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The weaponized Gulf *riyal politik(s)* and shifting dynamics of the global arms trade

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Abstract: *This article¹ offers a focus on the politics and economics of arms trade in the Persian Gulf from the perspective of the importers instead of a traditional approach looking at the ins and outs of arms deals for the exporters. Looking at the various purposes which the purchase of weapons has served over the past three decades for the three most important Middle Eastern arms importers – the Kingdom of Saudi Arabia, the United Arab Emirates, and Qatar – the article points to increasing blurred lines between the political, economic and strategic dimensions of arms trade which can be witnessed well beyond this region, and contributes to shifts in the relations between stakeholders amidst the triangle composed of arms client/importing states, supplier/exporting states, and defense industrial companies.*

Keywords: Middle East, Persian Gulf, Arabian Peninsula, defense, arms, international relations, political economy, power dynamics, foreign policy.

JEL Codes: F50 and/or F52 and/or F68

When talking about the global arms trade, focusing on the Middle East seems not only relevant but even natural given that an increasing share of importers of major arms is to be found in this region, which is the second most important one in the world in this regard – after Asia and Oceania, with which the gap is rapidly closing. Between the periods 2010-2014 and 2015-2019, the global share of the latter indeed went from 46% to 41% of international arms transfers, while

that of the Middle East went from 23% to 35%². Within the Middle East, the Arabian peninsula is home to three of the five most important arms importers – the Kingdom of Saudi Arabia (KSA), the United Arab Emirates (UAE), and Qatar. Analyzing the politics and economics of arms trade in those countries is thus particularly appropriate and necessary³.

While numerous works on the politics and economics of the global arms trade have included Middle Eastern and even Gulf case studies, they mostly tend to aim at deciphering the trends and implications of arms deals from the perspective of the exporters – looking in particular at the use of such military exports as a tool of foreign policy⁴ and as a tool of statecraft, exploring different types of power and influence to patron states in their relationships with client states⁵. Exceptions of demand-focused research include Abdelfattah et al.⁶ on Egypt, Bove and Brauner⁷ on authoritarian regimes and Dunne and Perlo-Freeman⁸ on developing countries. Now, not only is a focus on the politics and economics of arms procurement in the Gulf interesting in itself, and for what it can bring to a comparative approach with importers in other regions, but it also allows one to shed light on new power dynamics that go far beyond the shores of the Arabian peninsula.

This article argues that looking at arms trade in the Gulf region is a perfect prism through which to observe and analyze some major shifts in the ascendancies and influence logics that are under way between stakeholders amidst the triangle composed of arms client states, supplying states, and defense industrial companies nowadays. In this perspective, it first gives an overview of some of the main characteristics of the politics and economics of arms procurement in the Gulf. It then connects these multifaceted rationales to broader patterns of the global arms trade whereby it is becoming increasingly difficult to distinguish between its political, economic and strategic dimensions for most of the stakeholders involved. The article finally turns to the implications this has in terms of power dynamics amongst the triangulation, amidst which the main takeaway is undoubtedly the increasing bargaining power of the Gulf clients in the relationships with their Western suppliers and partners.

Arms trade in the Arabian peninsula: a political weapon

The Persian Gulf has attracted a significant portion of the global arms exports for a long time, and the three monarchies of the Arabian peninsula under focus here were already in the world's "top 5" with regards to military spending per capita in the early 1980s. This does not come as a surprise, given that they are home to crucial international reserves of oil and gas, that the region is situated at a strategic nod between Asia, Africa and Europe, and that there is a high potential for conflicts associated with the internal dynamics of the Gulf regional security complex. Moreover, Saudi Arabia and, more so, Qatar and the UAE are some of the richest countries of the world in terms of GDP per capita. Finally, their armed forces represent a notable proportion of their population if we confront numbers of military personnel to the citizens instead of the total population (largely composed of non-citizens)⁹, and they have little to no indigenous defense industrial capabilities – although they are working on developing these. These three countries are thus straightforward illustrations of the idea that a decision to import arms reflects threats, ability to pay, the labor intensity of force structure and domestic weapons production capability¹⁰. For these Gulf Arab states, however, defense procurement has always been about much more than acquiring the means to directly address the threats weighing on their security and stability that this entails.

