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for lunch *Notation* *Notation of Israel*



AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

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Steven J. Rosen
Director of Research
and Information

sharing costs - is an idea
give used equipment
leasing
picking up sharing costs *AWACS* 2 September 1986

Mr. Amos Eiran
63 Shalva Street
Herzilia 46662

Dear Amos:

Greetings and salutations! I hope that this finds you in good spirits and good health. It has been too long since we have seen you.

I am writing urgently, because as you well know the Defense Minister is involved in a dialogue with the U.S. DOD about "equal treatment for a major non-NATO ally." He has been raising the question why Israel should be less well treated than Greece, when it is in fact a better and more reliable ally.

We have been looking into this very matter of unequal treatment, and there are a number of ideas that might be of interest to Mr. Rabin and his staff, beyond those on which they are focussed. I'm taking the liberty of writing to you about it on the chance that you'll find some of these ideas interesting enough to bring to their attention.

The mechanisms by which the United States shares the burden of defense with its NATO allies are many and complex. The largest and most numerous programs involve the stationing of U.S. armed forces on allied territory. These investments dwarf the scale of U.S. aid to Israel, but we have assumed that they are not directly relevant because Israel does not seek the involvement of U.S. troops in its own defense. There are, however, within the U.S. Defense budget a number of other programs under which the United States Department of Defense provides financial and material support for equipment and facilities used primarily by the armed forces of allied countries on their own territories. These programs are not well understood in Israel, but they could have direct relevance to U.S.-Israel strategic cooperation as we go down the road. I have discussed some of these ideas with Amos Yaron (the new Defense Attache at the Embassy here) and Pinhas Dror (the Embassy's new Economics Minister). But if you see any merit in them, you could help to bring new ideas on equal treatment and burden-sharing to the attention of the Prime Minister and the Defense Minister more quickly.

Most of the current discussion of equal treatment focusses on how Israel buys and sells defense articles and services from and to the United States, and specifically two things: (1) obtaining the waiver of charges for non-recurring costs that NATO countries enjoy under section 21(e) of the Arms Export Control Act; and (2) being treated more equally to NATO countries, as promised by the 1984 Memorandum of Agreement on bidding for U.S. DOD contracts, for example by being allowed to bid on F-100 engine overhauls

under the European Workload Program as Israeli firms are already permitted to bid on F-4 component work under the same program. The stakes on these two issues alone are many millions of dollars.

But there are other ideas on which attention has not yet focussed in Israel, and some of these involve programs buried in obscure places in the U.S. bureaucracy. The most promising of these, in my opinion, is the example of the U.S. contribution to the NATO Infrastructure Program, under which the United States Department of Defense makes direct contributions to allied Ministries of Defense to help pay for facilities used by the armed forces of these allied countries. This program has existed since 1951, and the United States now contributes to it about \$350 million per year. Greece has received from it over \$1.2 billion, and Turkey over \$1.8 billion. It should be stressed that this is over and above the "foreign aid" (FMS grants and loans) received by the same countries, and that the Program applies mainly to facilities used by the ally's armed forces--not the U.S. forces stationed in these countries.

Over the years, the NATO Infrastructure Program has provided common funding of 200 airfields, over 200 SAM batteries, 31,000 miles of communications lines and cables, 6,300 miles of fuel pipelines, and 2 million cubic meters of fuel storage, in NATO European countries. The categories currently eligible for funding include: airfields, runways, and shelters; military communications (including satellite) systems; naval bases; air and sea early warning; air defense ground environment; SAM sites; prepositioning and supplies; training; and POL pipelines and fuel. Unlike foreign aid grants under the FMS and ESF programs, which normally must be spent in the United States, U.S. funds given to allied Ministries of Defense under the NATO Infrastructure Program are contracted directly to their own providers by the allied Ministries, without restriction.

The U.S. share of the Program is 27%. If the Greeks add a runway to a Greek airbase under the Program, the U.S. pays 27% of the cost. Nearby, if Israel adds a runway at Hatzor, it currently must be financed exclusively out of domestic Israeli funds. Yet the Israeli base may more reliably and more credibly contribute to deterrence of Soviet and Soviet-allied aggression than the Greek one. Surely this is an example of unequal treatment of a major non-NATO ally.

As to scale, Greece and Turkey apparently receive something on the order of \$50 million per year each from the United States under the NATO Infrastructure Program. A new Program applying the same benefits to Israel, but one-tenth the size of the U.S. contribution to the NATO Infrastructure Program, would come to about \$35 million per year. I believe that this idea merits the Defense Minister's attention.

