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AFRICA REVIEW (S)

SUPPLEMENT

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Relations between South Africa and Israel have in recent years expanded to include extensive economic dealings and close political ties--and appear to be strong enough to overcome their inherent drawbacks. (S)

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SOUTH AFRICA - ISRAEL: STATUS OF RELATIONS (U)

Ties between South Africa and Israel, once heavily military and highly secretive, have opened up in recent years to include extensive economic dealings, a growing tourist trade, and a close political relationship. This trend was fostered by former Prime Minister Vorster's visit to Israel in 1976. The connection has mutual political drawbacks and potential pitfalls--chiefly for Israel, which is trying to establish diplomatic relations with several black African states--but the foundation of South African - Israeli relations is strong enough to overcome most obstacles. (U)

Affinities and Frictions

One of the keys to the relationship has always been found in South Africa's influential Jewish community. The approximately 120,000 Jews in South Africa are strong Zionists and have extensive family ties in Israel. They have contributed more per capita to Zionist funds than any other Jewish community and stand second only to American Jews in total annual contributions.\* (U)

A number of other cultural and psychological affinities underlie the relationship. The Afrikaners and Israelis both see themselves as "chosen people" and as the embodiment of Old Testament values. They both resisted British colonial rule with eventual success. Moreover, Israel and South Africa are virtual pariahs in the international community, and within their respective regions both are isolated and surrounded by actual or potential enemies.\*\* (U)

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At the same time, several real and potential sources of friction exist between the two sides. Many Israelis view apartheid as morally repugnant and fear that too close an identification with South Africa might label Israel as racist. Israelis, moreover, are aware of the history of anti-Semitism among the Afrikaners. Former Prime Minister Vorster was one of many South Africans who openly supported the Nazis in World War II, a fact that led some Israelis to denounce his visit in 1976. (U)

The South Africans also have some misgivings about the relationship. In 1961 Israel, which then, as now, was courting black African governments, voted for a UN resolution condemning apartheid. In 1971 Tel Aviv made a financial contribution to the OAU's liberation fund, which Pretoria defined as "tacit support for black African terrorism against white states in southern Africa." In addition, some virulently anti-Communist South Africans question the wisdom of close relations with "socialist" Israel. (U)

#### The Political Context

Relations between the two countries were low key but amicable until 1961 when the South African Government, in retaliation for Israel's UN vote against apartheid, prohibited South African Jews from contributing funds to Israel. The Jewish community's emotional reaction to the Six-Day War in June 1967, however, forced Pretoria to rescind the ban and permit the free transfer of funds and goods to Israel. (U)

Following the 1973 war, during which South Africa provided Israel with an emergency supply of Mirage fighter parts, Israel raised the status of its mission in South Africa to an Embassy, and the two countries greatly increased their official exchanges. Black Africa's severing of relations with Israel and a warmer attitude toward South Africa by the Nixon and Ford administrations helped ease what few reservations remained in Tel Aviv about overt cooperation with Pretoria. (U)

Prime Minister Vorster's visit to Israel in 1976 and the accession to power the following year of Israeli Prime Minister Begin and other pro - South African members of the Likud bloc ushered in the current renaissance

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in the relationship. One measure of the mutual friendship that now prevails has been the steady two-way flow of important visitors since Vorster's visit. On the Israeli side, they have included former Cabinet members Weizman, Dayan, and Rabin, and Generals Meir Amit and Chaim Herzog. South African VIP visitors to Israel have included Finance Minister Horwood, former Minister of Information Mulder, and former Defense Force Chief of Staff Gen. Magnus Malan. (C)

### Economic Relations

The most important growth in relations over the past five years has occurred on the economic level. Two-way trade, which stood at less than \$90 million in 1976, broke the \$200 million barrier last year. The leading South African exports to Israel are processed foods, fish meal, tobacco, and base metals--particularly iron and steel. Chemicals, electronic equipment, and machinery head the list of Israeli exports to South Africa. (U)

The trade balance falls heavily in favor of South Africa, a situation Tel Aviv has tried to offset through such steps as guaranteeing South African investors in Israel the right to repatriate their profits. The South African - Israeli Chamber of Commerce has promoted joint ventures, and both governments have passed favorable trade legislation. The most successful joint ventures combine South African capital and raw or semifinished goods with Israeli technological know-how and management expertise. Most of the joint projects are based in Israel--where they can take advantage of Israel's preferential trade agreements with the United States and the EC. (U)

