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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Talking Points	Themes for Sept. 12 Meeting with Leaders on Loans (2 pp.)	n.d.	(b)(1)	
01b. Talking Points	Themes for Sept. 12 Meeting with Leaders on Loans [index cards] (5 pp.)	n.d.	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Office of the President
Series: Daily Files
Subseries:
WHORM Cat.:
File Location: Loan Guarantee israel, 9/11-14/91

Pinksheet Number: dw2259
OA/ID Number: 90618-001
Date Closed: 4/29/2013
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NATIONAL
JEWISH
COALITION

September 12, 1991

The Honorable George Bush
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

Throughout your distinguished career, you have spoken out with conviction and compassion on the issue of Soviet Jewry. Your public recognition of America's moral responsibility, combined with your vigorous actions, have helped to bring about this miraculous exodus of Jews from the Soviet Union to the freedom and safety of Israel.

Similarly, your unhesitating actions in support of Ethiopian Jews have made a major contribution to their escape to Israel. History, which remembers the inaction of world leaders who might have prevented the Holocaust, will record that, on your watch, two entire Jewish communities fleeing oppression found freedom in their historic homeland.

In this dramatic context, there is an urgent and pressing need to help Israel carry out the daunting task of absorbing these new immigrants -- providing them with adequate shelter, productive jobs, education for their children, as well as the dignity they deserve. As you know, Israel does not ask the United States to fund this enormous effort, but instead seeks U.S. assistance in guaranteeing the loans that will enable her to complete the process.

These loan guarantees represent the final chapter in America's efforts to save Soviet and Ethiopian Jewry, the ultimate act in a long-term United States commitment to see these people free and safe. Israel is facing the monumental task of absorbing these new immigrants. The need for these loan guarantees is great, and immediate.

Mr. President, this is a humanitarian issue of the highest priority -- assisting people who have left family, careers, and everything they know to find new hope, freedom and opportunity in Israel. As the leader of the the free world, committed to helping all people achieve freedom, this commitment deserves your attention. Indeed, in all our conversations with you and the Secretary of State, you have both made clear your understanding of the overriding moral responsibility the United States has assumed. We are grateful for your commitment to provide these people with the opportunity and wherewithal to start anew in Israel.

Frankly, we are now worried that other issues are intruding into consideration of how to realize this humanitarian goal. In the process, it appears as if the United States is wavering in its commitment. Out of our own deep concern for the completion of this historic effort, we urge you to proceed with the provision of the loan guarantees. It is crucial that this humanitarian effort be undertaken independently of other issues, and without delay, for the sake of the thousands of Soviet and Ethiopian Jews who need our help.

Sincerely,

Max M. Fisher
Honorary Chairman

Richard J. Fox
Co-Chairman

George Klein
Co-Chairman

(202) 547-7701
Fax: 544-2434
415 SECOND STREET, N.E.
SUITE 100
WASHINGTON, DC 20002

From the desk of

George Bush

P

9-14

file all relate

to Israel - Loan Guarantee

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ISRAEL: SHARON CALLS U.S. BEHAVIOR 'DANGER SIGNAL' (TAKE 1 OF 2)

TA1109065291 JERUSALEM QOL YISRA'EL IN HEBREW 0505 GMT 11 SEP 91

[TELEPHONE INTERVIEW WITH CONSTRUCTION AND HOUSING MINISTER ARI'EL SHARON BY HAYIM ZISSOWITZ AND YARON ENOSH -- LIVE]

[TEXT] [ZISSOWITZ] GOOD MORNING, CONSTRUCTION AND HOUSING MINISTER SHARON.

[SHARON] GOOD MORNING TO YOU.

[ZISSOWITZ] OUR CORRESPONDENT YARON ENOSH WILL ALSO BE SPEAKING WITH YOU.

[ENOSH] AS WE JUST HEARD, WASHINGTON IS UNOFFICIALLY LINKING THE RECENT INCREASE IN SETTLEMENTS AND THE DEFERRAL OF THE LOAN GUARANTEES BY AT LEAST SEVERAL MONTHS. HAS THE SETTLEMENT DRIVE IN JUDAEA, SAMARIA, AND THE GAZA STRIP REALLY BEEN STEPPED UP, AND IF SO WHY NOW?

[SHARON] THE CONSTRUCTION DRIVE THROUGHOUT THE ENTIRE COUNTRY IS BEING CARRIED OUT AT A RAPID PACE. THIS IS HAPPENING IN THE GALILEE, THE NEGEV, AROUND JERUSALEM, AND EVERYWHERE IN THE COUNTRY. THERE IS NOTHING EXCEPTIONAL ABOUT THE RATE OF CONSTRUCTION IN JUDAEA, SAMARIA, AND THE GAZA STRIP IN COMPARISON TO OTHER LOCATIONS. CONSTRUCTION IS BEING CARRIED OUT EVERYWHERE. ONE MUST UNDERSTAND WHAT IS HAPPENING AND WHAT THE ARABS ARE DOING. THEY HAVE MADE THEIR PARTICIPATION IN THE PEACE CONFERENCE CONDITIONAL ON THE DEFERRAL OF THE LOAN GUARANTEES AND THE U.S. ADMINISTRATION HAS CAPITULATED TO THE ARAB DEMANDS. THE ARABS ARE NOT DOING THIS BECAUSE OF THE SETTLEMENTS BUT BECAUSE THEY OPPOSE ALIYAH. THEREFORE, CONSCIOUSLY OR UNCONSCIOUSLY, AN AWFUL PRECEDENT HAS BEEN CREATED IN WHICH THE U.S. ADMINISTRATION HAS TAKEN THE SIDE OF THOSE ARABS CALLING FOR RAISING OBSTACLES TO ALIYAH WITH THE AIM OF STOPPING IMMIGRATION. BY THE WAY, THIS IS SOMETHING THAT THE ARABS HAVE BEEN TRYING TO DO FOR OVER 100 YEARS. THIS IS SOMETHING THAT CANNOT BE COUNTENANCED, AND EVERY JEW IN ISRAEL AND IN THE DIASPORA AND ALL FRIENDS OF ISRAEL MUST FIGHT THIS WITHOUT COMPROMISE. THE ISRAELI GOVERNMENT, OF COURSE, MUST INITIATE THIS BATTLE. I AM SORRY TO SAY THAT PRESIDENT BUSH MAY HAVE NOT UNDERSTOOD WHAT KIND OF ARAB TRAP HE WAS FALLING INTO.

[ENOSH] MINISTER SHARON, ISRAEL AGREED IN THE PAST TO LIMIT THE DIVERSION OF IMMIGRANTS TO THE TERRITORIES. WHY CANNOT SOME SORT OF COMPROMISE ALSO BE FOUND NOW REGARDING THE BUDGET ALLOCATED TO DEVELOPMENT IN THE TERRITORIES, SO AS NOT TO AFFECT THE U.S. LOAN GUARANTEES?

[SHARON] ISRAEL DECLARED THAT IT WAS NOT DIVERTING OR DIRECTING IMMIGRANTS TO JUDAEA, SAMARIA, AND THE GAZA STRIP. THE NUMBER OF IMMIGRANTS WHO SETTLED THERE OF THEIR OWN VOLITION DID NOT EXCEED 1 PERCENT OF THE 355,000 IMMIGRANTS WHO HAVE ARRIVED OVER THE LAST TWO YEARS. ISRAEL DID THIS SO AS NOT TO HARM THE CHANCES OF ALIYAH FROM THE SOVIET UNION, OUT OF FEAR THAT THERE COULD BE DIFFICULTIES IN GETTING THE JEWS OUT OF THERE. MOREOVER, I WOULD LIKE TO STRESS THAT ISRAEL IS NOT USING U.S. AID TO BUILD IN JUDAEA, SAMARIA, AND THE GAZA STRIP. THIS IS A HUMANITARIAN ACT OF HELPING JEWS AND IN MANY CASES OF SAVING THEIR LIVES. THERE CAN BE NO COMPROMISE ON THIS ISSUE. THIS IS ALSO THE BEST THING THE UNITED STATES CAN DO.

THE U.S. ADMINISTRATION'S BEHAVIOR REGARDING THE LOAN GUARANTEES BESPEAKS THE NATURE OF THE SCHEDULED PEACE CONFERENCE AND THE ATMOSPHERE UNDER WHICH IT WILL BE CONVENED. THAT IN ITSELF CONSTITUTES A DANGER SIGNAL.

(MORE)
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ISRAEL: SHARON CALLS U.S. BEHAVIOR 'DANGER SIGNAL'(TAKE 2 OF 2-- 032SEP11)

///A DANGER SIGNAL

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[TEXT] [ZISSOWITZ] IF THE CONGRESS INDEED ACCEDES TO PRESIDENT BUSH'S REQUEST TO DEFER THE LOAN GUARANTEES BY SEVERAL MONTHS, WILL YOU RECOMMEND TO THE CABINET THAT ISRAEL NOT PARTICIPATE IN THE PEACE CONFERENCE?

[SHARON] WE ALL WANT PEACE. NO ONE DESIRES PEACE LESS OR MORE THAN ANYONE ELSE. I PROPOSED TO THE CABINET SEVERAL TIMES, NOT ON THIS MATTER BUT ON NO LESS SIGNIFICANT ISSUES, THAT ISRAEL WAIT AND REEXAMINE ITS POSITION IN LIGHT OF THE CHANGING CONDITIONS -- AND OBVIOUSLY WHAT IS HAPPENING WITH THE LOAN GUARANTEES ONLY STRENGTHENS MY OPINION -- AND THEN COME OUT WITH A PROPOSAL THAT CAN REALLY BRING PEACE. I AM SORRY TO SAY THAT THE INTERNATIONAL CONFERENCE WE ARE BEING DRAGGED INTO, WHICH STANDS CONTRARY TO ALL OUR PAST POSITIONS, CANNOT BRING PEACE. IT WILL ONLY LEAD TO ADDITIONAL TENSION AND MORE PRESSURE ON ISRAEL. A CONCESSION ISRAEL MAKES TODAY WILL ONLY LEAD TO ANOTHER. ONE CONCESSION WILL LEAD TO ANOTHER. ALMOST NOTHING IS LEFT OF THE POINTS WE INSISTED ON AND UPON WHICH WE REACHED AGREEMENT WITH THE UNITED STATES. NOTHING IS LEFT OF THEM.

[ENOSH] IF THAT IS THE CASE, THEN YOU AT LEAST FEEL THAT YOUR POSITION HAS BEEN VALIDATED. WHAT EFFECT, HOWEVER, WILL THE DEFERRAL OF THE LOAN GUARANTEES HAVE ON THE PROCESS OF IMMIGRANT ABSORPTION IN ISRAEL? THE LOAN GUARANTEES WERE INCLUDED IN THE STATE BUDGET. WHAT THEN WILL HAPPEN IN THE COMING MONTHS WHEN, AT LEAST AS THINGS APPEAR NOW, THE GUARANTEES ARE NOT BE APPROVED?

[SHARON] OBVIOUSLY THIS WOULD BE A VERY SERIOUS MATTER. I THINK THAT THE SEVERITY OF THIS MATTER IS NOT ONLY IN THE DIFFICULTIES THAT WILL BE CAUSED ISRAEL, THE SEVERITY IS IN THE CAPITULATION TO THE ARABS, WHICH WILL UNDOUBTEDLY RESULT IN INCREASED AND MORE EXTREME ARAB DEMANDS PRIOR TO THE NEGOTIATIONS AND DURING THE TALKS THEMSELVES. IF ONE CAN GET A COUNTRY LIKE THE UNITED STATES AND THE ADMINISTRATION OF ISRAEL'S GREATEST FRIEND IN THE WORLD TO HARM A HUMANITARIAN ENTERPRISE AIMED AT SAVING JEWS, THEN ONE CAN UNDOUBTEDLY MAKE EVEN GREATER INROADS ON OTHER ISSUES. ESPECIALLY SINCE THIS AN ENTERPRISE THAT SHOULD HAVE BEEN THE DIRECT CONTINUATION OF THE LONGSTANDING U.S. EFFORTS TO OPEN THE GATES OF THE SOVIET UNION. OF COURSE, THIS WILL MAKE THINGS HARDER FOR ISRAEL; IT ALSO SERVES AS A HINT OF WHAT AWAITS US IN THE FUTURE. THIS ALSO CAUSES PRACTICAL DIFFICULTIES, BUT I DO NOT THINK THAT WE WILL NOT BE ABLE TO CONTINUE ABSORBING IMMIGRANTS. I AM NOT DISMISSING THE SIGNIFICANCE OF THIS MATTER, THE ISSUE OF THE LOAN GUARANTEES IS OF TREMENDOUS IMPORTANCE; HOWEVER, ISRAEL CAN AND WILL GO ON. PERHAPS EACH ONE OF US WILL HAVE TO CARRY A SLIGHTLY GREATER BURDEN. LET US BE TRUTHFUL: NOT EVEN ONE OF US HAS FELT THE ARRIVAL OF 355,000 JEWS IN TWO YEARS. WE ARE STILL LEADING OUR NORMAL LIVES, AND IF WE WILL HAVE TO DO MORE WE WILL HAVE NO CHOICE BUT TO DO MORE. WE CAN ALSO APPEAL TO INTERNATIONAL JEWRY TO MAKE A GREATER EFFORT. ISRAEL IS NOT ALONE.

[ZISSOWITZ] THANK YOU, MINISTER SHARON.

