Chapter 4
Israel: Besieged Status, Security Deficit and Defence Industry

Introduction:
The Israeli people have been accused of perceiving themselves as victims. This sentiment is most likely the result of recurrent historical instances of anti-Semitism, the most significant of these instances being the Holocaust, which gave birth to the state of Israel. Israel has been sustained since its inception by the ideology of Zionism; indeed, it was this very ideology that led to the manner in which the state was created and it is partly the reason it has endured. Surrounded as it is by culturally distant and mostly hostile Arab nations, and given the history of the Jewish people, it is not hard to comprehend why Israel quickly came to be viewed as a besieged state by the international community, and the Jewish people themselves.

Since its establishment in 1948, Israel has faced exclusion from the international community and has been charged with practicing ‘racism’ in the form of the controversial ideology known as Zionism. The 1975 UN General Assembly resolution (3379), *Elimination of All Forms of Racial Discrimination*, considers “Zionism as a form of racism and racial discrimination”. Apart from the votes against it in the UN with regards to Zionism, there have also been resolutions against the country relating to the occupied Palestinian territories under its control. Israel has chosen to ignore the majority of these resolutions, and in doing so has apparently only further increased the international community’s resolve to isolate it. The very existence of Israel is widely acknowledged to have been at the expense of the Palestinian people. As a result, the country found itself in a situation where it was surrounded by enemy states, and the international community did not have much sympathy for it. Many nations have been reluctant to enter into diplomatic relations with Israel. This, as well as arms and trade embargoes and other punitive measures have made Israel become, and consider itself become, a besieged state in the international system.
Gil Merom (1999: 412-3) identifies the following as the events that led to a strengthening of Israel's feeling of insecurity in the contemporary era: first of all, the experience of the 1948 Arab-Israeli War; second, the French and British defection from the 1956 Sinai campaign coalition because of American and Soviet pressure; thirdly, the traumatic days preceding the 1967 six-day war, including the evacuation of UN observers from the Egyptian-Israeli border and the American failure to break the Egyptian blockade of Israeli southern sea lines; fourth, the compliance of states and firms with the Arab boycott; and finally, the frequent UN voting chastising and censuring Israel, including the 1975 UN resolution that declared Zionism to be a form of racism.

Israel's feeling of insecurity was amplified by the fact that it was surrounded, from its point of view, by hostile states with higher amounts of manpower and weaponry. As Amos Perlmutter points out, "[t]he circumstances of its creation and existence hence forced the modern state of Israel into a deep-seated preoccupation with security, the preoccupation for its survival" (1985: 141). The insecurity-induced sense of urgency in the minds of Israeli decision makers is well described by Avner Cohen and Benjamin Frankal: "a scenario of dire national emergency has haunted Israeli decision makers from the beginning" (1987: 16). Prior to the major expansion of the Israeli military-industrial sector between 1967 and 1972, the ratio between the defence expenditures of the Arab states and Israel was nearly 3.5:1 and that of manpower in the armed forces 7:1 (Minz 1985: 624). The nation's experience suggested to Israel's policy makers that it needed to survive on its own and this reflection was made clear by frequent interruptions in arms supply to the country. Arms embargoes and disruptions led to the creation of a sophisticated defence industry. With the experience of the French embargo in the wake of the 1967 war, and its dependence on the US airlift with weapons supplies during the 1973 war, the decision was taken to develop and produce more weapon systems within Israel, and strive towards maximum self-reliance in defence-related material (Nielsen 2004: 1).

More particularly, Sharon Sadeh (2004) points out that the creation of an aggressive domestic defense industry in Israel was driven by the following considerations:
- Political: the refusal of foreign powers to sell critical weapon systems (or the breach of contractual commitments);
- Economic: the lower cost of domestic production compared to imports, and the ability to prolong the service life of combat systems through upgrades;
- Military: the achievement of Israeli developers that helped the Israeli Defence Forces (IDF) acquire a decisive advantage on the battlefield, for example, electronic warfare;
- Strategic: the production of special weapon systems unavailable from other sources, needed to facilitate a regional deterrence posture.

The 1967 Six-Day War and the 1973 Yom Kippur War gave a new lease of life to the Israeli defence industry. The number of employees in the industry tripled between 1967 and 1975, and increased by a further 50 per cent between 1975 and 1985 (Dvir and Tishler 2000: 34). While in previous years the focus had been on the licensed production of weapons and the production of light weapons, from the late 1960s and early 1970s, the local industry was tasked to develop entirely new weapon systems (Dvir and Tishler 2000: 35). The defense industry was required to supply the Israeli Defense Forces (IDF) with arms it was no longer able to purchase abroad because of American and French embargoes (Dvir and Tishler 2000: 35).

Independent research, development and manufacturing helped Israel reduce its reliance on foreign supply sources. In order to achieve defence independence, universities and government laboratories were asked to set up networking, engage in reverse engineering and espionage, recruit smuggling experts and gain knowledge of equipments in covert operations (Sadeh 2004).

The besieged status of the country was largely overcome due to a variety of factors including various peace treaties between Israel and several of its Arab neighbors and, in particular, the Oslo Accords. The Middle East peace process opened the possibility for Israel to initiate diplomatic relations with countries that it had not previously maintained links with. As Nielsen points out: “After the Madrid conference in 1991 and even more
so after the signing of the declaration of principles by Yassir Arafat and Yitzhak Rabin in 1993, Israel was no longer an outcast... It opened offices in Qatar and Oman, liaison offices in Morocco and Tunisia. A peace treaty with Jordan was concluded in 1994. Five years later full diplomatic relations with Mauritania was established” (2004). This was the beginning of a flurry of other diplomatic relationships that substantially lessened the besieged status of the country. Even the Palestinian Liberation Organisation (PLO) had started recognizing the Jewish state by 1988.

The lessening of the besieged status of the country also had its impact on its defence industry. Israel’s arms sales increased from $1.7 billion per annum in the early 1990s to $3.5 billion per annum in the late 1990s. Mere national defence orientation of the industry gave way to market orientation. In 2000, for example, more than 75 per cent of the sales of the country’s defence industry were exported (Dvir and Tishler 2000: 35). Today, Israel is world’s number three arms exporter and delivers weapons to an increasing number of states. Israel’s market share in the global defence industry is increasing and in 2004 stood at 10 to 12 per cent (Nielsen 2004: 1). The change of focus in the industry meant that the firms started adopting market oriented strategies such as mergers and sweeping adjustments to work and management practices (Sadeh 2004). It is of particular significance to note that “in the past the proportion of export out of total production by the government-owned defence companies was very low, apparently in order to protect accumulated defence knowledge. Over the years this approach has changed, and these companies have increased exports with the goal of improving profitability, a development that slightly weakens the link between these companies’ performances and the defence budget” (Gil Bufman 2006: 2).

Israeli firms are already in the process of offering mutual research and tailor made solutions with European Union (EU) and North Atlantic Treaty Organization (NATO) member states, which are made possible through agreements with key countries in Europe, including Germany, the UK, France and Italy (Sadeh 2004). In fact, the IDF has already become a secondary customer for almost all defence companies, whose export activities now account for almost 80 per cent of the revenues (Sadeh 2004).
The market orientation of the Israeli defence industry was spearheaded by private defence companies who plunged into a series of mergers and acquisitions. Private firms have also started forming subsidiaries abroad, especially in Europe, keeping in mind the defence needs of NATO countries. However, it is interesting to note that Israel has shied away from a complete normalization of its defence industry.

The remainder of this chapter is organized in the following manner: The chapter starts with a discussion on the extent of international isolation that Israel faced which, I argue, made it a besieged state. This section also looks in detail at the various sources of this insecurity and how Israel’s security deficit made it into a ‘security state’. The section is followed by an analysis of the various steps that the Israeli state undertook in order to alleviate its security deficit; it focuses particularly on the development of the Israeli defence industry. The next section looks at the ‘normalization’ process of the Israeli state in the 1980s and 1990s, when the country realized that the international system had become more sympathetic towards it for a variety of reasons. The concluding section of the chapter looks at the impact that the Israeli state’s normalization had on its defence industry.

**Israel: The Birth of an International ‘Pariah’**

The Jewish state, ever since its inception in 1948, has suffered (or thought itself to have suffered) from a pervasive outside-imposed isolation. As Irwing Louis Horowitz observed, what happened when Israel was created was that “a pariah people has been transformed into a pariah nation” (Horowitz 1976: 376). The irony of Israel’s existence as a state is that despite its being a full-fledged member of the UN, many of its fellow members either did not accept the statehood of Israel, or took a long time to do so.

Each time the Israelis annexed Arab territories the country became all the more isolated from the normative confines of the international community. Israel won the Sinai Peninsula, the Gaza Strip, the West Bank, East Jerusalem, and Golan Heights in the Arab-Israeli war of 1967 (the Six Day War), which made it unpopular with not just its
Arab neighbours. Western governments appeared unsure as to how to respond; the UN passed Resolution 242, the "land for peace" formula, which called for Israeli withdrawal "from territories occupied" in 1967 in return for "the termination of all claims or states of belligerency". The country's image worsened when violence erupted in West Bank and Gaza in December 1987; 300 Palestinians reportedly lost their lives in Israel's retaliation to what was to become the first Intifada, or 'uprising'. Between these two events there occurred the Israeli invasion of Lebanon in 1982-3, which also dented Israel's image. The international community was also heavily critical of Israel for stepping aside to allow the Lebanese Forces Christian militia group to commit gross crimes against humanity at the Sabra and Shatila refugee camps in Beirut, with the massacre of up to 3,500 Palestinian and Lebanese civilians.

