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U.S. should stop subsidizing bad Israeli policies

Doug Bandow

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America is practically bankrupt, yet Israel remains a multibillion dollar dependent. The United States can't afford to continue subsidizing its well-off friends. And Israel, which spends heavily both to expand state regulation and occupy Palestinian lands, doesn't need American support.

The Middle East is in flames, but Israel appears relatively secure. Argued Paul Scham of the Goldenhorn Institute for Israel Studies: "It may seem counterintuitive, or even downright strange, but Israel's geopolitical position is probably stronger now than at any time in the country's history."

Nevertheless, there may be no more politically sacrosanct expenditure in Washington than the annual \$3.1 billion for Israel. Even many avowed fiscal conservatives appear to care only about appearing to embrace Israel while seeking the Christian Zionist vote. America's annual payment soon may run as high as \$5 billion a year, with the extra dollars offered to pacify the Netanyahu government, which opposed the nuclear accord with Iran.

Most of the aid goes to Israel's military. However, money is fungible. A few years ago Yarden Gazit of the Jerusalem Institute for Market Studies (JIMS) warned that "the government of Israel's reliance on the American taxpayer sets a negative example which acts to encourage a culture of dependence."

One consequence is artificially inflating the size of the Israeli state. Gazit explained: "Without this aid, it stands to reason that the government would be forced to reduce the public sector in size, through defense budget cuts, restricting and increased efficiency in other frameworks. This would direct many more resources toward the private sector."

In 2013, the last year for which figures are available, Israel was ranked 39th in the world for economic freedom. To Israel's credit, it has improved significantly over the years. Nevertheless, JIMS pointed out how government policies involving unnecessary regulatory barriers and high taxes continue to cost Israeli citizens.

Even worse, U.S. cash effectively underwrites Israel's occupation of the West Bank and attempt to colonize that area through settlements. Subjecting Palestinians to almost a half century of rule without economic or political rights could not help but result in injustice and resentment.

Settlers, a mix of religious who believe the land to be given by God and secular drawn by government subsidies, defend their presence. However, complained Israeli Justice Minister Tzipi Livni: "The settlements are not providers of security, they are consumers of it. Roads are paved

with billions of our tax money under the premise of security — but in reality they serve a handful of homes.”

Moreover, the settlers’ presence increases official repression of Palestinians. Of course, the abuse of Palestinians doesn’t excuse recent violence against settlers. But the Netanyahu government should not be surprised by Palestinian hatred boiling over.

U.S. Ambassador Daniel Shapiro recently condemned the fact that “Israel has two standards of adherence to rule of law in the West Bank—one for Israelis and another for Palestinians.” Human Rights Watch has published a new study on how companies tied to settlements, doing business with or in the latter, contribute to “violations of international humanitarian law and human rights abuses.”

It is expensive to enforce the occupation and subsidize the settlements. The many government programs cost the state of Israel several hundred million dollars annually.

As of 2010 the Macro Center for Political Economy estimated that Israel’s government had spent about \$17 billion on the settlements. These outlays continue and, in fact, are up sharply under the Netanyahu government. The first four decades of the occupation, including settlements costs, are thought to have run around \$50 billion.

While the U.S. has made some deductions from loan guarantees for money spent on the settlements, that isn’t nearly enough. Washington should stop providing support that in effect is used to hamper Israel’s private economy and, more important, colonize the West Bank, which makes peace increasingly difficult if not impossible.

Even some Israelis question the value of U.S. aid. Gazit warned that “a good many people do not appreciate the real costs of America’s assistance to Israel.” First, the money is linked to aid to Egypt and Jordan.

Moreover, U.S. funds are conditioned. This means that Israel often must purchase American weapons and raw materials even if cheaper, better competitors are available.

Finally, U.S. funds create a direct incentive for overspending in the defense area. Warned Gazit: aid irrespective of Israel’s needs “leaves the system with no incentive to become more efficient.”

The U.S. is broke, yet it is borrowing to give cash away to prosperous states such as Israel. Instead of plotting an increase in aid, the Obama administration should negotiate its end. Congress should follow, choosing America’s interest over members’ political ambitions.

Doug Bandow is a senior fellow at the Cato Institute who frequently writes about military non-interventionism.