

# The Link

Published by Americans for  
Middle East Understanding, Inc.

Volume 30, Issue 4

September-October, 1997

## About This Issue

AMEU has devoted two feature issues to this subject, in 1983 and 1989. American Educational Trust regularly reports on it in its publication the *Washington Report on Middle East Affairs*. Indeed, few writers are better qualified to write about it than WRMEA's Executive Editor Richard Curtiss. We welcome Dick to the pages of *The Link*, and we encourage our *Link* readers to acquaint themselves, if they have not done so, with the timely pages of the *Washington Report*.

One of the references cited by Curtiss is George Ball's *The Passionate Attachment*. This book is available through AMEU, see pages 14-16, along with a fine, new biography of George Ball by Middle East scholar James Bill. Despite solid reviews by historians like Arthur Schlesinger, Jr., the Ball biography has been turned down by major book reviewers. We carry it with much esteem both for the author and for his subject, the former U.S. undersecretary of state, who dared speak about The Subject No One Mentions: that Israel is costing U.S. taxpayers some \$10 billion dollars every year.

**John F. Mahoney,**  
Executive Director

## U.S. Aid to Israel: The Subject No One Mentions

BY RICHARD CURTISS

More than a decade ago I mentioned on a radio talk show in the Washington, D. C. area that foreign aid alone to Israel that year was more than \$3 billion. A few seconds later the program host interrupted to say, "I think you misstated the amount of foreign aid Israel is receiving this year. Did you mean to say \$300 million?"

"No, Israel is receiving more than \$3 billion this year in foreign aid alone," I repeated. "And there are additional hundreds of millions of taxpayer dollars going to Israel from other parts of the federal budget."

As I left the station the producer handed me a cassette tape of the program that had been informally recorded in the engineer's booth. Later, while listening to the tape, I could hear a simultaneous conversation that had taken place between the producer and the engineer in the engineer's booth while the program was underway.

"Did you hear what that guy just said?" asked one.

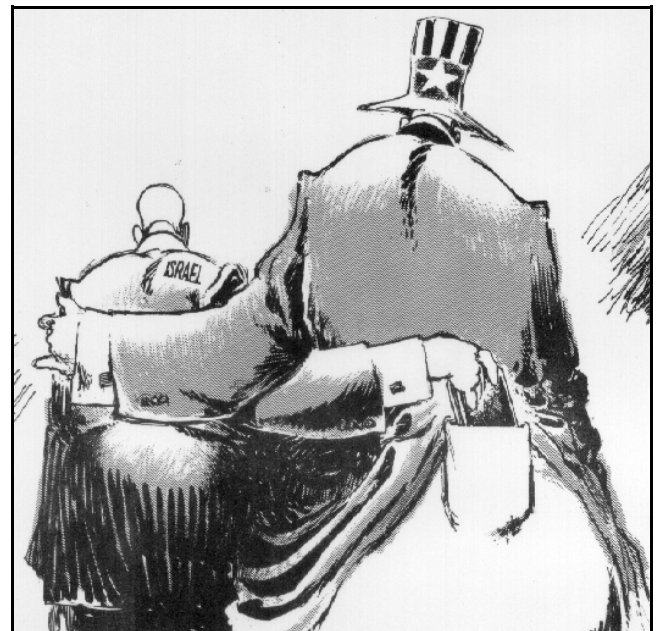
"Yeah," answered the other. "Three billion dollars. That's a lot of money!"

I pondered why the amount seemed such a shock to the host, producer and engineer on a major radio talk show in the nation's capital.

U.S. aid to Israel has always been a touchy subject, for reasons I will present in the following pages. Members of Congress never mention the total, probably for two reasons. One is that few of them are sure of

it themselves, although they are responsible for the authorizing legislation. The other is that if they mentioned the total, or whatever they think is the total, their constituents would ask them why Israel receives so much more federal money than do U.S. states in the same population range, and whose residents pay taxes to the federal government.

So aid to Israel simply is not discussed in Congress. Instead, leaders of the controlling congressional committees make sure that the total of foreign aid to Israel is earmarked within each year's foreign aid



Don Wright, *The Miami News*

appropriation so that it will not be reduced within the executive branch. And those committees also see to it that aid to Israel is not singled out as an item on which Members of Congress as a whole actually have to cast a recorded up-or-down, yes or

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no, vote.

Thus members of Congress not wishing to do anything to upset the much-feared Israel lobby are assured that they will not have to defend themselves against questions from any of their constituents who may discover that, for a generation, more than one-third of U.S. worldwide foreign aid has gone annually to one of the smallest and least populous countries on earth.

It's a rare taxpayer who discovers this at all because the U.S. media seem even more disinclined than Congress to quantify aid to Israel, or discuss it—even in general terms. After that talk show appearance, I surveyed the mainstream media and found why even informed Americans seemed unaware that by that time—the late 1980s—foreign aid to Israel routinely exceeded \$3 billion a year. In 1979, it had surpassed \$4.8 billion. These numbers seldom saw print, not even in specific articles about U.S.-Israeli relations or about foreign aid in general.

Instead, writers usually noted that "Israel receives \$1.2 billion in annual economic aid from the United States." Or they wrote that "Israel receives \$1.8 billion in U.S. military aid." But they seemed never to combine the two to provide the public with the true total. Nor did they mention the tens of millions—and in some years hundreds of millions—of dollars from other U.S. government departments, particularly the Department of Defense, that Israel receives each year.

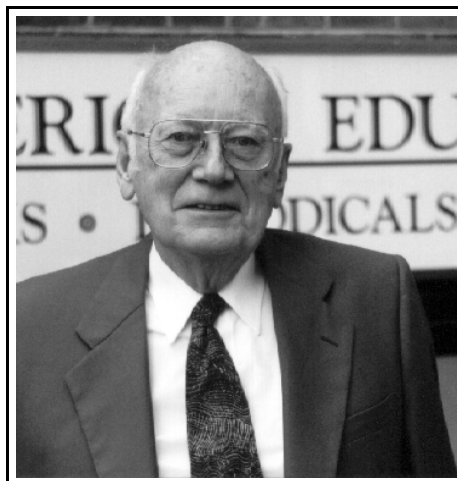
It is only very recently that the mainstream U.S. media have begun to

mention "Israel's annual \$3 billion in U.S. foreign aid." They still lag behind. Now Israel's annual take in economic aid, military aid, loan guarantees and various other kinds of assistance has climbed to double the \$3 billion figure.

Such omissions are to some extent understandable, since very few Americans, including America's famed "investigative reporters," seem to want to know what those additional amounts are, where they can be found in the U.S. budget, or what they actually total.

One person who felt he did know was the late George Ball, undersecretary of state in the Administrations of President John F. Kennedy and Lyndon Johnson, and Johnson's ambassador to the United Nations. Starting in the early 1980s, in speeches, articles and, eventually, in his book *The Passionate Attachment: America's Involvement With Israel, 1947 to the Present*, he declared that Israel was costing the U.S. \$11 billion annually.

It seemed very high at the time. Yet apologists for Israel—of whom there is no shortage either in the American media or in the Washington "think tanks"—didn't challenge the figure. Was it because they thought he was right? Or did they fear that contesting Ball's claim would only focus public attention on Israel's lion's share of U.S. spending overseas? Or is the subject just too complex to be argued with the spins and soundbites that make up political dialogue in the 1990s?



As a career foreign service officer, Richard Curtiss was awarded the U. S. Information Agency Superior Honor Award for his service as Embassy Counselor for Public Affairs in Lebanon during the civil war there. He also received the Edward R. Morrow Award for Excellence in Public Diplomacy, USIA's highest professional recognition. Since retiring from the foreign service in 1980, he has co-founded three organizations which concern themselves with U.S.-Arab relations and has written two books. In addition to *Stealth PACs*, which is described elsewhere in this issue, he is author of *A Changing Image: American Perceptions of the Arab-Israeli Dispute*, which was published in 1982 and commended for its objectivity by all three then-living ex-Presidents—Richard Nixon, Gerald Ford and Jimmy Carter. Mr. Curtiss can be reached at the *Washington Report on Middle East Affairs*, P.O. Box 53062, Washington, DC 20009.

