

MEMO

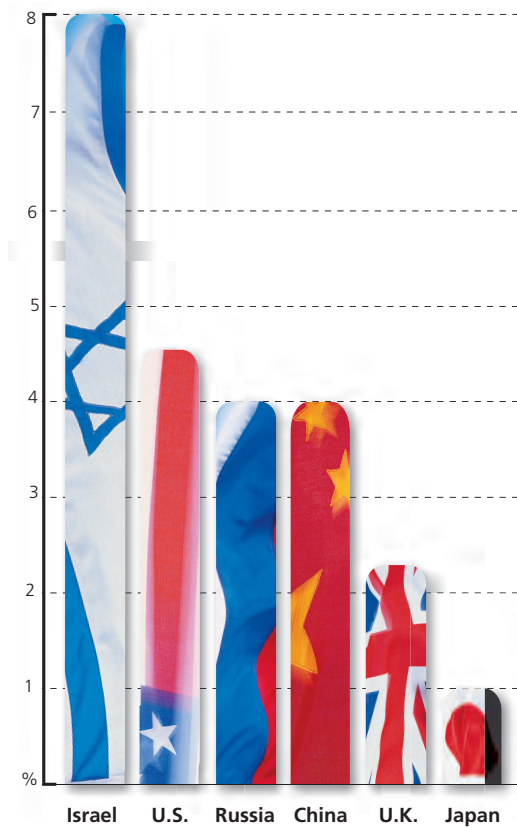
August 2008

Boost in U.S. Aid to Israel Vital Amid Increasing Threats

The U.S.-Israel alliance remains more critical than ever as the two countries face an unprecedented array of shared threats. From a potential nuclear-armed Iran to the expanding military capabilities of the terrorist groups Hamas and Hizballah, Israel is finding it increasingly difficult—and expensive—to meet these challenges. Implementation of a 2007 U.S.-Israeli security agreement, which pledges to provide Israel with \$30 billion in military assistance during the next decade, is vital to ensuring that Israel maintains its qualitative military edge over those adversaries that threaten the Jewish state and actively work to undermine U.S. interests in the region.

The United States and Israel are facing an unprecedented array of threats, ranging from the build-up of terrorist armies to a potential nuclear-armed Iran.

Defense Spending as Percentage of GDP



Israel spends more on defense as a percentage of gross domestic product than any other major industrialized nation.

- Iran—whose leadership calls for Israel’s destruction and for a world without the United States—continues to advance its uranium enrichment efforts and could have a nuclear weapons capability as early as next year.
- Iran has an arsenal of sophisticated Shihab missiles that can hit Israel, U.S. forces in the region and parts of Europe, and could acquire intercontinental ballistic missiles that can strike the United States within the next decade.
- Tehran also plays a destabilizing role in the region through its continued support of terrorist groups that are threatening Israel and working to undermine U.S. efforts in the region, from Israeli-Palestinian talks to Lebanon to Iraq.
- Hamas—which violently took control of Gaza in June 2007—is transforming itself into a terrorist army and has carried out with other terrorist groups more than 4,000 rocket and mortar attacks on Israeli civilians, undermining U.S.-backed Israeli-Palestinian negotiations.
- Hizballah, backed by Iran and Syria, has restored and enhanced its arsenal, amassing 40,000 rockets and missiles, or nearly three times the amount it had prior to the war with Israel in 2006.

Increased Threats, Increased Costs: Israel's Urgent Defense Requirements

THREAT: Iranian and Syrian ballistic missiles

Iran continues to improve its Shihab-3 ballistic missile, which is capable of striking Israel, U.S. troops in the region and parts of Europe. At the same time, Syria continues to perfect its most sophisticated missile—the Scud-D—the longest-range weapon in its arsenal that can hit all of Israel and be deployed with a chemical warhead.



ISRAEL'S RESPONSE: Improve missile defense

Israel must focus on developing the next generation Arrow missile defense system capable of countering threats outside the atmosphere and, more immediately, deploy more accurate and longer-range ballistic missile interceptors. The IDF is planning to spend \$1 billion, including U.S. assistance, during the next five years on various missile defense programs.



THREAT: Advanced anti-tank weapons

Syria, Hizballah and Palestinian terrorist groups are using advanced Russian and Iranian anti-tank missiles. These guided weapons were used with deadly effect against the IDF in Lebanon during the war with Hizballah and pose a mounting risk to Israeli armored forces.



ISRAEL'S RESPONSE: Better-protect tanks and other vehicles

The IDF must better protect its Merkava tanks and increase the size and readiness of its armored units. Israel plans to build dozens of Merkava IV tanks (\$4.5 million each) and deploy hundreds of heavy Namer armored troop vehicles (\$1.5 million each). By comparison, the vulnerable armored carriers from the 1970s used by Israel cost \$400,000 each.



THREAT: Short- and medium-range rockets

Hamas and other Palestinian terrorists are targeting Israeli civilians on a daily basis with Qassam rockets and longer-range, Iranian-supplied Katyusha-style rockets. Hizballah has amassed 40,000 Katyushas and medium-range rockets such as the Iranian “Zelzal,” while Syria has 100,000 short- and medium-range rockets.



