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Israel's Multipurpose Defence Industry

Ekta Manhas

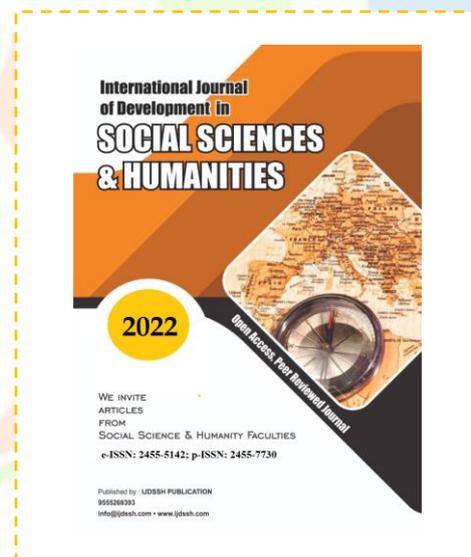
Ph D, Jawaharlal Nehru University, New Delhi

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ABSTRACT

Defence exports are a key component of Israeli foreign policy. Israel exports weapons for a diverse range of reasons. Since its independence, Israel has relied heavily on weapons sales for clandestine diplomatic efforts, exports, and internal defence. Through this diplomacy, Israel gained access to other nations' political and economic systems. This paper aims to understand the multifaceted Israeli defence industry and its role in its foreign policy.

Keywords: *Israel, Diplomacy, Defence Industry, Foreign Policy.*

INTRODUCTION

In Israel, the military has dominated society. The Israeli state is convinced that it requires a reliable domestic defence industry given the context underlying the country's establishment, its continuous history of hostility with its neighbours, its small size, and the challenges associated with different aspects of the arms procurement process. Israel's defence industry has gradually become one of the most popular import destinations and a major exporter in the international market, occupying the top spot among weapons suppliers. The technologically advanced defence sector now performs a wide range of direct and indirect roles for the state of Israel, including one of the largest employers of labour, a source of income through the export of defence products, and a provider of the country's own defence needs. This is undoubtedly a great accomplishment when equated to the other countries that gained independence in the

years following World War II. This is best explained by the convergence of two factors, internal and external. The former internal factors are the results of a combination of highly skilled workers, engineers, scientists, and favoured government policy that actively encouraged the production of weapons, while the latter include external support, initially from Europe (France and West Germany) up until 1967, and then from the US. This was supported by the continuous feeling of insecurity that arises from the hostile neighbourhood.

A HISTORY OF ISRAEL'S DEFENCE INDUSTRY

Israel's defence sector predates the establishment of the country when production was conducted in a modest, clandestine manner. The country's first defence company, Israel Military Industries (IMI or TAAS), was founded in 1933. It not only offered safety during the conflict with

the local Arab population but also had a significant impact on establishing the state in 1948. During this course, IMI provided the Israeli Haganah (defence) fighters with crucial arms supplies (Naaz, 2000).

After Israel was founded, factories and workshops were set up to meet the security needs of the new state. Most of these were overseen by the government. In 1952, the R & D section of the Ministry of Defence was set up. In 1958, it was separated into a separate agency called Rafael (the Armament Development Authority), and over time, it became the country's main organisation for research and innovation in defence. The Israeli Aircraft Industry grew out of Bedek, a company that began in 1953 to fix and improve airplanes. These manufacturers worked on improving and enhancing imported defence supplies in addition to producing their own. In the 1950s, the only things that were made were small arms and ammunition (Divir and Tisher, 2000: 195).

The need for a domestic arms industry first became apparent during the June 1967 conflict, when France, Israel's primary supplier, unilaterally placed an arms embargo. This necessity was further reinforced during the war of attrition with Egypt in the 1970s and 1973, when IDF weapons were running low on stock and even Israel's fundamental survival was in

jeopardy. After that, the US helped Israel when it was in trouble, but it also pushed Israel hard to build its own defence industry (Bahbah and Butler, 1986).

