GCC’S PURSUIT OF STRATEGIC AUTONOMY: LOCALIZING DEFENSE INDUSTRIES

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Abstract: The Gulf region has traditionally been heavily reliant on foreign defense supplies, particularly from the United States. This dependence was due in part to the security umbrella provided by the US, which allowed the Gulf countries to be complacent about defense matters. Over the last few decades, military spending in the region has consistently increased. In response to shifts in US foreign policy and the Arab Spring, Gulf countries have begun to diversify their defense procurement sources and have started to localize their defense industries. The success of efforts to localize defense industries in Gulf countries will depend on overcoming challenges such as the need for research and development, qualified human resources, and technical manpower. While it may be challenging for these countries to become competitive global players in the defense industry, localization can still be a valuable strategy for gaining strategic autonomy and greater maneuverability in defense and foreign policies. This, in turn, can lead to significant shifts in the geopolitical landscape.

Introduction
The China-Saudi summit has sparked debate about the changing dynamics of the global order, but a major shift in the security approach of Gulf countries has gone largely unnoticed. In the past, the Gulf region was heavily reliant on foreign defense supplies, particularly from the United States. This dependence was due in large part to the security umbrella provided by the US, which allowed the Gulf countries to be complacent about defense matters. Over the last few decades, military spending in the region has consistently increased. Between 1950 and 2017, countries in the Middle East have paid more than $379 billion for U.S. Foreign Military Sales agreements, representing 51.5% of foreign military agreements worldwide. In recent years, Saudi Arabia has been particularly active in this regard, signing billions of dollars’ worth of weapon purchase agreements with the U.S. and becoming the top buyer of American arms between 2017 and 2021, with a staggering 23% of all U.S. weapons sold during this period ending up in the kingdom.

Figure 1: Value of United States arms agreements in MENA

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Recent events such as the Arab Spring and shifts in US foreign policy have prompted Gulf countries to reconsider their reliance on foreign defense supplies. In the 2010s, the US shifted its focus to the Far East with its “Pivot to Asia” strategy, which, along with discussions about a post-oil world, has raised concerns about the stability of existing defense arrangements. Additionally, US inaction in Syria and the Iran nuclear deal in 2016 have damaged the US’s reputation as a reliable partner. In response, Gulf countries have started to diversify their defense procurement sources by turning to China and Russia and have also begun to develop their own domestic defense industries.

In recent years, the leaders in UAE and Saudi Arabia, especially President Muhammed bin Zayed (MBZ), and Crown Prince Muhammed bin Selman (MBS) have signaled their determination to change the status quo of their domestic military industry. The pace of the reforms increased considerably, where new powerful institutions in both countries, Saudi Arabian Military Industries (SAMI), General Authority for Military Industries (GAMI), Emirates Defence Industries Company (EDIC) – later absorbed into EDGE Group, were founded to support and coordinate the effort to create their own military industry. This industrialization in Gulf started to bear fruits as the UAE started exporting terrain vehicles to the countries in the region.

This strategy of localization could be considered a part of a broader effort to hedge against the US and gain strategic autonomy. The first benefit of these attempts is an indirect one which is to enable Gulf countries to gain greater maneuverability in their defense and foreign policies. The Gulf countries are careful not to signal a complete reversal of their defense policy which is still mostly dependent on the US. While these efforts may help the Gulf countries gain greater maneuverability, it remains to be seen whether they will lead to a significant shift in the Gulf countries' geopolitical landscape.

![Figure 2: Share of Supplier Countries in MENA arms imports](image-url)
For the localization of defense industries to be successful, UAE and Saudi Arabia will need to overcome challenges such as the need for research and development, qualified, skilled human resources, and technical manpower. Additionally, their defense products will need to be competitive in the global marketplace. While current strategies may enable these countries to become regional exporters of defense equipments\textsuperscript{10}, it is unlikely that they will become major players in the global defense industry unless they address the structural problems regarding their industrial organization.

**History of Total Reliance**

In the 20th century, the Middle East was known for its reliance on foreign imports for its defense industry.\textsuperscript{11} While countries like Yemen, Algeria, Iraq, and Syria imported from the Soviet Union, Gulf countries built their military arsenals using United States suppliers.\textsuperscript{12} It's important to note that KSA and UAE have experienced a significant increase in military spending, as demonstrated by Figure 3.

Furthermore, Figure 2 reveals that a significant portion of this spending is directed toward the purchase of advanced military technology and weapons systems from Western countries. This reliance on foreign suppliers for their defense needs can make these countries vulnerable to potential disruptions in the supply of military technology and weapons and can also impact their ability to maintain their own defense capabilities.

![Value of Military Spending](image)

*Figure 3: The Value of Total Military Spending by Saudi Arabia and the United Arab Emirates\textsuperscript{13}*

There are various factors contributing to the Gulf region’s reliance on foreign imports for its defense sector. The most significant factor is the lack of industrialization in the Middle East and North Africa (MENA) region. The defense sector depends on other industries
that produce iron, steel, non-ferrous metals, electrical equipment, and transportation. However, unlike the US and Europe, the Gulf region did not experience industrialization in the 20th century, which hindered the localization of the defense industry due to the lack of an industrial base. The second related factor is the dearth of human capital in the region, which is crucial for the development of the defense industry. The Gulf region lacks the necessary human resources to develop an indigenous defense industry.

