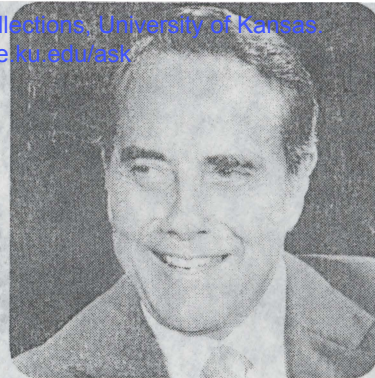


# BOB DOLE



(R - Kansas)

SH 141 Hart Building, Washington, D.C. 20510

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CONTACT: WALT RIKER  
(202) 224-5358

## HOUSING GUARANTEES FOR SOVIET JEWS IN ISRAEL

I WANT TO TAKE A FEW MOMENTS TO DISCUSS ONE IMPORTANT PROVISION IN THE BILL, DEALING WITH HOUSING AND INFRASTRUCTURE GUARANTEES FOR SOVIET JEWS RESETTLING IN ISRAEL.

I'VE STUDIED THIS PROBLEM AND THIS PROVISION. I BELIEVE THAT, ON BALANCE, IT IS IN THE UNITED STATES INTEREST TO APPROVE THESE HOUSING GUARANTEES.

I WAS IN ISRAEL TWO WEEKS AGO. MY VISIT THERE, AND MY TALKS WITH ISRAEL'S LEADERS, REFLECT THE VERY SPECIAL RELATIONSHIP WE HAVE WITH ISRAEL. WE PROVIDE A GREAT DEAL OF SUPPORT TO ISRAEL -- AS WE SHOULD.

IT IS IN OUR INTEREST -- BY FOSTERING STABILITY IN THE VITAL MIDDLE EAST REGION. IT IS IN OUR INTEREST, TOO -- BECAUSE ISRAEL REMAINS THE REGION'S PRINCIPAL DEMOCRACY. AS LEADER OF THE FREE WORLD, AMERICA MUST ALWAYS STAND CLEARLY AND UNEQUIVOCALLY BESIDE ANY FREE NATION THREATENED, AS ISRAEL IS, BY OUTSIDE HOSTILE FORCES.

### KEY QUESTIONS

NONETHELESS, THERE ARE SERIOUS QUESTIONS THAT SHOULD BE RAISED ABOUT OUR OVERALL AID RELATIONSHIP WITH ISRAEL. I HAVE SPOKEN ABOUT SOME OF THOSE QUESTIONS PREVIOUSLY.

ONE KEY QUESTION IS WHETHER ISRAEL HAS IN PLACE THE RIGHT KIND OF MARKET-BASED ECONOMIC POLICIES TO MAKE THE MOST EFFECTIVE USE OF OUR AID -- WHETHER THAT AID IS DIRECT, OR, LIKE THESE HOUSING GUARANTEES, INDIRECT.

AROUND THE WORLD WE ARE PUSHING NATIONS THAT RECEIVE OUR AID TO PRACTICE AUSTERITY, TO RELY ON FREE MARKET MECHANISMS, TO DO AWAY WITH PRACTICES SUCH AS IRRATIONAL SUBSIDIES OF INDUSTRY AND WAGE INDEXING.

IT IS REASONABLE TO ASK WHETHER ISRAEL IS MOVING IN THE DIRECTIONS THAT WE WOULD LIKE TO SEE IT MOVE IN ECONOMIC POLICY. SENATOR BOSCHWITZ, FOR ONE, HAS PRESSED THE ISRAELI GOVERNMENT HARD ON THE NEED FOR REFORM OF ITS OVERALL ECONOMIC POLICIES. IN THE COURSE OF DEBATE ON THIS BILL, SENATORS BOSCHWITZ AND HUMPHREY HAVE RAISED SPECIFIC QUESTIONS ABOUT ISRAELI POLICY IN THE HOUSING FIELD, WHICH WOULD IMPACT ON THE EFFECTIVENESS OF THE GUARANTEES.

### HOOVER STUDY "REPORT CARD"

I THINK IT IS WORTHWHILE PUTTING IN THE RECORD -- AND I ASK UNANIMOUS CONSENT TO DO SO -- THE EXECUTIVE SUMMARY OF A STUDY DONE AT THE HOOVER INSTITUTION AT STANFORD UNIVERSITY. IT WAS DONE BY A PROMINENT ECONOMIST NAMED ALVIN RABUSHKA. THIS STUDY WAS BROUGHT TO MY ATTENTION BY SENATOR SYMMS.

THE STUDY REPRESENTS A "REPORT CARD" ON ISRAELI ECONOMIC POLICIES, FROM A FREE MARKET PERSPECTIVE. AS SENATORS WHO READ THIS SUMMARY, OR GET THE ORIGINAL STUDY, WILL SEE -- ISRAEL DOESN'T GET VERY HIGH GRADES FROM PROFESSOR RABUSHKA: BUDGET, D-; TAXATION, D; PRICE CONTROLS, D-; LABOR, F; AND SO FORTH.

I COMMEND THIS STUDY TO THE ATTENTION OF ALL SENATORS, AS WE CONSIDER THIS AND ALL OTHER AID TO ISRAEL.

