

Arms makers see opportunity in Gulf tension

Rising concern over Iran expected to boost already strong sales of military equipment

MASSOUD DERHALLY

Bloomberg News

DUBAI -- **Raytheon Co.**, **BAE Systems PLC** and rivals said they expect six Persian Gulf Arab states, including Saudi Arabia, to buy more military equipment such as missiles and drones in 2007 amid local leaders' rising concern over Iran.

Lockheed Martin Corp. and **Boeing Co.**, the two biggest U.S. defence contractors, as well as BAE, Europe's biggest, and Raytheon, the world's largest missile maker, are among 900 defence exhibitors at the International Defence Exhibition, the largest military fair in the Arab world, being held this week in Abu Dhabi.

Concern that Iran's nuclear program may lead to military action in the region "is part of the broader environment that is causing more interest" in defence orders, Paul Mikolashek, Middle East president of Massachusetts-based Raytheon, said in an interview at the exhibition yesterday.

The Gulf monarchies, also including Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates, earned \$500-billion (U.S.) in oil revenue in 2006, according to the International Monetary Fund. The countries announced a joint program Dec. 10 to study nuclear technology for power generation, a move that came as the United Nations Security Council pressured Iran to stop producing enriched uranium that could potentially be used in atomic weapons.

Print Edition - Section Front

"Increasing instability throughout the region as well as the types of threats that are present from various terrorist groups and state actors is propelling an arms race in the Middle East," Ted Karasik, senior political scientist at the RAND Corp. consulting company, said in a Feb. 15 telephone interview in Dubai.

Forecast International, a Newtown, Conn.-based research and data company, has said Middle Eastern governments including Israel, Iran and Egypt may spend about \$86-billion combined on defence equipment in each of the next two years as concern mounts over domestic and regional unrest. Iran has repeatedly said its nuclear research program is strictly for power generation and has no military aims.

"The Middle East market is one of the biggest for the defence industry, with average annual purchases of \$10-billion to \$15-billion by the Gulf states, and I expect the same in

sales 2007," said Riad Kahwaji, founder and director of the Institute for Near East & Gulf Military Analysis in a telephone interview from his Dubai headquarters.

Raytheon is at the show marketing missile-defence equipment such as the Patriot, which intercepted Iraqi missiles aimed at Israel and Saudi Arabia during the 1990-1991 Gulf War. Saudi Arabia is in talks with Raytheon about upgrading its Patriot systems, Mr. Mikolashek said.

"The Middle East is a growing market," he said. The company wants to boost sales of \$500-million in the region by 10 per cent, he said.

Military officials at the show are also showing an increased interest in pilotless aircraft, said Gunter Schaub, sales director for military air systems at **European Aeronautic Defence and Space Co.**, without providing figures. EADS is Europe's biggest aerospace company and the owner of Airbus SAS, the world's largest maker of commercial aircraft.

Saudi Arabia, which maintains the biggest air force among Arab monarchies in the Persian Gulf, is expecting to take delivery of 72 **Eurofighter GmbH's** Typhoon jets in a contract valued at least £10-billion (\$19.6 billion), Crown Prince Sultan bin Abdelaziz al-Saud said Jan. 6.