

About the Authors

Richard H. Curtiss

Washington Report on Middle East Affairs Executive Editor Richard H. Curtiss enlisted in the U.S. Army in World War II, and served as a military correspondent in Berlin, Germany after the war. After earning a B.A. in journalism from the University of Southern California and work on newspapers and for United Press in California, he served as a career foreign service officer with the Department of State and the U.S. Information Agency in Djakarta, Bonn, Stuttgart, Ankara, Beirut (three times), Baghdad, Damascus and Rhodes, Greece, where he headed the Arabic Service of the Voice of America, and in various positions in Washington DC.

During his U.S. government career he received the U.S. Information Agency's Superior Honor Award for his service as Embassy Counselor for Public Affairs in Lebanon during the civil war there, and the Edward R. Murrow award for excellence in Public Diplomacy, U.S.I.A.'s highest professional recognition.

Following his retirement from the U.S. Foreign Service in 1980, Mr. Curtiss co-founded the American Educational Trust in 1982, which produces the award-winning magazine, *Washington Report on Middle East Affairs*.

For his work as its executive editor, Mr. Curtiss received 7 awards, including one from Partners for Peace in 1993 and one from the Jerusalem Fund for Education and Community Development in 1995.

Mr. Curtiss has written two books on U.S.-Middle East relations. The first, *A Changing Image: American Perceptions of the Arab-Israeli Dispute*, was published in 1982 and commended for its objectivity by all three then-living ex-Presidents of the United States, Richard Nixon, Gerald Ford, and Jimmy Carter. An updated second edition was published in 1986. His second book *Stealth PACs: Lobbying Congress for Control of U.S. Middle East Policy* has had four editions.

(Continued Inside)



The Cost of Israel to the American People

Three essays on the costs of our 'special relationship' with Israel by retired U.S. Foreign Service Officers and a renowned economist:

The Cost of Israel to the American Public
by Richard H. Curtiss

A Conservative Estimate of Total Direct U.S. Aid to Israel: Almost \$114 Billion
by Shirl McArthur

The Costs to American Taxpayers of the Israeli-Palestinian Conflict: \$3 Trillion
By Thomas R. Stauffer, PhD

“[T]he nearly \$14,630 every one of 5.8 million Israelis had received from the U.S. government by October 31, 1997, cost American taxpayers \$23,241 per Israeli. That’s \$116,205 for every Israeli family of five.”

- Richard H. Curtiss

Career Foreign Service Officer, Retired

Shirl McArthur

Retired United States Foreign Service Officer Shirl McArthur is a regular contributor to the *Washington Report on Middle East Affairs* specializing in financial analysis.

Mr. McArthur was born in Utah and grew up in Yakima, Washington. He received a BA in Political Science from Washington State College (now University) in 1957. He served in the U.S. Air Force from 1958-1963 as a Pilot in the Strategic Air Command.

In 1963, Mr. McArthur joined the U.S. Foreign Service. He served mostly in the Middle East, with permanent posts in Algiers (twice), Baghdad, Kinshasa, Beirut, Kuwait, Riyadh, and Bangkok, as well as TDY assignments to Oran, Tehran, Amman, Tel Aviv/Jerusalem, Sanaa, Manama, Doha, Ubu Dhabi, and Muscat. His final post with the Foreign Service was in Bangkok, where he served as Commercial Attache.

Thomas R. Stauffer, PhD

Eminent economist and engineer Dr. Thomas R. Stauffer served twice in the Executive Office of the president: with the Cabinet Task Force on Oil Import Control and with the Price Commission during the Nixon administration. He also was a consultant to the anti-trust unit of the Federal Trade Commission.

Dr. Stauffer taught economics and Middle East studies at Harvard (1971-1982), the Diplomatic Academy in Vienna (1982-85) and Georgetown University (1985-1989). He also lectured regularly at the Department of State’s Foreign Service Institute and at the Army and Navy war colleges.

Dr. Stauffer appeared before numerous tribunals and international bodies in Washington, DC and abroad, testifying as an expert in tax, nationalization and regulatory matters, including proceedings at The Hague.

suming states has, in fact, been much higher. Even though they do not share in policy formation, they do indeed share in the costs of the consequences. While not greatly drained by foreign aid to the region—unlike the \$800 billion borne by the U.S.—they bear much more of the costs of oil crises because, collectively, they import much more oil than the U.S. Thus the total bill—the total burden shared by default—is two to four times higher than that for the U.S. alone. All states—not just the U.S.—have borne the burden of conflicts in the Middle East.

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The Cost of Israel to the American Public

By Retired Foreign Service Officer Richard H. Curtiss

Executive Editor, *Washington Report on Middle East Affairs*

Speech at the Al Hewart Center for Arab Culture and Dialogue

May 20, 1998

By now many Americans are aware that Israel, with a population of only 5.8 million people, is the largest recipient of U.S. foreign aid, and that Israel's aid plus U.S. aid to Egypt's 65 million people for keeping the peace with Israel has, for many years, consumed more than half of the U.S. bi-lateral foreign aid budget world-wide.

What few Americans understand however, is the steep price they pay in many other fields for the U.S.-Israeli relationship, which in turn is a product of the influence of Israel's powerful U.S. lobby on American domestic politics and has nothing to do with U.S. strategic interests, U.S. national interests, or even with traditional American support for self-determination, human rights, and fair play overseas.

Besides its financial cost, unwavering U.S. support for Israel, whether it's right or wrong, exacts a huge price in American prestige and credibility overseas. Further, Israel's powerful U.S. lobby has been a major factor in delaying campaign finance reform, and also in the removal from American political life of some of our most distinguished public servants, members of Congress and even presidents.

Finally, the Israel-U.S. relationship has cost a significant number of American lives. The incidents in which hundreds of U.S. service personnel, diplomats, and civilians have been killed in the Middle East have been reported in the media. But the media seldom revisits these events, and scrupulously avoids analyzing why they occurred or compiling the cumulative toll of American deaths resulting from our Israel-centered Middle East policies.

Each of these four categories of the costs of Israel to the American people merits a talk of its own. What follows, therefore, is just an overview of such losses.

