Indigenous Defense Industries in the Gulf

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Although the Gulf states have made some attempts at developing their own defense industries as early as the 1960s, these efforts did not begin in earnest until early in the twenty-first century. At that point, the governments in Saudi Arabia and the UAE allocated resources and drew up some plans in order to wean themselves of their near-total reliance (as late as 2006, still 99%) on foreign weapons and military supplies. Needless to say, a homegrown defense industry would create jobs for locals, contribute to economic diversification, produce exportable goods, and enhance the high-tech sector in their economies.

To date, only two Gulf states, Saudi Arabia and the UAE, have been serious about developing their defense industries. Looking at their plans and efforts comparatively also suggests why, in a broader sense, the UAE has been far more successful in transforming its defense sector than its much larger neighbor.

In both countries, the rulers appointed important, capable, and trusted people to head the defense industry conglomerates indicating their determination to see the project succeed. The potentially lucrative nature of building up an indigenous defense manufacturing capacity attracted a number of royal family members, elite tribal leaders, and high-ranking military officers to the industry in both countries.

In the UAE, retired military officers have often served as front men, representing members of the ruling family. In Saudi Arabia, especially, high-ranking active-duty officers have been involved in a number of corruption scandals related to weapons sales, with princes often lurking in the background of the deals.

Offsets, that obligate defense firms to invest a percentage of their sales contracts' value in the purchasing country, are extremely important – they have financed joint ventures and product development – but have also presented opportunities for fraud. Although ordinary officers of the Gulf Cooperation Council (GCC) member-states’ militaries are not involved in the national economy like their colleagues in Algeria, Egypt, and Pakistan, their generals have certainly not been immune to the temptation of bribes in the defense business sector.

While the governments in Riyadh and Abu Dhabi intensively seek private and foreign investment, they have provided financing for the development of new weapons with foreign partners. For instance, the UAE partially underwrote the research and development for Russia’s most advanced antiaircraft system and for GEC-Marconi’s al-Hakim missiles. These and other investments produced returns not just in the form of enhancing the country’s defense electronics industry but also in actual profits.

Aside from financing large-scale projects, the Saudi government also offers loans for specialized companies though the program has been criticized as being overly risk averse. Already in 2013,
the Saudi Ministry of Defense passed a new law according to which domestic producers had to be given priority over foreign firms. As a result of growing opportunities, a number of defense companies were formed – especially in the UAE – and both countries established conglomerates to integrate and streamline business processes. In December 2014 the UAE launched the Emirates Defense Industries Company (EDIC) with eleven subsidiaries that later grew to sixteen – they include both defense services and manufacturing (firearms, munitions, aviation components) and in November 2015 employed 10,000 people. In November 2019, Abu Dhabi’s Crown Prince Mohammed bin Zayed announced the formation of an even more comprehensive defense and technology government-owned conglomerate, EDGE, that absorbed EDIC, consolidated 25 subsidiaries, and employed more than 12,000 individuals.

Saudi Arabia inaugurated its own state-owned holding company, Saudi Arabian Military Industries (SAMI) in May 2017, and within two years, signed over 25 agreements with foreign partners to acquire alternative technologies allowing the Saudis – subjected to arms embargoes owing to its war in Yemen – to have a Plan B for product development and weapon system projects.

The General Authority for Military Industries (GAMI), established three months later by the Saudi Council of Ministers, is, according to its homepage, the “regulator, enabler, and licensor” of the Kingdom’s military industry and charged with the building of a sustainable domestic defense sector. GAMI announced in November 2019 that it planned to increase support for scientific research to 4% of the military’s budget for the next 10 years in order to “convey technology, weapons industry, and military industries in general.”

Aside from collaborative ventures, the Saudis have been developing their own technology: some 40 engineers (of unspecified nationality) have been working on short-range ballistic missiles and laser-guided bombs at the King Abdulaziz City for Science and Technology, one of the government’s R&D branches.

Perhaps the key difference between the two countries’ conception of their budding defense industries is the disparity in their expectations and ambitions. SAMI’s chief executive, Andreas Schwer, announced that his company’s goal was to become one of the top 25 military companies in the world. He added that “SAMI aims to contribute SR14 billion ($3.73 billion) directly to Saudi Arabia’s gross domestic product (GDP), increase the value of national exports by around SR5 billion, invest over SR6 billion for research and development, and create over 40,000 direct jobs locally by 2030.” The Saudi Crown Prince Mohammed bin Salman (MbS) is determined “to build a defense industry at breakneck speed” and wants half of Saudi weapons procurement to be done domestically by 2030, from about 2% in 2018.

It is widely believed that, as so many of MbS’s other programs and policies, these ambitions – i.e., the localization of defense expenditures from 2% to 50% in 12 years – are “somewhat unaligned with reality,” as two analysts politely put it.

Rick Edwards, a top Lockheed Martin executive noted that “we support the Vision 2030 goals completely, but you are not going to go from 2 percent to 50 percent in a few years.” Anthony Cordesman is even more emphatic, calling the notion to develop the Kingdom’s own defense industrial base “the silliest and least convincing aspect of the Saudi 2030 plan.” He adds that there is “virtually no way to waste money more effectively than trying to create an effective
technology base or fund a weapons assembly effort in an area of industry and technology which is so demanding, offers so few real-world benefits in job creation, and where there often is so little ability to use the technology needed for specific weapons or purposes – particularly civil ones."17

In stark contrast, the UAE has been pursuing a mostly pragmatic program. Its target is to grow domestic defense manufacturing from 10% to 30% between 2015 and 2030. This, too, is a rather lofty goal but considering that the Emirates already possess a more developed defense industry and a more diversified economy than Saudi Arabia, it is a far more realistic target.

