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Israeli Economy Said to Depend Heavily on Export of Weapons

Over \$1 Billion In Sales Possible

By Daniel Southerland
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Overseas arms sales have become a central component of Israel's foreign relations and one on which its economy is now heavily and perhaps dangerously dependent, according to an Israeli expert.

Aharon Klieman of Tel Aviv University estimates that weapons sales now account for as much as a quarter of Israel's industrial exports. The old image of a sunny Israel exporting oranges has been supplemented, if not superseded, by that of a small nation that can provide more bang for the buck. Alongside the oranges, an equally appropriate symbol for today's Israeli exports might be the Uzi submachine gun or the Gabriel sea-to-sea missile.

Klieman, a political scientist, said the dependence on arms sales virtually has been imposed on Israel and, until recently at least, has served Israeli interests well. But in an interview, he argued that the Israelis now may be reaching the limit of their growth as arms exporters and ought to reevaluate what has been a largely uncoordinated effort. He contended that growing competition among arms producers for markets and the unavailability of some of Israel's debt-ridden weapons purchasers are likely to limit further arms exports.

Klieman pointed to Brazil as a competing arms exporter that holds advantages over Israel. Supported by major natural resources and cheap labor, Brazil can sell to the world's leading arms purchasers, the Arab nations of the Middle East, a market denied to Israel.

Despite its disadvantages, Israel may be exporting more than \$1 billion worth of arms each year, according to Klieman. Each of the two government-controlled defense manufacturers admits to marketing its products to more than 40 foreign nations. Klieman estimated the total number of Israeli arms clients to be close to 50, an impressive figure when one compares it with the 67 countries that purchase arms from the United States and 28 known to buy weapons from the Soviet Union.

A total of 112 Israeli industries are involved in the arms sales effort. They have mastered the most sophisticated technologies, includ-

ing microelectronics and a new generation of precision-guided "smart weapons."

As a visiting professor at Georgetown University, Klieman has spent much of the past year writing what might be described as the first comprehensive book on Israeli arms sales. An American-born Israeli citizen, he previously wrote on the subject as an associate of the Jaffee Center for Strategic Studies at Tel Aviv University. His book is to be published in June by Pergamon-Brassey's under the title "Israel's Global Reach: Arms Sales as Diplomacy."

Working from unclassified, public materials and interviews with defense industry leaders and specialists, Klieman concludes that it may be time for Israel to rein in its arms exports. According to various estimates, those exports currently constitute between a fifth and a third of the country's total industrial exports.

In his book, Klieman argues that military sales come close to dominating Israel's foreign trade and certainly its industrial exports.

"Even if effectively restricted to

no more than one-quarter of industrial exports, the sale of arms, acknowledged to be one of the more unstable and unpredictable areas of

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—Aharon Klieman

international commerce, would in Israeli terms be too salient," Klieman writes.

"A sudden drop in sales, due perhaps to being edged out by other sellers or possibly because a good customer can no longer afford additional purchases, has no use for them or is itself manufacturing comparable items, would introduce

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profound shocks in already shaky economy."

Klieman says he sees signs that Prime Minister Shimon Peres is going to pursue a more cautious arms sales policy, shying away, for example, from further entanglements with Central American nations.

Peres has said that Israel no longer sells any military equipment to Iran. Following the 1979-80 hostage crisis, Israel was reported to have sold \$25 million worth of spare parts and other items to the Iranians.

Klieman calls for greater coordination of arms sales within the Israeli government. He says there is no permanent unit charged with considering the political implications and economic consequences of weapons sales. He adds that the Israeli defense industry now may be aiming too high in attempting to sell tanks and fighter planes in the face of powerful competition. He contends that Israel needs to reach an understanding on arms sales with the United States, which is both a market and a competitor for Israel's arms sales.

Klieman recommends that Israel further develop its most advanced technologies and cultivate more arms trade with the members of NATO.

"At a time of unprecedented American sensitivity to the financial burden of supporting Israel, . . . it is hard to anticipate an enthusiastic reception for defense sales contracts in the U.S. market by Israel," Klieman writes.

"Such prospects will be poor unless a skillful political and public relations campaign is waged to present Israeli defense sales in a positive light," he says.

Klieman argues that Israel's success in selling its military wares ought to make it less dependent on American grants and loans. In addition, he says that Israel's innovations and its refinements of American weapons represent savings for the U.S. government.

According to Klieman, Israel's main market is Third World nations. As he puts it, Israel offers them a "cost effective alternative" in the form of cheap, highly mobile, and easily operable weapons.

When it comes to poor nations that cannot afford to buy new and expensive weapons, the Israelis have the answer. They are adept at modernizing old equipment. Israel is reported, for example, to have "updated" 15 Mirage-55 fighter planes for Colombia.

The Israelis also refurbish old Soviet equipment. Having captured large quantities of Soviet weapons, the Israelis are now considered the second largest exporters of Soviet arms. In 1982, the subject of sales of Soviet-built equipment is said to have arisen in talks between Israel and Zaire.

In terms of total arms exports, Israel is not among the biggest exporters in the world. It probably ranks around 15th or 16th, Klieman says, lagging far behind such big exporters as the Soviet Union, the United States and France. But when it comes to arms exports in relation to its total in exports, Israel has one of the highest ratings in the world, reflecting its economic dependence on this single sector.

In 1982, statistical computations by the U.S. Arms Control and Disarmament Agency placed Israel fifth in this category, with the nation's military sales estimated at 6.9 percent of its total exports, based only upon known or verified transfers of arms. This figure was exceeded only by those of Egypt with 9.3 percent, Romania with 9.5 percent, the Soviet Union with 12.5 percent, and—in all probability—North Korea with 13.2 percent in 1976. The United States' military sales were estimated at 4.5 percent of its total exports.

Although accurate statistics are hard to come by, it appears that South Africa has been the leading purchaser of arms from Israel, acquiring as many as 35 percent of the nation's arms exports in recent years. Israeli sales to South Africa have included gunboats and Gabriel missiles.

Latin American nations are reported to buy anywhere from a third to half of Israel's arms exports. Among those nations, Argentina is probably the largest client, having purchased heavily from Israel before the Falklands war.

The Israelis were at one point the largest infantry equipment suppliers to El Salvador and Guatemala. They are reported to have conducted intelligence training in Guatemala and Costa Rica and to have offered Central American nations stocks of arms captured in Lebanon at low cost.

It is no accident that the Israeli directory of defense industries and their products is published in two editions—one in English and one in Spanish.