First is the financial cost of Israel to U.S. taxpayers. Between 1949 and 1998, the U.S. gave to Israel, with a self-declared population of 5.8 million people, more foreign aid than it gave to all of the countries of sub-Saharan Africa, all of the countries of Latin America, and all of the countries of the Caribbean combined – with a total population of 1,054,000,000 people.

In the 1997 fiscal year, for example, Israel received \$3 billion from the foreign aid budget, at least \$525 million from other U.S. budgets, and \$2 billion in federal loan guarantees. So the 1997 total of U.S. grants and loan guarantees to Israel was \$5.5 billion. That's \$15,068,493 per day, 365 days a year.

If you add its foreign aid grants and loans, plus the approximate totals of grants to Israel from other parts of the U.S. federal budget, Israel has received since 1949 a grand total of \$84.8 billion, excluding the \$10 billion in U.S. government loan guarantees it has drawn to date.

And if you calculate what the U.S. has had to pay in interest to borrow this money to give to Israel, the cost of Israel to U.S. taxpayers rises to \$134.8 billion, not adjusted for inflation.

Put another way, the nearly \$14,630 every one of 5.8 million Israelis had received from the U.S. government by October 31, 1997, cost American taxpayers \$23,241 per Israeli. That's \$116,205 for every Israeli family of five.

None of these figures include the private donations by Americans to Israeli charities, which initially constituted about one quarter of Israel's budget, and today approach \$1 billion annually. In addition to the negative effect of these donations on the U.S. balance of payments, the donors also deduct them from their U.S. income taxes, creating another large drain on the U.S. treasury.

Nor do the figures above include any of the indirect financial costs of Israel to the United States, which cannot be tallied. One example is the cost to U.S. manufacturers of the Arab boycott, surely in the billions of dollars by now. Another example is the cost to U.S. consumers of the price of petroleum, which surged to such heights that it set off a world-wide recession during the Arab oil boycott imposed in reaction to U.S. support of Israel in the 1973 war.

Other examples are a portion of the costs of maintaining large U.S. Sixth Fleet naval forces in the Mediterranean, primarily to protect Israel, and military air units at the Aviano base in Italy, not to mention the staggering costs of frequent deployments to the Arabian Peninsula and Gulf area of land and air forces from the United States and naval units from the Seventh Fleet, which normally operates in the Pacific Ocean.

of aid is so closely correlated with their postures toward Israel—i.e., that aid is part of the cost of buying peace for Israel on two of its borders. It also includes the flow of dollars from private Jews or Jewish organizations in the U.S. to Israel, which are drains on the U.S. balance of payments, analogous to official aid transfers. The rescue of Israel in 1973 cost another \$1 trillion, so total direct costs, including the costs of the results of support for Israel, are some \$1.8 trillion.

There have been further costs where the causal linkage is less clear—aid to the states of the periphery (Ethiopia, Central Asia, etc.), the "defense" of the Gulf, and the costs of Energy Independence. Although some part of those costs of \$300-plus billion are attributable to U.S. support for Israel at the core, any allocation is beyond the scope of this discussion.

A last element is a contingent cost: the cost to the U.S. of the Oil Supply Guarantee which Secretary of State Henry Kissinger proffered the Israelis in 1975. If Israel's oil supply is affected, Israel in effect gets a first call on any oil available to the U.S. The opportunity cost of that oil depends upon the crisis scenario—a plausible scenario would entail costs to the U.S. of \$3 billion per month in terms of lost GDP if the U.S. were embargoed at the same time.

Expensive Unrest

Unrest in the Middle East has proven to be very expensive for the U.S. It is known that most of American foreign aid goes to Egypt and Israel, but it is clear that the total costs to the U.S. of conflict in the region are very much higher than the aid bill itself. The total costs of supporting Israel are some six times the official aid, for example. Oil price crises have been particularly expensive—a sobering lesson from the history of the Middle East over the last 30 years. Future "burden-sharing" is unlikely—while successful in eliminating much of the cost of the 1990/91 Gulf war, it will become much more difficult. Mercenary allies, such as Turkey, moreover, are likely to demand compensation "up front," since, they argue, they never received the aid promised to them during the prior Gulf war. Ankara is especially likely to demand considerable rewards, since it protests that it received little to offset the \$30 billion it claimed it lost in the last affair.

Israel, too, is demanding more aid—\$4 billion in extra military support and a further \$10 bn in loan guarantees, over and above the current level of appropriated aid. Conflicts in the Middle East have become expensive indeed for the American taxpayer.

It is worth noting, however, that the burden shared by the other oil-con-

the U.S. in relation to U.S. aid levels, and the trade-aid imbalance of \$6 billion to \$10 billion each year costs about 125,000 jobs. One aspect of U.S. government policy in the region, however, does create American jobs: the states of the southern Gulf incrementally buy large quantities of U.S. arms and related services. That relationship, primarily with Saudi Arabia, has translated into an extra 60,000 jobs in recent years. This gain, due to the special status of Saudi Arabia, partly offsets the jobs lost through Israeli pressures or contracting policies.

Another large element in cost has been the push for energy autarky—specifically, "Project Independence." This clutch of programs has been extraordinarily costly since it was initiated as a policy objective in the 1970s. Oil imports are higher today than before, in spite of the imposing array of subsidies or forced technologies designed to increase U.S. energy production and cut consumption. No overview of these costs has been compiled. Identifiable costs come to \$285 billion, but the grand total is certainly very much higher. A reasonable estimate is at least one trillion dollars, but only part of that can be documented. While the subsidies were inevitably justified in the interests of national security, the projects and programs were in most cases captured and co-opted by domestic lobbies. Since the national objective was reducing dependence upon Mideast oil, however, the costs should be subsumed within the costs of coping with regional conflicts, even if the programs were largely ineffectual.

"Defense" of the Gulf—often cited as a major cost factor—in fact has been but a minor element of cost. Excluding the buildup for war against Iraq in late 2002, the official figure for operations and presence in the Gulf is about \$30 billion to \$40 billion per year. That figure is misleading, however. Most of the equipment and troops and the operations of the carrier task force at Diego Garcia would be maintained in support of other geopolitical objectives, so those outlays, which represent the largest component in the reported "cost," are not substantively tied to U.S. policies in the Gulf itself. The U.S. presence itself has entailed relatively modest incremental costs—on the order of \$2 billion (net) per year, exclusive of any new costs tied to the new mobilization against Iraq.

