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Foreword

Grant F. Smith's excellent, deeply disturbing book *Spy Trade: How Israel's Lobby Undermines America's Economy* is a welcome addition to a growing scholarly literature documenting beyond reasonable doubt that the Israel lobby's elite are above U.S. law. The lobby's illegal and sometimes treasonous behavior is empowered by critical support from the rank and file. Further, Smith's work shows that America's problem is not only Israel and its lobby, but perhaps more dangerously, blanket immunity from prosecution. The harmful activities in which Israel lobby leaders engage are only possible because of their ability to corrupt U.S. politics at every level of government.

From the perspective of a former senior U.S. intelligence officer, Smith's well-researched book is a marvel. Israel's intelligence services have created, as this and other recently published works authoritatively demonstrate, a domestic espionage network in the United States whose operatives do the following:

- (a) Steal secret business data that benefits Israel's economy and costs America intellectual property, business revenue, and domestic jobs.
- (b) Shield the American Israel Public Affairs Committee (AIPAC) from having to register as an agent of a foreign power. AIPAC's mission is to coordinate with the Israeli government in order to push U.S. policies that economically benefit Israel at high costs to U.S. business and workers. This agency relationship has corrupted the U.S. legislative, electoral, and judicial processes, and guarantees that American—not Israeli—kids die fighting wars pushed by Israel and its lobby's leaders.
- (c) Purloin highly classified military technology that Israel then sells to the highest bidders, who use it to negate the technical superiority of U.S. weaponry, or even resell it to enemies intent on killing U.S. soldiers and Marines in the field.
- (d) Run covert operations against a host of government agencies—from the Pentagon to the U.S. Trade Representative's office—stealing and passing information to Israel that compromises U.S. foreign, economic, and defense policies.

(e) Gain preferential and corrupting access—via illegally coordinated campaign contributions, influence, and intimidation—to leading politicians in the Democratic and Republican parties, as well as serving presidents, congressmen, senior law enforcement officials, journalists, judges, bureaucrats, and even intelligence officers.

(f) Buy pardons from presidents to expunge the criminal records of the handful of operatives who have been convicted of theft and/or espionage-related activity.

By any measure, Israel's espionage program in America is an unqualified success, and would be the envy of any intelligence service in the world. But Israel is not solely or even primarily responsible for this success. Espionage and covert action are only possible if human beings are willing to commit treason against their governments and countrymen. Intelligence services can design goals, plans, rewards, and protections for spies, but without individuals willing to commit treason, espionage is all but impossible.

The hugely unsettling truth detailed by Grant Smith's *Spy Trade* is that Israel's intelligence services have found a seemingly unending number of recruits who are not only willing to betray America, but do so without remuneration because they have decided Israel's—not America's—advancement is paramount and justifies criminal and/or treasonous behavior. And in addition to finding Americans eager to be disloyal, Smith shows that Israel—through the potent influence of allies in the U.S. governing, business, and media elites—is able to effectively put those of its spies who are caught beyond appropriate legal punishment via mysteriously negotiated and dismissed court cases; implausible plea deals; well-staged and slanderous demonstrations of Jewish-American communal anger" over "persecution," thereby winning absurd judicial rulings; reduced jail sentences; and presidential pardons. In short, Israel's tremendously damaging espionage and covert action campaign works and yields huge dividends not because Israel runs the operations, but because substantial numbers of Jewish-Americans are eager to participate and defend them publicly by leveling toxic charges of "anti-Semitism" and using money and media influence to protect or bury them.

Overall, Grant F. Smith's *Spy Trade: How Israel's Lobby Undermines America's Economy* puts on display a vigorous, widespread, established, and effective fifth column pursuing Israel's interests at the expense of America's. Smith also shows that it has been able to operate for so long because the U.S. governing elite knowingly permits it to do so. Eager for reliable campaign contributions directed by AIPAC and other Israel lobby organizations, and terrified of being smeared as anti-Semites, post-1948 U.S. politicians have governed in a manner that protects Israel's intelligence apparatus and domestic operatives by putting both above the law.

