

IAI, founded by David Ben Gurion in 1953⁸, manufactures the Kfir C-2 fighter plane, the Arava short-take-off-and-landing transport plane (well suited to counterinsurgency)⁹, the Hawk and Gabriel missiles (in its MBT division which also makes bomb release systems and perimeter security systems), and the Westwind jet sold as an executive business aircraft but which converts to a fighter plane; seven per month are being sold to private buyers in the United States.¹⁰ The Shafrir missile is a copy of the AIM 90/G and AIM9 L missiles manufactured by Raytheon¹¹ in the U.S. and including U.S. made components.¹² IAI's Bedek aviation division does overhaul, maintenance, and training, operates nine international airlines, and trains local personnel for many national airlines.¹³

The new Israeli fighter, the Lavi¹⁴ (which the Israelis want U.S. aid to produce)¹⁵, was to have Pratt & Whitney 1120 jet engines¹⁶; to date the United States has not released the technology the Israelis need to produce all its parts.¹⁷ However, the latest plans are for the Israelis to produce the engines under license¹⁸, a step which some Israeli economists believe could distort and bankrupt the economy still further.¹⁹ The Lavi is designed to carry Israeli nuclear warheads.²⁰

The delta-wing Kfir fighter plane, incidentally, is an upgraded French Mirage, using an American produced General Electric J79-17 engine, based on blueprints stolen by the Mossad, the Israeli overseas intelligence service, after General de Gaulle stopped sales to the Israelis in 1967. A few years later the Mossad illegally spirited war boats out of France.²¹

IMI makes the Merkava tank, the Uzi submachine gun, and the Galil assault rifle, itself a refinement of the Soviet-designed Kalashnikov or AK-47²². IMI also profits from Uzi sales via a Belgian licensee and from the Galil via a Dutch firm.²³ IMI estimates that one hundred countries have purchased one million Uzis since 1953.²⁴ The Merkava is based on the British Chieftain with an engine from the American Teledyne Company. The Carter administration allowed Israel to use \$107 million in U.S. military aid to develop it and to cancel an order for 175 M-60 tanks, both unprecedented.²⁵

The largest private arms company, Sultam, which specializes in military electronics, is owned primarily by Koor, which is owned by the Histadrut, the Israeli labor federation.²⁶ The Histadrut has substantial investments throughout the Israeli economy including in armaments. With 20 to 25 percent of Israeli workers employed by its companies, the Histadrut is the second largest employer after the government itself, which employs just under 40 percent of the workers.²⁷

Sultam general manager Yakov Lior told the *Jerusalem Post* (April 27, 1979), «Sultam exports its products to forty countries. Among Sultam's products are complete systems of cannons and mortars, together with optical instruments, auxiliary instruments, and various sorts of munitions including night sabotage materials, lighting devices, grenades, and smoke bombs.»²⁸ One of Sultam's hottest items is its 155-millimeter howitzer.²⁹ Shlomo Zevdelovitch, one of Sultam's founders, was described as «one of the biggest arms manufacturers and traders in the world. Among his other deals, he served as middle man in the gigantic sales of Israeli arms to various countries in Europe, Asia, Africa and other regions.»³⁰

Together, IAI, IMI, Koor (Sultam and Tadiran), Elron, and Rafael produce more than 90 percent of Israeli arms exports.³¹

In May 1983, *Koteret Rashit* reported that the firms involved in arms sales «have been joined by several veterans of Israeli Military Intelligence who specialize in electronic surveillance. Among their customers: countries in South America. High officials of the Lebanese Phalangists have also expressed interest in the products of this firm».³²

Foreign Investment in Israeli Arms Production

Foreign investment is also heavy in Israeli arms firms; U.S. companies play the largest role with such names as American Electronics Laboratories, Aeronautics Corporation of America, Gerber Scientific, Control Data Corporation, Motorola, General Telephone & Electronics, Rockefeller Brothers and Associates, Intel Corporation, TRW, Teledyne, and Rand Information Systems, to name only a few, heavily involved.³³

In 1977, the *Economist* reported that the Israeli government turned to South Africa for capital to develop «the next generation of Israeli warships». In return the South Africans were to receive the first four or five new boats.³⁴ Tadiran, the third largest Israeli arms exporter and a subsidiary of the Histadrut's Koor and General Telephone & Electronics (Tadiran is 44.64 percent owned by each and 10.72 percent owned by its employees)³⁵, and South Africa's Consolidated Power, have formed a large electronics combine specializing in military electronics and computers.³⁶ In 1970, Tadiran negotiated a licensing agreement with C.F. Fuchs, Ltd. for the production of highly sophisticated electronic equipment it developed.³⁷ The Israeli and South African subsidiaries of Motorola operate several joint ventures.³⁸ Iskor, which manufactures half of Israeli steel, is 51 percent owned by Koor, i.e. by Histadrut, and 49 percent owned by the South African government-owned steel corporation, Iscor.³⁹ Koor also has a South African subsidiary, Iskoor Steel Services Company. These are only a few examples of joint Israeli and South African arms production and economic collaboration. More than 250 South African firms belong to the very active South Africa-Israel Chamber of Economic Relations.⁴⁰

The Israeli government offers considerable inducements to new investors: 70 percent of initial capital (30 percent grant and 40 percent at 8 percent interest; with Israeli inflation over 130 percent in 1982, this is virtually interest-free)⁴¹ and up to half of research and development costs. The would-be investor also gets subsidies for training and plant and premises rental costs, low or waived customs duties, and a flat corporate tax of 33 percent suspended for the first five years.⁴²

The U.S. Department of Commerce reported that in 1976 Israeli workers «produced less than half as much as U.S. workers» but were paid, including benefits, «less than one third» as