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About the ADIP News Bulletin

The Arab Defense Industry Papers (ADIP) is a new professional series focusing on the role of the defense industry in Algeria Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, and the United Arab Emirates. The focus of the series is on the establishment of national defense industrial bases in these countries and joint collaborative defense projects as well as defense exports. The ADIP News Bulletin complements the analytical papers by providing information about current and upcoming developments relevant for the Arab defense industrial establishment. The ADIP News Bulletin is available by subscription. ADIP and the ADIP News Bulletin are joint initiatives of Borchert Consulting & Research AG and Verocy. For more information about ADIP, see: <http://www.arabdefenseindustry.com>.

The Big Picture

Former Pakistani Army Chief said to lead IMAFT, but rumors about resistance have emerged

(15 Jan 2017) In early January 2017 press reports indicated that former Pakistan Army Chief General Raheel Sharif has been appointed as the commander of the Saudi-led 39-nation military coalition to combat terrorism. However, by mid-January 2017 reports suggested that the United States, Russia, and Iran were opposing his appointment. According to a report by the Daily Pakistan, Saudi Arabia's king was expected to contact Pakistani Prime Minister Nawaz Sharif to "assert his demand regarding the appointment of Raheel Sharif".

<http://bit.ly/2jRqTVI> and <http://bit.ly/2jkd2I7>

Saudi Arabia quickly regains allies

(12 Jan 2017) The advent of the new Trump administration in the United States will likely strengthen ties with traditional allies in the Middle East such as Saudi Arabia, Egypt, or Israel, Olivier Guitta, head of GlobalStrat, argued in a piece for the online news portal Observer.

According to him, *"the West (seems to have) realized that Saudi Arabia remains a potentially vital ally and a substantial market. The liberal Canadian Trudeau government has defended a \$15-billion arms deal with Saudi Arabia tooth and nail in front of a federal court judge in Montreal. Germany's Defense Minister recently visited the kingdom to conclude a training deal for Saudi military officers. The United States is helping Saudi Arabia enhance its border security and training the Saudi Air Force on targeting issues. The UK has been adamant in continuing to sell weapons to Saudi Arabia. (...)"*

In addition, Riyadh's relations with other Muslim nations are improving as well. *"First, Chechen strongman Ramzan Kadyrov didn't hold any grudge against the kingdom when he visited the country and was warmly received by the Deputy Crown Prince, Mohamed bin Salman. Tunisia didn't (...) Lebanon's new Hezbollah-supported president Michael Aoun is courting Saudi Arabia in an effort to restore billions of dollars of military aid after the relations between the countries almost came to a halt because of Iran's increasing control over it. Then,*

Egypt, which has been both hot and cold, has made efforts to de-escalate tensions with the kingdom. For Proof, Egypt's leader al-Sisi got the nod from an appeals court to give control of two islands in the Red Sea to Saudi Arabia. Lastly, Oman, which brokered the Iran nuclear deal and had excellent relations with the Islamic republic, recently joined the Saudi-led coalition against terrorism in a clear sign of warming relations with Riyadh".

<http://bit.ly/2ikM5a1>

Israel to resume ties with Turkey

(12 Jan 2017) According to LTC Assaf Boneh, Head of the international coordination branch of the Israeli navy, Israel and Turkey could soon restore professional ties. "Maybe in the future, we'll be able to see here Turkish ships in Haifa port for mutual exercises as we have in the past," he added on the occasion of the conclusion of a visit by U.S. Navy Admiral Michelle Howard, Commander of the U.S. Naval Forces Europe-Africa.

As for Turkey, Boneh noted that Ankara acceded to Israel opening up a liaison office to NATO last year, something that has paved the way for more direct Israel coordination with the alliance. "It opened up doors for us, and our governments have renewed relations ... but the military-to-military aspect will be [restored] gradually, step by step."

Israel and Turkey signed a reconciliation deal in June 2016 after a rupture prompted by the May 2010 Mavi Marmara affair, in which nine Turkish nationals died during an Israeli raid on a ship that had attempted to break Israel's naval blockage of the Gaza Strip. Since then, the two countries have exchanged ambassadors, and relations are gradually warming.

<http://bit.ly/2j1BCME>

Turkey to further strengthen control of the Turkish Armed Forces

(11 Jan 2017) The Turkish government has taken further steps to bring the Turkish Armed Forces (TSK) under its full authority, issuing three new state of emergency decrees on 6 January 2017. According to these new decrees, Turkish chief of general staff will no longer decide on the appointment of force commanders. Force com-

manders will now be suggested by the civilian Turkish Ministry of Defense (MoD), and will require signature by the prime minister and approval by the president. Force commanders' will serve a two-year term of duty, which can be extended by the MoD for another year, until their retirement.