(ENDALL)

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NNNN

THEMES FOR SEPT. 12 MEETING WITH LEADERS ON LOANS

-- Thanks for coming in at such short notice.

-- As you know from my recent letter, we are on the brink of what could be a historic breakthrough in the Middle East. For the first time since Camp David, direct peace talks between Israel and the Arabs is a real possibility.

-- It is also my view and that of Jim Baker that we will not be able to settle the remaining outstanding issues and convene the conference if the Congress chooses this moment to debate the question of U.S. loans to finance Israeli immigrant absorption.

-- There is no way of having such a debate without all sorts of controversial issues about the Occupied Territories coming out of the woodwork--issues so controversial that we will either lose the Israelis, the Arabs, or both as negotiating partners.

-- It was for this reason that I asked Congress to defer considering the loan guarantees for 120 days, at which point I believe we will be in a much improved position to address this.

-- I was prepared to give you and your colleagues time to think this over and to allow Jim Baker one more meeting with Prime Minister Shamir.

-- But it has become apparent to us that Israel's supporters on the Hill are taking advantage of this time to line up support for providing the guarantees now and present us in the Administration with a fait accompli.

-- I want to be as clear as I can: I am not prepared to sit back and watch this happen.

-- I am also concerned that the impression is gaining hold that we are reneging on a deal to support loan guarantees now. This is <u>not</u> true; what was agreed was that Israel would hold off asking for them until now. And don't forget that we authorized $650 million in emergency aid for Israel at the time.

-- Similarly, some are spreading the word that I am prepared now to trade postponing this in exchange for automatic support when the issue would come up again in January. Again, this is <u>not</u> so.

-- What I am asking is simply to defer this matter without prejudice, one way or the other. Toward this end, we have put forward a package of 6 points designed to be as fair as possible. But this is not an opening gambit in a negotiation.

-- As I said, I am sorry to see that our good-faith effort to give Congress time to consider the wisdom of deferring this program is being taken advantage of. As a result, I feel I am left with no choice but to bring this issue before the American people, which I intend to start doing later today.

-- I am confident that when I explain just what we are asking for and why, they will support me and make this support clear to their representatives in the Congress. I will emphasize that this is not about support for immigration, much less about support for Israel. Rather, it is all about support for peace, and this is something the American people will understand.

-- I believe too they will understand and support the President's need for the freedom to conduct sensitive diplomacy without having the rug pulled out from under him. This is not a partisan issue, but an issue of principle and policy--and one for which I am prepared to do all that I can to prevail.

-- The Administration will guarantee a vehicle for action on loan guarantees at the end of the 120-day deferral period.

-- The Administration will commit to seek no further delay at the end of 120 days no matter where the peace process is at that time.

-- The Administration will restate support for the principle of absorption aid to Israel.

-- The Administration will commit to handle "scoring" by OMB in most reasonable possible way consistent with legal requirements.

-- The Administration will mount an international effort after January to solicit support from other countries for absorption aid.

-- If there is cost to Israel associated with deferral, the Administration will agree that such cost be offset in the ultimate package.

THEMES FOR SEPT. 12 MEETING WITH LEADERS ON LOANS

-- THANKS FOR COMING IN AT SUCH SHORT NOTICE.
-- AS YOU KNOW FROM MY RECENT LETTER, WE ARE ON THE BRINK OF WHAT COULD BE A HISTORIC BREAKTHROUGH IN THE MIDDLE EAST. FOR THE FIRST TIME SINCE CAMP DAVID, DIRECT PEACE TALKS BETWEEN ISRAEL AND THE ARABS IS A REAL POSSIBILITY.
-- IT IS ALSO MY VIEW AND THAT OF JIM BAKER THAT WE WILL NOT BE ABLE TO SETTLE THE REMAINING OUTSTANDING ISSUES AND CONVENE THE CONFERENCE IF THE CONGRESS CHOOSES THIS MOMENT TO DEBATE THE QUESTION OF U.S. LOANS TO FINANCE ISRAELI IMMIGRANT ABSORPTION.

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-- THERE IS NO WAY OF HAVING SUCH A DEBATE WITHOUT ALL SORTS OF CONTROVERSIAL ISSUES ABOUT THE OCCUPIED TERRITORIES COMING OUT OF THE WOODWORK--ISSUES SO CONTROVERSIAL THAT WE WILL EITHER LOSE THE ISRAELIS, THE ARABS, OR BOTH AS NEGOTIATING PARTNERS.
-- IT WAS FOR THIS REASON THAT I ASKED CONGRESS TO DEFER CONSIDERING THE LOAN GUARANTEES FOR 120 DAYS, AT WHICH POINT I BELIEVE WE WILL BE IN A MUCH IMPROVED POSITION TO ADDRESS THIS.
-- I WAS PREPARED TO GIVE YOU AND YOUR COLLEAGUES TIME TO THINK THIS OVER AND TO ALLOW JIM BAKER ONE MORE MEETING WITH PRIME MINISTER SHAMIR.
-- BUT IT HAS BECOME APPARENT TO US THAT ISRAEL'S SUPPORTERS ON THE HILL ARE TAKING ADVANTAGE OF THIS TIME TO LINE UP SUPPORT FOR PROVIDING THE GUARANTEES NOW AND PRESENT US IN THE ADMINISTRATION WITH A FAIT ACCOMPLI.

-- I WANT TO BE AS CLEAR AS I CAN: I AM NOT PREPARED TO SIT BACK AND WATCH THIS HAPPEN.

-- I AM ALSO CONCERNED THAT THE IMPRESSION IS GAINING HOLD THAT WE ARE RENEGING ON A DEAL TO SUPPORT LOAN GUARANTEES NOW. THIS IS NOT TRUE; WHAT WAS AGREED WAS THAT ISRAEL WOULD HOLD OFF ASKING FOR THEM UNTIL NOW. AND DON'T FORGET THAT WE AUTHORIZED $650 MILLION IN EMERGENCY AID FOR ISRAEL AT THE TIME.

-- SIMILARLY, SOME ARE SPREADING THE WORD THAT I AM PREPARED NOW TO TRADE POSTPONING THIS IN EXCHANGE FOR AUTOMATIC SUPPORT WHEN THE ISSUE WOULD COME UP AGAIN IN JANUARY. AGAIN, THIS IS NOT SO.

-- WHAT I AM ASKING IS SIMPLY TO DEFER THIS MATTER WITHOUT PREJUDICE, ONE WAY OR THE OTHER. TOWARD THIS END, WE HAVE PUT FORWARD A PACKAGE OF 6 POINTS DESIGNED TO BE AS FAIR AS

POSSIBLE. BUT THIS IS NOT AN OPENING GAMBIT IN A NEGOTIATION.

-- AS I SAID, I AM SORRY TO SEE THAT OUR GOOD-FAITH EFFORT TO GIVE CONGRESS TIME TO CONSIDER THE WISDOM OF DEFERRING THIS PROGRAM IS BEING TAKEN ADVANTAGE OF. AS A RESULT, I FEEL I AM LEFT WITH NO CHOICE BUT TO BRING THIS ISSUE BEFORE THE AMERICAN PEOPLE, WHICH I INTEND TO DO LATER TODAY.

-- I AM CONFIDENT THAT WHEN I EXPLAIN JUST WHAT WE ARE ASKING FOR AND WHY, THEY WILL SUPPORT ME AND MAKE THIS SUPPORT CLEAR TO THEIR REPRESENTATIVES IN THE CONGRESS. I WILL EMPHASIZE THAT THIS IS NOT ABOUT SUPPORT FOR IMMIGRATION, MUCH LESS ABOUT SUPPORT FOR ISRAEL. RATHER, IT IS ALL ABOUT SUPPORT FOR PEACE, AND THIS IS SOMETHING THE AMERICAN PEOPLE WILL UNDERSTAND.

-- I BELIEVE TOO THEY WILL UNDERSTAND AND SUPPORT THE PRESIDENT'S NEED FOR THE FREEDOM TO CONDUCT SENSITIVE DIPLOMACY WITHOUT HAVING THE RUG PULLED OUT FROM UNDER HIM. THIS IS NOT A PARTISAN ISSUE, BUT AN ISSUE OF PRINCIPLE AND POLICY--AND ONE FOR WHICH I AM PREPARED TO DO ALL THAT I CAN TO PREVAIL.

Order Code IB85066

Israel: U.S. Foreign Assistance Facts

Updated September 4, 1991

by
Clyde R. Mark
Foreign Affairs and National Defense Division

CONTENTS

For further information on related issues, see: Israeli-American Relations, Issue Brief 82008.

Israel: U.S. Foreign Assistance Facts

SUMMARY

Israel is not economically self-sufficient, and relies upon foreign assistance and borrowing to maintain its economy. For the past five years, the United States has provided $3 billion in grants annually to Israel. Since 1976, Israel has been the largest annual recipient of U.S. foreign assistance, and is the largest cumulative recipient. In addition to U.S. assistance, it is estimated that Israel receives about $1 billion annually through philanthropy, an equal amount through short- and long-term commercial loans, and about $500 million or more in Israel Bonds proceeds.

Should the United States set conditions on its aid to Israel to extract political or economic concessions? Does the special treatment granted to Israel set precedents for other U.S. recipients? Are the charges that Israel has misused U.S. aid valid, and if so, what should the United States do about it? Should the United States increase aid to Israel to help resettle Jews emigrating from the Soviet Union?

The United States provided $1.2 billion in Economic Support Fund grants, $1.8 billion in Foreign Military Sales grants, $45 million in refugee resettlement grants, $400 million in housing loan guarantees, $700 million in surplus weapons withdrawn from Europe, $650 million in supplemental emergency ESF, and $7.5 million in cooperative development grants for Israel for FY1991.

According to Israeli press reports, Israel seeks $10 billion in housing loan guarantees over 5 years to settle Soviet Jews in Israel.

ISSUE DEFINITION

For most Members of Congress, the issue is not if Israel should receive U.S. foreign assistance, but under what conditions Israel should receive the aid. Should the United States attach conditions to its foreign aid to get Israel to cooperate with the peace process or to stop building settlements in the occupied territories? Should the United States increase aid to Israel for settling Soviet, Ethiopian, and other Jewish refugees? Should Israel continue to receive preferential treatment?

BACKGROUND AND ANALYSIS

Country Data

Country data were taken from the following sources: Agency for International Development, *A.I.D. Congressional Presentation FY1987*; Central Intelligence Agency, *The World Factbook 1985*; U.S. Dept. of Commerce, *Foreign Economic Trends*, August 1985; and the Central Bureau of Statistics of Israel.

Population ('90): 4.777 million (CBS)
Population growth rate('89): 1.8%; ('90): 3.0 (FET)
GNP: ('88) $40.7 billion; ('89) $42.7 billion (FET)
Per capita GNP ('89): $9,460.4 (FET)
Annual per capita GNP growth rate/long term ('65-'86): 2.6%
Annual GNP growth rate/short term: ('88) 0.7%; ('89) 2.8% (FET)
Annual inflation rate/long term ('70-'82): 52.3%
Annual inflation rate/short term: '82-132%, '83-191%, '84-445%, '85-183%, '86-19.7%, '87-16.1%, '88-16.4%, '89-20.7%
Unemployment rate ('84): 5.9%, ('85): 6.7%, ('86):7.4%, ('87): 6.1%, ('88): 6.4%, ('89): 8.9%, ('90): 9.3% (FET)
Avg. life expectancy ('89): 76.7 yrs. (A.I.D.)
International debt ('89): $23.664 billion) (FET)
Debt service payments as a % of exports ('89): 41.6%
Avg. per capita growth rate of agricultural production ('74-'83): 0.0%
Proportion of the labor force in agriculture ('82): 5.6%, ('87): 5.2% (CBS)
Major crops: Wheat, citrus fruit
Merchandise exports ('89): $10.335 billion (FET)
Merchandise imports ('89): $12.737 billion (FET)

Program Background

Since 1976, Israel has been the largest annual recipient of U.S. aid and is the largest recipient of cumulative U.S. assistance. From 1949 through 1965, U.S. aid to Israel averaged about $63 million per year, over 95% of which was economic development assistance and food aid. A modest military loan program began in 1959.

From 1966 through 1970, average aid per year increased to about $102 million, but military loans increased to about 47% of the total. From 1971 to the present, U.S. aid to Israel has averaged over $2 billion per year, two-thirds of which has been military assistance. Congress first designated a specific amount of aid for Israel ("earmark") in 1971. Also in 1971, economic assistance changed from specific programs, such as agricultural development, to the Commodity Import Program (CIP) for purchase of U.S. goods. CIP ended in 1979, replaced by largely unconditional direct transfers for budgetary support. The 1974 emergency aid for Israel, following the 1973 war, included the first military grant aid. Economic aid became all grant cash transfer in 1981, and military aid became all grant in 1985.

The FY1991 U.S. aid of $3.0 billion in grants was made available to Israel in October 1990; $1.2 billion in Economic Support Funds (ESF) grants ($200 million of which may be spent for military purposes despite laws to the contrary), and $1.8 billion in Foreign Military Sales (FMS) grants (of which $150 million may be spent in the United States for research and development (R&D) for advanced aircraft and $475 million may be spent in Israel for defense procurement). U.S. aid to Israel is made available in lump sum in October to allow Israel to invest the funds in interest-producing U.S. Government securities. Israel also received $700 million in defense articles to be withdrawn from Europe, an increase of $100 million (up to $200 million) in the military stockpile in Israel, $650 million in emergency ESF grants, a $400 million loan guarantee for housing for Soviet refugees, a grant of $7.5 million for its foreign assistance program, a $45 million grant for refugee resettlement, and shares a $7 million program with Egypt for cooperative development programs to promote the Egyptian-Israeli peace treaty.

