

THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

C0074

DATE RECEIVED: MAY 05, 1989

NAME OF CORRESPONDENT: MR. GERALD G. TOY

SUBJECT: ENCLOSURES COPY OF AN AMERICANS FOR BETTER  
GOVERNMENT NEWSLETTER REGARDING THE COST OF  
ISRAEL TO THE UNITED STATES

|                     |              | ACTION |          | DISPOSITION |             |
|---------------------|--------------|--------|----------|-------------|-------------|
| ROUTE TO:           |              | ACT    | DATE     | TYPE        | C COMPLETED |
| OFFICE/AGENCY       | (STAFF NAME) | CODE   | YY/MM/DD | RESP        | D YY/MM/DD  |
| DEPARTMENT OF STATE |              | ORG    | 89/05/05 |             | A89/05/15   |
| REFERRAL NOTE:      |              |        |          |             |             |
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COMMENTS:

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: \_\_\_\_\_

MI MAIL USER CODES: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

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|--------------------------|----------------------|----------------------|---|
| *ACTION CODES:           | *DISPOSITION         | *OUTGOING            | * |
| *                        | *                    | *CORRESPONDENCE:     | * |
| *A-APPROPRIATE ACTION    | *A-ANSWERED          | *TYPE RESP=INITIALS  | * |
| *C-COMMENT/RECOM         | *B-NON-SPEC-REFERRAL | *OF SIGNER           | * |
| *D-DRAFT RESPONSE        | *C-COMPLETED         | *CODE = A            | * |
| *F-FURNISH FACT SHEET    | *S-SUSPENDED         | *COMPLETED = DATE OF | * |
| *I-INFO COPY/NO ACT NEC* |                      | *OUTGOING            | * |
| *R-DIRECT REPLY W/COPY * |                      |                      | * |
| *S-FOR-SIGNATURE *       |                      |                      | * |
| *X-INTERIM REPLY *       |                      |                      | * |

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REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE  
(ROOM 75, OEOB) EXT-2590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING  
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS  
MANAGEMENT.

UNCLASSIFIED

(Classification)

DEPARTMENT OF STATE  
EXECUTIVE SECRETARIAT  
TRANSMITTAL FORM

S/S 8910386

Date May 16, 1989

For: Mr. Philip Hughes  
Executive Secretary  
National Security Council  
The White House

Reference:

To: President George Bush From: Mr. Gerald G. Toy

Date: April 28, 1989 Subject: Encloses copy of  
newsletter: Americans for Better Government, Inc.

Referral Dated: May 9, 1989 ID# 033666  
(if any)

       The attached item was sent directly to the  
Department of State

Action Taken:

       A draft reply is attached.

       A draft reply will be forwarded.

       A translation is attached.

XXXX An information copy of a direct reply is attached.

       We believe no response is necessary for the reason  
cited below.

       The Department of State has no objection to the  
proposed travel.

       Other (see remarks).

Remarks:

*for Sandra Salas*  
Director  
Secretariat Staff

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(Classification)

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WHITE HOUSE

89 MAY 16 PII : 00 89 MAY 17 A 7: 37

SITUATION ROOM

UNCLASSIFIED



United States Department of State

Washington, D.C. 20520

May 15, 1989

Mr. Gerald G. Toy  
Americans for Better Government, Inc.  
Suite 222  
13563 Northwest Road  
Portland, Oregon

Dear Mr. Toy:

Thank you for your letter of April 28, 1989 inquiring about United States assistance to Israel. I am responding to your letter on behalf of President Bush.

The United States' commitment to Israel's security and well-being has been a cornerstone of our Middle East policy since the creation of the state of Israel in 1948, in which the U.S. played a key role. Our long standing commitment is based on historical and cultural ties, as well as the U.S. interest in securing a just and comprehensive peace between Israel and its Arab neighbors.