### I. How Much Is It?

The total amount of foreign aid to Israel, from 1949 to the present, is available from the U.S. Agency for International Development (USAID) or, through a member of Congress, from the Congressional Research Service (CRS), a department of the Library of Congress.

I was astonished to learn, after only an hour in the USAID library in Rosslyn, Virginia, that as of the end of 1995, Israel—with a population less than that of Hong Kong—had received \$62.5 billion in foreign aid, almost

exactly the amount received by all of the countries of sub-Saharan Africa and of Latin America and the Caribbean combined.

Even more mind-boggling are the per capita outlays, based upon statistics from the Population Reference Bureau of Washington, DC. In mid-1986, the combined population of the sub-Saharan African countries was 568 million, and the per capita foreign aid over the preceding half century was \$43. For Latin America and the Caribbean, a

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**Table I -- U. S. Assistance to Israel, FY 1949 - FY 1996 (In Millions of Dollars)**

Year	Total	Military		Economic		Food for Peace		Export-Import	Jewish Refugee	American Schools	Coop. Devel.	Other
		Loan	Grant	Loan	Grant	Loan	Grant	Bank Loan	Resettlement	& Hospitals	Grant	
1949	\$ 100.0							\$ 100.0				
1950	\$ -											
1951	\$ 35.1				\$ 0.1			\$ 35.0				
1952	\$ 86.4				\$ 63.7		\$ 22.7					
1953	\$ 73.6				\$ 73.6							
1954	\$ 74.7				\$ 54.0		\$ 20.7					
1955	\$ 52.7			\$ 20.0	\$ 21.5	\$ 10.8	\$ 0.4					
1956	\$ 50.8			\$ 10.0	\$ 14.0	\$ 25.2	\$ 1.6					
1957	\$ 40.9			\$ 10.0	\$ 16.8	\$ 11.8	\$ 2.3					
1958	\$ 85.4			\$ 15.0	\$ 9.0	\$ 34.9	\$ 2.3	\$ 24.2				
1959	\$ 53.3	\$ 0.4		\$ 10.0	\$ 9.2	\$ 29.0	\$ 1.7	\$ 3.0				
1960	\$ 56.2	\$ 0.5		\$ 15.0	\$ 8.9	\$ 26.8	\$ 4.5	\$ 0.5				
1961	\$ 77.9			\$ 16.0	\$ 8.5	\$ 13.8	\$ 9.8	\$ 29.8				
1962	\$ 93.4	\$ 13.2		\$ 45.0	\$ 0.4	\$ 18.5	\$ 6.8	\$ 9.5				
1963	\$ 87.9	\$ 13.3		\$ 45.0		\$ 12.4	\$ 6.0	\$ 11.2				
1964	\$ 37.0			\$ 20.0		\$ 12.2	\$ 4.8					
1965	\$ 65.1	\$ 12.9		\$ 20.0		\$ 23.9	\$ 4.9	\$ 3.4				
1966	\$ 126.8	\$ 90.0		\$ 10.0		\$ 25.9	\$ 0.9					
1967	\$ 23.7	\$ 7.0		\$ 5.5			\$ 0.6	\$ 9.6		\$ 1.0		
1968	\$ 106.5	\$ 25.0				\$ 51.3	\$ 0.5	\$ 23.7		\$ 6.0		
1969	\$ 160.3	\$ 85.0				\$ 36.1	\$ 0.6	\$ 38.6				
1970	\$ 93.6	\$ 30.0				\$ 40.7	\$ 0.4	\$ 10.0		\$ 12.5		
1971	\$ 634.3	\$ 545.0				\$ 55.5	\$ 0.3	\$ 31.0		\$ 2.5		
1972	\$ 430.9	\$ 300.0			\$ 50.0	\$ 53.8	\$ 0.4	\$ 21.1		\$ 5.6		
1973	\$ 492.8	\$ 307.5			\$ 50.0	\$ 59.4	\$ 0.4	\$ 21.1	\$ 50.0	\$ 4.4		
1974	\$ 2,621.3	\$ 982.7	\$ 1,500.0		\$ 50.0		\$ 1.5	\$ 47.3	\$ 36.5	\$ 3.3		
1975	\$ 778.0	\$ 200.0	\$ 100.0		\$ 344.5	\$ 8.6		\$ 62.4	\$ 40.0	\$ 2.5		\$ 20.0
1976	\$ 2,337.7	\$ 750.0	\$ 750.0	\$ 225.0	\$ 475.0	\$ 14.4		\$ 104.7	\$ 15.0	\$ 3.6		
TQ	\$ 292.5	\$ 100.0	\$ 100.0	\$ 25.0	\$ 50.0	\$ 3.6		\$ 12.6		\$ 1.3		
1977	\$ 1,762.5	\$ 500.0	\$ 500.0	\$ 245.0	\$ 490.0	\$ 7.0		\$ 0.9	\$ 15.0	\$ 4.6		
1978	\$ 1,822.6	\$ 500.0	\$ 500.0	\$ 260.0	\$ 525.0	\$ 6.8		\$ 5.4	\$ 20.0	\$ 5.4		
1979	\$ 4,888.0	\$ 2,700.0	\$ 1,300.0	\$ 260.0	\$ 525.0	\$ 5.1		\$ 68.7	\$ 25.0	\$ 4.2		
1980	\$ 2,121.0	\$ 500.0	\$ 500.0	\$ 260.0	\$ 525.0	\$ 1.0		\$ 305.9	\$ 25.0	\$ 4.1		
1981	\$ 2,413.4	\$ 900.0	\$ 500.0		\$ 764.0			\$ 217.4	\$ 25.0	\$ 2.0	\$ 5.0	
1982	\$ 2,250.5	\$ 850.0	\$ 550.0		\$ 806.0			\$ 6.5	\$ 12.5	\$ 3.0	\$ 5.0	\$ 17.5
1983	\$ 2,505.6	\$ 950.0	\$ 750.0		\$ 785.0				\$ 12.5	\$ 3.1	\$ 5.0	
1984	\$ 2,631.6	\$ 850.0	\$ 850.0		\$ 910.0				\$ 12.5	\$ 4.1	\$ 5.0	
1985	\$ 3,376.7		\$ 1,400.0		\$ 1,950.0				\$ 15.0	\$ 4.7	\$ 7.0	
1986	\$ 3,663.5		\$ 1,722.6		\$ 1,898.4			\$ 15.0	\$ 12.0	\$ 5.5	\$ 10.0	
1987	\$ 3,040.2		\$ 1,800.0		\$ 1,200.0				\$ 25.0	\$ 5.2	\$ 10.0	
1988	\$ 3,043.4		\$ 1,800.0		\$ 1,200.0				\$ 25.0	\$ 4.9	\$ 13.5	
1989	\$ 3,045.6		\$ 1,800.0		\$ 1,200.0				\$ 28.0	\$ 6.9	\$ 10.7	
1990	\$ 3,034.9		\$ 1,792.3		\$ 1,194.8				\$ 29.9	\$ 3.5	\$ 14.4	
1991	\$ 3,712.3		\$ 1,800.0		\$ 1,850.0				\$ 45.0	\$ 2.6	\$ 14.7	
1992	\$ 3,100.0		\$ 1,800.0		\$ 1,200.0				\$ 80.0	\$ 3.5	\$ 16.5	
1993	\$ 3,103.4		\$ 1,800.0		\$ 1,200.0				\$ 80.0	\$ 2.5	\$ 20.9	
1994	\$ 3,097.2		\$ 1,800.0		\$ 1,200.0				\$ 80.0	\$ 2.7	\$ 14.5	
1995	\$ 3,102.4		\$ 1,800.0		\$ 1,200.0				\$ 80.0	\$ 2.9	\$ 19.5	
1996	\$ 3,144.0		\$ 1,800.0		\$ 1,200.0				\$ 80.0	NA	\$ 14.0	\$ 50.0
Total	\$ 68,027.6	\$ 11,212.5	\$ 29,014.9	\$ 1,516.5	\$ 23,122.4	\$ 588.5	\$ 94.1	\$ 1,218.5	\$ 868.9	\$ 118.1	\$ 185.7	\$ 87.5

Source: Congressional Research Service, Israel: U.S. Foreign Assistance, May 27, 1997. Notes: Government's fiscal year changed in 1976-77;

"Other" column lists grants of \$20 million in 1975 and \$50 million in 1996, and a \$17.5 million loan in 1982.