Beginning in the mid-1970s, Israel could no longer meet its balance of payments and government deficits with imported capital (gifts from overseas Jews, West German reparations, U.S. aid) and began to rely more on borrowed capital. Growing debt servicing costs, mounting government social services expenditures, perennial high defense spending levels, and a stagnant domestic economy combined with worldwide inflation and declining foreign markets for Israeli goods pushed the Israeli economy into a near crisis situation. The "unity" government, which took office in September 1984, instituted a series of "preliminary steps" intended to resolve some of the economic problems and "emergency" measures in July 1985, to cut government subsidies, freeze wages and prices, raise taxes, and other measures. Inflation was cut from the high of 445% in 1984 to an annual level of 20% for 1986 and 1987. Unemployment settled down to 5.5% for the second quarter of 1987, after a high of 7.8% for the same period in 1985. By 1990, unemployment had climbed over 9%, and inflation remained in the 20% per year range. Israel still runs government deficits and balance of trade and payments deficits, although the gaps have been reduced.

TABLE 1. U.S. Assistance to Israel, FY1949 - FY1989 (millions of dollars)

Year	Total	Military Loan	Military Grant	Economic Loan	Economic Grant	Food for Peace Loan	Food for Peace Grant
1949	100.0	-	-	-	-	-	-
1950	-	-	-	-	-	-	-
1951	35.1	-	-	-	0.1	-	-
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
1959	53.3	0.4	-	10.0	9.2	29.0	1.7
1960	56.2	0.5	-	15.0	8.9	26.8	4.5
1961	77.9	*	-	16.0	8.5	13.8	9.8
1962	93.4	13.2	-	45.0	0.4	18.5	6.8
1963	87.9	13.3	-	45.0	-	12.4	6.0
1964	37.0	-	-	20.0	-	12.2	4.8
1965	65.1	12.9	-	20.0	-	23.9	4.9
1966	126.8	90.0	-	10.0	-	25.9	0.9
1967	23.7	7.0	-	5.5	-	-	0.6
1968	106.5	25.0	-	-	-	51.3	0.5
1969	160.3	85.0	-	-	-	36.1	0.6
1970	93.6	30.0	-	-	-	40.7	0.4
1971	634.3	545.0	-	-	-	55.5	0.3
1972	480.9	300.0	-	-	50.0	53.8	0.4
1973	492.8	307.5	-	-	50.0	59.4	0.4
1974	2,646.3	982.7	1,500.0	-	50.0	-	1.5
1975	803.0	200.0	100.0	-	344.5	8.6	-
1976	2,362.7	750.0	750.0	225.0	475.0	14.4	*
TQ	292.5	100.0	100.0	25.0	50.0	3.6	-
1977	1,787.5	500.0	500.0	245.0	490.0	7.0	-
1978	1,822.6	500.0	500.0	260.0	525.0	6.8	-
1979	4,913.0	2,700.0	1,300.0	260.0	525.0	5.1	-
1980	2,146.0	500.0	500.0	260.0	525.0	1.0	-
1981	2,408.4	900.0	500.0	-	764.0	-	-
1982	2,245.5	850.0	550.0	-	806.0	-	-
1983	2,500.6	950.0	750.0	-	785.0	-	-
1984	2,626.6	850.0	850.0	-	910.0	-	-
1985	3,371.7	-	1,400.0	-	1,950.0	-	
1986	3,658.5	-	1,722.6	-	1,898.4	-	-
1987	3,035.2	-	1,800.0	-	1,200.0	-	-
1988	3,094.9	-	1,800.0	-	1,200.0	-	-
1989	3,039.9	-	1,800.0	-	1,200.0	-	-
1990	3,428.0	-	1,792.3	-	1,194.8	-	-
TOTAL	49,312.2	11,212.5	18,214.9	1,516.5	15,272.4	583.5	94.1

- = None
* = less than $100,000
TQ = Transition Quarter, when U.S. fiscal year changed from June to September.

TABLE 1 Continued. U.S. Assistance to Israel, FY1949 - FY1989 (Continued) (millions of dollars)

Year	Export-Import Bank Loan	Jewish Refugee Resettle Grant	Housing Loan Guaranty	American Schools & Hospitals Grant	Other Loan	Other Grant
1949	100.0	-	-	-	-	-
1950	-	-	-	-	-	-
1951	35.0	-	-	-	-	-
1952	-	-	-	-	-	-
1953	-	-	-	-	-	-
1954	-	-	-	-	-	-
1955	-	-	-	-	-	-
1956	-	-	-	-	-	-
1957	-	-	-	-	-	-
1958	24.2	-	-	-	-	-
1959	3.0	-	-	-	-	-
1960	0.5	-	-	-	-	-
1961	29.8	-	-	-	-	-
1962	9.5	-	-	-	-	-
1963	11.2	-	-	-	-	-
1964	-	-	-	-	-	-
1965	3.4	-	-	-	-	-
1966	-	-	-	-	-	-
1967	9.6	-	-	1.0	-	-
1968	23.7	-	-	6.0	-	-
1969	38.6	-	-	-	-	-
1970	10.0	-	-	12.5	-	-
1971	31.0	-	-	2.5	-	-
1972	21.1	-	50.0	5.6	-	-
1973	21.1	50.0	-	4.4	-	-
1974	47.3	36.5	25.0	3.3	-	-
1975	62.4	40.0	25.0	2.5	-	20.0 Desalt Plant
1976	104.7	15.0	25.0	3.6	-	-
TQ	12.6	-	-	1.3	-	-
1977	0.9	15.0	25.0	4.6	-	-
1978	5.4	20.0	-	5.4	-	-
1979	68.7	25.0	25.0	4.2	-	-
1980	305.9	25.0	25.0	4.1	-	-
1981	217.4	25.0	-	2.0	-	-
1982	6.5	12.5	-	3.0	17.5	- CCC Loan
1983	-	12.5	-	3.1	-	-
1984	-	12.5	-	4.1	-	-
1985	-	15.0	-	4.7	-	2.0 Coop. Aid
1986	15	12.0	-	5.5	-	5.0 Coop. Aid
1987	-	25.0	-	5.2	-	5.0 Coop. Aid
1988	-	25.0	-	4.9	-	5.0 Coop. Aid
1989	-	28.0	-	6.9	-	5.0 Coop. Aid
1990	-	29.9	400.0	3.5	-	7.5 Coop. Aid
Total	1218.5	423.9	600.0	103.9	17.5	49.5

Key Issues

(1) Should the United States increase Israel's aid because of Iraq's threats against Israel and the Persian Gulf crisis?

According to press accounts, in the autumn of 1990, Israel requested an increase in military assistance from $1.8 billion up to $2.5 billion per year, a doubling of the $100 million U.S. military stockpile in Israel to which Israel would have access in emergencies, early disbursal of the annual military aid so that Israel can invest the funds in U.S. Government securities and earn interests, weapons (F-15 and F-16 aircraft, Patriot missiles, Apache helicopters, and access to U.S. intelligence satellites) to balance arms being sold to Saudi Arabia, and canceling of Israel's $3.32 billion military debt. Congress provided $700 million worth of weapons scheduled to be removed from Europe, a $100 million increase in the stockpile, and the early disbursal (P.L. 101-513, signed on Nov. 5, 1990). According to Israeli news sources, Israel requested $3 billion for war damages from Iraqi Scud missiles. The United States provided $650 million in supplemental FY1991 ESF grants.

(2) Should Israel's aid be cut to allow the United States to provide assistance to the newly emerging democracies of Eastern Europe or Central America?

One congressional proposal suggested that Israel and several other countries should have their U.S. aid reduced by 5% (for Israel, a $150 million cut) with the proceeds used to finance aid programs in Poland, Panama, Hungary, Nicaragua, or other countries. Proponents of the proposal point out that a few countries -- Israel, Egypt, Philippines, Pakistan, Turkey, Greece, and others -- receive the greatest proportion of U.S. aid, and can afford to take a reduction to allow other nations to receive aid. Opponents state that Israel cannot afford to have its aid cut, and that Israel is a strategic ally of the United States.

(3) Should the United States provide supplemental aid to Israel to settle Soviet Jews?

P.L. 101-302, the supplemental appropriation for FY1990, included $400 million in housing loan guarantees and $5 million in additional refugee settlement funds for Israel to help Israel settle Soviet Jewish immigrants. According to press reports, Israel requested an additional $500 million in grant aid for refugee settlement in October 1989, but the proposal was not introduced in legislation. The Israeli newspaper *Hadashot* reported on Oct. 5, 1990, that Israel planned to request an additional $1 billion in loans from the United States for settling Soviet Jews. Israeli radio reported on Jan. 22, 1991, that Israel requested an additional $10 billion over 5 years for settling Soviet Jews. The *Washington Post* of May 6, 1991, reported that Israel formally requested $10 billion in housing loan guarantees over 5 years for settling Soviet Jews in Israel. As is true of all U.S. aid to Israel, the housing loan guarantee and the refugee resettlement grants cannot be used by Israel in the occupied territories because the United States does not want to foster the appearance of endorsing Israel's annexation of the territories without negotiations. Israeli Foreign Minister David Levy stated in an Oct. 2, 1990, letter to Secretary of State James Baker that Israel would not use the housing loan guarantees in the occupied territories (which means that Israel would not use the funds in east Jerusalem). Some Israelis claim that Israel should use the U.S.-backed funds in east Jerusalem, which thay say is part of Israel.

(4) Should the United States use aid to extract political or foreign policy concessions from Israel?

It has been suggested that the United States should provide aid to Israel only if Israel takes actions or meets conditions in keeping with U.S. policies. For example, the United States might withhold assistance unless Israel stopped establishing settlements in the occupied territories, or unless Israel reversed its annexation of the Golan Heights and east Jerusalem. U.S. Presidents and Secretaries of State have rejected applying such conditions to U.S. aid to Israel, and Israeli leaders reject such conditions as a violation of their sovereignty. (In 1953, the United States withheld an aid payment to Israel until Israel stopped a water diversion project which violated a U.N. demilitarized zone.)

(5) Should the United States attach economic conditions on aid to Israel?

Opponents of attaching economic conditions suggest that Israeli officials are capable of making the changes needed to restore the economy, and that any such outside interference is a violation of Israeli sovereignty. Proponents of conditions suggest that Israel should demonstrate its capability to implement austerity measures before aid is given to Israel.

(6) Does special treatment granted to Israel set precedents for other countries?

As pointed out in the June 24, 1983, General Accounting Office (GAO) report, *U.S. Assistance to the State of Israel* (GAO/ID-83-51), favorable treatment given to Israel may establish precedents for other U.S. aid recipients and may be detrimental to the United States. 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. The GAO list of precedents includes:

-- Cash flow financing: Israel is allowed to set aside FMS funds for current year payments only, rather than set aside the full amount needed to meet the full cost of multi-year purchases. GAO believes that cash flow financing creates a commitment to furnish aid in future years at a level sufficient to meet the future payments. Egypt and Turkey now use cash flow financing.

-- FMS loan repayment waiver: In 1974, President Nixon suggested that loan repayments be waived for Israel. From 1974 until 1984, the United States waived repayment of part of Israel's annual FMS, and since 1985, has waived repayment of the total FMS. The waiver avoids establishing a program and personnel to oversee the program if the same amount were given as a Military Assistance Program grant. Egypt and Sudan also have received loan repayment waivers.

-- ESF cash transfer: The United States gives all ESF funds directly to the Government of Israel rather than under a specific program. There is no accounting of how the funds are used. (Israel does send an annual letter describing U.S. exports to Israel compared to the ESF amounts.) A number of other nations receive part of their ESF as cash transfers, but not under such flexible conditions.

-- FMS offsets: Israel receives offsets on FMS purchases (contractors agree to offset some of the cost by buying components or materials from Israel). Although offsets are a common practice in commercial contracts (countries dealing directly with U.S. firms), GAO said offsets on FMS sales were "unusual" because FMS is intended to sell U.S. goods and services.

-- Early transfers: In 1982, Israel asked that the ESF funds be transferred in one lump sum early in the fiscal year rather than in four quarterly installments, as is the usual practice with other countries. The United States pays more in interest for the money it borrows to make lump sum payments. In March 1985, an A.I.D. official estimated that it cost the United States between $50 million and $60 million to borrow funds for the early, lump-sum payment. In addition, the U.S. Government pays Israel interest on the ESF funds invested in U.S. Treasury notes, according to A.I.D. officials in March 1988.

-- FMS drawdown: Israel is permitted to draw down the grant (waived) portion of its FMS credits before the loan portion, thus delaying paying interest on the loans. Usually, loans and grants are drawn down at an equal rate. (As of Dec. 31, 1987, Israel had about $156 million in "unexpended" funds in its FMS account.)