Lastly, a large part of the costs have been inextricably tied to U.S. protection of or support for Israel. It is therefore useful to pull together the various elements linked to that policy:

Direct costs, excluding crisis costs, have amounted to about \$800 billion. This figure includes budgeted U.S. aid for Egypt and Jordan, since that flow

Many years ago the late Undersecretary of State George Ball estimated the true financial cost of Israel to the United States at \$11 billion a year. Since then direct U.S. foreign aid to Israel has nearly doubled, and simply adjusting that original figure into 1998 dollars would send it considerably higher today.

Next comes the cost of Israel to the international prestige and credibility of the United States. Americans seem constantly astounded at our foreign policy failures in the Middle East. This stems from a profound ignorance of the background of the Israeli-Palestinian dispute, which in turn results from a reluctance by the mainstream U.S. media to present these facts objectively.

Toward the end of the 19th century when political Zionism was created in Europe, Jews were a tiny fraction of the population of the Holy Land, much of which was heavily cultivated and thickly populated, and certainly not a desert waiting to be reclaimed by outsiders.

Even in 1947, after half a century of Zionist immigration and an influx of Jewish refugees from Hitler, Jews still constituted only one third of the population of the British Mandate of Palestine. Only seven percent of the land was Jewish-owned. Yet when the United Nations partitioned Palestine in that year, the Jewish state-to-be received 53 percent and the Arab state-to-be received only 47 percent of the land. Jerusalem was to remain separate under international supervision, a "corpus separatum" in the words of the United Nations.

One of the myths that many Americans still believe is that the initial war between the Arabs and Israelis broke out on May 15, 1948 when the British withdrew and military units from Egypt, Jordan, Iraq and Syria entered Palestine, allegedly because the Arabs had rejected a partition plan that the Israelis accepted.

In fact, the fighting began almost six months earlier, immediately after the partition plan was announced. By the time the Arab armies intervened in May, some 400,000 Palestinians already had fled or been driven from their homes. To the Arab nations the military forces they sent to Palestine were on a rescue mission to halt the dispossession of Palestinians from the areas the U.N. had awarded to both the Jewish and the Palestinian Arab state. In fact history has revealed that the Jordanian forces had orders not to venture into areas the U.N. had awarded to Israel.

Although the newly created Israeli government didn't formally reject the partition plan, in practice it never accepted the plan. To this day, half a

century later, Israel still refuses to define its borders.

In fact, when the fighting of 1947 and 1948 ended, the State of Israel occupied half of Jerusalem and 78 percent of the former mandate of Palestine. About 750,000 Muslim and Christian Palestinians had been driven from towns, villages and homes to which the Israeli forces never allowed them to return.

The four wars that followed, three of them started by Israel in 1956, 1967, and 1982, and one of them started by Egypt and Syria to recover their occupied lands in 1973, have been over the portions of Lebanon, Syria, Jordan and Egypt which the Israelis occupied militarily in those wars, the other half of Jerusalem, and the 22 percent of Palestine – comprising the West Bank and Gaza – which is all that remains for the Palestinians.

It is the unwillingness of successive U.S. governments to acknowledge these historical facts, and adjust U.S. Middle East policies to right these wrongs, that has resulted in such a devastating loss of international credibility. Americans, who once were identified with the modern schools, universities and hospitals they had established throughout the Middle East starting more than 150 years ago, now are identified with U.S. misuse of its veto in the United Nations to condone Israeli violations of the human rights of the Palestinians living in the lands Israel has seized by force. The Israeli occupation violates the preface to the United Nations Charter banning the acquisition of territory by war. What the Israeli government has been doing in the occupied territories also violates the Fourth Geneva convention, which forbids the transfer of populations to or from such areas.

Governments of Middle Eastern countries which once looked to the United States as their protectors from European colonialism, now find it very difficult to justify maintaining cordial relations with the United States at all. Friendly Arab governments are jeopardized by their U.S. alliances, and the fall of one, the Hashemite Kingdom of Iraq, was directly attributable to its premature withdrawal of its armed forces from Palestine during the 1948 fighting, and its subsequent membership in a military alliance with the U.S. and Britain.

Even our European and Asian allies have joined in deploring the perpetual American tilt toward Israel. In a recent vote on a U.N. General Assembly resolution calling upon Israel to curb further encroachments on Palestinian lands by Jewish settlers, only the United States and Micronesia voted with Israel. Of the 185 U.N. member nations, all of the others, without exception, voted against Israel or abstained.

Increasingly, aid to the periphery is part of U.S. involvement in the Middle East. Ethiopia, Somalia and Eritrea are viewed as integral to geopolitical planning for the Middle East, and, more recently, aid to the Central Asian "emergent democracies" is linked in part to Middle East politics, related to efforts to encircle and isolate Iran. That increasing flow of aid is also part of the larger picture of aid to the Middle East.

Another element is ad hoc support for Israel, which is not part of the formal foreign aid programs. No comprehensive compilation of U.S. support for Israel has been publicly released. Additional known items include loan guarantees—which the U.S. most probably will be forced to cover—special contracts for Israeli firms, legal and illegal transfers of marketable U.S. military technology, de facto exemption from U.S. trade protection provisions, and discounted sales or free transfers of "surplus" U.S. military equipment. An unquantifiable element is the trade and other aid given to Romania and Russia to facilitate Jewish migration to Israel; this has accumulated to many billions of dollars. Lastly, unofficial aid, in the form of transfers from the Diaspora resident in the U.S. and net purchases by U.S. parties of Israel Bonds, adds at least \$40 billion to the total. A rough estimate, again a minimum, for such additional elements is more than \$100 billion since 1973.

U.S. jobs and exports also have been affected, adding to costs and losses. "Trade followed the flag" in the area—but in the reverse direction. As U.S. relations with Mideast countries deteriorated, trade was lost. Worsening political relations resulted in the loss of hundreds of thousands of U.S. jobs. Some disappeared as a consequence of trade sanctions, some because large contracts were forfeited, thanks to the Israel lobby—as in the case of foregone sales of fighters to Saudi Arabia in the 1980s—and still others due to a dangerously growing trade-aid imbalance vis-à-vis Israel.

