

US Military Aid – Still a Strategic Asset for Israel

Shmuel Even

US military aid contributes greatly to Israel's security, but also imposes restrictions. Opinions (unofficial ones) are occasionally expressed in Israel arguing that the time may have come for the country to stand on its own two feet and voluntarily forgo this military aid for the sake of its independent image and in order to reduce the possibility of the United States exerting pressure on it. Moreover they argue that the annual US aid accounts for only 1 percent of Israel's GDP and Israel has already relinquished economic aid from the United States in the past. This article examines the pros and cons of US military aid to Israel, and concludes that the advantages of the aid clearly outweigh its disadvantages.

US Military Aid to Israel – Principal Data

Military aid is the main resource for the IDF's force build-up. It is provided in two frameworks: the foreign military financing (FMF) program and the US Department of Defense's share in the financing of joint projects, involving mainly anti-missile defense. Israel also receives special military grants on a need-to basis.¹ In addition, the United States permits Israel to use stocks of American weapons in Israel in wartime. This option expands the inventory available to Israel. Furthermore, the local industries are included in the production of American arms designated for Israel, and American companies carry out reciprocal procurement from Israeli industries (although the aid MOUs do not require this). For example, as part of the procurement

Dr. Shmuel Even is a senior research fellow at the Institute for National Security Studies.

agreements for Adir (F-35) stealth aircraft, the Americans agreed to procure equipment from Israeli companies participating in production of the aircraft.²

The third 10-year aid program (2019-2028) began in the 2019 American fiscal year. The program includes \$3.8 billion in aid per year: \$3.3 billion in FMF and \$500 million in the Department of Defense's share in joint projects. The various types of military aid allocations in 2009-2018 and the plan in 2019-2028 (as agreed in the 2016 MOU) are outlined in Table 1 below.

According to the MOU figures,³ the 2019-2028 program is distinguishable from its predecessor (2008-2018) mainly in the following ways:

1. FMF increased from \$30 billion in the preceding decade to \$33 billion in the new decade; from \$3.1 billion in 2018 to \$3.3 billion starting in 2019. It can be assumed that the nominal increase is designed to counteract the effect of inflation on the value of the aid, but no more than that.
2. The part of the aid that Israel can convert into shekels for the purpose of procurement from its domestic industries will gradually fall from \$815 million in 2019 to zero in 2028 (a steep decrease is scheduled to begin in 2025). The part of the aid in dollars that Israel can spend in the United States will correspondingly increase.
3. American funding for joint projects of Israel and the US Department of Defense was set at \$500 million a year, and made part of the 10-year aid package for the first time. The US now regards this financing as part of the aid package, not merely a partnership in funding development and production of weapons. Table 2 lists this American aid according to joint projects in 2009-2018.
4. There is an understanding that the American aid is not meant for the purchase of refined oil products from the United States. This clause also increases the financial constraint in shekels on the defense budget in Israel.

Table 1: US military aid allocations to Israel in 2009-2028 (US\$ millions)

US fiscal year	Aid for procurement in the United States	Aid converted into shekels	Total FMF	American share of funding for joint missile interception projects	Total
2009	1,879	671	2,550	177	2,727
2010	2,045	730	2,775	202	2,977
2011	2,211	789	3,000	415	3,415
2012	2,266	809	3,075	306	3,381
2013 ⁴	2,169	774	2,943	447	3,390
2014	2,285	815	3,100	729	3,829
2015	2,285	815	3,100	620	3,720
2016	2,285	815	3,100	488	3,588
2017	2,285	815	3,100	601	3,701
2018	2,285	815	3,100	706	3,806
Total for the decade	21,995	7,848	29,843	4,691	34,534
2019	2,485	815	3,300	500	3,800
2020	2,495	805	3,300	500	3,800
2021	2,505	795	3,300	500	3,800
2022	2,515	785	3,300	500	3,800
2023	2,525	775	3,300	500	3,800
2024	2,575	725	3,300	500	3,800
2025	2,850	450	3,300	500	3,800
2026	3,050	250	3,300	500	3,800
2027	3,050	250	3,300	500	3,800
2028	3,300	0	3,300	500	3,800
Total for the decade	27,350	5,650	33,000	5,000	38,000