Abraham Lincoln presciently warned us that only actions by Americans can destroy the United States. "If destruction be our lot," Lincoln said in 1838, "we must ourselves be its author and finisher. As a nation of freemen, we must live

through all time, or die by suicide." At this point, Israel and its lobby's "authors and finishers" are involving America in the affairs, criminality, and wars of a nation of no strategic value to the United States. The willingness of U.S. political leaders to both ignore and monetarily benefit from that fifth column's activities strongly suggests that suicide is becoming the order of the day.

Introduction

Unpunished crimes have long undermined the prosperity, legal protections, and international standing of Americans, but receive little attention from scholars or the press. Violations of U.S. laws were a major factor in establishing the state of Israel in 1948. Massive illicit arms flows coursed through networks of false-front American nonprofit groups smuggling weapons to Jewish fighters in Palestine in contravention of the 1939 Neutrality and Arms Export Acts. Throughout the 1960s and 1970s, figures operating out of the shadows of parastatal institutions such as the Jewish Agency, the Zionist Organization of America, the American Zionist Council, and Israeli intelligence supplied and provided cover for Israel's fledgling Dimona nuclear weapons program against the explicit foreign policies of President John F. Kennedy. The Kennedy administration attempted to register the American Zionist Council (umbrella of the Zionist Organization of America and Hadassah, among others) as a foreign agent of the quasi-governmental Jewish Agency when the Senate uncovered international money laundering into the U.S. That enforcement effort lost inertia after the assassination of President John F. Kennedy and the dissolution of key DOJ leadership.¹

AZC activity regrouped within the American Israel Public Affairs Committee (AIPAC), which emerged as the new center of gravity of the Israel lobby by the mid-1970s. Illicit financial flows from the Jewish Agency were replaced by U.S. Political Action Committee donations coordinated by AIPAC. One of AIPAC's greatest accomplishments came quietly in 1985. In tight coordination with the Israeli government, AIPAC won coveted tariff-free export access to the U.S. market through America's very first "free trade" area. The lion's share of trade benefits steadily accrued to Israel, even as AIPAC cut U.S. export access to any market considered potentially hostile to Israel.

As America's first bilateral free trade agreement approached its twenty-fifth anniversary, a little known espionage incident remained cloaked in secrecy. The Reagan administration and Israel were neck deep in intrigues during the tumultuous period when the U.S.-Israel Free Trade Agreement (USIFTA) was negotiated. Both became embroiled in the Iran-Contra affair, in an attempt to restart Israel's lucrative arms sales to Iran that had begun under the Shah. The Iran-Contra affair and the 1986 Jonathan Pollard espionage scandal overshadowed a vastly consequential and related "third scandal."

During the 1984 USIFTA trade negotiations, American industry and interest groups lobbied against it and provided valuable intellectual property and trade secrets compiled by the International Trade Commission. The FBI discovered that this report was surreptitiously obtained by both AIPAC and the Israeli government. This major breach threatened the sanctity of the negotiations, but was quickly buried so as not to slow the "fast track" process. All files on the

lengthy FBI investigation into the affair were swept up and classified—until July 1, 2009.

Since 1990 USIFTA has generated a cumulative U.S. trade deficit of \$71 billion, the equivalent of 100,000 American jobs for each of the last 10 years. It is the only bilateral trade deal consistently generating deficits, major market access complaints from U.S. industries, and ongoing disputes over misappropriated U.S. intellectual property. Did economic espionage and classified information stolen in 1984 give Israel and its lobby an unfair advantage?

The newly declassified FBI documents clarify a much wider pattern of how the Israel lobby¹ extracts staggering wealth during moments of crisis—at enormous but generally hidden cost to the American people. History reveals systematic tactics for achieving those objectives: false fronts, threatening to bring down unrelated legitimate Israel lobby organizations or U.S. government officials, illegally coordinated campaign contributions, and secret deals with the Justice Department under threats of "systemic risk." These activities have had a corrosive effect on the rule of law in the United States. The highest-level perpetrators of Israel lobby crime are almost never held accountable, since important details are covered up and kept from the public for longer periods of time than other categories of classified U.S. government information.