As a result, significant attempts to grow the defence industry were undertaken. Due to budgetary limitations, the primary discussion at the time was whether Israel could afford to dedicate vital resources toward the growth of its defence sector. In order to resolve this impasse in the purchase of arms, a dual-balanced strategy was eventually chosen, including the simultaneous investment in a technologically advanced domestic defence sector and the import of significant weapons whenever feasible and necessary. Following 1967, the US and Israel signed four significant defence cooperation and assistance agreements. The first of a series of agreements to replace Franco-Israeli defence cooperation was the Master Defence Data Exchange Agreement, signed in 1970. In November 1981, the US and Israel signed a second Memorandum of Understanding on strategic cooperation. In 1983, they took their cooperation one step further by forming the Joint Strategic Political-Military Group (Ibid.).

NATIONAL SECURITY AND THE ISRAELI DEFENCE INDUSTRY

In the case of Israel, the concept of security is distinct. This concept of security was

special because of the conditions under which it developed; the ongoing hostilities with its neighbours; geography; the experiences of the past; and the size of the nation. This sense of being different has become so much a part of Israeli culture that even the most analytical people talk about it (Merom, 1991:413).

Therefore, this idea of exceptional security leads to a robust and self-sufficient defence sector. The feelings of vulnerability and this exceptionalism have been strengthened when issues arise as a result of the reliance on outside suppliers for defence procurement. For instance, the French embargo, which was enacted immediately after the 1967 conflict, increased the need for an independent manufacturing economy. Israel's military is its most significant component. It pervades every aspect of society via the process of conscription. The military's role in Israel extends beyond border management and includes social, economic, and political impact. As a result, "militaristic culture" and "militaristic politics" have become important factors in the consolidation of this security paradigm (Barak and Sheffer, 2006).

Israel had a sense of vulnerability during the 1973 Egyptian onslaught as IDF weapons were running low and even Israel's existence was in question. The US then provided aid to Israel in its time of need, but it also strongly

encouraged Israel to develop its own defence industry. Due to its expediency, even the development of nuclear capacity was significant and was created as a backup in case of severe circumstances (cited in Jacob, 2009).

Furthermore, Israel and its neighbours continue to have a hostile relationship. Since Israel had the ability to react in a comparable quantitative manner during the 1973 war, the technologically oriented industry (qualitative) was the ideal strategic response. The Arab governments began major military acquisitions as a result of rising petrodollar revenue. Israel's leaders thought they could only afford a smart and short war, so they put a lot of emphasis on technology. Even though the defence industry has undergone some privatisation, the government still controls 65% of the market. Over time, however, the percentage of private companies has progressively risen.

THE ECONOMIC CALCULUS OF THE ISRAELI DEFENCE INDUSTRY

The Israeli economy greatly depends on the production of arms in terms of creating employment, income, and exports. Neither the natural resources nor the industrial base are in abundance. However, it has successfully attracted investors from outside owing to the greatest degree of human capital development and a technologically oriented

approach. (DeRouen, 2000: 72). Although Israel's defence industry is constrained to focusing on national security, it has also expanded its responsibilities to include managing the nation's economy and affecting the state's policy outcomes.

Additionally, the manufacture of arms contributes significantly to a nation's overall industrial output. By the middle of the 1980s, half of all industrial investments in the country were in the defence sector (Mintz and Ward, 1989). Over time, there has been a noticeable increase in the number of people engaged in the defence business. The number increased from 5000 in the 1950s to 15,000 by the middle of the 1960s, quadrupled from 1967 to 1975, and then increased by 50% from 1975 to 1985 (Divir and Tisher 2000). In 1975 alone, Israel's military expenditure was 30.5 percent of its total GDP (World Bank, 2021).

ARMS EXPORT AND DIPLOMACY

During the Cold War, the sale of arms was a crucial political and strategic tool. Arms sales are much more than just a financial transaction, a military alliance, or an issue with arms control. Arms sales are a major aspect of foreign policy (Pierre 1981: 266-67). This has been true in the case of Israel as well. Israeli arms exports have a number of different, multifaceted goals. Arms sales were essential to Israel's covert diplomatic

activities in addition to generating income via exports and meeting internal defence needs. Because of arms diplomacy, Israel was able to achieve political and economic accessibility. The outcome of armament diplomacy initiatives has been relationships with China, India, South Africa, and Turkey.