Another GAO report, Security Assistance: Reporting of Program Contents Changes, GAO/NSIAD-90-115 of May 1990, pointed out Israel's unique FMS funding arrangements. Other countries primarily deal with DOD for purchases from U.S. companies for U.S. military items, but Israel deals directly with U.S. companies for 99% of its military purchases in the United States. Other countries have a $100,000 minimum purchase amount per contract, but Israel is allowed to purchase military items for less than $100,000. According to the GAO report, Israel processed over 15,000 orders for less than $50,000 in 1989, with no DOD review of the purchases as would have been the case with other countries' purchases. 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.

Apart from the precedents cited by GAO, there are other unusual features of the Israel aid program.

-- ESF, loan payment linkage: The Continuing Appropriation for FY1985 (P.L. 98-453) stated that annual ESF aid to Israel be at least equal to the annual amount Israel owes the United States in payments on past loans.

-- FMS for R&D: Israel asked for and received permission for a "one-time-only" use of $107 million in FY77 FMS funds to be spent in Israel to develop the Merkava tank (prototype completed 1975, Merkava added to Israeli arsenal 1979). Israel asked for a similar waiver to develop the Lavi ground-attack aircraft. In November 1983, Congress added an amendment to the FY1984 Continuing Appropriation (P.L. 98-151) that allowed Israel to spend $300 million of FMS funds in the United States and $250 million of FMS in Israel to develop the Lavi. Between 1983 and 1988, Congress earmarked a total of $1.8 billion (through FY1987) for the Lavi. GAO reported in January 1987 that the United States provided $1.3 billion of $1.5 billion Lavi development costs between 1980 and 1986. On Aug. 30 1987, the Israeli cabinet voted to cancel the Lavi project, but asked the United States for $450 million to pay for canceled contracts. The State Department agreed to raise the FMS earmark for procurement in Israel from $300 million to $400 million to pay Lavi cancellation costs. For each fiscal year 1988 and 1989, Israel received $150 million for U.S. and $400 million for Israeli procurement of "advanced aircraft."

-- FMS third-country sales: FMS funds are intended to be used to purchase U.S.-made weapons and equipment. Israel has requested, according to press reports, that the United States permit third countries to use U.S.-furnished FMS funds to purchase weapons and equipment from Israel. Proponents of the proposal say the third-country sales would help Israel's arms industry and benefit U.S. companies providing components to Israel. Opponents say the sales would hurt U.S. arms industries competing with Israeli industries and that the United States would lose control over the kinds of weapons provided, the use of the weapons (for defensive purposes only), and the transfer of weapons to other countries.

-- FMS for in-country purchase: According to reports, Israel has requested that part of the FMS funds (in addition to the Lavi funds) be transferred to Israel for Israeli defense expenditures and purchases from Israeli arms industries. The Senate foreign Relations Committee set aside $250 million of the $1.8 billion FMS grant for defense procurement in Israel in the FY1986 foreign aid bill. The $300 million set aside in the FY1986 continuing resolution may be used for the Lavi or for other activities. Since the Lavi was canceled on Aug. 30, 1987, the Israelis have asked that FMS funds for in-country purchases continue. Israel received $400 million of the $1.8 billion FMS for use in Israel in FY1988, $400 million in FY1989, and $400 million in FY1990.

-- Multi-year commitment: Press reports say Israel has requested a multi-year aid commitment rather than a single-year program. On Feb. 17, 1985, the Israeli newspaper *Haaretz* reported that the United States and Israel signed an agreement which guaranteed Israel $1.8 billion in FMS grants for the next three years, FY1986, FY1987, and FY1988. According to *Haaretz*, a clause in the agreement allowed Israel to increase its requests if the need arises. Israeli officials confirmed that a "concurrence" letter in January 1985 set the FMS levels at $1.8 billion for FY1986, FY1987, and FY1988, but said that DOD suggested that Israel agree to the levels.

-- Camp David aid parity: Egypt claims that it was promised approximate parity with Israel in U.S. aid. If such a promise were made and if the United States keeps the promise, it is conceivable that Egypt will request an increase in aid comparable to Israel's request and may ask for additional benefits, such as third-country FMS sales, FMS funds for R&D, FMS in-country purchases, ESF loan payment linkage, or multi-year commitments.

-- The foreign assistance appropriation bill signed on Nov. 5, 1990, provides for Israel to receive the $1.8 billion in FMS in lump sum during the first month of the fiscal year, and that the funds be invested with Israel to receive the proceeds.

-- The appropriation bill of Nov. 5, 1990, also provided Israel with grant military equipment, valued at $700 million, to be withdrawn from Western Europe.

-- The $400 million housing loan guarantee provided in P.L. 101-302 of May 25, 1990, waived the $25 million per country ceiling, waived the administrative fee, and waived the provision limiting the housing to poor people.

(7) Are the charges that Israel has misused U.S. aid valid?

The United States stipulates that U.S. aid funds cannot be used in the occupied territories. In January 1985, U.S. officials questioned Israel about reports that U.S. refugee resettlement assistance was being used to settle Ethiopian Jews near Hebron, on the West Bank. According to the *New York Times* (Jan. 18, 1985), Israeli officials responded that the Hebron processing center would not necessarily be the permanent home for the Ethiopians. A *Jerusalem Post* report (Mar. 12, 1985) said the Ethiopians in Hebron were not recent immigrants. Over the years, a few Members of Congress have suggested that Israel may be using U.S. assistance to establish Jewish settlements in the occupied territories, but because the U.S. aid is given as budgetary support without any specific project accounting, there is no way to tell how Israel uses U.S. aid.

Also, the United States stipulates that U.S. military equipment provided through the FMS program can be used only for internal security or defensive purposes, and that U.S. weapons and equipment cannot be transferred to a third country without U.S. approval. In 1978, 1979, and 1981, the executive branch notified Congress that Israel "may have violated" U.S.-Israeli agreements by using U.S. weapons for non-defensive purposes, and in 1982, the United States suspended shipments of so-called cluster bombs after allegations that Israel violated an agreement on the use of the bombs. Israel maintains that the weapons were used for defensive purposes. In 1982 testimony before Congress, executive branch officials said Israel transferred U.S. arms to Iran and the "South Lebanon Army" without U.S. permission.

Congressional Action

FY1987

The Administration requested $1.2 billion in ESF grants and $1.8 billion in FMS grants for Israel for FY1987, the same amounts authorized under the 2-year authorization in P.L. 99-83. The House Appropriations Committee reported out (H.Rept. 99-747) an appropriations bill (H.R. 5339) for FY1987 on Aug. 5, 1986, which included $1.2 billion in ESF grants and $1.8 billion in FMS grants for FY1987 for Israel. Of the $1.8 billion in FMS grants, $150 million may by used for Lavi research and development in the United States and $300 million may be used for Lavi or other defense procurement, including R&D in Israel. The House Appropriations Committee's bill protected the Israeli earmarked funds from any Administration cuts, but stated that the Israeli funds would be subject to Gramm-Rudman-Hollings cuts if GRH sequestration became necessary.

The Senate Appropriations Committee reported an appropriation bill (S. 2824, S.Rept. 99-443) on Sept. 16, 1986, which earmarked $1.2 billion in Economic Support Fund (ESF) grants and $1.8 billion in Foreign Military Sales (FMS) grants for Israel. Of the $1.8 billion in FMS grants, $300 million was earmarked for procurement in Israel, and $150 million was earmarked for Lavi procurement in the United States. The bill also earmarked $5 million for Israel for cooperative development projects and $25 million for the resettlement of Jewish refugees in Israel.

Neither the House nor the Senate passed foreign assistance appropriations bills. On Sept. 25, 1986, the House passed (201-200) a continuing resolution, H.J.Res 738;

the continuing resolution contained the language of H.R. 5339. The Senate passed H.J.Res. 738 on October 3 (82-13), but with amendments. The two Houses finally agreed to amendments on October 17 (H.Rept. 99-1005), and the continuing resolution was signed into law, P.L. 99-591, on Oct. 18, 1986.

The continuing resolution, P.L. 99-591, provided $1.2 billion in ESF grants, all as direct transfer to be paid within 30 days from October 18, $5 million in U.S.-Israel cooperative development funds, $25 million for refugee resettlement in Israel, and $1.8 billion in FMS grants, of which $150 million was earmarked for Lavi expenditures in the United States and $300 million for Lavi or other expenditures in Israel. As in previous years, the continuing resolution allowed Israel to draw its grant FMS before drawing loans, stated that Israel's ESF assistance should not be less than the amount Israel owed the United States for past loan repayments, and protected the Israeli ESF and FMS funds from foreign assistance cuts but not from Gramm-Rudman-Hollings sequestration.

FY1988

For FY1988, Israel requested $1.2 billion in Economic Support Fund grants, to be made available in the first quarter of the fiscal year, and $2.42 billion in Foreign Military Sales grants, $300 million of which would be for procurement in Israel.

The Administration requested $1.2 billion in ESF grants and $1.8 billion in FMS grants for FY1988.

The Senate Foreign Relations Committee reported an authorization bill (S.1274, S.Rept. 100-60) on May 22, 1987, that provides $1.2 billion in ESF grant, and $1.8 billion in FMS grant for Israel. Of the $1.8 billion in FMS, $150 million is for Lavi R&D in the United States and $300 million is for military procurement in Israel. There was no further action on S. 1274. The House Foreign Affairs Committee reported H.R. 3100 (H.Rept. 100-294) on Aug. 26, 1987, which would authorize the same amounts for Israel. H.R. 3100 passed the House (286-122) on Dec. 10, 1987.

The House Appropriations Committee reported H.R. 3186 (H.Rept. 100-283) on Aug. 6, 1987, which provides $1.2 billion in ESF grants, $1.8 billion in FMS grants, of which $150 million is for Lavi R&D in the United States and $300 million is for military procurement in Israel, $25 million for refugee resettlement in Israel, and $5 million for cooperative development.

The continuing resolution, H.J.Res. 395 (P.L. 100-202), signed by the President on Dec. 22, 1987, appropriated $1.2 billion in ESF grants for Israel and $1.8 billion in FMS grants for FY1988. Of the FMS grants, $150 million may be used on advanced aircraft research and development in the United States and $400 million may be used for defense procurement in Israel. Israel also received $5 million for cooperative aid projects and $25 million for refugee resettlement.

FY1989

In November 1987, Israel and the United States reached an agreement to keep FY1989 aid at the FY1988 levels, $1.2 billion in ESF grants and $1.8 billion in FMS grants.

The House amended the full text of H.R. 3100 (passed by the House on Dec. 10, 1987) to H.R. 4471, a bill to amend the Foreign Assistance Act with respect to activities of the Overseas Private Investment Corporation. Apparently the House was attempting to force the Senate to consider H.R. 3100, the 2-year authorization bill, because the Senate did not complete action on S. 1274, the authorization bill for FY1988 and FY1989. H.R. 4471 (with H.R. 3100 attached) passed the House (267-112) on May 12, 1988.

The House Appropriations Committee reported H.R. 4637 (H.Rept. 100-641) on May 19, 1988. H.R. 4637 passed the House (328-90) on May 25. H.R. 4637 appropriated $1.2 billion in ESF, $1.8 billion in FMS, $27.5 million in refugee assistance, and $5 million in cooperative development assistance for Israel for FY1989.

The Senate Appropriations Committee reported H.R. 4637 on June 22, 1987 (S.Rept. 100-395), with amendments. The Senate version provided $1.2 billion in ESF, $1.8 billion in FMS, and $5 million in cooperative development funds, but raised the refugee assistance to $28 million. H.R. 4637 passed the Senate (76-15) on July 7, 1988. The House agreed (327-92) to the conference report (H.Rept. 100-983) on September 28, and the Senate agreed (voice vote) to the conference on September 30. The President signed the bill (P.L. 100-461) on Oct. 1, 1988.

FY1990

Authorization. The Administration requested $1.2 billion in ESF grants and $1.8 billion in FMS grants for Israel for FY1990. The Foreign Relations Authorization Act, FY1990 and FY1991 (H.R. 1487), reported on Apr. 6, 1989 (H.Rept. 101-17), provided $25 million for each fiscal year for refugees settling in Israel. H.R. 1487 passed the House on Apr. 12, 1989, by a vote of 338-87. S. 1160, which included $25 million for Israeli refugees was reported to the Senate on June 12, 1989 (S.Rept. 101-46). On July 21, the Senate passed H.R. 1487, in lieu of S. 1160. The House agreed to the conference report on Nov. 15, and the Senate agreed to the conference report on Nov. 16, 1989.

H.R. 2655, the foreign aid bill, included $1.2 billion in ESF and $1.8 billion in FMS grants for Israel. H.R. 2655 was reported on June 16 (H.Rept. 101-90) and passed the House on June 29, 1989, by a vote of 314-101. H.R. 2655 was sent to the Senate, where it was referred to the Foreign Relations Committee. S. 1347, a foreign aid authorization bill, was reported out of committee on July 18, 1989 (S.Rept. 101-80), and included $1.2 billion in ESF and $1.8 billion in FMS grants for Israel. Neither H.R. 2655 nor S. 1347 were brought to the Senate floor for a vote.

Appropriation. H.R. 2939, a foreign aid appropriations bill that included $1.2 billion in ESF grants and $1.8 billion in FMS grants for Israel, was reported to the House on July 19, 1989 (H.Rept. 101-165), and passed the House on July 21, 1989, by a vote of 329-69. H.R. 2939 was reported by the Senate Appropriations Committee (S.Rept. 101-131) on Sept. 14, 1989, and passed the Senate on Sept. 26, 1989, by a vote of 89-11. The conference report was filed on Nov. 11. The House passed the conference report on Nov. 14, and the Senate passed the conference report on Nov. 15. The President vetoed H.R. 2939 on Nov. 19, 1990 (H.Doc. 101-113).