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population of 486 million, the foreign aid total was \$50 per person.

By contrast, Israel's mid-1996 population was 5.8 million people. The take per Israeli for American foreign aid amounted to \$10,775 by 1995.

A CRS brief<sup>1</sup> is the source of the data in Table I. The table shows the United States had provided the government of Israel and institutions in Israel a total of more than \$68 billion in grants, loans and equipment by the end of Fiscal Year 1996.

The CRS brief reports that an additional minimum of \$3.05 billion in foreign assistance grants will have been paid to Israel by Sept. 30, 1997, the final day of FY 1997, and another \$3.08 billion will be turned over by the end of FY 1998. Because appropriated foreign aid funds for FY 1998 will be paid to Israel within 30 days of the beginning of the next fiscal year, as of Nov. 1, 1997, the U.S. will have provided \$74.16 billion in foreign aid grants and loans to Israel since 1949.

And that amount does not account for U.S. loan guarantees for resettlement in Israel of Soviet Jews and for housing construction, \$9.8 billion of which will have been made available to Israel as of the end of FY 1997.

Even the 74-plus billion dollars is only the total of foreign aid so far. In May, 1997, when the CRS tally was issued, there was still time for foreign aid items to be added to the FY 1997 budget and, if history is any precedent, there certainly will be additional foreign aid items added to the FY 1998 budget. These may or may not be significant.

What definitely is significant, however, is the large amount of *additional* U.S. taxpayer assistance that flows to Israel outside the foreign aid budget, and therefore doesn't appear either in the USAID tallies or the CRS charts. "Goodies" for Israel, Israeli institutions, and Israeli individuals are tucked into the budgets of many U.S. agencies ranging from the Department of Commerce to the U.S. Information Agency, with the largest chunks appearing in the Pentagon budget.

Although some of the items above and beyond the foreign aid budget are mentioned in annual CRS narrative reports, they do not find their way into the CRS cumulative tables of foreign aid and therefore are extremely difficult to reconstruct for past years. Freelance writer Frank Collins and Shawn Twing, news editor for the *Washington Report on Middle East Affairs*, examined three fiscal years—1993 (Collins) and 1996 and 1997 (Twing). They uncovered \$2.162 billion in "extras"—\$1.271 billion in FY 1993, \$355.3 million in FY 1996, and \$525.8 million in FY 1997. The total represents an increase of 12.2 percent over the \$9.297 billion noted in the CRS brief for the same three years.

There is no reason to think that these three fiscal years examined were atypical. There were many other items buried in past budgets of the Pentagon and of other U.S. government departments and agencies.

Assuming, therefore, that the actual totals of grants and loans to Israel exceed the totals in the CRS charts by an average of 12.2 percent, it appears that the real total of grants and loans (but not loan guarantees and not interest on the loans) is \$74,157,600,000 plus 12.2 percent of that amount (\$9,047,227,200) for a grand total of \$83,204,827,200, or \$14,346 per present day Israeli.

The true cost is even greater because of the many special features that distinguish U.S. aid to Israel from American aid to any other foreign aid recipients. These, too, have a significant effect on the total cost of Israel to U.S. taxpayers.

## II. What's Special About It?

*Israel receives favorable treatment and special benefits that may not be available to other countries or that may establish precedents for other U.S. aid recipients. Israel's supporters justify the unusual treatment accorded to Israel because of the special relationship between the United States and Israel and because of Israel's unique economic and political status.*—Congressional Research Service Issue Brief.<sup>2</sup>

Quotations about Israel from some U.S. government publications read almost like pleas from inside the federal bureaucracy for media attention to the obvious abuses in the U.S.-Israeli relationship. Dissecting the quotation above, the "favorable treatment and special benefits" Israel receives definitely are not "available to other countries," no matter what services they provide to the United States, from basing rights for U.S. military forces to participation in political, military and economic alliances and treaties with the United States. And, fortunately for U.S. taxpayers, few of the privileges Israel receives have as yet established "precedents for other U.S. aid recipients."

As for the "special relationship" cited above, it is one where Israel has a very effective lobby in Washington that can make Congress do things desired by the Israeli government even when they are contrary to U.S. interests, or can only be carried out at great expense to the U.S. Treasury. An example is the power of the lobby to persuade members of Congress not to approve arms sales by U.S. companies to Middle Eastern countries unless even more sophisticated arms are then granted to Israel. Such acts often result in European countries getting contracts that otherwise would have provided jobs to thousands of Americans.

As for the other side of the special relationship, few U.S. presidents or secretaries of state have been willing to put pressure on Israel out of fear of domestic political consequences stirred up by Israel's lobby and the national Jewish organizations that support it. As a result, U.S. taxpayer aid continues to flow to Israel although Israel has been reluctant to follow through on promises to replace its Eastern European style socialist system with a true market

economy, trim its bloated bureaucracy, and privatize its inefficient state-owned enterprises. And Israel declines to make the land-for-peace agreements with the Palestinians, Syria and Lebanon that would help stabilize the entire Middle East and thus ensure continued access at stable prices to the 60 percent of the world's petroleum and gas reserves by both industrialized and developing nations.

The special benefits Israel enjoys are not visible in the simple annual totals recorded in Table I, but they mean that a dollar appropriated to Israel costs the U.S. taxpayer more than a dollar appropriated to other countries because of bookkeeping tricks. The most visible of these is the early transfer of U.S. aid to Israel.

Other recipient countries receive their U.S. foreign aid in quarterly installments. However, in 1982 Israel asked that its Economic Support Funds (ESF) be transferred in one lump sum. Since then, Israel has received its ESF during the first 30 days of each fiscal year. This enables Israel to invest its current \$1.2 billion in annual economic assistance in U.S. Treasury notes at prevailing interest rates, drawing its money from interest-bearing accounts as needed. Meanwhile, the U.S. is paying interest on the Treasury notes it has been forced to issue in order to come up early with all of Israel's ESF.

Taking one year as an example, Israel earned about \$86 million in U.S. Treasury note interest in 1991, according to USAID officials. Meanwhile, it costs the United States between \$50 million and \$60 million annually to borrow funds for the early, lump-sum payment.

The foreign aid appropriation bill signed on Nov. 5, 1990, provided that henceforth Israel also would receive its foreign military sales (FMS) aid in a lump sum during the first month of the fiscal year rather than in quarterly installments, thus duplicating the special benefit accorded earlier for economic aid. Since the current level of FMS is \$1.8 billion, the economic benefits to Israel and added interest liabilities to the United States in connection with the lump sum payments now approach \$150 million annually.

This arrangement for ESF funds since FY 1982 will have cost the U.S. some \$850 million by Nov. 1, 1997. The arrangement for FMS funds since FY 1991 will have cost the U.S. about \$800 million by Nov. 1, 1997. This brings the total cost of Israel to the U.S. taxpayer up to \$84,854,827,200, or \$14,630 per Israeli.

Other special benefits are more difficult to quantify, but they save Israel tens of millions of dollars by making the U.S. bear costs that normally are assumed by the recipients of U.S. aid. Here is a partial listing:

- **Cash flow financing.** Israel is permitted to set aside foreign military sales (FMS) funds for current year payments only. Most other countries must set aside the amount needed to meet the full cost of multi-year purchases. Egypt and Turkey now also benefit from cash flow financing, a privilege not accorded to any other foreign aid recipients. This practice effectively commits the U.S.

government to future aid to Israel, because Israel only has to make current-year payments on multi-year contracts.

- **ESF cash transfer.** The U.S. provides all ESF funds directly to the Israeli government without asking Israel to account in advance for how the funds will be used. Some other aid recipients receive part of their ESF as cash transfers, but not under such flexible, unmonitored conditions.

