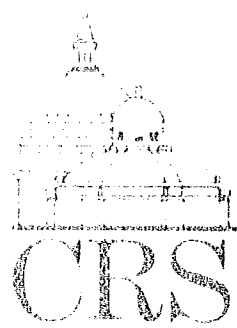


CRS Issue Brief

Israel: U.S. Foreign Assistance

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Israeli-U.S. Relations, CRS Issue Brief 82008.

Israel's Request for U.S. Loan Guarantees, CRS Issue Brief 91103

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Israel: U.S. Foreign Assistance

SUMMARY

Israel is not economically self-sufficient, and relies on foreign assistance and borrowing to maintain its economy. For the past eight 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 since World War II. 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 around \$1 billion in Israel Bonds proceeds.

Among the current U.S.-Israel aid issues are uses of the loan guarantees for settling Soviet and Ethiopian Jewish immigrants in Israel, Israel's possible use of U.S. aid in the occupied territories, or U.S. conditions on aid to Israel. U.S. aid to Israel has some unique aspects, such as loans with repayment waived, or a pledge to provide Israel with economic assistance

equal to the amount Israel owes the United States for previous loans. Israel also receives special benefits that may not be available to other countries, such as the use of U.S. military assistance for research and development in the United States, the use of U.S. military assistance for military purchases in Israel, or receiving all its assistance in the first 30 days of the fiscal year rather than in 3 or 4 installments as other countries do.

For FY1994, the United States provided Israel \$1.2 billion in Economic Support Fund grants, \$1.8 billion in Foreign Military Sales grants, \$80 million in refugee settlement grants, \$2 billion in loan guarantees for refugee settlement (Title VI, P.L. 102-391, Oct. 6, 1992), \$10 million in cooperative development grants for Israel's foreign aid program, and one-half of the \$7 million regional cooperation assistance shared with Egypt.



MOST RECENT DEVELOPMENTS

The House of Representatives passed H.R. 2404, the foreign assistance authorization bill, on June 16, 1993, by voice vote. The House passed H.R. 2295, the foreign assistance appropriation bill, on June 17, 1993, by a vote of 309-111. The Senate did not act on the authorization bill. The appropriation bill, signed into law (P.L. 103-87) on Sept. 30, 1993, provides Israel with \$1.8 billion in grant military assistance, \$1.2 billion in grant economic assistance, \$80 million in grant assistance for refugee settlement, \$10 million in cooperative development assistance for Israel's foreign aid program, and \$7 million to be divided between Israel and Egypt.

The Administration's bill to revise the foreign aid system, H.R. 3765, does not contain any earmarks for Israel.

The foreign assistance appropriations bill for FY1995, H.R. 4426, was reported out on May 23, 1994 (H.Rept. 103-524), and passed the House on May 25 by a vote of 337 to 87. The Senate Appropriations Committee reported H.R. 4426 with amendments on June 16, 1994 (S.Rept. 103-287). The Senate passed the bill on July 15 by a vote of 84 to 9. H.R. 4426 will provide \$1.2 billion for Israel in economic grants, \$1.8 billion in military grants, \$80 million for settling Soviet Jews, \$10 million in cooperative development grants for Israel's foreign aid program, \$200 million in additional equipment for Israel's military stockpile, and \$75 million worth of U.S. excess defense articles.

BACKGROUND AND ANALYSIS

Since 1976, Israel has been the largest annual recipient of U.S. aid and is the largest recipient of cumulative U.S. assistance since World War II. 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 (an "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.

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. But the influx of Soviet Jews beginning in 1989 pushed unemployment to 9% by 1990 and to 11% by 1992, and left inflation in the 20% per year range. Israel still runs government deficits and balance of trade and payments deficits, although the gaps have been reduced.

Current U.S.-Israel Aid Issues

Aid for Soviet and Ethiopian Jewish Refugees

In late 1990, the press reported that Israel would request \$10 billion in loan guarantees from the United States. Under the proposal, Israel would borrow \$10 billion from U.S. commercial establishments, and the United States Government would guarantee the loans against default. Israel needs the funds to finance housing, jobs, and infrastructure for an anticipated 1 million Soviet Jewish immigrants expected to arrive in Israel between 1991 and 1995. During the April 1991 negotiations over Israel's request for emergency funds for Desert Storm damages, Israel agreed to postpone its guaranteed loan request until September 1991. In September, President Bush asked Congress to delay consideration of the Israeli request until January 1992, because the President feared that the loan request would jeopardize Secretary of State Baker's negotiations for a peace conference. Reluctantly, Congress agreed to delay consideration of the Israeli request.