IN ANY CASE, FOR VERY GOOD REASON, WE DO PROVIDE ISRAEL NEARLY \$4 BILLION -- NOT THE \$3+ BILLION USUALLY CITED -- IN AID EVERY YEAR. THAT INCLUDES DIRECT AID AND "SIDE BENEFITS." SOME OF THOSE "SIDE BENEFITS" ARE NOT WIDELY UNDERSTOOD BY THE AMERICAN PUBLIC -- PERHAPS NOT EVEN BY SOME MEMBERS OF CONGRESS. SO I ASK CONSENT TO INCLUDE IN THE RECORD TWO STUDIES DONE BY THE CONGRESSIONAL RESEARCH SERVICE (CRS) ON THIS ISSUE. THEY GIVE A GOOD RUNDOWN ON OUR TOTAL AID TO ISRAEL, DIRECT AND INDIRECT.



### ISRAELI AID

AS I SAID, THIS AID RELATIONSHIP REFLECTS OUR SPECIAL BILATERAL RELATIONSHIP. I HAVEN'T GONE THROUGH THE RECORD IN GREAT DETAIL, BUT I'M VIRTUALLY CERTAIN THAT I HAVE SUPPORTED EVERY ONE OF THE AID PROGRAMS AND "SIDE BENEFIT" PROGRAMS DESCRIBED IN THESE DOCUMENTS. PROBABLY MOST MEMBERS OF THE SENATE HAVE A SIMILAR RECORD OF SUPPORT.

SO WE DO HAVE THIS IMPORTANT RELATIONSHIP, INCLUDING THIS VERY SPECIAL "AID" RELATIONSHIP. THAT IS THE BACK-DROP FOR OUR CONSIDERATION OF HOUSING GUARANTEES -- WHICH, IF ENACTED, WILL EXPAND ONE OF THE PRESENT "SIDE BENEFITS." DURING MY VISIT TO ISRAEL, I DID DISCUSS THE ISSUE OF THE INFLUX OF SOVIET JEWS AT SOME LENGTH WITH ISRAELI OFFICIALS.

I WAS DEEPLY IMPRESSED BOTH BY THE MAGNITUDE OF THE TASK, AND THE COMMITMENT NOT ONLY OF THE GOVERNMENT BUT OF THE ISRAELI PUBLIC -- TO DO WHATEVER IS NECESSARY TO PROVIDE A NEW LIFE FOR THESE PEOPLE.

I VISITED A SO-CALLED "ABSORPTION CENTER" -- WHERE NEWLY ARRIVING SOVIET JEWS ARE PROCESSED, AND PROVIDED SUPPORT FOR THEIR TRANSITION TO LIFE IN ISRAELI SOCIETY. THERE I LEARNED OF THE ENORMOUS MONETARY COSTS INVOLVED, AND OF THE CHALLENGE OF PROVIDING HOUSING AND JOBS FOR WHAT MOST EXPECT TO BE A TOTAL OF ONE MILLION OR MORE IMMIGRANTS.

TO EXPERIENCE THE HUMAN DIMENSION OF THE PROBLEMS INVOLVED, I MET WITH SEVERAL FAMILIES IN THE INITIAL STAGES OF THEIR RESETTLEMENT. IT WAS A TOUCHING EXPERIENCE. THESE PEOPLE OBVIOUSLY FEEL THEY HAVE TRULY "COME HOME."

ULTIMATELY, THEY WILL MAKE AN ENORMOUS CONTRIBUTION TO THEIR ADOPTED COUNTRY, ISRAEL. RIGHT NOW, THOUGH, THEY DO REQUIRE A LOT OF SUPPORT -- AND IT COSTS A LOT OF MONEY.

### IMMIGRATION: RESPONDING TO NEED

JEWS AROUND THE WORLD ARE RESPONDING GENEROUSLY TO THE ENORMOUS NEED. I UNDERSTAND THAT AMERICAN JEWS, OPERATING THROUGH A VARIETY OF PRIVATE ORGANIZATIONS, ARE PLEDGED TO PROVIDE \$500 MILLION. THAT IS ON TOP OF THE SEVERAL HUNDREDS OF MILLIONS OF DOLLARS THEY ALREADY PROVIDE IN VOLUNTARY SUPPORT FOR HUMANITARIAN PROJECTS IN ISRAEL.

IT IS RIGHT THAT THE UNITED STATES GOVERNMENT SHOULD HELP, TOO. THE ISSUE OF SOVIET JEWRY HAS BEEN VERY HIGH ON THE U.S. AGENDA FOR MANY YEARS. THE ISSUE HAS BEEN ON THE AGENDA OF EVERY U.S.-USSR SUMMIT, OF EVERY CONGRESS, OF EVERY ENCOUNTER BETWEEN SENIOR U.S. AND SOVIET LEADERS.

ONE OF THE HAPPIEST RESULTS OF THE ERA OF GLASNOST IN THE SOVIET UNION IS THAT THERE HAS NOW BEEN A MAJOR BREAKTHROUGH ON THIS ISSUE. BASICALLY, WITH SOME STILL IMPORTANT EXCEPTIONS, THE SOVIETS ARE PERMITTING JEWS TO EMIGRATE. HUNDREDS OF THOUSANDS OF THEM ARE LINED UP TO DO SO, AND MOST WILL END UP IN ISRAEL.

