

U.S.-Financed Israeli Fighter Flies into Storm of Controversy

Second in a series By Charles R. Babcock

The Washington Post

WASHINGTON — It was like the unveiling of a monument, a tribute to the growing closeness between Israel and the United States that has evolved during the Reagan administration. The moment — 8:15 p.m. on July 21 — was celebrated with music, sweeping spotlights and stirring speeches.

Then, from a special hangar where engineers and technicians had hustled round the clock for months preparing for this evening, the new Lavi jet fighter was wheeled onto the tarmac at Ben Gurion International Airport near Tel Aviv and introduced to the world.



To the applause of American and Israeli dignitaries, the sleek plane's virtues were recited: speed, agility, range, the most modern electronic equipment — virtually all of it, every rivet, every microchip, paid out of nearly \$2 billion in U.S. aid money earmarked for the plane's development. Although no mention of it was made that night, Israel is operating on the assumption

that the United States will spend billions more on the fighter's production costs.

This is the story of how the U.S. government came to underwrite a foreign fighter, which could compete with U.S.-built jets for sales in the Third World, and how Congress came to pay for the fighter with such eagerness that it initially provided \$150 million more than Israel could spend.

The tale of the Lavi — pronounced LahVEE, the Hebrew word for lion — illustrates many of the ties that bind the United States to Israel.

Like much of the history of U.S. Israeli relations, it is a tale of weapons and money and politics, of personal relationships and persistence.

It also is a tale, one former State Department official said, like the old “story of the stone soup”: Once there was a man with a stone. He offered to provide his stone to cook some soup for a guileless stranger, if the Stranger would provide a pot of water. and some carrots to flavor the stone. And some potatoes. And some onions. And some meat. And seasoning. Before long, the stone had become a beef stew at the stranger’s expense.

The official said he was reminded of the stone soup story as he listened to the Israeli team that first briefed the State Department in late 1981 on its ambitions for the Lavi. As the Israelis laid out their plans, the official said he sensed “general incredulity” among the Americans at the meeting.

They were going to build this airplane, he said “All they needed was American technology and American money.”

Israel’s defense strategy is based on air superiority, on the belief that it must control the’ skies in a geographic region where flying time from Arab capitals is measured in minutes.

Planning for a new airplane to replace the aging Israeli fleet of U.S.-built A-4 Skyhawks and Kfirs, the first generation of Israeli-built fighters, began soon after the 1973 Yom Kippur War, when Israel lost a quarter of its aircraft to Soviet-made surface-to-air missiles.

Israeli air force planners vowed it would not happen again. They went to work on a new plane, whose main role was attacking ground targets. It would incorporate the nation’s unique battle experience and the latest electronic gadgetry to help elude a new generation of Soviet SAMs.

Realizing the country could not afford to build the new fighter without help, the Israelis in late 1977 added the project to Matmon B, their five-year wish list of requests sent to the United States, according to one former U.S. official. Matmon means “treasure” in Hebrew.

Israeli officials said they saw other benefits to the project, too: a way to provide needed jobs, a way to prevent Israel’s aerospace talent from leaving the country for more challenging opportunities abroad, and a catalyst for developing “high-tech” products suitable for export.

Such logic didn’t carry much weight in Washington, however, and the Lavi idea foundered for several years, bereft of powerful patrons. In 1979, the Pentagon officials did give Israel permission to approach a U.S. company about buying an engine, but they blocked other requests for U.S. technology, arguing that Israel would be better off buying more American-made fighters, such as F-15 interceptors and F-16 fighter-

bombers. The Defense Department also denied requests for U.S. aid money for the Lavi, saying the aid was intended to buy American products only.

But the Israelis persisted.

"They were asking for everything," one Pentagon official recalled. "Fly-by-wire technology, the latest electronic counter-measure pods and radar-warning receivers and their logarithms, graphite composite and single-crystal turbine technology." It was not until spring 1983 that the roadblocks in Washington began to crumble, in part because of changes in Israel's government. Moshe Arens, an aeronautical engineer, had just replaced Ariel Sharon as Israel's defense minister and had been one of the original champions of the Lavi project.

Arens, a graduate of the Massachusetts Institute of Technology and the California Institute of Technology, had just finished a tour as Israel's ambassador here, and he had made friends, including Secretary of State George Shultz. Arens knew he would need allies in the Lavi fight, and one of his first became Rep. Charles Wilson, D-Texas, a key member of the subcommittee responsible for appropriating foreign aid.

In early April, Wilson went to Tel Aviv on a congressional trip and met with Arens. Also present at the meeting was Zvi Rafiah, a former embassy official here, Wilson recalled.

They talked about the Lavi project and Arens asked Wilson, an admirer of Israel and its fighting prowess, to sponsor legislation that would permit U.S. aid to be spent in Israel on the Lavi. Wilson agreed.

"I feel the only chance Israel's got to be economically viable is through military and high-tech sales," Wilson said. "They have no natural resources. They have lots of brains, but you can't support the economy exporting cello players."

A few days later, on April 13, 1983, Arens held a seven-hour meeting with about 20 members of the Lavi project team, according to Marvin Klemow, Washington representative for the Lavi's builder, Israel Aircraft Industries. Klemow flew to Tel Aviv with Dan Halperin, the economics minister at the Israeli embassy in Washington.

