

Special Report

Total Direct Aid to Israel Conservatively Estimated at Almost \$105 Billion

By Shirl McArthur

Year	Total	Military Grant	Economic Grant	Immig-Grant	ASHA	All Other
1949-1996	68,030.9	29,014.9	23,122.4	868.9	121.4	14,903.9
1997	3,132.1	1,800.0	1,200.0	80.0	2.1	50.0
1998	3,080.0	1,800.0	1,200.0	80.0	?	?
1999	3,010.0	1,860.0	1,080.0	70.0	?	?
2000	4,129.1	3,120.0	949.1	60.0	?	?
2001	2,873.8	1,975.6	838.2	60.0	2.3	?
2002	2,848.0	2,040.0	720.0	60.0	?	28.0
2003 est.	3,741.1	3,086.4	596.1	59.6	?	?
2004 est.	2,687.3	2,147.3	477.2	49.7	3.2	9.9
Total	93,534.6	46,844.2	30,183.0	1,388.2	129.0	14,991.2
<p>Notes: The economic grant was earmarked for \$960 million for FY2000 but was reduced to meet the 0.38% recision. FY2000 military grants include \$1.2 billion for the Wye agreement and \$1.92 billion in annual military aid. Final amounts for FY2003 are reduced by 0.65% mandated recision, and final amounts for FY2004 are reduced by 0.59%.</p>						
<p>Source: CRS Issue Brief, <i>Israel: U.S. Foreign Assistance</i>, updated Dec. 9, 2004.</p>						

The of the 109th Congress seems a good time to update the estimate of total U.S. direct aid to Israel as last presented in the May 2003 *Washington Report on Middle East Affairs (WRMEA)*. It is important to emphasize that this analysis will attempt to give a conservative, defensible accounting of U.S. direct aid to Israel—not of Israel’s cost to the U.S. or to the American taxpayer, nor of the benefit to Israel of U.S. aid.

The distinction is important, because the indirect or consequential costs suffered by the U.S. as a result of its blind support for Israel exceed by many times the substantial amount of direct aid to Israel. Some of these “indirect or consequential” costs would include the costs to U.S. manufacturers of the Arab boycott, the costs to U.S. companies and consumers of the Arab oil embargo and consequent soaring oil prices as a result of U.S. support for Israel in the 1973 war, and the costs of U.S. unilateral economic sanctions on Iran, Iraq, Libya, and Syria.

Furthermore, this computation does not include the costs of the invasion and occupation of Iraq—hundreds of billions of dollars, more than 1,700 U.S. and allied fatalities and untold tens of thousands of Iraqi fatalities—which is widely believed in Washington and almost universally believed in the Arab world to have been undertaken for the benefit of Israel.

Cumulative Total Direct Aid

The current conservative estimate of total U.S. direct aid to Israel is \$104.601 billion. Israel is the largest cumulative recipient of U.S. aid since World War II. However, because of the uncertainties and ambiguities associated with aid for Israel—some buried in the budgets of other government agencies, mostly the Defense Department (DOD), or in a form not easily quantifiable—such as the early disbursement of aid, allowing Israel a direct gain and the U.S. Treasury a direct loss of the interest on the unspent money—arriving at an exact amount probably is not possible.

The May 2003 *WRMEA* estimate was \$97.52 billion through FY ‘03. That estimate was based on a February 2003 Congressional Research Service (CRS) report, which used available and verifiable numbers, that gave cumulative aid to Israel from 1949 through FY ‘02 at \$87.104 billion. The CRS number surely was too low, however, because, although it did include such things as the old food-for-peace program, the \$1.2 billion from the Wye agreement and the subsidy for “refugee resettlement,” it did not include money from the DOD budget, on the grounds that those funds are for joint research and development projects, nor did it include estimated interest on the early disbursement of aid funds.