As you are aware, the United States provides both economic and military assistance to Israel. Our military aid enables Israel to maintain the capability to defend itself against any likely combination of aggressors. United States economic assistance provides balance of payments support and has helped Israel to achieve its goals of reduced inflation and renewed growth. Overall, our assistance helps ensure Israel's existence as a free and democratic state that shares many of our own social and political traditions, and gives Israel the confidence to pursue negotiations with its Arab neighbors.

I hope you find this description of the rationale behind our assistance useful and I thank you for taking the time to write.

Sincerely,

A handwritten signature in dark ink that reads "John L. Hirsch". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

John L. Hirsch  
Director  
Office of Israel and  
Arab-Israel Affairs

T H E   W H I T E   H O U S E   O F F I C E

REFERRAL

8910386

'89 MAY-09 1:08 AM

MAY 9, 1989

TO: DEPARTMENT OF STATE

ACTION REQUESTED:

DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 033666

MEDIA: LETTER, DATED APRIL 28, 1989

TO: PRESIDENT BUSH

FROM: MR. GERALD G. TOY  
PRESIDENT  
AMERICANS FOR BETTER GOVERNMENT,  
INC.  
SUITE 222  
13563 NORTHWEST ROAD  
PORTLAND OR 97229

SUBJECT: ENCLOSURES COPY OF AN AMERICANS FOR BETTER  
GOVERNMENT NEWSLETTER REGARDING THE COST OF  
ISRAEL TO THE UNITED STATES

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN  
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE  
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE  
(OR DRAFT) TO:  
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE, 20500

SALLY KELLEY  
DIRECTOR OF AGENCY LIAISON  
PRESIDENTIAL CORRESPONDENCE

33666

11/  
DOS

AMERICANS  
for  
BETTER GOVERNMENT, INC.

April 28, 1989

8910386

'89 MAY-09 1:08 AM

Dear President Bush:

The attached ABG newsletter is self-explanatory.

The dollar cost of Israel to the United States is only part of the sad story — we are losing our stature in the world because of our support of the Nazi-like tactics of the leaders of Israel.

Our loss in moral and ethical values is as great as our monetary losses.

Sincerely,  
Gerald E. Toy

Gerald Toy  
13563 NW Cornell Rd., #222  
Portland, Oregon 97229

AMERICANS  
*for*  
BETTER GOVERNMENT, INC. Phone 503-292-5341

April, 1989

Dear Friends of ABG:

RE: THE COST OF ISRAEL TO THE UNITED STATES

Attached to this newsletter is a copy of "Conclusions", from an article printed in the May-June 1989 issue of The Link. As has been noted in previous newsletters, The Link is published by Americans for Middle East Understanding, Inc.

The article itself is entitled "U.S. Aid to Israel". The writer documents the escalation of U.S. costs over the years. The grand total to date is nearly \$50 billion, and this is only part of the story -- the part that has come directly from the U.S. Treasury. Since we have to borrow the money to give to Israel, there are hundreds of millions of dollars of interest charged to us taxpayers to service these debts.

There are many other costs that are documented in the article, including tax exemption of charitable Jewish organizations who support Israel with billions of dollars of contributions. "Israeli organizations that qualify for tax exemption in Israel automatically qualify for tax exemption in the U.S."

The complete article may be obtained from:

Americans for Middle East Understanding, Inc.  
475 Riverside Drive, Room 771  
New York, NY 10115  
Phone 212-870-2336

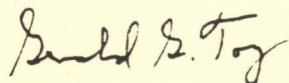
The cost is \$1.00, including postage.

Another of their publications is that for January-March 1989, with an article entitled "Cocaine and Cutouts: Israel's Unseen Diplomacy". It sets forth Israel's involvement in world-wide drug trafficking. This publication is available at the same price.

I urge you to send for these publications and to publicize them in every way that you possibly can. Letters to Congress and to newspapers and magazines, as well as calls to talk shows, would be very much in order.

Thank you!

