

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

DATE RECEIVED: JULY 31, 1991

NAME OF CORRESPONDENT: THE HONORABLE DAVID R. BOWEN

SUBJECT: URGES OPPOSITION TO PENDING REQUEST FROM
ISRAEL FOR HOUSING LOAN GUARANTEES

C0074

PL Jean

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION ACT CODE	DATE YY/MM/DD	TYPE RESP	DISPOSITION C COMPLETED D YY/MM/DD
KATHY JEAUVONS		ORG	91/07/31		C 91/09/08
CO KELL	REFERRAL NOTE:	A	91/08/05		C 91/08/05 TC
99 DOS	REFERRAL NOTE:	R	91/08/08	TC	A updated
	REFERRAL NOTE:		/ /		/ /
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DJ

COMMENTS: FORMER CONGRESSMAN (73-83) MS

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: _____

PL MAIL USER CODES: (A) _____ (B) _____ (C) _____

*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			*

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/S9114595

Date August 29, 1991

FOR: Mr. William F. Sittmann
Executive Secretary
National Security Council Staff
The White House

REFERENCE:

To: President Bush
From: The Honorable David R. Bowen
Date: July 30, 1991
Subj: Urges opposition to pending request from Israel
for housing loan guarantees

WH Referral Dated: August 8, 1991
NSCS ID# (if any): 258627

 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.
 X X 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:

PCY Sullivan
bc Director
Secretariat Staff

UNCLASSIFIED

Classification

WHITE HOUSE

91 AUG 29 P9:33

SITUATION ROOM

RECEIVED

91 AUG 30 A6:58



United States Department of State

Washington, D.C. 20520

David R. Bowen
Executive Director
Council for the National Interest
P.O. Box 53048
Washington, D.C. 20009

Dear Mr. Bowen:

Thank you for your letter of July 30 to the President expressing your opposition to providing loan guarantees for \$10 billion to Israel for immigrant absorption.

The U.S. has long supported freedom of emigration from the Soviet Union. The U.S. has provided significant assistance to Israel for immigrant resettlement in recognition of the demands the recent influx has placed on the economy. At the same time, we are aware of concerns about the use of U.S. aid to finance Israeli settlement activity. With regard to the \$10 billion loan guarantees, the U.S. and Israeli governments have agreed to defer discussion of the issue of absorption guarantees until after Labor Day. We are aware of concerns about their potential impact on the U.S. budget.

We appreciate your sharing your views on the possibility of additional loan guarantees for Israel.

Sincerely,

A handwritten signature in dark ink, appearing to read "W R Brew", with a stylized flourish at the end.

William R. Brew
Director, Office of Israel
and Arab-Israeli Affairs

9114595
THE WHITE HOUSE OFFICE
'91 AUG-08 1:15 PM
REFERRAL

AUGUST 8, 1991

TO: DEPARTMENT OF STATE

ACTION REQUESTED:

DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 258627

MEDIA: LETTER, DATED JULY 30, 1991

TO: PRESIDENT BUSH

FROM: THE HONORABLE DAVID R. BOWEN
EXECUTIVE DIRECTOR
COUNCIL FOR THE NATIONAL INTEREST
1900 18TH STREET, N.W.
WASHINGTON DC 20009

SUBJECT: URGES OPPOSITION TO PENDING REQUEST FROM
ISRAEL FOR HOUSING LOAN GUARANTEES

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



Council for the National Interest

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258627

1900 Eighteenth Street, N.W. • Post Office Box 53048 • Washington, DC 20009 • (202) 265-4530 • FAX (202) 265-4936

July 30, 1991

K. Leavins
President George Bush
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of our organization and many Americans across the nation, I would like to urge you to oppose the pending request from the government of Israel for \$10 billion in housing loan guarantees. There is no reason to give a foreign government preferred standing in American capital markets over our own hard-pressed state and local governments, enabling that country to pay lower interest rates and get longer term credits than are available to our own taxpayers.

