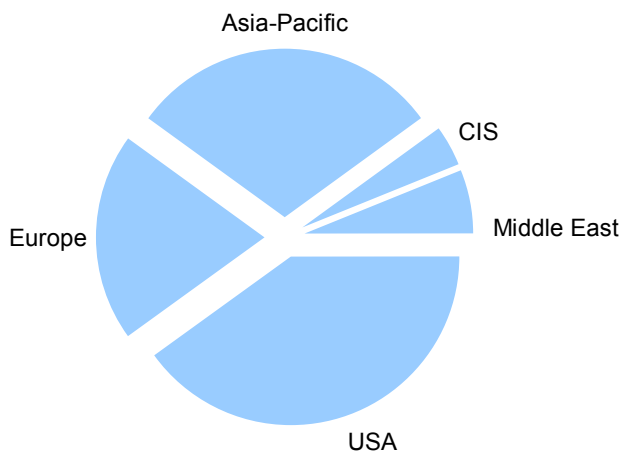


## GLOBAL ARMS MARKET: MIDDLE EAST INSTEAD OF ASIA-PACIFIC, RUSSIA INSTEAD OF USA

BY KIRILL LEBEDEV, IFS SENIOR ANALYST, NOVEMBER 24, 2009

Continued Middle Eastern unrest forces countries of the region to increase imports of military-purpose equipment. Frost & Sullivan predicts that in 2015 they might spend around 100 billion dollars on arms and military vehicles (against the current military spending of 70-75 billion dollars). If their total defense spending rises by more than 30% (from 1.2 to 1.6 trillion dollars), the Middle Eastern countries will account for 6% of the global spending on weapons and military vehicles.

**Figure 1. Arms and combat vehicles expenditures in 2015, %**



Source: F&S

With the US cutting arms expenditure, this growth will be provided in a larger part by Middle Eastern and Asia-Pacific states' military purchases. A decline in demand for Russian weapons from the countries of the Asia-Pacific region can be compensated by increased exports to Middle East.

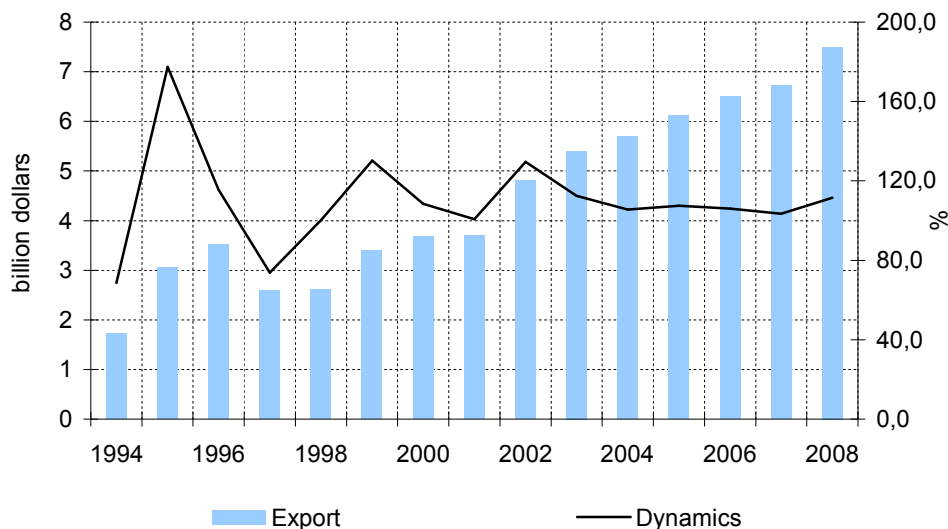
After extended downtime, military cooperation between Russia and Asia-Pacific is reviving. Military cooperation with Iran has been on the rise since 2007. The countries have signed contracts for the delivery of 30 sets of anti-aircraft missiles TOR-M1 worth around 1.5 billion dollars, Russia also negotiates supplying a new anti-aircraft protection system, C-300, to Iran. Russia cooperates with other countries in the region (including

Jordan and the UAE). Saudi Arabia is another promising importer with military spending reaching 15 to 17 billion dollars per annum.

In the near future Russia may be awarded contracts to ship T-90C tanks, BMP-3 armored combat vehicles, Mi-35 and Mi-17 helicopters, and anti-aircraft missile Buk-M2E to Saudi Arabia. Thus Rosoboronexport will expand its footprint in a juicy Middle Eastern market and guarantee contracts for Russia's defense industry for several years to come. Saudi Arabia that currently buys 50% of weapons in Europe and 40% in the US will diversify military supplies signing this contract.

Asian weapon buyers, first of all China and India (they have imported Russian weapons worth 20 billion dollars since 1999), are also diversifying their military exports. This is very smart, because a monopolist exporter can stop supplies of parts and components as well as technical support any time it wants, thus hurting weapons efficiency and complicating their use. Weapons supplies should be made diverse for the national security purposes. That is the reason why India and China tend to decrease military exports from Russia. With this in mind, the Middle Eastern region has shown interest in Russian weapons in the right time.

**Figure 2. Arms and combat vehicles exports**



Sources: ITAR-TASS, RIA Novosti, CAST