Gulf Research Center
Knowledge for All

مركز الخليج للأبحاث
المعرفة للجميع

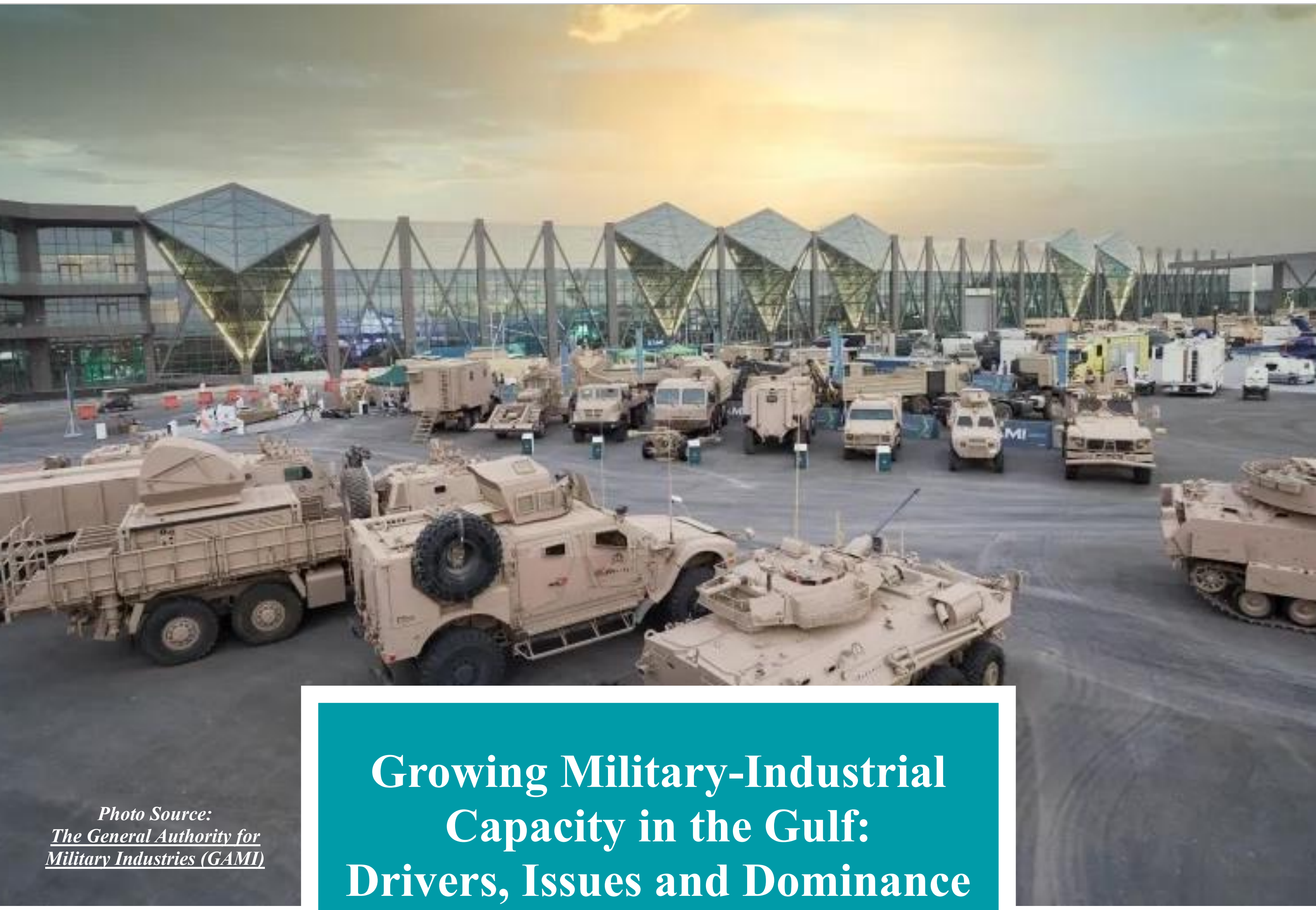

Photo Source:
The General Authority for Military Industries (GAMI)

Growing Military-Industrial Capacity in the Gulf: Drivers, Issues and Dominance

Robert Mason
January 2024

Growing Military-Industrial Capacity in the Gulf: Drivers, Issues and Dominance

Introduction

For decades, the states of the Gulf Cooperation Council (GCC) have been well known for their high spending on arms imports, prompted by concerns about Iran's regional policies following the 1979 Iranian Revolution and over GCC state sovereignty following the Iraqi invasion of Kuwait in 1990. Indeed, Saudi Arabia and the UAE have occupied the third (2018) and fifth positions (2009-18) on the list of the world's largest arms importers.

