

Global Role

moved back from the Sinai.²⁵⁸ Furthermore, Israel normally only pays 50 to 60 percent of the price of U.S. weapons it purchases.²⁵⁹ And Israel is not required to set aside enough aid to pay for its long-term purchases as are other U.S. military aid recipients. Israel operates on a cash-flow basis which forces additional U.S. aid in later years.²⁶⁰

More than half this aid is military,²⁶¹ though the distinction between military and economic aid is artificial since economic aid generally displaces local money which is then free to divert for military use. During the period 1976-1980, total U.S. aid, including grants and credits, was \$2.19 billion more than the total cost of Israel's direct military imports.²⁶² Between 1950 and 1981, Israel received more than half, \$13.5 billion out of a total of \$24.85 billion, of United States Foreign Military Sales assistance. Israel also received debt-repayment concessions totaling \$4.95 billion, half the world total.²⁶³ FMS loans and grants, by law, must be used to purchase supplies from U.S. arms producers; however, Israel received \$3.35 billion in exemptions from this provision out of a total of 3.4 billion.²⁶⁴ In 1981 Israel officially received \$2.2 billion in aid. Not included in this total was \$3.3 billion to pay for military withdrawal from the Sinai and the construction of much more substantial replacement air bases.²⁶⁵

Thus, the United States has set Israel up in arms business.²⁶⁶ In 1977 the U.S. permitted \$107 million in U.S. military aid to be used to produce the Israeli heavy tank, the Chariot (Merkava).²⁶⁷ Huge transfusions of cash, weapons, key American parts in Israeli weapons such as airplane engines, and the recent authorization of U.S. FMS aid to other countries to purchase Israeli-produced arms, an exception no other arms supplier enjoys, are all parts of U.S. aid.

Foreign aid, 75 to 80 percent from the United States, accounts for one half of Israel's gross national product. Israel must raise \$9 billion to \$11 billion in new funds in 1983 to cover its deficit and refinance debts.²⁶⁸ Thomas R. Stauffer adds that «commercial credit is available [to Israel] only by virtue of U.S. cash aid which permits pro-forma servicing of the debt. Without U.S. aid, these funds would quickly dry up».²⁶⁹ Israel has an

outstanding \$8 billion debt to the United States, but few expect this to be paid in anything but future aid. In fact, in 1983 the Reagan administration requested \$785 million in economic aid for Israel, but California Senator Alan Cranston, a presidential hopeful, moved to raise this to \$910 million, just enough to cover principal and interest payments on the Israeli debt.²⁷⁰ Israel's total foreign debt is \$20 billion to \$26 billion.²⁷¹ Israel's population, however, is shielded from crisis. Unemployment has remained at 5 percent since 1979, and real per-capita consumption continues to increase.²⁷²

But the giveaway which most directly affects Israel's arms sales, and allows bankrupt countries such as Honduras, El Salvador and Zaire to purchase Israeli arms, is a little-known clause in the secret November 1981 Memorandum of Understanding on Strategic Cooperation between the United States and Israel.²⁷³ Dean Fischer, of the U.S. State Department, explained that Article III, Section 2D of that agreement paves the way for «the possible use by third countries of American Foreign Military Sales credits to purchase Israeli defense items and service».²⁷⁴ U.S. domestic arms producers ought to be mounting strenuous protests. No other foreign country enjoys such a privilege.²⁷⁵

This agreement was temporarily suspended after the annexation of the Golan Heights but recent evidence indicates it has been back in force since the summer of 1982, perhaps a tacit admission by the United States government of its basic support for the invasion of Lebanon. In May 1982, the *Boston Globe* reported talks to revive the Memorandum of Understanding had begun. Later Department of Defense officials revealed that Israel and the United States had agreed «to implement economic elements contained in their suspended strategic cooperation agreement without formally reviving the accord». The agreement was to be completely reinstated in June 1982.²⁷⁶ One year later *Al Hamishmar* cited a story in the Italian *Manifesto* revealing that «Israeli combat pilots and military instructors are already in Honduras and everything is paid for by the U.S.A.».²⁷⁷

Israel's Role in U.S. International Strategy

Are the Israelis just good businessmen who found a market and filled it? Certainly they are making good profits from arms. Are the Israelis exemplary and principled warriors against the spread of communism as they, and their South African allies, like to portray themselves?²⁷⁸ It is true that they see themselves in this way. But there is much more involved, and we do not have to rely on speculation.

Ya'akov Meridor is a minister without portofolio, an economic adviser, in Begin's cabinet. Meridor made a proposal, called the Meridor Memorandum, which is part of the

«mutually understood» provisions of the Israeli-U.S. strategic agreement of 1981. Meridor summed up his ideas in *Ha'aretz* (August 1981): «We shall say to the Americans: Don't compete with us in Taiwan, don't compete with us in South Africa, don't compete with us in the Caribbean area, or in other areas in which we can sell weapons directly and where you can't operate in the open. Give us the opportunity to do this and trust us with sales of ammunition and military hardware. Let Israel act as your agent.»²⁷⁹