Sincerely,



Gerald G. Toy  
President

Gerald Toy  
13563 NW Cornell Rd., #222  
Portland, Oregon 97229

# Conclusions

In 1986, Israel received from the U.S. \$1.8 billion in military grants, \$1.2 billion in economic grants, and a \$750 million supplemental aid package. Because of the budget deficit, all funds given to Israel have to be borrowed, and they therefore cost hundreds of millions of dollars to service each year. In addition, the U.S. Government pays Israel interest on aid funds invested in U.S. Treasury notes.

However, the real cost of supporting Israel to the American taxpayer is still higher, involving financial, economic, military, as well as political losses. In 1983, Joseph C. Harsch wrote that if all of the "forms of support are lumped together...Israel draws somewhere around \$10 billion a year from the U.S. and its citizens." Another meaning of this, he added, "is that the American taxpayer is paying for Israel's living standards, for its conquests, and for those settlements which are going up throughout the occupied Arab territories."<sup>75</sup> Despite this, the measures which have been taken by the Reagan Administration and Congress since 1983 have not only failed to lessen the burden but have actually increased that cost substantially. In 1985, the annual cost of supporting Israel was estimated at \$12-14 billion a year.<sup>76</sup>

Financial transfers to Israel are estimated today at about \$6.5 billion a year, some \$4 billion of which represents official and private grants and donations. The other \$2.5 billion consists of the sale of Israel Bonds, U.S. deposits in Israeli banks, direct investment in the Israeli economy and other concessionary and commercial loans. Other subsidies provided by the U.S. and its citizens, including technology transfer, are valued at \$1.5 billion a year. Total annual aid to Israel, therefore, is about \$8 billion a year.

Aid given to Egypt to keep the peace with Israel is about \$2.3 billion a year. Another \$200 million represents U.S. annual contributions to UNRWA, peacekeeping missions, and improving security around U.S.

embassies in the Middle East. Indirect aid intended to pacify Israel's victims and improve the security of the Jewish state, therefore, adds another \$2.5 billion to the cost of supporting Israel.

Extra military expenditures the U.S. has been paying because of its commitment to Israel's security cost another \$1.5 billion a year. The cost of borrowing the funds appropriated for both Israel and Egypt add about \$500-600 million a year. Aid to Egypt and other security expenditures, therefore, add up to more than \$4.5 billion a year.

When all the above expenditures, grants, and subsidies are totalled, the annual cost of supporting Israel comes to more than \$12.5 billion a year.

In addition, the cost of supporting Israel should also include the loss of military and commercial sales to Arab countries, estimated at about \$8.5 billion a year.

Thus, the total financial cost of supporting Israel amounts to a stupendous \$21 billion a year.

On September 23, 1984, the *Washington Post* said that "Reagan proposes to spend six times more on aid to Israel in the coming year than on energy conservation in the U.S.; twice as much as on domestic, consumer and occupational health and safety programs; and about the same amount as the combined worldwide spending of the State Department and the Peace Corps, plus all the contributions to the U.N. and its agencies."<sup>77</sup>

During fiscal year 1983, when the Reagan Administration was cutting the child nutrition program, mass transit, and the Food Stamp Program, the Administration proposed a substantial increase in aid for Israel. Congress, however, wanted more aid for Israel than the Administration had requested; and as a result, Israel received \$300 million more than the 1982 figure. That increase alone could have restored the \$280 million cut from the child nutrition program. The \$1.7 billion in military aid given to

Israel for that year could, moreover, have covered the costs of the Food Stamp Program and the mass transit projects that were cut.<sup>78</sup>

Israel's economic problems are structural and deep-rooted and therefore cannot be overcome in a reasonably short period of time. Israel's foreign debt of about \$32 billion is the highest in the world in terms of per capita income and in relation to its GNP. In fact, Israel's per capita foreign debt is about five times that of Mexico. More than 60 percent of the Israeli budget—about \$26 billion in 1988—is devoted to military spending and debt servicing. Israel's military budget absorbs 27 percent of the total GNP. In comparison, the U.S. defense budget comprises about six percent of the GNP, Britain five percent, France four percent, Sweden three percent and Japan only one percent.