A second program that benefits the Greek and Turkish armed forces but not Israel is the direct transfer of surplus U.S. equipment from U.S. military stocks to the armed forces of these countries at no cost to them. Everything from tanks and artillery to destroyers and submarines has been given to these two allies in this way. The total value of items given to Turkey alone has been estimated to exceed \$500 million. The defense authorization bill that just passed the Senate (S.2638) includes a provision (Section 1205) permitting the President to transfer "without cost to the recipient...such defense equipment as the President determines may help modernize the defense capabilities" of

countries on the southern flank of NATO, provided that such transfers do not have an adverse impact on the armed forces of the United States. It should be stressed again that this program is outside the normal security assistance program (indeed, some in the security assistance bureaucracy don't like it for exactly this reason).

Some of this excess equipment would be less useful to Israel, which must meet higher standards to survive. But in this period of austerity and deep cuts, the IDF surely would find some items of value in categories that do not require the latest technology.

A third example of burden-sharing in U.S. defense programs is the practice of leasing military equipment in cases where "a proposed sale may not be feasible because the recipient is...financially unable to buy the defense articles..." as a DOD statement describes the practice. Statutory authority for leasing military equipment is provided by Title 10 of the United States Code, Section 2667 ("Leases: non-excess property"), which states: "Whenever the Secretary of a military department considers it advantageous to the United States, he may lease to such lessee and upon such terms as he considers will promote the national defense or be in the public interest" items that are "not for the time needed for public use, and not excess property..." Under this program, Turkey has received under lease submarines and surface ships; Denmark, multiple ejection racks for F-16s; Norway, equipment associated with the NAVSTAR satellite global prepositioning system; and Pakistan, over 50 T-37 trainer aircraft. Examples of over sixty leases, including more than 160 ships, were provided in lists given by DOD to Congress in 1973 and 1980. Section 2667 gives very broad authority to the service secretaries, and in practice the potential limitations on leasing to Israel will have less to do with the law than with the availability of items sought by Israel and the willingness of the U.S. authorities to engage in the practice.

A fourth example of mechanisms for burden-sharing in the U.S. defense budget, is the way the U.S. contributes to acquisition, operation, and support of AWACS aircraft owned by NATO (as distinguished from AWACS owned by the U.S. Air Force). In this case, the United States has made a multibillion dollar investment through the Air Force (for acquisition) and Army (for operation and support) budgets, for equipment and facilities whose ownership and management are not under the sovereign authority of the United States. NATO has purchased, under its collective name, eighteen AWACS aircraft, to provide early warning over the European landmass and surrounding waters. Under a 1978 Multilateral Memorandum of Understanding, the United States has undertaken to contribute 42% of the cost of acquiring the aircraft, creating a main operating base in Germany as well as four forward operating bases (one at Preveza, Greece), modifying the existing NADGE air defense systems to interface with AWACS, and other fixed installations. The U.S. has also waived \$300 million in R&D recoupment charges that would otherwise apply to such a sale, in addition to its contribution of over \$1.3 billion to the acquisition program. Finally, the U.S. has undertaken to provide 42% of the operation and support costs of the aircraft, which now comes to an annual cost of about \$100 million.

A case could be made that we have here an example of unequal treatment. When a NATO AWACS flies out of Greece to conduct surveillance of Soviet and Soviet-allied aircraft in the Eastern Mediterranean, the U.S. pays

42% of the cost; but when a Hawkeye E-2C "mini-AWACS" flies out of Israel to monitor the same adversary aircraft, Israel pays the whole operational expense.

Beyond this comparison, the example of the U.S. contribution to the NATO AWACS program could be relevant to Israel in analogous future programs as strategic cooperation continues to expand. For example, there could be a joint anti-submarine surveillance program, in which Israel contributes the vessels and the U.S. contributes the towed arrays. Or a jointly funded system of over-the-horizon and other radars; satellite ground stations; or other facilities of common value to the U.S. and Israel.

These four examples (the NATO Infrastructure Program; the free transfer of excess defense items; leasing of non-excess equipment; and the NATO AWACS program) illustrate some ways that the U.S. shares the burden with its NATO allies that are not applied to Israel. Some of this might be of value to the Defense Minister and the Prime Minister as they explore the theme of "equal treatment." I am thankful that you will share it with them, and of course can provide additional material if this is desired. At Guil Glazer's request, I'm also passing these ideas along to Michael Harish and Hayim Ben Shazar.

Hoping to see you soon,

A handwritten signature in cursive script, appearing to read "Steve".