<http://bit.ly/2j1Dbdz>

Iran to expand missile defense power

(10 Jan 2017) The Iranian parliament Majlis has approved a bill obliging the country's administration to strengthen the country's defense power by producing more missiles and also through various other means. During an open session of the parliament, the legislation was passed with 173 votes in favor, 10 votes against and 6 abstentions. About 263 MPs were present in the session, Tasnim News Agency reported. The bill, which is part of the country's Sixth Economic Development Plan, asks the government to take "fundamental measures" to promote the country's defense power. Accordingly the administration shall (1) increase missile production, (2) strengthen air defense power within short, medium and long ranges, and (3) develop electronic warfare as well as cyber defense capabilities. In May 2016, Iranian lawmakers approved a bill that obliged the administration to allocate five percent of the annual state public budget to the country's defense sector, starting from the current Iranian calendar year, which began in March 2016.

<http://bit.ly/2jXW2dz>

New Egyptian national security priorities

(6 Jan 2017) Developments at the end of 2016 seem to suggest that Egypt's president Abdel Fattah El Sisi and his cabinet have adjusted the country's security priorities. On 30 December 2016 has approved to unilaterally transfer two Red Sea islands Tiran and Sanafir to Saudi Arabian sovereignty despite judicial, media, and public opposition, which is considered to mask the reorientation of Sisi's foreign policy. The transfer was accompanied by investment and aid pledges from Saudi Arabia worth \$22bn. According to IHS Jane's Intelligence Weekly, "Cairo is realigning its regional policy interaction

based on the immediate domestic concerns of the Sisi administration: to confront Islamist Salafist and Muslim Brotherhood terrorism and respect the sovereignty of national governments. This requires divergence from the Saudi regional agenda of prioritising confrontation with Iran." Against this background an "alliance with Saudi Arabia over regional issues is seen as increasingly incompatible with that view; and Russian investment in Egypt is likely to increase, with Saudi investments and contracts at greater risk." As a consequence, Egyptian-Saudi distance could increase as shifting domestic priorities seem to have undermined the relationship that has seen Riyadh ascend to the role of Cairo's key financial backer in the past few years.

<http://bit.ly/2izyE18>

Saudi Arabia and Mauritania sign defense agreement

(4 Jan 2017) Saudi Arabia and Mauritania have signed a military agreement on 4 January 2017. According to press reports the agreement covers military training as well as information and logistics exchanges. The agreement is also said to envision "stepped up cooperation in the military and medical fields" without providing further details

<http://bit.ly/2j2CGmU>

Israeli armed forces cautiously optimistic about 2017

(1 Jan 2017) Forecasts of the Israel Defense Forces (IDF) for 2017 suggest cautious optimism about near term developments, Defense News reported on the beginning of the New Year. IDF reports state that *"the probability for war in 2017, generally speaking, is low (...). Today, the most probable war is one in which both sides didn't want it, but due to the dynamic of escalation, we might find ourselves in it."* According to an intelligence assessment quoted by Defense News, three key threat vectors matter in 2017:

- The most probable source for instability will come from the West Bank.
- The threat that can be ignited "in the easiest way" will come from Hamas in Gaza.

- *“The strongest force ‘in front of us’ is Hezbollah, “but the probability is low as long as we don’t get into a dynamic of escalation.”*

<http://bit.ly/2jCDBb7>

No U.S. Carrier in Middle East

(28 Dec 2016) The Dwight D. Eisenhower carrier strike group left the European theater of operations on 26 December 2016 to return to Norfolk. Normally, U.S. carrier groups relieve each other in theater, but this time no carrier is in the Eisenhower’s wake. The relief ship, the carrier George H. W. Bush, has yet to leave Norfolk, and it’s unlikely to do so before the inauguration of President-elect Donald Trump on 20 January 2017, Navy sources say, thereby indicating the gap could last as long as two months.

<http://bit.ly/2jCKyZK>

Defense Industry

Egypt’s Military Production Ministry signs contract with NI Capital to restructure companies

(10 Jan 2017) Egypt’s Ministry of Military Production has signed a contract with NI Capital to restructure the companies that have been incurring losses, according to minister Mohamed Al-Assar. He pointed out that throughout 2016, the ministry had increased its arms production by 225%, while achieving a growth in civilian production by up to 115%. He added that ministry officials would soon meet with ambassadors of a number of countries to promote the arms the ministry produces. He also noted that the ministry would sign a cooperation protocol with Al-Reef Al-Masry Company to provide the necessary equipment needed by investors for the development of the 1.5m feddans reclamation project.