Using as a base the CRS number of \$87.104 billion through FY 2002, the May 2003 *WRMEA* estimate added \$5.454 billion from the DOD, \$1.851 billion estimated interest from early disbursement of aid, \$0.009 billion from the American Schools and Hospitals Abroad (ASHA) account, \$.040 billion from “all other” accounts, plus \$3.063 billion for FY ‘03, giving a grand total of \$97.521 billion. The \$3.063 billion for FY ‘03 consisted of \$2.7 billion in economic and military grants, \$60 million for refugee resettlement, \$250 million from the DOD, \$41 million in imputed interest, \$2.3 million from the ASHA account, and \$10 million from all other accounts.

This current *WRMEA* estimate will use the same methodology, building up from a CRS December 2004 report on U.S. foreign aid to Israel, showing a total of \$93.535 billion through FY ‘04. The summary table from that report is reproduced at left as Table 1.

To the CRS number of \$93.535 billion can be added (with details to follow):

- \$6.054 billion, from the DOD;
- \$1.932 billion in interest from the early disbursement of aid;
- \$0.050 billion from “all other” accounts; and
- \$0.011 billion from the ASHA account, giving a total of \$101.582 billion through Sept. 30, 2004. To that can be added \$3.019 billion for FY ‘05, as described below, giving a grand total of \$104.601 billion total in U.S. aid to Israel through FY 2005.

Prior to 1998, Israel received \$1.8 billion in military grants and \$1.2 billion in economic grants every year. Beginning in FY ‘99, at the instigation of then-Prime Minister Binyamin Netanyahu, economic grants to Israel have been reduced by \$120 million and military grants increased by \$60 million annually. For the current fiscal year (FY ‘05) the amounts are \$2.22 billion in military grants and \$360 million in economic grants, for a total of \$2.58 billion. However, the real amount of total U.S. direct aid is more than that, because, in addition to the \$2.58 billion, Israel is also to receive \$50 million in so-called refugee resettlement, about \$350 million from the DOD budget, about \$3.2 million from the American Schools and Hospitals Abroad (ASHA) account, and about \$10 million from various other accounts, plus about \$26 million early interest, for a total of at least \$3.019 billion.

The U.S. gives Israel all of its economic aid directly in cash, with no accounting required of how the funds are used. Furthermore, Israel is allowed to spend 26.3 percent of the military aid from the foreign aid bill in Israel—clearly a subsidy to the Israeli defense industry at the expense of American defense contractors. Other countries receiving U.S. military aid generally have to spend 100 percent of it in the U.S. Also, in contrast with other countries receiving military aid, who must purchase through the DOD, Israel deals directly with the U.S. companies, with no DOD review.

For the convenience of those who wish to look up more details, citations for the foreign aid and DOD appropriations bills for the past five years are given in Table 2 below.

TABLE 2.			
Foreign Aid and DOD Appropriations Legislation Since FY 2001			
	Basic Documents	Conference Report	Public Law
FY '01 Defense	H.R. 4576	H.Rept. 106-754	P.L. 106-259
	S. 2593		
Foreign Aid	H.R. 4811	H.Rept. 106-997	P.L. 106-429
	S. 2522		
FY '02 Defense	H.R. 3338	H.Rept. 107-350	P.L. 107-

			117
Foreign Aid	H.R. 2506	H.Rept. 107-732	P.L. 107-115
FY '03 Defense	H.R. 5010	H.Rept. 107-732	P.L. 107-248
Omnibus	H.J.Res. 2	H.Rept. 108-10	P.L. 108-7
<i>(See also H.R. 5410 and S. 2779)</i>			
Supplemental	H.R. 1559	H.Rept. 108-76	P.L. 108-11
FY '04 Defense	H.R. 2658	H.Rept. 108-283	P.L. 108-87
Omnibus	H.R. 2673	H.Rept. 108-401	P.L. 108-199
<i>(See also H.R. 2800 and S. 1426)</i>			
FY '05 Defense	H.R. 4613	H.Rept. 108-662	P.L. 108-287
Omnibus	H.R. 4818	H.Rept. 108-792	P.L. 108-447
Notes: H.R.=House Resolution; S.=Senate Resolution; H.Rept.=House Report; the “public law” is the final, binding version, as signed by the president. In FY '03, '04 and '05 defense was passed separately and foreign aid was included in the consolidated or “omnibus” bill.			