When Congress returned in January 1992, Secretary of State Baker said the Administration would support the Israeli request only if Israel agreed to freeze all settlement activity in the occupied territories. In a series of negotiations among the Administration, the Congress, and Israel, several compromises were offered; reduce the U.S. loan guarantees by an amount equal to the Israeli expenditures on settlements in the occupied territories, reduce the annual amount of the loan guarantees, allow Israel to complete housing projects underway in the territories but ban new projects, and others, but none of the proposals were acceptable to all the parties. With the stalemate, it appeared that Israel's loan guarantee request was postponed until consideration of the FY1993 foreign aid legislation.

Following the June 1992 Israeli elections, in which Yitzhaq Rabin and his Labor party won control over the Israeli Knesset, relations between the United States and Israel improved. President Bush announced in August that he would propose approving the loan guarantees. Congress attached the loan guarantee authorization to the foreign operations appropriation bill that passed on Oct. 5, 1992 (Title VI, P.L. 102-391, signed into law on Oct. 6, 1992). The United States approved the first \$2 billion tranche in December 1992, and Israel issued the first \$1 billion in bonds in March 1993 and the second \$1 billion in September 1993. On Sept. 30, 1993, the President notified Congress, according to Section 226(d) of the Foreign Assistance Act, that the \$2 billion in loan guarantees for FY1994 would be reduced by \$437 million, the amount Israel spent on Jewish settlements in the occupied territories in FY1993. (See CRS Issue Briefs 91103, *Israel's Request for U.S. Loan Guarantees*, and 90083, *Soviet Jewish Emigration*.)

Use of U.S. Aid in the Occupied Territories

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 and Ethiopian Jewish immigrants. 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 they say is part of Israel. Title VI of P.L. 102-391 (H.R. 5368), which authorizes \$10 billion in loan guarantees for Israel, states that the funds may not be used in the occupied territories.

Conditions on Aid

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, as mentioned above in **Aid for Soviet and Ethiopian Jewish Refugees**, the United States might withhold assistance unless Israel stopped establishing settlements in the occupied territories. Other examples of conditions that might be applied to U.S. aid include Israel reversing its annexation of the Golan Heights and east Jerusalem, Israel agreeing to withdraw from the occupied territories, or Israel accepting the land-for-peace formula. Israelis and their supporters oppose any conditions attached to U.S. aid. The United States did withhold aid to Israel in 1953, during the Eisenhower Administration, until Israel stopped a water diversion project in a U.N. demilitarized zone along the Israeli-Syrian boundary, but between Presidents Eisenhower and Bush, as far as is known no Administration applied conditions to U.S. aid to Israel. Secretary of State Baker told a congressional hearing on Feb. 24, 1992, that the Administration would not approve Israel's loan guarantee request until Israel froze settlement activity.

In addition to political conditions, others have suggested that the United States attach economic conditions to Israel's aid as a way of forcing Israel to implement needed economic reforms. Examples of economic conditions might include faster privatization of Israeli government owned business enterprises, cutting subsidies for housing in the occupied territories, or cutting the civil service. 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.

Other Aspects of U.S. Aid to Israel

Israel's Debt to the U.S. Government

Of the approximately \$56 billion in aid the United States has provided Israel through FY1992, about \$40.9 billion has been grants and \$14.6 billion has been loans. In 1987, Congress added the Foreign Military Sales Debt Reform section to the foreign

aid appropriations bill (P.L. 100-202), which allowed countries to refinance existing military debts carrying interest rates over 10%. At the time the bill passed in 1987, Israel owed the U.S. Government about \$10 billion (having paid off the other \$4 billion), \$6 billion of which was military loans bearing interest rates over 10%. In 1988 and 1989, Israel refinanced about \$5.5 billion in military loans by borrowing money from U.S. commercial institutions at interest rates below 10%, and paying off the U.S. Government. As provided in P.L. 100-202, the U.S. Government guaranteed up to 90% of the commercial loans. At present, Israel owes the U.S. Government about \$4 billion in direct economic and military loans, and the U.S. Government has a contingent liability (guaranteed loans) for another \$5 billion.