Lastly, the geopolitical security architecture did not incentivize localization attempts. During the Cold War, the majority of Gulf countries were protected by the US security umbrella, which led to an implicit geopolitical deal where Gulf countries bought security from the US in return for a stable oil market. This created a rentier economy with no urgency to localize the defense industry, further reinforcing the lack of necessary conditions such as skilled labor or private enterprise. As a result, the structural conditions in parallel with the geopolitical situation until the 2000s did not create an imperative to develop an indigenous defense industry in the Gulf region.

**Why is there a shift in the approaches of Gulf countries?**

The Gulf region is currently undergoing a significant shift in its defense strategy, with several countries diversifying their import sources and investing in the development of their own defense industries. This decision is influenced by a range of factors, including structural, economic, and unique conditions.

Structural factors can be summarized as the changing geopolitical landscape, intensifying rivalry between the US, China, and Russia, and the threat of Iran and its affiliated non-state actors. The global dominance of the United States has been challenged by the rise of China and its allies. This shift was acknowledged by the US when President Obama decided to pivot towards the Pacific and gradually withdraw from the Middle East. This “Pivot to Asia” strategy expedited the multipolar turn of the Gulf, where most of the regional actors recognized that the previous equilibrium was no longer sustainable and invested in their relationship with China and Russia. In the past, Gulf countries relied on their oil reserves as a source of leverage in the global market. However, the US shale revolution and the shift towards clean energy, along with low oil prices after 2014, diminished the power of this bargaining chip. The US’s lack of intervention in Syria, hasty and disorderly withdrawal from Afghanistan and its more accommodating policies towards Iran with the nuclear deal were seen as further evidence of the disintegration of the previous security arrangements.
At the regional level, the threat of Iran became particularly relevant as it became more aggressive in its strategy of utilizing non-state actors in Syria, Iraq, Lebanon, and Yemen. The Yemen civil war and the intervention by Saudi-led allies have illustrated this problem clearly. The Saudis launched their campaign in response to the takeover by Houthi rebels, who are backed by Iran. Although the campaign was initially planned as a short and decisive air operation, it dragged on for seven years without achieving any tangible gains for Saudi Arabia. Furthermore, it has exposed the fragility of Saudi air defenses, as seen in the Aramco drone strikes that cut the kingdom’s oil production in half. The disappointment about the military failures and also the hesitance of the US for fully-fledged support of operation and its inaction against Aramco strike have been factors in the determination of Saudi Arabia to try a new approach to its national defense.

Economic factors also reinforce the need for creating their own military industries: The Gulf economies are struggling with high unemployment and a lack of skilled labor force. The threat of the post-oil world is also putting the main pillar of these economies at risk. This situation has increased the urgency of diversifying the economy away from fossil fuels. The development of a local defense industry offers economic benefits such as job creation and foreign investment and can help train skilled workers for the broader economy. This could have potential spillover effects, benefiting other industries that are linked to the defense industry.

Idiosyncratic factors include the personalities of leaders such as Sheikh Mohammed bin Zayed (MBZ) of the UAE and Crown Prince Mohammed bin Salman (MBS) of Saudi Arabia. Both leaders are known for their strong commitment to national security and their willingness to take bold and decisive action in implementing reform measures. The ambitious drive of MBZ and MBS, and their focus on economic development and diversification, have been instrumental in shaping the goals and direction of defense reforms in their countries. The localization of the defense industry is seen as a way to promote a feeling of self-sufficiency and national pride among citizens and is part of a broader effort to create a more nationalist sentiment in the region.

Overall, it is clear that all of these factors have contributed to the drive for defense reform and localization in Gulf countries. Structural factors, such as geopolitical realignments and the emergence of a multipolar world, are driving these countries to acquire and develop indigenous defense capabilities. At the same time, the enthusiasm and drive of leaders like MBZ and MBS have provided an impetus for these reforms and made them a higher priority for their respective countries.
Opportunities and Challenges in Front of the Gulf Countries’ Defense Localization Projects

We have seen that the governments of the UAE and Saudi Arabia are determined to create their own industries, but it is important to evaluate the merit of their current attempts in this regard. The 2030 visions of Saudi Arabia and the United Arab Emirates (UAE) have spurred the creation of new institutions to encourage local firms to thrive. Among the most notable are Saudi Arabian Military Industries (SAMI) and the General Authority for Military Industries (GAMI) for Saudi Arabia, as well as the Emirates Defense Industries Company (EDIC)--later absorbed into the EDGE group. These institutions play a central role in the localization of the defense industry, serving as regulators and licensors for the industry and promoting standardization and state-led processes. For example, SAMI and GAMI work closely with Mohammed bin Salman to oversee the industry and ensure compliance with regulations. The EDGE group, meanwhile, is a conglomerate of 25 defense entities that employ more than 12,000 people. By bringing together a diverse range of companies, the EDGE group aims to offer a wide range of products and services, from electronics and engineering to cybersecurity and logistics. Other notable achievements in the pursuit of these 2030 visions include hosting defense trade fairs, building partnerships with foreign companies, and technology and know-how transfer.