In addition to the incentive to acquire relevant military equipment to defend their states, lucrative arms deals have been a way to secure continued interest, support, and protection by external partners. An important (and, for the longest time, the first) determinant driving arms procurement for Gulf leaders has indeed been to keep their Western security guarantors close, by investing massively in their industrial military complexes and helping sustain them through these contracts. Of course, Western powers – the United States, the United Kingdom and France, in particular – have long been involved in Gulf security for numerous reasons linked to their own national security and strategic interests, including the importance of securing and maintaining the flow and their access to oil. As demonstrated by Bove et al.¹¹,

oil-dependent economies indeed have incentives to transfer arms to oil-rich countries (even in the absence of a direct bilateral oil-for-weapons exchange) to reduce their risk of instability and, as a result, the chances of disruption in the oil industry and their access to it.

Here, two points are worth noting. First, while the authors rightfully conclude that arms trade is an effective foreign policy tool for oil-dependent countries, we argue that it is more exact to see the relationships between suppliers and recipients as a *quid-pro-quo* dynamic, which has been part of a broader, tacit and mutually beneficial “oil for security” pact. Purchases of advanced weapons are indeed also a foreign policy tool for Gulf regimes, that have consistently made sure that world powers remained specifically concerned with their security and stability. Second, while the authors, along with Levine and Smith¹², argue that the acquisition of new equipment improve the defense capabilities of recipients, it is crucial to point out that, for the longest time, the purchase of advanced military systems by KSA, the UAE and Qatar did not lead to any increase in their fighting capacity¹³ – as dramatically illustrated by their lack of preparedness in the face of the invasion of Kuwait by the troops of Saddam Hussein in the early 1990s, and that the security of Gulf states was in fact improved through arms transfers thanks to the protection guarantees they essentially secured or bought from Western powers.

Other political aspects of arms procurement in the Arabian peninsula which have been less commented upon indeed include the internal security and stability it helps provide, be it directly or indirectly. It is indeed worth underlining that purchasing such an impressive set of jetfighters, armored vehicles or missiles promotes national unity and encourages the population to stand behind their leaders both by stirring a sense of national pride and by instigating existential fear towards a real or hypothetical enemy¹⁴ – when it does not simply stands as an unspoken threat of repression which subtly dictates them to behave¹⁵.

Last, but not least, arms procurement has increasingly become part of distributive dynamics within the rentier states of the Gulf which have allowed their leaders to ensure political

stability and social quiescence. The basic hypothesis of the “rentier state” paradigm, which has remained a dominant analytical framework in studies on the political economy of the Gulf over the past three decades, is that natural resource rents create specific power dynamics¹⁶. They provide leaders with a high co-optative capacity and an associated weak political opposition inside the borders of their state. Not only does the absence of fiscal taxes lead to the establishment of a “rentier social pact” allowing leaders to keep their population away from decision-making processes, but these arguably also have the capacity to create groups of people who are not keen on reforms as long as they can benefit from the subsidies coming from rent¹⁷. To be sure, the nexus between the arms trade and internal power dynamics has neither new nor surprising. Barnett and Wendt¹⁸, among others, have for instance shown that “the diffusion of modern arms reinforces the internal security position of state-centric elites ... that benefit from that dominance, and weakens the position of groups that might benefit from alternative, more society-centric definitions of security and development”. Much like what was underlined about the oil-for-security paradigm, it is however important to note that military purchases have increasingly been used by clients themselves, with Gulf leaders, especially in the UAE, utilizing arms trade as a new vessel of such internal bargains.

As part of their offsets’ strategy, the UAE have indeed led the way in terms of asking international defense companies to operate the contracts through joint ventures they ought to establish with a local partner as a 51% shareholder while they, as outsiders, retained 49%, for instance. These assemblages participate in the core rentier distributive designs of the UAE and other countries of the Arabian peninsula all the more evidently that many of these joint ventures employ very few locals, and end up being little more than a way for these majority shareholders to cash in on the sole fact that they are Gulf citizens. Of course, this might change over time, as a real effort has been put on training and on nationalization (“Emiratization”, “Saudization”, etc.) of the workforce in the private sector of all these Gulf countries. There is however also a

possibility that arms trade in the Gulf keeps being used at least partly if not mainly as a tool towards other interrelated political and economic interests, which the lack of transparency in this field renders particularly easy. On a related note, it is important to point at other blurred lines increasingly involved in the arms trade in this region – and well beyond.