Arms purchases were a way to recycle oil revenue back into the West, the dominant hydrocarbon-based energy market in the past, and benefit from the security guarantees that accompanied such massive investments. The UK has provided military assistance to the Saudi Arabian National Guard (SANG) for over six decades, including training in counterterrorism, dealing with improvised explosive devices, close protection, and Hajj security. Despite the continued US military commitment to GCC state allies and high arms exports to the sub-region, GCC states have never fully integrated US or other western arms into their military structures to build up their capabilities.

Neither have GCC states fully worked within the GCC framework to enhance their interoperability, with differences evident over threat perception and military effectiveness often compromised by coup-proofing strategies. This is important because beyond threats from Iran-aligned groups such as the Houthis in Yemen, there is also evidence to suggest that Tehran is changing the way it views the defense and security policies of Saudi Arabia. The Kingdom represents Iran's most capable regional adversary, and is reacting by adapting its deterrence capabilities rather than exclusively attempting to contain Saudi Arabia's sphere of influence. Arms imports are still an important plank in GCC foreign policy but as energy markets have shifted and grown in countries such as India and China, so too have the GCC states responded by orientating themselves eastwards. Indeed, the overall picture is becoming far more complex as some GCC states are increasingly both a source and a market for military arms.

The American Role in GCC State Defense

The move towards establishing indigenous defense capabilities follows years of close security cooperation with Western partners. Building on the 1980 US-Oman agreement that gave the Americans access to Omani air bases and a longstanding MoU between the US and the Saudi Arabian military and National Guard, the US signed numerous formal defense contracts with Kuwait, Bahrain, Qatar, and the UAE in the aftermath of the Gulf War from 1991 to 1994. The provisions included US security advice, training, access to defense facilities such as the Al Udeid Air Base in Qatar and Al Dhafra Air Base in the UAE, and the prepositioning of US military hardware.

Most of the provisions outlined in the agreements of the early 1990s, such as the presence of US Air Force personnel in Saudi Arabia, were aimed at securing a no-fly zone over southern Iraq. In 2002, similar defense transactions took place in response to shifting attention toward Iran, such as the sale of superior combat aircraft (i.e., F-15 and F-16) and missile defense (i.e., Patriot and Theater High Altitude Air Defense System). In addition, efforts to contain threats from Iran were enforced with the placement of around 13,000 US troops in Kuwait, around 10,000 US Air Force personnel in Qatar, around 5,000 US Naval personnel in Bahrain, and another 5,000 US forces in the UAE. In 2014, a coalition that primarily targeted Iran morphed into Operation Inherent Resolve, a military operation aimed at defeating the Islamic State that was managed from Kuwait.

US Mideast Policy as a Driver of Indigenous Defense Capacity

Foreign policy dynamics vis-à-vis the United States in an unstable regional environment have contributed to emerging military–industrial complexes, due in part to a series of policy divergences that have caused some GCC states to rethink the best ways to guarantee their national security interests. These have been long-term concerns but were contributed to by the US invasion of Iraq in 2003 when some of the GCC states' warnings to the George W. Bush administration that the invasion would serve Iranian interests more than any other, fell on deaf ears, resulting in nearly a decade-long war.

Again, during the Obama administration when Iran was found to be developing a nuclear program, Saudi Arabia's then King Abdullah urged President Obama to "cut off the snake's head," or in other words to deal decisively with the Iranian threat. Instead, the Obama administration signed the Joint Comprehensive Plan of Action (JCPOA) along with other members of the UN Security Council, Germany, and Iran in 2015. But the inclusion of so-called "sunset clauses" in the agreement meant that Iran's nuclear program, missile production, arms, and conventional weapons development and procurement would only be delayed by a few years. In addition, without any agreements that addressed Iran's support for non-state actors, some GCC states such as Saudi Arabia remained dissatisfied, while other GCC states had mixed views.