WE HAVE WORKED HARD TO ACHIEVE THIS END, AND WE HAVE A RESPONSIBILITY TO ASSIST IN THIS VERY POSITIVE "END GAME" OPERATION.

SO, IN SUM, I SUPPORT U.S. INVOLVEMENT, AND I SUPPORT THE CONCEPT OF HOUSING GUARANTEES.

ON THIS BILL, I WILL OFFER NO AMENDMENTS DEALING WITH THIS MATTER.

### RAISE QUESTIONS

I DO WANT TO MAKE SOME COMMENTS ON THE PROGRAM AS IT HAS BEEN STRUCTURED, THOUGH, AND RAISE A FEW QUESTIONS THAT I THINK DESERVE CAREFUL CONSIDERATION BY THE ADMINISTRATION, THE CONGRESS AND -- MOST IMPORTANT -- THE AMERICAN TAXPAYER, WHO WILL UNDERWRITE THIS PROGRAM.

AS HAS BEEN OBVIOUS IN THE MEDIA, ONE IMPORTANT AREA OF CONCERN TO THE ADMINISTRATION AND TO MANY AMERICANS IS ISRAELI SETTLEMENT POLICY, AS IT RELATES TO JERUSALEM AND THE OCCUPIED TERRITORIES.

THE ADMINISTRATION HAS MADE ABSOLUTELY CLEAR THAT IT WILL SEEK COMMITMENTS FROM THE ISRAELI GOVERNMENT THAT U.S.-PROVIDED GUARANTEES WILL NOT SUPPORT HOUSING IN THE OCCUPIED TERRITORIES. AT THE SAME TIME, THE ADMINISTRATION STRONGLY HOPES THAT THE ISSUE IS NOT SPECIFICALLY ADDRESSED THROUGH LEGISLATIVE LANGUAGE. IT FEELS, RIGHTLY, THAT IT SHOULD HAVE MAXIMUM FREEDOM OF ACTION IN NEGOTIATING THE REQUIRED COMMITMENTS FROM THE ISRAELI GOVERNMENT.

I DO NOT WANT TO SPEND A LOT OF TIME ON THIS PARTICULAR ASPECT OF THE BROADER IMMIGRATION ISSUE, BUT I DO THINK IT IS IMPORTANT TO NOTE THAT THIS IS A SERIOUS CONCERN.

### JERUSALEM BUILDING OCCUPATION

THE RECENT REVELATION THAT THE SHAMIR GOVERNMENT UNDERWROTE THE COST OF ACQUIRING PROPERTY IN OLD TOWN JERUSALEM -- PROPERTY WHICH APPEARS TO ACTUALLY BE OWNED BY THE GREEK ORTHODOX CHURCH -- HAS FOCUSED NEW ATTENTION ON THE SENSITIVITY OF THE WHOLE ISSUE OF NEW SETTLERS AND SETTLEMENTS.



THAT INCIDENT HAPPENED TO EXPLODE WHILE I WAS IN ISRAEL, SO I SAW FIRST-HAND HOW VOLATILE THE WHOLE MATTER WAS, TO ALL OF THE ETHNIC AND RELIGIOUS GROUPS REPRESENTED IN JERUSALEM. I NOTE THAT EVEN THE AMERICAN-ISRAEL PUBLIC AFFAIRS COMMITTEE (AIPAC), CERTAINLY THE FOREMOST LOBBYING ORGANIZATION ON ISSUES INVOLVING ISRAEL, HAS ISSUED A RARE CRITICISM OF THE SHAMIR GOVERNMENT ON THAT PARTICULAR ISSUE. I ASK UNANIMOUS CONSENT TO INCLUDE A NEW YORK TIMES ARTICLE ON THE AIPAC STATEMENT IN THE RECORD.

SO, OBVIOUSLY, THE BROADER ISSUE OF WHERE AND UNDER WHAT CIRCUMSTANCES THE ISRAELI GOVERNMENT PROVIDES HOUSING FOR ANY NEW SETTLERS -- WHETHER THEY ARE LONG-TIME RESIDENTS OF ISRAEL, OR NEW ARRIVALS -- IS SOMETHING THAT DESERVES CAREFUL ATTENTION.

THE ADMINISTRATION WILL BE PURSUING THIS DIRECTLY WITH THE ISRAELI GOVERNMENT, AND I THINK THE AMERICAN PUBLIC WILL STRONGLY BACK THE ADMINISTRATION'S INSISTENCE THAT OUR GUARANTEES NOT BE USED TO UNDERWRITE SETTLEMENTS IN THE OCCUPIED TERRITORIES, OR SUCH PROVOCATIVE RESETTLEMENT CASES AS WE HAVE JUST SEEN IN JERUSALEM.

#### COSTS?

BUT LET ME TURN FROM THE BROADER QUESTION OF RESETTLEMENT POLICY, TO THE SPECIFICS OF THE HOUSING GUARANTEE PROGRAM. AND LET ME STRESS UP-FRONT: I AM ASKING SOME QUESTIONS. QUESTIONS THAT I THINK OUR GOVERNMENT OUGHT TO ASK, AND OUR TAXPAYERS DESERVE TO HAVE ANSWERED AS THIS PROGRAM IS STRUCTURED AND IMPLEMENTED.

THE BOTTOM LINE QUESTION, OF COURSE, IS: WHAT WILL THE PROGRAM COST?