Israel's association with South Africa has also been a bone of contention, especially given South Africa's history vis-à-vis its black population. Many writers have compared the two countries—comparing apartheid with Zionism.

The recognition of the PLO as a legitimate and representative organization of the Palestinians by the international community, including the various international organizations like the UN, contributed to the further isolation of the Israeli state. In October 1974 the UN General Assembly (UNGA) recognized the Palestinian people as "the principal party to the question of Palestine" and subsequently invited PLO to address the Assembly. Later, PLO Chairman Yasir Arafat addressed the UNGA and was granted permanent observer status affirming Palestine's right to national independence and sovereignty. This UN recognition of the PLO was upheld despite opposition from even the US: "Such has been the measure of the PLO's acceptance by the General Assembly that in March 1988 it voted by 143 to 1 (Israel against; absent) to uphold the PLO's right to operate an observer mission at the UN, following Washington's plans to bar PLO representatives from entering the US and effectively closing its UN office" (Geldenhuys 1991: 132).
Israel: Consolidation of Isolation

It was not easy for Israel to gain UN membership in 1949 due to stiff opposition principally from the Arab states. Even after Israel’s admission this opposition against the Jewish state continued. As Geldenhuys comments:

The opening shot was fired in 1974 when an Arab-Communist bloc boycott resulted in Israel’s exclusion from the Mediterranean and European regional groups in UNESCO, thus effectively barring Israel from the agency’s activities…In March 1975, a 17-nation coordinating committee for the non-aligned grouping in the UN (representing over 70 nations) recommended Israel’s ejection from the world organization because of its occupation of Arab territories. In July 1975, it was resolved that Israel, by its aggression against Arab states and persistent violations of the UN charter, ‘has excluded itself from the international community’. A vaguely formulated call for Israel’s expulsion from the UN followed. Since 1982, the UN General Assembly has indeed witnessed repeated (unsuccessfully) attempts to have Israel’s credentials rejected and its representatives unseated. Ouster drives have also been launched in several of the UN’s specialized agencies apart from UNESCO; these include the International Atomic Energy Agency and the International Telecommunications Union (1991: 177).

Perhaps the biggest blow to Israel came in 1975 when the UN branded Zionism a form of racism and racial discrimination in Resolution 3379. In other words, the founding ideology of Israel came to be considered unacceptable by the most important international body. Many other international organizations followed suit. In 1976, the Non-aligned Conference in Colombo endorsed UN resolution 3379. By late 1960s and early 1970s Zionism was widely considered to be a form of racism and its practitioners were rendered outcasts by the wider international community. The UN in 1973 also condemned the unholy alliance between South African racism and Israeli Zionism and the relationship between the two countries. Many international bodies had excluded Israel from its membership. The Economic Commission for West Asia, an arm of the UN’s Economic and Social Council, refused to admit the country.

Even as Israel managed to sign a number of treaties with a variety of countries, we see a drop in Israeli diplomatic agreements immediately following the various wars that Israel
fought: "In terms of both the violence and the parties involved, Israel’s treaty making reached its high point in 1966, the year before the six day war. Thereafter we see a marked drop on both scores and the low level of activity was continued throughout the 1970s" (Geldenhuys 1991:194-5).

The isolation of Israel has to be seen in the historical context of the fact that Israel was born in the face of stiff opposition from the Arab world. Even though Arab forces from Egypt, Syria, Transjordan (later Jordan), Lebanon, and Iraq invaded the new Israeli state in 1948, Israel managed to negotiate a ceasefire in January 1949. This led the Arabs to look for other means to isolate Israel as well make it an illegitimate state in the eyes of the international community. Thus they refused to recognize Israel or to have any economic or political dealings with it. In 1973 the Arab states managed to persuade the Organization of African Unity (OAU) to call for a diplomatic boycott of Israel and a majority of its members obliged. The Gulf Cooperation Council (GCC) also decided to stop all economic cooperation with any country that had relations with Israel.

Indeed, even before the Israeli state came into existence, the Arabs had started boycotting them (Geldenhuys 1991: 301). Geldenhuys writes:

In the 1920s and 1930s, various Arab and Islamic groups in Palestine and beyond called for boycotts of Jewish or Zionist business in Palestine. The Arab boycott began officially in December 1945 when the Council of the Arab League issued the first formal boycott declaration. A resolution declared that ‘Jewish products and manufactured goods shall be considered undesirable to the Arab countries’ Arabs were called upon ‘to refuse to deal in, distribute, or consume Zionist products or manufactured good (1991: 301).

After the Israeli state’s formation in 1948, the Arab League expanded the boycott in an effort to undermine Israel’s economic survivability. In 1946, the Arab League Council formed a Permanent Boycott Committee and a Central Boycott Office in order to strengthen and coordinate their Boycott activities against Israel. Each participating state was also expected to open a national boycott office. This boycott was been implemented at three levels: The first tier of boycott, ‘The primary boycott’, prohibits people of Arab
League countries “from buying, selling, or entering into a business contract with either the Israeli government or an Israeli citizen”. The next tier, ‘The secondary boycott’, seeks to extend the restrictions of the “primary boycott to any entity world-wide that does business in Israel”. The third tier, ‘The tertiary boycott’, “prohibits an Arab League member and its nationals from doing business with a company that deals with companies that have been blacklisted by the Arab League” (Weiss 2007. Also see Arabs Reactivate Economic Boycott of Israel as well as Geldenhuys 1991: 304).

A cursory look at Israel’s diplomatic engagement with other countries, i.e., maintaining diplomatic missions, would show us that it failed to establish missions in all the countries it wanted to have presence in. Indeed, it took strenuous and extensive bargaining for the country to establish those engagements, and the 1967 and 1973 wars had a negative impact on its diplomatic presence abroad: “The 1967 war resulted in the severance of Israel’s relations with most communist states, and the 1973 Yom Kippur war produced a similar result in the third world” (Geldenhuys 1991: 136).

**Israel’s Diplomatic Missions Abroad**

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<tr>
<th>Year</th>
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<td>1950</td>
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Source: Geldenhuys 1991:150
In 1957 Israel had only seven full-fledged embassies abroad, mostly in Europe and North America, though it had many more missions. In 1955, Israel was excluded from the Bandung conference of non-aligned countries. It had diplomatic relations with about 32 African countries, but during the 1973 war, six African states severed relations with it. In October and November 1973, about 21 Black African (referred to Sub-Saharan Africa, today) states broke off ties with it (Levey 2008: 206-7).

Abba Eban, the Israeli diplomat and politician, once admitted: “For many years Israel was so starved for friendship that it had to look for it wherever it could be found” (Eban 1992: 544).

**Israeli insecurity**

It is widely believed that the United States has been the most important benefactor and most trusted ally of Israel. While it is not incorrect to say so, what is usually not mentioned is the fact that the Israelis felt, from time to time, that they could not depend upon the Americans completely. The US-Israel relationship is littered with examples of how Israel was left in a lurch by the US when the former needed the latter the most.19

Indeed, it was not merely the US that denied Israel help when the country needed it the most; the French and British did the same. Israel was in need of weapons during the 1973 war when the Arabs were apparently winning (in the initial stages of the war), Israel went looking for urgent foreign supplies of weapons, however Britain refused to supply any. At this point, the Israelis asked the US for arms reportedly asserting that if it did not get conventional weapons it would be forced to use nuclear weapons, at which stage the US acquiesced. (Geldenhuys 1991: 487). Earlier, during the 1967 war, France had slapped an arms embargo on Israel. In other words, the Israelis were under no illusions that they had to fend for themselves when it came to their own survival.

19 See the section on US-Israeli relations in this chapter for a discussion on the various aspects of US-Israel relations, including how the Israelis often felt abandoned by the US.
Israel was (and is) concerned about the possibility of Arab countries obtaining nuclear weapons, which became almost a reality in the case of Iraq. Former Israeli Prime Minister, Menachem Begin, for instance, “saw in the spread of nuclear weapons to Iraq a danger of the total destruction of the Jewish state, a new holocaust” (Inbar 1998: 68).

**Israel as a national security state**

A close examination of the state, society and the national security discourse in Israel underscored that it always behaved like a national security state. The country’s penchant for considering itself extraordinary has led to a unique style of foreign and domestic policy.

Merom observes that “[a] significant part of Israeli society and leaders is convinced that the Jewish and Israeli people, their historical experience, and the security problems they face are exceptional. These perceptions of exceptionalism rest on cultural, historical, and strategic foundations” (Merom 1999: 410). While the cultural aspects of exceptionalism come from religious sources, it also has secular aspects. David Ben-Gurion once remarked, “we are perhaps the only non-conformist people in the world...we do not fit the general pattern. I think (it is) because the general pattern is flawed, and we neither accept it nor adapt to it” (Ben-Gurion 1980, cited in Merom 1999: 411).

Inbar points out that “Jewish history is seen as a unique struggle for survival in a hostile environment. Many Israelis, and among them politicians, hold a worldview in which Jews face alone the hostile and/or untrustworthy gentiles. Such a perspective accentuates the feeling that wars are inflicted on the Jewish nation and very little can be done about it” (2008: 56).

Ben-Gurion also married this ‘moral exceptionalism’ with the idea of national security exceptionalism:

> We were always a small people, political as well as spiritual, always surrounded by big nations with who we engaged in a struggle, political as
well as spiritual; that we created things that they did not accept; that we were exceptional...our survival-secret during these thousands of years...has one source: our supreme quality, our intellectual and moral advantage, which singles us out even today, as it did throughout the generations (from a speech on 10 November 1960, cited in Merom 1999: 411).

