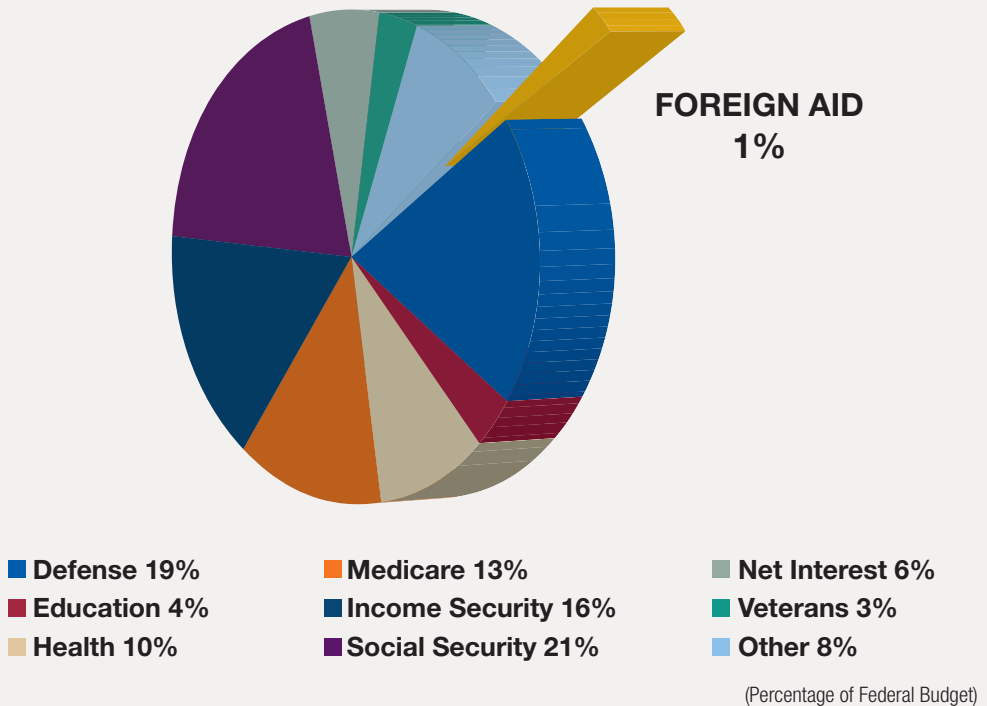


Chapter 6

Foreign Aid

FOREIGN AID REPRESENTS JUST 1% OF THE FEDERAL BUDGET



U.S. security assistance to Israel in the annual foreign aid bill is the most tangible manifestation of American support for the Jewish state, especially during a time of tremendous turmoil in the Middle East. Foreign aid helps advance vital U.S. national security interests, promote American values and develop foreign markets that serve to create jobs at home.

Key Points

- *Strengthen Our Ally:* U.S. assistance to Israel provides support critical to keeping Israel strong and secure in an increasingly volatile Middle East.
 - *Increased Challenges:* Israel faces an unprecedented array of threats stemming from the growing instability and chaos gripping the Middle East. These challenges require a significant increase in Israeli defense expenditures.
 - *Defense Spending:* Israel spends a greater percentage of its gross domestic product (GDP) on defense than any other advanced nation. U.S. assistance helps counter the great disparity in aggregate military spending between Israel and its Arab and Iranian neighbors.
 - *Commitment to Israel:* U.S. aid to Israel demonstrates America's unwavering commitment to the Jewish state. President Obama's fiscal year 2016 budget request includes \$3.1 billion in aid to Israel, representing the eighth year of a 10-year security agreement signed by President George W. Bush and Israeli Prime Minister Ehud Olmert.
 - *Foreign Aid Budget:* Together with financial support for the U.S. armed forces, funding for foreign aid is an essential component of America's national security strategy. Foreign aid plays a critical role in establishing new economic opportunities for American businesses and jobs for American workers.
 - *Preserves Key U.S. Interests:* U.S. foreign aid is a relatively small, cost-effective investment that helps prevent more costly wars, crises and disasters. Foreign aid helps to avert unstable areas from becoming breeding grounds for terror, poverty, disease and lawlessness – threats that can spill into other countries and undermine American interests.
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The Important Role That Congress Can Play

- Congress should support the administration's request for \$3.1 billion in security assistance for Israel in fiscal year 2016.
 - The United States should uphold the terms of the 2007 MOU between the two countries that calls upon America to provide \$30 billion to Israel between 2009 and 2018.
 - Congress should advocate for a robust overall foreign aid budget in order to ensure America's strong leadership position in the world.
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Israel Faces Increased Threats

The emerging dangers imperiling Israel's security include:

Iran: Iran, the leading state sponsor of terrorism, continues its pursuit of a nuclear weapons capability as part of a concerted strategy to dominate the Middle East. Iran's leadership speaks boldly of its desire to eliminate Israel and rid the Middle East of Western presence and influence. As the primary driver of regional instability, Iran backs civil war and insurgencies in Syria, Iraq, Afghanistan, Bahrain, Lebanon, Saudi Arabia, the Palestinian territories and Yemen.

