military and medical equipment in Israel, financing the development of Israel's weapons systems, and the formation of a Joint Political-Military Committee to supervise implementation.⁶³

The same agreement has also called for helping Israel's arms exports penetrate foreign markets. Since the U.S. market is the largest in the world, Israel's arms industry has embarked on a major campaign to penetrate the American market. Some of the many approaches include:⁶⁴ (a.) direct marketing in the U.S., including opening U.S. subsidiaries; (b.) partnerships with U.S. firms, either for joint development of systems or in order to use American firms to market Israeli products in the U.S.; (c.) raising additional capital by going public and trading in U.S. stock markets; and (d.) seeking the help of U.S. firms in marketing to the Third World.

As a result, high-tech Israeli exports, which had been produced using American technology and capital, began to compete with U.S.-made goods.

In its continuing efforts to stabilize Israel's shaky economy, the Senate Foreign Relations Committee furthermore adopted in 1984 a number of measures specifically designed to provide Israel with the kind of help it badly needed. Those measures included providing ESF assistance at the beginning of the fiscal year rather than spaced out over the entire year, permitting Israeli firms to bid on Agency for International Development (AID) contracts in other AID recipient countries, and voting to establish the principle that the annual ESF allocation will not be less than the annual debt repayment to the U.S.

Israel's failed efforts to gain the influence it hoped for in most Third World countries, especially after 1973, motivated the U.S. to lend its prestige and resources to facilitate

Israel's penetration of many African, Asian and Latin American countries. The U.S., recognizing the value of the foreign aid program as an effective instrument of foreign policy, provided Israel with the special funds it needed to start its own foreign aid program. The 1986 foreign aid package, for example, included a \$5 million grant to support Israel's foreign assistance program. In 1985, the U.S. and Israel signed two grants totalling \$1.4 million to assist agricultural development in the Dominican Republic, Jamaica, Antigua, Honduras, El Salvador, and Costa Rica.⁶⁵ While such funds have not been substantial, the opportunities they helped open were very substantial.

Israel's established policy for attracting more Jewish immigrants is also supported by the U.S. Government. The FY 1988 Foreign Aid Bill allocated \$25 million for Soviet and other East European Jews emigrating to Israel. This program continues despite the fact that only a very small fraction of Jews leaving the Soviet Union actually go to Israel. Between 1971 and 1987, the U.S. provided Israel the sum of \$329 million for this purpose,⁶⁶ a good portion of which has been diverted to support Jewish settlements in the West Bank and Gaza Strip. In 1988 and 1989, \$50 million more was given.

In addition to the above, the U.S. Government and American corporations have over the years invested billions of dollars in Israel. Between 1966 and 1974, in particular, the U.S. Government invested a total of \$41.5 million in 56 different projects.⁶⁷

Other annual aid programs such as Export-Import Bank loans, Housing Guarantee loans, American Schools and Hospitals Abroad grants, and Commodity Credit Corporation loans provide substantial assistance to Israeli institutions. Such loans, which are usually extended at concessionary rates of interest and are payable over 30-40 years, had reached approximately \$2 billion by 1986. Export-Import Bank loans, for example, exceeded \$1.2 billion; Housing Guarantee loans \$200 million; and Commodity Credit Corporation loans \$18 million.⁶⁸ Grants given to

Israeli institutions were about \$100 million, \$80 million of which went to Israeli schools and hospitals.⁶⁹

American schools and hospitals in Israel received about \$76 million between 1970 and 1986, or some 20 percent of the total granted to all American schools and hospitals in Africa, Asia, Europe and Latin America. American schools and hospitals in Israel, however, are not necessarily

American, though some are American in name. It is no secret that almost all of them are Israeli institutions incorporated in the U.S. so they may qualify for U.S. grants and subsidies.

Commercial loans by U.S. banks are also another source of significant assistance to Israel. Such loans, of which deposits placed with Israeli banks represent a major portion, are estimated at \$2 billion per year.

The Free Trade Area

The FTA agreement, completed in 1985, calls for the elimination of duties and non-tariff barriers on all trade, including services, between Israel and the U.S. by 1995. However, the agreement embodies certain provisions that will permit Israel to extend some restrictions and tariffs on certain American products. The agreement moreover guarantees Israeli arms companies—almost all of which are government owned and subsidized—equal status with U.S. firms for sales of military equipment to the U.S. Department of Defense.