As Merom points out, the sense of victimhood of the Israelis goes back a long way into history:

[The historical foundations of the Israeli perception of exceptionalism contain references to ancient national calamities and presumably bitter experiences of diaspora life at the mercy of the gentiles and anti-Semitism. These foundations give rise to an acute sense of solitude and abandonment...the historical experience of isolation is bolstered by the belief that the Jewish people were preordained to “dwell in loneness”, while historical events are perceived as coordinating the notion that isolation is part of the Jewish predicament. In recent times, the sense of loneliness and abandonment was greatly increased by the general indifference of the world, and the apathy of western powers in particular, in the face of the Nazi effort to annihilate the Jews. Such a sense was also buttressed by a string of other modern-day events, among which the most salient are the following:

- The British white paper policy of fighting Jewish immigration to Palestine as of May 1939.
- The experience of the 1948 war in Israel.
- The French and British “defection” from the 1956 Sinai campaign coalition because of American and soviet pressure.
- The traumatic days preceding the 1967 dramatic six day war, including the evacuation of UN observers from the Egyptian-Israeli border and the American failure to break the Egyptian blockade of Israel’s southern sea lanes.
- The abrupt De Gaulle arms embargo on Israel and massive break-off of diplomatic relations by African and communist countries following the six day war.
- The compliance of states and firms with the Arab boycott.
- The frequent UN votes chastising and censuring Israel, including the 1975 UN declaration that declared Zionism to be a form of racism. (Merom 1999: 412-3).
This self-image of national security exceptionalism forms the country’s definition of its national security problem. Such an understanding has had its impact on the Israeli state which has led to “total ideological antagonism, as almost untenable strategic partnership, and unmitigated hostile conduct” (Merom 1999: 413).\(^{20}\)

Indeed, this besieged mentality continued to dominate the Israeli political discourse even after it entered a phase of relative normalization. Prime Minister Yitzhak Rabin, for instance, argued in 1988, “[i]f we carefully examine our reality, it has not changed. The Arabs are the Arabs, the sea is the same (meaning that the Arabs want to throw the Jews into the sea). The objective is the same objective – the extermination of the Israeli state…” (quoted in Merom 1999: 414).

This creation and internationalization of a particular self-image vis-à-vis the other has not been without its benefits. Merom points out that such images about oneself and enemies have helped Israel in many ways. They helped Israel to preserve “exaggerated perceptions of strategic threat and inferiority and a “siege mentality”, to justifying the “means Israel uses to defend itself” to giving “the Israeli leadership a powerful utilitarian tool for the purpose of extracting resources and mobilizing support from the society for whatever collective tasks it wanted to achieve” (Merom 1999: 417).

It also has had its negative impacts. Indeed, a major fallout of this ‘we are special’ syndrome is the percolation of this image into the psyche of the general population. Arian says:

> It is a basic tenet of Israel’s political culture to feature identification with the people apart syndrome. The builders of national myths from biblical times to the present would endorse such an endeavor. The beliefs of the people apart syndrome are widely supported by the Israelis, with the god-and-us construct statements supported by more than two-thirds of the respondents and the statements of the go-it-alone construct agreed to at a

lower rate. Both constructs are closely related to policy preferences; the interrelation between a hard-line policy, support for the people apart syndrome, and authoritarianism very high. A substantial portion of Israelis, although not all, see policy change through the perspectives of the syndrome and are guided by these precepts. These values penetrate at all age levels making it unlikely that cohort replacement will generate change in the attitude structures of Israelis (1989: 621-2).

Inbar points out that “the most commonly used words in reference to the wars in which Israel was involved are ‘forced upon’, ‘unwillingly’, ‘necessity’, or ‘inevitably’. Israeli wars are usually regarded as ‘no choice wars’” (Inbar 2008: 57). The no-choice argument also leads to a situation where dissent is discouraged under the excuse of ‘there is no alternative’ (Arian 1989: 610). The media has contributed by spreading selective images and perceptions. While this is particularly done by the state, it is also done “through a process of self-censorship imposed by editors and reporters and gratefully accepted by the reading and viewing publics” (Arian 1989: 610).

As a result, Israel has been described as a garrison state, “in which military matters receive priority in both theory and practice” (Al-Qazzaz 1973: 144). The military has a special place in Israeli society and it carries out many functions which in other states are performed by civilian establishments. As Al-Qazzaz says the “Israeli army is the Israeli society and the Israeli society is the Israeli army” (1973: 144). This role played by the Israeli army makes Israel a garrison state mainly due to the fact that it is a citizen army that practices conscription. It is also an important vehicle for social integration, economic and social modernization and, above all, nation building as has been witnessed in the various aspects of the Israeli state’s life. “The army is part of everything that is going on in Israel. It helps archeologists, educators, immigrants, aids agriculture, promotes Hebrew and Jewish culture, supports religious life, teaches youth, and train workers” (Al-Qazzaz 1973: 163).

A security network in Israel has also developed that has far reaching implications for the character of the state, society, politics and Israel’s foreign and defence policy. Oren Barak and Gabriel Sheffer elaborate on the membership criteria of the network and write
that the Israeli security web has two types of actors. First of all, it includes top members of Israel’s defence establishment. Secondly, it also has on its ranks influential people from within the various civilian walks of life, particularly political and civil society. Even the second category is dominated by security officials; it includes retired security officials (including those officers in the army's reserves) who have become part of various political, socioeconomic and cultural spheres. Indeed, this group also has civilian politicians, bureaucrats, private entrepreneurs, and journalists (Barak and Sheffer 2006: 235).

One of the major reasons for the emergence of the security network in Israel is the emergence of a ‘military culture’ and ‘militaristic politics’ in the country. Factors such as the public perception of security issues being paramount, and security officials being more credible than political leaders, have further entrenched the importance of this network (Barak and Sheffer 2006: 240). The security web, Barak and Sheffer argue, has influenced national budgets, foreign relations, the nuclear realm and certain aspects of the public discourse (Barak and Sheffer 2006: 225).

Barak and Sheffer cite several instances in Israeli history when the security network tried to overtly influence the country’s politics and government’s policies. One such instance was the so-called ‘general revolt’ against political control over the military during the 1948 war. The second instance cited by the scholars occurred when the Israeli general staff demanded (and succeeded) in convincing the Prime Minister to support former Chief of Staff Moshe Dayan as defense minister, though the Prime Minister preferred diplomacy over a preemptive strike during the 1967 war. The appointment of Dayan was done with the active support of the security network. Yet another example of such pressure by the security network was during the elections of 1999 when members of the security community actively campaigned to replace Benjamin Netanyahu “with one of their own – former Chief of Staff Barak” (Barak and Sheffer 2006: 246).

There has been, as a result, an increasing securitization of Israel’s government with the country’s civil-military relations becoming less conflictual over the years. This has meant
that "struggles over security policies now occurred within the DE and/or among different actions in the security network" (Barak and Sheffer 2006: 248). While there were no security officials in the Israeli cabinet prior to 1955, their numbers have proliferated since then with one security official on the cabinet from 1955-61, two from 1961-67 and six from 2003-9 (Barak and Sheffer 2006: 247).

Domestic defense firms also exercise significant influence on national security decision making. The large firms also have a lot of influence on the IDF and Ministry of Defense MOD decision making due to "the extensive network of personnel alliances between industry top brass and high-ranking defense personnel"; "the size of the industry and the thousands of workers employed, who are an important constituency" as well as "the monopoly position of defense industries of all the data regarding projects that they develop for the army - this fact provides them with leeway for manipulation vis-à-vis the MOD and IDF, by revealing only part of the data, and canceling information and analysis" (Pedatzur 2005: 632).

Israel's search for security

Before I examine the major strategies used by the Israeli state to address the security deficits it faced, let me look briefly at the self-perceptions of Israel which led to those strategies.

Strategic perceptions

One of the things that Israel realized was that in order to survive in a dangerous strategic environment, it is necessary to have allies and a major international patron. This realization forced it to give up the policy of non-alignment that it appeared to have been fomenting in the initial years of its existence. It is a different matter that the western countries refused to give any such protection or security guarantee to Israel in the 1950s. Israel found it hard to gain access to the treaties established by the west in the Middle East or even NATO membership. ²¹ In 1967, the US proposed that Israel withdraws from

²¹ for more on this see Avner Yaniv, Deterrence without the bomb: the politics of Israeli strategy, Lexington MA: Lexington books, 1987, pp-48-55
the territories it had occupied during the six day war as a pre-condition for a security guarantee, which Israel did not accept.

Even though the Israelis won the 1973 war it had important lessons for their strategic thinking. First of all, the war did not give Israel a concrete sense of victory; there was a large number of casualties and the post-war climate international isolation (Inbar 1998: 63). Inbar remarks that “the years after the 1973 war were characterized by an extremely high threat perception” (1998: 66).

In the 1970s, the major fear that took hold was regarding the spread of weapons of mass destruction in the region; the fear in the 1980s was from missile attacks from the Arab countries (Inbar 1998: p.66). Rabin said in 1977, “Israel shall dwell alone and only our military might guarantees our existence” (Inbar 1998: p.66). Similarly, he said when the UN paused the November 1975 anti-Zionist Resolution, “The whole world is against us – when was it not so!” (Inbar 1998: 66).

When the Arab states started expanding their arsenal after 1973, Israel had to follow suit. Israel also knew that it in the case of a conflict it had to fight quick, successful wars in before the major powers could intervene. Thus it qualitatively increased its force (Geldenhuys 1991: 76). Dvir and Tishler write that the Israeli defense vision is based on three assumptions:

1. Israel cannot afford a long war or much causality. That is, it should defeat its enemies swiftly and fully in an all out war.

2. Israel’s economic resources are relatively small.

3. The real prices of new platforms and modern defense systems increase at an annual rate that is much higher than the long-run average rate of growth of the Israeli economy (2000: 41).