Rather than chasing vanity projects with little pay-off, “the UAE arms industry appears to be focusing on developing 'good enough’ solutions that can be mastered by the UAE armed forces and may have wider appeal on foreign markets.”18 The UAE is driven to develop specific skills that would put its companies on the global market for niche commodities such as naval ships, advanced unmanned vehicles, etc.19

A lot of the world’s armament business is conducted at huge security-related trade fairs and the UAE and Saudi Arabia have been hosting the most lavishly presented ones for over a decade now. These trade shows usually attract hundreds of vendors and tens of thousands of visitors who display their shiny wares (not unlike international car shows, really) with much fanfare. For instance, the Armed Forces Exhibition for Diversity of Requirements & Capabilities (AFED 18) in Riyadh in February-March 2018 – organized by the Saudi Ministry of Defense – brought together over 50 international companies and fully attended seminars and workshops showcasing Saudi weapons and targeting cooperative ventures. Saudi Major General Attiya Al-Maliki said that while the Kingdom had organized these trade fairs annually since 2010, the turning point was 2016 when local companies first presented competitive products.20

At the November 2019 Dubai Airshow – one of the world’s largest with 1,288 exhibitors and 161 aircraft on display – EDGE occupied the biggest pavilion to showcase the capabilities of its subsidiaries. The five-day event attracted over 84,000 attendees; “sales were also booming, with the order book on site reaching $54.5 billion by close of business.”21

For the UAE, especially, developing its indigenous defense industry has already paid dividends. One of its success stories has been the production of “Nimr” (“tiger,” in Arabic) multi-purpose all-terrain armored carriers co-developed with Russia’s GAZ (Gorkovskiy Avtomobilniy Zavod) automotive manufacturer. The vehicles are produced in the UAE at the Tawazun Industrial Park in Abu Dhabi. The first “Nimr” was introduced in 2007 and since then the company has developed a family of light- and medium-weight armored cars. Tawazun has won a contract to supply 1,765 armored cars to the UAE army and, in 2012, reached an agreement to produce them in a joint venture in Algeria for the North African market.22

The Emirati defense electronics industry has also grown both in output and sophistication as a result of partnering with top foreign companies like Raytheon. The UAE’s defense industrial sector has also acquired or made major investments in foreign firms such as the Italian Piaggio Aerospace and the Russian Helicopter subsidiary, VR-Technology, and managed to export its products to Russia and Saudi Arabia among others.23 (Piaggio since then has seen some hard times – it has launched a call for international bidders in February 2020 – but remains in business.)24 The Ministry of Defense in Abu Dhabi also purchased the first locally produced airplane, a Calidus’s B-250 light attack aircraft.25
Incidentally, the war in Yemen has served as a testing ground for Emirati-made munitions and armored personal carriers. And by 2014-2018, the UAE became the 18th largest exporter of major arms in the world, ahead of Australia, South Africa, and Brazil: the top three recipients of its weapons (with their share of the Emirates’ total arms exports) were Egypt (41%), Jordan (10%), and Yemen (7.6%).

Needless to say, the UAE and Saudi Arabia need partners in order to build up a major defense industry pretty much from scratch, and American companies – many with decades-long ties to the ministries of defense in Abu Dhabi and Riyadh – are well positioned to capitalize on new opportunities of cooperation, licensing, and technology sales. But Americans might be disappointed.

Both Gulf states have been open to defense cooperation with a wide variety of partners from around the world, some time-honored Western and Russian ones, but also with some others – like Italian, Serbian, and Ukrainian firms – that are capital-poor and hope to reverse their fortunes through an infusion of money from the Gulf. Turkey and Russia, with their own established arms industries, are eager to convert their growing influence in the region into tangible business gains.

The competition in the world arms markets is fierce as more and more countries realize the great profit potential in weapons production and sales. While Abu Dhabi and Riyadh might give some of its defense business to other producers, America is likely to supply the lion’s share of its arms for the foreseeable future.

Biography of the Author:

Zoltan Barany is the Frank C. Erwin, Jr. Centennial Professor of Government at the University of Texas and a (non-resident) Senior Associate of the Arleigh A. Burke Chair in Strategy at the Center for Strategic and International Studies (CSIS) in Washington, D.C. His recent essays on Arab/Gulf military affairs were published by CSIS, the Carnegie Middle East Center, the Middle East Institute, and appeared in the Journal of North African Studies, the Middle East Journal, the Journal of Arabian Studies, and Middle East Policy. Barany’s books include How Armies Respond to Revolutions and Why (Princeton University Press, 2016), The Soldier and the Changing State: Building Democratic Armies in Africa, Asia, Europe, and the Americas (Princeton University Press, 2012), and, as co-editor, Is Democracy Exportable? (Cambridge University Press, 2009) – all of which have been translated into Arabic.


23 “UAE’s Tawazun to Invest over $220m in Russian Aviation Tech Firm,” Arabian Business, 18 November 2018.


27 SIPRI Yearbook 2019, 236. No other Arab country made the top 25.