Politics, economics, and strategy: the increasing blurred lines of the global arms trade

As pointed out in the previous movement, arms procurement in the Gulf has always served many political purposes interlaced with regime stability incentives in addition to the multifaceted role these purchases play in these countries' defense strategies. Now, what is interesting to underline is that these blurred lines between the political, economic and strategic dimensions of the arms trade are far from being a characteristic of this region. In fact, it has arguably become increasingly difficult to clearly dissociate one from the other in what drives such trade on the other end of the spectrum, that is on the exporters' side.

Historically, for manufacturing countries, arms sales have relied on a variety of motives which can be broken down into economic and political motives. As noted by Bergstrand¹⁹ in 1992, the capacity to determine the economic drivers of the arms trade is limited because this sort of trade is “determined largely by political, military or other non-economic factors”. Economic literature on arms trade has however been flourishing, with influential dynamic models notably offered by Levine and Smith²⁰, analyzing strategic interactions between arms exporters and importers, market structures as well as national and international regulatory regimes. Crucial reviews of the economics of the arms trade can also be found in Garcia-Alonso and Levine²¹.

Economically, military exports have been closely associated with issues such as employment and the amortization of research and development costs. The number of jobs associated with any given arms deal, in progress or already signed, is indeed one of the first arguments brought forward by media pieces –at least in some countries. In fact, as argued by scholars who

were seeking to explain why some European states had strong regulations of arms exports while others had weaker ones, the salience of the arms sales issue in public opinion and the way it is framed in national media inform these differences of position to a high degree²². Unsurprisingly, these economic aspects, particularly the number of jobs which the signature of a contract does or will translate into, are also one of the main ones mentioned in political discourses. Yet, in terms of economic dynamics of arms trade, some studies have shown that there actually tends to be a negative causality relationship between military expenditure and growth – Dunne and Skons²³ pointing to negative externalities of military expenditure on the civilian sector, for instance. As noted by Stork and Paul²⁴ in the early 1980s, other economic incentives include the intention of Western governments to reduce the petrodollars surpluses “sloshing around the short-term capital markets, of the world”²⁵.

As for political motives, these have traditionally included alliance building as well as political leverage or influence²⁶, with typical case studies to be found during the Cold War, as arms trade was but one of the many vessels through which the world’s two superpowers were competing against each other. The Cold War’s end was however far from being the end of history when it comes to arms supplies being an important policy instrument and being used as such by the United States globally and many other suppliers regionally, as noted by Brzoska and Person²⁷ who recall the distinction established by Krause²⁸ between arms exports for (1) bargaining power, as over access to foreign bases; (2) structural power, as in attempts to manipulate the strategic policies of the recipient state; and (3) hegemonic power, as in efforts to engineer favorable regional and global power balances and internal policies in recipient countries.

While there have always been some interconnections between the political and economic dimensions of arms trade, it is possible to argue that these have increased to such a point that they are now hard to distinct from one another. Several reasons underlie this convergence of the two to a point of near mvergence. One is the intensification of the role of the private sector in the

global arms trade, which is in part connected to what Laurance²⁹ has identified as a “shift away from bilateral national negotiations and dealings to the arms bazaar approach”. The end of the 1980s indeed saw a sharp increase in the number of military equipment exhibitions organized all around the world while the Farnborough and Paris air shows were the only ones available for the longest time. This trend has accelerated since then and was rapidly picked up on by the Gulf countries – particularly the UAE, as illustrated by the International Defense Exhibition & Conference (IDEX) since 1993, and Qatar more recently, with the Doha International Maritime Defense Exhibition and Conference (DIMDEX) since 2008. While Laurance brings this argument forward to explain that these exhibitions have helped smaller companies and brokers by boosting their visibility compared to a previous reality which benefited only the major players in the global arms trade, it is possible to argue that it also empowered these major players in defending their own interests more aggressively to secure their export markets.

