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Congress Watch

A Conservative Estimate of Total Direct U.S. Aid to Israel: \$108 Billion

By Shirl McArthur

TABLE 1: Direct U.S. Aid to Israel (millions of dollars)						
Year	Total	Military Grant	Economic Grant	Immigrant	ASHA	All Other
1949-1996	68,030.9	29,014.9	23,122.4	868.9	121.4	14,903.3
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	4,131.8	3,120.0	949.1	60.0	2.75	?
2001	2,876.1	1,975.6	838.2	60.0	2.25	?
2002	2,850.6	2,040.0	720.0	60.0	2.65	28.0
2003	3,745.1	3,086.4	596.1	59.6	3.05	?
2004	2,687.3	2,147.3	477.2	49.7	3.15	9.9
2005 est.	2,612.2	2,202.2	357.0	50.0	2.95	?
2006 est.	2,563.5	2,280.0	240.0	40.0	3.00	.5
Total	98,719.6	51,326.4	30,780.0	1,478.2	143.3	14,991.7

Notes: ESF was earmarked for \$960 million for FY2000, but was reduced to meet a 0.38% recession. FY2000 military grants include \$1.2 billion for the Wye agreement and \$1.92 billion in annual military aid. Final amounts for FY 2003 are reduced by 0.65% mandated recession, and final amounts for FY 2004 are reduced by 0.59%.

Sources: CRS Report to Congress: *U.S. Foreign Aid to Israel*, dated January 5, 2006, plus the FY '06 Foreign Operations Appropriations bill, H.R. 3057.

Because of the uncertainties and ambiguities associated with U.S. aid to Israel, arriving at a precise figure for total direct U.S. aid to Israel probably is not possible. Parts of it are 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 interest on the unspent money. Given these caveats, the *Washington Report on Middle East Affairs* (WRMEA) conservatively estimates cumulative total direct U.S. aid to Israel at \$107.961 billion.

It is important to emphasize that the following 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 the American taxpayer, nor of the benefit to Israel of U.S. aid. The distinction is important, because the indirect or consequential costs to the American taxpayer as a result of Washington's blind support for Israel exceed by many times the amount of direct U.S. 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. (For a discussion of these larger costs, see "The Costs to American Taxpayers of the Israeli-Palestinian Conflict: \$3 Trillion," by the late Thomas R. Stauffer, June 2003 *Washington Report*, p. 20.)

Perhaps the greatest consequential costs (and not included in Stauffer's \$3 trillion estimate) are those resulting from the 2003 invasion and subsequent occupation of Iraq, which is almost universally believed in the Arab world to have been undertaken for the benefit of Israel—hundreds of billions of dollars, 2,500-plus U.S. and allied fatalities and untold tens of thousands of Iraqi fatalities, and reduced Arab travel and investment in the U.S. and purchases of U.S. goods and services by Arab countries.

Among the real benefits to Israel that are not direct costs to the U.S. taxpayer are the cash transfer of economic and military aid, in-country purchases of a portion of military aid, and loan guarantees. The U.S. gives Israel all of its economic and military aid directly in cash, with no accounting required of how the funds are used. Furthermore, Israel can spend 26.3 percent of the military aid 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 U.S. companies.

A further benefit to Israel are U.S. government loan guarantees. While they have not (yet) cost the U.S. any money, they are listed as "contingent liabilities"—that is, should Israel default they would become liabilities to the U.S. However, they have unquestionably been of tangible financial benefit to Israel, because they have enabled Israel to get commercial loans at special terms and favorable interest rates. The major loan guarantees have been \$600 million for housing between 1972 and 1990; \$9.2 billion for Soviet Jewish resettlement between 1992 and 1997; about \$5 billion for refinancing military loans commercially; and \$9 billion in loan guarantees included in the FY '03 supplemental appropriations.

Components of Israel Aid

Israel is the largest cumulative recipient of U.S. aid since World War II. The \$3-plus billion per year that Israel receives from the U.S. taxpayer is about one-fifth of the total U.S. aid budget, and amounts to more than \$600 per Israeli. Most of this money is transparent, earmarked in Congress' foreign operations (foreign aid) appropriations bills, with the three major items being military grants (Foreign Military Financing, or FMF), economic grants (Economic Support Funds, or ESF), and "refugee assistance." Not earmarked, but also included in the foreign operations bills, is Israel's portion of the grants for American Schools and Hospitals Abroad (ASHA). In addition, and less transparent, is the interest from early disbursement of aid and monies buried in the appropriations for other departments or agencies, primarily the Defense Department (DOD). These are mostly for so-called "U.S.-Israeli cooperative programs" in defense, agriculture, science and hi-tech industries.