Source: Congressional Research Service⁵ and the Israel defense budget⁶

Table 2: US funding for joint missile interception projects (US\$ millions)

US fiscal year	Arrow 1,2,3	David's Sling	Iron Dome	Total
2009	104.3	72.9		177.2
2010	122.3	80.1		202.4
2011	125.4	84.7	205.0	415.1
2012	125.2	110.5	70.0	305.7
2013	115.5	137.5	194.0	447.0
2014	119.1	149.7	460.3	729.1
2015	130.9	137.9	351.0	619.8
2016	146.1	286.5	55.0	487.6
2017	272.2	266.5	62.0	600.7
2018	392.3	221.5	92.0	705.8
2019	243	187	70	500

Source: Congressional Research Service⁷

The US Rationale for Military Aid to Israel

Since the Yom Kippur War, American defense aid to Israel has been given in large amounts as an integral part of the relationship between the two countries, which has become stronger. American aid is not given as an act of kindness or because of short-term give-and-take considerations. It is part of a common long-term strategy, based on the need for the superpower to enhance its power as an ally; the identification of American citizens and leaders with Israel and its values, as reflected in the support for Israel in Congress; and the common threats facing the two countries: terrorism, cybersecurity threats, Iran and the regime of Saddam Hussein in Iraq, and past intervention in the Middle East by the Soviet Union.

For many years, the United States has viewed Israel as a major non-NATO ally (MNNA). Aid to Israel can be considered something of an alternative to US support for its NATO allies – an alternative preferable for both countries. In contrast to other allies, the US does not station military forces in Israel, and Israel's defense is not dependent on American forces.

The American concern about Israel's security as an important ally is also reflected in one of the guiding principles of US policy on this question:

maintaining Israel's qualitative military edge (QME) over its possible enemies in the Middle East. In 2008, the US Congress defined QME in the context of Israel as “[Israel’s] ability to counter and defeat any credible conventional military threat from any individual state or possible coalition of states or from non-state actors, while sustaining minimal damage and casualties, through the use of superior military means, possessed in sufficient quantity, including weapons, command, control, communication, intelligence surveillance, and reconnaissance capabilities that in their technical characteristics are superior in capability to those of such other individual or possible coalition of states or non-state actors.”⁸ Application of this principle is reflected in the volume and quality of the arms supplied to Israel and the aid terms, including 10-year agreements, and in monitoring of American arms exports to partners of the United States in the Arab world in coordination with Israel. Congress also resolved that every sale of American arms liable to detract from Israel's QME must be reported to Congress.

Israel heads the list of countries receiving FMF. It should be kept in mind, however, that the countries benefiting directly from American defense are not on this list (such as members of NATO, whose defense is guaranteed by the United States, including the stationing of military forces on their territory). As of 2018, defense spending by the US totaled \$649 billion, 3.2 percent of its GDP.⁹ Through this spending the US in effect subsidizes the defense of its allies in Europe, some of whom do not meet the defense spending target of 2 percent of GDP to which NATO countries are committed. American aid to Israel can therefore be seen as a way for the US to help defend an ally in a way that differs from how it supports NATO countries. It should be noted in this context that spending on defense consumption in Israel amounted to 5.1 percent of GDP in 2018, or 4.1 percent of economic resources, excluding all types of American aid.

The relationship between Israel and the United States also promotes other American interests. For example, Israel is a strategic partner that gives the US a foothold in the region, and gives it a key role in promoting diplomatic processes in the Israeli-Arab conflict, even though Israel does not subordinate its policy to US' wishes, as can be seen by the dispute with the Obama administration on construction in the territories and on the nuclear agreement with Iran. Furthermore, the two countries cooperate in a range of areas. In defense, this extends to cooperation on intelligence,

technology, lessons from the use of American arms, and training. In addition, the American arms industries benefit from regular demand for their output from the IDF, which is a consumer with a considerable reputation in the global arms market.

