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UNITED STATES GOVERNMENT

DEPARTMENT OF JUSTICE

# Memorandum

TO : Nathan B. Lenvin, Chief  
Registration Section

DATE: August 16, 1963

FROM : Irene A. Bowman

IAB:im

SUBJECT: American Zionist Council

146-1-51-14032

*DA3*

Pursuant to your request the following is a summary of the testimony presented at the hearing on May 23, 1963, of the Senate Foreign Relations Committee on activities of nondiplomatic representatives of foreign principals in the United States as it relates to the possible obligations of the American Zionist Council (AZC) under the Foreign Agents Registration Act of 1938, as amended.

The first witness to appear was Gottlieb Hammer, executive director of the Jewish Agency for Israel Inc., the Agency registered under the Act until 1960 as an agent of the Jewish Agency for Israel located in Jerusalem. Through Mr. Hammer's testimony and the records furnished the Committee by the Jewish Agency for Israel, Inc. the Chairman established that the "Inc." made payments to the American Zionist Council, which from January 1, 1956, through December 3, 1962, totaled over five million dollars.<sup>1</sup> While the record indicates that the American organization under Mr. Hammer made direct payments to the American Zionist Council, the testimony indicates that the "Inc." was merely acting as a conduit of funds from the Jewish Agency Executive in Jerusalem.

The above conclusion is drawn from the apparent lack of control exercised by the Jewish Agency for Israel, Inc., over the amount of funds to be received by the AZC or the disposition of the Council's

1 Part 9 of the transcript of the hearing on May 23, 1963, before the Senate Foreign Relations Committee on Activities on Nondiplomatic Representatives of Foreign Principals in the United States, pp. 1403-1408.

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funds. In fact Mr. Hammer testified that the funds paid to the AZC were funds which belonged to the Jerusalem Agency per se and that these funds originated from sources outside the United States as well as from Zionist organizations in the United States.<sup>2</sup> The Chairman also brought out through Mr. Hammer's testimony that the AZC only rendered an account of money spent on a yearly basis to the "Inc." and that this was only for the purpose of showing that the money that had been given to it was spent. If accounts were rendered more frequently, according to Mr. Hammer, it was solely for the purpose of securing additional funds.<sup>3</sup> Mr. Hammer also testified that the "Inc." did not interfere with the operations of the AZC and that the budget of the AZC was only considered by the "Inc." in broad outline and in general categories. The individual items within the categories never came up for discussion by the New York Office of the Agency.<sup>4</sup>

In 1960 there was a reorganization, the result of which was the dissolution of the Jewish Agency for Israel, Inc. and the formation of the Jewish Agency, American Section, Inc. The Chairman brought out that the records submitted to the Committee by the American Section showed a continuation of payment to the AZC, which from April 1, 1960, through December 31, 1962, totaled over a million dollars. Mr. Isadore Hamlin, executive director of the American Section was called upon to testify with regard to the Section's relationship with the AZC. Hamlin acknowledged these payments and commented that the purposes of these payments were to assist the American Zionist Council to carry out its Zionist educational and youth work, and its public informational activities.<sup>5</sup> Again it appears that the American Section was merely used as a conduit of funds to the AZC from the Jewish Agency Executive in Jerusalem.

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<sup>2</sup>/ Ibid., p. 1304

<sup>3</sup>/ Ibid., p. 1243

<sup>4</sup>/ Ibid., p. 1244

<sup>5</sup>/ Ibid., p. 1311

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This conclusion is supported in part by a letter which appears in the transcript dated January 25, 1962, addressed to Dr. Issac Moyal, the Jewish Agency-American Section, and signed by L. A. Pincus, Treasurer of the Jewish Agency, Jerusalem. It reads:

"Dear Moyal: This is to confirm the arrangement that I have arrived at with Rabbi Miller [AZC] with regard to his budgetary commitments up to and including March 31, 1962:"

"1. We are prepared to make available to him for this period the sum of One Hundred Ninety-Seven Thousand, Five Hundred Dollars (\$197,500.00), provided that the constituent organizations of the Council will fulfill their obligations of \$90,000.00 during this period..."<sup>6</sup>

Hamlin testified that the above payment was made to the American Section for the American Zionist Council.

Later that year a written arrangement was drawn up between the Jerusalem Agency and the American Zionist Council and was set forth in a memorandum to Miss Fannie Speiser, acting controller for the American Section of the Jewish Agency. This memorandum allocates \$712,000 to the AZC for the year April 1, 1962, to March 31, 1963, with directions to Miss Speiser as to how and when payment was to be made. The memorandum notes that it was further agreed that the \$100,000 loan taken by the AZC from Bank Leumi should be the responsibility of the Jewish Agency, although left on the books of the AZC as its debt. The memorandum states, "This means that we shall have to pay interest on the note signed by the AZC and guaranteed by us. When the time comes we shall, of course, have to pay the principal."<sup>7</sup>

While Mr. Hamlin testified that the American Section paid out the \$712,000 to the AZC, he also advised that it did not receive and is not in possession of any of the monthly audits referred to in a letter to Moyal from Pincus dated May 30, 1962.<sup>8</sup>

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<sup>6/</sup> Ibid., p. 1332  
<sup>7/</sup> Ibid., p. 1420  
<sup>8/</sup> Ibid., p. 1420

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With regard to Mr. Hamlin's testimony concerning the purposes for which the AZC was given money, documents submitted to the Committee reveal that the AZC was engaged in political and propaganda activities in the United States on behalf of Israel and the Zionist movement. According to a budget digest furnished to the Council of Jewish Federations and Welfare Funds by the AZC,

"The Information and Public Relations Department [of the AZC] (\$328,350) is concerned with projecting a positive understanding of Israel on the American Scene. Its program (for 1961-62) is...designed to combat Arab propaganda which results in creating anti-Jewish feeling.