Article 11 of the FTA permits Israel to retain or raise duties on imports if it feels "threatened by, or suffers from a serious balance of payments deficit." It must be noted, however, that Israel has had a chronic balance of payments deficit since its inception. In fact, the deficit, which exceeded \$3.4 billion in 1988, is so serious that Israel stands no realistic chance of being able to close it in the foreseeable future.

Because of its apparent disadvantages, the FTA was opposed by American manufacturers, farmers and labor unions. Even the AFL-CIO, which historically has been the strongest Israeli supporter within the American labor movement, testified against the FTA bill.

Sen. Ernest Hollings expressed his concern in Congress by saying, "We

do not want our friend Israel to be used as a funnel for the cheap textiles manufactured in the Middle East, Africa and other places... We know that Israel has a free trade zone agreement with the EC [European Community] on citrus. Somehow, more oranges arrived in the EC than you could possibly produce in Israel."⁷⁰

The *Washington Post* reported that "Israel has long been regarded by trade analysts here as a potentially important go-between for circumventing U.N. sanctions against South Africa by transshipping relabeled goods to countries adhering to the punitive measures against South Africa."⁷¹

Yitzhak Shamir, Israel's prime minister, confirmed his government's strong ties with South Africa during a visit to Washington in February 1987. He said that his government had no intention of altering its policy toward South Africa.⁷² In other words, Israel was not willing to comply with the U.S. Anti-Apartheid Act of 1986.

On April 1, 1987, President Reagan reported to Congress that "Israel appears to have sold military systems and subsystems [to South Africa] and provided technical assistance on a regular basis." Abba Eban, former chairman of the Foreign Relations and Security Committee in the last Israeli Knesset, confirmed Israel's

arms sales to South Africa and other dictatorships in Latin America. On September 7, 1987, he wrote in *Yediot Ahranot* that "the increasing and justified world opposition to the sales of arms to an apartheid state mandates Israeli restraint in this area, and it is doubtful that unlimited satisfaction should be gleaned from Israel's increasing arms transfers to Latin American states whose regimes have problematic human rights records."

The *Washington Post* reported March 20, 1987, that "every Israeli Defense Minister in recent years, including Sharon, Arens, Weizman and Rabin, has made secret visits to South Africa to discuss arms sales and promote Israeli arms products." Rowland Evans and Robert Novak reported that "Israel's profit from its Pretoria arms trade is estimated at around \$400 million a year."⁷³

In addition to the FTA, Congress approved legislation aimed at helping Israel, without mentioning its name explicitly. In 1979, for example, Congress added two sections to the Export Administration Act which benefited Israel. Section 8 prohibits American companies and individuals from cooperating with trade boycotts against nations friendly to the U.S. The legislation was aimed at the Arab League boycott of Israel. Section 7(d)(3) authorized the President to sell American-produced oil to nations with which the U.S. had signed bilateral oil supply agreements prior to June 25, 1979. Israel is the only country that fits this description.⁷⁴ Under this agreement the U.S. would provide Israel with American-produced oil in the event that Israel's oil supplies were cut off.

American aid to Israel provided through the above-mentioned channels is very difficult to quantify, especially in matters involving the transfer of American technology to Israel, the elimination of tariffs on Israeli exports, contracting with Israeli firms, and facilitating Israeli military and non-military exports to the U.S. and Third World countries. The annual value of these grants and subsidies, however, is estimated today at \$1.5 billion a year.

Conclusions

In 1986, Israel received from the U.S. \$1.8 billion in military grants, \$1.2 billion in economic grants, and a \$750 million supplemental aid package. Because of the budget deficit, all funds given to Israel have to be borrowed, and they therefore cost hundreds of millions of dollars to service each year. In addition, the U.S. Government pays Israel interest on aid funds invested in U.S. Treasury notes.