Associated with this, another crucial factor explaining the increasing convergence of the politics and economics of arms trade has to do with offsets³⁰ having become a central part of arms deals³¹. Indeed, as explored by Klare³² in the early 1980s, the exports of conventional arms-making technology have also greatly contributed to boost the role of the private sector. In effect, it has transformed military equipment manufacturers in active participants in the cycles of negotiations leading up to arms deals – comparatively-sized with the other participants around the table, namely the governmental representatives which are involved in strategic arms sales.

Lastly, an important issue underlying the near merging of the political and economic dimensions of arms trade nowadays is the dependence of defense industrial companies, and thus of the defense technological and industrial base of arms producing countries, on exports³³, which has arguably increased tremendously – although the US Deputy Assistant Secretary for instance told Congress as early as 1976 that arms sales “helped us to maintain the viability of the declining [military industrial] base, reduced procurement costs and improved our international

balance of payments”³⁴. Even more so, any country with a relatively small domestic arms market is inclined to promote exports to reduce unit costs through economies of scale³⁵. Today, one can witness a surge in the amount of political support arms exports receive along what is almost depicted as an “existential need” to export – this being true for traditional arms producers and for the newer arms producers emerging as a result of offsets the state-based arms industries of which, Brauer and Dunne³⁶ note, are “kept alive by an infusion of costly state aid”, often turn out to be too weak to survive in the global arms market and “become infant industries that never grow up and drain the economies of the mother state”. In relation to this, it is worth remembering the point made by Dunne³⁷ that while the very survival of defense companies is increasingly linked to finance capital and to globalization, the companies themselves have indeed not globalized (in the sense of becoming transnational and losing their home base), as they require the support of their national governments both as continued customers and in promoting them on the export front.

As such, policies revolving around arms sales can thus be seen as no longer “merely” representing economic and/or political, but even *strategic*, stakes. This can in turn be explained by two trends. The first one is the shrinking of Western defense budgets which occurred in the aftermath of the end of the Cold War in the early 1990s, and the slightly echoing contraction of defense budgets (particularly in Europe) in the aftermath of the global financial crisis in the late 2000s, which leads arms industrial companies to eagerly turn to international markets as their national markets are no longer enough to support their economic survival. The second one is the growing export race within the international arena which is associated with the combination of the aforementioned dynamic and of the emergence of new (or increasingly active) competing arms producers, in particular Russia, China and Brazil, as well as South Korea, Israel, and Ukraine.

Critically, these two trends lead to important shifts in the relations between stakeholders amidst the triangle composed of arms client/importing states, supplier/exporting states, and defense

industrial companies which are crucial to explore and which the study of the three aforementioned Gulf countries helps deciphering. The Arabian peninsula indeed serves as a perfect case study to observe these shifts not only because it is such a significant arms-importing region but also because Gulf leaders, particularly in KSA, the UAE and Qatar, have had a long history of using arms procurement as an incremental tool in their strategy to secure their political stability.

Shifting relations amidst the client state – supplying state – industrial companies triangle

The political value of arms trade in the three Gulf monarchies under focus here used to be so critical a determinant in their decision-making processes with regards to military procurement that industrial companies could virtually sell anything they wanted, “often taking advantage of, and profiting from, their clients’ lack of knowledge³⁸” – although this might also be seen a sign of indifference rather than ignorance, given these purchases met their ‘foreign policy mission’ from the perspective of the clients³⁹. Now, it is important to underline that as these countries develop their armed forces, invest more effort in training and in modernizing their defense apparatus, and increasingly project their militaries onto foreign theaters of operation, their procurement has become much more mission-oriented and coherent with identified capability needs.

Additionally, they increasingly look to develop their own defense technological and industrial base, seen as a way to reduce their security dependence on their traditional Western partners and to reduce their economic dependence on oil as their main source of wealth⁴⁰. These changes are pretty standard. Kinsella⁴¹ noted that states wanting to minimize their arms dependence have two alternatives. The first is to increase the state’s self-sufficiency in arms production – which has proven difficult even for the most advanced arms producers, with virtually no states being in that case today, Brauer⁴² notes, as their self-produced arms always need to be complemented by imported weapons or components. The second is to enhance the state’s autonomy by diversifying its supplier portfolio. As a result of this, Gulf leaders are

formulating mounting and increasingly specific demands in terms of offsets as part of the arms deals that they sign. This is particularly true for the UAE, with KSA following in these footsteps since the beginning of Mohammed bin Salman's ascendancy to power.

