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JINSA's Gemunder Center for Defense and Strategy

Israel's Acceleration of U.S. Weapons Procurement: Analysis and Recommendations

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The Israeli government's recent approval to purchase U.S.-made aircraft and munitions was enabled in part by providing for earlier use, or "frontloading," of American defense assistance funds. Building on previous JINSA recommendations, this policy memo provides background for how frontloading supports Israel's qualitative military edge – and U.S. national security interests in the Middle East – by accelerating Israeli procurement of vital weaponry to counter growing shared threats from Iran and others, without raising the overall cost to the United States.

Key Takeaways

- On February 7, 2021, Israel approved a multibillion-dollar arms package, one of its largest in years, to procure advanced U.S.-made combat aircraft, refueling planes, transport helicopters and munitions.

- Jerusalem will pay upfront for these weapons partly by borrowing against future U.S. defense assistance funds, including those spelled out in the current ten-year, $38 billion bilateral Memorandum of Understanding (MoU).

    - This agreement, signed by the Obama Administration in 2016, divided up the total aid amount evenly across its ten-year duration (2018-28).

- Since 2018, JINSA has recommended such "frontloading" (2018 report, 2019 report, 2019 op-ed) to support Israel's pivotal role in defending U.S. interests in the Middle East against urgent security threats from Iran and others since the current MoU was finalized.

JINSA Recommendation

- Now Congress should authorize Israel to use funds set forth in the MoU to cover the interest on this loan, and the United States and Israel should declare their intention to begin working on the next MoU that would be set to commence in 2028.

Background

- The 2016 U.S.-Israel MoU laid out $33 billion in U.S. Foreign Military Financing (FMF) and $5 billion in missile defense assistance to Israel over the course of FY2019-28, with each amount divided evenly over the ten-year period.
    - Since 1998, defense assistance provided by three successive ten-year MoUs has formed the centerpiece of America's support for Israel's qualitative military edge (QME), ensuring Israel can deter or prevail over its neighbors at acceptable cost to itself.
        - Since 2008, U.S. law requires that the United States support Israel's QME.
    - Because it currently requires Israel to spend 76 percent of FMF on U.S.-made defense products (with that number rising steadily to 100 percent by 2027), the MoU also supports the American economy.
- The importance of the MoU and Israel's QME for supporting U.S. national security have only grown since 2016, as Israel increasingly shoulders the primary burdens of upholding Middle East stability and advancing U.S. interests against growing threats from Iran, its proxies, Turkey and others – all as the United States appears likely to draw down from the region.
- By effectively shifting forward MoU funds from future years, frontloading can ensure the IDF's operational and strategic edge over these rising threats by accelerating Israeli procurement of much-needed, cutting-edge U.S. weaponry – without raising the annual cost of the MoU to the United States.
    - In October 2020 Defense Secretary Esper and Defense Minister Gantz confirmed America's commitment to Israel's QME, including possibly moving forward with Israeli procurement of U.S.-made aircraft, in the wake of the U.S. sale of F-35s to the UAE.

Details of the February 2021 Arms Deal

- On February 7, 2021, the Israeli government approved a multibillion-dollar purchase of U.S.-made weaponry after three years of internal deliberation.
    - Israel is making the purchase partly by borrowing from U.S. banks against remaining funds spelled out in the current MoU, and partly by refinancing a loan it took out in 2014 to procure its second F-35 squadron.
        - Repayment of the 2014 loan is now deferred until after the current MoU ends in 2028.
        - This gives Israel a head-start on executing these complex multi-year purchases and taking delivery of these weapons systems beginning later this decade.
    - The arms package reportedly includes a third squadron of F-35 multirole aircraft (~25 additional aircraft), F-15IA multirole aircraft, KC-46 refueling aircraft, CH-53K or Chinook heavy-lift helicopters, V-22 transport aircraft, missile defense interceptors and advanced munitions.
        - Such procurement represents a long-overdue operational boost for the Israeli Air Force (IAF), as its existing fleets of refueling and transport aircraft are obsolete and unsafe, while its fleet of fighter aircraft – the backbone of the IAF – and its inventories of vital precision guided munitions (PGM) are insufficient to meet growing operational demands.
        - The Biden Administration's indefinite pause of a major PGM sale to Saudi Arabia could enable earlier delivery of these same munitions to Israel from U.S. manufacturers.
    - Reportedly, the United States gave Israel a two-week deadline to confirm the deal or risk losing its priority in U.S. assembly lines, which could have delayed the sale for another two years.
    - Given uncertainties about Israel's defense budget, its government's willingness to assume the costs of paying interest to frontload the MoU underscores the importance of accelerated procurement to bolster its QME against Iran and other pressing threats.
- The Biden Administration may insist on approving the terms of any loans sought by the Israelis, since the Pentagon is the entity actually purchasing the hardware from U.S. industries on behalf of the Israeli Defense Ministry.
- With the exception of the helicopters and F-15s, the relevant Congressional committees have already cleared for export to Israel all of the armaments reportedly involved in the sale.

Implications and Options for U.S. Policy

- The MoU's terms do not preclude changes in the annual provision of FMF as long as the ten-year total remains the same, but various frontloading options entail different costs and risks.
    - Israel's use of commercial loans for frontloading incurs no costs for the U.S. government.
    - By contrast, the U.S. government would have to borrow money, or reduce other outlays, to frontload the MoU via additional Congressional appropriation above the MoU's annual amount of $3.3 billion in FMF and $500 million in missile defense programs.
- Congress should authorize Israel to use funds set forth in the MoU, rather than paying in shekels, to cover the interest on this loan.
    - This would ease pressure on Israel's overstretched defense budget, without raising the cost to the United States of the MoU.
- The Biden Administration and Congress should provide strong public and private assurances to Israel that underscore America's enduring commitment to support Israel's QME, including specifically by modernizing Israel's hard-pressed aerial squadrons.
- Going forward, Congress and the Executive Branch should consider legislative measures and regulatory adjustments, respectively, to introduce greater flexibility into provisions governing the use of FMF by Israel and possibly other close American security partners.
    - This will ensure FMF provides the greatest return on investment for American taxpayers, while also reflecting broader concerns about Israel's ability to defend shared interests in an unprecedentedly competitive security environment – foremost the challenge from Iran.
- The United States and Israel should declare their intention to begin working on the next MoU that would be set to commence in 2028, especially now that Israel's repayment schedule for part of its new loan package is not scheduled to occur until after the end of the current MoU.