The Obama administration is now confronting vast, embedded parastatal Israeli interests demanding taxpayer-funded aid, diplomatic cover for apartheid-like policies toward Palestinians, and the preservation of Israeli regional nuclear hegemony. It is critical that Americans understand and confront the Israel lobby's challenge to American prosperity and the rule of law before irreversible damage is done to U.S. governance.

The lobby is a coalition of individuals and organizations with leaders that actively work to move U.S. foreign policy in Israel's favor, at times against broader U.S. interests.

*"Some prominent people and some important organizations could be hurt..." Robert R. Nathan, former War Production Board chairman during Jewish Agency delegation talks with the FBI director over arms smuggling.*²

Arms Smuggling

Arms smuggling is the root of U.S.-Israel commerce. Massive quantities of surplus American weapons crossed the Atlantic in violation of U.S. laws before the state of Israel was formally declared. Smuggling began under David Ben-Gurion, the chairman of both the World Zionist Organization and the quasi-governmental Jewish Agency, which oversaw Jewish immigration into Palestine. Ben-Gurion traveled to the United States in 1945 in a desperate bid for the funding, arms, capital goods, and skilled people necessary to win and hold a new state in Palestine. The precedents established by Israel's first prime minister strongly influenced the formalized U.S.-Israeli diplomatic and commercial relationships that followed.

Ben-Gurion's colleague Dr. Rudolph Sonneborn convened an elite group of 19 wealthy Zionist activists on July 1, 1945 to hear his grand plan for transferring victims of the Holocaust to Palestine from displaced persons camps across Europe. Henry Montor, the national director of the United Jewish Appeal³ (UJA), and other prominent Jewish-American fundraisers active in finance, law, and retail businesses began operating under the cover of a charitable front organization—ostensibly dedicated to the relief of European Jews—called the Sonneborn Institute.⁴ The subsequent creation of separate but legally chartered corporate entities engaged in illicit activities gave the Jewish Agency and budding Israeli defense forces (the Haganah) operational "plausible deniability" if any of the autonomous cells engaged in "black operations" across the U.S. were uncovered.

Rabbi Irving Miller was instrumental in coordinating higher-level arms smuggling and finance even as he openly served as the chairman of the Jewish Agency's American Section, according to Teddy Kollek, a Haganah and Jewish Agency operative based in New York who later became mayor of Jerusalem.⁵ In the years following its first meeting, the Sonneborn Institute spawned a half-dozen organizations conducting both aboveboard and highly illegal activities that gave rise to Israel's military, air transport, and shipping industries.

Vast quantities of war materiel were unleashed onto the American market when the U.S. demobilized after WWII. The War Assets Administration (WAA) administered sales of enormous stocks of highly specialized machinery and military equipment. WAA mandated this had to be either converted to civilian use or decommissioned and sold as scrap. The Sonneborn Institute's drive to

build a self-reliant military-industrial capacity began when Ben-Gurion sent engineer Haim Slavin to New York to research modern ammunition and arms production. Slavin operated under the truism that it is faster and cheaper to acquire the technology of others than to develop the same capability oneself. He began researching modern production while commissioning the design of an entirely new weapon (code named "the gun") for the Haganah and searching for highly specialized WWII surplus production machinery across the United States.

The Sonneborn network front companies bore innocuous names such as "Machinery Processing and Converting Company" and acquired, stored, packaged, disguised, and exported capital goods. The first purchases included six tons of machinery from the Remington Arms plant in Bridgeport, CT for manufacturing .303 caliber ammunition for "the gun." The network could acquire state-of-the-art ammunition-making equipment worth hundreds of thousands of dollars at the price of \$70 per ton only by promising complete decommissioning. Another WAA deal routed through a friendly entrepreneur's corporation secured 200 tons of M-3 demolition explosive at the price of 10 cents per 2.25-pound block, just as the U.S. Department of State declared an embargo on arms shipments to the Middle East.