Syria: Syria's brutal civil war has killed more than 220,000, seen Islamist radicals take over large swathes of Syrian territory, and destabilized neighboring Lebanon, Jordan, Iraq and Turkey. Syria's chemical weapons have been used in the conflict, and run the risk of falling into the hands of terrorists. Fighting has spilled over into Israel on occasion, and Israel still remains wary of attempted weapons transfers to Hezbollah, which has joined the fight at Iran's request. An Iranian general and six prominent Hezbollah terrorists were killed in a January 2015 helicopter strike in the Syrian Golan Heights, demonstrating that the Iranian threat is now perched on Israel's northern frontier.

Palestinians: Hamas seeks to rearm and rebuild its terrorist infrastructure following 2014's Operation Protective Edge, while the PA eschews direct peace talks with Israel in favor of unilateral pressure tactics at the U.N. and ICC. Israel faces an escalating campaign of incitement, resulting in an uptick in terrorist attacks.

Lebanon: Lebanon remains dominated by the Iranian-backed terrorist group Hezbollah, which possesses over 100,000 rockets and missiles aimed at Israeli population centers. Hezbollah has gained unprecedented military experience in the Syrian civil war and will be a more formidable foe should it attack Israel in the future. Violence from Syria and an influx of refugees have also destabilized Lebanon.

Islamic State: Dedicated to murdering all those who disagree with their particular interpretation of Islam, the group controls formidable territory and oil resources in Syria and Iraq. Currently, the Islamic State is preoccupied with tightening its grip over its self-declared caliphate, but the group has ambitious expansionist desires and seeks eventually to “liberate” Jerusalem.

Egypt: Egyptian President Abdel Fattah al-Sisi has declared that Egypt faces “an existential threat” from Sinai-based terrorism and has responded to the mounting Islamist extremist insurgency with tough security measures. Ansar Bayt al-Maqdis, the strongest radical Jihadist organization in the Sinai, has sworn formal allegiance to the Islamic State, bringing a “franchise” of the group to Israel’s southern border.

Jordan: Jordan’s pro-Western monarchy faces challenges from Islamist extremists and economic strains from a flood of Syrian refugees.

Recognizing these increased threats to Israel and the costs it has incurred as a result, the United States has taken concrete steps to solidify its commitment to Israel’s security. In 2007, the United States and Israel signed a 10-year Memorandum of Understanding that calls on the United States to provide \$30 billion in security assistance to Israel between 2009 and 2018. Under the terms of the agreement, Israel received gradual increases in aid during the first four years before reaching the \$3.1 billion level, where it is to remain until 2018. America’s increase in aid to Israel reflects the dramatically escalating military expenses Israel is forced to incur to meet its new threat environment and is crucial to Israel maintaining its QME over its adversaries on the battlefield.

U.S. assistance to Israel also serves other American interests. By law, 75 percent of U.S. aid to Israel has to be spent in the United States, thus boosting America’s defense industry. In addition, Israeli battlefield innovations have helped the United States armed forces dramatically improve both its equipment and tactics.

Israel's Defense Costs Have Risen Markedly

Spiraling defense costs are forcing Israel to spend more on defense as a percentage of GDP than any other nation in the industrialized world. Israel officially allocates 5.6 percent of its GDP to defense. However, the actual costs to the Israeli economy are much higher, taking into account lost productivity and the need for reserve duty, internal security and anti-terrorism spending. Even as the Jewish state faces its own substantial budgetary pressures, during the next decade Israel may have to spend \$160 billion on defense. This is a significant increase over the previous 10-year period.

Foreign Aid Bolsters U.S. National Security

Foreign aid is an essential component of America's national security strategy. Today, the U.S. foreign aid budget helps strengthen civil society and builds institutional and economic capacity in the very places where hundreds of thousands of American soldiers are risking their lives.

As U.S. military leaders have repeatedly and readily acknowledged, a powerful military is inadequate unless it is backed up by a strong civilian diplomatic presence and the financial resources to help friends and undermine adversaries around the globe. By advancing economic, political and social stability in poor nations, foreign aid helps prevent these areas from becoming breeding grounds for terrorism.

Our foreign aid program embodies core American values. We assist the most vulnerable, promote democracy, pluralism and human rights, and encourage self-sufficiency and adherence to the rule of law.

Asserting U.S. Economic Leadership and Creating American Jobs

In today's globalized economy, U.S. foreign aid continues to help American companies develop foreign markets and build stable business environments in developing countries. This will ultimately create more jobs at home. Foreign aid programs also help bring

education, health care and transportation to hundreds of millions of potential new customers. Today, one in five American jobs is linked to U.S. exports. Foreign markets offer the best opportunities to expand the American economy.

By helping countries establish stable governments and economies, the U.S. can foster a new customer base for American business and create more jobs at home. By funding commercial attaches and trade assistance programs, foreign aid helps U.S. businesses create the relationships and the support they need to sell in foreign markets.

Investing Modestly to Save Money in the Long Run

At just one percent of the budget, foreign aid is a cost-effective and relatively small investment that saves U.S. taxpayers money. Using foreign aid dollars wisely today helps prevent the most costly wars, crises and disasters that might otherwise occur. Prevention – whether of terror attacks, weapons proliferation, pandemic disease, economic meltdown, societal collapse or the spread of radical ideology – is always cheaper and easier.