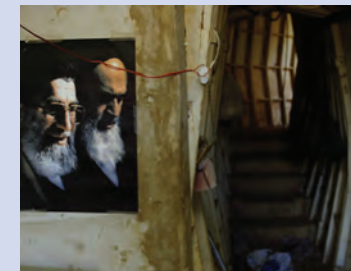
ISRAEL'S RESPONSE: Improve rocket defenses

Israel plans to invest close to \$1 billion during the next several years to develop improved rocket defense systems, including the “Iron Dome” to combat short-range rockets and the jointly developed U.S.-Israeli “David’s Sling,” designed to protect against rockets and missiles fired from a range of 25 miles to 150 miles.



THREAT: Targets harder to locate and destroy

Israel's adversaries are increasingly adept at concealing and protecting their facilities such as rocket bunkers and command centers. As terrorist groups such as Hamas and Hizballah become more sophisticated, Israel also is forced to expend more munitions amid battles that are longer and more intense.



ISRAEL'S RESPONSE: Purchase 'smart' U.S. munitions

Late last year, Israel signed a deal to purchase \$1.3 billion worth of American-guided missiles and smart bombs able to destroy deeply buried sites with pinpoint accuracy. The package, which will be paid for and delivered during the next few years, includes 2,000 TOW missiles, 1,700 Hellfire II anti-tank missiles and 100,000 rounds of 155mm high-explosive shells.



THREAT: Sophisticated anti-aircraft weapons

Palestinian terrorists are acquiring better short-range shoulder-launched anti-aircraft missiles, while Syria and Iran are fielding new Russian radar-guided air defense systems. Meanwhile, Persian Gulf states are upgrading their fleets of sophisticated combat aircraft.



ISRAEL'S RESPONSE: Enhance aircraft capabilities

Purchase premier combat aircraft for the 21st century, the Joint Strike Fighter F-35. Israel will order 25 planes this year, with a goal to eventually have a force three times that size. Each plane, with Israeli modifications, may cost as much as \$100 million—double the price of its immediate predecessor, the F-16I.



THREAT: Increased sea-based threat

Israel faces a decrease in its ability to secure strategic depth via naval power and protect vital trade routes while also trying to address the growing challenge of weapons being smuggled to terrorists in Gaza via the sea.



ISRAEL'S RESPONSE: Expand naval fleet

The Israeli Navy must expand its fleet by purchasing two U.S. Littoral Combat Ships. When outfitted with the latest weaponry and electronic gear, these state-of-the-art vessels will cost close to \$400 million each. This represents a 54 percent increase over Israel's most recent ship purchase from the United States, the Saar 5 missile corvette, which cost \$260 million each in the 1990s.



Boost in U.S. Aid to Israel Vital Amid Increasing Threats, *continued*

- The Syrian military has embarked on a modernization effort and arms-buying spree not seen since the 1980s, purchasing more sophisticated anti-tank and anti-aircraft missiles from Russia and amassing an alarming arsenal of long-range missiles and short-range rockets.

Spiraling defense costs require increased aid to enable Israel to maintain its qualitative military edge over Iran and hostile Arab states.

- Despite a strong economy, Israel is forced to spend proportionately greater sums of money on defense than any country in the industrialized world. Israel is spending eight percent of its gross domestic product, or nearly double what the United States spends.
- Israel has committed to a 10-year plan of sustained increases in its own defense spending to accompany the expected growth in U.S. security assistance. Israel is slated to spend \$150 billion on defense during the next decade, a 50 percent increase over the previous 10-year period.
- The military hardware—including American-built ships and fighter aircraft—that the IDF must acquire over the next decade to maintain its qualitative edge are more complex, diverse and expensive than previous systems.
- The most recent U.S.-produced front-line fighter jet deployed by Israel—the F-16I—cost \$45 million. By contrast, the U.S. F-35 Joint Strike Fighter, which Israel is seeking to purchase in the next decade, may cost up to \$100 million each.
- Israel's increased spending comes as overall regional military spending has accelerated throughout the Middle East, fueled by windfall oil profits. From 2002 to 2006, the growth rate of Saudi Arabia's military budget was almost six times that of Israel's, while Iran's rate of military spending grew 16 times more than the Jewish state's.

The new U.S.-Israel 10-year security agreement is aimed at helping the two allies face growing threats and improve the chances for peace.

- Congress passed and the president signed into law this summer legislation locking in the first year of the administration's requested increase in security assistance to Israel, which is expected to total \$2.55 billion in fiscal year 2009.
- The \$2.55 billion request represents the first year of a new 10-year Memorandum of Understanding (MOU) reached last year by the United States and Israel. Subject to congressional approval, the plan pledges \$30 billion in security assistance to Israel over the next decade.
- Under the agreement, Israel is slated to receive gradual increases in aid over the next four years—before leveling off at \$3.1 billion for the remaining six years.
- The agreement comes as the first 10-year MOU, signed by President Clinton and Israeli Prime Minister Benjamin Netanyahu in 1998, concludes at the end of the current fiscal year.
- In signing the new MOU, then-Undersecretary of State Nicholas Burns stressed that the agreement represents a vital U.S. “investment in peace” and that “a secure and strong Israel is in the interests of the United States.”
- Both countries have long recognized that their mutual interests in deterring war, promoting stability and eventually achieving peace are only possible if the United States continues to ensure Israel's qualitative military edge over its potential adversaries.