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Economist tallies swelling cost of Israel to US

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Since 1973, Israel has cost the United States about \$1.6 trillion. If divided by today's population, that is more than \$5,700 per person.

This is an estimate by Thomas Stauffer, a consulting economist in Washington. For decades, his analyses of the Middle East scene have made him a frequent thorn in the side of the Israel lobby.

For the first time in many years, Mr. Stauffer has tallied the total cost to the US of its backing of Israel in its drawn-out, violent dispute with the Palestinians. So far, he figures, the bill adds up to more than twice the cost of the Vietnam War.

And now Israel wants more. In a meeting at the White House late last month, Israeli officials made a pitch for \$4 billion in additional military aid to defray the rising costs of dealing with the intifada and suicide bombings. They also asked for more than \$8 billion in loan guarantees to help the country's recession-bound economy.

Considering Israel's deep economic troubles, Stauffer doubts the Israel bonds covered by the loan guarantees will ever be repaid. The bonds are likely to be structured so they don't pay interest until they reach maturity. If Stauffer is right, the US would end up paying both principal and interest, perhaps 10 years out.

Israel's request could be part of a supplemental spending bill that's likely to be passed early next year, perhaps wrapped in with the cost of a war with Iraq.

Israel is the largest recipient of US foreign aid. It is already due to get \$2.04 billion in military assistance and \$720 million in economic aid in fiscal 2003. It has been getting \$3 billion a year for years.

Adjusting the official aid to 2001 dollars in purchasing power, Israel has been given \$240 billion since 1973, Stauffer reckons. In addition, the US has given Egypt \$117 billion and Jordan \$22 billion in foreign aid in return for signing peace treaties with Israel.

"Consequently, politically, if not administratively, those outlays are part of the total package of support for Israel," argues Stauffer in a lecture on the total costs of US Middle East policy, commissioned by the US Army War College, for a recent conference at the University of Maine.

These foreign-aid costs are well known. Many Americans would probably say it is money well

spent to support a beleaguered democracy of some strategic interest. But Stauffer wonders if Americans are aware of the full bill for supporting Israel since some costs, if not hidden, are little known.

One huge cost is not secret. It is the higher cost of oil and other economic damage to the US after Israel-Arab wars.

In 1973, for instance, Arab nations attacked Israel in an attempt to win back territories Israel had conquered in the 1967 war. President Nixon resupplied Israel with US arms, triggering the Arab oil embargo against the US.

That shortfall in oil deliveries kicked off a deep recession. The US lost \$420 billion (in 2001 dollars) of output as a result, Stauffer calculates. And a boost in oil prices cost another \$450 billion.

Afraid that Arab nations might use their oil clout again, the US set up a Strategic Petroleum Reserve. That has since cost, conservatively, \$134 billion, Stauffer reckons.

Other US help includes:

" US Jewish charities and organizations have remitted grants or bought Israel bonds worth \$50 billion to \$60 billion. Though private in origin, the money is "a net drain" on the United States economy, says Stauffer.

" The US has already guaranteed \$10 billion in commercial loans to Israel, and \$600 million in "housing loans." (See editor's note below.) Stauffer expects the US Treasury to cover these.

" The US has given \$2.5 billion to support Israel's Lavi fighter and Arrow missile projects.

" Israel buys discounted, serviceable "excess" US military equipment. Stauffer says these discounts amount to "several billion dollars" over recent years.

" Israel uses roughly 40 percent of its \$1.8 billion per year in military aid, ostensibly earmarked for purchase of US weapons, to buy Israeli-made hardware. It also has won the right to require the Defense Department or US defense contractors to buy Israeli-made equipment or subsystems, paying 50 to 60 cents on every defense dollar the US gives to Israel.

US help, financial and technical, has enabled Israel to become a major weapons supplier. Weapons make up almost half of Israel's manufactured exports. US defense contractors often resent the buy-Israel requirements and the extra competition subsidized by US taxpayers.

" US policy and trade sanctions reduce US exports to the Middle East about \$5 billion a year, costing 70,000 or so American jobs, Stauffer estimates. Not requiring Israel to use its US aid to buy American goods, as is usual in foreign aid, costs another 125,000 jobs.

" Israel has blocked some major US arms sales, such as F-15 fighter aircraft to Saudi Arabia in the mid-1980s. That cost \$40 billion over 10 years, says Stauffer.

Stauffer's list will be controversial. He's been assisted in this research by a number of mostly retired military or diplomatic officials who do not go public for fear of being labeled anti-Semitic if they criticize America's policies toward Israel.

Editor's note: A previous version of this story incorrectly reported the amount of housing loans guaranteed by the US.

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