

Bilateral US-Israel “Free” Trade Agreement Delivers \$144 Billion Deficit to US

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The cumulative US merchandise trade deficit with Israel from 1985 through 2015 has ballooned to \$144 billion adjusted for inflation. Why are these results so one-sided? By design. The 1985 US “free” trade deal with Israel was passed among a score of measures in the 1980s designed to prop up Israel’s tiny, sputtering economy—not to benefit the US. As recognized by [industry opponents](#) at the time, if the deal were truly about trade, the US would have sought out a foreign trading partner with a much larger and more diversified economy.

The “US-Israel Joint Economic Discussion Group” headed up by economist [Stanley Fischer](#) demanded the Reagan administration henceforth deliver foreign aid to Israel in the form of grants, which did not have to be repaid, rather than loans. The team also insisted upon the unilateral elimination of US trade barriers on Israeli goods while allowing Israel to continue to protect its own domestic industries.

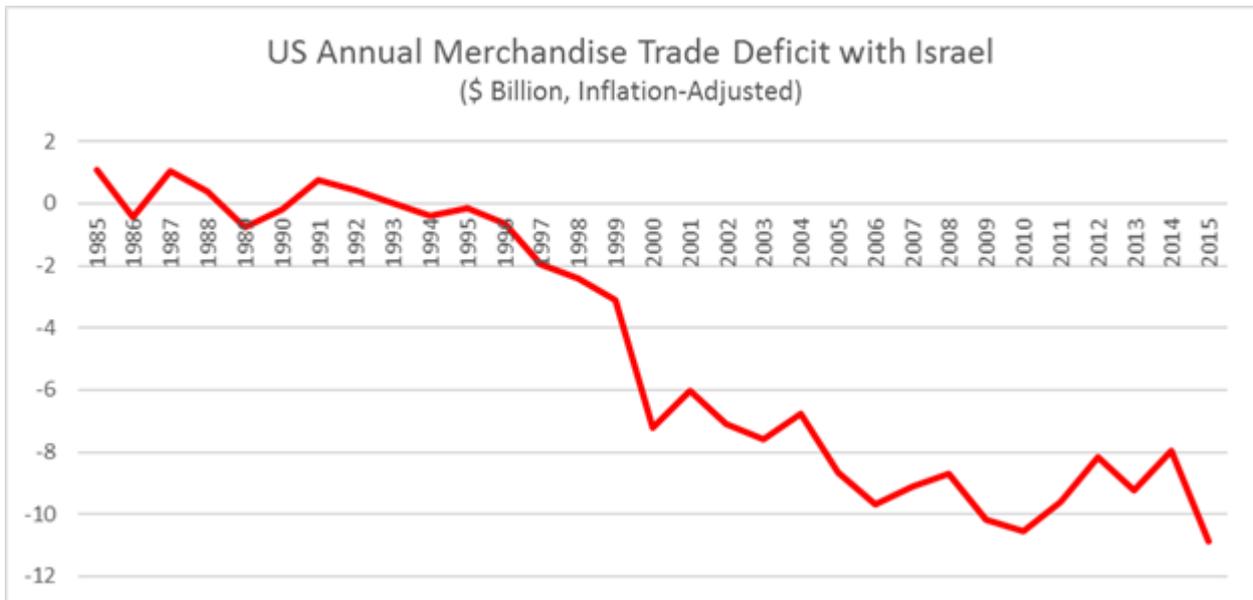
Originally referred to as “[Duty Free Treatment for US Imports from Israel](#)” the spin-masters in the “discussion group,” the Israeli government, and its foreign lobby the American Israel Public Affairs Committee (AIPAC) knew a public relations reframing job was necessary if they were going to pull off the near unilateral lowering of US tariff and non-tariff barriers.

The deal was therefore rebranded as America’s first “free trade” deal, conjuring up rosy images of bilaterally, if not equally, lowering barriers which would force each country’s producers to focus on their comparative advantages, boosting total trade volumes and making better, cheaper, more plentiful goods available to consumers in both countries.