Advantages of the Aid to Israel

American aid constitutes a strategic defense asset for Israel. Its advantages are as follows:

1. It makes an enormous quantitative and qualitative contribution to the IDF's force build-up. In the test of time, the American arms that Israel has received have been superior to the Soviet arms possessed by Israel's enemies.
2. Since 1999, aid has been provided through multi-year programs at 10-year intervals. This provides the IDF with regular access to high-quality American arms, the ability to conduct long-term planning in force build-up, and improved procurement terms. For American arms industries, the 10-year framework provides financial security for long-term orders. Had it not been for the aid, it is very doubtful whether Israel would have been able to commit itself to such long-term procurement programs with the American industries from the Israeli state budget.
3. The aid is a concrete expression of the strong and continuous commitment to Israel's security by the United States. This is also known to have a deterrent effect on Israeli's enemies. The aid is derived from the QME principle, and without the aid, the US would find it difficult to put into effect this principle, which also includes consideration for Israel's views concerning exports of American arms to the Middle East.
4. Backing in emergencies – the aid is increased during defense crises, as was the case during the second intifada. At the same time, an increase in aid requires a special approval process.
5. The American contribution to Israel's heavy defense spending, which is unequalled in the Western world in terms of the ratio of defense spending to GDP and government spending. According to estimates for 2019, military aid accounts for 20 percent of spending on defense consumption in Israel.¹⁰ In comparison with GDP, the aid is only about 1 percent per annum but this is a significant amount in comparison with GDP growth, given that GDP growth net of population growth in Israel is less than 1.5

percent. Without the aid, Israel would have to devote additional resources to defense at the expense of civilian needs, and/or accept a higher level of defense risk. Israel's current economic situation is better than it was in previous decades, but should not be overestimated (per capita GDP in Israel is lower than the OECD average). Israel still needs aid in order to bear the economic burden of defense at the current level of risk.

6. The great contribution to Israel's defense industries, including:
 - a. Revenue for industries from IDF procurement, some of which is funded through conversion to shekels from the FMF program (this conversion will end in 2027);
 - b. Inclusion of output from Israeli industries in American weapons systems produced for the IDF (for example, the installing of auxiliary systems made by Israeli firms in arms manufactured in the US); and
 - c. Inclusion of components from the US purchased with aid money in arms produced for the IDF by Israeli industry.

In addition, the US Department of Defense helps fund joint projects, the most important of which are the production of anti-missile systems by Israeli enterprises. Notice should also be taken of reciprocal procurement by the US, even though American industry has no obligation to conduct any reciprocal procurement under the aid agreement. Industrial cooperation with companies in the US contributes to the adoption of advanced weapons production standards, and is likely to contribute to development of new technologies and products by the Israeli defense industry.

7. Military aid is an integral part of American assistance to Israel, which includes strong United States diplomatic support for Israel.

Limitations and Disadvantages of the Aid

1. Aid increases Israel's strategic dependence on the United States, and potential misuse of this dependence by the US. Views are occasionally expressed in the US calling for utilization of the aid to exert political pressure on Israel with respect to Israeli policy in the West Bank, or demanding that Israel behave according to the aid that it receives. Such views, which run contrary to the spirit of the aid, were expressed in late 2019 by two of the candidates for the Democratic nomination for president.¹¹ These views appear to be part of the internal political strife in the US, given President Donald Trump's close relations with Israel's Prime

Minister Benjamin Netanyahu. Another example was an expectation by the US of a change of Israel's attitude towards Chinese activity in Israel, after which Israel decided in late 2019 to set up an advisory committee to consider the national security aspect in the process of approving foreign investments.¹² At the same time, the US is in no hurry to use aid as a means of exerting pressure. Even in the past, when it cut its economic guarantees to Israel because of construction in Jewish settlements in the West Bank and Gaza Strip, the cutback was limited and ineffective. President Barack Obama also refrained from touching the new military aid MOU (2019-2028) formulated in 2016, despite sharp disagreements with the Israeli leadership on the issue of the Iranian nuclear program and Israel's policy in the West Bank. No evidence has been found to support claims made in Israel and the United States that Israel could have obtained much more aid had it not been for the tension prevailing at the time between the leaders of the two countries.¹³