These recent evolutions do not mean that arms trade in the Gulf has lost its (geo)political dimension – and quite the opposite. In fact, it seems that the leadership in these three monarchies of the Arabian peninsula, well aware of the incredible “magnet” they represent for defense manufacturers around the world and the national economies they contribute to, is growing keener and keener on using this export race in their direction to their advantage. On the fact that they are building indigenous defense industries and have more demands in terms of offsets, it is worth underlining the strategic significance of these offsets. As noted by Markusen⁴³, traditionally, arms producers have indeed rendered the process of technology transfer difficult, in order to keep their advantage on the global market – rarely or scarcely allowing the transfer of the ability to produce weapons and other military equipment.

It is interesting to draw a parallel between the way these Gulf countries' position towards their international partners and their position towards other countries within the Middle East and North Africa region have shifted, against the backdrop of the global financial crisis since 2008, and of the regional disorder since 2011. As I have argued elsewhere⁴⁴, the turmoil which the region has gone through since the beginning of the Arab Spring became an enabler for assertive and competing Gulf power plays. The resulting power vacuum led the UAE, Qatar and KSA to conduct more assertive policies to defend their security and stability but also to enforce their views as to the direction in which the region ought to be heading. They did this using military force in some places (Bahrain, Libya, Syria, Yemen) but mostly using their economic muscle through what can be qualified as a proactive “*riyal politik*” – that is economic diplomacy through *riyals*. Similarly, their considerable wealth at a time when many countries struggling economically has allowed their substantial outreach in the rest of the world over the past

decade. Thus, the idea here is essentially to say that arms trade in the Gulf might be seen as a weaponization of the regional actors' ever more assertive *riyal politik*.

Coming back to the triangle which these evolutions affect, the most obvious and direct consequence of this is with regards to the relations between the client state and the defense industrial companies. While it used to be a relatively easy task to sell military equipment to these countries, which is not surprising given that the actual specificities of products mattered less than other unspoken criteria (namely the political support and security guarantees these arms purchases allowed them to buy, but also the capital transactions they were often associated with under the table⁴⁵), all industrial companies working in and with them today are unanimous: it has become a great challenge to please these demanding client states.

More importantly, and by virtue of the blurred lines between all dimensions of arms sales for the exporting countries, we might also be witnessing a shift or perhaps even a reversal in the relations between client states and supplying states – along the lines of a “reverse influence” mentioned by Paul⁴⁶ as the one a recipient develops over a supplier through an arms transfer relationship. According to the author, during the Cold War, the U.S.-Soviet competition “increased the strategic leverage of states that could offer something tangible to the superpowers who, in turn, cultivated these relationships for the continuation of their structural conflict”. Of course, this idea is anything but new: In the 1980s already, Betts⁴⁷ argued that “the turning of leverage on its head, with clients manipulating patrons, [was] an old story”, taking the way Indonesia had exploited the Sino-Soviet rivalry since the mid-1950s as an example.

Two caveats are important to note here. The first, which we have already touched upon throughout the paper, is that it is often difficult to establish with certainty who exerts influence on whom when there is such a convergence of multi-faceted interests between actors involved. This was notably underlined in literature on patron-client relations such as the works of Handel, Shoemaker and Spanier⁴⁸. The second is that some forms of influence are so subtle that while

it is crucial to point out their existence, they are particularly tricky to trace. Interesting dimensions of the subtle dependency patterns between arms suppliers and buyers include the argument of Barnett and Wendt⁴⁹ whereby arms and military technology illustrate “dependent militarization” in which the “accumulation dynamic is a reflection of external forces rather than self-sustaining” as well as the link between the identity of a country’s supplier and its foreign policy preferences explored by Fearon and Hansen⁵⁰ in their work on arms trade and international alignments.