However, the real cost of supporting Israel to the American taxpayer is still higher, involving financial, economic, military, as well as political losses. In 1983, Joseph C. Harsch wrote that if all of the "forms of support are lumped together...Israel draws somewhere around \$10 billion a year from the U.S. and its citizens." Another meaning of this, he added, "is that the American taxpayer is paying for Israel's living standards, for its conquests, and for those settlements which are going up throughout the occupied Arab territories."⁷³ Despite this, the measures which have been taken by the Reagan Administration and Congress since 1983 have not only failed to lessen the burden but have actually increased that cost substantially. In 1985, the annual cost of supporting Israel was estimated at \$12-14 billion a year.⁷⁴

Financial transfers to Israel are estimated today at about \$6.5 billion a year, some \$4 billion of which represents official and private grants and donations. The other \$2.5 billion consists of the sale of Israel Bonds, U.S. deposits in Israeli banks, direct investment in the Israeli economy and other concessionary and commercial loans. Other subsidies provided by the U.S. and its citizens, including technology transfer, are valued at \$1.5 billion a year. Total annual aid to Israel, therefore, is about \$8 billion a year.

Aid given to Egypt to keep the peace with Israel is about \$2.3 billion a year. Another \$200 million represents U.S. annual contributions to UNRWA, peacekeeping missions, and improving security around U.S.

embassies in the Middle East. Indirect aid intended to pacify Israel's victims and improve the security of the Jewish state, therefore, adds another \$2.5 billion to the cost of supporting Israel.

Extra military expenditures the U.S. has been paying because of its commitment to Israel's security cost another \$1.5 billion a year. The cost of borrowing the funds appropriated for both Israel and Egypt add about \$500-600 million a year. Aid to Egypt and other security expenditures, therefore, add up to more than \$4.5 billion a year.

When all the above expenditures, grants, and subsidies are totalled, the annual cost of supporting Israel comes to more than \$12.5 billion a year.

In addition, the cost of supporting Israel should also include the loss of military and commercial sales to Arab countries, estimated at about \$8.5 billion a year.

Thus, the total financial cost of supporting Israel amounts to a stupendous \$21 billion a year.

On September 23, 1984, the *Washington Post* said that "Reagan proposes to spend six times more on aid to Israel in the coming year than on energy conservation in the U.S.; twice as much as on domestic, consumer and occupational health and safety programs; and about the same amount as the combined worldwide spending of the State Department and the Peace Corps, plus all the contributions to the U.N. and its agencies."⁷⁵

During fiscal year 1983, when the Reagan Administration was cutting the child nutrition program, mass transit, and the Food Stamp Program, the Administration proposed a substantial increase in aid for Israel. Congress, however, wanted more aid for Israel than the Administration had requested; and as a result, Israel received \$300 million more than the 1982 figure. That increase alone could have restored the \$280 million cut from the child nutrition program. The \$1.7 billion in military aid given to

Israel for that year could, moreover, have covered the costs of the Food Stamp Program and the mass transit projects that were cut.⁷⁶

Israel's economic problems are structural and deep-rooted and therefore cannot be overcome in a reasonably short period of time. Israel's foreign debt of about \$32 billion is the highest in the world in terms of per capita income and in relation to its GNP. In fact, Israel's per capita foreign debt is about five times that of Mexico. More than 60 percent of the Israeli budget—about \$26 billion in 1988—is devoted to military spending and debt servicing. Israel's military budget absorbs 27 percent of the total GNP. In comparison, the U.S. defense budget comprises about six percent of the GNP, Britain five percent, France four percent, Sweden three percent and Japan only one percent.

Furthermore, Israel's budget has been for several years as large as, or even larger than, the country's GNP. The U.S. budget, in comparison, is about 23 percent of the GNP, despite a large and worrisome deficit. Israel, in fact, is the only country in the world, possibly in history, to have a budget that exceeds its GNP. If Israel is to reduce the magnitude of its financial problems to a level comparable to that of the U.S., it must reduce the budget by about 75 percent or increase its GNP four times without increasing the budget. Neither of these goals could possibly be achieved in 10, 20 or even 50 years.

Eitan Shishinsky, a professor at the Hebrew University, said in 1985, "The U.S. today is Israel's main rescuer, and we are critically dependent on its aid."⁷⁷ Yigal Hurvitz, former finance minister in Israel, said, "If someone tells you that a day will come when we won't need loans or aid, don't believe them."⁷⁸ Aviv Yariv, physics professor at Tel Aviv University, said, "With all their magnitude, economic mistakes are not the only cause of the present economic slump; political decisions and errors are perhaps even more important... Nevertheless, it is amazing how few people, especially in Israel, recognize that at times it should be possible, or

even imperative, to find economic solutions outside the domain of economics. Just as political ideology was a decisive factor in the deterioration of Israel's economy, so must a new and courageous political approach serve as a main instrument for pulling the country out from the economic quicksand into which it has sunk.⁸¹

Massive U.S. aid, which has prevented the collapse of the Israeli economy in the past, will have to increase year after year to prevent a collapse in the future. But no matter how great U.S. aid to Israel might be and no matter how long it continues, it will not postpone forever the demise of Israel's economy. The price which the American people are repeatedly being asked to pay for keeping a dying economy alive is very high and growing higher, without any end in sight.