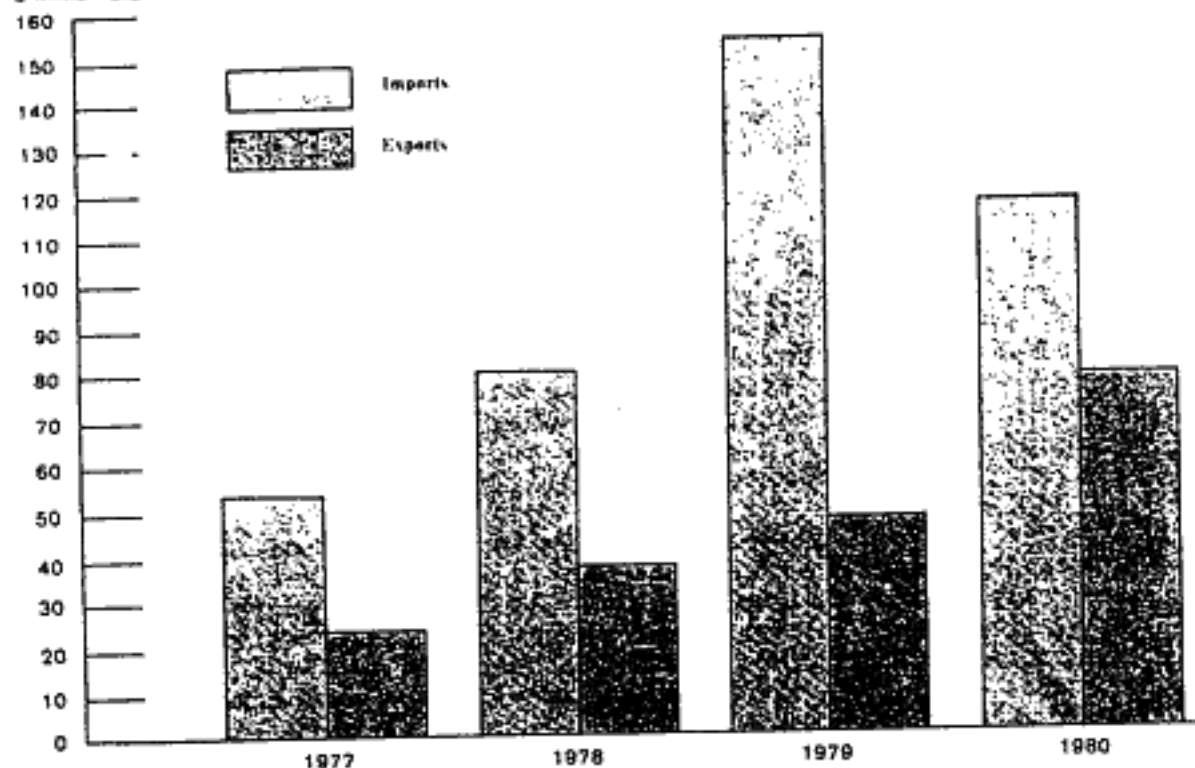
Diamonds. When the diamond trade is considered, the economic relationship becomes even more lopsided in South Africa's favor. Israel, one of the world's leaders in diamond finishing and polishing, gets all of its raw diamonds indirectly from South Africa. The international diamond market is structured so that nearly all of the world's diamonds--the vast majority of gemstones come from South Africa and Namibia--are sold at fixed prices to a London syndicate, the Central Selling Organization. The CSO, a monopoly dominated by South Africa's deBeers group, then markets the raw diamonds abroad. Israeli

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Israeli Imports From and Exports to South Africa

\$ Million U.S



Unclassified

diamond purchases from the CSO--which show up in Israeli statistics as imports from the United Kingdom--amounted to \$217 million last year. (S)

Among export commodities, diamonds are better than a best friend to Israel. Some 20,000 Israelis, or 2 percent of the country's work force, are employed in the diamond industry. Finished diamonds earn Israel more than \$1 billion annually, and constitute about 30 percent of its exports. (U)

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Tourism. Tourist trade between South Africa and Israel is brisk. In 1978, South African tourists in Israel accounted for some \$13 million in foreign exchange earnings, while Israeli visitors provided South Africa with about \$3 million. South Africa's Jewish community dominates the tourist trade, but, as "people of the book," South Africa's increasingly affluent Afrikaners are becoming more frequent visitors to Israel's ancient cities and holy shrines. Israel has waived visa requirements for South African travelers as part of its program to promote tourism. (S)

Military Relations

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Intelligence liaison stems from overlapping regional interests as well as each side's preoccupation with the superpowers.