Sanctions alone have caused U.S. jobs to disappear. The trickle of U.S. trade with Iran, Iraq, Libya and Syria—compared to what would have been expected had relations been "normal," let alone "good"—currently costs the U.S. some 80,000 to 100,000 jobs each year. The figure is probably higher, in fact, because it does not reflect the lost opportunities for U.S. farmers to export their products into the growing markets of the sanctioned countries.

"Good" relations, however, do not necessarily mean employment gains for Americans. In the case of Israel, the striking trade-aid imbalance vis-à-vis Israel costs the U.S. almost as many jobs as the sanction regimes. Israel exports to the U.S. much more than it imports, while it pays for only a fraction of what it does import from the U.S. Specifically, Israel buys little from

was a wash. In fact, the U.S. government actually showed a fiscal profit from the crisis, because it collected at least an additional \$10 billion in taxes and royalties from the higher prices of domestically produced oil and gas.

Economic and Military Aid

This category includes only those amounts which flow through the conventional foreign aid appropriations process. Ad hoc and special aid is discussed later. The total for the Middle East is \$867 billion, which includes the official "Near East" category, plus Greece and Turkey, which are classified as part of Europe for purposes of U.S. statistics. Greece is included because the Greek lobby has ensured that Greece receives roughly 70 percent as much aid as Turkey as a condition for acquiescing in the appropriations for Turkey. Thus the outlays for Greece are necessary conditions for the outlays for Turkey, given the U.S. domestic political dynamic, and thus are causally linked to the Middle East.

The official reports are incomplete. First, it is necessary to estimate the ad hoc and special aid for Israel, which is reported differently, if at all (see below). Secondly, it is necessary to include such special, but related, transactions as U.S. support for insurgents in the Sudan, or the U.S. share in multilateral aid to Turkey, in order to flesh out the full picture. "Humanitarian aid" to the revolutionaries in the southern Sudan has aggregated to some \$2 billion, while the U.S. share of recent multilateral aid to Turkey from the IMF and World Bank can be estimated at \$7 billion. It can be argued that this money was made available to Ankara as a result of U.S. pressure, intended to reward Turkey further for its alliance with Israel and as an incentive for further cooperation against Iraq.

TABLE 3: Summary Overview of Costs to U.S. of Support for Israel Since WWII (in 2002 dollars or jobs per year)

Direct		\$1,845 bn
	Official foreign aid	247 bn
	Rescue Costs (1973)	1,050 bn
	Collateral costs (aid)	451 bn
	Special, ad hoc support	106 bn
Trade & Job losses		275,000 jobs/yr
Linked		\$324 bn min
	Aid to periphery (NIS, etc)	49 bn+
	Energy autarky	235 bn min
	"Defense" of the Gulf	40 bn
Contingent		
	Oil Supply Guarantee	\$3 bn/month
	(not yet implemented)	

Yet Americans seem oblivious to such examples of how their Israel-centered Middle East policies are isolating the United States in the world.

Next is the cost of Israel to the American domestic political system. In December 1997, Fortune magazine asked professional lobbyists to select the most powerful special interest group in the United States. They chose the American Association of Retired Persons, which lobbies on behalf of all Americans over 60.

In second place, however, was the American Israel Public Affairs Committee, Israel's official Washington, D.C. lobby, with a \$15 million budget – the sources of which AIPAC refuses to disclose – and 150 employees. AIPAC, in turn, can draw upon the resources of the Conference of Presidents of Major American Jewish Organizations, a roof group set up to coordinate the efforts on behalf of Israel of some 52 national Jewish organizations.

Among those organizations are groups such as B'nai B'rith's Anti-Defamation League (ADL), with a \$45 million budget, and Hadassah, the Zionist women's group, which spends more than AIPAC and sends thousands of Americans every year to Israel on Israeli government-supervised visits.

Both AIPAC and the ADL maintain secret "opposition research" departments which compile files on politicians, journalists, academics and organizations, and circulate this information through local Jewish community councils to pro-Israel groups and activists in order to damage the reputations of those who dare to speak out and thus have been blackballed as "enemies of Israel." In the case of ADL, police raids on the organization's Los Angeles and San Francisco offices established that much of the information they had compiled was erroneous, and thus slanderous, and some also was illegally obtained.

In the case of AIPAC, this is not the organization's most controversial activity. In the 1970s members of AIPAC's national board of directors set out to form deceptively named local political action committees (PACs) which could coordinate their efforts in supporting candidates in federal elections. To date, at least 126 pro-Israel PACs have been registered, and no fewer than 50 PACs, like AIPAC, can give a candidate who is facing a tough opponent and who has voted according to AIPAC recommendations up to half a million dollars. That's enough money to buy all the television time needed to get elected in most parts of the country.

What is totally unique about AIPAC's network of political action committees is that they all have deceptive names. Who could possibly know that

the Delaware Valley PAC in Philadelphia, San Franciscans for Good Government in California, Cactus PAC in Arizona, Chili PAC in New Mexico, Beaver PAC in Wisconsin and even Ice PAC in New York are really pro-Israel PACs. So just as no other special interest can put so much hard money into any candidate's election campaign as can the Israel lobby, no other special interest has gone to such elaborate lengths to hide its tracks.

Some of America's wisest and most distinguished public servants have been kept from higher office by the blackballing of the Israel lobby. One such leader was George Ball, who served the Kennedy administration as Under Secretary of State and the Johnson administration as U.S. Ambassador to the United Nations. Given his unmatched brilliance in forecasting international developments, there is no doubt that he would have become secretary of state had he not publicly expressed the skepticism about the U.S. relationship with Israel which most Americans involved in foreign affairs privately feel.

In membership meetings which journalists are not allowed to attend, AIPAC presidents have boasted that the organization was responsible for the defeats of two of history's most distinguished chairmen of the Senate Foreign Relations Committee – Democrat J. William Fulbright of Arkansas and Republican Charles Percy of Illinois. The list of other Senators and House members for whose election defeats AIPAC takes credit is too long to recount.

There is good evidence also that had it not been for complex maneuvers by the Israel lobby, including encouragement of third party candidates and unrelenting partisanship by pro-Israeli syndicated columnists and other media figures, Democratic President Jimmy Carter probably would have been reelected in 1980, and Republican President George Bush almost certainly would have been reelected in 1992.