Notes

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Book Views

Report on the Violations of Human Rights in the Territories during the Uprising, 1988-1989

Norton Mezvinsky, editor; introduction by Israel Shahak. *The Israeli League for Human and Civil Rights, Tel Aviv, 1989, 98 pp., \$7.50.*

Reviewed by Deirdre L. Boyd

"Why haven't we heard about these things?"

That was my first reaction to the latest *Report on the Violations of Human Rights in the Territories during the Uprising, 1988-1989*, published by The Israeli League for Human and Civil Rights, now available in the U.S. through AMEU. The League, founded in 1936-37 during the British occupation of Palestine, is chaired by Israel Shahak, former professor of organic chemistry at Hebrew University, survivor of the Bergen-Belsen concentration camp, and acclaimed human rights advocate.

The League's report, which is based exclusively on accounts from mainstream Israeli newspapers, fills in the considerable gaps in U.S. coverage—which has actually *decreased* over the past few months, even as the violations have *increased*. This is a poor reflection on the U.S. media which one would expect to be more open to criticism of Israel than Israel itself,

rather than *less* open. That Israelis know what is happening and allow it to continue is reprehensible. But, that the U.S. (which pays for Israel's occupation with \$8 billion a year in foreign aid) has turned a blind eye to these daily and widespread human rights abuses is *worse*.

This human rights report is remarkable in that all of the 98 articles are written by Israelis and 26 of them are testimonies or confessions of Israeli reservists and officers who served in the Occupied Territories/Palestine. Another 28 articles have the testimonies of Knesset Members, doctors, lawyers and writers, as well as peace activists. The eyewitnesses, journalists and soldiers, are not only exposing human rights violations, but they are also wrestling with the moral and political dilemma of military occupation in their articles. That is what makes this so much more valuable than a dry, statistical report or one written by already-committed peace activists. It also saves this collection of articles from becoming a gratuitously grisly orgy of man's inhumanity to man.

These unpleasant revelations need to be known and felt in all their raw, heartbreaking detail in order to jolt Israelis and Americans out of their complacency and apathy. But, again and again, these eyewitnesses write that they especially fear that aberrations are becoming standard practice and that the Israeli (and American) public has become inured to them. One Israeli soldier was told by a jaded journalist, who wasn't interested in his eyewitness account, that: "It's not

news... and [people] are fed up with atrocity stories." (*Hotam*, 1 April, 1988) This was only a few months after the *intifada* began.

Another claim made by many of the soldiers is that only a fraction of the daily violations reaches the media/public. One of their major concerns is that no one, neither settler nor soldier, is held accountable for his or her actions against unarmed Palestinians. There are no constraints. The only inhibitor, it seems, is media exposure, but journalists have been beaten too, and entire cities and refugee camps are constantly being declared closed military zones. One article from January 1989, tells of 60 Palestinian lawyers who went on strike in protest against a system which offers no protection whatsoever to the civilian Palestinian population against random curfews, sieges, harassment, thefts, humiliations, abductions, attacks and atrocities by Israeli soldiers and settlers.

Americans need to read this report to see at least a glimpse of what is happening in the West Bank and Gaza Strip. But, more important still, for those who yearn for a just and peaceful solution, is the evidence herein that there is a healthy protest movement in Israel which needs our encouragement against the growing brutalization of Israel—and that there is no single monolithic Israeli/Jewish position regarding "land for peace" or a Palestinian state in the territories now under Israeli occupation.

Deirdre Boyd is editor of AMEU's Book Program.