Eight months earlier, Klemow had written a memo pointing out the need to make a concerted effort to sell the Lavi to the mid-level Pentagon and State Department officials responsible for drafting U.S. policy papers. But at the time, Israel was mired in a war in Lebanon and the memo went unanswered, Klemow said.

Now, Klemow advised Arens to go over the heads of Defense Department officials.

"Our strategy should be that the Pentagon doesn't exist. This is a political decision. We should go to State: and the White House," Klemow recalled saying at the meeting.

Halperin said he then suggested that the time was right to call Shultz, Arens' friend, and ask him to expedite three crucial licenses, which the Pentagon was holding up and which American companies needed to transfer their technological secrets to Israel.

The Americans "hold you in high esteem and want you to succeed," Halperin recalled telling Arens, as a way of healing the rift in the U.S.-Israel relationship caused by Israel's invasion of Lebanon and Sharon's prickly style. Arens made the call and in a few days the first licenses were approved, Halperin said.

By autumn, attention shifted to Congress where Wilson was making good on his pledge to Arens. One night at Charley's Crab restaurant on Connecticut Avenue here, Wilson bumped into Rafiah, the Israeli business lobbyist, and James Bond, a staff member of the key Senate Appropriations subcommittee controlling foreign aid. They sat together and worked out a plan for an amendment allowing U.S. aid to be spent in Israel for the development of the Lavi.

By Wilson's account, he then asked the American Israel Public Affairs Committee, the influential pro-Israel lobbying group in Washington, to draft the language for the amendment. AIPAC's lobbyists were surprised by the request and asked Klemow how much money was needed. There was confusion.

"As far as I can remember," said Oded Eran, who was the Israeli Embassy's congressional liaison, "the figure came right out of thin air." But another knowledgeable official said Wilson misunderstood and asked for \$150 million more than IAI needed that year.

The amendment earmarked \$550 million of that year's \$1.7 billion military aid package to Israel for the Lavi project. Of that, \$300 million was to be spent in the United States and \$250 million in Israel. "We couldn't spend it all," Klemow says.

Nevertheless, a Congress whose members appeared eager to respond positively to Israel's aid request approved the appropriation with virtually no questions. The only controversy was over who would get credit for it when it passed in November.

"It was like a reverse paternity suit," Wilson said. "Everyone wanted to be the father of that amendment."

In contrast to the overwhelming support for the Lavi in Congress, some Reagan administration officials are concerned about where the project is headed.

One senior State Department official said Congress had not addressed the basic question of the Lavi, which is "the appropriateness of developing a foreign fighter offshore." He said Congress focused on "the aggregate numbers (of how much aid Israel gets) and hasn't studied the details," and thus was largely ignorant about the

Lavi. Some members of Congress said they had not scrutinized the Lavi because they considered it Israel's prerogative to determine how its foreign aid allocation is spent.

A Pentagon official who is skeptical of the Lavi program said, "It boggles the imagination to think that we helped them finance a plane we'll never use."

Other countries might use it, however. An IAI marketing document put together in the early 1980s, entitled "Lavi: the Affordable Fighter," outlined ambitious plans to sell 407 of the jets to such countries as Argentina,, Chile, South Africa and Taiwan.

The Lavi's export potential doesn't sit well with some U.S. aerospace companies, which covet the same dwindling market for high performance fighters. As early as 1983, the Northrop Corp, which has invested roughly \$1 billion in the F-20 fighter without any U.S. government aid and has yet to sell a single plane, began complaining about the potential competition.

In initial meetings, U.S. officials said, the Israelis assured them that the Lavi was not intended for export. Klemow, the IAI Washington representative, said he was unaware of these assurances. He said Israel hoped to export to the plane, but not until the Israeli air force received its 300, sometime in the late 1990s.

When the first Lavi prototype rolled out of its hangar in July, some speakers mentioned the cost debate. But on that night, as the bands played and the 1,500 guests applauded, such concerns were muted.

Rep. Jack Kemp, R-N.Y., one of five members of Congress who flew to Israel for the event, told the crowd that the Lavi was "a real and visible expression of the partnership of our two democracies."

Then, noting the American role in developing the plane, he pointed toward the Star of David painted on the fuselage and said: "Save a little room for the Stars and Stripes ..."

Getting the money

- Late 1977: An idea is born of circumstances. Israel adds Lavi fighter project to five-year U.S. aid wish list.
- 1979-: Pentagon permits Israel to approach U.S. company about buying an engine, but blocks other requests for U.S. technology. Without patrons, Lavi idea stalls.
- Spring 1983: Moshe Arens, a U.S.-educated aeronautical engineer, replaces Ariel Sharon as defense minister. Friends in high places include George Shultz and Rep. Charles Wilson, D Texas, of the House foreign aid subcommittee.
- April 1983: Wilson, Arens and business lobbyist Zvi Rafiah visit Tel Aviv. Arens asks Wilson to sponsor bill to permit aid money to be spent in Israel on the Lavi. Wilson agrees.

- Autumn 1983: Shultz expedites licenses for American companies to transfer technological secrets to Israel.
- Autumn 1984: Wilson, Rafiah and James D. Bond work out an amendment. AIPAC drafts the language. \$550 million of that year's \$1.7 billion military aid package goes for the Lavi.
- November 1984: Congress approves the appropriation; no questions asked.