The cost to our political system of losing national figures who refused to allow U.S. domestic political interests to dictate U.S. foreign policy has been enormous. So long as AIPAC and other powerful lobbies continue to thwart meaningful efforts on behalf of campaign finance reform, Americans will continue unknowingly paying such costs.

Finally, there is the cost of Israel in American lives. References to the attack by Israeli aircraft and torpedo boats on the USS Liberty in which 34 Americans were killed and 171 wounded on the fourth day of the Six-Day War of June 1967 often are met by disbelief. Very few Americans seem to have heard of the attack on the ship operated by the U.S. Navy for the National Security Agency to monitor Israel and Arab military communications during

A third factor added to the oil-related cost of the 1973 war (over and above the multi-billion dollar aid package to Israel which began in that year). Deciding to act preventively, as it were, the U.S. created, after some travail, a Strategic Petroleum Reserve ("SPR") designed to insulate Israel and the U.S. against the wielding of a future Arab "oil weapon." It was destined to contain one billion barrels of oil which could be released in the event of a supply crisis. To date the SPR, which still exists and is slowly being expanded, has cost \$134 billion—since much of the oil was bought at high prices, and because the salvage value is relatively low. Thus, the 1973 oil crisis, all in all, cost the U.S. economy no less than \$900 billion, and probably as much as \$1,200 billion. Ironically, military costs themselves were negligible. The 1973 war illustrated the new dimension of Middle East conflicts, where the burdens are economic rather than military.

The next regional oil crisis was relatively less dear, although costly nonetheless. The Iranian revolution and the subsequent Iran-Iraq war cost the U.S. \$335 billion in terms of higher oil import prices. There were two stages. First, 5 million barrels per day (b/d) of Iranian oil exports were suspended when the revolutionaries closed the oil terminals in 1978. The resulting shortfall in oil supply, compounded by speculators, doubled oil prices. Then, just two years later, in 1980, began the Iran-Iraq war, which interrupted oil exports from both warring countries, causing prices to more than double once again. The joint effect of the two crises cost the U.S. consumer \$335 billion in terms of higher prices for imported oil. It also caused a rise in prices of domestic energy—oil, gas, and coal. These "knock-on" effects are not included, however, so that the figure of \$335 billion is indeed a lower bound for the actual costs of those two, back-to-back crises. The total consumer cost is likely to have been more than double that figure.

The 1990/91 Gulf war, on the other hand, proved to be almost a bargain. It did cost American consumers approximately \$80 billion in higher oil prices, including both imported and domestic oil, again excluding the resulting "knock-on" effects. The military costs of conducting the war itself were all but nil, however, because virtually all the other costs were passed on to Washington's willing or reluctant allies through "burden-sharing." The Germans, Japanese, and some Gulf states contributed cash and kind to the pursuit of the war, with the result that the net military cost to the U.S. was essentially zero. Officially reported "burden-sharing" contributions amounted to \$45 billion, compared to officially reported U.S. military costs of \$49 billion. Given the inherent imprecision in the budgeted figures, the net effect

Oil Crises

The largest single element in the costs has been the series of six oil-supply crises since the end of World War II. To date these have cost the U.S. \$1.5 trillion (again in 2002 dollars), excluding the additional costs incurred since 2001 during the build-up toward the second war with Iraq. Until 1991, each crisis was triggered by a conflict among two or more Middle Eastern states, usually with the active involvement of at least one extra-regional power. The nature and impact of the oil crises changed over time, becoming more serious and implying greater risk to the oil-consuming world.

The several earlier Mideast oil crises, in 1956 and 1967, actually had relatively little effect on the United States. Indeed, the U.S. profited from exporting surplus oil in 1956 when Mideast supplies—especially of "sterling oil"—were interrupted. The second such crisis, in 1967, did have a longer-term impact. Initially, only the cost of shipping was raised when the Israelis interdicted the Suez Canal. The splitting of oil markets between east and west of Suez, however, was the catalyst for an overall price increase which otherwise would have been unlikely, if not impossible. Several OPEC states were successful in exploiting the closure of the Suez Canal to increase oil prices across the board after 1968. Again, the effect on the U.S. was relatively small, because U.S. oil imports were still at a low level. Nonetheless, those increases between 1970 and 1973 did cost the U.S. some \$40 billion (in 2002 dollars).

The period before 1973, therefore, had little effect on U.S. oil costs, and the burden of aid to Israel was modest, so the overall cost of Middle East conflicts remained modest. The major cost prior to 1973, in fact, was support for Turkey as part of Cold War operations to contain the Soviet Union.

This changed with 1973, and costs escalated rapidly thereafter. Starting with the Arab-Israeli war of 1973, the costs to the U.S. of regional crises and aid programs began to increase beyond any original expectations. Since 1973, protection of Israel and subsidies to countries willing to sign peace treaties with Israel, such as Egypt and Jordan, has been the prime driver of U.S. outlays or the trigger for crisis costs. The 1973 war proved to be dear. At a minimum, it cost the U.S. between \$750 billion and \$1 trillion. This was the price tag for the rescue of Israel when President Richard Nixon agreed to resupply Israel with U.S. arms as it was losing the war against its neighbors. Washington's intervention triggered the Arab oil embargo which cost the U.S. doubly: first, due to the oil shortfall, the US lost about \$300 billion to \$600 billion in GDP; and, second, the U.S. was saddled with another \$450 billion in higher oil import costs.

the fighting.

The Israeli government claimed it was a case of mistaken identity. The members of the crew and other naval officers who were stationed in the Mediterranean and in Washington at the time state that it was a deliberate attempt to sink the ship and blame Egyptian forces for the disaster. It is the only such event in U.S. Naval history the cause of which has never been formally investigated either by Congress or by the Navy itself.

Major losses of American lives at the hands of Arab forces opposing Israel are better known. These include the loss of 141 U.S. service personnel in the bombing of the U.S. Marine barracks in Beirut in 1984. They also include the loss of several U.S. diplomats and local employees of the U.S. government in two bombings of the American Embassy in Beirut. Other such events include the bombing of the U.S. Embassy in Kuwait, the taking of U.S. hostages in Beirut of whom three were killed, the deaths of Americans in a series of Middle East related skyjackings, the deaths of 19 U.S. service personnel in the bombing of the Al Khobar Towers in Saudi Arabia, and the 1997 assassination of four U.S. accountants working for an American company in Karachi.

