

International Business Times

What Israel's Peace Pact With UAE, Bahrain Means For US Arms Sales, Defense Contractors

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September 22, 2020

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- Bahrain has a “strong interest” in the U.S. Navy maintaining its Fifth Fleet headquarters
- Lockheed Martin is presumably a big winner from these new geopolitical arrangements

The peace agreement recently signed by Israel with the United Arab Emirates and Bahrain and brokered by the White House raises many questions about geopolitics in the turbulent Persia Gulf region. But the new geostrategic realities may also open up some opportunities for U.S. defense contractors to increase sales of their products in the Middle East.

Jodi Vittori, research and policy manager at Transparency International, an anti-corruption organization, told International Business Times that both the UAE and Bahrain are already significant recipients of U.S. arms exports.

“For the UAE, the ability to purchase high performance aircraft like the F-35 and EA-18G Growler seems to be a keen motivation [for recognizing Israel],” she said. “For Bahrain, not only [might] they be interested in [purchasing] additional weapons – if they can afford them – but they will be extremely interested to remain in the U.S.’s good graces and firmly under its security umbrella.”

Bahrain, she added, has a “strong interest” in the U.S. Navy maintaining its Fifth Fleet headquarters in the tiny kingdom.

Jay Korman, managing director at Avascent, a global strategy consulting firm based in Washington D.C., told IBT that by acquiring the F-35s, UAE would advance its push to become the premier military force in the Persian Gulf – something that has long been a priority of the Emirati leadership.

“Making peace with Israel certainly removes one thorny issue that prevented past [U.S.] administrations and Congress from supporting the transfer of such advanced weaponry,” Korman said. “For Bahrain there are fewer opportunities for the sale of high-tech weaponry if only because Bahrain doesn’t spend a lot on advanced defense equipment – their annual defense expenditures is a fraction of [what] other countries’ spend in region – like UAE and Saudi Arabia.”

Korman explained that Bahrain spends relatively little on defense spending given its powerful neighbor Saudi Arabia helps guarantee Bahrain's security.

"While [Bahrain] may not buy large quantities of systems, they do fly [Lockheed Martin's] F-16s [fighter jets] and have bought advanced ground systems, missiles and bombs from the U.S. I can foresee incremental, additional purchases of similar systems," he said.

Vittori suggested that Lockheed Martin (LMT) is presumably a big winner from these new geopolitical arrangements since it manufactures the F-35.

"Boeing (BA) will also do well since it produces the EA-18G Growler Electronic Attack aircraft," she said. "Thus, two of [the] three [major] American producers of fighter aircraft are expected to receive contracts from this deal. Innumerable subcontractors will presumably benefit as well."

Korman noted that companies with an "aggressive international business development presence" in the region – including Lockheed Martin, Raytheon Technologies (RTX), L3Harris Technologies (LHX), and others – will benefit from these agreements.

"But this [Persian Gulf] marketplace is crowded – European, Chinese and Russian firms all play heavily and don't concede an inch to the Americans in promoting weapon sales to the region," he cautioned. "On top of that, you have local Emirati companies that are looking to build their own capabilities and capture larger shares of UAE defense spending."

But Emma Ashford, a research fellow in defense and foreign policy at the Cato Institute, told IBT she doubts the new agreements will provide a particularly big benefit to any specific U.S. defense company.

"All the Gulf states are [already] major buyers of U.S. arms," she said.

President Donald Trump apparently offered arms sales and F-35 jets to UAE in exchange for recognizing Israel. But Korman said there's a debate as to whether Israel and Benjamin Netanyahu's government blessed the transaction.

"It by no means is a done deal, particularly if there is a [Joe] Biden administration," he added. "And it's highly unlikely an agreement governing the sale could be completed before U.S. elections in November."

Vittori also pointed out that the U.S. has close relationships with all of the Gulf Cooperation Council countries – comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE.

"There are a number of U.S. military agreements with Saudi Arabia and there are American troops stationed there, mostly as part of the Military Training Mission," she explained. "Qatar hosts America's largest base in the region, Al Udeid. Oman is capable of hosting American aircraft and U.S. aircraft carriers."