This being said, we argue that today, it is possible to consider that the Arab monarchies of the Persian Gulf are effectively nurturing a newfound strategic leverage onto all the states which are competing to export arms to them – that is virtually the whole world. Here, what is important to underline is that this leverage seems to not only affect what a given producing country is willing to sell to its Gulf partners, but possibly the foreign policy it is willing to implement in the region as well⁵¹. We indeed form the hypothesis that Gulf leaders might have the ambition to rely on the growing relative advantage in their previously established interdependent relationship with their external partners not only to bolster their power and assertiveness, but also to deprive the external partners of their capability to hinder or interfere with their chosen policies in any way⁵². Examples of these dynamics include a possible correlation between the alignment of French policy choices with Gulf countries⁵³, especially the UAE in Libya, and a surge in French regional arms exports, including to Egypt, a close ally and client of Abu Dhabi⁵⁴. The limited response of the US, the UK and France to the Yemen War and the lack of a strong condemnation after the killing of the journalist Jamal Khashoggi might also be seen as illustrations of a will to prioritize (good) business as usual – including arms trade, which was made apparent by the rhetoric of President Trump.

Of course, it is possible to argue that the growing leverage that Gulf countries have on their arms suppliers has in fact a lot – or more – to do with the oil dependence of the latter – as demonstrated by Bove et al. It is however worth mentioning that the idea of an extreme

dependence of arms trade on oil finds a counterargument in the fact that Gulf defense spending have continued increasing even when oil prices dropped over the last decade. Most importantly, these two aspects of international relations are so closely intermingled, particularly in the Gulf, that it is difficult to establish which prevails, and more empirical data might be needed to sort one from the other. Alternatively, both dimensions could be understood on an equal footing against the background of a mounting power of Gulf countries on the global stage linked to their advantageous position amidst the financialization of contemporary international relations⁵⁵.

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Ultimately, the argument of this article is neither to deny the economic and strategic interests which the arms trade with the countries of the Arabian peninsula represent for major exporters, particularly the United States, the United Kingdom and France which remain their main suppliers, nor to discard the –increasing– importance of arms purchases in the implementation of autonomous security and defense strategies on the part of the Gulf states. Rather, this article aims at raising awareness that while all this is very accurate, military contracts signed with the Gulf Arab states, especially KSA, the UAE and Qatar, also continue to play a crucial role in broader (geo)politics and multifaceted power dynamics – notably between stakeholders within these states and between arms suppliers and clients, but also between political and economic actors within exporting countries. A factor playing a key role in these multiple power shifts is indeed the increasing leeway and authority of defense industrial companies in the global arms trade, leading to their possibly mounting political sway in their relations with the government of their home country. While this issue has only been touched upon in this piece, it is a promising avenue for future research, especially as it can be tied into wider considerations on the intensification of the role of the private sector amidst a financialized world. Understanding just how significantly all of these affect the traditional rules of the game and the political, economic, and strategic interests of all state and non-state actors involved thus

appears to be a great case study to make sense of broader shifts of power and influence occurring in contemporary international relations, as well as a possible starting point for any intellectual and/or policymaker who would be interested in introducing changes in this path.

¹ This article is based on a presentation given at a World Peace Foundation (WPF) workshop entitled “The politics and economics of the global arms trade” which took place in May 2019 and the content of which appeared on the WPF blog “Reinventing Peace” on June 19, 2019.

² Stockholm International Peace Research Institute (SIPRI), *Arms Transfers Database*, March 2020.

³ It is worth pointing out that while Egypt, which was the second most important arms importers in the Middle East over the period 2015-2019, does not belong to the Arabian peninsula, most of its arms purchases were rendered possible by the financial aid provided by the Gulf Arab states, which confirms the importance of understanding the rationales of arms trade in this specific region.

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⁸ Dunne, P. and S. Perlo-Freeman. 2003. “The Demand for Military Spending in Developing Countries”. *International Review of Applied Economics*. Vol. 17, Issue 1, pp. 23-48.

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¹² Levine, P. and R. Smith. 2000. “The Arms Trade Game: From Laissez-Faire to a Common Defence Policy”. *Oxford Economic Papers*. Vol. 52, Issue 2, pp. 357-380.

¹³ Stork J. 1995. “The Middle East Arms Bazaar after the Gulf War”. *MERIP Reports*. No. 197, pp. 14-19.

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