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Why Bush is stuck on the port deal

By Thalif Deen

NEW YORK - The United Arab Emirates (UAE), the center of a growing controversy over its proposed management of US port terminals, is one of the world's most prolific arms buyers and a multi-billion-dollar military market both for the United States and Western Europe.

The energy-rich Persian Gulf nation is currently taking delivery of about US\$8.4 billion worth of military equipment, mostly state-of-the-art fighter aircraft, ordered from the US (\$6.4 billion) and France (\$2 billion) over the past five years. The delivery of 80 US-

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built F-16 E/F fighter planes - described as one of the biggest single arms packages to a Middle Eastern nation and finalized in March 2000 - is to be completed in 2007.

US President George W Bush's threat to veto any attempts to block last week's deal permitting a state-owned UAE company to take over the management of six US port terminals has underlined the significance of the political and military relationship between the two countries.

Despite growing bipartisan opposition to the deal - mostly prompted by a fear psychosis that US ports should not be managed by a state-owned Arab company because of possible terrorist infiltration - Bush says the UAE has been a strong US ally in the fight against global terrorism. Despite potential terrorist threats, the president sees no risk

in a Middle Eastern company overseeing US ports and shipping terminals .

But an equally significant fact in the longstanding bilateral relationship is that the UAE is a vibrant arms market not only for the US but also its allies in Western Europe, particularly France and Britain.

"The UAE [arms] market is definitely important to the US," said Tom Baranauskas, a senior Middle East analyst at the Connecticut-based Forecast International, a leading provider of defense market intelligence services. "Just the order for 80 of the newest-generation F-16E/Fs alone was a major buy from the US," he said.

"Interestingly, there are already upgrades planned for these fighter planes even though they have not completed delivery," Baranauskas said.

The upgrades and maintenance of the already delivered aircraft - and proposed new arms purchases - will be ensured only by a continued military relationship between the UAE and the US.

But he also pointed out that the UAE military's procurement priorities were shifting, and "this shift may affect the US competitiveness, and actually benefit Europeans more than the US".

Besides French Mirage fighter planes, the UAE has also taken delivery of about 36 British Aerospace Hawk, 100 trainer/ground attack aircraft, four warships from Germany and two frigates from the Netherlands. Additionally, France has supplied about 400 battle tanks in a deal worth nearly \$3.8 billion.

With an armed force of only about 50,000 to 60,000 troops, the UAE is considered one of the world's best equipped militaries. A country which does not receive any US military aid, the UAE pays hard currency for all its weapons purchases.

Projected orders for military equipment from the US exceeded \$650,000 in 2005, with an anticipated increase to about \$1.9 billion in 2006, according to estimated figures released by the US State Department in early February.

According to Forecast International, the UAE's military budget for 2006 is estimated at about \$3.7 billion, compared with \$20.2 billion by Saudi Arabia, the Middle Eastern nation with the largest single defense budget,

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followed by Israel (\$9.9 billion), Iran (\$7.9 billion) and Kuwait (\$4.9 billion).

A country with the world's third-largest oil reserves and the fifth-largest gas reserves, the UAE has a per capita income of over \$17,000, with oil accounting for 30% of gross domestic product and 75% of national revenues.

The unprecedented rise in oil prices in world markets - from about \$12 per barrel in 1998 to \$65 last week - has increased the purchasing power of countries such as the UAE.

Baranauskas said that "looking at the UAE inventory of weapons, particularly fighter planes, it is quite obvious that the Emirates does rely heavily on the US as a source".

But it is also obvious that the UAE does not "put all its eggs in one basket" as evidenced by the procurement of French and British weapons systems. "If I had to hazard a guess on the potential impact of the current imbroglio, there will be increased interest on the part of the UAE military to move to further arms source diversification" - and away from relying too heavily on the US.

"You could already see some UAE unhappiness over a failed deal to buy Hawkeye airborne early warning aircraft due to the US refusal to fully transfer Link-16 secure communications technology," he added.

The Europeans traditionally have been more willing to sell equipment without strictures, and well-equipped militaries with the wherewithal to buy high-tech equipment are not going to settle for systems that cannot be used to their full capabilities because the US refuses to provide the full-up version, Baranauskas said.

"Yet, Israel usually gets such full-up versions. The double-standard here is noted and duly filed away in memory, to possibly rebound in a later competition," he said.

(Inter Press Service)

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