

## SECURITY CHALLENGES

## Home-made weaponry

Saudi Arabia and United Arab Emirates are planning a massive boost to domestic weapons production by 2030

BY MARKUS BICKEL

The goal is ambitious. Saudi Arabian Military Industries (SAMI) will create 40,000 new jobs by 2030. And that's not all: The new state-owned defense contractor would produce half of the Saudi forces' weapons requirements by the end of the next decade. The Saudi Kingdom, which of late has made headlines primarily through vast imports of state-of-the-art weaponry, plans to start exporting to all parts of the world. Most recently, on a visit to Riyadh in May 2017, US President Donald Trump and King Salman bin Saud agreed on contracts and memoranda of understanding worth \$110 billion in arms sales.

However, if the ambitious 32-year-old Crown Prince Mohammed bin Salman has his way, transactions such as these will soon be a thing of the past. The new boss in Riyadh plans to make SAMI one of the world's top 25 defense contractors by 2030. But in view of the aggressive foreign policy pursued by the kingdom – itself threatened by Islamic State terrorist attacks – following the death of King Abdullah in 2015, this is a headlong rush.

The rearmament is the consequence of the worsening rivalry with Iran over regional hegemony; with well over 7,000 heavy weapons systems each, the countries are more or less at parity. The Saudi arsenal is, however, far more modern. But for Israel, their military is the best equipped in the region. At \$12.7 billion, Iran's military expenditure is only one-fifth that of the Saudis.

But Saudi resources are not unlimited, especially given the shortfalls in revenue resulting from low oil prices. In the long run, the kingdom cannot fight the costly wars it is waging while spending many more billions on arms imports. Neither in Yemen, where the Saudi Air Force and ground forces are directly involved in the conflict, nor indirectly in Syria is an end to the fighting in sight.

To terminate this dependency – particularly on the US – bin Salman is relying on a home-grown solution. His goal is to fortify Saudi Arabia's own military-

China. For 2018, \$56 billion is earmarked for the armaments budget. In view of the ongoing operations in Yemen, this sum will almost certainly be exceeded, as it was the previous year. The kingdom wants that money to benefit its own economy in the near future; by 2030, the goal is for SAMI to generate annual revenue of 14 billion riyals, or \$3.7 billion.

What applies to Saudi Arabia also applies to Riyadh's main ally in the fight against IS and Iran: the United Arab Emirates (UAE). In the wake of the US military's creeping retreat from the region, the crown princes known in the Arab world as MBS (Mohammed bin Salman) and MBZ (Mohammed bin Zayed) have been working to overhaul their import-dependent economies before the oil era ends. In both countries, Agenda 2030 is the name of the program to massively expand and diversify local industry, including defense technology.

The UAE is already ahead of Saudi Arabia in the development of an independent defense industry. Over the past five years, Abu Dhabi's leadership has invested an average of \$23.4 billion in defense. In 2005, that figure was only \$9.4 billion. Since 2014, the Emirates Defense Industries Company (EDIC) has comprised a powerful coalition of domestic companies that now produces munitions with more or less autonomy. The biennial Abu Dhabi International Defence Exhibition & Conference (IDEX) has become one of the world's major arms exhibitions. In 2019, organizers expect more than a thousand producers from over 50 countries.

The 56-year-old heir to the throne, Mohammed bin Zayed, is driving the UAE's independent arms sector. The wealthy gulf state's military entanglements have not slowed the trend. In the war against IS in Syria and Iraq, the Emirati Air Force has flown more missions than any other country involved in Operation Inherent Resolve, with the exception of the US. Moreover, UAE pilots have repeatedly attacked jihadist positions in Libya, 4,000 kilometers away.

And in Yemen, 4,000 soldiers from the Emirates, including 1,500 special forces, constitute the most significant ground force of

coming to an end. This shift in military thinking was accelerated by the refusal of then-US President Barack Obama to intervene militarily in Syria, even after the government's poison gas attacks on opposition-held areas in September 2014.

Only by expanding their own industries can the two major powers of the Gulf Cooperation Council (GCC) assert their leadership in the Islamic Military Counter Terrorism Coalition (IMCTC), founded last year and headquartered in Riyadh. Thirty-nine other, mostly Muslim states have since joined the alliance, which is all but certain to intensify its collaborative efforts in the medium term.

To be sure, the rich Arab Gulf States cannot do without technology transfer from the West for the foreseeable future, despite all their efforts towards autonomy. Part of the SAMI strategy is thus to expand through joint ventures with foreign defense companies. Deals with arms giants Boeing, Lockheed Martin, Raytheon and General Dynamics were penned last year. During a visit to Moscow in autumn 2017, SAMI Chairman Ahmed Al-Khatib agreed to projects with Russian arms giant Rosoboronexport.

To ensure lasting access to Western expertise, SAMI hired Andreas Schwer as its new CEO in December 2017. His previous employer, Düsseldorf-based Rheinmetall Defense, has been

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working to internationalize its defense portfolio for years. Since 2012, Schwer had headed Rheinmetall's combat systems division – a growth sector, not least because of the wars on the Arabian Peninsula.

## IRAN SO FAR AWAY

Western allies continue their search for the right way to handle the Islamic Republic

BY CORNELIUS ADEBAHR

The violent unrest in many Iranian cities took officials and foreign observers by surprise. It stemmed from the pent-up frustration of regular people in the provinces over unemployment, price hikes and corruption, while the world focused more on Iran's increasing regional might and the uncertain state of the nuclear deal.