All of these incidents, and many more in which Americans have died, resulted directly from one-sided U.S. support for Israel in its refusal to participate in the land-for-peace settlement with the Palestinians and its other Arab neighbors envisioned in U.N. Security Council Resolution 242. The U.S. has given lip service to that resolution since November 1967. But in practice the U.S. has done nothing to force Israel to comply, even though the resolution has been accepted by the members of the League of Arab States. That U.S. hypocrisy fuels rage and frustration throughout the Middle East and South Asia which will continue to take a toll of American lives until Israel finally gives back the lands it occupied in 1967, or the U.S. stops subsidizing Israeli intransigence.

Claims that there are positive aspects of the U.S.-Israeli relationship seldom stand up to scrutiny. During the Reagan administration it was labeled for the first time a "strategic relationship" conferring benefits on the U.S. as well as on Israel. The idea that Israel – smaller in both area and population than Hong Kong – can offer the United States benefits sufficient to offset the hostility that relationship arouses among 250 million Arabs living in a 4,000-mile strategic swath of territory stretching from Morocco to Oman is ludicrous. It becomes even more ludicrous when one realizes that the relationship also has alienated another 750 million Muslims who, together with

the Arabs, control more than 60 percent of the world's proven oil and gas reserves. Apologists for Israel also describe the U.S.-Israeli cooperation in weapons development. The fact is that the one or two successful joint weapons programs have been largely U.S. financed, while for their part the Israelis have repeatedly sold to rogue nations U.S. weapons turned over at no cost to Israel.

It is a sad but proven fact that the Israeli government also has obtained secret U.S. military technology which Israel has sold to other countries. For example, after the U.S. sent Patriot missile defense batteries on an emergency basis to help defend Israel during the Gulf War, the Israelis seem to have sold the Patriot missile technology to China, according to the U.S. State Department's inspector general. As a result, the U.S. has been forced to develop a whole new generation of missile technology able to penetrate the defenses China has developed as a result of the Israeli treachery.

Perhaps the most hypocritical rationalization offered by friends of Israel is that U.S. special treatment is justified because Israel is "the Middle East's only working democracy" and that Israel and the U.S. have many basic institutions in common. In fact, Israeli democracy does not work for non-Jews. In contrast to the United States, where by law all citizens have equal rights regardless of religion or ethnic origin, Muslim and Christian citizens of Israel do not have equal rights with regards to military service, the extensive social benefits available to veterans of Israeli military service, or even in terms of Israeli tax rates imposed on Arab citizens and Israeli government expenditures in Arab communities within Israel.

Further, Israeli citizenship is not available to the Muslim and Christian Palestinians driven from their homes in Israel in 1948, nor to their descendants. But a Jew, born anywhere in the world, can have Israeli citizenship for the asking.

Perhaps most shocking is the little-known fact that by now 90 percent of the land in Israel proper is held under restrictive covenants barring non-Jews, even those with Israeli citizenship, from owning the land or from earning a living on it. Unfortunately, the land held under such covenants is increasing, not decreasing. It would be difficult, therefore, to find two countries more profoundly different in their approaches to basic questions of citizenship and civil and human rights as are the United States and Israel.

<i>Ad hoc Support for Israel</i>		\$56 bn +
Preferential Contracting	40 bn (est)	
Discounted arms sales	Not traced	
Israel's SPR (1975 MOU)	3 bn	
Loan guarantees	10 bn	
Oil Supply Guarantee	Up to 3bn/month	
Support for Lavi and other projects	3 bn	
<i>Budgeted aid - periphery</i>		\$32 bn
Sudan	2 bn	
Ethiopia & Eritrea	12 bn	
Caucasus & Central Asia	6 bn	
Somalia	2 bn	
Other SW Asia	10 bn	
<i>Private US Aid to Israel</i>		\$40 bn-50 bn
<i>US Share of Multilateral Aid</i>		\$10 bn
Turkey	7 bn	
UNRWA	3 bn	
<i>Lost Trade and Domestic Jobs</i>		\$10 bn 275,000 jobs/yr
Embargoes & Sanctions		100,000/yr
Trade-aid Imbalance: Israel		125,000/yr
Blocked trade opportunities		650,000 man-yrs
GMMR	50,000 man-yrs	
"Yamamah Project"	600,000 man-yrs	
Known investment losses	\$10 bn	
<i>Energy autarky</i>		381 bn (min)
Strategic Petroleum Reserve		\$146 bn
"Project Independence"		\$235 bn (min)
Gasohol	25 bn	
Estimated state subsidies	100 bn	
Unconventional gas	20 bn (est)	
Unconventional energy	Not traced	
Other federal subsidies	90 bn	
<i>"Defense" of Gulf Oil Supplies</i>		
Presence and preparedness in the Gulf		\$40 bn +
<i>Estimated Total (min)</i>		\$2.6 trillion-2.9 trillion

Total identifiable costs come to almost \$3 trillion. About 60 percent, well over half, of those costs—about \$1.7 trillion—arose from the U.S. defense of Israel, where most of that amount has been incurred since 1973 (see later section and Table Three).

TABLE 1: Summary Overview of Cost of Mideast Conflicts to U.S. Since WWII (in 2002 dollars or jobs per year)

Type of Cost	Events	2002 Costs
Political or Military Crises	Conflicts in 1967, 1973, 1978-87, 1990/1 and construction of Strategic Petroleum Reserve	\$1,516 bn
Economic and Military Aid	Total Regional (budgeted) – Near East, Turkey, Greece, and periphery	\$867 bn
Ad hoc support for Israel	Trade preferences, loan guarantees, privileged contracts and technology access	\$56 bn +
Lost Trade and Domestic jobs	Effects of sanctions and blocked contracts	\$275,000/yr
Energy autarky	"Project Independence"	indeterminate
	Of which identifiable programs	\$285 bn
"Defense" of Gulf Oil Supplies	Presence and preparedness in the Gulf (since mid-1980s)	\$40 bn +
Contingent Cost	Oil Supply Guarantee for Israel (1975 MOU)	\$3bn/month

TABLE 2: Detailed Breakdown of Cost of Mideast Conflicts to U.S. Since WWII (in 2002 dollars or jobs per year)