Meanwhile the House Appropriations Committee reported (H.Rept. 101-249) H.J.Res. 407, a continuing resolution that included $1.2 billion in ESF grants and $1.8

billion in FMS grants for Israel, on Sept. 26, 1989, and the House passed the continuing resolution on the same day by a vote of 274-152. The Senate passed H.J.Res. 407 on Sept. 28, 1989, by a vote of 100-0. The President signed the bill into law on Sept. 29, 1989 (P.L. 101-100).

H.R. 3743, an appropriations bill introduced on Nov. 20, 1989, to replace vetoed H.R. 2939, passed the House by a vote of 310-107 on Nov. 20, 1989. The Senate passed H.R. 3743 by voice vote on Nov. 20, 1989. The bill was signed into law on Nov. 21, 1989 (P.L. 101-167). The act provided $1.2 billion in ESF and $1.8 billion in FMS for Israel.

Sequestration. The Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings) was implemented on Oct. 16. Under GRH, Israel's aid was reduced by 5.3%. Also, Congress agreed to a .43% across-the-board cut in foreign aid to pay for narcotics control programs, and the Senate agreed to a .133% across-the-board cut to pay for expanded Peace Corps programs. With the 3 cuts totaling $175.89 million, Israel received $2,824.11 million on Oct. 31, 1989, $1,129.644 million in ESF paid directly to Israel and $1,694.466 million in FMS made available for Israel in its FMS account.

But with passage of the appropriation bill and the budget reconciliation bill, Israel's aid picture changed. The Senate Peace Corps funding was dropped, so Israel will have the $3.99 million in aid restored. The narcotics control funding remained, so the .43% or $12.9 million cut in Israel's aid will remain. The Congress and the Administration agreed in the reconciliation bill that not all accounts would be cut, and agreed to fund ESF and FMS. The $159 million already sequestered was restored to Israel. After the adjustments, U.S. aid to Israel for FY1990 is as follows:

TABLE 3. Israel's Aid for FY1990: After Sequestration
(millions of dollars)

Program	FY1990 Scheduled	GRH 1.4% cut	Narc. Control .43%	FY1990 Adjusted cut
ESF	$1,200.0	No	5.16	$1,194.8
FMS	1,800.0	No	7.74	1,792.3
Refugee	25.0	No	.1075	24.9
US-Israel Coop.	7.5	.105	.0323	7.4
TOTALS	$3,032.5	$.105	$13.0398	$3,019.4

H.R. 4404, a supplemental appropriations bill introduced on Mar. 27, 1990, included $400 million in housing loan guarantees for Israel for fiscal year 1991, and an additional $5 million in refugee and migration funds for Israel for fiscal year 1990 (H.Rept. 101-434). The housing loan guarantees and the refugee resettlement grants are for resettling Soviet Jews in Israel. H.R. 4404 passed the House on April 3 by a vote of 362-59. H.R. 4404 was reported (S.Rept. 101-272) to the Senate on Apr. 24, 1990, and passed the Senate by voice vote on May 1, 1990. The House agreed to the conference report (H.Rept. 101-493, May 22, 1990) on May 24 by a vote of 308-108, and the Senate agreed to the conference report by voice vote on May 24, 1990. The President signed the Act on May 25, 1990 (P.L. 101-302).

FY1991

The Administration requested $1.2 billion in ESF grants and $1.8 billion in FMS grants for Israel for FY1991.

Authorization. Title II of H.R. 4610, introduced on Apr. 25, 1990, enacts H.R. 2655, the fiscal year 1990 and 1991 authorization bill that passed the House but not the Senate in 1989. (H.R. 2655 included $1.2 billion in economic grants and $1.8 billion in FMS grants for Israel.) H.R. 4610 was reported by the House Foreign Affairs Committee on May 2, 1990 (H.Rept. 101-472), and referred to the House Committee on Agriculture and the House Committee on Merchant Marine and Fisheries. Both committees discharged H.R. 4610 on May 7, 1990.

Appropriation. The House Appropriation Committee reported (H.Rept. 101-553) a foreign aid appropriations bill, H.R. 5114, on June 21, 1990. The House passed H.R. 5114 on June 27, 1990, by a vote of 308-117. H.R. 5114 as it passed the House provided $1.2 billion in grant ESF, $1.8 billion in grant FMS (of which $150 million may be used in the United States for research and development and $475 million may be spent in Israel for procurement), $45 million for refugee resettlement, $7.5 million for Israel's foreign aid program, and $7 million to be shared by Israel and Egypt for regional cooperation.

The Senate Appropriations Committee reported H.R. 5114 on October 10 (S.Rept. 101-519) and the Senate passed H.R. 5114 on Oct. 24, 1990, by a vote of 76-23. The Senate added provisions that gave Israel $700 million in military equipment to be withdrawn from U.S. forces in Europe, added $100 million to the already existing $100 million U.S. military equipment stockpile in Israel (to which Israel has access in emergencies), earmarked for Israel $100 million of the $350 million worth of military equipment in the Special Defense Acquisition Fund to be paid for over 3 years as opposed to the full cash payment required of other countries, and provided for the early distribution of the $1.8 billion FMS funds to Israel to be invested in U.S. Government securities with the proceeds of the investment to be paid to Israel. The Special Defense Acquisition Fund provision was dropped in conference. The President signed the appropriations bill on Nov. 5, 1990 (P.L. 101-513).

Emergency Supplemental. On Mar. 5, 1991, Office of Management and Budget Director Richard Darman officially requested an emergency supplemental aid appropriation of $650 million in ESF grants for Israel for expenses connected with the Persian Gulf war. According to press reports, Israel agreed not to seek more aid through its friends in Congress. On March 6, the House passed H.R. 1284 by voice vote, which authorized $650 million in ESF grants for Israel. The Senate passed H.R. 1284 by voice vote on Mar. 13, 1991, and the President signed the bill into law on Mar. 28, 1991 (P.L. 102-21).

The House Appropriations Committee reported H.R. 1281 on Mar. 5, 1991 (H.Rept. 102-9), which included the $650 million emergency ESF for Israel. The House passed H.R. 1281 on Mar. 7, 1991, by a vote of 365-43. The Senate Appropriations Committee reported H.R. 1281 on Mar. 14, 1991 (S.Rept. 102-24). The Senate passed H.R. 1281 on Mar. 20, 1991, by a vote of 92-8. The bill was signed into law (P.L. 102-27) on Apr. 10, 1991.

FY1992

Request. According to Israeli radio on Jan. 22, 1991, Israeli Finance Minister Modai requested from Deputy Secretary of State Eagleburger that the United States provide $13 billion in supplemental assistance; $3 billion for war expenses and $10 billion over 5 years for settling Soviet Jews in Israel. According to the radio report, the $3 billion in war expenses included $1 billion in lost tourist revenue, $1 billion in lost economic activity, $400 million in military expenditures, $30 million in damages from Iraqi missiles, $180 million in insuarnce payments, $100 million in transport services losses, and $250 million in lost exports. *Hadashot,* the Israeli newspaper, reported on Feb. 8, 1991, that the Israeli request for supplemental aid would be $20 billion, $3 billion for Persian Gulf war expenses and $17 billion over 5 years for settling Soviet Jews. The *Washington Post* reported on May 6, 1991, that Israel formally requested $10 billion over 5 years in housing loan guarantees to settle Soviet Jews in Israel. The Israeli supplemental request is in addition to the annual aid request of $3 billion.

Authorization. H.R. 2508 (the foreign assistance bill introduced on June 3, 1991, reported out of committee on June 4, 1991 (H.Rept. 102-96), and passed the House on June 20, 1991, by a vote of 274-138) provides for Israel: $1.2 billion in ESF grants for FY1992 and $1.2 billion in ESF grants for FY1993; $1.8 billion in FMF grants for FY1992 (of which $150 million may be spent in the United States for research and development and $475 million may be spent in Israel for military procurement) and $2 billion in FMF grants for FY1993; $300 million increase for military stockpiles in Israel for FY1992 and $300 million increase in military stockpiles in Israel for FY1993; $7.5 million for the Cooperative Development Program for FY1992 and $7.5 million for Cooperative Development Program for FY1993 (of which $5 million is for the Israeli foreign aid program and $2.5 million is for cooperative research projects).

Appropriation. The House passed the foreign assistance appropriations bill on June 24, 1991, by a vote of 301 to 102 (H.R. 2621, introduced on June 12, 1991, and reported (H.Rept. 102-108) on June 12, 1991). H.R. 2621 includes $1.8 billion in FMF grants ($150 million of which may be used in the U.S. for research and development and $475 million of which may be used in Israel for defense procurement), $1.2 billion in ESF grants, $80 million in grants for settling refugees in Israel, $7.5 million in U.S.-Israel cooperative development funds for Israel's foreign aid program, and $7 million for the Egyptian-Israeli regional cooperation program.

would allow it to maintain a stable exchange rate and vice-versa. But unless the Government makes an unshakable, ironclad commitment to price and exchange-rate stability, it will be forced periodically to devalue the shekel to prevent currency overvaluation. Finally, the Government was unable to attract significant foreign direct investment.

On balance, 1989 was a dismal year for the Israeli economy. Most economic indicators signalled a steadily weakening economy throughout the course of the year. Nor did the Government make truly substantial progress in adopting economic policies to lay the foundation for a renewal of long-run growth.

STATISTICAL SUMMARY OF ISRAEL'S ECONOMIC PERFORMANCE IN 1989

The highlights of the economy's performance during 1989 appear below:

Real gross domestic product (GDP) grew in the range of 1.1 percent.

Private consumption per capita fell 3.5 percent.

Fixed investment declined 3 percent. Investment in machinery and equipment fell 19 percent.

Industrial output fell 4.8 percent during the first three quarters.

Consumer prices increased from a rate of 16.4 percent in calendar 1988 to a rate exceeding 20 percent in 1989.

Unemployment rose from the 1988 average of 6.5 percent to an average rate of unemployment over the second and third quarters of 1989 exceeding 9 percent.

The balance-of-payments current account registered a surplus of $1 billion due to falling imports and strong export performance beginning with the second quarter. Exports rose at 10.6 percent while imports remained stable in dollar terms (declining 7 percent in volume terms), thus reducing the trade deficit from $5.3 billion in 1988 to $3.9 billion in 1989. The dark side is that the failure of capital imports to rise bodes ill for future growth and also reduces customs revenue.

Domestic defense spending declined 2.6 percent, despite expenditures necessitated by the intifada. Defense imports fell 30 percent.

Industrial profitability declined from an average return on equity as a percentage of industrial output of 3.6 percent during 1985–1988 to 2 percent during 1989.

Mr. DOLE. Mr. President, the study represents a report card on Israeli economic policies, from a free market perspective. As Senators who read this summary, or get the original study, will see—Israel does not get very high grades from Professor Rabushka: Budget, D–; taxation, D; price controls, D–; labor, F; and so forth.

I commend this study to the attention of all Senators, as we consider this and all other aid to Israel.

In any case, for very good reason, we do provide Israel nearly $4 billion—not the $3+ billion usually cited—in aid every year. That includes direct aid and side benefits. Some of those side benefits are not widely understood by the American public—perhaps not even by some Members of Congress.

I ask unanimous consent to include in the RECORD two studies done by the Congressional Research Service [CRS] on this issue. They give a good rundown on our total aid to Israel, direct and indirect.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

MARCH 8, 1988.
(Updated March 8, 1989.)

To: ——— ———.

From: Clyde R. Mark, specialist in Middle Eastern Affairs, Foreign Affairs and National Defense Division.

Subject: U.S. Laws that Benefit Israel.

In your letter of January 19, 1988, you requested a list of economic and financial benefits Israel enjoys from the United States, the legislation authorizing those benefits, and the value, if available, of the benefits. The following list is divided into three parts: I. Foreign Assistance: Economic Support Fund, Foreign Military Sales, Other Programs, Other General Assistance; II. Economic; and III. Military/Political.

Not every passage in law benefiting Israel is included in the list. Some have been repealed and others are no longer relevant. For example, the statement that the United States should be responsive to Israel's defense needs (Sec. 28 of P.L. 95-384 (92 Stat 730), September 26, 1978), was overtaken by the supplemental assistance in 1979, or in another example, the ban on aid to Egypt (Section 620(p) of the Foreign Assistance Act) was dropped in 1974 after Egypt cooperated with the Kissinger "shuttle diplomacy."

I. FOREIGN ASSISTANCE

Economic Support Fund

Cash Transfer.—Economic Support Fund (ESF) assistance is given to Israel as a government-to-government cash transfer not tied to any particular program, with no A.I.D. accounting as to how the money is used. Israel established a separate bank account for ESF funds in accordance with Title II of P.L. 99-591, and does provide A.I.D. with specific requests for expenditures from the account. Israel provides an annual letter to A.I.D. with assurances that Israel will import from the United States non-defense goods valued at an amount at least equal to the ESF assistance for that year.

Legislation.—Sec. 532(b)(2) of P.L. 95-384 (92 Stat 734) September 26, 1978; repeated in subsequent years.

Value.—$1.2 billion in FY 1987, $1.2 billion in FY 1988, and $1.2 billion in FY 1989; from 1979 through 1989, Israel received $12.3 billion in ESF cash transfers.