Dvir and Tishler further argue that these three assumptions led to the following conclusions:
1. In the long run Israel will not be able to sustain a sufficiently large arsenal of modern platforms (fighter planes, tanks, guns, armored vehicles, ships etc.) to enable a swift and full defeat of its potential enemies, who are equipped with similar platforms.

2. Israel’s advantage in the long run is in its technological know-how and the quality of its human resources. Modern technologies in the hands of motivated, educated, enterprising and well-trained soldiers can be transformed into “power multipliers”. Therefore Israel must base its main weapon system on state-of-the-art technologies, and ensure that some of these weapons and systems are unknown to its potential enemies. Moreover, it is instrumental for Israel to excel in information warfare...combining the element of surprise with high-tech is probably sufficient, even with its relatively small army, for Israel to inflict a swift and full defeat on its enemies.

3. Due to the highly destructive nature of the weapon systems that are available to its potential enemies, its small size, and its economic inability to sustain a large regular army, Israel has to detect and predict any forthcoming war or major attack in an accurate manner (unlike the experience of the Yom Kippur war in 1973). Hence, the continuous development of modern and highly sophisticated intelligence systems – an area in which the Israeli defense industry is very active – is required. To avoid surprises, at least some of these systems should be unknown to Israel’s potential enemies; they must therefore be developed and produced solely for the IDF (2000: 41-42).

In other words, Israelis knew that they had to be able to wage short and smart wars (if they were going to wage them) against the Arabs and had to, therefore, prepare themselves technologically to enable themselves to do so. A strong defence force was clearly an unavoidable, not just a preferable necessity. Therefore after the Yom Kippur war Israel decided to greatly increase its defence capabilities. Inbar asserts that “[a]fter the 1973 war, Israel greatly expanded the IDF and increased its stocks of military
equipment to minimize the need for extra-regional support and to exclude outside intervention" (1996: 44).

Israel was willing to go to any extent to seek security for itself. For a country that was considered 'untouchable' by the international community and consequently isolated, Israel did not have many allies. It therefore had to proactively try and gain them in the international system. One of the ally-seeking strategies of Israel was to engage in what is called "arms diplomacy" which helped Israel gain "political and commercial" access to a number of countries (Geldenhuys 1991: 493).

Israel's alliance with South Africa was an example of its quest for a positive inter-state relationship, although it must be noted that it was South Africa that took the initiative in forging the relationship even as the latter was uneasy about the implications of such a relationship. It is certain that both Israel and South Africa kept their relations surreptitious in the 1950s and 1960s as the former was trying to formally develop ties with emerging African nations, as well as with South America with the Arab states (Hunter 1986: 54). It was, as pointed out above, not with great ease that Israel forged this relationship with South Africa, but it was required.

This occurred, of course, after Israel joined an anti-apartheid consensus initiated at the UN in 1961, repeating it in 1962 and withdrawing its diplomatic delegation to South Africa whilst generally avoiding any close association with the South African government (Chazan 1983: 172). It was during the post-1967 war that the relationship started flourishing.

The Israel-South Africa relationship was multi-faceted. There was commercial trade, arms trade, military training as well as intelligence sharing between the two countries. Israel helped South Africa circumvent the UN arms embargo against it in 1963 and South Africa helped Israel deal with the French embargo against it in 1967. During the 1967 war Israel used South African planes to attack the Arab nations and in return gave South Africa Mirage blueprints (Hunter 1986: 55). Post-1976 Israel equipped South Africa with
a modern navy and South Africa became one of Israel’s top arms recipients. There were also licensed production and joint projects, and it was speculated that South Africa was a ‘silent partner’ in building Israel’s jet fighter, the IAI Lavi (Hebrew for “young lion”) (Hunter 1986: 56).

The 1973 war and its aftermath was another turning point for the increased Israeli-South African relationship. There were several reasons for this. Chazan writes:

First, the Yom Kippur war severely shattered the equanimity that had characterised the Israeli policies after 1967. Secondly, the Arab oil embargo altered the relations between Israel and the west, creating a breach in what had heretofore been the backbone of Israel’s international support system. And third, by the end of 1973 all but four African states had severed diplomatic relations with Israel. This confluence of upheavals, by rendering Israel exposed in the international arena, laid the groundwork for the launching of the forth, and current phase in Israeli-south African relations (Chazan 1983: 17).

There were also reports of Israeli-South African cooperation on nuclear weapon development (Rogers 1981). One account claims: “The seventies saw covert collaboration develop between the Israeli and South African nuclear programs, which was camouflaged by the well known collaboration between these countries on conventional arms. South Africa is known to have received technical assistance from Israel on its weapon program, in exchange for supplying Israel with 300 tons of uranium” (South Africa's Nuclear Weapons Program 2001).

**US-Israel Relations**

Israel-US relations have popularly been categorized as a relationship between a loyal client and an ever-willing superpower. It is true that US has easily been the most important benefactor for the state of Israel, in almost every respect. Indeed, as Geldenhuys writes, “Israel’s very survival has been dependent on foreign military, diplomatic and economic support, primarily from the United States” (1991: 98).
However, a closer look at the relationship between the two states makes it abundantly
clear that they have been sharing a far more complicated relationship than is usually
perceived to be the case. Let us look at all sides of this complex relationship.

The Israelis have always acknowledged their gratitude towards the Americans. Addressing a joint session of the US Congress in July 1994 Israeli Prime Minister Yitzhak Rabin said, “no words can express our gratitude...for your generous support, understanding, and cooperation, which are beyond compare in modern history” (Mearsheimer and Walt 2007: 23). Later Prime Minster Benjamin Netanyahu echoed his predecessor words in the same house, “[t]he United States has given Israel – how can I tell it to this body? The United States has given Israel, apart from political and military support, munificent and magnificent assistance in the economic sphere. With America’s help, Israel has grown to be a powerful, modern state” (Mearsheimer and Walt 2007: 23). Abba Eban, former Israeli foreign minister and Israeli Ambassador to the US once said, “Israel could not exist with any degree of power, sovereignty, or prosperity without the United States” (Geldenhuys 1991: 425).

In the words of Mearsheimer and Walt “American taxpayers’ money has subsidized
Israel’s economic development and rescued it during periods of financial crisis. American
military assistance has strengthened Israel in wartime and helped preserve its military
dominance in the Middle East. Washington has given Israel extensive diplomatic support
in war and peace, and has helped insulate it from some of the adverse consequences of its
own actions” (Mearsheimer and Walt 2007: 23). As of 2005, Israel had received about
$154 billion (in 2005 dollars) in direct economic and military aid from the US
(Mearsheimer and Walt 2007: 24). Writing in 1990 Martha Wenger pointed out that US
annual aid to Israel amounts to $6.2 billion (p.12).

Between 1949 and 1984, the US provided Israel with over $28 billion in military aid and
economic assistance, out of which over half was in outright grants. There were also
billions of dollars in a variety of hidden US subsidies which included “favourable US tax
treatment from private donations, the extension of credit by the Export-Import bank, the
exemption of Israeli products from US import duties, free Israeli access to American advanced technology (Slater 1991: 425).

One of the major reasons for American support to Israel has been US domestic politics, and the influence that the Jewish population has in the US. Most of the Jewish population of America is concentrated in 16 cities of 6 states: California, New York, Pennsylvania, Illinois, Ohio and Florida with 181 Electoral College votes between them; it takes 270 to elect a president. This lobby is so powerful that in 1973 it secured the removal of J. William Fulbright from the office of the Chairman of the Senate Foreign Relations Committee because he dared to defy the American-Israel Public Affairs Committee (AIPAC) (Hussain 1982: 66).

It may be noted that there is no ‘mutual defense agreement’ between the two countries although in 1988 Israel became a major non-NATO ally of the US. Indeed, for a country that allocates about 25-30% of its GNP to the military, it would be impossible to do so without the US assistance (Ryan 1972: 17).

The US and Israel signed the US-Israeli memorandum of Understanding on Strategic Cooperation on 30 November 1981 and initiated a Joint Strategic Political-Military Group (JPMG) in 1983, and agreed to use each other’s medial facilities in emergencies. Israel had also agreed to “perform a proxy function for the US in the third world by providing arms and training to countries that Washington would not, for political reasons, support directly” (Geldenhuys 199: 454). The US also invited Israel to join the Star Wars program and Israel had an agreement with NASA for space exploration. (Geldenhuys 199: 454).

It is interesting to note that despite such close military and strategic interactions, Israelis have always felt an absence of assured US support in times of crisis. Let us examine the reasons behind this.
First of all, in keeping with the provisions of the UNSC-mandated arms embargo of April 1948, Israel was given no direct military support by the US at the beginning of Israel's existence as a state. Curiously, it had to depend on Czechoslovakia for weapons. Moreover, in the early 1950s countries such as the US, Britain and France concluded an agreement to restart the flow of weapons to all actors in the region, which was particularly hurtful to Israel (Geldenhuys 1991: 48). Mearsheimer and Walt confirm this when they write that:

Both the Truman and Eisenhower Administrations also realized that embracing Israel too closely would jeopardize relations with the Arab world and provide the Soviet Union with enticing opportunities to gain influence in the Middle East. Accordingly, the united states sought to steer a middle course between Israel and its Arab neighbours during the 1950s; economic aid to Israel was modest ad the united states provided hardly any direct military assistance. Israeli requests to purchase American weaponry were politely rejected, as were requests for a US security guarantee (2007: 24).