Loans with Repayment Waived

The United States has not cancelled any of Israel's debts to the U.S. Government, but the U.S. Government has waived repayment of aid to Israel that originally was categorized as loans. Following the 1973 war, President Nixon asked Congress for emergency aid for Israel, including loans for which repayment would be waived. Israel preferred that the aid be in the form of loans, rather than grants, to avoid having a U.S. military contingent in Israel to oversee a grant program. Since 1974, some or all of U.S. military aid to Israel has been in the form of loans for which repayment is waived. Technically, the assistance is called loans, but as a practical matter, the military aid is grant. From FY1974 through FY1992, Israel has received \$21 billion in waived loans. (Egypt also receives some of its U.S. military assistance in the form of loans with repayment waived. In 1990, the United States canceled \$6.7 billion in past military debts that Egypt owed to the United States.)

"Cranston Amendment"

The so-called Cranston Amendment, named after its Senate sponsor, was added to the foreign aid legislation in 1984 (Section 534, P.L. 98-473), and has been repeated each year since in the annual aid appropriation bill: most recently in Section 517 of P.L. 103-87, signed into law on Sept. 30, 1993. The amendment states that it is "the policy and the intention" of the United States to provide Israel with economic assistance "not less than" the amount Israel owes the United States in annual debt service payments (principal and interest). For the current year, Israel received \$1.2 billion in ESF, and owed the U.S. Government about \$1 billion in debt service. The Cranston amendment is a statement of U.S. policy and intent, and may not be binding. Contingent liabilities -- guaranteed loans, such as housing guarantees or the requested \$10 billion for immigrant settlement -- apparently are not included under the Cranston amendment because the debts are not owed to the U.S. Government.

Allegations of Misuse of U.S. Aid

The United States stipulates that U.S. aid funds cannot be used in the occupied territories. Over the years, some have suggested that Israel may be using U.S. assistance to establish Jewish settlements in the occupied territories. For example, 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, but Israeli officials responded that Hebron would not necessarily be the Ethiopians' permanent home and that the Ethiopians in Hebron were not recent immigrants. Similar charges have been made recently that Israel is using U.S. aid to

build settlements in the occupied territories. Israel denies that it uses U.S. aid funds for settlements in the occupied territories. Because U.S. economic aid is given to Israel as direct government-to-government budgetary support without any specific project accounting, and money is fungible, there is no way to tell how Israel uses U.S. aid. Israel provides an annual letter to the U.S. Agency for International Development stating that the economic funds are used to service Israel's debt to the United States (approximately \$1 billion per year).

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. (See Sections 3 and 4 of the Arms Export Control Act, P.L. 90-629, as amended.) 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 during the Israeli invasion of Lebanon. In the 1978, 1979, and 1981 instances, the Administrations took no further action. The cluster bomb ban remains in effect. 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, and similar charges emerged in 1992 concerning Israeli transfers of U.S. technology or equipment to China, South Africa, Chile, Ethiopia, and other countries. A U.S. Defense Department team went to Israel in late March 1992, to investigate the alleged transfer of Patriot missile technology to China, but announced on April 2 that it found no evidence of an unauthorized transfer. The State Department Inspector-General released a report on April 2, 1992, that suggested that Israel had transferred other U.S. arms technology without U.S. permission.

Special Benefits for Israel

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), Israel receives favorable treatment and special benefits that may not be available to other countries or that may establish precedents for other U.S. aid recipients. 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 benefits 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: (See **Loans with Repayment Waived** section above)

-- 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 Israeli payments to the United States for debt servicing.) 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. It has been reported that Israel earned about \$86 million in U.S. Treasury note interest in 1991.

-- FMS drawdown: Israel was 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.

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 unique features of the Israel aid program.

-- FMS for R&D: Israel asked for and received permission for a "one-time-only" use of \$107 million in FY1977 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. The earmark for the \$150 million for U.S. R&D continues.

-- FMS for in-country purchase: Israel has requested that part of the FMS funds be transferred to Israel for the Lavi aircraft, canceled on Aug. 30, 1987, be continued for other Israeli defense purchases in Israel. Israel received \$400 million of the \$1.8 billion FMS for use in Israel in FY1988, \$400 million in FY1989, \$400 million in FY1990, and \$475 million in FY1991.

-- The foreign assistance appropriation bill signed on Nov. 5, 1990, provides for Israel to receive the FMS aid in a lump sum during the first month of the fiscal year.