Early Transfer.—In 1982, Israel requested that U.S. aid for FY 1984 be made available within the first quarter of the fiscal year (since changed to the first 30 days of the fiscal year) to allow Israel to meet immediate budgetary needs.

Legislation.—Title II of P.L. 98-473 (98 Stat 1890), October 12, 1984, stated that ESF should be made available before January 1, 1985; Sec. 202(a)(2) of P.L. 99-83 (99 Stat 211), August 8, 1985, said the aid should be transferred within the first 30 days of the fiscal year; repeated in subsequent years.

Value.—According to A.I.D. testimony submitted to the House Appropriations Committee in 1983, Israel invests the lump-sum payment in U.S. Treasury bonds to earn interest on the funds until they are used. (See testimony before the Foreign Operations Subcommittee on March 17, 1988, in U.S. Congress. House of Representatives. Committee on Appropriations. Foreign Operations, Export Financing, and Related Programs Appropriations for 1989. Hearings, Part 3, 100th Congress, 2nd session. Washington, U.S. Gov't. Print. Off., 1988. p. 404-405.) In addition, if one assumes that the United States borrows funds for the lump-sum transfer, the early payment costs the United States between $40 and $60 million per year in interest. According to testimony submitted to the House Foreign Affairs Committee in 1985, the cost for FY 1986 and FY 1987 was expected to be $66 million per year. (See U.S. Congress. House of Representatives. Committee on Foreign Affairs. Foreign Assistance Legislation for Fiscal Years 1986 and 1987. Hearings and Markup, Part 3. 99th Congress, 1st session. Washington, U.S. Gov't. Print. Off., 1985. p. 437-438.)

ESF Linked to Debt Repayment.—Israel's ESF assistance from the United States should equal or exceed the amount Israel owes to the United States in repayment for past debts.

Legislation.—Sec. 534 of P.L. 98-473 (98 Stat 1902), October 12, 1984, repeated in subsequent years.

Value.—Israel received $1.2 billion in ESF for each FY 1988 and 1989, and owed the United States $1.18 billion for FY 1988, and $1.26 billion for FY 1989, according to the Israeli government request for assistance submitted to the United States in January 1988. The annual amount Israel owes to the United States will decrease following a refinancing of the debt. See *Debt Refinancing* below.

Foreign Military Sales

Loan Repayment Waiver.—Repayment for all or part of the Foreign Military Sales (FMS) loans to Israel is waived, meaning the loans are grants.

Legislation.—Sec. 4 of P.L. 93-199, December 26, 1973; repeated in subsequent years.

Value.—Israel received $1.8 billion in military grants in FY 1987, $1.8 billion in military grants in FY 1988, and $1.8 billion in military grants for FY 1989; from 1974 through 1989, Israel received $16.4 billion in military loans that do not have to be repaid.

FMS Drawdown.—Under an Office of Management and Budget policy, FMS loans and grants (foreign loans) available to a country are drawn down in equal amounts. Israel has been granted a waiver to the practice, allowing it to draw down the grants before the loans.

Legislation.—Sec. 531 of P.L. 98-473 (98 Stat 1901), October 12, 1984; repeated in subsequent years.

Value.—Unknown; saved Israel principal and interest payments by delaying loans until grants were depleted, or until interest rates declined.

FMS for Research and Development in the United States.—Under existing practice, FMS funds are used for purchase of goods and services in the United States, and are not used to finance research and development (R&D). Israel is allowed to finance R&D in the United States with FMS funds. The waiver originated with Israel's development of the Lavi aircraft. The Lavi was canceled in September 1987, but the waiver was continued in FY 1989.

Legislation.—Sec. 101(b)(3) of P.L. 98-151 (97 Stat. 969), November 14, 1983; repeated in subsequent years.

Value.—Congress earmarked $150 million for FY 1987 and $150 million for FY 1988; from FY 1984 through FY 1988, Congress earmarked a total of $900 million in FMS funds for Lavi R&D in the United States. The Foreign Assistance Appropriations for FY 1989, P.L. 100-461, signed October 1, 1988, earmarked $150 million of the FMS grants for R&D for advanced fighter aircraft.

FMS for R&D and Procurement in Israel.—Section 42 of the Arms Export Control Act states that FMS funds should be used for procurement in the United States.

In 1983, Israel requested that FMS funds be transferred to Israel for procurement for the Lavi and other military purchases. The Lavi was canceled in September 1987.

Legislation.—Sec. 101(b)(3) of P.L. 98-151 (97 Stat. 969), November 14, 1983; repeated in subsequent years.

Value.—Congress earmarked $300 million for FY 1987, and $400 million for FY 1988; from FY 1984 through FY 1988, Congress earmarked $1.8 billion in FMS funds for Lavi and other procurement in Israel. Following cancellation of the Lavi in September 1987, Congress continued to earmark funds for procurement in Israel. P.L. 100-461 of October 1, 1988, set aside $400 million of FMS grants for defense procurement in Israel.

Cash Flow Financing.—Beginning in 1974, the U.S. allowed a few countries making multiyear purchases of defense articles and services from the United States with FMS to commit only that portion of their FMS loans that was required to pay the amount due in the current year rather than set aside the full amount of the purchase. Israel applies cash flow financing to its FMS purchases in the U.S.

Legislation.—None.

Value.—Israel can buy other equipment with the FMS funds that would have been committed to pay for multiyear purchases. Cash flow financing implies that the U.S. will guarantee future FMS levels to pay for the deferred payments.

FMS Extended Amortization.—In practice, most countries have 12 years in which to repay FMS loans. Israel and a few other countries were granted a 10-year grace period, during which only a reduced interest payment was made, followed by a 20-year repayment period.

Legislation.—None.

Value.—Delayed repayment allowed Israel to utilize its funds for other purposes during the grace period, and then repay loans in deflated dollars.

FMS Credits for Sophisticated Weapons.—Israel is excluded from a ban on underdeveloped countries using FMS credits to purchase sophisticated weapons systems, such as missile systems and jet aircraft.

Legislation.—Sec. 4 of P.L. 90-629 (82 Stat 1322), October 22, 1968. (See 22 U.S.C. 2754.)

Other Programs

Refugee Resettlement.—Congress earmarked funds from the Migration and Refugee Assistance account for resettling Soviet and East European Jewish refugees. Later, the refugee definition was expanded to include Ethiopian and other Jews, and the use of the funds limited to Israel because many of the Jewish refugees preferred to migrate to other countries.

Legislation.—Sec. 101(b) of P.L. 92-352 (86 Stat 489), July 13, 1972, repeated in subsequent years.

Value.—Israel received $25 million resettling Jewish refugees in FY 1987, $25 million in FY 1988, and $28 million in FY 1989; from FY 1973 through FY 1989, Israel received $394.5 million for Jewish refugee resettlement.

American Schools and Hospitals Abroad.—In 1969, Congress named 6 Israeli institutions that were to receive ASHA funds. Previously, selection of recipients was left to the Department of State. The practice of naming the institutions was dropped after a few years, but Israeli institutions continue to receive ASHA funding.

Legislation.—P.L. 91-175 (83 Stat 805), December 30, 1969, earmarked funds for Israeli institutions listed in Senate Report 91-603.

Value.—Israeli institutions have received over $80 million in grants through the ASHA program from 1967 to 1988.

Energy and Selected Development.—Section 106 of the Foreign Assistance Act of 1961, as amended, provides funds for energy resource and other selected development. Section 106(f) provides funds for cooperative projects among Israel, the United States, and developing countries; in effect, supporting Israel's foreign aid program.

Legislation.—Sec. 101 of P.L. 98-473 (98 Stat 1888), October 12, 1984, repeated in subsequent years. (See 22 U.S.C. 2151d.)

Value.—Israel received $5 million in FY 1987, $5 million in FY 1988, and $5 million in FY 1989; Israel has received $22 million in grants from FY 1985 through FY 1989, for selected development projects in third countries.

Desalting Plant.—The United States and Israel shared the cost of a prototype seawater desalting plant to produce fresh water and electrical power. (Section 219 of the Foreign Assistance Act of 1961, as amended).

Legislation.—Sec. 104 of P.L. 91-175 (83 Stat 806), December 30, 1969. (See 22 U.S.C. 2179.)

Value.—Israel received $20 million in grants.

Air Base Construction.—To facilitate Israel's withdrawal from the Sinai Peninsula following the Camp David agreements, the United States agreed to assist in constructing two air bases in Israel to replace two air bases left behind in Sinai.

Legislation.—Sec. 3 of P.L. 96-35 (93 Stat 89), July 30, 1979. (See 22 U.S.C. 2349, 2349a, 2349b, 3401.)

Value.—$800 million in grants.

Housing Guarantees.—Section 221 of the Foreign Assistance Act of 1961, as amended, provides U.S. funds for loan guarantees for investors constructing new housing in foreign countries.

Legislation.—Sec. 105 of P.L. 91-175 (83 Stat 805), December 30, 1969. (See 22 U.S.C. 2183, which earmarks $25 million for Israel for FY 1982.)

Value.—Israel received $200 million in housing guarantees between 1972 and 1980.

Regional Cooperation.—Section 202(c) of the International Security and Development Cooperation Act of 1985 (P.L. 99-83), states that it is the policy of the United States to support Middle East peace by financing scientific and technical cooperative development projects among Israel, Egypt, and other nations.

Legislation.—Sec. 8 of P.L. 96-35 (93 Stat 92), July 20, 1979, stated that it was the sense of Congress to create the program, and Sec. 8(c) of P.L. 96-92 (93 Stat 701), October 29, 1979, created the regional cooperation section; funding repeated in subsequent years. (See 22 U.S.C. 3406.)

Value.—From 1979 through 1989, about $42 million has been obligated or requested to fund the regional cooperation. Israel's share of the $42 million is not known.

Regional Cooperation Scholarships.—Part of the funds earmarked for Regional Cooperation (See above) were set aside to finance scholarships for Arab students studying in Israel and Israeli students studying in Arab countries (also called Arab-Israeli Peace Scholarships). The earmark was established in 1987 and repealed in 1988.

Legislation.—Sec. 564 of P.L. 100-202, December 22, 1987; Section 564 was repealed by Section 558 of P.L. 100-461 of October 1, 1988.

Value.—$500,000 for Israeli students studying in Arab countries and $500,000 for Arab students studying in Israel.

Binational Foundations.—The purpose of the four U.S.-Israel binational foundations—agriculture, industrial development, science, and education—is to foster cooperation between Israelis and Americans. Israel and the United States contribute equal amounts to fund the programs.

Legislation.—None.

Value.—U.S. contributions to the foundations: $1.5 million to the U.S.-Israel Education Foundation in 1956, and an additional $5 million in 1985; $30 million to the U.S.-Israel Binational Science Foundation in 1972, and an additional $20 million in 1985; $20 million to the U.S.-Israel Binational Industrial Research and Development Foundation in 1977, and an additional $25 million in 1984; and $40 million to the U.S.-Israel Binational Agricultural Research and Development Fund in 1977, and an additional $15 million in 1985.

Other General Assistance

Open-Ended Authorization.—The President was authorized to transfer to Israel aircraft and equipment to maintain and protect the aircraft as may be necessary.

Legislation.—Sec. 501 of P.L. 91-441 (84 Stat 909), October 7, 1970; extended by Sec. 807 of P.L. 95-79 (91 Stat 323), July 30, 1977; expired 1979.

Supplemental Assistance.—Israel received supplemental assistance after the 1973 war, after signing the 1979 peace treaty with Egypt, and for economic reforms in 1985.

Legislation.—P.L. 93-199 (87 Stat 936), December 26, 1973; P.L. 96-35 (93 Stat 90), July 20, 1979; Sec. 208 of P.L. 99-83 (99 Stat 213), August 8, 1985.

Value.—$2.2 billion in 1973, $3 billion in 1979, and $1.5 billion in 1985.

Multiyear Assistance Commitment.—According to press reports, Israel has sought commitments from the United States for future aid levels. Officials at the Israeli embassy confirm that such requests have been made and state that Israel has received U.S. assurances of minimum aid levels for future years. U.S. Office of Management and Budget officials state that no multi-year aid commitments are made, but that aid levels may be "straightlined" (projected at the same rate as the current year) for planning purposes and that some people may misconstrue the straightlining as a commitment.

Legislation.—None.

Assistance Conditions.—There are few conditions placed on U.S. aid to Israel, but other nations do have conditions attached to their U.S. aid. For example, aid to Egypt is conditioned on continued Egyptian adherence to the Camp David Agreements and on implementing economic reforms.

Legislation.—Sec. 1206 of P.L. 99-83 (99 Stat 190), August 8, 1985, includes the peace effort condition, and Sec. 202(b)(3) of P.L. 99-83 includes the economic reforms provision.

II. ECONOMIC

Debt Reform.—The United States will guarantee loans from private institutions to be used to refinance U.S. Government military loans made at 10 percent or more interest. Israel owes the United States about $16 billion, of which about $8 billion were military loans. Of the $8 billion in military loans, about $6 billion were made at rates of 10 percent or more. According to press accounts, Israel refinanced about $5 billion of its military loans in 1988.

Legislation.—Foreign Military Sales Debt Reform section of P.L. 100-202, December 22, 1987.

Value.—According to press accounts, Israel will save about $150 million per year in debt service payments by refinancing military loans.