Al-Assar said that the ministry was operating steadily according to a specific strategy aimed at implementing a comprehensive development of equipment and manpower, systems quality, training, and marketing in order to produce advanced military and civilian equipment, which expands the ministry’s participation in the state’s comprehensive development plans.

Al-Assar said that the main role of the Ministry of Military Production is supplying ammunition to the armed forces, as well as using its surplus production to implement service and community projects. Apart from that the Ministry of Military Production partnered with the Ministry of Electricity on solar panels production and with the Ministry of Transport on developing railway stations as well as building roads.

<http://bit.ly/2jprbpD>

Rockwell Collins and Taqnia Defense sign collaboration agreement

(8 Jan 2017) Defense contractor Rockwell Collins and Saudi Arabia’s Taqnia Aeronautics have signed an agreement to cooperate on military rotary and fixed wing avionics opportunities in the Kingdom. Work will focus on aircraft manufactured, assembled and upgraded in Saudi Arabia. Rockwell Collins has been a supplier to the Armed Forces of Saudi Arabia before, manufacturing and supporting avionics and military communications.

<http://bit.ly/2jsrlwk>

TAI and Sierra Nevada Corp. jointly develop Freedom Trainer for U.S. Air Force

(2 Jan 2017) Press reports indicate that Turkish Aerospace Industries (TAI) and Sierra Nevada Corporation (SNC) are working together on the Freedom Fighter for the T-X program of the U.S. Air Force. The T-X program is about to replace T-38 Talon trainers by Northrop Grumman.

The Freedom Trainer is said to be a lightweight aircraft with two engines and a composite airframe. SNC-TAI seem to target not only the U.S. market, but also the global market with Australia and Turkey as potential markets.

For the time being TAI has offered the Hürkus basic trainer. Joining forces with SNC on the Freedom Trainer would complement TAI’s portfolio and provide the company with opportunities to access new markets, defense newsletter Quwa wrote.

<http://bit.ly/2ibgTF9>

Turkish, Saudi Firms Sign Joint Venture

(29 Dec 2016) Aselsan, Turkey's largest defense company, and Saudi Arabia's Taqnia have announced to establish SADEC, a new 50:50 joint venture company endowed with \$6m in capital, Defense News reported. The joint venture company is likely to focus on radar systems, electronic warfare, and electro-optical technology. To this purpose both companies will invest in building a factory in Saudi Arabia.

<http://bit.ly/2hIFUus>

Egyptian military accounts for 1.5-2% economy, Sisi states

(24 Dec 2016) Egypt's President Abdel Fattah Al-Sisi has said that the military's share in the Egyptian economy does not exceed 1.5-2%, which is worth EGP 3-4tn. The president dismissed suggestions about the military having a share of 50% in the Egyptian economy, adding that he would hope that its share would reach that level. He also emphasized that the military cooperates with civilians, as almost 50,000 civilian employees and workers have been hired by the military. All of the military's projects pay taxes and are subject to monitoring by the Accountability State Authority, according to Sisi.

According to private sector experts it is unclear if the President's statement reflects the true size of the military's domestic economic share. Aliaa El-Mahdy, a former dean of economics and political science at Cairo University, contended the actual size was unknown due to a lack of information. Experts should thus stick to the President's statement because for the time being he was the only source. But she also said that the private sector should have a stake in some of the projects now executed by the military, such as road building, house construction or digging the New Suez Canal.

Abobakr Emam, head of the research division at Prime Holding, believes that the military's share exceeds 2%, arguing that the military has gas stations, restaurants, hotels, hospitals, cement factories, and also food and water companies. He said that if the military only had a share of 2% in the Egyptian economy and was already crowding out the private sector, one could only

imagine the economic situation if the share was as much as 50%.

<http://bit.ly/2jhKaQv>

Defense Exports

Brazilian order for Elbit

(9 Jan 2017) Ares Aerospacial e Defesa S.A., a Brazilian subsidiary of Elbit, has received a framework contract to supply remote-controlled weapon stations to the Brazilian army. The contract for 12.7/7.62mm REMAX weapon stations is worth \$100m and includes provision of associated equipment and services.

Ares has already received a \$7.5m production order and will deliver the systems over a five-year period. The REMAX system for machine guns has already been fielded on Brazilian army Guarani 6x6 vehicles. REMAX will be used in Brazilian army armored vehicles and logistics vehicles.