-- The appropriation bill of Nov. 5, 1990, also provided Israel with grant military equipment, valued at \$700 million, to be withdrawn from Western Europe. None of the equipment has been transferred thus far.

-- 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.

Congressional Action

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.

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 had the \$3.99 million in aid restored. The narcotics control funding remained, so the .43% or \$12.9 million cut in Israel's aid remained. 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 1. 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 FY1990 and FY1991 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 set aside \$200 million of the \$1.2 billion ESF for military purposes despite laws to the contrary, 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 early disbursement provision was modified to drop the investment clause, so that Israel received early distribution of the funds but no investment proceeds. 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. 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 insurance 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 Israeli supplemental request was in addition to the annual aid request of \$3 billion.

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 accepted the \$650 million and postponed its request for loan guarantees until September 1991. 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

Authorization. The foreign assistance bill, H.R. 2508, was introduced on June 3, 1991, was reported out of committee on June 4, 1991 (H.Rept. 102-96), and was passed by the House on June 20, 1991, by a vote of 274-138. For Israel, the bill provided \$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, a \$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). H.R. 2508 passed the House on June 20, 1991, by a vote of 274-138, and passed the Senate on July 26 in lieu of S. 1435, by a vote of 74-18. The conference committee reported the bill on Sept. 25 (H.Rept. 102-225). The Senate agreed to the conference report on Oct. 8, by a vote of 61-38, but the House defeated the conference report on Oct. 30 by a vote of 159-262.

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. The bill died in the Foreign Operations Subcommittee of the Senate Appropriations Committee while waiting for White House-Congress-Israel compromises on the \$10 billion loan guarantee issue.

Meanwhile, the House reported (H.Rept. 102-266) a Continuing Resolution, H.J.Res. 360, on Oct. 23 that funded Israel's foreign assistance at FY1991 levels (\$1.2 billion in ESF and \$1.8 billion in FMF) through Mar. 31, 1992 (which means Israel received only one-half the amounts). The House passed H.J.Res. 360 on Oct. 24, by a vote of 288-126, and the Senate passed H.J.Res. 360 on Oct. 24 by voice vote. The President signed the bill on Oct. 28, 1991 (P.L. 102-145). Another Continuing Resolution, H.J.Res. 456, providing foreign assistance funds at FY1991 levels for the period from Apr. 1 through Sept. 30, 1992, passed the House by a vote of 275 to 131 on Mar. 31, and passed the Senate by a vote of 84 to 16 on Apr. 1. The President signed the bill on Apr. 1, 1992 (P.L. 102-266).

FY1993

Appropriation: H.R. 5368, passed by the House on June 25, 1992, by a vote of 297 to 124, included for Israel: \$1.8 billion in Foreign Military Financing, of which \$150 million may be used in the United States for research and development and \$475 million may be used in Israel for military procurement; \$1.2 billion in Economic Support Funds; \$80 million in Migration and Refugee Funds for settling East European, Soviet, and other Jews in Israel; \$10 million for cooperative projects (Israel's foreign aid program), of which \$5 million is for the cooperative development projects, \$2.5 million is for cooperative development research, and \$2.5 million is for U.S. and

Israeli projects in Eastern Europe, the Baltic countries, and the former Soviet Union; and \$7 million for the Regional Cooperation Program, of which one-half is for Israel and one-half for Egypt. On Sept. 18, 1992, the Senate Appropriations Committee added Title VI to the bill, which included the authorization for the \$10 billion in loan guarantees for Israel. The Committee reported the bill on Sept. 23, 1992, and the Senate passed the bill on October 1 by a vote of 87 to 12. The House passed the conference report on October 5 by a vote of 312 to 105 and the Senate passed the conference report the same day by voice vote. The President signed the bill into law, P.L. 102-391, on Oct. 6, 1992.

FY1994

Following his Mar. 15, 1993 conversation with Israeli Prime Minister Rabin at the White House, President Clinton said the United States was committed to maintaining the current levels of aid for Israel, to maintaining Israel's qualitative advantage in weaponry, and was prepared to compensate Israel for the risks it may take to make peace.

Authorization: H.R. 2333, introduced on June 8, 1993, authorized both foreign assistance and State Department operations. On June 14, the bill was divided into 2 parts, with a new bill, H.R. 2404, introduced to authorize foreign assistance. H.R. 2404 provides \$1.2 billion in ESF, \$1.8 billion in FMF (of which \$150 million may be spent in the United States for military research and development and \$475 million may be spent in Israel), \$10 million for Cooperative Development Programs (Israel's foreign aid program), \$7 million for Middle East Regional cooperative programs (to be divided between Israel and Egypt), and \$80 million to resettle Jews in Israel. H.R. 2404 passed the House on June 16 by a voice vote.