Yet another example of the US cold-shouldering Israel was its refusal to provide a security guarantee from late 1954 to 1956. After the 1949 war that marked the birth of the country, Israel felt that “survival of the Jewish state depended in particular upon the United States” (Levey 1995: 43). But the then Republican administration in the White House was not keen on closer ties with Israel22 (Levey 1995: 43). Indeed, during those years, the US even refused to sell weapons to Israel, something that prompted the state to seek weapons from France and Britain (Levey 1995: 43). Israel felt that the strategic balance in the region was tilting in favour of the Arab nations and this made it all the more conscious of the need for US security guarantees (Levey 1995: 43). Israeli Prime Minister Moshe Sharret told the Israeli parliament (the Knesset) on 1 June 1955 that it had sought a ‘mutual defense and security treaty’ from the US (Levey 1995: 44). However in October 1954 the Americans rejected the request. This made Abba Eban say that “Israel would conclude that her survival and security were in dire peril and this would inspire all her policies” (quoted in Levey 1995: 49).

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Moreover, in 1953, the Eisenhower Administration was contemplating the possibility of creating a Regional Defence Organization in the Middle East without Israeli participation (Levey 1995: 46). In mid-1953, the Israelis submitted a request to the US for arms; it approved only one item out of the three that were requested. America was ready to supply spare parts, small arms and ammunition but not weapons such as howitzers that Israel considered itself to be in dire need of (Levey 1995: 46). During the early 1950s, the Israelis also realized that the US was providing more arms to the Arab countries than to Israel (Levey 1995: 46). They then campaigned to stop this, leaving the Americans very unhappy. The then US Secretary of State John Foster Dulles elaborated the rationale behind US Middle East policy as the following: “our basic problem is to improve the attitude of the Moslem states towards western democracies” (Spiegel 1985: 63). For the Israelis it meant a policy at their expense (Levey 1995: 46).

There was more to come. The Americans agreed to supply Israel arms under an agreement signed in 1952 but “the US sold Israel defense articles and services that were to be used for prescribed purposes only” (Geldenhuys 1991: 452-3). More so, when there was talk of creating a Middle East Command, the US initially kept Israel informed however, to its disappointment Israel soon found itself “excluded because its involvement would have precluded any Arab role...Israel then renewed its efforts to join NATO, even trying to enlist West Germany’s help in gaining admission in the late 1950s. This was again to no avail” (Geldenhuys 1991: 452-3). Gerald Steinberg points out that until 1966 the United states had refused to supply Israel with weapons; it was indeed in the 1970s that the former became the latter’s major source of weapons (Steinberg, 2004: 104).

Following the 1973 war, Israel was anxious to receive an intelligence satellite from the US and it expressed its intention to purchase one from the United States in 1976. The American however, were nonplussed and steadfastly refused. This led to the indigenous development of the first of a series of Israeli spy satellites called Ofeq, launched on 19 September 1988 (Inbar 1998: 74-5).
Following Israel’s annexation of the Golan Heights in mid-December 1981, the US “called off discussions of various forms of cooperation, including joint military maneuvers, the pre-positioning of US medical supplies in Israel, and the sale of Israeli arms to the US” (Geldenhuys 1991: 454). Washington was also reluctant about giving advanced weapons to Israel as they feared that the country might allow such items to fall into unfriendly hands, or that Israel might duplicate the technology for their own use. The US was also unwilling to sell Israel ‘provocative’ or ‘dirty’ weapons that would antagonize the Arabs. Moreover, at least some American weapon manufacturers were reluctant to deal with Israel directly, as they did not want to lose their Arab clients (Geldenhuys 1991: 488).

Washington also suspended arms supplies as and when there were clashes between Israel and its Arab neighbors; the neighbourhood gave the US ample opportunities to put their foot down. Geldenhuys writes:

Following the Israeli bombing of an Iraqi nuclear reactor in June 1981, President Reagan temporarily halted the delivery of American fighter aircraft to Israel. In response to Israel’s bombing of PLO targets in densely populated west Beirut – with heavy civilian causalities – in 1982, the US delayed the delivery of another much larger consignment of aircraft ordered by Israel. Washington also stopped the shipment of cluster bombs to Israel after the Israelis had reportedly made widespread use of such weapons during their invasion of Lebanon (1991: 488).

The US was also irritated by Israel’s 2004 plan to sell China spare parts for Israel Aerospace Industries’ Harpy UAVs (unmanned aerial vehicles). Considering the spare parts an unacceptable upgrade to the drones, Washington put a stop to the arrangement. It suspended Israel from its status as Security Cooperative Participant in the Joint Strike Fighter program, terminated Israel’s role in upgrades to the Joint Direct Attack Munitions Initiative, froze exchanges of information on the development of an attack drone, and stopped the sale of US night vision equipment to Israel. In order to revive the frozen deals Israel had to enact drastic policy changes (Neuman 2006: 449). Just five years previously, in a similar incident, US pressure had scuttled a deal worth up to $1 billion between China and Israel regarding the sale of Phalcon reconnaissance aircraft.
Building a strong Defence Industry

Israel's search for security most prominently manifested itself in its quest for building up a strong domestic defence industry; the ideal act for internal balancing by a state that did not have many options at external balancing. As Lockwood points out, "the rapid expansion of Israel's arms industry since 1967 offers one of the most striking refutations of the notion of a 'defenseless Israel'. This exponential growth of the industry saw defence exports soaring to 10% of Israel's gross exports in 1970" (Lockwood 1972: 73).

Inbar points out that the key motivation for the quick growth of the defence industry was the fear among Israeli decision makers that weapons needed for Israel's security may not be available in the world market (Inbar 1996: 44). For example Israel gained the ability to produce a main battle platform for the air, ground, and naval branches of the IDF. The country also began the production of the Kfir fighter jet immediately after the French embargo imposed on it in 1967. It was the British refusal to sell Chieftain Tanks that led Israel to build its own Merkava tank. In the same manner, its difficulties in getting fast patrol boats in the 1960s led the country to indigenously produce the series of Sa'ar class missile boats (Inbar 1996: 44).

Even during the 1973 war, Israel faced a situation of arms scarcity and quested for a steady supply. Gamson and Herzog write that "the sense of vulnerability and dependence was dramatically reinforced by the 1973 Yom Kippur war, when the IDF came perilously close to running out of ammunition and needed to be urgently resupplied by the US" (1999: 259).

In a sense, even the nuclear option that Israel pursued was some kind of an insurance policy for a country that put most of its premium on sheer survival. Inbar points out that "the nuclear option was perceived as an insurance policy in case Israel lost its continental capacity or if Arab countries acquired nuclear weapons" (Inbar 1996: 44).
Taking into consideration the fact that the country’s survival in future would depend on a strong domestic defence industry, the Israeli leadership started investing in the creation of a domestic defence industry. Indeed this was recognized very early by the country’s first Prime Minister, David Ben Gurion, who “felt that the allies cannot be totally relied upon” and so there has always been an emphasis on self-reliance (Inbar 1996: 42).

**Israeli Defence Industry: Historical Origins**

The Israeli Defence Industry had its beginnings in the early 1920s when the Jewish community started making arms and ammunition to secure themselves from the not-so-friendly Arab population nearby. Israel’s first defence industrial base, Israel Military Industries Ltd (TAAS), was set up even as Palestine was under the British rule. TAAS went on to manufacture rifles, mortars, hand grenades, and ammunition in various secret underground locations. (Dvir and Tishler 2000: 34).

It was in the 1950s, after it gained independence that Israel started producing weapons and establishing its defence industry in a major way. In 1952 an R&D division was established in the Ministry of Defence, which in 1958 was reorganized as Rafael (the Armament Development Authority) that went on to become Israel’s central defense development organization (Dvir and Tishler 2000: 34). In 1953, Bedek Aviation Company was established with the purpose of maintaining and refurbishing aircraft, and it became Israeli Aerospace Industries (IAI) a little later. There were also privately created defense firms in the country during the 1950s, such as Soltam and Tadiran, which went on to become Israel’s largest military commodities equipment manufacturer (Dvir and Tishler 2000: 34).

The defence industry in Israel grew quite quickly in the 1960s following a workforce explosion in the 1950s when the number of employees tripled from 5,000 to 15,000. Defence industry growth in Israel intensified further following the 1967; between 1967 and 1975 the number of employees tripled again, and increased by 50 per cent between 1975 and 1985. In the words of Galvani et al., “by the end of 1970, between one half and two thirds of the labour force derived at least a major part of its income from the security
budget. Between 80,000 and 100,000 workers in the civilian market lived directly from the security budget. Israeli DI manufactured goods worth IL300 million in 1967. This figured jumped to IL 1,300 million in 1970, i.e., over for times that of 1967” (Galvani et al 1973: 16).

The Defence Industry growth post-1973 was again, as after 1967, due to a war that Israel fought with its Arab neighbours (Dvir and Tishler 2000: 34). Combined with the two wars was also the fact, as remarked upon earlier, that Israel found it difficult to find a reliable source of weapons during times of crisis (Shefi and Tishler 2005: 432). Due to the supply crunch it faced, the industry was called upon to develop entirely new weapons systems. The aggressive growth of the industry led to the development of the Lavi fighter plane, UAVs, a main battle tank (the Merkava), missile boats, intelligence and command and control systems, and air defence systems (Shefi and Tishler 2005: 432).