Furthermore, Israel's budget has been for several years as large as, or even larger than, the country's GNP. The U.S. budget, in comparison, is about 23 percent of the GNP, despite a large and worrisome deficit. Israel, in fact, is the only country in the world, possibly in history, to have a budget that exceeds its GNP. If Israel is to reduce the magnitude of its financial problems to a level comparable to that of the U.S., it must reduce the budget by about 75 percent or increase its GNP four times without increasing the budget. Neither of these goals could possibly be achieved in 10, 20 or even 50 years.

Eitan Shishinsky, a professor at the Hebrew University, said in 1985, "The U.S. today is Israel's main rescuer, and we are critically dependent on its aid."<sup>79</sup> Yigal Hurvitz, former finance minister in Israel, said, "If someone tells you that a day will come when we won't need loans or aid, don't believe them."<sup>80</sup> Aviv Yarin, physics professor at Tel Aviv University, said, "With all their magnitude, economic mistakes are not the only cause of the present economic slump; political decisions and errors are perhaps even more important... Nevertheless, it is amazing how few people, especially in Israel, recognize that at times it should be possible, or

even imperative, to find economic solutions outside the domain of economics... Just as political ideology was a decisive factor in the deterioration of Israel's economy, so must a new and courageous political approach serve as a main instrument for pulling the country out from the economic quicksand into which it has sunk."<sup>81</sup>

Massive U.S. aid, which has prevented the collapse of the Israeli economy in the past, will have to increase year after year to prevent a collapse in the future. But no matter how great U.S. aid to Israel might be and no matter how long it continues, it will not postpone forever the demise of Israel's economy. The price which the American people are repeatedly being asked to pay for keeping a dying economy alive is very high and growing higher, without any end in sight.

## Notes

1. Cheryl Rubenberg, "The Misguided Alliance," *Link*, October–November 1986, p. 6.
2. *Ibid.*, p. 8.
3. Harvey Sicherman, "A Perilous Partnership: Israel's Role in U.S. Strategy, 1981–82," in *Israel in U.S. Foreign and Security Policies*, Nimrod Novik, ed., Jaffee Center for Strategic Studies, Jerusalem, November 1983, p. 70.
4. Douglas M. Bloomfield, "Israel's Standing in the Congress," in *Israel in the U.S.*, Novik, ed., p. 17.
5. Stephen S. Rosenfeld, *Washington Post*, February 18, 1983.
6. Paul Findley, *They Dare to Speak Out* (Westport, CT: Lawrence Hill and Co., 1985), pp. 318–19.
7. John J. Fialka, "Political Contribution from Pro-Israel PACs Suggest Coordination," *Wall Street Journal*, June 24, 1987.
8. Christopher Mayhew, "The Future of Zionism," *Middle East International*, June 27, 1986, p. 14.
9. Thomas Dine, "On Revolutionary Era," *Near East Report*, April 14, 1986, p. 3.
10. Charles R. Bobcock, "U.S.–Israel Ties Stronger Than Ever," *Washington Post*, August 5, 1986.
11. Senate Foreign Assistance and Related Programs Appropriations bill, 1987, pp. 8–10.
12. Inge Deutschkron, *Bonn and Jerusalem* (Philadelphia: Chilton Book Company, 1970), p. 34.
13. *Ibid.*, p. 272.
14. *Ibid.*, p. 269.
15. Assaf Razin, "U.S. Foreign Aid to