However, Vittori asserted, no military relationship in the region is closer than that between the U.S. and UAE.

“U.S. aircraft are often based out of there, and the greatest number of U.S. Navy port-of-call visits in the region are at the Jebel Ali port,” she elaborated. “Former Secretary of Defense James Mattis, when he was the Central Command [chief], called UAE ‘Little Sparta.’ They seem to have the most competent military in the region and they were the only Arab country to lead coalition airstrikes against ISIS.”

Of course, the Islamic Republic of Iran looms large in the Gulf.

“Iran is absolutely the major strategic threat for Gulf countries, hence their own military coordination [GCC] and desire to have U.S. forces nearby, if not in-country,” Korman said. “The problem for the U.S. is that Iran isn’t on its own – Iran’s military cooperation with Russia is increasing, which combined with aggressive Iranian actions in region (e.g. targeting Saudi oil refineries) has potential to escalate and draw in outside powers to a conflict.”

But Ashford at the Cato Institute noted that many of these Persian Gulf states tend to buy prestige weapons systems – i.e., advanced fighter jets – rather than weapons that might be more useful to actually defend themselves against Iranian action, which tends to be asymmetric.

“Buying more weapons will not send any different message [to Iran], particularly if those weapons are not useful for deterrence,” she added.

Another matter is Yemen, which is wracked by a deadly civil war.

UAE and Bahrain are part of the Saudi war effort in Yemen. As such, Vittori warned that any weapons deals with the U.S. may lead to more arms being dispatched to Yemen.

“Unless the U.S. requires that the weapons not be used in Yemen, engages in substantial end-use monitoring, and puts teeth behind any unauthorized use or diversion of those weapons, they will almost certainly be used in Yemen,” she said.

But Korman said the UAE has already “dialed back” some of its military operations in Yemen, and Bahrain’s contributions are more minor.

“My sense is [that] even Saudi Arabia is ready to find a path to end hostilities [in Yemen],” he added. “After all, Saudi is actually fighting three battles right now — Yemen, COVID, and depressed oil prices.”

Ashford also doubted this deal will affect arms sales that go to Yemen.

“The U.S. already sells weapons and ammunition used in that conflict,” she noted. “A bigger change there would be an electoral shift in November; Biden has committed to ending support for that conflict.”

Arms sales by the U.S. would have to be approved by Congress – although there are exceptions.

Vittori indicated that all U.S. arms shipments above certain dollar amounts – the amount depends on the type of weapon – must be notified to Congress. Congress is then supposed to be able to either vote against these weapon shipments or demand substantial changes to the related contracts.

“The Trump Administration, however, went around Congress last year with an \$8.1 billion contract [to Saudi Arabia] based on a spurious declaration of an emergency related to Iran,” she stated. “The last time this emergency declaration had been used was after President George H.W. Bush exported arms to Saudi Arabia right after Iraq’s invasion of Kuwait.”

Thus, for Congress to effectively ban these exports, they would have to gain veto-proof majorities in both houses of Congress, and possibly amend other legislation as well.

“This is why some arms control advocates are pushing that Congress should have to approve all large arms sales contracts – at least to non-NATO countries – rather than merely have the theoretical capability to block export contracts already established,” Vittori said.

As for Israel, Vittori noted that it has already started selling arms to some of its Arab neighbors.

Israeli cybersecurity firm NSO Group has sold cyber-weapons and surveillance technology to the UAE and other Gulf Cooperation Countries as well, she said. “This deal was apparently mediated by the Israeli government,” she added.

Israel has a very aggressive arms industry, Korman said.

“As long as it’s approved by their government and their qualitative military advantage [over] its Arab neighbors is maintained, I can foresee them selling certain types of equipment that otherwise could be acquired through other channels,” he said. “That’s where the debate on F-35 comes in – does selling the platform to UAE erode Israel’s air superiority in the region? Some say yes, some disagree if it isn’t outfitted with cutting edge subsystems that Israel would possess.”