- **Unique FMS funding arrangements.** Other countries deal with the Department of Defense (DOD) for purchase of U.S. military items. Israel, however, deals directly with U.S. companies for 99 percent of its military purchases in the United States. Other countries have a \$100,000 minimum purchase amount per contract. Israel is allowed to purchase military items for less than \$100,000. According to a Government Accounting Office (GAO) report in May, 1990, Israel processed more than 15,000 orders for less than \$50,000 in 1989, with no DOD review of the purchases as would be required in the case of purchases by other countries. Other countries have the U.S. government disburse funds to companies directly, but the Israeli Purchasing Mission in New York pays the companies and is reimbursed by the U.S. Treasury.

This unique FMS funding arrangement contains the potential for serious abuses by Israeli officials. For example, Israeli Gen. Rami Dotan is said to be serving a prison sentence in Israel under extraordinarily lax conditions, including full access to his private quarters in the prison by his family, after his conviction for embezzlement of U.S. military aid funds.

Whether these irregularities were to benefit Israeli intelligence agencies by laundering U.S. dollars for their use, or whether they were to benefit General Dotan personally, or both, cannot be determined because the Israeli government has barred access to him by U.S. GAO investigators. U.S. officials therefore cannot establish for certain who benefited from Dotan's embezzlement, whether he is in fact in prison and, if so, under what degree of confinement.

A more recent example of the abuses that can result from such frequent access by Israeli military purchasing mission officials to U.S. defense plants was revealed in Detroit in 1997. There a U.S. Army civilian employee admitted, as the result of failing a lie detector test, that he had, in his words, "inadvertently" made classified data on American military tanks available to Israeli officials who worked in the plant over a period of 10 years.

- **FMS offsets.** U.S. contractors selling military materials to Israel agree to offset some of the costs to Israel's FMS account by buying components or materials from Israel. This is a common practice in normal commercial contracts but, in the words of the U.S. General Accounting Office, offsets on FMS sales are "unusual" because FMS is intended to sell U.S. goods and services to foreign countries.

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• **Loans With Repayment Waived.** Apologists for Israel never tire of saying that Israel has never defaulted on repayment of a loan from the U.S. government. In fact, however, Israel has not been required to repay its U.S. government loans, some of which are extended on the understanding that repayment will not be made. This was the case when, following the 1973 war, President Richard Nixon asked Congress for emergency aid for Israel, including “loans” for which repayment would be waived.

The Israeli government insisted that this aid be described as loans rather than grants to avoid having a U.S. military mission established in Israel to oversee a grant program. In the words of the CRS Issue Brief: “Technically, the assistance is called loans, but as a practical matter, the military aid is [given as] grants.”<sup>3</sup>

This special benefit amounts to having a U.S. military aid program without U.S. military personnel administering it. The same benefit applies to U.S. economic aid. In other countries receiving bilateral U.S. economic aid, there is an AID mission within the U.S. embassy that must approve in advance the manner in which the money is to be spent, and then audit the actual expenditures to detect abuses or deviations from the approved program. There is no such AID mission in Israel. Israel spends its economic aid as it pleases and can prevent the U.S. from learning when, where and how the money actually is spent.

### III. Other Special Aspects

In Israel’s early years, private contributions from Jewish Americans and from U.S. Jewish organizations were a major source of support. They were so important that after Israeli military forces occupied Egyptian Sinai in 1956, and refused to heed U.S. President Dwight D. Eisenhower’s demands that they withdraw, he threatened to cut off the U.S. tax exemption that donations to Israel enjoyed. Faced with the threat, Israeli Prime Minister David Ben-Gurion withdrew his forces.

At that time tax-exempt donations by Americans to Israel were about \$40 million a year, and sales of State of Israel bonds (which are not tax exempt) in the U.S. were between \$50 and \$60 million annually. Fueled by the unique U.S. law that grants U.S. tax exemption to donations from the United States to any Israeli institution that is exempt from Israeli taxes, the total of tax-exempt U.S. donations to Israel now approaches \$1 billion annually.

These generous congressional gestures to Israel are subject to massive abuses because the recipient institutions are outside the reach of U.S. law or oversight. A donor can claim a \$1 million donation to an Israeli charity, and deduct this from his U.S. tax liability. But there is no way to prove the donation actually was for the amount claimed, if it went to the organization claimed, or even if it was made at all.

Suppose, for example, that the claimed Israeli recipient

organization were prepared to testify that it had received the donation, but in fact there was a prior understanding that the \$1 million would instead be donated to pro-Israel political action committees, whose role is to aid members of Congress who support aid to Israel. The potential for abuse is endless, as are the permutations in which such an unpolicable tax benefit can be exploited to strengthen Israel’s domestic lobbying apparatus. Since all of the institutions involved are outside U.S. legal jurisdiction, there is no possibility of proving fraud, or punishing the perpetrators, including Americans who may be lending themselves to Machiavellian foreign intrigues, or simply cheating on their U.S. taxes.

In any case, if there were no cheating, the cost to U.S. taxpayers of this exemption for Israeli charities could be up to 38 percent of the estimated \$1 billion in claimed donations. But this amount, which over two generations must amount to several billion dollars, cannot be quantified and is not factored into any numbers appearing in this article.

Other sweetheart arrangements for Israel include:

#### The Cranston Amendment

The Cranston Amendment, named after former Sen. Alan Cranston (D-CA), a passionate supporter of Israel, first was added to foreign aid legislation in 1984. The amendment states that “it is the policy and intention” of the United States to provide Israel with economic assistance “not less than” the amount Israel owes to the United States in annual debt service payments, including principal and interest.

For Fiscal Year 1997, Israel received \$1.2 billion in Economic Support Funds and owed the U.S. government \$397 million in debt service.

According to the Congressional Research Service, the Cranston Amendment is “a statement of U.S. policy and intent, and may not be binding.”<sup>4</sup> Nevertheless, Congress has treated it as binding and, in fact, has renewed it in every foreign aid appropriation bill since its 1984 appearance.

#### Loan Guarantees

The Israeli government proposed in late 1990 that it borrow \$10 billion from U.S. commercial institutions and that the U.S. government guarantee the loans against default. Such guarantees, of course, would greatly reduce the interest rate Israel would have to pay on the loans. Israel said it needed the money to finance infrastructure, housing, training, and jobs for one million Jewish immigrants expected to arrive in Israel from the Soviet Union between 1991 and 1995.

In April, 1991, however, Israel requested emergency compensation for damages it said it sustained during the Gulf War. In the ensuing negotiations, the Israeli government agreed to postpone its request for loan guarantees until September, 1991.

By that time, President George Bush had become alarmed by the reluctance of Israeli Prime Minister Yitzhak

Shamir to participate in the Madrid Conference, which the U.S. and Russia were convening to open direct peace negotiations between Israel and its Arab neighbors. As a result, Bush asked Congress to delay consideration of the U.S. loan guarantees until January, 1992, because he feared granting them would jeopardize Secretary of State James Baker's delicate negotiations at Madrid.

When Congress convened that January, Secretary Baker said the Administration would support the loan guarantees on condition that Israel freeze all Jewish settlement activities in the Occupied Territories. Subsequent negotiations reached no agreement and, largely as a result of the impasse with the Bush administration, Shamir's Likud Party government fell and new Israeli elections were called.

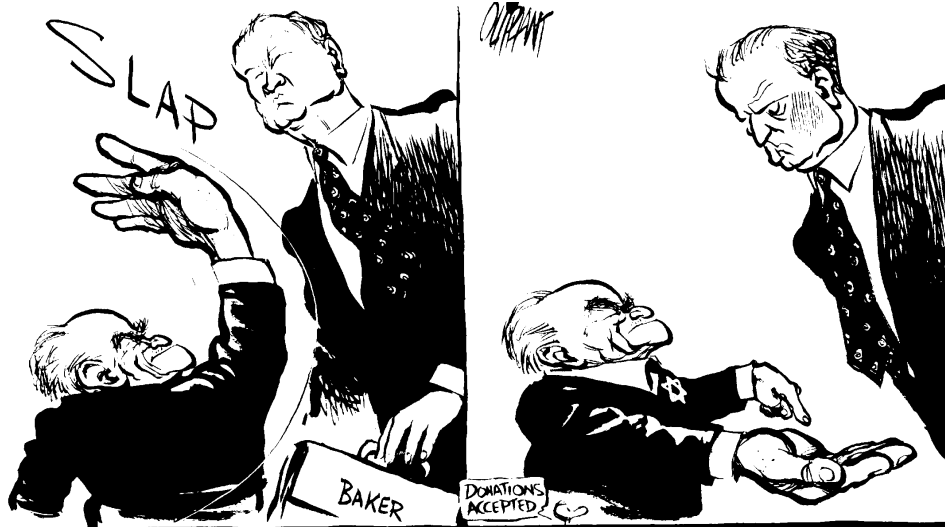
In June, 1992, a Labor Party government headed by Gen. Yitzhak Rabin was formed. When Rabin visited the U.S. in July, Bush, facing a re-election campaign of his own, announced that the U.S. would provide the guarantees. His concession won him no pro-Israel support and no respite from press criticism, however. It was only after Bush lost the November election that Congress approved the loan guarantees in December, 1992, to take effect in Fiscal Year 1993.