Before 1998, Israel received annually \$1.8 billion in military grants and \$1.2 billion in economic grants. Then, 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 each year. For the current fiscal year (FY '06) the amounts are \$2.28 billion in military and \$240 million in economic grants, for a total of \$2.52 billion.

Methodology

TABLE 2: Foreign Aid and DOD Appropriations Legislation Since FY 2002				
		Basic Bills	Conference Report	Public Law
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
	(See also H.R. 5410 and S. 2779)			
	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
	(see also H.R. 2800 and S. 1426)			
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

FY '06	Defense	H.R. 2863	H. Rept. 109-359	P.L. 109-148
	Foreign Aid	H.R. 3057	H. Rept. 109-265	P.L. 109-102

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.

Previous *WRMEA* estimates of U.S. aid to Israel, most recently in the April 2005 issue, relied heavily on Congressional Research Service (CRS) reports, which used available and verifiable numbers, primarily from the foreign operations bills. Although the CRS reports do include such items as the old food for peace program, the \$1.2 billion from the Wye agreement, the subsidy for "refugee assistance," and money from the ASHA account, they do not include monies from the DOD and other agencies, nor do they include estimated interest on the early disbursement of aid funds.

This current estimate is based on the same methodology, building up from the CRS January 2006 report on U.S. foreign aid to Israel, showing a total of \$96.156 billion through FY '05. Table 1 is drawn from the summary table from that report, plus the totals from the FY '06 foreign operations appropriations bill, for a total of \$98.7196 billion through FY '06.

Direct government-to-government loans are included in the above numbers for total aid, because the U.S. has "waived" repayment of several loans. 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 a previous CRS report noted that from FY 1974 through FY 2003 Israel received more than \$45 billion in waived loans.

Estimate of Amounts not Included In Table 1: \$9.2417 Billion

Defense Department Funds: 6.794 Billion. The military aid from the DOD budget is mostly for specific projects. For previous estimates, a search going back several years was able to identify \$6.054 billion in specific items from the DOD to Israel through FY '04. Adding \$355 million from the FY '05 DOD appropriations and \$385 million from the FY '06 appropriations gives a total of \$6.794 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, the ongoing Bradley reactive armor tiles program, and the completed Merkava tank. The FY '01 appropriations bill also gave Israel a grant of \$700 million worth of military equipment, to be drawn down from stocks in Western Europe. In addition, since 1998 Israel has been designated a "major non-NATO ally," enabling it to receive outdated military equipment at either reduced cost or no charge; 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. In addition, Israel was recently named a partner in the Joint Strike Fighter project, although it is unclear what the significance of this will be.

Interest: \$1.991 Billion. Congress has mandated that Israel's economic and military aid be transferred in one lump sum within one month of the new fiscal year or passage of the appropriation act. Israel began receiving early disbursement of U.S. economic aid in 1982, and of military aid in 1991. Using one-half of the prevailing rates of interest (because it has to be assumed that the aid monies were drawn down over the course of the year), last year's summary estimated interest on early disbursement of economic aid at \$1,234 million and of military aid at \$698 million through FY '04. The U.S. Embassy in Tel Aviv's Web site lists interest on early disbursement of military aid at \$660 million through FY '04—slightly less than *WRMEA*'s estimate—but gives no figure for interest on economic aid. This *WRMEA* report uses the Embassy Tel Aviv number for interest on military aid and keeps last year's *WRMEA* number for interest on economic aid, for a total of \$1,894 million through FY '04. To this is added \$46.5 million (\$40 million military and \$6.5 million economic) for FY '05 and \$50.5 million (\$45.5 million military and \$5 million economic) for FY '06, for a total of \$1,991 million through FY '06.

Other Grants and Endowments: \$0.4567 Billion. The Embassy Tel Aviv site lists \$456.7 million in other grants and endowments. The two largest items are \$158 million for the BARD Foundation (Binational Agriculture and Research and Development Fund) and \$140 million for the BIRD Foundation (Israel-U.S. Binational Research and Development Foundation).

The Grand Total: \$107.9613 Billion

Adding the "unincluded" totals to the total from Table 1 gives a grand total of \$107.9613 billion total aid to Israel through FY 2006. 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 above.

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