<http://bit.ly/2jCy44o>

BAE to test Israeli Iron Fist on Dutch Infantry Fighting Vehicles

(4 Jan 2017) The Netherlands has awarded BAE Systems a contract to test and verify the Iron Fist active protection system (APS) on its CV90 Infantry Fighting Vehicles, Defense News reported.

IMI Systems' Iron Fist uses a radar to detect, track and intercept incoming rocket-propelled grenades and anti-tank missiles among other threats to the vehicle and its crew. The test phase will pre-qualify the APS against different threats as identified by the Dutch Ministry of Defense, which will tee up a decision on the next phase of the program in early 2018.

Should the Dutch government decide to proceed with Iron Fist, it would be the first NATO country with an APS "of its kind" on combat vehicles, according to BAE Systems.

<http://bit.ly/2jsh430>

Defense Modernization and Support

Saab to support Emirati Airborne Surveillance Systems

(29 Dec 2016) Saab will support the 340 Erieye AEW&C airborne surveillance system previously supplied to the United Arab Emirates, the company announced on 29 December 2016. The agreement covers support and maintenance for the 2016-18 period and is worth around SEK160m (around US\$17.5m).

<http://bit.ly/2i8HOWM>

Havelsan supports STM to upgrade Pakistan's Agosta 90B submarines

(27 Dec 2016) According to press reports STM has selected Havelsan to provide a Naval Integration Command and Control System for the upgrade program of Pakistan's Agosta 90B submarine. It is said that this is the first time that Havelsan is providing this system for a foreign client.

<http://bit.ly/2iZnB5h>

Defense Procurement

Spain targets naval vessel deal in Saudi Arabia

(13 Jan 2017) Close ties between the royal families of Spain and Saudi Arabia could help Madrid conclude a lucrative deal to sell warships to Riyadh.

Spain's King Felipe VI visited Saudi Arabia from 14-16 January 2017. Spanish media has linked this visit to a much-anticipated deal to sell Avante 2200 corvettes for an estimated two billion euros (\$2.1bn). "We can only confirm that negotiations are very advanced to build five warships which would be sold to the Saudi navy," a spokesman for state-owned Spanish ship builder Navantia told AFP. The deal would provide jobs for over 2,000 people for several years.

The contract is not a done deal yet as Saudi Arabia is slashing spending with falling oil prices having led to a drop in revenues. Spain faces stiff competition. France hopes to sell an-

other type of navy ship to the Saudis, said a source at French defense contractor DCNS. In addition, there is opposition from different civil rights movements. For example, the Spanish branch of Amnesty International calls the contract "illegal."

<https://yhoo.it/2iEXPIV>

Harries supplies electronic warfare equipment to Morocco

(11 Jan 2017) U.S. company Harris Corporation is to supply advanced electronic warfare threat protection systems to the Royal Moroccan Air Force. The contract was issued by the U.S. Air Force's Warner Robins Air Logistics Center and involves the AN/ALQ-211 Advanced Integrated Defensive Electronic Warfare Suite (AIDEWS). AIDEWS is the only combat-ready electronic warfare system available to allied countries flying F-16 aircraft. The contract includes provisions for spare parts and support equipment and services for the EW system. The contract carries a value of \$91 million.

<http://bit.ly/2jY3VA3>

Oshkosh lands \$200 million deal in Israel

(11 Jan 2017) On 11 January 2017, Israel's Ministry of Defense announced the acquisition of 200 Oshkosh Defense FMVT tactical trucks worth around \$200m. According to the ministry the contract is likely to be followed by additional orders as the Israel Defense Force's Technology and Logistics branch moves to replace its nearly 60-year-old tactical truck force. Deliveries will begin in 2017 and shall be completed by mid-2018. The deal, which will be paid for with Foreign Military Financing (FMF) grant aid, will include logistics and maintenance services in Israel, according to the ministry.

<http://bit.ly/2jsAKnF>

Qatar buys Stinger missiles from Raytheon

(30 Dec 2016) US company Raytheon has won a \$207.9m contract to produce Stinger missiles and supporting equipment to Qatar, India and Italy. The contract includes production for Stinger FIM-92H Block 1 missiles, FIM-92F Block

1 missiles, spares, captive flight trainers, and other training devices. Work is set to be complete by April 30, 2020.