In three-way negotiations involving Congress, the Administration and Israel it was agreed that the requested \$10 billion in loan guarantees would be spread evenly over five fiscal years, that Israel would be allowed to complete Jewish housing projects underway in the Occupied Territories but not start new projects, and that each year's \$2 billion in guarantees would be reduced by an amount equal to Israeli government expenditures during the previous fiscal year on settlements in the Occupied Territories.

On Sept. 30, 1993, President Clinton notified Congress that the \$2 billion in loan guarantees for FY 1994 would be reduced by \$437 million, the amount the U.S. government calculated Israel had spent on Jewish settlements in 1993. These reductions continued over the five years the agreement was in effect, but President Clinton reinstated part of the reductions for "security reasons," resulting in a

total reduction for settlement activity of \$1.3588 billion and a reinstatement of \$585 million—for a net reduction of \$773.8 million.

In addition to the loan guarantees for resettling Soviet refugees, the U.S. also provided Israel a total of \$600 million in housing loan guarantees spread over eight fiscal years. The largest annual guarantee was \$400 million in 1990, with \$200 million having been provided between 1972 and 1980.



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#### Israel's Debt to the U.S. Government

Of the more than \$70 billion the U.S. has provided Israel through FY 1996, some \$55 billion has been in grants and \$15 billion has been in loans. In 1987 Congress added to its foreign aid appropriations bill the "foreign military sales debt reform section" which

permitted countries to refinance existing military debts to the United States carrying interest rates of more than 10 percent.

At that time Israel owed the U.S. government about \$10 billion (having paid off the other \$5 billion), of which \$6 billion was in loans bearing interest rates of more than 10 percent. Israel refinanced about \$5.5 billion in military loans by borrowing money from U.S. commercial institutions at interest rates below 10 percent, and paid off the U.S. government. The U.S. guaranteed up to 90 percent of these loans to Israel. As of Sept. 30, 1996, Israel owed the U.S. government \$3 billion in direct economic and military loans, and the U.S. government was liable for another \$11 billion in loan guarantees, including \$7 billion in guarantees for settling Soviet Jews in Israel.

#### IV. Non-American Aid to Israel

*The German-Israeli relationship is unique. It has been shaped by the memory of the Holocaust and the strong desire on the part of the German people to help ensure that the suffering endured by the Jewish people will never recur. Most Americans would be surprised to learn of the full extent of German-Israeli ties. In some fields, cooperation between Germany and Israel is as extensive as between Israel and the U.S.*—German-Israeli Relations, German Information Center, New York,

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NY, June, 1995.

USAID has documented aid to Israel by international organizations totaling \$186.8 million, of which \$106.5 million is from the International Bank for Reconstruction and Development (IBRD), \$64 million from the United Nations Development Program and \$16.3 million from other U.N. agencies. There undoubtedly are significant bilateral aid programs from various industrialized countries as well.

The major non-American donor, however, is Germany, which has been providing financial aid to Israel in very large amounts since the Luxembourg Agreement of Sept. 10, 1952, not long after U.S. aid to Israel began.

Some of the early federal German payments also went to Jewish organizations throughout the world to aid them in resettling Jews who lived outside Israel. However, these and other German payments to Jewish individuals or organizations outside Israel are not considered in this article.

The Luxembourg Agreement was followed by the "Supplementary Federal Law for the Compensation of the Victims of National Socialist Persecution" of Oct. 1, 1953, which in turn was followed by the "Final Federal Compensation Law," enacted on Sept. 14, 1965. This in turn was followed two years after German unification with the "Law on Compensation for Victims of National Socialism in the Regions Acceding to the Federal Republic," enacted to supersede the compensation legislation of the German Democratic Republic.

German aid to Israel and persons living in Israel can be divided into three general categories: Restitution to Nazi victims, restitution for property confiscated by the Nazis that cannot be restored or returned, and all other categories outside the field of Holocaust restitution.

According to the German Information Center study quoted above, by June 1995 Germany had made \$95.64 billion in restitution payments worldwide, "of which approximately \$26 billion has gone to individual recipients in Israel or to the state of Israel itself."<sup>5</sup>

In addition, since 1966 the Israeli government has received annual loans of DM 140 million (approximately U.S. \$93.3 million) for a period of 30 years at two percent interest with a 10-year grace period to improve the infrastructure of Israel. By 1997 this amounted to \$2.89 billion.

Germany also has contributed an annual \$23.3 million to support research at Israeli universities which by 1997 amounted to some \$363 million. The German-Israeli Foundation for Research and Development also makes available for science projects some U.S. \$14 million annually. There are still other foundation programs and 47 partnerships between German and Israeli universities.

During and after the Gulf War, Germany provided the

Israeli government with \$167 million in immediate humanitarian aid and \$41.3 million in military assistance. Germany also provided Israel with \$110 million for Patriot anti-missile systems and \$587 million for submarines, for a total of special German assistance to Israel during the Gulf War of \$907.4 million.

Putting all these together it is safe to say that Israel and its citizens have received some \$31 billion in German grants and preferred loans for a total of \$5,345 per capita.

For comparative purposes, this approaches the \$39.27 billion the U.S. has provided in grants and forgiven loans to Egypt which, after Israel, is America's second largest foreign aid client by far.

The big difference, of course, is that Egypt, with a 1996 population of 63.7 million, according to the Population Reference Bureau, has received only a total of \$616 per capita since U.S. aid began.

Perhaps equally astonishing is that Israel, which has received \$14,692 per capita from the U.S. and \$5,345 per capita from Germany for a combined total of \$20,037 per capita, is not a poor country. In 1995 its per capita gross domestic product was \$15,800. That put it below Britain at \$19,500 and Italy at \$18,700 and just above Ireland at \$15,400 and Spain at \$14,300.

All of these countries have contributed a very large share of immigrants to the U.S., yet none has ever tried to put together an ethnic bloc to lobby for U.S. foreign aid, which none of these countries has collected since the days of post-war reconstruction. Rather, all have proudly contributed funds and volunteers to economic development and emergency relief work in many less fortunate parts of the world.

## V. The Lobby That Makes It Possible

*According to a computer-aided analysis of 1986 Federal Election Reports, despite AIPAC's claims of non-involvement in political spending, 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.—Staff reporter John Fialka, Wall Street Journal, June 24, 1987.*

The Conference of Presidents of Major American Jewish Organizations, a roof organization set up solely to coordinate the efforts of national Jewish organizations on behalf of Israel, has 52 component groups. Of these probably only one, Americans for Peace Now, the U.S. sister organization of Peace Now in Israel, cannot be counted upon ultimately to support all the policies of "any democratically elected government of Israel."



Acceptance of Americans for Peace Now into the Conference of Presidents set off an acrimonious debate which has not yet subsided. The group finally was admitted only after its principal director, Gail Pressberg, stepped down, at least for the time being. Pressberg was strongly identified with a "two-state solution" to the Israeli-Palestinian dispute based upon a "land-for-peace" settlement as proposed in U.N. Security Council Resolution 242 of Nov. 22, 1967.