Books To Order

New Selection

□ Norton Mezvinsky, ed., *Report on the Violations of Human Rights in the Territories during the Uprising, 1988-1989*, Tel Aviv: The Israeli League for Human and Civil Rights, 1989, 96 pp., paperback. Latest report on human rights abuses in occupied Palestine/West Bank and Gaza Strip. Contains introduction by Israel Shahak as well as 98 articles translated from the mainstream Israeli press. More critical and enlightening than U.S.

coverage. *List, \$7.50; AMEU, \$3.95.*

□ Elias Chacour, *Blood Brothers*, Grand Rapids, MI: Chosen Books, 1984, 224 pp., paperback. A Palestinian priest, recently nominated for the Nobel Prize for his social work in the Galilee, tells the story of his search for conciliation between Palestinian and Jewish Israelis. *List, \$6.95; AMEU, \$4.95.*

□ John L. Esposito, *Islam: The Straight Path*, New York: Oxford University Press,

1988, 230 pp., paperback. Sensitive and comprehensive introduction to Islam by a distinguished professor of religion. Includes overview of tenets and history as well as contemporary politics of the Muslim world. Excellent college-level text. *List, \$9.95; AMEU, \$7.75.*

□ Paul Findley, *They Dare To Speak Out*, Westport, CT: Lawrence Hill and Company, 1985, 362 pp., paperback. The former eleven-term Congressman from Illinois discusses how Americans are victimized for opposing the Israel lobby. *List, \$8.95; AMEU, \$6.25.*

□ Emile Habiby, *The Secret Life of Saeed: The Pessoptimist*. London: Zed Books Ltd., 1985, 169 pp., paperback. Already a classic of contemporary Arab literature, this novel describes the tragi-comic adventures of a Palestinian citizen of Israel with biting satire. List, \$6.95; AMEU, \$5.50.

□ Yehoshafat Harkabi, *Israel's Fateful Hour*. New York: Harper & Row, 1988, 256 pp., cloth. Former Chief of Israeli Military Intelligence's well-argued warning to Israel that this is its last chance to save itself from "national suicide." A pragmatist, Harkabi examines every angle of the present Palestinian-Israeli conflict to conclude that the pro-Israeli demands should be "negotiate with the PLO" and "withdraw from the Occupied Territories." List, \$22.50; AMEU, \$13.95.

□ Ralph Schoenman, *The Hidden History of Zionism*. Santa Barbara, CA: Veritas Press, 1988, 150 pp., paperback. A shocking expose of Zionism from its inception through the Uprising, presented in a concise, but well-documented form by a prominent American peace activist. Concludes by calling for a secular and democratic Palestinian state. List, \$7.95; AMEU, \$6.50.

□ Jerome M. Segal, *Creating the Palestinian State: A Strategy for Peace*. Chicago: Lawrence Hill Books, 1989, 192 pp., paperback. Exciting unorthodox peace plan put forward by an American Jewish academic and president of the Israeli-Palestinian Peace Political Action Committee. The P.N.C. has already begun to act along the lines of Segal's binational plan. List, \$9.95; AMEU, \$6.75.

□ Izzat Tannous, M.D., *The Palestinians: Eyewitness History of Palestine under British Mandate*. New York: I.G.T. Company, 1988, 800 pages, 260 illustrations, 15 maps, cloth. Origins of the Palestinian-Israeli conflict. Memoirs of the tumultuous years 1876-1949 by a Palestinian diplomat and intellectual who participated in the making of history. List, \$45.00; AMEU, \$22.25.

□ Tekiner, Abed-Rabbo, Mezvinsky, eds., *Anti-Zionism: Analytical Reflections*. Brattleboro, VT: Amana Books, 1988, 358 pp., cloth. Exciting selection of essays on topical issues: Christian Zionism in the USA; the "Who is a Jew?" controversy in Israel; the legal aspects of closing the PLO offices; Israel and South Africa; American peace efforts in the Mideast; and others.

Authors include: Elmer Berger, Israel Shahak, Naseer Aruri. List, \$19.95; AMEU, \$11.75.

□ Edward Tivnan, *The Lobby: Jewish Political Power and American Foreign Policy*. New York: Simon and Schuster, 1987, 304 pp., cloth. A former reporter for *Time* magazine, Tivnan has thoroughly researched the history of the Zionist lobby in preparing this lively and cogent attack on AIPAC. He argues that, by dominating U.S. Jewish opinion as well as general American debate on the Middle East issues, AIPAC has damaged prospects for an Arab-Israeli peace. List, \$19.95; AMEU, \$13.25.

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