- Israel," *Jerusalem Quarterly*, Fall 1983, p. 13.
16. Cited by Thomas L. Friedman, "In West Bank, Israeli Policies to Improve 'Quality of Life' Get Mixed Reviews," *New York Times*, January 5, 1986.
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18. Clyde Mark, *Israel: U.S. Foreign Assistance Facts*, Congressional Research Service, 1986, pp. 4–5.
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20. General Accounting Office, *U.S. Assistance to the State of Israel*, June 24, 1983, pp. 3–6.
21. Leanne Skooglund Hofford, *U.S. Security Assistance to Developing Countries*, Interfaith Foundation, Washington, D.C., 1988, p. 14.
22. *Ibid.*, p. 9.
23. Clyde Mark, *The Israeli Economy*, Congressional Research Service, 1986, p. 5.
24. Recommendations of the House Subcommittee on Europe and the Middle East, *Foreign Assistance Legislation for FY 1986–87*, 1985, part 3, p. 13.
25. *Congressional Quarterly Almanac*, p. 91.
26. Yoram Kessel, "Israel's Peres Faces a Tough Job Selling Nation on Austerity," *Wall Street Journal*, January 3, 1989.
27. *Ibid.*
28. Glenn Frankel, "Israel Enacts Measures to Meet Economic Crisis," *Washington Post*, January 2, 1989.
29. Cited by Thomas L. Friedman, "Israelis Feel the Sting of Austerity," *New York Times*, December 1, 1985.
30. Richard W. Murphy, "FY 1986 Assistance Requests for Middle East and South Asia," *Department of State Bulletin*, May 1985, p. 75.
31. Cited by *Washington Post*, October 24, 1988.
32. Cited by Sada Alwatan, November 6, 1986.
33. Mark Thompson, "Fine Print Shows 'Loaned' Israeli Planes Are Costly," *San Jose Mercury News*, September 14, 1986, p. 8.
34. *Ibid.*
35. Mark, *Israeli Economy*, p. 17.
36. Elmer Winter, "And Now For The Good News," *Near East Report*, June 20, 1984.
37. David B. Ottaway, "Saudis Build Arsenal Against Israeli Might," *Washington Post*, February 16, 1987.
38. *Ibid.*
39. Richard Curtiss, "The Cost of Supporting Israel," *Washington Report on Middle East Affairs*, November 1986, p. 3.
40. Lee O'Brien, *American Jewish Organizations and Israel* (Washington, D.C.: Institute for Palestine Studies, 1986), p. 131.
41. Cited by O'Brien, *American Jewish Organizations*, p. 112.
42. Ben Bradley, Jr., "Israel's Lobby," *Boston Globe Magazine*, April 29, 1984.
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by the *Washington Post*.

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44. *Ibid.*, p. 16.
45. For more details consult major U.S. newspapers, March 5–15, 1987.
46. Caspar Weinberger on NBC's "Meet the Press," March 22, 1987.
47. Jansen, "Divided Loyalties," p. 16.
48. Charles R. Bobcock, "Israel Has Complex Bond with Jewish Americans," *Washington Post*, August 8, 1986.
49. O'Brien, *American Jewish Organizations*, pp. 116–17.
50. *Ibid.*, p. 117.
51. "The Settlement Madness is Doomed," *Moment Magazine*, January–February 1987, Israel Press Briefs, March–April 1987, pp. 13–14.
52. *Jerusalem Post*, June 17, 1987.
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55. Cited in Bobcock, "Complex Bond."
56. GAO, *U.S. Assistance*, pp. 37–8.
57. *Ibid.*, p. 38.
58. *Ibid.*
59. *Ibid.*
60. Mark, *Foreign Assistance Facts*, p. 9.
61. Cited by Mark, *Foreign Assistance Facts*, p. 8.
62. *Washington Post*, January 8, 1987.
63. *Near East Report*, June 20, 1984, and March 18, 1985.
64. "Israel Tightens the Belt," *Defense and Foreign Affairs*, February 1986, pp. 10–11.
65. AID Press Release, December 13, 1985.
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68. Mark, *Israeli-American Relations*, p. 11.
69. *Ibid.*
70. Cited by John Haldane, "The Price of Free Trade," *Washington Report on Middle East Affairs*, October 7, 1985, pp. 7–8.
71. *Washington Post*, March 21, 1987.
72. *Washington Post*, February 20, 1987.
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75. Joseph C. Harsch, "The Rising Cost of Israel," *Christian Science Monitor*, July 5, 1983.
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77. *Washington Post*, September 23, 1984.
78. "U.S. Aid to Israel," AAUG Newsletter, September–October 1983, p. 12.
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