

UAE defence plans will require large-scale reform

Daniel Moshashai | Regional Analyst – Geopolitics and Infrastructure |
d.moshashai@castlereagh.net

The creation of EDGE Group, a conglomerate of 23 Emirati defence companies, is seen as a major step forward in the UAE's defence plan. However, the objectives it seeks to fulfil will require large-scale reforms that have proven difficult in the past.

Despite ambitious plans, no GCC country has any arms-producing and military services company ranked among the world's top 100. Compared to other regional players like Israel and Turkey, which respectively have three and two companies in the global top 100, the UAE is a newcomer in the field. The emergence of similar conglomerates in the region, such as Saudi Arabian Military Industries,^[1] also highlights the potential for the rise of competing military technology hubs rather than intra-GCC collaboration.

EDGE is intended to revamp the UAE's plans for defence reform as earlier efforts have not delivered expected outcomes due to bureaucratic red tape, cost-ineffective contracts and suboptimal productivity. The pace at which relatively new defence umbrella organisations have been replaced should, however, raise a healthy dose of scepticism about the conglomerate's ability to address these problems.^[2] Doubts remain about whether the UAE can create an attractive enough ecosystem to bring the best talent to the industry – a recurring question regarding the UAE's aim to become a knowledge economy.

While indisputable, EDGE's focus on innovation could raise the risk that the company will fixate on "gadgets" before achieving the more urgent objectives of cutting red tape and costs. Potential investors will therefore have to determine whether EDGE will devote enough attention to optimising maintenance and training capabilities with commercially available products instead of wasting capital to try building state-of-the-art capacity from scratch.

International partnerships and acquisitions will be crucial for EDGE's development of advanced technology. The extent to which Western companies will be involved in such partnerships remains uncertain, particularly considering the controversial topic of military cooperation with countries involved in Yemen's war. Nonetheless, partnerships with Russian, Brazilian or Indian companies could well be within reach.

Smart infrastructure requires defence

Though new, smart infrastructure is helping the UAE fulfil its goal of becoming a knowledge economy, it also makes the federation more vulnerable to unconventional threats. These include drone and cyberattacks, the latter of which occur on a nearly daily basis in the region.

Faisal Al Bannai, the CEO of EDGE, views the ability to cope with these cyber threats as a critical step in advancing the Emirati defence sector. As the founder of one of the region's largest Telecom companies, and founder and former CEO of cybersecurity firm DarkMatter, Al Bannai is well versed matters of cyber defence. Al Bannai's vision for the Emirati defence sector is one of streamlined operations, international partnerships and investments in niche areas – factors he says will attract global talent and make the UAE a hub for military innovation. The softer and more defensive aspects of military technology – including artificial intelligence, the internet of things and smart materials – will be of particular importance.

EDGE's creation reflects a regional trend in which states are increasingly aware of their dependence on foreign arms providers – including the massive expenses involved with arms procurement and the opportunity costs of not developing local capabilities that could eventually translate into global exports and additional revenue.

In 2018 the UAE was the eighth-largest arms importer with \$1.1bn spent, a figure that slightly lies below its average yearly spending of \$1.25bn since 2011. This dependence on imports is one reason why the country has sought for a decade to develop an indigenous industry and export its products, which have a solid regional footing. In terms of the transfer of military capability, the top-five regional clients are Egypt, Libya, Jordan, Yemen and Algeria.^[3]

[1] SAMI aims to be among the top-25 military industries in the world by 2030, but this is considered unrealistic

[2] Emirates Defence Industries Corporation was created in 2014 for this exact reason, but many of its subsidiaries have been transferred to EDGE. This is considered testament to its failure as an integrated defence manufacturing and services platform.

[3] SIPRI Arms Transfer Database (TIV)