After the Trump administration unilaterally withdrew the US from the JCPOA in 2018, making the deal effectively obsolete and leaving the Iranian nuclear program completely unaddressed, US–Iran relations remain uncertain. Iranian Foreign Minister Hossein Amir-Abdollahian said in a speech at Tehran University in December 2023 that attempting to revive a nuclear deal with world powers was "useless" even though he left the door open to a deal should it serve Iranian interests.

Perhaps most damaging to the relationship, was the Trump administration's inaction during the Iranian sponsored attacks on Saudi oil installations at Abqaiq and Khurais in 2019. This caused the Kingdom to question the reliability of US security guarantees. The incident also enabled other countries such as France to step in with a radar system, part of Jaguar Task Force, and a promised deployment of the *Charles de Gaulle* aircraft carrier. France has continued to make inroads into the Gulf, notably through the supply of 80 Rafale warplanes to the UAE in a deal signed in December 2021, worth $25.6 billion. Finally, and perhaps equally damaging, was the US withdrawal from Afghanistan and an assumption that the US might withdraw from Syria.

In 2021, during the months after President Biden won the US presidential election, his administration imposed more stringent controls on US arms exports to the Kingdom than had been the case during the Trump presidency. Such conditionality, when coupled with other US foreign policies, and the economic rationale outlined below, has facilitated the search for substantial foreign security-related support and refocused elite decision-making to concentrate on indigenous options. The Kingdom quickly concluded a deal with Russia to strengthen joint military and defense cooperation.

While prudent in terms of defense, such deals continue to draw attention to a lack of interoperability between GCC state partners, with some more diverse in their sourcing of defense contracts and others with a continued reliance on US arms imports. In 2022, Russia and the UAE looked set to co-produce the Su-75 Checkmate stealth fighter jet. This development occurred after the UAE suspended talks with the US over its intention to procure F-35 stealth fighter jets due to US conditions about curtailing the use of Huawei 5G in the UAE. Renewed US pressure in the context of Russia's war in Ukraine and in the context of poor US-China relations has meant that an F-35 deal with the UAE is still possible. But given that China was alleged to have resumed construction at a military site in the UAE in April 2023, US-UAE defensive relations look uncertain. The UAE is also keenly aware that close cooperation with the US, especially in the domain of maritime security, could prove counterproductive in its de-escalation policies towards Iran. The UAE therefore withdrew from the US-led Combined Maritime Forces, the coalition responsible for securing Gulf waters, on June 1, 2023.

In March 2022, China developed its purely economic presence in the GCC states to include a joint venture, "Aerial Solutions," with Saudi Arabia to design and manufacture military drones in the Kingdom. Despite deteriorating US relations with Saudi Arabia and the UAE, highlighted by leaders from both countries delaying phone calls with President Biden on oil policy in 2022, relations have largely advanced through the military. US Central Command is developing the Red Sands Integrated Experimentation Center in conjunction with Saudi Arabia to help address drone and missile threats from Iran and allied non-state actors. Crown Prince Mohammed bin Salman has been explicit that a stronger defense agreement, easier access to US arms, and civil nuclear assistance, could have been enough to facilitate Saudi normalization with Israel before the war with Hamas in 2023.

The "Vision" Strategies and Military–Industrial Developments

Military–industrial projects serve a range of direct and indirect state aims and objectives, operationalized through the various economic "Vision" strategies. They attract investment into the homeland, dual or multi-use expertise, and technology transfer, and tighten collaboration with international partners through investments or joint ventures. In economic terms, it creates jobs and generates income from export sales. The "Visions" can contribute to greater control over social engineering projects through contributions to national status and nationalism, and over foreign policy through offering greater control over defense functionality. Ultimately, successfully implemented indigenous military–industrial projects can enhance regime and state autonomy.

The construction of military–industrial complexes is taking place at different speeds across the GCC states, led by Saudi Arabia, the United Arab Emirates (UAE), and Qatar. Indigenous military–industrial programs follow years of some GCC states building their military prowess. The following sub-sections outline the state of play in each of the GCC states, including leading bilateral military relationships and the extent to which each state has implemented steps in their Vision strategy and towards building a military-industrial complex.