Free Trade Area.—In 1981, Israel requested negotiations with the United States eliminate trade barriers between the two countries. IN 1983, Israel and the United States agreed to establish a Free Trade Area to eliminate trade barriers over a ten year period. Congress passed implementing legislation to allow the agreement to enter into force.

Legislation.—Title IV of P.L. 98-573 (98 Stat 2948), October 30, 1984, authorized the President to negotiate the agreement, and P.L. 99-47 (99 Stat 82), June 11, 1985, implemented the agreement. (See 19 U.S.C. 2112, and 19 U.S.C. 2518.)

Value: Unknown.

Non-NATO Ally.—The Defense Authorization bill of 1987 added Section 27(j)(1) to the Arms Export Control Act to give the President authority to enter into agreements with non-NATO countries on the same basis as NATO countries for cooperative development of defense weapons. The Conference Report (House Report 99-1001) accompanying the bill stated that the Congress intended for Israel to be one of the non-NATO countries eligible for cooperative development projects. Non-NATO status also will benefit Israel in bidding for U.S. defense contracts and in buying U.S. defense equipment and services.

Legislation: Sec. 1103(a)(2)(D) of P.L. 99-661 (100 Stat 3816), November 14, 1986, added subsection (j)(1) to Section 27 of the AECA; Section 1105(f) of P.L. 99-661 called for an annual report from the Secretaries of State and Defense naming Non-NATO allies; on February 2, 1987, the Secretary of State informed the House Foreign Affairs Committee by letter that Israel was designated a non-NATO ally.

Value.—Unknown.

Strategic Defense Initiative.—Israel and the United States signed a Memorandum of Understanding on May 6, 1986, providing for Israeli involvement in SDI. According to the Washington Jewish Week of November 13, 1986, Israel and the United States signed contracts in November 1986, providing for Israeli research on an anti-tactical ballistic missile (ATBM) as part of the SDI research. Israel seeks U.S. cooperation in developing the "Arrow" missile as an ATBM to counter Soviet-built SS-21 missiles reported to be in Syria and Soviet-built Frog and Scud missiles in several Arab arsenals.

Legislation.—Sec. 212 of P.L. 99-661 (100 Stat 3816), November 14, 1986, earmarks $50 million of the $3.2 billion SDI research, development, test, and evaluation funds for ATBM R&D.

Value.—According to Defense News of December 21, 1987, "Arrow" development will cost $200 million per year for the next 3 years, and the U.S. will pay 80% of the cost and Israel will pay 20% (or $40 million per year). Defense News also said that the U.S.-Israel ATBM agreement allowed Israel to pay 10% (or $4 million per year) of its share with FMS funds.

Arab Boycott.—U.S. law forbids U.S. companies or individuals from complying with the Arab boycott of Israel.

Legislation.—Section 8 of the Export Administration Act of 1979, P.L. 96-72 (93 Stat 503), September 29, 1979.

Value.—Unknown.

Alaskan Oil.—Section 28(u) of the Mineral Leasing Act of 1920 prohibits the export of Alaskan oil. An exception to the prohibition is contained in Section 7(d)(3) of the Export Administration Act of 1979, which states that countries signing bilateral oil supply agreements with the United States before June 25, 1979, may purchase Alaskan oil. Israel signed a bilateral oil supply agreement with the United States on June 21, 1979. The agreement, the only U.S. bilateral oil supply agreement, states that Israel may buy U.S. domestically produced oil if Israel cannot get oil from other sources. Thus far, Israel has been able to get oil on the international market, and has not implemented the agreement.

Legislation.—Sec. 7(d)(3) of P.L. 96-72 (93 Stat 503), September 29, 1979.

Value.—Unknown.

FMS Offsets.—Foreign countries "offset" the cost of military equipment purchased from the United States by selling component parts to the United States for final assembly in the equipment. For example, Israel produces the rudder for F-16 aircraft purchased from the United States with FMS funds.

Legislation.—None.

Value.—According to press accounts, Israel receives about $150 million per year in offsets.

FMS Third Country Sales.—Israel has requested, but not yet received, permission to sell Israeli-made military equipment to third countries that would pay Israel with U.S. contributed FMS funds. Section 42 of the Arms Export Control Act (22 U.S.C. 2791) states that FMS funds should be spent in the U.S. for U.S.-produced defense articles and services. A third country would seek a waiver from the Section 42 restriction that would allow it to use FMS funds to pay Israel for Israeli produced weapons.

Legislation.—None.

Value.—None.

Agricultural Materials Research and Development.—The Secretary of Agriculture is encouraged to enter into cooperative development projects for agricultural products, in particular latex. Israel was added to the list of countries in 1984.

Legislation.—Sec. 7 of P.L. 98-284 (98 Stat 183), May 16, 1984. (See 7 U.S.C. 178e.)

Value.—Unknown.

Israel Bonds.—Israel Bonds were excluded from the tax provision that treated income from low interest rate bonds as interest rather than capital gains. The exclusion made Israel Bonds more attractive to U.S. investors.

Legislation.—Sec. 1812(b)(5) of P.L. 99-514 (100 Stat 2834), October 22, 1986. (See 26 U.S.C. 7872.)

III. MILITARY/POLITICAL

Pre-Positioning.—The United States prepositions U.S. military equipment and supplies in Israel for use in emergencies. According to reports, Israel requested that it have access to pre-positioned supplies in case Israel were attacked, but Israel embassy officials deny that such a "two-key" arrangement exists.

Legislation.—None.

Value.—Unknown.

U.S. Weapons.—Section 3 and 4 of the Arms Export Control Act describe conditions placed on the use of U.S.-supplied military equipment. Violation of the conditions could result in a country being denied access to military credits, guarantees, or sales. The conditions include transferring U.S.-supplied weapons without the permission of the President and using military equipment for purposes other than self defense. All military supply contracts between the United States and recipient countries contain the same conditions. On one occasion, after the July 1976 Israeli attack on the Entebbe, Uganda, airport, the Department of State determined that Israeli use of U.S. weapons was legitimate self defense. On three occasions, in April 1978, following the Israeli invasion of Lebanon, in August 1979, following an Israeli attack in Lebanon, and in June 1981, following the Israeli bombing of the Iraqi nuclear reactor, the Department of State notified Congress that Israel "may have violated" the AECA and the 1952 U.S.-Israel agreement (TIAS 2675), but no further action was taken and Israel continued to receive U.S. weapons (although aircraft deliveries were delayed in 1981). On another occasion, in the summer of 1982, following the Israeli invasion of Lebanon, the Department of State notified Congress (in a classified letter) that Israel misused cluster bombs and cut off further supply of cluster bombs to Israel. Also, Israeli officials have admitted that U.S. weapons were supplied to Iran and militia forces in southern Lebanon without the President's permission.

Legislation: Sec. 3 (22 U.S.C. 2752) and Sec. 4 (22 U.S.C. 2754) of P.L. 90-629, as amended.

Value.—Unknown.

Palestine Liberation Organization Negotiations.—On September 1, 1975, Secretary of State Kissinger signed an assurance to Israel stating the United States would not negotiate with, or recognize, the PLO unless and until the PLO recognized Israel and accepted U.N. Resolutions 242 and 338. Congress incorporated the policy statement in law in 1984, and added an additional condition that the PLO must renounce terrorist. The ban on negotiating with the PLO covers all U.S. Government employees or individuals acting on behalf of the United States. The Secretary of State announced on December 14, 1988, that the PLO had met the conditions and that a United States representative would meet with a PLO official.

Legislation.—Sec. 535 of P.L. 98-473 (98 Stat 1902), October 12, 1984, repeated in subsequent years.

U.N. Support for the PLO.—The United States will reduce its contributions to United Nations organization if they offer financial support for the PLO.

Legislation.—Sec. 614 of P.L. 95-426 (92 Stat 963), October 7, 1978, repeated in subsequent years; also Sec. 114 of P.L. 98-164 (97 Stat 1020), November 22, 1983, reduced U.S. contributions to the U.N. Committee on the Exercise of the Inalienable Rights of the Palestinian People and the U.N. Special Unit on Palestinian Rights, repeated in subsequent years; and Sec. 705 of P.L. 100-204 (101 Stat 1390), December 22, 1987, added the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Population of the Occupied Territories.

U.S. Quit the U.N. If Israel is Expelled.—The United States will suspend its participation in the U.N. and reduce its contribution to U.N. activities if Israel is expelled.

Legislation.—Sec. 115 of P.L. 98-164 (97 Stat 1021), November 22, 1983, repeated in subsequent years.

PLO Membership in IMF.—If the PLO is admitted to membership or observer status in the International Monetary Fund, the United States might reduce its support for the IMF. U.S. representatives to the IMF were told to convey U.S. intentions to the IMF.

Legislation.—Sec. 37 of P.L. 79-171, added by Sec. 7 of P.L. 96-389 (94 Stat 1554), October 7, 1980.

Close PIO/PLO Offices.—Title X, Section 1003 of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989, states that it is illegal for the PLO to maintain an office in the United States. The Washington, D.C. Palestine Information Office, which received its funding from the PLO, was designated a foreign mission and closed by the State Department on December 3, 1987. A Palestine Affairs Center, under the auspices of the Arab League, opened in Washington in April 1988. The Department of Justice directed the PLO office in New York, housing the PLO observer mission to the United Nations, to close by March 21, 1988, in compliance with the law. A U.S. District Court ruled in August 1988 that the

United States was bound by the U.N. Headquarters Agreement to allow the PLO to maintain an office in New York. The Justice Department did not appeal the decision.

Legislation.—Sec. 1003(3) of P.L. 100-204 (101 Stat 1407) December 22, 1987.

U.S. Embassy in Israel.—The United States, citing U.N. resolutions, does not recognize Israel's annexation of Jerusalem or the designation of Jerusalem as its capital. the United States embassy in Israel is in Tel Aviv. Israel wants the United States to move its embassy to Jerusalem to legitimize the Israeli claim to the city. Some Members of Congress, in support of the Israeli position, proposed banning the expenditure of funds for a new embassy any where except Jerusalem, but the legislation bans funds for a new U.S. embassy any where in Israel, Jerusalem, or the occupied West Bank.

Legislation.—Sec. 130 of P.L. 100-204 (101 Stat 1344), December 22, 1987. (See 22 U.S.C. 4862.)

U.S. Funds for the United Nations Relief and Works Agency.—No U.S. funds may go to UNRWA, the organization providing food, shelter, medical treatment, and other services for Palestine refugees, unless UNRWA takes all possible measures to ensure that no military training is provided to refugees in UNRWA facilities.

Legislation.—Sec. 301(c) of the Foreign Assistance Act of 1961, as amended, added by Sec. 108(a) of P.L. 91-175 (83 Stat 805), December 30, 1969.

Israeli Participation in the International Atomic Energy Agency.—U.S. contributions to the IAEA are conditioned on Israel's right to participate in the Agency. The IAEA voted to suspend Israel's membership after the 1981 Israeli attack on Iraq's nuclear facility.

Legislation.—Sec. 195 of P.L. 97-377 (96 Stat 1830) December 21, 1982. (see 22 U.S.C. 2222.).

[CRS Issue Brief]

ISRAEL: U.S. FOREIGN ASSISTANCE FACTS

(By Clyde R. Mark, Foreign Affairs and National Defense Division)

SUMMARY

Israel is not economically self-sufficient, and relies upon foreign assistance and borrowing to maintain its economy. For the past five years, the United States has provided $3 billion in grants annually to Israel. Since 1976, Israel has been the largest annual recipient of U.S. foreign assistance, and is the largest cumulative recipient. In addition to U.S. assistance, Israel receives about $1 billion annually through philanthropy, an equal amount through short- and long-term loans, and about $500 million or more in Israel Bonds proceeds.

Should the United States set conditions on its aid to Israel to extract political or economic concessions? Does the special treatment granted to Israel set precedents for other U.S. recipients? Are the charges that Israel has misused U.S. aid valid, and if so, what should the United States do about it? Should the United States increase aid to Israel to help resettle Jews emigrating from the Soviet Union?

The United States provided $1.2 billion in Economic Support Fund grants, $1.8 billion in Foreign Military Sales grants, $25 million in refugee resettlement grants, and $7.5 million in cooperative development grants for Israel for FY 1990.

ISSUE DEFINITION

For most Members of Congress, the issue is not if Israel should receive U.S. foreign assistance, but under what conditions Israel should receive the aid. Should the United States attach conditions to the aid in order to get Israel to cooperate with the peace process or to stop building settlements in the occupied territories? Should the United States increase aid to Israel for resettling Jewish refugees? Does Israel receive preferential treatment?

BACKGROUND AND ANALYSIS

Country Data

Country data were taken from the following sources: Agency for International Development, *A.I.D. Congressional Presentation FY1987;* Central Intelligence Agency, *The World Factbook 1985;* U.S. Dept. of Commerce, *Foreign Economic Trends,* August 1985; and the Central Bureau of Statistics of Israel.

Population ('89): 4.54 million (FET).

Population growth rate ('89): 1.5% (FET).

GNP: ('88) $33.8 billion; ('89) $40.1 billion (FET).

Per capita GNP ('89): $8,899 (FET).

Annual per capita GNP growth rate/long term ('65-'86): 2.6%.

Annual GNP growth rate/short term: ('88) 0.7%; ('89) 2.8% (FET).

Annual inflation rate/long term ('70-'82): 52.3%.