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The intimacy of the intelligence relationship is symbolized by Tel Aviv's appointment in 1979 of the former head of the Israeli intelligence service as Ambassador to Pretoria. (S)

Arms Sales and the UN Arms Embargo. Much of the controversy over South African - Israeli relations has centered on cooperation in the area of weapons development and sales. There is no evidence to support persistent rumors that South Africa, Israel, and Taiwan are jointly developing a cruise missile, and recent media reports that Israel and South Africa are collaborating

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in the construction of a nuclear-powered submarine in Durban are without basis in fact. The list of weapons of Israeli origin in the South African arsenal, however, is extensive--a testimony to past large-scale arms trade between the two sides. Included in Pretoria's inventory are Reshef-class patrol boats, Gabriel surface-to-surface missiles, Galil rifles, and Uzi submachineguns.

(S)

Israel's decision to interpret the UN arms embargo against South Africa in 1977 as only covering future dealings has contributed to the arms sales controversy. Although the deal involving the Reshef patrol boats and their accompanying Gabriel missiles was concluded in 1975, delivery of the boats and missiles continued through 1978. South Africa in fact is still building the boats under Israeli license. (S)

Delayed deliveries, coupled with South African use of Israeli middlemen to gain access to commercial international arms dealers, complicate our understanding of current arms trading between the two countries. Despite

[REDACTED] occasional secondhand and thirdhand accounts that Israel has made clandestine arms deliveries to South Africa, there is no hard evidence refuting Tel Aviv's official denials that it has concluded arms deals with South Africa since 1977 or is otherwise violating the UN arms embargo as it interprets it. (S)

#### Nuclear Ties

Speculation about South African - Israeli collaboration in producing nuclear weapons has been rife since 1963, when Pretoria sold Tel Aviv 10 tons of nominally safeguarded uranium. Prime Minister Vorster's proposal in 1976 for a series of scientific and technical exchanges and the reports linking South Africa and Israel to the September 1979 "event" in the South Atlantic have raised such speculation to new heights.

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No similar exchanges have taken place between the Israeli Atomic Energy Commission and the South African Atomic Energy Board, and both the Israeli reactor complex at Dimona and the South African uranium enrichment plant at Valindaba have been closed to foreigners.

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#### Outlook

Although there is room for continued growth in South African - Israeli relations, the phase of rapid expansion may already have run its course. The outcome of the election this month in Israel could have a dampening effect. Prime Minister Begin's primary challengers in the Labor Party have over the years made clear their reservations about bilateral ties, and under a Labor government Tel Aviv could be expected to put some distance between itself and Pretoria. Some cooling in relations could occur even if the Likud bloc stays in power. Foreign Minister Shamir is only one of several leading members of the

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ruling coalition who have urged a deemphasis on the political side of relations, presumably to improve Tel Aviv's prospects for a diplomatic breakthrough in black Africa. (S)

Economic ties will probably be immune to dramatic shifts, but even here certain constraints could come increasingly into play. The geographic distance between the two countries--21 days by sea--has already inhibited some categories of trade, particularly bulk commodities, and could become more of a disincentive if transportation prices continue to rise. On another level, Pretoria could react to any Israeli-inspired cooling of political ties by eliminating some of the incentives it has created for investment in Israel. Even if relations continue to flourish on the economic and political levels, the once-substantial arms trade could dry up as Israeli deliveries under pre-UN embargo contracts run out and as South Africa's indigenous arms industry begins producing more sophisticated equipment. (S)

Overall, however, the foundations of South African - Israeli ties are strong enough to endure temporary setbacks. The major concern facing each partner is likely to continue to be the one implied in recent comments by the Israeli diplomat in Pretoria, who said Israel's main problem is to maintain a low profile in its "embarrassingly good" relations with South Africa. (S) [REDACTED]

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