2. Aid has a restrictive effect on the Israeli defense industries, because most of Israel's defense needs are supplied by American industries according to the aid terms, and also because Israel has to take into account the wishes of the United States when exporting arms from Israel, which restricts the export markets for Israel's defense industries. This effect, which originates with the IDF being forced to procure weapons in the US, is expected to be augmented with the gradual reduction of the option to convert aid dollars to shekels from \$815 million in 2019 to zero in 2028.
3. The aid gives the American administration justification for selling advanced weapons to Arab armies, which affects the potential balance of power in the region. At the same time, it appears that these arms sales motivated the administration to supply the most advanced weapons to Israel in order to comply with the QME principle, which alleviates this disadvantage.

Summary and Recommendations for Israel

The sum of the advantages of American military foreign aid outweighs the total disadvantages. The main reasons for maintaining the aid framework are as follows:

1. Assuming that Israel will find it hard to allocate rigid and long-term procurement frameworks from its budget on a scale similar to that

provided by the military aid, the volume, regularity, and availability of American weapons systems for the IDF could be negatively affected in the long term.

2. The aid applies the QME principle, without which the US will have difficulty preserving Israel's qualitative military edge, an edge based on both military aid to Israel and control of American arms exports to other countries in the Middle East. For example, in the absence of aid guaranteeing American long-term production lines, the American industries may increase their pressure on the government to supply advanced arms to other countries in the region.
3. Expectations that termination of the aid will substantially reduce Israel's strategic dependence on the US are likely to be proved wrong. Even without the aid, Israel's political and security dependence on the US will remain great. For example, Israel will need both protection from the United States in decisions taken by international institutions and its willingness to sell the most advanced weapons to Israel. The United States has other means of exerting pressure on Israel. For example, on December 23, 2016, three months after the current aid MOU program was signed, towards the end of his term, President Obama decided to refrain from vetoing an anti-Israeli resolution by the UN Security Council against the Jewish settlements in the West Bank, reversing US policy up until then. It is hard to envision strategic scenarios in which waiving aid will increase Israel's freedom of action vis-à-vis the United States.
4. Rejecting the aid (about NIS 140 billion over a decade) will have a major impact on Israel's defense budgets, which will be cut, together with civilian budgets. The security risks that Israel bears will increase. Tension between the Ministry of Finance and the Ministry of Defense in Israel will rise, because the procurement budget will come exclusively from state resources. The likelihood of government approval for a multi-year plan for the IDF backed by an agreed-upon budget outline will be reduced.
5. The current aid program (2019-2028) already represents a decline in the economic aspect of military aid, reflected in the more stringent economic terms for the aid, especially the gradual reduction in conversion of aid from dollars into shekels, until it is completely eliminated in 2028 and the understandings that the aid is not designated for the purchase of refined oil products in the United States. From a strictly economic perspective,

these steps, which were taken with Israel's consent, can be seen as a continuation of the terminated economic grants from 2008 (at that time, Israel read the map correctly and forwent them at its own initiative). Although, to date, the reduced scope of American economic aid is justified in light of Israel's improved economic situation from the 2000s, the per capita GDP in Israel is still below the average in developed countries, though Israel alone faces more serious threats. Therefore, Israel would be better off avoiding initiatives with long-term security implications that are largely based on optimistic economic assumptions, such as the issue of aid waivers.

6. US aid to Israel is part of the pattern of strategic relations between the two countries that serve their mutual interests. The United States also derives considerable benefit from these ties.