State spending on defence has always been high in Israel especially during times of war and crisis. Consider the statistics from the Central Bureau of Statistics of Israel:

The data on the defence expenditure trend over the past fifty years, at constant prices, show that in the first half of that period - 1956-1975 - defence expenditure increased at a swift 15%-16% annual average pace. Aberrant increases occurred in 1956 (Sinai Campaign) - 100%, 1967 (Six-Day War) - 77%, 1970 (War of Attrition) - 39%, and 1973 (Yom Kippur War) - 64%. In 1976-1995, defence expenditure declined by 2%-3% on annual average. Between 1991 and 1995, defence expenditure continued to decrease, and averaged 11% of the GDP. An upward trend in defence consumption began in 1996 and continued up to 2002 made possible by rapid economic growth. In 2003-2004, defence consumption declined sharply, by about 6% per year. In 2005-2006, the trend reversed again and defence consumption expenditure increased by about 5% per year on the average (Israel’s Central Bureau of Statistics, available online).
Defence Consumption Expenditure in 1956-2006
(Defence consumption as percent of GDP)

<table>
<thead>
<tr>
<th>Years</th>
<th>Total</th>
<th>Domestic consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-1966</td>
<td>9.2</td>
<td>6.0</td>
</tr>
<tr>
<td>1967-1972</td>
<td>19.7</td>
<td>12.4</td>
</tr>
<tr>
<td>1973-1975</td>
<td>30.9</td>
<td>16.0</td>
</tr>
<tr>
<td>1976-1985</td>
<td>22.1</td>
<td>13.8</td>
</tr>
<tr>
<td>1986-1990</td>
<td>15.1</td>
<td>10.7</td>
</tr>
<tr>
<td>1991-1995</td>
<td>10.9</td>
<td>8.3</td>
</tr>
<tr>
<td>1996-2000</td>
<td>8.9</td>
<td>7.0</td>
</tr>
<tr>
<td>2001-2002</td>
<td>9.4</td>
<td>7.2</td>
</tr>
<tr>
<td>2003-2004</td>
<td>8.4</td>
<td>6.6</td>
</tr>
<tr>
<td>2005-2006</td>
<td>8.0</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics, Israel.

http://www.cbs.gov.il/publications/hozao_bitahon06/pdf/e_intro_mavo0.pdf

Israeli Defence exports

<table>
<thead>
<tr>
<th>year</th>
<th>NIS (thousand)</th>
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<tbody>
<tr>
<td>1960</td>
<td>8.7</td>
</tr>
<tr>
<td>1961</td>
<td>14.3</td>
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<td>27.5</td>
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<tr>
<td>1963</td>
<td>43.4</td>
</tr>
<tr>
<td>1964</td>
<td>29.8</td>
</tr>
<tr>
<td>1964 (2)</td>
<td>31.1</td>
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<tr>
<td>1965</td>
<td>36.4</td>
</tr>
<tr>
<td>1966</td>
<td>38.8</td>
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<tr>
<td>Year</td>
<td>Value</td>
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<td>------</td>
<td>--------</td>
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<td>1967</td>
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<tr>
<td>1968</td>
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<td>2006</td>
<td>13,023.0</td>
</tr>
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</table>

Source: Central Bureau of Statistics, Israel.

The Israeli defense industry is a combination of firms which are owned by the state, IDF-owned and privately owned. The three major publicly owned firms are Rafael, IAI and TAAS.

About 85 per cent of the military budget was devoted to domestic enterprises after the 1967 war. Moreover, "there was a concomitant increase in total defence consumption in Israel with the figures rising about 33% in constant prices from 1966 to 1968, while between 1972 and 1974, Israeli defence spending jumped about 20% as a result of the 1973 war" (DeRouen 2000: 73). It was also established that "defense investment is directly responsible for roughly half of the industrial investment in the country" (DeRouen 2000: 73). As a result of such huge investment in the defense industry sector, arms production was labelled the 'core industry' in Israel. (DeRouen 2000: 73). The overall strategy that the country adopted was military industrial substitution. (DeRouen 2000: 73).
As noted above, during the 1960s and 1970s Israel tried to create a self-sufficient defense industry. DeRouen concludes that the principle reasons were (2000: 72-73):

- Uncertainty over the extent of soviet rearming of Egypt;
- The knowledge that the Soviets were sending newer and more sophisticated armaments to Egypt;
- The decision to achieve parity with Egypt as far as the arms race;
- The need to replace equipment damaged in the field;
- The worsening security situation along the borders associated with the war of Afghanistan; and
- The French embargo

**Looking for Self-Reliance**

Israel, despite being a country that is severely dependent on the US for its survival, has always wanted to be a self-reliant country. This was true especially during the country’s extensive period of isolation during the two major wars (1967 and 1973) it fought with the Arab nations. Rodman has divided the concept of self-reliance into three components: “self-reliance in manpower, self-reliance in training and doctrine, and self-reliance in arms” (2001: 79). According to him, the need to work on these various aspects of self-reliance became apparent when the Israelis found themselves in situations where they were forced to confront their shortcomings:

[T]he first occasion occurred during the war of independence, when Jewish and non-Jewish volunteers, known collectively as machal, served in the fledgling IDF... The second occasion occurred during the Sinai campaign, when Jerusalem requested that France station interceptor aircraft at IAF airfields to prevent Egyptian bombers from hitting Israel’s cities, while the third occasion occurred during the gulf war, when Jerusalem requested that American- and Dutch-manned patriot anti-aircraft missile batteries be dispatched to shoot down Iraqi ballistic missiles aimed at Israel’s cities (Rodman 2001: 79).
The development of Israel's defense industry has been extremely impressive. Although there has been consistent growth since 1947, the arms industry made considerable progress after the 1967 war and witnessed even more explosive growth after the next war in 1973. Since the Yom Kippur war Israel has taken its arms production mode to a new level. Rodman writes:

Israel's arms industry has designed and manufactured an enormous array of arms – an amazing accomplishment for a state of its size. In the area of space borne systems, it has produced intermediate-range ballistic missiles (the Jericho series) and long range cruise missile both of which are apparently capable of carrying indigenously developed nuclear warheads, as well as an anti-ballistic missile defense system (based around the arrow missile). Israel's arms industry produces all kinds of electronic systems, including radar, communication gear, intelligence-gathering instruments, night vision devices, and targeting pods. A full range of airborne (eg. Ython IV, Derby, Popeye, MSOV, ad Pyramid), Shipborne (eg. Barakan Gabriel), and landborne (eg. Lahat ad Gill) PGMs are in production. Furthermore Israel's arms industry is the acknowledged world leader in the area of Unmanned Aerial Vehicles (UAVs), manufacturing variants for both intelligence gathering (eg. Heron, Hermes, and Searcher MKII) and attack (eg. MOAB and Harpy) missions. It may also the world's most successful industry in developing upgrading techniques to improve and extend the life of older weapon systems. Finally, the arms industry produces a full-range of land warfare systems, including tanks (the Merkava series), armoured fighting vehicles (eg. Achzaril), artillery systems (guns, rockets, and mortar), small arms, ammunition, and so on (2001: 80).

During all of this, there was one thing that the Israelis were very clear about: self-reliance. They openly wanted to have independent capability for defense R&D and production to drastically reduce Israel’s dependence on foreign supplies of weapons and ammunition (Vekstein 1999: 616).

This policy of independence or self-reliance has had several direct consequences for the development of both the Israeli defence industry as well as, though indirectly, for the Israeli economy in general. Vekstein and Mehrez have argued that these consequences were:
First, defense firms began to accumulate high levels of inventories of materials and parts in order to reduce the risk of restrictions that would be imposed by foreign suppliers in case of adverse political changes towards Israel in the future. In face of uncertainty, death inventories began to develop as a result of over-accumulation and obsolescence (brought by Israel's desire to maintain a qualitative edge in face of rapid technological change, vis-a-vis adversaries). Second, the implementation of the policy of "independence" after the Six Day War, also pushed defense firms to accumulate large stocks of technical knowledge—embodied in specialized human resources, i.e., scientists, engineers, and technicians in order to gain and maintain a capacity for independent R&D and production in a wide range of defense technologies (1997: 48).

Defence expenditures shot up during the years when self-sufficiency was the norm of the industry. The share of military spending in the GDP had increased from 10 per cent in the 1960s to roughly 18 per cent by the early 1970s, and it went above 30 per cent in the 1980s. This was despite a global economic recession in the 1970s and early 1980s that affected Israeli economic growth, causing a fall to five per cent per year in 1978-79, 3.2 per cent in 1980-81 and 1.2 per cent in 1982-83. It is obvious that the defence industry was considered to be of great significance by the state and expenditure had to be kept up at any price (Geldenhuys 1991: 299).

The policy of promoting self-reliance in the defence industry did have its desired results. Domestic production increased and reliance on external sources decreased. Shichor writes that "In 1967 the share of indigenous production in Israel's total military supply was no more than 2% (the other 98% consisted of direct imports), but by 1989 domestic production reached 83%. The value of indigenous military output rose from an estimated $4m in 1966 to $947m in 1981, gradually slowing again to $609 m in 1990" (Shichor 1998: 75).

Arms production has been one of the key sectors of industrial production in Israel. In the mid-1980s, capital investment in the defence sector accounted for almost 50 per cent of all industrial investment in the country with one-forth of the industrial labor force engaged in military related projects, about one-forth of the country's industrial exports
originating in the defence sector and eight of the total 20 top corporations in the country highly dependent on military contracting (Mintz and Ward 1989: 523).

**Israeli Nuclear Ambitions**

Indeed, even Israeli nuclear ambitions and subsequent capacity in the 1950s originated due to the acute security deficit. Maoz argues that three scenarios which the Israelis thought were likely to happen prompted them to achieve nuclear capability:

1. The prospect of a unified Arab coalition starting an all-out war aimed at the total destruction of the Jewish state;
2. The military advantage in both quantitative terms (e.g. Size of armed forces and number of basic weapon systems) and qualitative terms (especially in the realm of weapons systems capability) that such a coalition would enjoy;
3. The widespread international support that this coalition likely face – compared with the political isolation that Israel could anticipate (2003: 46).