It did not work out that way.

Israel maintained its set of fixed and floating tariff and non-tariff barriers in order to gradually reverse America’s bilateral trade surplus and create a chronic trade deficit solely to Israel’s advantage.

Source: US Census foreign trade data



American industry groups lobbying against the deal at the time foresaw this. Sunkist, Monsanto, the US Bromine Alliance, the American Farm Bureau, Dow Chemical, Hunt Wesson Foods, the AFL-CIO and most other interested US industry groups testified against it before the International Trade Commission. Only a handful of small, mostly pro-Israel, groups backed it. Injury was added to insult when the US Trade Representative and ITC discovered Israeli agents (including AIPAC) had surreptitiously obtained hundreds of pages of classified trade secrets submitted by opponents of the deal and used it to lobby for passage. As has now become [the norm](#), the US Department of Justice shut down the FBI investigation just as it was closing in on the Israeli agents and their US collaborators [involved in the economic espionage](#) caper. Israel remained on USTR's "[watch list](#)" over abuses for many years, but few remedies were ever offered to U.S. producers.

Members of congress, various Israel lobby organization pundits and chambers of commerce occasionally trumpet the deal as a success. In [2009 Martin Indyk](#), head of the AIPAC research unit that worked hard to [lobby](#) in support of the deal (before spinning off AIPAC's think tank, the Washington Institute for Near East Policy at the [peak of the FBI investigation](#)) confidently claimed, "the US-Israel Free Trade Agreement served as a wedge that opened up the Congress to Free Trade Agreements throughout the world, including the NAFTA agreement. No doubt there are some downsides to it, but otherwise it's been a very positive thing." ([YouTube version](#))

However, the numbers reveal that it has been positive only for Israel. In terms of the cumulative inflation-adjusted deficit created since this first "free" trade deal was signed, it is the worst-performing of **all US bilateral** trade agreements, and the second-worst of **all US** trade agreements, trailing only NAFTA.

Source: US Census foreign trade data

FTA Country or Bloc	\$ US Billion Surplus or (Deficit) Year 2015 Only	FTA Effective Year	Inflation-Adjusted \$ US Billion Surplus or (Deficit) Since FTA Effective Year
NAFTA	\$(73.23)	1994	\$(2,165.50)
Israel	\$(10.89)	1985	\$(143.74)
S. Korea	\$(28.33)	2012	\$(92.07)

Colombia	\$2.45	2012	\$(7.64)
Jordan	\$(0.13)	2010	\$2.65
Oman	\$1.46	2009	\$3.23
Bahrain	\$0.37	2006	\$3.32
CAFTA	\$5.13	2009	\$9.46
Morocco	\$0.60	2006	\$10.97
Peru	\$5.07	2009	\$20.53
Chile	\$6.71	2004	\$42.44
Panama	\$7.43	2011	\$72.07
Singapore	\$10.42	2009	\$80.85
Australia	\$14.18	2005	\$161.85

News reports occasionally provide a glimpse of the truth—that the U.S.-Israel FTA is merely an extension of Israel-lobby extracted American aid—a \$10 billion boost to the annual \$3-\$4 billion US foreign aid package whereby Israel receives the lion’s share of the [US foreign aid budget](#). When Israel reinstated a 120 percent duty on imported [gefilte fish](#), it took the involvement of an Illinois congressional representative, the secretary of state, Israel’s ambassador and the Israeli Prime Minister to get a special “[one time](#)” exemption and finally allow the US fish to enter Israel. Meanwhile, Israel’s own voluminous goods arrive in American ports on greased skids even as Israel’s agents fight to gain acceptance of illegal settlement products within Israel’s flow of exports.

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The Institute for Research Middle Eastern Policy (IRmep) is a Washington-based nonprofit organization that studies US-Middle East policy formulation.

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