That resolution has had the unqualified support of every U.S. President from Lyndon Johnson through George Bush. Even President Bill Clinton, the most pro-Israel president in U.S. history, still pays it lip service. The fact that apparently the entire membership of the Conference of Presidents, with only one exception, supports all of the policies of any Israeli government, but regards with great reserve or outright hostility the basic Middle East policy of the United States and nearly all other members of the United Nations, demonstrates the Israel lobby's power to ensure conformity within the organized American Jewish community.

There are also anti-Zionist organizations among American Jews. Two of them are the liberal American Council of Judaism, for many years identified with the late Rabbi Elmer Berger, who died in 1996, and the ultra-conservative Neturei Karta, an Orthodox sect within Judaism that believes a Jewish state can only be established by the Messiah and not by mortals. Unfortunately both are regarded within the Jewish community as fringe organizations—the former based upon "old-fashioned liberals" with little popular support, even on college campuses, and the latter one of the most extreme among Orthodox Jewish sects.

The power of the pro-Israel lobby is attested to by the fact that after fairly consistent support for the land-for-peace formula in Resolution 242 by six successive U.S. presidents, the support of the seventh, President Bill Clinton, clearly is eroding. The pull of the Israel lobby is stronger in the mind of this politically attuned president than that of either U.S. tradition or the consensus of the international community.

Examining the question of how this lobby has acquired such power also provides the answer to why Israel, though now among the world's wealthy nations, manages to remain not only America's number one aid recipient, but also the number one aid recipient in the world, rather than joining the ranks of the other industrialized countries that give, rather than receive, aid.

It is a footnote to the power of Israel's American lobby that when Israel gives development aid, as it has in Africa, nearly all the money for such programs comes to it in the form of special appropriations from the U.S. Congress.

Although there is rivalry for members among the major American Jewish organizations, over the nearly half-century since the establishment of Israel, the largest of them have

found their niches in the Zionist political spectrum. Hadassah, the Zionist women's organization, organizes a steady traffic of American Jewish visitors to Israel. The American Jewish Committee mobilizes middle-of-the-road and conservative elements within the Jewish community to give unquestioning support to Israel and also publishes *Commentary*, a monthly magazine that has been around so long that probably few non-Jewish Americans even recognize it as the Israel lobby's principal national publication.

The American Jewish Congress serves the same purpose among left-of-center Jews, who in turn are closer to the national Jewish mainstream. Its occasional questioning of Likud party policies gives it an aura of political independence, but since it keeps its reservations about Israeli policies within the pro-Israel community, it serves more as a safety valve than a dissent channel.

One of the best-funded components of the Israel Lobby, with a \$34 million annual budget, is B'nai B'rith's Anti Defamation League (ADL). It was established with the laudable goal of protecting the civil rights of American Jews against acts of public or private discrimination. In practice, however, the ADL has let itself become America's best-funded hate group.

Two successive fund-raising letters during the tenure of Seymour Reich, who went on to become chairman of the Council of Presidents, used language about "Arab influences" on U.S. college campuses that was reminiscent of the hate speech of the Ku Klux Klan. More recently, after its Los Angeles and San Francisco offices were raided by the FBI, it was disclosed that an ADL operative had purchased stolen files compiled by the San Francisco police department that had been ordered destroyed. The same operative had supervised the infiltration of Arab American, anti-Apartheid, and peace and justice groups. The infiltration agents not only took notes on the names and remarks of speakers and members of audiences, but recorded the license plate numbers of meeting attendees and then illegally coopted or bribed motor vehicle authorities or renegade police officials to identify the owners.

Under terms of a settlement with the San Francisco police, the ADL's northern California office was required to respond to inquiries by persons who suspected that office of having compiled a file on them. Predictably, the files contained egregious errors of fact. This libelous material presumably had been collected to turn over to cooperative journalists, or possibly political, academic, or business rivals, to damage careers of critics of Israel and inhibit further activism. While the primary role of most major Jewish organizations is to recruit active supporters for Israel from within the American Jewish community, ADL's major role seems to be to stifle dissenting criticism from within that same U.S. Jewish community, and from non-Jews as

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well, working as much as possible through the media.

The American Israel Public Affairs Committee (AIPAC) in Washington, D.C. is the best-known component of the Israel lobby, although the organizations named above also have registered lobbyists on their Washington staffs. AIPAC, backed by a budget said to be between \$13 and \$16 million, has five or six registered lobbyists at any given time among a staff of 145 to 160 persons.

However, the exact amount of money available to AIPAC, where it comes from, and how it is spent remain a mystery. In response to a legal suit brought by seven former U.S. government officials, including this writer, the Federal Election Commission has ruled that AIPAC is a "political committee" because its expenditures in cash and services on behalf of political candidates exceed the \$2,000 per election cycle limit on individual contributions. But AIPAC has refused to comply with the financial disclosure rules imposed on such committees.

Nor, to date, has the FEC compelled AIPAC to comply. Instead the FEC initially ruled that since AIPAC's work in support of individual candidates is only a limited portion of its activities, it need not comply with rules governing other political committees, such as political action committees, for which direct intervention in elections is a major function. In the spring of 1997 the FEC was ordered by an 8 to 2 decision of the federal Court of Appeals in Washington, D.C., to enforce its own rules on AIPAC. Since then the Clinton Administration's Solicitor General has appealed the Court of Appeals decision to the Supreme Court. The case will be argued in the fall of 1997 and a decision is expected in the spring of 1998.

The absurdity of the initial FEC ruling was revealed in the appeals court decision, which noted that if only 10 percent of the activities of an organization with a \$15 million budget were devoted to supporting individual candidates, the impact would be far greater than that of the majority of political committees that do have to register, many of which have total budgets of less than \$100,000. The two dissenting votes on the court of appeals were not based upon the merits of the case, but upon the "standing" of the complainants to initiate the case against AIPAC.

AIPAC devotes so much of its activity to support of candidates for Congress that it has become known simply as "The Lobby" on Capitol Hill. This is a tribute not only to its seemingly unlimited financial resources, but also to its effective focus on a single issue, Israel. Most of all, AIPAC has acquired its reputation as the most formidable special interest lobby on the Hill by the remarkable manner in which it has organized itself to re-elect incumbent members of Congress who follow its voting recommendations, and to punish those who don't by funding an electable opponent from the same party in the primaries and, if that is not successful, an electable opponent from the opposing party in the general election.

Although the vast majority of American Jews traditionally vote Democratic, AIPAC's efforts are non-partisan. AIPAC's rule is to support friendly incumbents, regardless of party. Theoretically, the rule applies even if the friendly incumbent is not Jewish and the challenger is.

This is done primarily through a network of political action committees, most of them originally established in the early 1980s in their home cities by members of AIPAC's board of directors. These PACs are distinguished by such non-descriptive names as San Franciscans for Good Government, the Delaware Valley Good Government Association, Beaver PAC (in Wisconsin), Cactus PAC (Arizona), Mopac (Michigan) and even Icepac (New York).

Such non-descriptive names are virtually unknown among political action committees representing companies, industries, trade unions, professional associations, environmental groups, and other "ideological" PACs like those of the Israel lobby. That the camouflage of pro-Israel PACs is deliberate was revealed by the action of one PAC that originally was established as "Texans for a Sound Middle East Policy." It quickly reregistered itself as TEXPAC.

By now, in cooperation with the National Association of Arab Americans, Common Cause, an investigative reporter on the *Wall Street Journal* and others, the American Educational Trust has identified 126 such pro-Israel PACs, all but a handful with non-descriptive names. I have listed them in an AET book, *Stealth PACs: Lobbying Congress for Control of Middle East Policy*. The book also documents exactly how much every candidate for Congress has accepted from pro-Israel PACs over the 20 years these PACs have been active.

While hiding their election activities from the general public, AIPAC chairmen and presidents have not hesitated to boast about them at closed AIPAC membership meetings. They have claimed full or partial "credit" for the defeats of Senate Foreign Relations Committee chairmen J. William Fulbright (D-AR) and Charles Percy (R-IL), Sen. Roger Jepsen (R-IA) and Representatives Paul Findley (R-IL) and Paul N. (Pete) McCloskey (R-CA).

The list is not long, but it is impressive to incumbent members of Congress who may have no real affection for Israel, but are not anxious to face well-funded rivals in future elections. Also impressive is the boast by AIPAC officials that for every dollar they put into political campaigns via PACs, they can put another virtually invisible dollar into the campaigns of supporters who do not want their AIPAC support known.