Thus while Israel officially denies having nuclear capability, it says it would not be the first to introduce nuclear weapons into the Middle East. Nothing is known with full certainty regarding the size of the Israeli nuclear weapon stockpile but is widely believed to contain 100–200 warheads.

In 2004, the Institute for Science and International Security estimated that Israel has some 0.56 tonnes of military plutonium (Albright and Kramer 2004: 5), or the equivalent of about 110 warheads, each containing 5kg of plutonium. In 1999, the US Defense Intelligence Agency estimated that Israel had assembled 60–80 nuclear warheads (US Defense Intelligence Agency 1999: 38).

**Normalization of Israel**

The Arab-Israeli peace process had very clear implications for the normalization of the state of Israel. The process began in the 1970s and with the Egypt-Israel treaty of 1979, there has been relative normalization of the Israeli state, with both the peace process and
the changing international situation contributing to the de-isolation of the country. Let me examine this in greater detail.

The Cold War was winding down and the USSR was too busy to focus on the evolving balance of power in the Middle East, the US and its policies were becoming dominant in the region, and the nature of geopolitics changed from the Egyptian-Israeli treaty of 1979 to the October 1991 Madrid conference. During this time, we see a subtle yet steadily increasing change in the position of Israel in the imagination of the regional and international community. The stage was set for the re-induction of Israel into the international community. This process gathered further momentum in the early 1990s with increased US involvement in the region due to the first Gulf War and Washington’s desire to resolve the region’s outstanding conflicts, which saw it bring Syria, the Palestinians and Jordan to negotiations in Madrid without any preconditions.

In many ways, the year 1979 was of great significance to the Israelis. The signing of the Camp David accords was both dramatic and unprecedented. The peace process “dramatically lowered the chances for large-scale war with the neighbouring countries” (Inbar 2002: 31) and Israel started seeing light at the end of their tunnel of isolation.

As pointed out above, with the 1979 Egypt-Israeli peace treaty, the chances of large-scale war were drastically reduced. Furthermore, as the peace treaty had Washington’s blessings and patronage, it would have been impossible for Egypt renege even if it had wanted to (Inbar 2002: 31). The 1979 Egypt–Israel Peace Treaty was signed on March 26, 1979, following the 1978 Camp David Accords and the significance of the treaty arises from the fact that Egypt became the first Arab country to recognise Israel. The key features of the treaty included:

- Mutual recognition of each country by the other;
- Cessation of the state of war that had existed since the 1948 Arab-Israeli War.
- Complete withdrawal by Israel of its armed forces and civilians from the rest of the Sinai Peninsula which Israel had captured during the 1967 Six-Day War;
Free passage of Israeli ships through the Suez Canal and recognition of the Strait of Tiran, the Gulf of Aqaba and the taba - rafah straits as international waterways (Treaty of Peace between the Arab Republic of Egypt and the State of Israel, 1979).

In November 1988, at its nineteenth session, the Palestinian National Council decided to accept UN Security Council Resolution 242 (1967) and 338 (1973) as the basis for a comprehensive settlement of the Arab-Israeli conflict (Resolution 242 guarantees the right of all states in the Middle East to live in peace within safe and recognized borders, and 338 called on Arabs and Israelis to carry out 242). “This decision was widely interpreted as an abandonment of the PLO’s goal of destroying Israel, and instead implied recognition of Israelis’ right of existence” (Geldenhuys 1991: 133); it was an extremely bold move.

As well in 1988, the Palestinian national council rejected terrorism in “all its forms”, even as it supported the Intifada. This was praised by the international community and the UN. (Geldenhuys 1991: 133-4). There was also a relaxation in the general boycott against Israel by 1987 (Geldenhuys 1991: 305).

The Madrid conference of 30 October 1991, was co-sponsored by the US and the USSR, and involved Israel and the Palestinians as well as Arab countries including Syria, Lebanon, and Jordan. Soon after the conference, countries such as Morocco, Mauritania, Tunisia, Oman and Qatar established diplomatic relations with Israel (Inbar 2002: 27). It also led to a weakening of the Arab boycott and enabled Israel to pursue economic relations with some Arab countries.

Later, the Oslo Accords were concluded in Norway on 20 August 1993, and then signed in Washington on 13 September. PLO chairman Yasser Arafat, Israeli Prime Minister Yitzhak Rabin and US President Bill Clinton, as well as Mahmoud Abbas (also of the PLO), Israeli Foreign Minister Shimon Peres, US Secretary of State Warren Christopher and Russian Foreign Minister Andrei Kozyrev were all present at the signing ceremony.
The Accords provided for the creation of a Palestinian Authority which would have responsibility for the administration of the territory under its control. They also called for the withdrawal of the IDF from parts of the Gaza Strip and West Bank.

The situation improved for Israel following the Oslo Accords, after which the international community started becoming more accommodative and understanding. Many of those countries who had previously had uneasy relations with or been critical of Israel started establishing diplomatic relations with it. Rabin exhorted the Israeli people to stop thinking that 'the world is against us' (Gamson and Herzog 1999: 260). In an address to the Knesset on 13 July 1992 he said, "Israel is no longer a people that dwells alone" (cited in Mirsky 1992: 2). On 12 August 1993, in a speech to graduates of the National Security College, he argued "the world is no longer against us... regard us today as a worthy and respectable address" (cited in Mirsky 1992: 2). On another occasion, "we live today in a period in which the threat to the very existence of Israel has been reduced" (cited in Mirsky 1992: 2).

In the 1990s Shimon Peres said that the traditional Israeli approach of self-reliance is redundant and that Israel should become positive towards the various collaborative security arrangements in the Middle East. Inbar writes that "he articulated a comprehensive security vision for Israel by proposing a Mideast security and development 'superstructure' covering issues such as arms control, nonaggression, economic cooperation, and human rights" (1996: 60).

Israel's changed approach to arms control initiatives is also notable in this context. The Missile Technology Control Regime (MTCR) was accepted by Israel in 1992, in the same year the country signed the Chemical Weapons Convention (CWC), and by 1993 the country also started to comply with demands to report its arms sales to the UN arms reporter. Also in 1994, Israel agreed to ban export of anti-personal mines (Inbar 1996: 60-1). Rabin had additionally indicated his government's willingness to adhere to the Comprehensive Test Ban Treaty (CTBT) (Inbar 2002: 23). The Arms Control and Regional Security (ACRS) multilateral talks were also taken seriously by Israel in 1996.

In 1987 Israel decided to cancel the building of its Lavi advanced aircraft and a contract to build Sa’ar-5 missile boats was given to a US firm rather than to Israeli firms (Inbar 1996: 62). Rabin had a minimalist view of the defense industry, “the military industries are too big for Israel” (Inabr 1996: 63).

Israel’s perceptions of the regional strategic environment also changed. When the Israelis saw at the end of the Cold War that its adversaries had lost their biggest supporter, the USSR, it knew that the Arab nations were considerably weakened. Inbar asserts that since the 1990s, “one can discern a clear trend among Israeli leaders toward a greater reluctance to use force” (1996: 51).

Rabin, addressing the Knesset for the first time as the Prime Minister, said that “security is also, and may be first of all the human being: the Israeli citizen, his education, his home, his school, his street, his neighbourhood, the society in which he grows” (Inbar 2008: 91). In 1994 his mid-term report emphasized the importance of economic factors saying, “steps towards a rapprochement between Israel and the Arab states create a process that turns economics into the moving force that shapes the regional relations instead of nationalist interests that were dominant in the past (Merom 1999: 49). Then Foreign Minister Shimon Peres also started downplaying the importance of so-called ‘strategic depth’, arguing that “physical barriers are no longer significant when missiles fly” (Inbar 2008: 92).

Around the same time, this feeling of the need to make peace with the region was being experienced by the IDF too: Chief of Staff Lieutenant General Amnon Shahak said that a Syrian embassy in Israel is more important than an early warning station, and Major General Zeev Livneh stated that: “Peace is the best security” (Inbar 1996: 51).
Israel and its people was also suffering from the fatigue that accompanies protracted conflict situations. Inbar writes:

In the 1990s the Israeli society showed signs of becoming increasingly beleaguered, war weary, and impatient for a ‘solution’ to the Arab Israeli conflict. Israeli society has paid dearly in material and causalities over the course of six wars, creating a natural thirst for an end to the violence...Public polls also show a consistent dovish trend over time...(this) fatigue from policing the territories and confronting hostile civilians played a factor in the Israeli acceptance of the 1993 Israeli-Palestine accord (1996: 55).

Also “the legitimacy of the past Israeli uses of force [was] being questioned. The ethos of greater Israel has become less popular in Israel” (Inbar 1996: 56).

Ehud Barak, former Chief of Staff, argued along the same lines that “accumulated weariness and cynicism, accompanied by an aggressive and intrusive media, depreciation of the Zionist deeds, the development of a cleavage in the consensus over Israel’s political goals, even over the objectives of the use of force – all these create a perception as well as reality of weakness” (Inbar 1996: 56).

The 1990s also saw Israeli civil society engaging in normative criticism of their country’s use of force (Inbar 1996: 56). There was a change of status as far as the IDF was concerned; the once revered institution saw itself losing some of its lustre. The army started becoming more of a professional interest group, and was subject to increased public scrutiny and criticism. There also took place debates over IDF performance, including in the Lebanese campaign. The Intifada further contributed to the decline in the stature of the IDF as the embodiment of national consensus. Furthermore, these developments negatively influenced attitudes toward the modus operandi that the army used: the use of force (Inbar 1996: 54).