The UAE

The UAE is further along than other GCC states in its economic diversification process and has a different set of national security challenges to meet due to its size, smaller population, and proximity to Iran, a country with which it has outstanding contentions (i.e., over the status of the Greater and Lesser Tunb islands and Abu Musa). Building on international defense exhibitions such as IDEX (from 1993) and NAVDEX (from 2019), the UAE has gone from one strength to another in building domestic defense capacity. The UAE has been a 'policy entrepreneur,' having changed approaches to military training, unified federal militaries, and testing forces in operations. For example, UAE forces have embedded with NATO forces, committed to establishing capable units such as the Presidential Guard, Special Operations Command, and Joint Aviation Command, and developed its navy during the Yemen War. The UAE has also developed new intelligence capabilities such as the Signals Intelligence Agency (SIA) which was set up in 2011 with US assistance. SIA was later found to have used clandestine teams of former US intelligence operatives in Project Raven, Pegasus spyware from Israel, and the app 'ToTok' to monitor user conversations and other behaviors.

In 2014, the UAE integrated 16 small firms to create the Emirates Defense Industries Company (EDIC), the country's largest arms manufacturing and services company. The Tawazun Economic Council (TEC) plays a vital role in financing for security and defense acquisitions and contracts. The UAE Advanced Military Maintenance Repair and Overhaul Center (AMMROC) has worked in a joint venture with Lockheed Martin and Sikorsky Aircraft on military maintenance and repair, primarily for the Emirates Air Force. Abu Dhabi Ship Building (ADSB) has branched out from contracts with the UAE Navy to exporting landing craft to Oman, Bahrain and Kuwait. The UAE has also focused on boosting expertise on cybersecurity and secure communications. Tawazun Industrial Park, part of Tawazun Economic Council, set up Watheq Cyber Security Laboratory which works with CPX Holding, a local company, and EDGE Group, who joined the global top 25 arms producing companies in 2019, set up secure communications firm Digital14. Israel will continue to feed into these initiatives, through an agreement to develop cyber security and deep tech signed in September 2022.

2023 heralded more deals to advance bilateral defense cooperation. The UAE and Turkey, for example, are focusing on technologies to produce components, weapons, and other materials for aerospace, part of a Comprehensive Economic Partnership Agreement (CEPA) that was signed between the two countries in March 2023. With greater emphasis on maritime security in the Gulf, Red Sea, and Indian Ocean, the UAE is an emerging 'thalassocracy' – a state that harnesses 'the entire society around a seafaring culture to maintain autonomy – not to overcome a dominant continental power.' By 2022, the UAE was exporting almost $1.5 billion worth of arms to states in the GCC, Asia, and South America, benefitting from a range of joint ventures and market niches.

Saudi Arabia

In 2022, Saudi Arabia had 12 joint ventures, and in 2023, others were being negotiated with companies such as Airbus, Boeing, Lockheed Martin, and possibly Hanwha. Walid Abukhaled, CEO of Saudi Arabia Military Industries (SAMI), stated in November 2023 that the conglomerate is "investing in developing [its] own products across all domains, but the key ones are really AI and command and control systems." Saudi Arabia's "Vision 2030" states a target of 48 percent local military procurement. The other half of military procurement included a Saudi-Russian military cooperation deal in 2021, signaling its possible openness towards further agreements.

China has stepped up cooperation with the Kingdom in the production of ballistic missiles and has been successful in supplying drones. Since at least 2010, Chinese naval vessels have visited GCC states such as Saudi Arabia, Bahrain, the UAE, and Kuwait, often billed as "goodwill" visits. The US has responded to increasing cooperation between the GCC and extra-regional states such as Russia and China in 2022 with the Red Sands Integrated Experimentation Center to help counter missile and drone attacks, with a focus on "people, partnerships, and innovation."

In 2022, Turkish President Recep Tayyip Erdogan met with Crown Prince Mohammed bin Salman, for discussions that led to the July 2023 announcement of a Bayraktar deal with Saudi Arabia. The announcement came after President Erdogan's Gulf tour and is the biggest defense contract in the history of the Turkish Republic. Absent any Saudi–Israeli normalization in the foreseeable future, Turkey could seize the initiative and push for a broader and deeper security deal, but would need to do so in a way that avoids creating a new 'security dilemma' between Saudi Arabia and Iran. It will be a challenging feat to balance Saudi objectives while maintaining alignment with Turkish competitive advantages.