Type of Cost	Events	Subtotals	Total
<i>Political or Military Crises</i>			\$1,220-\$1,520 bn
	1956 War		de minimis
	1967 War		\$40 bn +
	1973 War		\$750-\$1,050 bn +
	GDP Loss	300-600 bn	
	Import Price Impact	450 bn +	
	1978 Iranian Revolution and Iran-Iraq War		\$350 bn
	Gulf War 1990-91		\$80 bn
<i>Economic and Military Aid</i>			
	Total Regional (budgeted)		\$808 bn
	Israel	247 bn	
	Egypt	139 bn	
	Turkey	159 bn	
	Greece	125 bn	
	Jordan	25 bn	
	Other Regional	110 bn	
	West Bank & Gaza	1 bn	
	Peacekeeping	2 bn	

(Table Continued on Next Page)

A Conservative Estimate of Total Direct U.S. Aid to Israel: Almost \$114 Billion

By Retired Foreign Service Officer Shirl McArthur

Washington Report on Middle East Affairs

November 2008, pages 10-11

TABLE 1: Direct U.S. Aid to Israel (millions of dollars)

Year	Total	Military Grant	Economic Grant	Immigrant	ASHA	All Other
1949-1996	68,030.90	29,014.90	23,122.40	868.9	121.4	14,903.30
1997	3,132.10	1,800.00	1,200.00	80	2.1	50
1998	3,080.00	1,800.00	1,200.00	80	?	?
1999	3,010.00	1,860.00	1,080.00	70	?	?
2000	4,131.85	3,120.00	949.1	60	2.75	?
2001	2,876.05	1,975.60	838.2	60	2.25	?
2002	2,850.65	2,040.00	720	60	2.65	28
2003	3,745.15	3,086.40	596.1	59.6	3.05	?
2004	2,687.25	2,147.30	477.2	49.7	3.15	9.9
2005	2,612.15	2,202.20	357	50	2.95	?
2006	2,534.53	2,257.00	237	40	?	0.53
2007	2,500.24	2,340.00	120	40	?	0.24
2008	2,423.80	2,380.60	0	39.7	3	0.5
Total	103,614.67	56,024.00	30,897.00	1,557.90	143.3	14,992.47

Notes: FY 2000 military grants include \$1.2 billion for the Wye agreement and \$1.92 billion in annual military aid. FY 2003 military aid included \$1 billion from the supplemental appropriations bill. The economic grant was earmarked for \$960 million for FY 2000 but was reduced to meet the 0.38% rescission. Final amounts for FY 2003 are reduced by 0.65% mandated rescission, the amounts for FY 2004 are reduced by 0.59%, and the amounts for FY 2008 are reduced by .81%.

Sources: CRS Report RL33222: U.S. Foreign Aid to Israel, updated Jan. 2, 2008, plus the FY '08 omnibus appropriations bill, H.R. 2764.

This estimate of total U.S. direct aid to Israel updates the estimate given in the July 2006 issue of the *Washington Report on Middle East Affairs*. It is an estimate because arriving at an exact figure is not possible, since parts of U.S. aid to Israel are a) buried in the budgets of various

U.S. agencies, mostly that of the Defense Department (DOD), or b) in a form not easily quantifiable, such as the early disbursement of aid, giving Israel a direct benefit in interest income and the U.S. Treasury a corresponding loss. Given these caveats, our current estimate of cumulative total direct aid to Israel is \$113.8554 billion.

It must be emphasized that this analysis is 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 benefits 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. (See, for example, the late Thomas R. Stauffer's article in the June 2003 *Washington Report*, "The Costs to American Taxpayers of the Israeli-Palestinian Conflict: \$3 Trillion.")

Especially, this computation does not include the costs resulting from the invasion and occupation of Iraq—hundreds of billions of dollars, 4,000-plus U.S. and allied fatalities, untold tens of thousands of Iraqi deaths, and many thousands of other U.S., allied, and Iraqi casualties—which is almost universally believed in the Arab world to have been undertaken for the benefit of Israel. Among other "indirect or consequential" costs would be the costs of U.S. unilateral economic sanctions on Iran, Iraq, Libya and Syria, the costs to U.S. manufacturers of the Arab boycott, and the costs to U.S. companies and consumers of the 1973 Arab oil embargo and consequent and subsequent soaring oil prices partially as a result of U.S. support for Israel.

Among the real benefits to Israel that are not direct costs to the U.S. taxpayer are the early cash transfer of economic and military aid, in-country spending of a portion of military aid, and loan guarantees. The U.S. gives Israel all of its economic and military aid directly in cash during the first month of the fiscal year, with no accounting required of how the funds are used. 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. Furthermore, Israel is allowed to spend 26.3 percent of each year's military aid in Israel (no other recipient of U.S. military aid gets this benefit), which has resulted in an increasingly sophisticated Israeli defense industry. As a result, Israel has become a major world arms exporter; the Congressional Research Service (CRS) reports that in 2006 Israel was the world's ninth leading supplier of arms worldwide, earning \$4.4 billion from defense sales.

Another benefit to Israel are U.S. government loan guarantees. The

The Costs to American Taxpayers of the Israeli-Palestinian Conflict: \$3 Trillion

By Economist Thomas R. Stauffer
Washington Report on Middle East Affairs
June 2003, pages 20-23

*The following article stemmed from a request by the
US Army War College for a lecture on this topic.*

Conflicts in the Middle East have been very costly to the U.S., as well as to the rest of the world. An estimate of the total cost to the U.S. alone of instability and conflict in the region—which emanates from the core, Israeli-Palestinian conflict—amounts to close to \$3 trillion, measured in 2002 dollars. This is an amount almost four times greater than the cost of the Vietnam war, also reckoned in 2002 dollars.

Even this figure underestimates the costs because certain classes of expenditure remain unquantified. In particular, no reliable figure is available for the costs of "Project Independence," Washington's lavishly promoted effort to reduce U.S. dependence on oil from the Middle East. That effort, which was subverted early on by diverse local special interests, was designed primarily to insulate Israel from any new "Arab oil weapon" after 1973/74, and may easily have cost \$1 trillion. Even though the outlays were rationalized in the interest of "national security," however, they contributed little or nothing to reducing U.S. strategic dependence upon imported oil from the Middle East. Similarly, aid to Israel—and thus the regional total—also is understated, since much is outside of the foreign aid appropriation process or implicit in other programs. Support for Israel comes to \$1.8 trillion, including special trade advantages, preferential contracts, or aid buried in other accounts. In addition to the financial outlay, U.S. aid to Israel costs some 275,000 American jobs each year.