Rabin, talking about Israel’s external strategic environment in 1992 said, “[w]e live today in a period in which the threat to the very existence of Israel has been reduced” (quoted in
Inbar 1996: 46). In the opinion of Ezer Weizman, Israel’s president from 1993 to 2000, “Israel has never been as secure as it is in the 1990s” (quoted in Inbar 1996: 46).

Also significant were the impact and implications of UNGA Resolution 46/86 passed on 16 December 1991, revoking Resolution 3379, which had concluded that Zionism was a form of racism.

As a result of the normalization process that the country went through, the defence-industrial sector also underwent a transformation. The defence-industrial workforce in the country declined drastically, “from 90,000 in the early 1980s to 40,000 in 1991, 24,000 in 1994 and down to 18,000-19,000 in mid-1996” (Shichor 1998: 75). Israel also started spending less on the defence industry. Its allocations to weapons R&D has come down. According to a report by Israel’s state comptroller, R&D allocations were reduced by 43% from 1986 to 1994 (Inbar 102: 2008).

Data available from the Israeli government sources show that the defence expenditure started rising in 1967. While in 1966 the defence consumption expenditure, as percent of GDP was below 16, it went above 15 in 1968 and by 1975 it touched 30 per cent which was the highest it ever reached. However, the trend started reversing from the early 1990s. In 1992 the figure came down to 10 per cent and since 1993 the figure has been constantly under 10 per cent of GDP. (Bureau of Statistics, Israel, 2007).

Like a normal defence industry, in today’s Israel defence firms can no longer count solely on domestic sales to the IDF. This has given way to competition in the defence industry and the defence ministry encourages competition in order to obtain the lowest prices (Vekstein 1999: 617). There is also competition today among defence firms to get external sources of funding and state-of-the-art technology (Vekstein 1999: 617).

The Israeli government-appointed Shimon Yiftach committee (established in 1984 to examine the operation and management of government funded development R&D) recommended the need for “defense conversion based on an economy-wide transfer of
technologies within the framework of a coordinated national technology policy" (Vekstein 1999: 618). In the mid-1990s Israel started making the defence industry more lean and profitable as well. Between 1985 and 1992 about 23,000 engineers and technicians lost their jobs (Vekstein 1999: 618).

At this time Israel also started buying increased amounts of US military equipment, rather than buying it from its own defence firms, thereby undercutting domestic arms production. The Israeli defence industry has been warning that this will seriously compromise the local defence industry (Neuman 2006: 411-12). Vekstein and Mehrez also write that since the 1980s, Israel’s defence firms have been aggressively promoting exports to the American military market (Vekstein and Mehrez 1997: 50).

Such instances have forced the industry to look for markets overseas and as a result today export sales exceed domestic sales (with exports accounting for 80 per cent of their revenue), and the IDF has become a secondary customer for almost all Israeli Defence Industries (Neuman 2006: 431). Even the Ministry of Foreign Affairs has become very active in promoting the export of Israel’s defence products (Shichor 1998: 797).

There are talks of more and more consolidation and privatization and there has been a trend among defence firms to consolidate or exit. They have particularly been adopting strategies such as downsizing, concentration and diversification (Dvir et al. 1997: 434).

Israeli defence firms have additionally started to diversify into the civilian market. Vekstein and Mehrez stated in 1997 that the “defense firms began using their accumulated technical knowledge in R&D and production to diversify into civilian markets” (Vekstein and Mehrez 1997: 50). As a result of these measures, and despite raging debates about their merits and demerits in making the defence industry more profitable, today “privately-owned companies form approximately a third of the Israeli defence industry base, and a process of industry consolidation is now underway” (Neuman 2006: 434).
The IAI has been following many strategies to stay competitive and profitable, the key strategy being defence conversion. Vekstein and Mehrez write:

In 1994, the IAI sold 73% of its $1.5 billion total revenues to military markets. Since 1994, the IAI began implementing an aggressive reorganization program to develop quickly a competitive position in world wide civil aviation markets. According to the new program, the IAI set the goal to reach 2 billion in sales by the year 2000 and to double production for civilian markets up to 45-50% from total company sales; that is, the IAI expects to growth in civilian markets from about $400 million in 1995 to about $1 billion in the year 2000, or, 30% per year for five years ahead. The new plan calls for restructuring the IAI as a holding company with three business groups: Bedek Aircraft, Electronics and Technologies (1997: 51).

The IAI has been transferring its military aviation expertise into several commercial programmes. In order to smoothen the process, the IAI separated its aerospace vehicles division into two groups: a military aircraft group and a civilian aircraft group. The first group was tasked with the responsibility of military aircraft markets as well as establishing relationships with advanced military air forces around the world to sell them maintenance services and aircraft conversion programmes. The other group was rechristened the civilian aircraft group and was given the responsibility of the civilian aircraft market. Its task was to establish cooperative relations with international civilian aircraft manufacturing companies and airlines (Vekstein 1999: 621).

As in the case of South Africa, the Israeli defence industry started looking for ways and means to adjust to the contemporary environment. Profits and competition became its the new mantras. A report prepared by the office of the Director of National Security Intelligence (USA) titled “Current National Security Situation” points out:

When the Israeli defense budget began to shrink, private defense companies reoriented part of their efforts to the commercial market, and concentrated also on building customized export products tailored to the requirements of specific customers rather than pushing the limits of technology (Current National Security Situation).
Moreover, the country is also “moving towards a niche strategy in which they domestically produce armaments in those areas in which they have a global competitive advantage, and in part, using military assistance funds, platforms that can be modified to meet their own need and those of their export customers” (Current National Security Situation). The report points out that the various firms are additionally working on joint projects, which was not seen in previous years.

However, the Israeli state has still not got out of its security-obsessed mindset. It continues to think that the external environment is not favorable to them. As Shalgi puts it, Israel thinks that a strong defence industry is necessary because “[k]eeping a strong security infrastructure provides indispensable deterrence capability, in a state that can not afford even one single failure” (Shalgi 2003)

Israel’s defence budget and spending have not been drastically decreasing. Israel’s 2007 defence budget stood at NIS 33.15 billion (USD 7.7 billion) though it was NIS 33.54 (USD 7.8 billion) in 2006 (Hanan Greenberg). However in 2008 it increased to NIS 51.3 billion which represents about seven per cent of gross domestic product. However Israel’s defence spending has reduced by 1.2 per cent since 2000, whereas Iran increased its defense spending by 25 per cent, Egypt by 28.8 per cent, and Syria by 37.7 per cent (Hanan Greenberg).

Israel’s arms exports are increasing every year. It is today one of the top five arms exporters in the world with transfers totalling some US$4.5bn in the year 2006. (Israel Defence and Security Report Q1 2008)
The Israeli defence industry: sales and exports, 1980–95

<table>
<thead>
<tr>
<th>Year</th>
<th>Total sales (US $b.)</th>
<th>Exports (US $b.)</th>
<th>Exports as share of total sales (%)</th>
</tr>
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<tr>
<td>1980</td>
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<tr>
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<td>0.82</td>
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<tr>
<td>1993</td>
<td>1.7</td>
<td>0.94</td>
<td>56.6</td>
</tr>
<tr>
<td>1995</td>
<td>(2.0)</td>
<td>1.20</td>
<td>...</td>
</tr>
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Notes: The difference between total sales and exports is the amount of procurement from domestic production. The percentages may not correspond exactly to the figures because of the conventions of rounding.

(Cited in Steinberg, 1998: 112)

Conclusion

This chapter has argued that the Israeli state, ever since its inception, has found itself alone and insecure. It realized that it had to aggressively strive in order to continue to exist in an unfavorable neighborhood and an uncompromising international system. The chapter described the various reasons why, historically, the Jewish community as a whole as well as the new state of Israel felt isolated and insecure. It argued that the isolation and the state of besiegedness that the state felt it faced instilled a deep sense of insecurity in its psyche. The chapter then looked at the various ways Israel tried to internally balance in order to enable itself to fend off the threats it faced, as there were limited opportunities for it to externally balance like a normal state in the international system.

Israel found itself effectively in a situation of permanent war. To defend itself against the eventualities of war and conflict it had to increase its defences. Not many countries were willing to give it the required weapons, and even those who were willing to do so were
not willing to commit to providing Israel with weapons in all and any circumstances. However Israel had to make sure that it had the necessary weapons to fight and win. Hence, the Israelis took it upon themselves to build up a strong domestic defence industry so as to be self-reliant in matters of weapons.

The domestic defence industry it built up emphasized self-reliance and had a clear nationalistic orientation. It worked under government control and direction and did not have many outside contacts. Government spending on the defence sector was huge and it would not be an exaggeration to say that a great deal of industrial activities that were going on within Israel were directly or indirectly connected to defence.

The chapter has also argued that by the late 1970s (and most certainly by the 1980s) the Jewish state was gaining more and more acceptance in the international community. This started in 1979 when the Israel-Egypt peace treaty was signed. Slowly but steadily the years that followed witnessed a large number of countries establishing relations with the once-isolated Israel. Although this acceptance by the international community has not made Israel feel completely secure, for understandable reasons, there has been what can be called a relative normalization of the Israeli state thanks to decreasing levels of insecurity and isolation. This relative normalization also impacted upon the Israeli defence industry. The domestic orientation of the industry changed in favour of the international market, tailor-made weapon systems for international buyers became the focus of many defence industrial units, the IDF was no more looking at the Israeli defence industries as their sole suppliers and there was a clear momentum towards privatization, diversification and conversion. At the same time, the focus on national defence continued to remain a core aim, the fall in government spending on defence was not overwhelming, privatization was not rampant, and the defence industry was still subject to a level of government control. What this shows is that since there was only relative political normalization of the country, the normalization of its defence industrial sector was also relative.