This is done by "bundling" the contributions of individuals by the PACs, who ask their members to make out personal checks directly to recommended candidates. These are delivered in a "bundle" by a lobbyist so that the candidate knows what special interest the support came from, while the candidate's constituents and the FEC do not.

AIPAC claims it does not direct the pro-Israel PACs established by its directors because they are well informed enough to know what to do without such instructions. There is evidence to the contrary. The first is the closely-held "green book" that goes only to pro-Israel PAC officials and highly trusted AIPAC officers and donors. It lists which favored candidates face close elections, how much they have on hand at the start of an election cycle, and how much they need. Further, written evidence has turned up, presumably from AIPAC defectors, that AIPAC officials do contact PAC directors in the course of campaigns telling them which candidates are most in need and even suggesting how much named PACs are expected to give specifically named candidates. This written evidence was presented to the FEC in the legal case against AIPAC.

Average beneficiaries of AIPAC support are expected to do very little in return except not oppose foreign aid to Israel. They may be asked to sign an occasional "sense of the Congress" letter drafted by AIPAC, or to read an AIPAC-written speech into the *Congressional Record* or at the conventions of AIPAC or other organizations. The important work of earmarking aid for Israel, or bargaining for high tech weapons for Israel in return for congressional approval of weapons sales to Arab countries, is done by Congress members who are highly trusted friends of Israel. These members vie for leadership positions on congressional committees that deal with foreign relations, military affairs, appropriations, intelligence and other subjects of interest to Israel.

This leads to one anomaly in the normally tight control of pro-Israel PAC members' donations. In some cases pro-Israel PACs donate on the record to incumbents who have toed the AIPAC line, but individual PAC members then write personal checks to Jewish challengers who are perceived to be potentially more valuable to the Israel lobby.

AIPAC conducts only three major activities not directly related to electing candidates who will follow its recommendations regarding aid to Israel and arms sales to Arab countries: (1) publishing a biweekly newsletter, the *Near East Report*, for AIPAC membership, which the organization claims has reached 60,000; (2) holding an annual AIPAC convention in Washington, DC at which many members of Congress and, in recent years, the president, vice president, or both, speak; (3) keeping

"opposition research" files. AIPAC denied this latter activity for a long time, but such files are kept in a locked area under the supervision of Michael Lewis, son of Princeton University "Orientalist" Bernard Lewis.

Presence of the files was revealed in an article in the *Washington Report*<sup>6</sup> by Greg Slabodkin, a former AIPAC employee, who said he left the organization because he thought its release of materials from the files to collaborating journalists or to professional rivals to smear critics of Israel smacked of McCarthyism and the "guilt by association" practiced by the Red-baiting senator. Although Slabodkin named some of the journalists who collaborated

in the AIPAC smear campaigns, the full workings of AIPAC and of ADL in this regard remain murky.

A rabbi in the Midwest once read to me a "rap sheet" of false information designed to discredit me prior to my appearing for a series of talks to religious groups in that area. The rabbi said he received the smear material from the National Jewish

Community Relations Council Advisory Committee. Confronted with the charge, both the NJCRAC offices in Washington, DC and New York denied collecting such material. Since both AIPAC and ADL have been caught collecting it, it appears that they then use other Jewish organizations like NJCRAC to disseminate it or get it into the network of weekly Jewish community newspapers that cover the United States, and perhaps from there into the mainstream press.

In the 1980s a former AIPAC official, Martin Indyk,<sup>7</sup> founded a "think tank," the Washington Institute for Near East Policy, funded by members of the AIPAC board of directors and/or their spouses. Funding from AIPAC-affiliated individuals remains the only visible source of Washington Institute funding. Its publications do not stray far from the AIPAC line, which in turn is based closely on priorities of the incumbent Israeli government. Nor do Washington Institute seminars seem independent of Israeli foreign policy objectives, with even most of the participants and the invited audiences, aside from U.S. government officials, heavily weighted toward reliable supporters of current Israeli government interests.

Such conformity to Israeli government policies, even when they are not widely supported within the rank-and-



Dayton Daily News, United Features Syndicate, United Media

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file of the U.S. Jewish community, as increasingly is the case in the era of Israeli Prime Minister Binyamin Netanyahu, lends urgency to the case before the Supreme Court calling for the FEC to subject AIPAC to federal disclosure laws.

Such activities give credence to the possibility that some of the seemingly boundless funding available to AIPAC and, possibly, other national Jewish organizations, is recycled to support lobbying activities here after first flowing to Israel as direct U.S. aid or as tax-deductible donations by American Jews to Israeli institutions. AIPAC and other U.S. Jewish organizations deny this, claiming they operate with funds donated by American individuals or foundations.

If this is true in the case of AIPAC, it seems it would welcome the opportunity to verify its claims instead of spending large sums on lawyers to fight having to comply with financial disclosure laws. If there is validity to the saying that "he who pays the piper calls the tune," the zealous adherence of AIPAC to whatever political line is being followed by successive Israeli governments cries out for U.S. government oversight.

## VI. What Can Be Done About It?

Because

*Washington transfers its annual grant assistance to Israel in one lump sum, Israel essentially earns free money on top of free money. — Defense News, July 7-13, 1997.*

It is true that each campaign spending reform gives rise to new abuses. Campaign reform measures in the late 1970s put a cap on the amounts of money members of Congress could earn over and above their congressional pay.

This at first seemed to clip the wings of AIPAC and other segments of the Israel lobby, which had rewarded good congressional conduct by inviting members of Congress to speak for large fees before Jewish audiences. If the member resisted, pleading lack of time to write a speech, AIPAC would draft the speech. If the member pleaded lack of time to deliver the speech, an AIPAC official or local Jewish leader would deliver the AIPAC-crafted speech on behalf of the member.

There may even have been times when a member of Congress received an honorarium for a speech that was never delivered before an audience that never convened, but which was entered into the *Congressional Record* anyway. Given the circumstances, it was very difficult for a member of Congress to avoid being coopted, regardless of his or her personal sentiments on U.S. aid to Israel or the Israeli-Palestinian dispute.

Congressional curbs that were supposed to end all that instead gave rise to political action committees that only increased the power of AIPAC and other components of the Israel lobby. While most special interests had only one political action committee, and therefore could donate no more than \$10,000 to the same candidate during an election cycle, AIPAC established dozens of PACs, and has kept at least 50 of them active in every election since then.

Thus the Israel lobby suddenly had the power to pump up to half a million dollars directly into the campaign coffers of any friendly member of Congress, or into the campaign of the opponent of an unfriendly member. One who has received more than half a million dollars is Sen. Carl Levin (D-MI), who has taken \$558,358 in contributions by pro-Israeli PACs over the years. Other major recipients include Senators Frank Lautenberg (D-NJ), \$418,806; Tom

Daschle (D-SD), \$396,130; Arlen Specter (R-PA), \$312,823; Mitch McConnell (R-KY), \$280,425; and Rep. Sam Gejdenson (D-CT), \$297,263.

Obviously if the President won't take the first step to curb the power of the Israel lobby, as President George Bush tried to do in the 1991 fight over the loan guarantees for Israel, the only other way to end exorbitant U.S. aid to Israel is through Congress. But Congress can only be attacked in the context of overall corruption of the political system, of which it is only one significant piece of the puzzle. Therefore all attempts to curb the power of both hard and soft money in Congress will help to curb the power of the Israel lobby.