In the case of India, extensive partnerships have developed during the last 20 years, notably in the area of defence, as a result of India and Israel establishing full diplomatic relations in 1992. Before this, Israel had supplied arms to India in 1962, 1965, and 1971 (Wald and Kandel, 2017). In the post-1992 period, Israel's defence supplies helped India during the 1999 Kargil invasion of Pakistan. Israel is now one of the leading suppliers of defence equipment to India. Israel has completely taken advantage of the opportunities presented by the Indian Army's modernization effort. Defence cooperation has expanded beyond the provision of weapons into other areas, such as the fight against terrorism and joint training. After the latter lost its market in Turkey in 2011, India has also grown to be a significant market for Israeli weapons. In the middle of the 2000s, Israel was unable to engage with China due to US pressure over the Harpy surveillance aircraft purchase dispute. During 1992–2021, Israel's arms exports to India amounted to \$ 4426 million (SIPRI n.a).

On the same foundation, ties between Israel and South Africa have also prospered. In the late 1960s, there were several commercial, weapons, and military training exchanges between the two. Even so, there were covert ties when Israel supported South Africa during the UN embargo in 1963 and South Africa supported Israel during the crisis surrounding the French embargo in 1967. At the same time, Israel reaped substantial profits through weapons exports, while South Africa acquired accessibility to cutting-edge armament at a period when everyone else was turning against the apartheid regime. In addition, Israel also assisted the South African nuclear programme in the 1970s (Suransky, 2010). Furthermore, the arms sales to countries having no formal relations have enabled Israel to maintain a high level of dialogue, as seen in the case of Indonesia and Somalia. Recognition has always been a problem for Israel. Many countries have recognised and then severed diplomatic relations with Israel; the best example cited in this case is Israel and African countries. Israel's military exports to African countries were driven by political, diplomatic, and military objectives.

The potential leakage and negative impact of arms transfers have been recognised by Israel. Therefore, the Israeli Ministry of Foreign Affairs is involved in the arms

export licencing process. But practically, the licencing process has been inversely taken by the government because the exports have been considered important for the survival of the Israeli defence industry, which in turn has implications for the survival of Israel. Until 2007, arms import controls lay mainly with SIBAT, which, apart from managing sales and exports, helps Israel to access markets and sell surplus equipment. In December 2007, the new defence export control came into effect that separated export control authority and other managing issues from SIBAT.

THE LIABILITY DEBATE IN THE ISRAELI DEFENCE INDUSTRY

It's not only that Israel's defence industry has only positive sides. Israel's defence budget accounts for a higher share of its total GDP. There has been debate about it (the defence industry) being a liability to the country's economy, mainly on the logic that whether a country's domestic resources are overtly invested in one field. The defence budget in recent decades has fallen to a total percentage of GDP as compared to the 1960s. As Professor Omer Moav, chairman of the Israeli Council of Economic Advisers, has pointed out in a statement, "The Ministry of Finance and all the economists who are members of the Council of Economic Advisers agree that the defence budget is too

large for the country, and jeopardises the Israeli economy" (cited in Even, 2010: 37).

The economic slump in the late 1980s and early 1990s created a severe challenge to the country's defence industry. During this time, the IDF chose to purchase US-made weaponry under the US Foreign Military Financing Program. Since 1999, the IDF has shifted an increasing portion of its domestic expenditure—including low-tech items such as boots, uniforms, and rations—to equipment manufactured in the United States since it can be paid for with US dollars. (Neuman, 2010:122).

CONCLUSION

Domestic defence industry production has lowered the amount of reliance on external suppliers for weaponry (despite the fact that the primary destination of Israeli defence goods is overseas markets), and has cut the cost of foreign currency in the case of imports. Apart from being a financial generator, it has also indirectly aided Israel's diplomatic efforts. However, being a large GDP consumer in comparison to other countries, the primary argument about its significance has arisen. However, a difficulty still surrounds this argument, which stems from previous experiences, and this conflict may be resolved by giving greater freedom to private participants in the entire production.

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