The network's core competencies involved high secrecy. Sophisticated military-industrial gear was disassembled, catalogued, and disguised as civilian machinery so it could be divided up into innocent-looking components that would make it past U.S. customs inspectors for shipment to Palestine. Ammunition and firearms were welded into the centers of giant boilers or generators, while TNT crates were stenciled with innocuous labels. The Sonneborn Institute was also active in manpower exports. Friends inside and outside the U.S. government provided timely intelligence for key military personnel recruitment operations. One front, Materials and Manpower for Palestine, surreptitiously obtained the entire data set used by U.S. armed service chaplains, which allowed the Haganah to direct targeted appeals to Jewish veterans in the United States during its drive to recruit military volunteers to fight in Palestine.

The network also thought big. Even after the U.S. State Department declared its embargo on arms shipments to the Middle East, it purchased a baby flat-top aircraft carrier from the WAA for \$125,000. The plan was for the *U.S.S. Attu* to ferry arms and DPs to Palestine and be fully restored for air attacks.⁶

Nathan Liff, who had acquired a WAA contract for scrapping surplus arms, owned a Honolulu scrap yard that was the site of a major arms theft operation. Liff notified Sonneborn during a visit to New York about his access to surplus war planes. Al Schwimmer, a wartime TWA flight engineer who worked in an aircraft reconditioning and air freight business in Burbank, sent Haganah West Coast coordinator Hank Greenspun to Hawaii to look over Liff's inventory and procure functioning surplus aircraft engines.⁷

Greenspun noticed brand-new crated .30 and .50 caliber machine guns in a military section of the yard full of stock that had not been rendered inoperable.

The crates were not only still owned by the military, but actively patrolled by U.S. Marines. Greenspun observed the sentries' timetable and used a forklift to steal 58 crates containing 500 machine guns. He carefully replaced the new stock with crates of guns already rendered inoperable from Liff's side of the yard.⁸ Greenspun moved the guns to Los Angeles for transshipment to Palestine via Mexico. He almost lost the 35 tons of machine guns out of San Pedro harbor while employing a civilian yacht for the Los Angeles-to-Acapulco leg of the smuggling operation. The machine guns arrived in Israel by October of 1948.⁹

Kolleck also established front operations with Latin American dictators, including Anastasio Somoza in Nicaragua. Somoza bought operable WAA stock from the U.S. as a sovereign state, which he reshipped to Palestine in exchange for a 3.5 percent kickback. Haganah operatives also coordinated with gangster boss Sam Kay to traffic arms through Cuba and Panama.¹⁰

Israel's proto-air transportation service began when Al Schwimmer purchased three surplus military Lockheed Constellations from the WAA for \$45,000. The sticker price for the new commercial service version, depending on the equipment configuration, was \$685,000 to \$720,000. The airplanes were capable of flying 300 miles per hour, had a service ceiling of 16,000 feet, and could carry 100 passengers or 10 tons of cargo. Schwimmer used another \$20,000 of the network's funds to rent space at the Lockheed Air Terminal, where he added 10 smaller surplus C-46 Commando cargo planes under the name of Schwimmer Aviation.

Schwimmer also made a proposal to an out-of-luck Florida cargo entrepreneur, Charles Winters, who had purchased two B-17 bombers and converted them for civilian use. Each was capable of carrying seven tons of bombs and cost \$204,370 to manufacture. When Winters' Caribbean fruit cargo business failed to prosper, Schwimmer asked if he was interested in flying the bombers to "somewhere in Europe." Winters navigated the bombers across the Atlantic to Czechoslovakia, where they were refitted for war and used to attack Egypt.

Schwimmer's air fleet left the United States for Panama, registered under a shell corporation as a Panamanian airline to evade export controls. It soon departed Panama and went into service in Europe, ferrying military supplies between Czechoslovakia and Tel Aviv. The U.S. Central Intelligence Agency detected the activity and filed a report titled "Clandestine Air Transport Operations" on May 28, 1948. The report cover letter advised that "U.S. National Security is unfavorably affected by these developments and that it could be seriously jeopardized by continued illicit traffic in the 'implements of war.'" The CIA noted that Schwimmer's crews operating in Europe "dressed in U.S. Army uniforms without insignia," which deceived airport authorities in sovereign nations such as Switzerland into believing Schwimmer's air transport smuggling ring was really a "U.S. Air Force Operation."¹¹

Arab nations attacked the newly founded Israel in 1948 after a United Nations decision to partition the British-controlled territory of Palestine into