

History: Israel's First US Espionage and Smuggling Network

Newly declassified Navy intelligence reports foreshadowed future

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Newly declassified postwar [Naval Intelligence files](#) shine new light on a little-known chapter of U.S.-[Israel](#) relations. Massive supplies of American WWII military surplus under liquidation by the War Assets Administration were an irresistible target for [Israel](#)'s government-in-waiting the [Jewish Agency](#) and nascent military the [Haganah](#) in the years immediately preceding [Israel](#)'s declaration of statehood in 1948.

The [Jewish Agency](#) was an organization contemplated as a vital actor for achieving that statehood in [Theodore Herzl](#)'s original [Zionist](#) vision. Explosives, advanced fighter, bomber and transport aircraft, and Jewish veterans culled from a list stolen from the U.S. Chaplain all entered a Jewish Agency pipeline stretching from the US to Mexico, Panama, Italy and Czechoslovakia to [Palestine](#). The stories these newly declassified files tell not only foreshadow the institutionalized immunity of crimes committed in the name of [Israel](#), but major challenges the US would later have to confront beyond displaced Palestinian refugees and simmering conflict – ongoing money laundering into US politics and [Israel](#)'s early desire to build nuclear [weapons](#).

In late April, 1948 US Naval Intelligence became aware of the Jewish Agency's attempted illegal export of 42 combat military aircraft engines through a front organization called "Service Airways." The clandestine operation, headed by future Israel Aircraft Industries pioneer Adolph "Al" [Schwimmer](#) has been told in other accounts such as [The Pledge](#) by Leonard Slater. The Jewish Agency, operating out of an "American Section" in New York, had already been busted for illegally acquiring M3 demolition blocks. Schwimmer's role was to acquire the best transport aircraft as well as P-51D fighters and B-17s for illegal shipment to Jewish fighters in Palestine. Secrecy was key. The Navy noted Schwimmer "has kept all information confidential inasmuch as he did not desire any publicity be given the fact that the Jewish Agency was purchasing airplanes in the United States, and that he specifically did not desire that any representatives of the Arab nation should receive the information."

Naval Intelligence also assessed the risk of high technology avionics continually smuggled from the US winding up in the wrong hands as "trade goods" noting, "...half of the highly critical aviation material being sent... to Palestine is for ultimate delivery to the Soviet Government." In the United States, Jewish Agency front groups tried to structure their purchases to minimize the chance of exposure. "P-51 and other military airplane components are being purchased in Southern California for export to [Israel](#).... one source stated that there is a fund of some nine and one-half million US dollars, deposited in banks

in Switzerland, which came from contributions of Jewish people all over the world...”

After repeated Customs agents smuggling busts on large aircraft component smuggling attempts and constant surveillance by the FBI, the Jewish Agency began directing funds behind the Iron Curtain and ordered a large consignment of Czech-built Messerschmitt 109 fighters. Naval Intelligence followed the money, obtaining a stream of personal correspondence from Service Airways employees gathered in Zatec to check out the aircraft as they rolled off the assembly line in the million-dollar-a-day operation laundered from donors through Swiss bank accounts. One Service Airways employee confided in the need to acquire bigger weapons in the very near future. “This war is being fought for important [uranium](#) deposits near Palestine. The English want those deposits and recently proposed to the Jews an armistice if the Jews would give up their rights to this one piece of desert. The Jews preferred to fight, and here we are.”

Naval Intelligence also gathered the names of hundreds of American war veterans working in the clandestine smuggling and military operations because it wanted to prosecute them. “By law, no member of the Naval Reserve is permitted to accept employment with the government of any foreign country in a capacity which is directly or indirectly under the control of such a foreign government.” In the end, only a handful of low-level smugglers were convicted of felonies for violating the Neutrality and Arms Export Control Act, while the Navy’s long list of [Americans](#) violating regulations against working for foreign governments went unused.

After Israel was established, the Jewish Agency signed a secret 1953 covenant with the new government giving it legislative oversight and access to government funding. Its cat’s paw in the US, the American Section, secretly laundered \$35 million in seed funding into proto “grassroots” lobbies - the [American Zionist Council](#) and American [Israel Public Affairs Committee](#) - for [public relations and lobbying](#). The American Section was [shut down](#) by the combined efforts of the [Justice Department](#) and [Senate Foreign Relations Committee](#) investigations in the 1960’s.

Despite the setback, the Jewish Agency’s surviving [lobby AIPAC](#) and other allies convinced [Congress](#) to fork over taxpayer funds funneled through American charities earmarked to the Jewish Agency in Israel. According to a Congressional Research Service report ([PDF](#)), by 1973 the Jewish Agency began receiving \$25 million a year in US taxpayer funding for refugee resettlement and other activities - totaling \$460 million by 1991. CRS reveals that between 2000 and 2013 the Jewish Agency received another \$534 million (\$41 million per year) in funding from Congress - none of it easily auditable by US taxpayers. Seemingly confident that most Americans are unaware of its past, the Jewish Agency is making a public comeback, announcing [late in 2013 a \\$300 million campaign to improve](#) Israel’s sagging image in the minds of its critical benefactor the United States.

It is worthwhile to consider what should have happened if the Navy’s intelligence reports were not secret and their findings had been properly acted upon. The Justice Department, which was receiving Navy and FBI reports, could have criminally indicted the hundreds of smugglers involved on both coasts, rather than only a few lower-level smugglers. The Navy, along with other branches of the military, could have similarly prosecuted each reservist who unlawfully collaborated in the effort. The high-profile lawyers working at the Jewish Agency’s American Section, bringing in funds and writing checks for all of the illicit activities, clearly would have been shut down and prosecuted in 1950, rather than two decades later after it had already launched the [AZC/AIPAC](#). Absent Jewish Agency seed funding, neither

the American Zionist Council nor its spun-off lobbying division, the American Israel Public Affairs Committee, would have had the resources to lobby for the Israeli government in Congress for unconditional aid and arms or build up an Astroturf power base in the US, particularly when challenged by bona fide American grassroots organizations such as the [American Council for Judaism](#). With no foreign-funded lobbying power imbalance favoring Israel active over decades, the United States would likely be far freer today to enact policies serving the broader American interest rather than those mainly of Israel.

It is similarly worthwhile to evaluate what interest was served by keeping the Navy files classified for sixty-six years. Ever protective of preserving "sources and methods," many intelligence agencies by default prefer that their files never see the light of day through the Freedom of Information Act. In the case of the Jewish Agency smuggling ring, the files reveal the Navy had a very good picture of a nascent and growing threat to American sovereignty. Leaking them, or having them distributed in some authorized manner to a broader American public, could have done some good when it most mattered. But, perhaps realizing that domestic politics and insider lobbying prevent warranted action at an agency level, the Navy simply took the path of least resistance the Justice Department and other agencies would soon begin to follow - do nothing and look the other way when the violator is Israel.

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