Given the settlements policy of Israel, such an obstacle to peace in the Middle East, and the fungibility of funding in Israel's housing program, there is every reason to believe these guarantees would be used to create further illegal settlements in the West Bank, Gaza, and the Golan Heights. Short of a willingness on the part of Israel to accept the concept of a Palestinian homeland and to cooperate in the achievement of that goal, an award of this magnitude could only harden the Israeli position and make a peace settlement less likely.

As you know, my former colleagues in the Congress will defer to your decision in this matter. Because of your leadership in the Middle East, you will have the votes to support you if you oppose or delay action on this request. Even now, however, the Israeli lobby is working to design this legislation in such a way as to tie your hands and make it impossible for you to negotiate conditions which would support your peacemaking efforts in the region.

I am also enclosing a hypothetical "Q & A" on this subject which may be of interest to you and your staff. Good luck with peacemaking!

Sincerely,

David R. Bowen
Executive Director

advocating Middle East policies that serve the American national interest

QUESTIONS AND ANSWERS--CONSTITUENT TO CONGRESSMAN ISRAEL'S REQUEST FOR \$10 BILLION IN U.S. HOUSING LOAN GUARANTEES

Q: It seems like a decent gesture for the Israeli government, or any other government, to expand its immigration program to accept more people who want to live there, but can't they borrow the money they want without U.S. taxpayers underwriting the loan?

A: Well, if you put it that way, yes, they can and do borrow money, sell their bonds here, all the time.

Q: Then what's the point in putting us on the spot to cover them for any future defaults? It seems like the S & L mess might have taught us a thing or two about U.S. taxpayer guarantees for business decisions other people make--especially in a foreign country where we have no control over the way these loans are handled.

A: We don't really believe these loans are very risky. We trust that the Israeli government will not default, so we probably won't have to pick up the bill.

Q: But if their credit is so good, why not just let them go borrow the money for these housing projects the way they usually do?

A: Placing the full faith and credit of the U.S. government behind Israel's borrowing enables them to get lower rates and longer term loans.

Q: That sounds like a sweet deal for Israel, but I know a lot of hard-up city, county, and state governments in this country that would like to have the U.S. government guarantee their bonds. Right now, they're getting low ratings, and some can't even sell them at all. There are plenty of schools, hospitals, roads, and homes that need to be built right here in America. We could use some of those U.S. government guarantees so our own taxpayers would have less to pay back in interest on what they borrow. It sounds like the government of Israel is being given preferred standing in American capital markets. Why give the taxpayers of a foreign country special benefits not available to Americans?

A: This is not just any foreign country. This is Israel. As you know, here in Congress we are accustomed to giving Israel whatever it asks for. Israel is a traditional friend and ally of the United States. We like to think of Israel as our little strategic asset in the Middle East.

Q: But I thought friends and allies were supposed to cooperate. Every time you turn around, Shamir and Sharon are giving America a shot in the chops. They give big subsidies to get people to move from Israel onto land they have just taken away from Palestinians in the occupied territories, so our policy of land for peace won't have a chance of working. They like to call this "creating facts on the ground." They want us to pay for their housing projects so they can wreck our foreign policy.

A: But they promise us they won't use any of this ten billion dollars to put settlers in the West Bank and Gaza.

Q: Really? But we just gave them \$400 million in guaranteed loans for housing projects on the condition they wouldn't put Soviet immigrants on the land they conquered in 1967, and within three days they announced a stack of new housing units for them beyond the green line. They really suckered Bush and Baker on that one.

A: Well, keeping up with where they spend the money is very difficult. As they say, it's fungible. And Israel is such a special friend we don't apply the same standards of oversight that we do to other countries who get our foreign assistance or to American cities and states.

Q: That's what I was afraid you'd say. I notice that your Foreign Affairs Committee reported we had given Israel over \$5.6 billion this year. That's 16% of their government's budget. How come we can't have a little more influence on them for the biggest foreign aid package in the world?