There are two possible reforms that stand out. The AIPAC-established PACs are dependent upon money raised, or ostensibly raised, from large and prosperous

<b>Fiscal Year</b>	<b>Grant for Given Year</b>	<b>Average Treasury Int. Rate</b>	<b>Annual Interest Payment</b>	<b>Cumulative Grants to Israel</b>	<b>Cumulative Grants Plus Interest</b>
1951	\$ 0.1	1.83	\$ -	\$ 0.1	\$ 0.10
1961	\$ 18.3	2.30	\$ 63.80	\$ 345.3	\$ 2,856.40
1971	\$ 2.8	3.64	\$ 136.70	\$ 437.6	\$ 3,893.60
1981	\$ 1,291.0	6.91	\$ 1,024.90	\$ 8,280.2	\$ 17,148.50
1990	\$ 3,028.0	5.75	\$ 3,074.10	\$ 32,111.4	\$ 59,565.40
1991	\$ 5,256.0	5.45	\$ 3,246.30	\$ 37,367.4	\$ 68,067.70
1992	\$ 3,000.0	5.13	\$ 3,491.90	\$ 40,367.4	\$ 74,559.60
1993	\$ 4,271.3	5.00	\$ 2,135.65	\$ 44,638.7	\$ 80,966.55
1994	\$ 4,271.3	5.00	\$ 2,135.65	\$ 48,910.0	\$ 87,373.50
1995	\$ 4,271.3	5.00	\$ 2,135.65	\$ 53,181.3	\$ 93,780.45
1996	\$ 3,335.3	5.00	\$ 2,938.63	\$ 56,516.6	\$ 100,054.38
1997	\$ 3,675.8	5.00	\$ 3,122.45	\$ 60,192.4	\$ 106,852.63
1998	\$ 3,080.0	5.00	\$ 3,276.45	\$ 63,272.4	\$ 113,209.08

Jewish communities in the major metropolitan areas. The biggest pro-Israel PACs are situated in New York, New Jersey, California, Florida, Chicago, the Philadelphia area, and the national capital area. Without the money raised in such regions, pro-Israel PACs would have a great deal of trouble controlling elections in the rest of the United States.

Barring candidates for the Senate or House from raising any money outside the constituency they seek to represent might be unconstitutional. However, barring them from raising more than 10 percent of their campaign funds from outside their constituency probably would be permissible. That would be the single most effective blow against the Israel lobby, and most other special interest lobbies as well.

The second, more general reform that also would have a significant effect would be to bar campaign advertising from television. It is television advertising that drives the entire campaign system now, and its enormous expense is what has made money all-powerful and corruption all-pervasive in current American politics.

It is its well-honed ability to exploit this corrupt system that enables the Israel lobby to extort more and more aid for Israel from the U.S. Treasury. Until campaign finance abuses, particularly the two cited above, are curbed, there seems little hope of bringing the enormous annual U.S. taxpayer outlays to Israel under control.

## VII. The True Cost to Taxpayers

The preceding material has covered only what the Israelis actually get in U.S. aid, and how they get it. But what Israelis actually have received from the United States is considerably less than what it has cost American taxpayers to provide it.

The principal difference arises from the fact that so long as the U.S. runs an annual budget deficit, every dollar the U.S. gives to Israel has to be raised through U.S. government borrowing. Is it possible to calculate accurately what it has cost the U.S. government in interest paid on the Treasury notes it has issued to raise this money?

Free-lance writer Frank Collins<sup>8</sup> quantified this additional cost to U.S. taxpayers in an article in the *Washington Report*.<sup>9</sup> I have updated that information in abridged form (Table II). In adding to the interest costs Collins calculated in 1992, I have applied a very conservative 5.0 percent interest rate after that date and confined the principal on which the interest is calculated to grants, not loans or loan guarantees.

Deducting total grants to Israel from the total of grants plus interest leaves nearly \$50 billion that grants to Israel have cost U.S. taxpayers in interest since grant aid to Israel began in 1951. This greatly increases the cost to taxpayers of U.S. aid to Israel through FY 1998.

To summarize (Tables III and IV), by Nov. 1, 1997 Israelis will have received from U.S. taxpayers some \$84.8 billion in grants, loans and commodities since the country's establishment. Adding interest, the cost to the U.S. government to provide this assistance has been approximately \$134.8 billion. In addition to the economic and military aid, Israel has received some \$10 billion in U.S. loan guarantees, and perhaps \$20 billion in tax-exempt contributions from American Jews.

No other country in the world has received anything approaching these raw numbers. In per capita terms, probably no other country has received more than \$100 per citizen over the past 50 years. In the same period Israelis will have received nearly \$15,000 per citizen from the U.S. alone, and more than \$20,000 per citizen when German assistance is included.

The true cost of Israel also includes assistance to Egypt, a payoff from U.S. taxpayers for Egypt's having made peace with Israel in 1979. According to the Congressional Research Service,<sup>10</sup> U.S. aid to Egypt from FY 1979 through FY 1997 totaled more than \$45.6 billion (compared to \$4.2 billion for the preceding 26 years), averaging \$2.2 billion per year.

After digesting those figures it will come as no surprise to readers to learn that in FY 1997, Israel cost U.S. taxpayers \$3,675,800,000 in military and economic aid, \$3,122,451,000 in interest, and more than \$2.2

billion in aid to Egypt. That totals nearly \$9 billion without considering the effects of \$2 billion in loan guarantees, and about \$1 billion in tax-exempt donations from U.S. citizens.

There are other factors to consider as well. These include lost American export markets because of Arab and Muslim anger over U.S. support of Israel; the upward pressure on world oil prices caused by Middle Eastern instability stemming largely from Israel's refusal to enter into land-for-peace settlements with the Palestinians, Syria and Lebanon, and the costs of having to station large U.S. air, naval and ground forces in the Mediterranean, Persian Gulf, Indian Ocean and Arabian peninsula.

When these real-life pressures on the United States are added to the formal outlays to Israel by the U.S.

(Continued on page 14)

<b>Table III</b>	
<b>Benefits to Israel of U.S. Aid Since 1949</b>	
<b>(As of November 1, 1997)</b>	
Foreign Aid Grants and Loans	\$ 74,157,600,000
Non-Foreign Aid (12.2 % of Foreign Aid)	\$ 9,047,227,200
Interest to Israel from Advanced Payments	\$ 1,650,000,000
<b>Grand Total</b>	<b>\$ 84,854,827,200</b>
Total Benefits per Israeli	\$ 14,630
<b>Table IV</b>	
<b>Cost to U.S. Taxpayers of U.S. Aid to Israel</b>	
Grand Total (from above)	\$ 84,854,827,200
Interest Costs Borne by U.S.	\$ 49,936,680,000
<b>Total Cost to U.S. Taxpayers</b>	<b>\$ 134,791,507,200</b>
Total Cost per Israeli	\$ 23,240

government, it seems that George Ball, whom history has proved right in all of his other observations on world affairs, also was right concerning the devastating impact on U.S. taxpayers of the persistent pro-Israel tilt in American Middle East policies.

**ENDNOTES**

1. *Israel: U.S. Foreign Assistance*, a CRS Issue Brief, Clyde R. Mark, Foreign Affairs and National Defense Division, Congressional Research Service, May 27, 1997.

2. *Ibid.*

3. *Ibid.*

4. *Ibid.*

5. The dollar figures for German aid are taken from *German-Israeli Relations*, German Information Center, New York, NY, June, 1995, and are based upon the exchange rate at that time, approximately DM 1.50 to 1.00 U.S. dollar.

6. Gregory D. Slabodkin, "The Secret Section in Israel's U.S. Lobby That Stifles American Debate," *Washington Report on Middle East Affairs*, Vol. XI, No. 2 (July 1992), pps. 8-9, 89-91.

7. Martin Indyk left the Washington Institute for Near East Policy, which he founded, to become White House National Security Adviser for the Near East and South Asia in the first Clinton Administration in 1993. Midway through Clinton's first term he was appointed U.S. Ambassador to Israel. Early in his second term President Clinton announced his intention to appoint Ambassador Indyk as the State Department's Assistant Secretary for Near East Affairs.

8. Collins also edits and distributes by subscription the monthly American edition of Dr. Israel Shahak's *Translations from the Hebrew Press*.

9. Frank Collins, "Borrowing Money for Israel: Annual Interest Alone Exceeds \$3-Billion," *Washington Report on Middle East Affairs*, Vol. X, No. 6 (December 1991/January 1992), p 33.

10. *Egypt-United States Relations*, a CRS Issue Brief, Clyde R. Mark, July 3, 1997. Table I in that brief shows total aid through 1994 at \$39,269,500,000. By telephone, Mr. Mark confirmed that aid for each of the FYs 1995, 1996 and 1997 would be at least \$2.115 billion.

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