The major components in this minimum estimate of the costs are summarized in Table One; the detailed breakdown is displayed later in Table Two:

the course of the year), the July 2006 estimate arrived at a total of \$1.991 billion through FY '06. To that, using an interest rate of 4 percent, is added \$50 million for FY '07 and \$48 million for FY '08, for a cumulative total of \$2.089 billion through FY '08.

Other Grants and Endowments: \$457.7 Million. The July 2006 report included \$456.7 million in U.S. grants and endowments to U.S.-Israeli scientific and business cooperation organizations. The two largest are the BIRD (Israel-U.S. Binational Research & Development) Foundation and the BARD (Binational Agriculture and Research and Development) Fund. While these are mostly self-sustaining, the BARD Fund gets about \$500,000 a year from the Agriculture Department. Adding \$0.5 million for each of FY '07 and '08 to the '06 total gives a new total of \$0.457.7 billion.

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.

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 authorized in FY '03 and extended to FY '10. Of that \$9 billion, CRS reports that Israel has drawn \$4.1 billion through FY '07. These loans have not—yet—cost the U.S. any money; they are listed on the Treasury Department's books as "contingent liabilities," which would be liabilities to the U.S. should Israel default. However, they have been of substantial, tangible benefit to Israel, because they enable Israel to borrow commercially at special terms and favorable interest rates.

Components of Israel Aid

Israel is the largest cumulative recipient of U.S. aid since World War II (not counting the huge sums being spent in Iraq). The \$3 billion or so per year that Israel receives from the U.S. amounts to about \$500 per Israeli. Most of this money is earmarked in the annual 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 "migration and refugee assistance." (Refugee assistance originally was intended to help Israel absorb Jewish refugees from the Soviet Union, but this was expanded in 1985 to include all refugees resettling in Israel. In fact, Israel doesn't differentiate between refugees and other immigrants, so this money is used for all immigrants to Israel.)

Not earmarked but also included in congressional appropriations bills is Israel's portion of grants for American Schools and Hospitals Abroad (ASHA) and monies buried in the appropriations for other departments or agencies. 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, the two countries agreed to reduce economic grants to Israel by \$120 million and increase military grants by \$60 million annually over 10 years. FY '08 is the last year of that agreement, with military grants reaching \$2.4 billion (reduced by an across-the-board rescission), and zero economic grants. Then, in August 2007, U.S. and Israeli officials signed a memorandum of understanding for a new 10-year, \$30 billion aid package whereby FMF will gradually increase, beginning with \$2.55 billion in FY '09, and average \$3 billion per year over the 10-year period.

Methodology

**TABLE 2: Foreign Aid and DOD Appropriations
Legislation Since FY 2004**

	Basic Documents	Conference Report	Public Law
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
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
FY '07 Defense	H.R. 5631	H.Rept. 109-676	P.L. 109-289
Foreign Aid	H.J.Res. 20		P.L. 110-5
FY '08 Defense	H.R. 3222	H.Rept. 110-434	P.L. 110-116
Omnibus	H.R. 2764	H.Rept. 110-497	P.L. 110-161

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 '04, '05, and '08 defense was passed separately and foreign aid was included in the consolidated or "omnibus" bill. In FY '07 defense was passed separately and foreign aid was included in the continuing resolution, H.J. Res. 20, which continued '07 appropriations at the '06 level with some exceptions—including, of course, for Israel.

As with previous *Washington Report* estimates of U.S. aid to Israel, this analysis is based on the annual CRS report, *U.S. Foreign Aid to Israel*, which uses available and verifiable numbers, primarily from the foreign operations appropriations bills. Although the CRS report does include such things as the old food for peace program, the \$1.2 billion from the Wye agreement, the \$1 billion in FMF included in the FY '03 Emergency Supplemental appropriations bill, the subsidy for "refugee resettlement," and money from the ASHA account, it does not include money from the DOD and other agencies. Nor does it include estimated interest on the early disbursement of aid.

The January 2008 CRS report on aid to Israel shows a total of \$101.1908 billion through FY '07. Table 1, on the previous page, is drawn from the summary table of that report, plus \$2.4238 billion from the FY '08 omnibus appropriations bill and estimates for ASHA and "other" amounts in FY '08, for a total of \$103.6147 billion through FY '08.

To that has been added \$10.2407 billion, as detailed below, for a grand total of \$113.8554 billion.

Estimated Amounts Not Included in Table 1: \$10.2407 Billion

Defense Department Funds: \$7.694 Billion. For previous estimates, a search going back several years was able to identify \$6.794 billion from the DOD to Israel through FY '06. Adding \$450 million from the FY '07 DOD appropriations and \$450 million from the '08 appropriations gives a total of \$7.694 billion. (The FY '08 appropriations bill earmarks \$155.6 million for Israel. However, AIPAC's Web site reported that the total for earmarked and non-earmarked programs was \$450 million—and who would know better than the Israel lobby itself?)

The military aid from the DOD budget is mostly for specific projects. The largest items have been the canceled Lavi attack fighter project, the completed Merkava tank, the ongoing Arrow anti-missile missile project, and several other anti-missile systems, most recently the "David's Sling" short-range missile defense system. Haaretz reported in June that a senior U.S. defense official has said the U.S. will support and help Israel's development

of the advanced Arrow 3 designed to intercept advanced ballistic missiles. 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 other anti-missile projects would seem to jettison the argument that these are "joint defense projects." 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, 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. In addition, since 1988 Israel has been designated a "major non-NATO ally," giving it access to U.S. weapons systems at lower prices, and preferential treatment in bidding for U.S. defense contracts.

Interest: \$2.089 Billion. Israel receives its U.S. economic and military aid in a lump sum within one month of the new fiscal year or the passage of the appropriations act. Applying one-half of the prevailing interest rate to the aid for each year (on the assumption that the aid monies are drawn down over

It would be difficult to find two countries more profoundly different in their approaches to basic questions of citizenship and civil and human rights as are the United States and Israel.