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DIRECTORATE OF INTELLIGENCE

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Israel: Political-Military Situation

Summary

Israel is enjoying a period of unprecedented strategic security as the array of its likely Arab foes has shrunk considerably. Egypt is committed to the 1979 peace treaty, Jordan's [redacted] military is in no position to threaten Israel, Iraq remains bogged down in its costly war with Iran, and Syria--the lone active confrontation state--is battling severe economic troubles. [redacted]

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Nevertheless, the two major components of the National Unity Government--Labor and Likud--have fundamental differences on nearly every major security and foreign policy issue. These deep divisions have been underscored recently by the bitter and protracted debates leading to the decision in late August to scrap the Lavi fighter aircraft program, disagreements over the seriousness of the Syrian threat and how to respond to Syrian-abetted terrorism in Lebanon, and diverging interpretations of the Arab Summit in Amman last month. Despite rhetorical differences over Moscow's role in future Arab-Israeli peace talks, Likud and Labor agree that the Soviets must first reestablish full diplomatic ties and allow a much larger number of Soviet Jews to emigrate. [redacted]

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This memorandum was prepared by [redacted] the Israel Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis. Information as of 3 December 1987 was used in its preparation. Questions and comments should be directed to Chief, Arab-Israeli Division [redacted]

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Recovering From Lavi

US Embassy reporting stresses that Defense Minister Rabin, Labor's leading opponent of the Lavi fighter aircraft program, sees the decision to cancel Lavi as a longterm plus for Israel, but also views the decision as a significant concession to the US and expects bilateral defense-related cooperation to deepen. He particularly wants US help to ameliorate the high unemployment stemming from Lavi's cancellation by increasing joint ventures in weapons development, cutting the price on Israel's upcoming purchase of 75 advanced F-16s, and helping minimize contract termination costs with US firms, particularly Pratt and Whitney. [redacted]

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According to Embassy and [redacted]

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[redacted] will be hardest hit by the decision to cancel Lavi. IAI--Israel's aeronautics giant--will be forced to fire as many as 3,000 workers, nearly 15 percent of its workforce. But the full impact has been minimized and delayed with Israel's decision to allot IAI its full complement of Lavi funding this year and to promise the firm \$100 million in annual government subsidies for the next several years to help defray defunct Lavi contracts. Rabin also hopes that recent US decisions to increase the portion of US grant aid Israel can spend domestically from \$300 million to \$400 million and to allow greater Israeli cooperation in producing F-16 components will employ a large number of employees previously working on Lavi. Rabin also remains hopeful that Tel Aviv will secure additional US funding for high technology programs through Israel's involvement in SDI. [redacted]

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Former Minister-without-Portfolio Arens--who resigned over the Lavi decision--and Commerce Minister Sharon to want to keep the Lavi issue alive until the national election scheduled for November 1988. They have publicly blamed the Labor Party for what they describe as the action most damaging to Israel's national security since the 1973 war. Nevertheless, the long-term political impact of halting Lavi will be marginal and is unlikely to shift the advantage to either party in next year's election if Rabin's efforts to find alternative jobs for those displaced by Lavi's cancellation prove successful. [redacted]

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Strategic Planning in View of Syrian Problems

The Israelis have openly acknowledged the decreased threat they face and have taken advantage of their improved security to cut defense spending. Defense Minister Rabin and new Chief-of-Staff Lt. Gen. Dan Shomron advocate paring manpower within the Israel Defense Force and focusing on new, more sophisticated weaponry to make the military more efficient. [redacted] several squadrons of aging Kfir and A-4 fighter aircraft have been deactivated, one armored division has been disbanded, and manpower at all levels--especially staff positions and

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among the middle-level officer ranks, has been reduced. At the same time, however, the Israelis continue to modify and upgrade existing weapons, such as improved armor and a recently perfected 120mm gun for the indigenously-produced Merkava tank and a variety of stand-off precision guided weapons such as Popeye, which would allow Israeli aircraft to attack targets deep inside Syrian territory without coming within range of most Syrian surface-to-air missiles. []

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In our view, the most likely scenario for a near-term Israeli-Syrian conflict is in Lebanon--particularly as the result of further Syrian-sponsored terrorist attacks on northern Israel akin to the 25 November Palestinian attack there against a military settlement that left six soldiers dead and seven others wounded. Peres and Rabin and their Labor party allies undoubtedly oppose extreme responses to such attacks, in part for fear that a strong Syrian response could escalate into a direct military confrontation. But Prime Minister Shamir and his Likud colleagues take a more hardline stance toward the Syrians and almost certainly favor massive attacks on Palestinian bases in Lebanon and possibly also on Palestinian training facilities in Syria. They are less concerned about aggravating tension with Damascus, wishing instead to show Assad that Israel remains determined to defend its national interests. []

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Reaction to Amman Summit

Israel's reaction to the recent Arab summit in Amman has been divided along party lines. Labor party supporters-- led by Foreign Minister Peres--have publicly welcomed the summit's endorsement of an international conference on Arab-Israeli peace. Prime Minister Shamir and his Likud bloc, however, have rejected the resolutions of the Arab meeting as making no contribution to peace. The summit, by itself, had no dramatic impact on Israeli attitudes toward peace and the Arab world. []

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Peres and other supporters of the international conference concept have been encouraged by the summit's qualified approval of the idea, but they still lack the necessary strength in the Israeli cabinet and Knesset to gain government approval for a conference. Laborites view the Amman conclave as a diplomatic victory for King Hussein and other Arab moderates. Peres also has pointed publicly to the resolution allowing League members to reestablish relations with Egypt as an encouraging sign that Arab states are coming to terms with Israel's existence. []

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Likud bloc leader Shamir has rejected the summit's resolutions on negotiations as non-starters and reiterated his call for direct negotiations with Arab states. Shamir welcomed the Arabs' acceptance of Egypt back into the Arab fold, but at the same time expressed concern that Cairo would distance itself further from Israel to placate other Arab states. []

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Israeli-Soviet Relations

Since 1985 contacts between Tel Aviv and Moscow have increased considerably. Israeli and Soviet officials have met frequently in recent months, and a Soviet consular delegation has been in Israel since July. Moscow broke diplomatic relations with Israel in the immediate aftermath of the June 1967 Arab-Israeli war, and from 1967 through 1985 openly-acknowledged bilateral contacts were rare. []

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Soviet interest in an improved relationship followed quickly upon renewed regional efforts toward peace talks beginning in 1985 and shows Moscow's strong desire not to be excluded from Arab-Israeli negotiations. The Israeli government has pledged repeatedly that it would allow Soviet participation in such talks only if Moscow first reestablishes diplomatic relations and permits large-scale emigration of Soviet Jews. []

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Likud and its allies remain extremely skeptical of Soviet intentions in the Middle East. They believe that Moscow desires the perpetuation of the Arab-Israeli conflict, since it gives them opportunities for influence in the region by supporting Arab states hostile to Israel. Likud is doubtful that Moscow will reestablish relations or allow massive Jewish emigration. Even if the Soviets meet these Israeli preconditions, Likud would seek to circumscribe Moscow's role in Arab-Israeli peace talks. Peres and other Labor leaders have taken a somewhat softer public line on relations with Moscow, but like Likud probably regard reestablishment of full diplomatic relations and a major longterm increase in Soviet Jewish emigration as preconditions for Soviet participation in an international conference on Middle East peace. []

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