"In order to carry out this program, the AZC utilizes various forms of mass media—radio, television, film, periodicals (\$53,000). It operates an extensive Speakers Bureau (\$72,700) which is available to non-Jewish or non-sectarian groups and provides such groups with Israeli speakers from an appropriate profession or with other persons prominent in Israel.

"It conducts seminars on Israel and Middle Eastern Problems (\$67,000), on university campuses including fellowships which make it possible for university personnel to visit Israel..."<sup>9</sup>

A more detailed explanation of the AZC's information and public relations program in 1962-1963 is contained in an undated memorandum titled, "American Zionist Council, Committee on Information and Public Relations." This memorandum was acknowledged by Hamlin as taken from the American Section's files and pertinent parts are set forth below:

"The Committee plans to operate in the following areas during the 1962-63 budgetary year."

"1. Magazines

Cultivation of editors.

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9 Ibid., p. 1238-39

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Stimulation and placement of suitable articles in the major consumer magazines. Reprinting and distribution of favorable materials which appear in the above publications.

"2. TV, Radio, Films

The Department arranges for talks and interviews on Radio and TV, and servicing of film requests. It also cultivates leading personalities in these media. It encourages networks and stations to create programs revolving around Israel.  
\* \* \*

"4. Academic Circles

. . .  
Monitoring and counteraction of material in the campus press.  
Guidance to student Zionists and other Jewish students on Arab-Israel issues.  
Counteraction of hostile faculty and Arab students.  
\* \* \*

"10. Visitors to Israel

Subsidization to individual public opinion molders to help provide them with an experience in Israel.  
Organize other tours in which public opinion molders will participate.

"11. Counteracting the Opposition

The monitoring and counteraction of all activities carried out here by the Arabs, American Friends of the Middle East, and other hostile groups.<sup>10</sup>

10/ Ibid., p. 1339

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Also of interest is a report entitled "Department of Information," which report was delivered by Mrs. Judith Epstein, Chairman of the Department, before a meeting of the executive committee of the American Zionist Council, on October 30, 1962. While this report is too lengthy to include in total it supports the planned operation set forth above. For example, it states that when hostile attacks on Israel or the Zionist movement appear in any publication anywhere, material is prepared and sent, either directly to the editor or from the office as draft material to friends and groups throughout the country who might have better access to the particular publication involved.<sup>11</sup> The above report also contained these statements in the introductory remarks.

"All approaches to the Hill, to the political parties, etc., are now tax exempt. Thus greater emphasis is now put on the more subtle approach which, through positive presentation of Israel's accomplishments, aims and purpose—and by counterattack of the many enemies of Israel and the Zionist movement—helps to create a favorable image of Israel and the Zionist movement."<sup>12</sup>

#### CONCLUSION

The foregoing testimony establishes that both the Jewish Agency for Israel, Inc. and the Jewish Agency, American Section, Inc. made payments to the American Zionist Organization which formed a substantial portion of the total budget of that organization. The AZC, however, made no accounting to either organization for the money received nor presented proposed programs to either organization for approval. The funds which were forwarded to the AZC, according to Hammer, belong to the Jerusalem Agency and the agreement under which the AZC was paid was really an arrangement between the AZC and the Jerusalem Agency. Thus it appears that throughout the period 1956-1962 both the "Inc." and the American Section were merely conduits of funds from the Jerusalem Agency to the AZC.

<sup>11/</sup> Ibid., p. 1343

<sup>12/</sup> Ibid., pp. 1349-1350

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In the light of this relationship it appears that the AZC is constituted an agent of the Jewish Agency in Jerusalem under Section 1(c)(2) of the Foreign Agents Registration Act in that it received funds from and was acting at the order, request or under the direction of this foreign principal. Since the AZC apparently engaged in political and propaganda activities in the United States on behalf of Israel, it appears that it may not avail itself of the exemption from registration provided by Section 3(e) of the Act, and therefore its registration is required thereunder.

In addition it appears that in the registration statement the AZC must name the American Section as well as the Executive in Jerusalem as a foreign principal. This conclusion is based on the definition of a foreign principal as contained in Section 1(b)(5) of the Act which provides that a domestic corporation subsidized directly or indirectly, in whole or in part by an organization having its principal place of business in a foreign country is a foreign principal. The American Section is a domestic corporation subsidized in part by the Jewish Agency in Jerusalem and thus is a foreign principal within the definition contained in Section 1(c)(5).

In view of the foregoing it is believed that the Department should insist on the immediate registration of the American Zionist Council under the Foreign Agents Registration Act, and if such registration is not forthcoming, appropriate action should be taken to enforce such request.