These endeavors are happening concurrently with defense purchases and partnerships with non-Western countries. For example, Saudi Arabia has been conducting joint naval drills with China, and there are rumors of potential ballistic missile development with China’s assistance in Riyadh. Additionally, the UAE has formed a military industry partnership with China for the transfer of Chinese drone technology and signed an agreement with the Russian defense giant Rostec for the co-development of a fifth-generation fighter. While it may have initially seemed like the best idea for Gulf countries to transfer technology from Western countries, the dissatisfaction with these efforts has led them to look for other countries to trade with. The deals with these countries have a dual objective, first is to diversify their arms imports, and second is to achieve technology transfer for increasing the local capacity. China and Russia’s increasing engagement with the region also helps the UAE and Saudi Arabia’s goals of seeking autonomy in their defense industry. China has increased the volume of its arms exports to Saudi Arabia from $35 million in 2011 to $170 million in 2020. While this is still small compared to US imports, it shows an alteration in the region’s geopolitical landscape.

The domestication of the defense industry in Saudi Arabia and the UAE has seen some early successes, such as the sale of UAE’s NIMR II infantry fighting vehicles to Egypt, Kuwait, and Saudi Arabia, which was also tested in the war in Yemen. However, it should be noted that
these weapons and weapon platforms are often produced in partnership with other countries and may not be entirely locally produced. There is a trend of rebranding existing weapons and weaponry as if they are produced in the Gulf countries. For instance, UAE’s Tawazun Precision Dynamics rebranded South African RG-31 armored vehicle as Agrab after their partnership with South African Denel company.\textsuperscript{32} Producing weapons from scratch is difficult and will take time to achieve.

There are challenges that need to be addressed in order for the 2030 visions of indigenous defense industries to be successful. These include the ability to compete in the global market and the need for a skilled labor force. In order to succeed, Gulf countries may need to focus on niche markets rather than trying to compete with larger, more established players in the global defense market. This will require a skilled labor force capable of producing high-quality defense products that can compete with those from other countries.\textsuperscript{33} Additionally, these countries will need to invest in research and development to stay competitive and continue innovating in the field of defense technology. One of the main obstacles to achieving these goals is the lack of trained and qualified human resources. Technical manpower will also be necessary, particularly at the secondary level.

In short, the 2030 visions of localization of defense industries in the UAE and Saudi Arabia are ambitious. Success will depend on a number of factors, including the ability to compete in the global market, a skilled labor force, and investment in research and development. While there are challenges to be addressed, the early successes of the domestication of defense industries in the UAE and Saudi Arabia show that they are on the right track to becoming security providers in the region.

**Conclusion**

The Gulf region is undergoing a significant shift in its defense spending and reliance on foreign military imports. This expert brief suggests that this change is largely driven by structural factors, such as the search for strategic autonomy and growing discontent and divide in GCC-US relations. Saudi Arabia and the UAE’s endeavors for developing indigenous defense industries can be seen as part of a broader effort to hedge against the US and assert their own regional power.

As this expert brief demonstrates, the road to moving towards greater self-reliance in defense is fraught with challenges for the Gulf region. Currently, it remains uncertain whether these countries will be able to compete on the global stage without addressing their lack of a skilled labor force and inadequate research and development capabilities.
In addition to these structural challenges, this endeavor will face geopolitical challenges as well. Pursuing strategic autonomy comes with costs, as demonstrated by Turkey’s removal from the F-35 program after purchasing Russian defense systems. UAE and Saudi Arabia have also faced backlash over their defense partnerships, indicating a hesitation to fully embrace the risks and costs of a more independent defense stance. As the Gulf region is a significant market for the US, with exports to the Middle East constituting half of their total exports, a geopolitical shift in UAE and Saudi Arabia could have significant effects on US foreign policy. Abandoning the region would not be easy for the US, and signs of pressure to test the loyalty of Gulf countries are already apparent as the rivalry between the US and China intensifies. Therefore, it is possible for the US to reconsider its role in the region, and Saudi Arabia and the UAE’s efforts for strategic autonomy intensifies.
Endnotes


10- As the UAE already started to export weapons to Kuwait, Egypt and Jordan, this shows the potential for these countries to be regional actors providing security.


14- Gaub and Lockman, “Defence Industries”.


16- Bilal Y. Saab, “Gulf Rising”.


22- Gaub and Lockman, “Defence Industries”.
24- Zoltan Barany, “Indigenous Defense Industries in the Gulf”.
28- Gaub and Lockman, “Defence Industries”.
30- Zoltan Barany, “Indigenous Defense Industries in the Gulf”.
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