The relative calm inside the country has given way to a domestic quarrel over how to respond to the hitherto unknown outburst of anti-regime sentiment among ordinary people, who are generally considered the Islamic Republic's conservative bulwark. Today, almost 40 years after the 1979 Revolution, is a watershed moment for both politics in Tehran and transatlantic policy towards Iran.

As it turned out, rather than killing the 2015 nuclear deal outright, a reluctant President Donald Trump threw it another lifeline by again suspending important US sanctions for another 120 days. However, in the same breath he handed his European allies an ultimatum: Work with him to confront Iran's "malign activities" by cutting off funding to the Islamic Revolutionary Guard Corps, designating the Lebanese Hezbollah as a terrorist organization and constraining Iran's development and proliferation of missiles – which in his eyes would "fix the terrible flaws of the Iran nuclear deal" – or he will withdraw the US from the deal when the next sanctions waiver is due in mid-May.

Trump's early tweets in support of the Iranian demonstrators ("Time for change") led some to believe he would use the street protests as a justification for the immediate termination of sanctions relief. He had forged an Arab-Israeli-American coalition against Iran during his first trip abroad in May 2017. In this he declared Tehran, alongside Pyongyang, to be one of the two

main threats to the US National Security Strategy adopted in mid-December 2017. There is little doubt that he wishes to be the president "overseeing" regime change in Iran, even if it were not orchestrated by Washington but by "the great Iranian people" (Trump on Twitter).

Yet Trump has held back for now, if only – and this is the second point – to issue a stern ultimatum to America's allies to change course. The Europeans are adamant to preserve the nuclear deal precisely for its ability to block Iran's path to the bomb – an analysis they share with the Russians and Chinese as well as with the majority of international experts. While they have concerns over the country's regional policy, they see Tehran as a key player in the Middle East that must be engaged rather than isolated. The EU thus aims to open the country through economic exchanges and to involve it in regional conflict resolution.

However, America's persistent questioning of the deal has already undermined the position of the West (i.e. France, Germany, the United Kingdom, the EU and the United States) vis-à-vis the other signatories (China, Russia and Iran itself). Trump purposefully conflates the deal's core bargain – roughly speaking, a substantive rollback and continuous inspection of Iran's nuclear program in return for the lifting of international economic sanctions – with Tehran's growing regional power projection. His argument is that the former has enabled the latter. Yet the opposite is actually true: The deal, which Teheran has thus far strictly observed according to the International Atomic Energy Agency (IAEA) entrusted with overseeing the agreement, has at least reduced the nuclear threat.

A US withdrawal from the deal would not only reopen the nuclear issue, but also give hardliners in Iran a welcome reason to put down domestic dissent. The credibility of international diplomacy would be severely undermined, with consequences for other hotspots such as North Korea and America's global rivalry with China and Russia.

As the nuclear deal's lead negotiator, what can the EU do now? The Europeans have thus far been looking for a way to stop Washington from withdrawing and not to jeopardize their developing relations with Iran. This was a difficult diplomatic feat even before the recent unrest and Trump's four-month ultimatum. The US has now added insult to injury. The measures demanded from the Europeans would not only render even a limited partnership with the Iranians impossible, they would also violate explicit provisions of the agreement.

To avoid risking further transatlantic alienation at a time of global insecurity, the Europeans will seek a face-saving compromise. A solution could evolve around stricter EU measures against Iranian missiles in return for a US reaffirmation of the 2015 deal. Yet the EU can never be certain whether Trump is open to a way out of the impasse. More than ever US, Iran policy is based on Washington politics, not on questions of transatlantic partnership or even the facts on the ground in Iran.

Far beyond the questions of nuclear proliferation, regional security and human rights, the dispute over the correct approach to Iran is a palpable – and rather frightening – symptom of traditional allies drifting apart. ■

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MBS and MBZ are arming the Gulf: Saudi Arabia's Mohammed bin Salman and Mohammed bin Zayed of the United Arab Emirates.

industrial complex – producing rockets, guided missiles, drones, ammunition and land vehicles – in just over a decade, with SAMI spearheading the effort. "The company will seek to be a key catalyst," said Salman in the spring of 2017 on the occasion of SAMI's founding, "to localize 50 percent of total government military spending by the year 2030."

In 2017, the defense budget – under direct control of the aged King Salman's favorite son – reached just under \$60 billion, according to Jane's Defense Industry. Only two states spent more money on their armed forces and new weapons: the US and

the anti-Iranian military alliance. The soldiers from Abu Dhabi are fighting not only against the Houthi rebels, who are supported militarily by Tehran, but also against members of al-Qaeda on the Arabian Peninsula (AQAP). UAE, which gained independence from Britain only in 1971, has seen dozens of its soldiers killed in Yemen.

Through their homegrown policy, the two mighty crown princes could revolutionize how the global defense industry does business in the long run; the practice of Gulf Arabs using their oil wealth for arms purchases and investments in the West is slowly

Both in the Emirates and in Saudi Arabia, the German arms contractor is doing good business. In 2016, Rheinmetall Denel Munition (RDM) – a South African joint venture – completed a munitions factory on the premises of Saudi Arabia's Military Industries Corporation (MIC) in Al Kharj, southeast of Riyadh. Its goal is the daily production of 300 artillery and 600 mortar rounds for the Saudi armed forces, but also for export.

Ziel ist die Produktion von 300 Artillerie- oder 600 Mörsergeschossen täglich. Für die saudischen Streitkräfte. Aber auch zum Export. ■