

Israel's arms sales soar to hit record in 2006

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Israeli defence companies secured contracts totalling some USD4.5 billion in 2006, establishing the country's position as one of the world's top five arms exporters together with the US, Russia, the UK and France.

"I estimate that Israeli sales constituted more than 10 per cent of the global arms trade in 2006," Yossi Ben-Hanan, the head of the Israeli Ministry of Defence's (MoD's) Defence Export Agency (SIBAT) told Jane's. "The interesting thing about this year [2006] is that the total sum of sales was not boosted by a single large contract, like in 2002, when we signed a USD700 million deal for upgrading Turkish tanks, or 2004 in which a USD1.2 billion contract was signed with India for early warning aircraft," he said.

"Last year's most significant contract was Israel Aircraft Industries' and India's Defence Research and Development Organisation's joint development of the Barak 8 shipborne surface-to-air missile, totalling more than USD400 million."

In 2006, India became Israel's primary customer for defence products, with sales amounting to USD1.5 billion. Israeli defence sales to its second largest customer, the US, exceeded USD1 billion for the first time. "Compared with USD300 million sales to the US in 1999, this remarkable growth could be attributed to the increasing number of Israeli companies establishing subsidiaries in the US and partnering with American industries," said Ben-Hanan. "This is also true for the European market, where sales reached USD800 million in 2006."

Penetration of a new market was reflected in Aeronautics Defense Systems' USD260 million contract in Nigeria for establishing a coastal defence alignment based on unmanned aerial vehicles (UAVs).

Israeli companies do not produce fighting platforms, apart from UAVs, and concentrate on systems, subsystems, integration and upgrades of existing platforms. "We do not compete with the giants but you could find Israeli products being part of most major platform procurements today," said Ben-Hanan.

He noted that among the Israeli companies, the most significant growth was achieved by Plasan Sasa, a manufacturer of vehicle armour suites. With USD2 million sales in 1999, Plasan Sasa was awarded contracts totalling USD215 million in 2006. "They have become tailors for protection suites and have made a dramatic leap," said Ben-Hanan.

"The Israeli companies export more than 70 per cent of their products but they know their primary customer is the Israel Defence Force," he added. "However, we lead a very liberal policy allowing the transfer of technology with partners and customers.

"I expect the Israeli industries to maintain a level of at least USD3 billion in sales in 2007

but to say for certain they will be able to reproduce the USD4 billion achievement would be boasting." The MoD has recently completed new legislation aimed at tightening the monitoring of defence exports, prepared in response to requirements by the US Department of Defense, which suspected an unauthorised transfer to China of US technology by Israeli companies.

Under the new legislation, any individual or firm requesting exports of defence-related products is required to be registered and licensed, before conducting any contact with potential customers.

The law, presented to the Knesset (parliament), will apply even to Israeli citizens who are not residents, as well as foreign residents in Israel.



*SIBAT head Yossi Ben-Hanan expects Israeli industries to maintain sales of at least USD3 billion in 2007
(Israeli MoD)*