SOME HAVE ASSERTED THAT THIS PROGRAM -- SINCE IT IS A LOAN GUARANTEE, AND NOT A DIRECT APPROPRIATION -- IS FREE; NO COST TO THE TAXPAYER.

THAT IS JUST NOT THE CASE. CLEARLY THERE WILL BE ADMINISTRATIVE COSTS. I KNOW OF NO PROGRAM EVER DEvised BY THE MIND OF LEGISLATOR OR BUREAUCRAT THAT DIDN'T COST ANY MONEY TO RUN.

I CAN'T ESTIMATE THAT COST. AND, ADMITTEDLY, BY U.S. GOVERNMENT BUDGET STANDARDS, THOSE COSTS WILL NOT BE ENORMOUS -- BUT IT IS JUST NOT ACCURATE TO PRETEND THEY DON'T EXIST.

#### FEES, WAIVERS AND TAXPAYERS

A MORE IMPORTANT CONSIDERATION IS THAT OF FEES. UNDER THE EXISTING PROGRAM OF GUARANTEES FOR FOREIGN NATIONS -- WHICH IS BEING VASTLY EXPANDED FOR ISRAEL -- COUNTRIES BENEFITING FROM THE GUARANTEES ARE REQUIRED TO PAY FEES TO US, FOR SERVICES PROVIDED IN THE PROCESSING OF MAKING THE GUARANTEES.

THE SENATE APPROPRIATIONS COMMITTEE HAS REDUCED THE STANDARD FEES FOR ISRAEL. IN OTHER WORDS, ISRAEL WILL PAY A LESSER FEE THAN WOULD ANY OTHER COUNTRY UTILIZING THE PROGRAM.

THE FIRST QUESTIONS I WOULD ASK, THEN -- THAT COULD BE ADDRESSED IN CONFERENCE, AND BY THE ADMINISTRATION, AS IT CONSIDERS THIS PROGRAM -- ARE THESE:

- o WHAT IS THE JUSTIFICATION FOR A PARTIAL WAIVER OF THE FEE FOR ISRAEL?
- o IN COMPARISON TO OTHER SIMILAR PROGRAMS, DOLLAR FOR DOLLAR, WHAT MONETARY BENEFIT WILL ISRAEL DERIVE FROM A PARTIAL WAIVER? PUT ANOTHER WAY, HOW MUCH WILL A PARTIAL WAIVER COST THE AMERICAN TAXPAYER?

I SHOULD ADD, IN THIS REGARD, THAT A VERY INFORMAL ESTIMATE I HAVE RECEIVED FROM AN A.I.D. OFFICIAL INDICATES THE COST TO THE TAXPAYER WILL BE IN THE NEIGHBORHOOD OF \$25-30 MILLION DOLLARS, OVER THE LIFE OF THESE LOANS.

A SECOND COST ISSUE IS THE SO-CALLED "SUBSIDY COST" TO THE AMERICAN TAXPAYER OF OUR GUARANTEES. THIS IS AN EXTREMELY COMPLEX, TECHNICAL FINANCIAL AND BOOK-KEEPING MATTER. I WON'T ATTEMPT TO EXPLAIN IT IN DETAIL.

I WILL JUST SAY THIS: THE U.S. GUARANTEE REPRESENTS A SUBSIDY -- A COST OF PLACING AND SERVICING THE LOAN THAT WOULD BE BORNE BY THE BORROWER IN THE ABSENCE OF THE GUARANTEE, BUT BECAUSE OF THE GUARANTEE WILL BE BORNE BY THE UNITED STATES; SPECIFICALLY, BY THE TREASURY DEPARTMENT; AND ULTIMATELY BY OUR TAXPAYERS.

#### CBO ESTIMATES

THE OFFICE OF MANAGEMENT AND BUDGET (OMB) HAS STANDARD FORMULAS FOR CALCULATING THAT SUBSIDY COST. USING OMB'S STANDARD FORMULA AS IT APPLIES TO A BORROWING NATION WITH ISRAEL'S ESTABLISHED CREDIT RATING, THE CONGRESSIONAL BUDGET OFFICE (CBO) HAS ESTIMATED THAT THE SUBSIDY COST TO THE AMERICAN TAXPAYER WILL BE ABOUT \$75 MILLION FOR THIS \$400 MILLION DOLLAR PROGRAM.

(MORE)



I ASK UNANIMOUS CONSENT TO INCLUDE IN THE RECORD THE CBO MEMO PROVIDING THIS ESTIMATE.

SO ANOTHER SPECIFIC QUESTION:

o WHAT WILL BE THE SUBSIDY COST TO THE AMERICAN TAXPAYER OF THE \$400 MILLION ISRAELI PROGRAM? IS THE CBO ESTIMATE ACCURATE?

ANOTHER AND EVEN MORE FUNDAMENTAL COST QUESTION IS WHETHER OR NOT THE UNITED STATES ULTIMATELY WILL ACTUALLY PAY FOR THE INCREASED DEBT SERVICE COSTS THAT ISRAEL WILL INEVITABLY FACE, BECAUSE IT WILL HAVE INCREASED DEBT.