Annual inflation rate/short term: '82-132%, '83-191%, '84-445%, '85-185%, '86-19.7%, '87-16.1%, '88-16.4%, '89-20.0%.

Unemployment rate ('84): 5.9%, ('85): 6.7%, ('86): 7.4%, ('87): 6.1%, ('83): 6.4%, ('89): 6.6%.

Avg. life expectancy ('85): 74.5 yrs. (A.I.D.).

International debt ('88): $25.5 billion) (FET).

Debt service payments as a % of export earnings ('83): 19.6% (Debt service ratio for all developing countries in 1982 was 19.9%.)

Avg. per capita growth rate of agricultural production ('74-'83): 0.0%.

Proportion of the labor force in agriculture ('82): 5.6%, ('87): 5.2% (CBS).

Major crops: Wheat, citrus fruit.

Major exports and value ('86): diamonds, citrus fruit, textiles/$6.76 billion (FET).

Major imports and value ('86): milit. equipment, diamonds, oil products/$8.91 billion (FET).

PROGRAM BACKGROUND

Since 1976, Israel has been the largest annual recipient of U.S. aid and is the largest recipient of cumulative U.S. assistance. From 1949 through 1965, U.S. aid to Israel averaged about $63 million per year, over 95% of which was economic development assistance and food aid. A modest military loan program began in 1959. From 1966 through 1970, average aid per year increased to about $102 million, but military loans increased to about 47% of the total. From 1971 to the present, U.S. aid to Israel has averaged over $2 billion per year, two-thirds of which has been military assistance. In 1971, economic assistance changed from specific programs, such as agricultural development, to the Commodity Import Program (CIP) for purchase of U.S. goods. CIP ended in 1979, replaced by largely unconditional direct transfers for budgetary support. The 1974 emergency aid for Israel, following the 1973 war, included the first military grant aid. Economic aid became all grant cash transfer in 1981, and military aid became all grant in 1985.

The FY1989 U.S. aid of $3.0 billion in grants was made available to Israel in October 1988; $1.2 billion in Economic Support Funds (ESF) grants, and $1.8 billion in Foreign Military Sales (FMS) grants, of which $150 million is to be spent in the United States for research and development (R&D) for advanced aircraft and $400 million is to be spent in Israel for defense procurement. Israel received a grant of $5 million for its foreign assistance program, a $28 million grant for refugee resettlement, and shares a $5 million program with Egypt for cooperative development programs to promote the Egyptian-Israeli peace treaty.

Beginning in the mid-1970's, Israel could no longer meet its balance of payments and government deficits with imported capital (gifts from overseas Jews, West German reparations, U.S. aid) and began to rely more on borrowed capital. Growing debt servicing costs, mounting government social services expenditures, perennial high defense spending levels, and a stagnant domestic economy combined with worldwide inflation and declining foreign markets for Israeli goods pushed the Israeli economy into a near crisis situation. The "unity" government, which took office in September 1984, instituted a series of "preliminary steps" intended to resolve some of the economic problems and "emergency" measures in July 1985, to cut government subsidies, freeze wages and prices, raise taxes, and other measures. Inflation was cut from the high of 445% in 1984 to an annual level of 20% for 1986 and 1987. Unemployment settled down to 5.5% for the second quarter of 1987, after a high of 7.8% for the same period in 1985. Israel still runs government deficits and balance of trade and payments deficits, although the gaps have been reduced.

The Administration requested $1.2 billion in economic grants and $1.8 billion in military grants for FY1990.

UNITED STATES ASSISTANCE TO ISRAEL, FISCAL YEARS 1949–89

[In millions of dollars]

Year	Total	Military Loan	Military Grant	Economic Loan	Economic Grant	Food for Peace Loan	Food for Peace Grant	Export-Import Bank loan	Jewish refugee resettlement grant	Housing loan guaranty	American schools and hospitals grant	Other loan	Other 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		(1)						
1954	74.7				54.0		20.7						
1955	52.7			20.0	21.5	10.8	.4						
1956	50.8			10.0	4.0	35.2	1.6						
1957	40.9			10.0	16.8	11.6	2.3						

Phil -
Totals at bottom
of page 3

COMMENTS OF 9/12/91 PAGE 1

RE: PRESS CONFERENCE

91 SEP 12 P3:28

YOU WERE WONDERFUL RE: "WE ARE THE U.S.A. AND THIS IS OUR FOREIGN POLICY."

THIS WAS ONE OF THE MOST MAGNIFICENT SPEECHES I HAVE EVER HEARD. YOU HAVE TAKEN A STAND, BOTH BOLD AND FAIR.

I DID NOT VOTE FOR YOU BUT WHEN YOU ARE RIGHT AND NATIONAL IT SHOWS. YOU HAVE MY SUPPORT.

DEFER LOAN ONLY IF YOU WILL SIGN THE EMERGENCY FOR UNEMPLOYMENT BENEFITS. MANY OF US WILL GO BANKRUPT AND LOSE ALL WE HAVE WORKED FOR WHILE WE WAIT FOR THESE SO-CALLED NEW JOBS TO MATERIALIZE. PLEASE, MR. PRESIDENT, HELP YOUR OWN FIRST. IF YOU HELP US, WE WILL ALL SUPPORT YOU.

WHOLE-HEARTEDLY SUPPORT THE PRESIDENT ON DELAYING AID TO ISRAEL.

I AM A DEMOCRAT AND THE LAST TIME I DID NOT VOTE AT ALL BUT NEXT TIME I WILL AND FOR THE REPUBLICAN TICKET. I DO NOT THINK YOU HAVE GONE FAR ENOUGH. CUT OFF ALL FOREIGN AID.

I AM A DEMOCRAT AND I THINK YOU ARE 1000% CORRECT. DON'T BACK DOWN. THERE SHOULD BE NO AID FOR JEWISH SETTLEMENTS BEFORE OUR OWN HOUSE IS IN ORDER.

WHAT IS THIS ROYAL "WE" THAT BUSH USES IN HIS SPEECHES? IS THIS PART OF THE NEW WORLD ORDER? HE SHOULD STOP USING WE.

YEA. GO TEAM GO. GOOD IDEA. FROM DENVER, COLO.

BRAVO MR. PRESIDENT. KEEP IT UP. PEACE IS MORE IMPORTANT. THANK YOU.

WHY DO WE HAVE TO GROVEL TO ISRAEL? WE HAVE GIVEN AND WILL CONTINUE TO GIVE AID TO ISRAEL. BUT IT SHOULD BE ON OUR TERMS NOT ON THEIRS.

WE WOULD JUST BE CO-SIGNING A LOAN - WHAT'S THE BIG DEAL?

WHY IS THE PRESIDENT ATTACKING ISRAEL? HE MADE PROMISES TO ISRAEL DURING THE PERSIAN GULF WAR.

THIS COUNTRY IS GOING TO HELL IN A HANDBASKET BECAUSE OF THE DOLLAR SIGNS IN OUR EYES. THE PRESIDENT WON'T SIGN THE UNEMPLOYMENT EXTENSION BILL FOR AMERICANS BUT HE WILL PUT US OVER THERE IN DEBT BY GUARANTEEING LOANS TO ISRAEL. IT DOESN'T MAKE SENSE. TAKE CARE OF U.S. FOR A CHANGE.

CALL THE PRESIDENT AND TELL HIM TO HURRY UP AND GET OFF THE T.V. SO WE CAN WATCH "DAYS OF OUR LIVES." OTHER CALLERS ASK "WHY ALWAYS AT 1:00PM - WHAT NOT DURING FOOTBALL?"

SUPPORTS POTUS ON THE DEAL - KEEP THE MONEY AT HOME.

OPPOSED TO THE PRESIDENT'S STANCE ON HOLDING THE LOAN GUARANTEE. POTUS IS WRONG. IT IS HUMANITARIAN AID.

MR. PRESIDENT IF YOU HAVE THE COURAGE TO STAND UP AND SAY NO TO ISRAEL RE THIS GUARANTEED LOAN, I AM CONFIDENT YOU WILL HAVE THE SUPPORT OF 90% OF THE AMERICAN PEOPLE. DON'T CONTINUE TO CAVE IN TO THESE PEOPLE. IT WILL CAUSE FURTHER PROBLEMS IN THE MIDDLE EAST.

I AM AN UNEMPLOYED DISABLED PERSON WHOSE UNEMPLOYMENT INSURANCE HAS RUN OUT. I CAN'T FIND A JOB AND THE PRESIDENT IS TALKING OF SENDING MONEY TO ISRAEL. IT IS OUTRAGEOUS. STICK TO YOUR GUNS MR. PRESIDENT. NO LOAN FOR ISRAEL.

I CAN'T PAY MY MEDICAL INSURANCE BILL - I CAN'T AFFORD TO SEND MY DAUGHTER TO COLLEGE. I AM ALSO ILL. THERE ARE THOUSANDS OF AMERICANS JUST LIKE ME. HELP US. WHY SHOULD WE PAY FOR IMMIGRANTS GOING TO ISRAEL? IT'S WRONG.

THE EPISCOPAL THEOLOGICAL SEMINARY IN ALEXANDRIA, VA. STAFF AND STUDENTS WANT TO SUPPORT YOU. HANG TOUGH, WE LOVE YOU.

A STAFF OF 22 PEOPLE WANT YOU TO KNOW WE SUPPORT THE PRESIDENT. HE IS SO RIGHT. WE NEED THE MONEY HERE FOR HOUSING.

WE FEEL STRONGLY FOR THIS PRESIDENT AND HIS WIFE. IT'S OVERDUE THAT A PRESIDENT HAS FINALLY STOOD UP TO ISRAEL PUBLICLY. WE SUPPORT YOU 100%.

THE PRESIDENT IS A STRONG PRINCIPLED MAN AND I RESPECT HIM FOR STANDING UP TO THE ISRAELI LOBBY. NO LOANS TO ISRAEL.

DON'T GIVE ONE CENT TO ISRAEL. WE HAVE GIVEN THEM TOO MUCH ALREADY. THE ISRAELI LOBBY IS TOO POWERFUL IN THIS COUNTRY. HANG TOUGH, MR. PRESIDENT - FROM THE UPSTATE NEW YORK REPUBLICANS.

THANK GOD FOR OUR PRESIDENT. WE NEED PEACE AND ISRAEL WON'T LET THAT HAPPEN. NO MORE MONEY.

I SOMETIMES THINK THESE JEWISH LOBBYISTS FORGET THIS IS NOT THEIR COUNTRY. AMERICA FIRST.

I FULLY SUPPORT THE PRESIDENT. SOMEONE FINALLY STOOD UP TO THE ISRAELI LOBBY. THANK YOU, WE LOVE YOU.

I AM TRIED OF ISRAEL DICTATING OUR FOREIGN POLICY AND TAKING OUR MONEY WHEN WE NEED IT. THE PRESIDENT TOOK A BOLD STAND. I'LL BACK HIM 100% BUT I THINK WE SHOULD WITHHOLD FOR 120 YEARS NOT DAYS.

IT IS AN EMBARRASSMENT FOR POTUS TO INTERRUPT NATIONAL T.V. IN ORDER TO EXPLAIN AND APOLOGIZE TO ISRAEL. WE HAVE GIVEN THEM WELFARE FOR 40 YEARS. ENOUGH. WE NEED THE FUNDS HERE. I'M TIRED OF CONGRESS GIVING IN TO THE JEWISH LOBBY.

POOR ISRAELIS. THEY ARE DOUBLE CROSSED BY BUSH.

BACK THE PRESIDENT FOR PEACE - AND DENY THE LOAN GUARANTEE AND SPEND MONEY HERE WHERE IT IS NEEDED.

FULLY RIGHT - IN FACT PRESIDENT BUSH SHOULD STOP IT ALTOGETHER.

POTUS MUST HOLD OFF FOREVER ON AID TO ISRAEL.

A STROKE OF GENIUS BY PRESIDENT BUSH ON AID TO ISRAEL - 100% SUPPORT - ABOUT TIME - THE JEWISH LOBBY WAS RUNNING THIS COUNTRY.

WE HAVE CREATED A MONSTER WITH ISRAEL.

RABBI BRONSTEIN OF CHICAGO IS IN FAVOR OF THE PRESS CONFERENCE. POTUS HAS HIS HEARTFELT GRATITUDE.

ISRAEL IS AN ASSET TO THE USA - OUR ONLY RELIABLE ALLY - YOU FORGAVE EGYPT 7 BILLION DOLLARS - WHY NOT A LOAN GUARANTEE TO ISRAEL?

PRESIDENT BUSH IS A MODEL OF ANTI-SEMITISM ON THIS ISSUE OF A GUARANTEED LOAN TO ISRAEL. HE HAS BETRAYED ISRAEL.

WHY SHOULD THE COUNTRY WITHHOLD THE LOANS WHICH TRANSLATE INTO HUMANITARIAN AID FROM A GOOD FRIEND IN THE MIDDLE EAST. VERY INCONSIDERATE AND UNTHOUGHTFUL OF OUR PRESIDENT.

ISRAEL ACTS LIKE A SPOILED CHILD - THEY SAY GIVE ME AND WE LEAP. WHY SHOULD WE GIVE THEM ANY MORE MONEY OR LOANS? WE NEED THE MONEY HERE.

TOTAL CALLS AS FROM 1:00PM TO 3:00PM - 647

CALLS RE PRESS BRIEFING

POSITIVE	-	308
NEGATIVE	-	94

		402