

U.S. Foreign Aid to Israel

Israel must maintain a strong defense because all but two of its neighbors (Egypt and Jordan) are technically at war with Israel.

Given the potential threats (for example; Hamas' refusal to renounce terrorism, nuclear threats to destroy Israel from Iran and terrorist attacks from southern Lebanon) it is a necessity that Israel continues to maintain a strong defense. Israel is a powerful country, but as the arms balance chart below indicates, it is still outmanned and outgunned by its enemies, and therefore must rely on its qualitative advantage to insure it can defeat its enemies, and that can only be guaranteed by the continued purchase of the latest weapons. New tanks, missiles and planes carry high price tags, however, and Israel cannot afford what it needs on its own, so continued aid from the United States is vital to its security. Unlike Israel, which receives nearly all its aid from the United States, Arab nations receive assistance from multiple sources such as Asia, Eastern Europe, the Soviet Union and European Union nations.

Arms Balance in the Middle East

Country	Regular Troops	Reserve Troops	Total	Tanks	Military Aircraft
Israel	186,500	445,000	631,500	3,700	785
Egypt	450,000	254,000	704,000	~3,000	774
Jordan	100,700	60,000	160,700	~970	194
Lebanon	61,400		61,400	280	
Palestinian Authority	~45,000		~45,000		
Iran	~520,000	350,000	870,000	1,680	677
Syria	289,000	132,500	421,500	3,700	699
Saudi Arabia	171,500	20,000	191,500	750	542

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American foreign aid enhances American national security interests.

Israel is recognized; with bi-partisan support in the American Congress, as a reliable, pro-American stabilizing force in an otherwise volatile, but critical region of the world. Along with the United States, Israel is working to counter the most dangerous threats in the region, including: the proliferation of weapons of mass destruction by rogue regimes; the use of terror by groups supported by these same countries to destabilize moderate regimes and disrupt peacemaking efforts; the potential disruption in access to Middle East oil; and efforts to impose a strict Islamic sectarian governance on the entire region.

Since signing the peace treaty with Israel, Egypt has been the second largest recipient of U.S. foreign aid (\$1.8 billion in 2005). The promise of U.S. assistance to Israel and Egypt during peace negotiations in the late 1970's enabled both countries to take the risks needed for peace. Jordan has also been the beneficiary of higher levels of aid since it signed a treaty with Israel (increasing from less than \$40 million to more than \$225 million). The multibillion-dollar debts to the U.S. of both Arab nations were forgiven. Foreign aid, at less than one percent of the federal budget, is an essential cost effective tool for promoting American interests abroad.

After the Oslo agreements (1993), the United States also began providing funding to the Palestinians totaling an average of \$85 million per year. This is in addition to an approximate \$80 million per year in payments to the United Nations Relief and Works Agency (UNRWA) for funds for Palestinian refugees and an additional \$20 million annually to UNRWA to meet crisis needs of the refugees. The Palestinians are the largest per capita recipients of foreign aid worldwide. The President's FY2006 budget appropriated \$150 million in economic assistance to the Palestinians for job-creating programs and infrastructure projects in the West Bank and Gaza.

JCRC Issue Summary

Since the formation of a Hamas-led Palestinian Authority government in March 2006, the U.S. suspended its foreign assistance program in the West Bank and Gaza Strip. Foreign aid cannot resume until Hamas, a U.S. State Department-designated Foreign Terrorist Organization, renounces its commitment to the destruction of the state of Israel, commits to nonviolence and the accepts previous agreements. The Quartet (U.S., Russia, European Union and the United Nations) has attempted to forge a temporary solution for delivery of humanitarian aid that avoids working directly with Hamas.

U.S. loan guarantees do not cost Americans any tax dollars.

In the early 1990's, Congress authorized the President to provide guarantees of loans to Israel as a result of Israel's extraordinary humanitarian effort to resettle and absorb immigrants. The population of Israel increased in that decade by 35%, due mainly to a large wave of immigration following the collapse of the Soviet Union. In May of 1991 over 14,000 Ethiopian Jews were airlifted to safety in Israel over a time period of less than two days.

The guarantees were made available in annual increments of \$2 billion over five years. Guarantees are not grants — no U.S. government funds are transferred to Israel. The U.S. cosigns loans for Israel that give bankers confidence to lend Israel money at more favorable terms: lower interest rates and longer repayment periods — as much as 30 years instead of only five to seven. These loan guarantees have no effect on U.S. domestic programs or guarantees. Moreover, they have no impact on U.S. taxpayers unless Israel were to default on its loans, something it has never done. In addition, much of the money Israel borrows is spent in the United States to purchase American goods.

By all measures, the U.S. loan guarantee program has been a huge success. Israel uses the borrowed funds primarily to increase the amount of foreign currency available to the country's business sector and to support infrastructure projects, such as roads, bridges, sewage and electrical plants. The guarantees also help Israel to provide housing and jobs for new immigrants.

Israel spends most of the American military aid it receives in the United States.

Seventy-four percent of what Israel receives in Foreign Military Financing (FMF) is spent in the United States to generate profits and jobs in the U.S. More than 1,000 companies in 47 states, the District of Columbia and Puerto Rico have signed contracts worth billions of dollars through this program over the last several years.

U.S. foreign aid cannot be used to build settlements in the disputed territories.

Under existing guidelines, no U.S. foreign assistance to Israel can be used beyond Israel's pre-1967 borders. The President was authorized to reduce the annual loan guarantees by the amount equal to the estimated value of Israeli activities in the West Bank and Gaza Strip undertaken the previous year. No new immigrants were forced to live in the territories and only a tiny percentage voluntarily chose to do so.

Israel is voluntarily reducing its dependence on U.S. economic aid.

Fiscal year 2009 was the initial year in a ten year plan for US military aid to Israel under a memorandum of understanding signed by the countries and included in the fiscal year 2010 foreign operations appropriations bill. Israel will receive \$2.775 billion in fiscal year 2010. According to the US-Israel aid plan, Israel will receive a total of \$30 billion in military aid over the next ten years (starting in 2009), with the amounts gradually increasing from \$2.55 billion to a ceiling of \$3.1 billion as of 2013 and throughout the plan. As in previous years, Israel can spend up to 25% of the sum for defense purchases from Israeli manufacturers, and the remainder must be spent for defense purchases in the U.S.



Guided by Jewish values, the JCRC informs, collaborates, advocates and takes action on issues in the public arena that are of central concern to the Jewish community.

#12 Millstone Campus Drive, St. Louis, MO 63146-5776 E-mail jrcrstl@jrcrstl.org 314-442-3871 www.jrcrstl.org

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