#### ISRAELI DEBT

ISRAEL WILL BE BORROWING \$400 MILLION. THAT WILL BE NEW DEBT; ADDITIONAL DEBT. RIGHT NOW, ISRAEL'S DEBT SERVICE PAYMENT TO US IS MORE THAN \$1.2 BILLION PER YEAR. WE GIVE ISRAEL \$1.2 BILLION IN CASH ASSISTANCE -- ECONOMIC SUPPORT FUND (ESF) PAYMENTS. THE FACT THAT THE TWO NUMBERS ARE IDENTICAL IS NOT A COINCIDENCE.

UNDER THE SO-CALLED "CRANSTON AMENDMENT," WE HAVE MORE OR LESS PLEDGED TO GIVE ISRAEL ENOUGH ESF TO COVER ITS ANNUAL DEBT SERVICE PAYMENT.

THE "CRANSTON AMENDMENT" DOES NOT FORCE US TO DO THAT. BUT THE LOGIC OF THAT AMENDMENT DOES IN AN IMPORTANT WAY DRIVE OUR ESF LEVELS.

FOR GOOD REASON, WE DON'T WANT TO JUST FLAT-OUT FORGIVE ISRAEL'S DEBT. THAT WOULD SET A VERY BAD PRECEDENT. SO WE HAVE DEVISED THIS SYSTEM, WHICH AMOUNTS TO DE FACTO DEBT FORGIVENESS. ISRAEL OWES US "X" DOLLARS, SO WE GIVE IT "X" DOLLARS IN ESF TO MAKE THE PAYMENT.

SOMETIME AFTER IT STARTS BORROWING MONEY UNDER THE HOUSING GUARANTEES, ISRAEL WILL HAVE TO START REPAYING THAT MONEY. IT WILL BE MAKING HIGHER LOAN REPAYMENTS THAN IT WOULD IF IT HADN'T BORROWED THE MONEY.

THAT CANNOT BE DISPUTED. BUT IT DOES RAISE THESE QUESTIONS:

o CONSIDERING THE POLITICAL REALITIES IN THE WORLD, AND THE NATURE OF OUR SPECIAL RELATIONSHIP WITH ISRAEL, ARE WE IN FACT SETTING IN TRAIN A PROCESS THAT WILL LEAD TO GREATER ISRAELI DEBT, HENCE GREATER ANNUAL DEBT SERVICE PAYMENTS, AND INEVITABLY HIGHER U.S. ESF PAYMENTS TO ISRAEL?

o WHAT IS A REASONABLE ESTIMATE OF THE COST OF THOSE PROJECTED HIGHER ESF PAYMENTS?

#### TRUE COSTS

THE SAME CBO MEMO I HAVE ALREADY INCLUDED IN THE RECORD ESTIMATES THAT FROM THIS PERSPECTIVE THE SO-CALLED "PRESENT VALUE" COST TO THE AMERICAN TAXPAYER -- WHAT WOULD HAVE TO BE SHELLLED OUT THIS YEAR TO COVER THESE "DOWN THE ROAD" ESF PAYMENTS -- WOULD BE \$400 MILLION. CBO THEN ADDS THE COST OF THE INTEREST DIFFERENTIAL BETWEEN DIRECT FEDERAL BORROWING AND UTILIZING GUARANTEES -- ANOTHER \$18.4 MILLION.

THE BOTTOM LINE: THIS \$400 MILLION LOAN GUARANTEE WILL COST THE AMERICAN TAXPAYER MORE THAN \$400 MILLION; MORE THAN IF WE SIMPLY GAVE THE \$400 MILLION TO ISRAEL THIS YEAR.

#### LOANS FOR WHAT?

AND THERE ARE STILL OTHER QUESTIONS. ONE TROUBLESOME QUESTION IS WHAT ISRAEL WILL DO WITH THE LOANS WE ARE GUARANTEEING. THE IMAGE IS OF A WHOLE BUNCH OF SIMPLE HOUSES AND APARTMENTS, TO PROVIDE HOUSING FOR SOME NEEDY IMMIGRANTS.

BUT THE REALITY MAY NOT BE AS SIMPLE AS THAT.

IN THE FIRST PLACE, THE GUARANTEES COVER NOT ONLY HOUSING, BUT THE SO-CALLED "INFRASTRUCTURE" FOR BUILDING HOUSES. THAT MEANS THE LOANS WE GUARANTEE COULD BE USED FOR ROADS, OR UTILITY SYSTEMS, OR PARKS, OF PERHAPS EVEN CONSULTING SERVICES.

THAT MAY BE OK -- I'M NOT SAYING IT IS AUTOMATICALLY BAD. BUT WE SHOULDN'T BE LABORING UNDER THE MISIMPRESSION THAT WE ARE JUST BUILDING HOUSES FOR NEEDY PERSONS.

#### WHAT KIND OF HOUSING?

ANOTHER IMPORTANT QUESTION IS WHAT KIND OF HOUSING IS LIKELY TO BE BUILT AS A RESULT OF THESE GUARANTEES. THE EXISTING PROGRAM REQUIRES THAT 90% OF ANY GUARANTEES BE PROVIDED FOR HOUSING FOR PEOPLE WITH BELOW-MEDIAN INCOME. THIS BILL WAIVES THAT REQUIREMENT ENTIRELY.

AS A RESULT, THIS GUARANTEE COULD BE USED TO SUPPORT LUXURY HOUSING, AT VIRTUALLY ANY PRICE RANGE.