Appropriation: H.R. 2295, introduced on May 27, 1993, and reported by the Committee on June 10, 1993, did not earmark assistance for Israel. The Committee report accompanying the bill (H.Rept. 103-125) recommended \$1.2 billion in ESF, \$1.8 billion in FMF (of which \$150 million may be spent for military research and development in the United States and \$475 million may be spent in Israel), \$80 million for Soviet Jews settling in Israel, \$10 million in cooperative development for Israel's foreign assistance program, \$2 million for joint Israeli-Palestinian educational, cultural, or humanitarian projects, and \$7 million for Middle East regional cooperation, to be divided between Egypt and Israel. H.R. 2295 passed the House on June 17, 1993, by a vote of 309-111, and passed the Senate on Sept. 23, 1993, by a vote of 88-10. On September 28, the House and Senate agreed to the conference report, and the President signed the bill into law (P.L. 103-87) on Sept. 30, 1993.

FY1995

Following the Sept. 13, 1993, Israeli-PLO Declaration of Principles signing in Washington, the Israeli Defense Forces Chief of Staff stated that Israel's military withdrawal from the Gaza Strip and Jericho would cost between \$175 million and \$245 million. Some interpreted the General's remarks as Israel's first bid for additional funds to finance the peace process. On Sept. 30, 1993, President Clinton informed Congress that the \$2 billion in loan guarantees for Israel for FY1994 would be reduced by \$437 million, the amount Israel spent on new settlements in the occupied territories during 1993. (Section 226(d) of the Foreign Assistance Act of 1961, as amended by

Section 601, Title VI, P.L. 102-391, 106 Stat. 1633, Oct. 6, 1992.) Press reports suggested that the withheld \$437 million in loan guarantees, originally intended for helping Soviet Jews, would be transferred to Israel to be used to pay for Israeli withdrawal from the Gaza Strip and Jericho.

H.R. 3765, the Administration's revision of foreign assistance, does not contain any aid earmarks for Israel.

Appropriation: H.R. 4426 does not contain earmarks for Israel, but Committee Report 103-524 "recommends" that not less than \$1.2 billion in economic grants and not less than \$1.8 billion in foreign military financing be available for Israel. In addition, the Committee report recommends that Israel receive \$10 million for cooperative projects (Israel's foreign aid program), share in a \$7 million cooperative program with Egypt, \$80 million for settling Soviet Jews, up to \$200 million in additions to the Israeli military equipment stockpile, and \$75 million in defense equipment drawn from U.S. stocks, primarily F-16 aircraft. H.R. 4426 was introduced on May 16, 1994, was reported out of committee on May 23 (H.Rept. 103-524), and passed the House of Representatives on May 25, 1994, by a vote of 337 to 87. The Senate Appropriations Committee reported H.R. 4426 with amendments on June 16, 1994 (S.Rept. 103-287). The Senate passed H.R. 4426 on July 15 by a vote of 84 to 9. The bill is in conference.

**TABLE 2. U.S. Assistance to Israel,
FY1949 - FY1993
(millions of dollars)**

Year	Total	Military		Economic		Food for Peace	
		Loan	Grant	Loan	Grant	Loan	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	1,322.6	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	3,034.9	-	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	-	-
1991	3,705.1	-	1,800.0	-	1,850.0	-	-
1992	3,091.0	-	1,800.0	-	1,200.0	-	-
1993	5,090.0	-	1,800.0	-	1,200.0	-	-
TOTAL	61,198.3	11,212.5	23,614.9	1,516.5	19,522.4	588.5	94.1

- = None

* = less than \$100,000

TQ = Transition Quarter, when U.S. fiscal year changed from June to September.

**TABLE 2 Continued. U.S. Assistance to Israel,
FY1949 - FY1993 (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
1991	-	45.0	-	2.6	-	7.5 Coop. Aid
1992	-	80.0	-	3.5	-	7.5 Coop. Aid
1993	-	80.0	2,000.0	NA	-	10.0 Coop. Aid
TOTAL	1218.5	628.9	2,600.0	110.0	17.5	74.5