Qatar

Qatar's defense and aerospace sector has revolved around Al Udeid Air Base, the largest US base in the Middle East with over 10,000 American military personnel stationed there. It has been undergoing a $3 billion expansion, including more facilities for US personnel and their families indicating their future ongoing presence. Between 2013 and 2017, Qatar spent 30 percent of its defense budget on aircraft, not surprisingly from mostly US companies, followed by missile systems and armored vehicles. Turkey also played a central deterrent role by stationing troops in Qatar, its only base in the Gulf, during the GCC crisis from 2017-2021. Furthermore, Qatar has deployed 36 of its military aircraft and transporters in Turkey in 2021 and has bought two landing craft mechanized ships for the Qatari navy.

In January 2021, Qatar had $26 billion in active US foreign military sales, and spent $15.4 billion in 2022, behind Saudi Arabia, according to the Stockholm International Peace Research Institute (SIPRI). Qatar works with major US arms and defense-related suppliers such as Raytheon, GE, Boeing, Northrop Grumman, Honeywell, and Lockheed Martin. Barzan Aeronautical is one of the few Qatari defense companies to support the country's long-term research and development, knowledge transfer, human capital and technology goals through investment (including joint ventures), R&D, and strategic procurement.

Qatar's defense market is expected to achieve significant growth over the coming years given its relatively underdeveloped status, with a defense budget expected to reach $8.8 billion in 2024. Similar to the UAE and Saudi Arabia, Qatar has plans to expand its naval forces from 3,000 to 7,000 by 2025. Qatar's US-facing posture is marked by being designated a major non-NATO ally (MNNA) of the United States on January 31, 2022, after assisting with US withdrawal from Afghanistan. Doha also places great emphasis on mediation, which impacts on its emphasis and speed of transition to an indigenous military–industrial complex.

Bahrain

Bahrain was host to the US Navy's Fifth Fleet from 1944-1947 and again from 1995 to the present. But ongoing Iranian territorial claims over Bahrain, and major protests during the Arab uprisings in 2011, requiring the deployment of around 1,000 GCC Peninsula Shield Forces to Bahrain, gave Manama good reason to develop its military–industrial complex. The UK military operates HMS Juffair in Bahrain, re-established in 2018. The Bahrain Defense Force already produces its own armored personnel carriers and armored security cabins, and in 2019 the country was set to diversify its production of homegrown equipment in line with neighboring GCC states.

Like the UAE, Bahrain is using exhibitions as a defense industry launch pad. The biennial Bahrain International Defense Exhibition and Conference (BIDEC) already attracts upwards of [170 exhibitors from 33 countries].

Bahrain is also shifting emphasis from the coastguard, which has already benefited from high-tech patrol vessels from the US to the navy. The Bahraini government signed the Comprehensive Security Integration and Prosperity Agreement (C-SIPA) with the US in 2023 covering air and missile defense, technology, and trade. Whilst bound to be a welcome boost to Bahraini security in the face of Iranian saber-rattling, and a possible blueprint for the US to follow with other GCC states short of a defense treaty, it may slow the process of indigenization by sustaining dependence on US Central Command and arms companies to fill immediate defense and security voids.

Kuwait

Kuwait, having been invaded by Saddam Hussein's Iraq in 1990-91, has perhaps the best reason to pursue indigenous military–industrial projects. Kuwait has continued to grapple with terror cells linked to Al Qaeda and Islamic State as well as possible reprisals linked to being [host to US military personnel]. Maintaining host ties to US forces has remained the bedrock of Kuwaiti strategy, reflected in Kuwait's relatively low imports of arms, parts, and accessories. In February 2022, the US State Department approved a potential foreign military sale of design and construction of the Kuwait defense ministry headquarters complex and related equipment [at a cost of $1 billion]. In August 2022, Touba Sonmez, Turkish ambassador to Kuwait, appeared to promote the idea of a [Turkish military base in Kuwait]. This would extend Turkey and Kuwait's comprehensive joint defense plan signed in 2018 and be a significant development beyond the Kuwaiti procurement of the Turkish Bayraktar attack drone in 2023. Whilst desirable for Ankara, a military base would set a new precedent for Turkish advancement in the Gulf that would be out of character for Kuwait to pursue without Saudi and Iranian acquiescence.