A: The Likud government in Israel gets very irritable if we try to give them advice. They believe we cannot be true friends of Israel unless we give them whatever they want and then keep quiet. You have no idea how difficult they can make life for us here in Congress if we don't do what they say. We have come to feel that helping Israel is a real privilege, and we are honored to have the opportunity.

Q: But I understand that recent polls in Israel show that over half the people there don't like the Likud government's policies and would like some kind of land-for-peace settlement, and lots of American Jews feel the same way. If they could get peace and security in exchange for a Palestinian homeland, why not lean on their government just a little to change its policies? That would support the best interests of the U.S., and Israel too, instead of the bunch of politicians who happen to run that country.

A: We have a deep and abiding respect for the politicians who happen to run countries. It would not be proper to ignore the wishes of duly elected government officials, no matter how unusual the system which put them in office. After all, Israel is a democracy, you know.

Q: But it's a democracy for only some of its people. The Palestinians who live in Israel don't have the same rights as others, and those who live in the occupied territories spend a lot of time in jail or in hospitals or worse. If you are really serious about voting for this ten billion dollar package, why not put some human rights conditions in it--you know, equal opportunity for all people in Israel to have access to the housing American dollars help pay for. It seems to me you folks in Congress like to lay down the law for Americans so there's no discrimination in programs the government subsidizes. Why can't you do the same for Israel.

A: That would be interference in the internal affairs of a foreign country, and the American government doesn't do that. Besides, there are some very zealous friends of Israel in America who use some very unattractive terms to characterize those who are critical of the Israeli government. We feel it is better to avoid confrontations like that.

Q: I deeply sympathize with your problem, but another thing that bothers me about this proposal is that the people it is supposed to serve, a million or so immigrants, are being shipped off to Israel by some very unusual tactics. The Israeli government tried to stop the Soviet government from giving passports to its Jewish citizens, so they would have a hard time going any place but Israel. Israel is also trying to get other countries to restrict the numbers of Soviet Jews allowed in. I understand that Gorbachev told Shamir that denying passports to Jews would be anti-Semitic, so he made passports available to all Soviet citizens. Now I read that 95% of the Soviet Jews want to go any place but Israel. It seems to me that if Shamir cares so much about their welfare, he would want them to go wherever they could find jobs and be happy. Three-quarters of the Soviet immigrants in Israel are unemployed now, which doesn't speak too well for their ability to pay off the housing loans we're helping finance.

A: It is true the Israeli economy has lots of problems, including a huge public and private debt burden, and a large influx of immigrants will make things worse. Frankly, Israel is highly socialist and somewhat backward in terms of modern economics. We hope the spirit of free enterprise which is sweeping the world will some day get to Israel. But that's what friends are for, to help out in times of distress. We are quite hopeful there will be no defaults and this ten billion dollar liability will not become a burden upon the taxpayers of America. But don't think this kind of guarantee is really something new. Since 1984 we have had the Cranston Amendment in the Foreign Assistance Act, which says we will always give Israel as much money as it needs to pay whatever it owes us each year. So there really are several ways to tidy up the place if we have a little accident.

Q: Say, that Cranston fellow's been real busy hasn't he, doing good deeds for the S & L's and the Israelis too?

A: Well, I must admit, Congress probably did stub its toe just a bit on the S & L thing, but let's look at it this way--ten billion dollars is really quite small in comparison with the S & L bailout. And after all, even if we do have to pay up, what's ten billion dollars between friends?

Q: It's a lot where I come from. And what about the peace process? Shamir seems to be looking for a way to scuttle the negotiations with his Arab neighbors. He not only says no land for peace, ever, but now he wants to select the delegates for the other side.

A: Well, there are some people he says he doesn't want to sit down with.

Q: Fine, if he wants to select the Palestinian delegation to a peace conference, then let's allow the Palestinians to select the Israeli delegation. That sounds fair and equitable. There may be some Israelis they don't want to sit down with.

A: I hope you will excuse me. My schedule is very busy. I'm sure you understand that representing America is a full-time job.