Defense Department Funds: The military aid from the DOD budget is mostly for specific projects. For the May 2003 *WRMEA* report, a search going back several years was able to identify \$5.704 billion in specific items from the DOD to Israel through FY '03. Adding \$350 million from DOD's FY '04 appropriations gives a total of \$6.054 billion. The largest items have been the canceled Lavi attack fighter project, the ongoing Arrow anti-missile missile project, the ongoing tactical high energy laser anti-missile system, and the completed Merkava tank. The fact that the U.S. military was not interested in the Lavi or the Merkava for its own use, and has said the same thing about the Arrow and the laser anti-missile projects, would seem to destroy the argument that these are “joint defense projects.” The FY '01 appropriations bill also gave Israel a grant of \$700 million in U.S. military equipment, to be drawn down from stocks in Western Europe, and the FY '05 defense appropriations bill includes a provision authorizing the DOD to transfer an unspecified amount of “surplus” military items from inventory to Israel.

Interest: Israel began receiving early disbursement of U.S. economic aid in 1982, and of military aid in 1991. In calculating the value of the early disbursement, a 6 percent

rate of interest was applied to half the amount of aid, on the assumption that the aid monies were drawn down not all at once, but over the course of the year.

In 1991 it was reported that Israel earned \$86 million in interest on the economic aid money deposited in the U.S. Treasury. Since the period from 1982 to 1991 was one of relatively high interest rates, the figure of \$860 million (86 x 10) was assumed for those 10 years. For the decade from FY '91 through FY '01, a 6 percent rate was applied to one-half of the economic aid, for \$349 million. For FY '02 and '03, a 3 percent rate was applied to one-half of the economic aid, for \$20 million, and for FY '04 a 2 percent rate was applied, for \$5 million. On the military aid, the 6 percent rate was applied to one-half of the military aid for the 11 years through FY '01, for \$600 million; 3 percent was applied for FY '02 and '03, for \$77 million, and 2 percent was applied for FY '04, for \$21 million.

American Schools and Hospitals Abroad and “Other”

The CRS report has question marks for five years of ASHA and five years of “all other,” probably because specific earmarks for Israel were not found for those years. However, the ASHA account is relatively stable, and the money gets spent for American schools and hospitals in Israel (and in Lebanon) whether or not it was earmarked. Similarly, money from other accounts, and other agencies, gets spent in Israel. So \$2.25 million for ASHA and \$10 million for “other” for each of those five years is a conservative estimate.

“Loans” and Loan Guarantees

As of Dec. 31, 2001, Israel owed the U.S. government almost \$2 billion in direct economic and military loans. Direct government-to-government loans are included as aid in the above totals because repayment of several loans has been “waived” by Washington. Israeli officials and their congressional supporters are fond of saying that Israel has never defaulted on a loan from the U.S. Technically, this is true, but the CRS report notes that from FY 1974 through FY 2003 Israel received more than \$45 billion in waived loans.

Not included in the above computation is the amount of U.S. government loan guarantees to Israel, because they have not (yet) cost the U.S. any money—although they are listed as “contingent liabilities” (that is, they would become liabilities to the U.S. should Israel default). However, they have unquestionably been of tangible financial benefit to Israel, because they have enabled Israel to get commercial loans at favorable interest rates. The major loan guarantees have been \$600 million for housing between 1972 and 1990; the \$10 billion for Soviet Jewish resettlement between 1992 and 1997; about \$5 billion for the commercial refinancing of military loans; and the \$9 billion in loan guarantees included in the FY '03 supplemental appropriations. Currently, the total U.S. contingent liability for Israeli loans is about \$12.6 billion.

Shirl McArthur, a retired U.S. foreign service officer, is a consultant in the Washington, DC area.