LEST ANYONE THINK THIS IS AN IDLE CONCERN, I MIGHT POINT OUT THAT ON MY JUST-COMPLETED TRIP TO ISRAEL, I VISITED ONE NEW SETTLEMENT NEAR BETHLEHEM. I SAW THERE NEW HOUSES, BEING PROVIDED TO SETTLERS UNDER ISRAELI GOVERNMENT SUBSIDIES. THERE WERE PROBABLY A HUNDRED OR MORE HOUSES ALREADY BUILT, AND ANOTHER 30-40 UNDER CONSTRUCTION.

(MORE)



THEY WEREN'T SHACKS. THEY LOOKED LIKE THEY MIGHT FIT IN PRETTY WELL SOMEWHERE UP OFF EMBASSY ROW IN THE DISTRICT, OR IN FAIRFAX OR MONTGOMERY COUNTY. AN AMERICAN OFFICIAL RESIDENT IN ISRAEL ESTIMATED THAT, IF IDENTICAL HOUSES WERE BUILT IN AN URBAN CENTER IN ISRAEL, THE LIKELY COST WOULD BE IN THE RANGE OF \$300-400,000 PER UNIT.

THESE HOMES WERE BEING BUILT UNDER THE GENERAL SUBSIDY PROGRAM THE ISRAELI GOVERNMENT PROVIDES TO HOUSING IN THE OCCUPIED TERRITORIES.

#### WIDE OPEN PROGRAM

NOW TO BE CLEAR: THE HOMES I SAW WERE NOT SPECIFICALLY FOR NEW IMMIGRANTS. OUR NEW HOUSING GUARANTEES ARE TO BE RESTRICTED TO NEW IMMIGRANTS. I DON'T KNOW WHAT KIND OF HOMES THEY MIGHT END UP IN. I DON'T KNOW WHAT KIND OF SUBSIDIES THE ISRAELI GOVERNMENT WILL PROVIDE THEM.

BUT THAT IS JUST THE POINT. NO ONE DOES. AND WE HAVE TAKEN OUT ANY RESTRICTIONS IN OUR PROGRAM, LIMITING THE ISRAELI GOVERNMENT IN ANY WAY. IF THE ISRAELI GOVERNMENT WANTS TO BUILD THEM LUXURY HOUSING, IT CAN.

IF IT WANTS TO BUILD THEM HOUSING USING ONLY INEFFICIENT, STATE-OWNED ENTERPRISES -- WHO, ACCORDING TO ONE ESTIMATE, PRODUCE HOUSING TWICE AS COSTLY AS THAT WHICH COULD BE PROVIDED BY PRIVATE COMPANIES -- IT CAN DO THAT.

THERE ARE NO RESTRICTIONS -- AND, IN FACT, NO U.S. GOVERNMENT MANAGEMENT OR OVERSIGHT, PERIOD -- IN THE LAW.

THIS IS, IN EFFECT, A "BLANK CHECK," IN TERMS OF HOW THE LOANS CAN BE USED IN SUPPORTING A HOUSING PROGRAM. IN FACT, WHEN YOU CONSIDER THE MATTER OF FUNGIBILITY OF MONEY, IT IS A "BLANK CHECK," PERIOD -- A POINT I WILL BE ADDRESSING IN A MOMENT.

BUT THIS GENERAL MATTER OF HOW THE MONEY WILL BE USED RAISES THREE SPECIFIC QUESTIONS:

- o SINCE ISRAEL WILL BE TOTALLY EXEMPT IN THIS BILL FROM ANY RESTRICTIONS ON WHAT KIND OF HOUSING OR INFRASTRUCTURE IT CAN BUILD UNDER THE GUARANTEE PROGRAM, WHAT ARE ISRAEL'S PLANS FOR USING THE GUARANTEES? WHAT KIND OF HOUSING OR INFRASTRUCTURE WILL IT BUILD?
- o IF IT INTENDS TO BUILD MODESTLY PRICED HOUSING FOR LARGE NUMBERS OF PEOPLE, WHY DO WE NEED TO WAIVE THE STANDARD 90% REQUIREMENT I MENTIONED ABOVE?
- o IN OUR NEGOTIATIONS WITH ISRAEL ON IMPLEMENTING THE PROGRAM, WILL WE REQUIRE ISRAELI COMMITMENTS TO USE MOST OR ALL OF THE MONEY FOR SUB-MEDIAN INCOME FAMILIES, AS WE DO FOR OTHER COUNTRIES? OR WILL WE ALLOW ISRAEL TO DO WHATEVER IT WANTS WITH THIS MONEY?

I THINK ALL AMERICANS -- ESPECIALLY THOSE STRUGGLING WITH THEIR OWN MORTGAGES, OR TOTALLY SHUT OUT OF THE HOUSING MARKET, HAVE A RIGHT TO ANSWERS TO THOSE QUESTIONS.

#### AMERICAN HOMELESS

AS I HAVE POINTED OUT A NUMBER OF TIMES, WE ALSO HAVE COUNTLESS TENS OF THOUSANDS OF HOMELESS IN THIS COUNTRY. WE DON'T HEAR THEIR VOICE MUCH, BUT THEY MIGHT ASK: WHAT ABOUT US?