Oman

Oman is in a relatively unique position in the Gulf. It has built up strong links with the UK and US militaries as stated above and has been a pivotal state in advancing stable relations in the region, including with Iran. Nevertheless, Oman is expected and able (due to higher oil prices) to keep pace with military modernization among neighbors such as Saudi Arabia, Bahrain and the UAE. [Oman spent $9 billion on the military in 2019] and its major focus will remain on strengthening air and naval capabilities. Following on from a permanent UK Joint Logistics Support Base at Duqm in Oman agreed to in 2017, and officially opened in October 2018, Oman reinstituted joint military training with the UK in 2022. There could be further opportunity for others beyond BAE Systems, Lockheed Martin, NHIndustries (France), Raytheon, FNSS Defense Systems (Turkey), and Bell to be involved in the burgeoning Omani military–industrial complex, but more than most GCC states, Oman's position as a neutral state will be first and foremost.

Conclusion

Some of the constants of GCC state military–industrial development include concerns about Iranian behavior in the region and evidence of a new dynamic in which regional competition is shifting from the political to the military domains. The GCC states can also be characterized as having maintained a generally close working relationship with the US, as well as other western allies to enhance their security and defense. However, evidence of balancing/hedging with other non-western state parties shows an intent to avoid conditionality, over-dependence, blowback, non or under-performance (in terms of security guarantees) in cases of regional escalation, and benefit from cost-effective or emerging novel technologies. GCC states such as Saudi Arabia and the UAE continue to re-orient their foreign policy and rebalance and update their alliances and membership in various IGOs such as the Shanghai Cooperation Organization (SCO) and the BRICS group of countries. These are bound to enable a further broadening of their international security and defense relations, bilaterally, mini-laterally, and multilaterally.

Developments can be viewed in the context of ongoing efforts to tackle violent extremism and address ontological threats, which for monarchical regimes such as the UAE include rolling back threats from Islamist groups and exacerbated intra-GCC competition and distrust. Going forward, GCC state interoperability is set to reflect mismatched regional policies, speed of economic diversification and military-industrial investment (although this may be partially offset by joint ventures and trickle-down arms supplies from GCC state allies), international suppliers and capacity building.

Many of the measures undertaken within the GCC states' "Vision" strategies inherently recognize that military-industrial development is a long-term process that is aimed at safeguarding autonomy rather than engaging in competition with established powers. The GCC states continue to grapple with constraints such as human resource availability which has influenced attitudes towards introducing women into the military, even in combat roles. Some calculations go hand in hand with managing high arms imports and low absorptive capacity, such as Qatar's decision to offshore some troops and military hardware. Other decision-making appears to be rooted in overall foreign policy orientation, evident particularly through significant commitments such as encouraging base agreements, and role conception such as the Royal Saudi Navy taking command of the Combined Task Force 152 and Coalition Task Force Sentinel from August 27, 2023.

There is a plethora of other economic and social issues to be considered in the rollout of military–industrial plans. This includes ongoing decision-making about how states can best build on or transition from their current models during a period of high oil prices whilst retaining their value-added/specialisms both domestically and for possible export in the region and internationally, in light of market niches established by other GCC states, notably the UAE. Foremost, military–industrial growth in each GCC state will reflect the best ways to contribute to specific national security objectives and counter emerging threats, whilst seeking new opportunities to punch above their weight in regional and international affairs.

Increasingly, amid unresolved conflicts or new tensions in various regions, many GCC states are engaging in various forms of mediation. Just a few examples include Iraq and Oman's involvement in the lead-up to the China-brokered Saudi-Iranian normalization deal in 2023, Qatari mediation with Hamas (especially on the issue of Israeli hostages), and Saudi mediation in the Sudan conflict. The range of examples shows that mediation is not simply the domain of small states seeking to leverage their status, but the recognition that it can be part of an arsenal of soft power resources. Mediation helps stabilize the region during a critical phase of rapid economic diversification and the construction of military-industrial complexes. Eventually, these complexes may provide wider indigenous hard power options to draw on, contributing to greater state autonomy and the potential for enhanced cooperation with like-minded states.

Gulf Research Center
Knowledge for All

مركز الخليج للأبحاث
المعرفة للجميع