In the 2019-2028 aid program, preparations for the drastic change in aid conversion to shekels starting in 2025 should begin now, with efforts made on several fronts simultaneously:

- Local financing for the survival and development of unique defense industries in order to preserve strategically important research and development and key industry personnel;
- Assistance for local companies in expanding exports;
- Consideration of mergers in the industry in order to attain economies of scale;
- Including Israeli companies in procurement orders from American companies;
- Closer cooperation with American companies and moving production units and subsidiaries of Israeli companies to the United States;
- Encouraging reciprocal procurement by American companies, even though the American companies are under no obligation in this matter;
- Aid in converting production lines and personnel from defense to civilian production; and
- Assistance in public relations and aid for small companies.¹⁴

Israel's strategic partnership with the United States has a price that is not due exclusively to defense aid, but to the very fact that Israel is a strategic partner of the US. In that role, it must continue showing sensitivity for American

defense and political interests. Israel's contribution as an ally to the security of the US in foreign affairs and defense can be mentioned occasionally (a strategic foothold, leading diplomatic processes, intelligence and military lessons, defense cooperation in counter-terrorism and Iran). Israel should continue to shape the relationship between the two countries in line with long-term considerations.

As for those in the US who advocate making military aid to Israel contingent on its policy towards the Palestinians, Israel should make it clear that the strategic relationship is deeply rooted, multi-faceted, and long-term (the 10-year MOU shows this), while these advocates are trying to portray the relationship as being merely give-and-take, i.e., shallow and one-dimensional. These views clash with Israel's independence and democratic character; conditioning the aid constitutes interference in Israel's relations with the Palestinians, which comprise a fundamental national security – and politically controversial – issue in Israel. At the same time, it is impossible to ignore the fact that these views were pronounced by leading figures in the Democratic Party, who in the future are likely to affect the amount of aid granted to Israel or the terms for receiving it – especially if one of them is selected as the candidate for the presidency. Nor can the integrity of the aid and its future terms be taken for granted from the Republican Party, given the view espoused by President Trump that the US should reduce the amount of resources it spends on defending other countries.

Israel should not retreat from conflicts with the United States on matters of importance to its national security, but it should examine each case individually, while keeping the interests of the US and long-term considerations in mind. In any case, it is best for Israel to maintain a balanced attitude in its relations with both American political parties, as befits the deeply rooted ties between the two countries, and not only with respect to foreign aid.

Notes

- 1 For example, at the height of the second intifada in 2003, Israel was allocated an additional \$1 billion grant.
- 2 Jim Zanotti, "Israel: Background and U.S. Relations," Congressional Research Service, October 28, 2016, p. 25, <https://www.hsdl.org/?view&did=796700>.
- 3 Zanotti, p. 24.

- 4 The figures are after a cut of \$157 million (out of a \$3.1 billion total), due to an across-the-board cut in the American budget in March 2013.
- 5 Jeremy M. Sharp, “U.S. Foreign Aid to Israel,” Congressional Research Service: December 22, 2016 edition; April 10, 2018 edition; August 7, 2019 edition.
- 6 Proposed Defense Budget for 2017-2018, Non-Classified Items, October 2016, p. 33.
- 7 Jeremy M. Sharp, “U.S. Foreign Aid to Israel,” Congressional Research Service, August 7, 2019, <https://fas.org/sgp/crs/mideast/RL33222.pdf>.
- 8 Jeremy M. Sharp, “U.S. Foreign Aid to Israel,” Congressional Research Service: December 22, 2016, p. 2, <https://emetnews.org/documents/us-foreign-aid-to-israel-2016.pdf>.
- 9 US Office of Management and Budget, Historical Tables, Table 5.1, <https://www.whitehouse.gov/omb/historical-tables>.
- 10 The concept of defense consumption includes spending on the Mossad and the General Security Service, but does not include spending by the Ministry of Defense on pensions for retirees and family rehabilitation departments.
- 11 Amir Tibon, “Military Aid to Israel Becomes New Battleground in Democratic Party,” *Haaretz*, October 30, 2019, <https://www.haaretz.com/us-news/.premium-military-aid-to-israel-becomes-new-battleground-for-2020-democratic-candidates-1.8058113>.
- 12 Doron Ella, “A Regulatory Mechanism to Oversee Foreign Investment in Israel: Security Ramifications,” *INSS Insight*, No. 1229, November 19, 2019.
- 13 See the article in this Memorandum by Daniel Shapiro, who was Ambassador to Israel at the time.
- 14 These solutions were raised in discussions by the defense industries research team at INSS.