AND THEY MIGHT ASK IT MORE LOUDLY WHEN THEY FIND OUT WE ARE ABOUT TO EMBARK ON A BIG PROGRAM TO PROVIDE HOUSING TO PEOPLE LIVING IN A FOREIGN LAND -- ESPECIALLY IF WE ARE LEAVING OPEN THE POSSIBILITY THAT WE WILL BE SUBSIDIZING HOUSING FOR A PRIVILEGED FEW, INSTEAD OF MANY NEEDY PEOPLE.

SO I GUESS IT IS FAIR TO ADD THIS QUESTION TO MY LIST:

- o HOW DO WE JUSTIFY THIS PROGRAM, IN LIGHT OF THE SUGGESTION BY SOME THAT WE HAVE NOT DONE ENOUGH TO RESPOND TO THE NEEDS OF OUR OWN HOMELESS POPULATION?

OF COURSE, I HAVE NOT EVEN RAISED THE QUESTION OF FUNGIBILITY. OUR GUARANTEES WILL PERMIT ISRAEL TO BORROW \$400 MILLION. THAT MONEY WILL GO INTO ISRAEL'S TREASURY.

OUR LANGUAGE REQUIRES THAT MONEY -- THAT PARTICULAR PILE OF DOLLAR BILLS -- TO BE USED ONLY FOR HOUSING NEW IMMIGRANTS. BUT WHAT KEEPS ISRAEL FROM TAKING \$400 MILLION OF ITS OWN MONEY, THAT IT WOULD OTHERWISE USE FOR ITS HOUSING PROGRAM, AND NOW USE IT ELSEWHERE?

I DON'T SEE ANYTHING THAT WOULD PREVENT ISRAEL FROM DOING JUST THAT. I PRESUME THIS IS A REAL -- NOT ARTIFICIAL -- CONCERN. I KNOW THAT ISRAEL WILL SPEND MORE THAN \$400 MILLION OF ITS OWN FUNDS FOR IMMIGRANT HOUSING -- NO DOUBT ABOUT IT.

I ALSO HAPPEN TO THINK THAT ISRAEL'S COMMITMENT TO THE RESETTLEMENT PROGRAM IS SO STRONG THAT IT WILL FIND THE MONEY TO IMPLEMENT IT, NO MATTER WHAT WE DO. THAT IS COMMENDABLE ON ISRAEL'S PART -- AND I CERTAINLY DON'T MEAN TO IMPLY OTHERWISE. IT IS A REAL, AND COMMENDABLE, COMMITMENT TO A GENUINELY HUMANITARIAN PROGRAM.

(MORE)



**FREEING UP \$400 MILLION**

BUT THE LOGICAL RESULT IS THIS: THE \$400 MILLION UNDER THE LOAN GUARANTEE PROGRAM WILL FREE UP \$400 MILLION TO USE ELSEWHERE.

ANYWHERE.

WEAPONS DEVELOPMENT. SUBSIDIZATION OF INEFFICIENT STATE ENTERPRISES. PROVIDING UNJUSTIFIABLE WAGE INCREASES IN RESPONSE TO UNION PRESSURE.

ANYTHING, ANYWHERE IN THE GOVERNMENT'S BUDGET.

NOW THE FACT IS: ALL OF OUR AID IS PROBABLY FUNGIBLE, IN THAT SENSE. BUT THAT DOESN'T MAKE IT ANY LESS TRUE THAT THIS AID IS FUNGIBLE, TOO. LET'S RECOGNIZE THAT, AND NOT KID OURSELVES THAT WE REALLY CAN SOMEHOW STOP ISRAEL FROM USING THIS \$400 MILLION FOR ANYTHING IT WANTS.

**U.S. COMPANIES SHOULD COMPETE FOR HOUSING \$\$**

AND LET ME CONCLUDE WITH ONE FINAL AND IMPORTANT POINT.

IF WE ARE PROVIDING THESE GUARANTEES, WE SHOULD HAVE A RIGHT TO EXPECT THAT AMERICAN COMPANIES IN THE HOUSING FIELD -- THAT PROVIDE BUILDING MATERIALS, OR PRE-FAB HOUSING, OR CONSTRUCTION-RELATED SERVICES -- THAT THEY HAVE A CHANCE TO COMPETE FAIRLY FOR ANY RELATED CONTRACTS THAT ARE LET BY THE ISRAELI GOVERNMENT.

THE FACT IS THAT, RIGHT NOW, WESTERN EUROPEAN FIRMS VERY MUCH HAVE THE INSIDE TRACK. IT'S NOT ISRAEL'S FAULT, OR SOME CONSCIOUS DESIGN OF THE ISRAELI GOVERNMENT. BUT IT IS A FACT.

THE EEC FINALIZED ITS FREE TRADE AGREEMENT WITH ISRAEL SEVERAL YEARS BEFORE WE DID. AS A RESULT, ALL THE PROVISIONS OF THE EEC AGREEMENT ARE ALREADY IN PLACE, FULLY IMPLEMENTED -- INCLUDING THOSE PROVISIONS COVERING THE ELIMINATION OF ISRAELI TARIFFS ON THE IMPORT OF EEC HOUSE BUILDING MATERIALS.