<http://bit.ly/2jXVe8K>

Aselsan to supply Qatar Coast Guard with remote controlled weapon stations

(30 Dec 2016) Qatar will equip vessels of the Coast Guard Aselsan's Muhafiz 30mm and STAMP 12.7mm remote weapon stations. The respective contract worth around €20m was signed on 28 December 2016 between ARES Shipyard and Aselsan, press reports indicated. Earlier the Qatari Navy had already decided to install Muhafiz remote weapon stations on Yonca Onuk MRTP 34 fast patrol craft.

The new deal underlines the growing defense industrial partnership between Qatar and Turkey. It also illustrates how Turkey is using its platforms as door openers for additional sales.

<http://bit.ly/2jxSuP9>

Qatar set for armored vehicles from Turkey?

(29 Dec 2016) Turkish armored vehicles manufacturers might land significant contracts in Qatar, Defense News reported shortly before the end of 2016. Turkish company RBSS, a joint venture between BMC (Turkey), Rheinmetall (Germany) and Etika Strategi (Malaysia), is said to be offering up to 1,000 armored vehicles of different types to Qatar.

Other sources indicate that Qatar has demand for several types of armored vehicle such as 8x8, engineering vehicles, and Mine Resistant Ambush Protected vehicles.

<http://bit.ly/2ib9ntU>

Turkish Air Force about to receive Anka-S UAV in 2017

(28 Dec 2016) Anka-S medium altitude long-endurance UAV will be supplied to the Turkish Armed Forces in 2017, press reports indicated. Anka-S UAV are equipped with a satellite link. Reports say that the Turkish Armed Forces will receive around 10 ground systems throughout 2017. Deliveries shall be completed by 2018.

<http://bit.ly/2ibr24u>

Military Cooperation and Training

Qatar receives Havelan AW139 Simulator

(4 Jan 2017) The Air Force of Qatar has received an AgustaWestland AW139 full flight simulator built by Havelan, the company announced. The simulator has already been shipped to Qatar where it will be inaugurated in April 2017. According to Ahmet Hamadi, General Manager of Havelan, the simulator is equipped with more advanced technology than the helicopter and costs around twice the price of the helicopter itself. But thanks to reduced training costs, the simulator would finance itself within three years, he added.

<http://bit.ly/2jopDJ1>

Roll out of An-132D demonstrator for Saudi Arabia

(20 Dec 2016) On 20 December 2016, Ukraine's Antonov had unveiled the demonstrator for the new An-132D multipurpose transport aircraft destined to go in service with the Air Force of Saudi Arabia. The new An-132D will replace earlier transport aircrafts of the same manufacturer such as the AN-32 or AN-26.

Antonov is building the new transport aircraft in cooperation with Saudi Arabia's Taqnia. Under the agreement signed between the two countries in February 2016, up to 80 AN-132 airplanes could be built.

<http://bit.ly/2izvevX> and <http://bit.ly/2ibs1Se>

Cybersecurity and Space

No independent cyber command in Israel

(2 Jan 2017) The Israeli Army has decided not to have a separate cyber command department but will instead strengthen it with new cyber intelligence processing doctrine, Jerusalem Post reported at the beginning of January 2017.

The cyber counter-intelligence domain will be transferred to the Israeli Defense Forces' (IDF) telecommunications division, while any other cyber-intelligence will remain the responsibility of the intelligence division. The telecommunications division will also be responsible for the

construction and protection of computer networks.

The decision reverses a process, which began in July 2016, when it was reported that the IDF would be setting up a unified offensive and defensive cyber-warfare center within two years to address the significant challenges that the military faces in the cyber world.

<http://bit.ly/2iv4pgr>

Critical Infrastructure Protection and Border Security

Reiner Stemme Utility Air Systems develops ISR platform for Qatar

(10 Jan 2017) Providing surveillance for critical infrastructure protection and event protection was the main driver for Reiner Stemme Utility Air Systems to develop a new intelligence, surveillance, and reconnaissance (ISR) aircraft for Qatar, Arabian Aerospace reports.

Brigadier General Khalid Al Kuwari, commander of the Reconnaissance and Surveillance Center in Doha launched the development project. He was looking for an ISR platform that met Qatar's specific demands rather than choosing an off the shelf platform. According to Al Kuwari the new platform combines "glider-like performance" and a "stable aircraft with long duration." The new design is the first built and evaluated from scratch for ISR mission, he contends.

The German-built aircraft will have a duration of 48 hours at altitudes of up to 30,000ft (9,150m) and will be available in piloted and unpiloted configurations. Operating costs are said to be around US\$500 per flight hour.

Al Kuwari is hopeful that the production contract with the Qatari Armed Forces for 17 aircraft could be signed by the end of 2017. About 12 months later the first aircraft could be delivered

<http://bit.ly/2jy9N2F>