**FREE TRADE?**

OUR FREE TRADE AGREEMENT -- MORE RECENTLY SIGNED -- IS STILL BEING PHASED IN. HOUSING MATERIALS ARE ON SOMETHING CALLED THE "C" LIST. TARIFFS FOR "C" LIST ITEMS HAVE NOT YET BEEN ELIMINATED -- SO U.S. HOUSE BUILDING MATERIAL ENTERING ISRAEL STILL IS SADDLED WITH TARIFFS THAT CAN REACH 40%.

THE DISADVANTAGE TO OUR INDUSTRY IS CLEAR.

AGAIN, THERE IS NOTHING UNTOWARD ABOUT ALL THIS. IT IS A COINCIDENTAL PART OF THE WAY OUR FTA IS BEING IMPLEMENTED.

BUT IN LIGHT OF THIS HOUSING GUARANTEE PROGRAM, I CONCLUDE WITH THIS LAST QUESTION:

o IN OUR NEGOTIATIONS WITH THE ISRAELI GOVERNMENT TO IMPLEMENT THE HOUSING GUARANTEE PROGRAM, SHOULDN'T WE MAKE IT A REQUIREMENT THAT THE ISRAELI GOVERNMENT IMMEDIATELY REMOVE ANY TARIFFS ON U.S. SUPPLIED HOUSE BUILDING MATERIAL THAT WOULD PLACE AMERICAN SUPPLIERS AT A DISADVANTAGE IN COMPARISON TO OTHER SUPPLIERS?

I HAVE LISTED A FEW QUESTIONS. I DON'T HAVE THE ANSWERS. BUT I DO THINK WE IN THE CONGRESS, AND THE AMERICAN TAXPAYERS -- WE ALL SHOULD HAVE THE ANSWERS.

AS I SAID AT THE OUTSET, I SUPPORT THE CONCEPT OF THIS PROGRAM. I DO NOT INTEND TO HOLD UP THIS BILL, BY INSISTING THAT MY QUESTIONS BE ANSWERED NOW. I DON'T WANT TO HOLD UP IMPLEMENTATION OF THE PROGRAM -- SO I WILL NOT OFFER ANY AMENDMENTS, EITHER SUBSTANTIVE, OR TO REQUIRE A REPORT ADDRESSING THE QUESTIONS I HAVE RAISED.

**PRESS ISRAEL FOR ANSWERS**

I DO URGE SENATE AND HOUSE CONFEREES TO INCLUDE IN THE CONFERENCE REPORT AN ADMONITION TO THE ADMINISTRATION TO CONSIDER ALL OF THESE QUESTIONS, AND PROVIDE THE CONGRESS RELEVANT INFORMATION. I ALSO HOPE THE CONFERENCE REPORT WILL URGE THE ADMINISTRATION, IN ITS NEGOTIATIONS WITH THE ISRAELIS, TO PRESS THEM ON SOME OF THESE SAME POINTS -- PARTICULARLY ON ISRAEL'S INTENTIONS IN UTILIZING THE LOANS GENERATED BY THIS PROGRAM. BUT I DO HOPE THAT ALL THE MEMBERS OF THE SENATE AND THE HOUSE -- AND ESPECIALLY THE CONFEREES ON THIS BILL FROM BOTH BODIES -- WILL ADDRESS THESE QUESTIONS.

I HOPE THE ADMINISTRATION WILL, TOO, AS IT NEGOTIATES THIS MATTER WITH THE ISRAELI GOVERNMENT, AND PUTS IN PLACE ITS OWN IMPLEMENTING POLICIES AND REGULATIONS.

FINALLY, I HOPE THE AMERICAN PEOPLE -- THE AMERICAN TAXPAYER -- WILL THINK ABOUT THE QUESTIONS I HAVE RAISED.

WE HAVE MANY IMPORTANT RESPONSIBILITIES AROUND THE WORLD. THERE ARE MANY CRITICAL NEEDS; MANY WORTHWHILE CAUSES. BUT WE HAVE LIMITED RESOURCES, AND WE CAN'T DO IT ALL.

WE HAVE TO START THINKING MORE ABOUT PRIORITIES. I AND OTHERS HAVE MADE THAT POINT BEFORE.

(MORE)



WE NEED TO START SUBJECTING ALL PROPOSALS FOR NEW SPENDING OR NEW COMMITMENTS TO MORE RIGOROUS TESTS -- OF PRIORITY, OF AFFORDABILITY, OF COMMON SENSE.

WE NEED TO END THE PRACTICE OF KNEE-JERK APPROVAL OF CERTAIN KINDS OF PROPOSALS. IN THIS AGE OF DEFICIT CRISIS AT HOME, AND VASTLY EXPANDING FOREIGN AID NEEDS OVERSEAS, EVERY PROGRAM MUST BE SCRUTINIZED CAREFULLY -- NO MATTER WHICH COUNTRY IS THE RECIPIENT.

I WISH WE HAD THE RESOURCES TO MEET ALL THE IMPORTANT NEEDS OF OUR OWN SOCIETY. I WISH WE HAD THE RESOURCES TO RESPOND GENEROUSLY TO THE LEGITIMATE NEEDS OF EVERY ALLY AND FRIEND WE HAVE IN THE WORLD. BUT WE DON'T. WE JUST DON'T.

IT IS TIME TO FACE UP TO THAT REALITY. WE BETTER START SOON.

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