



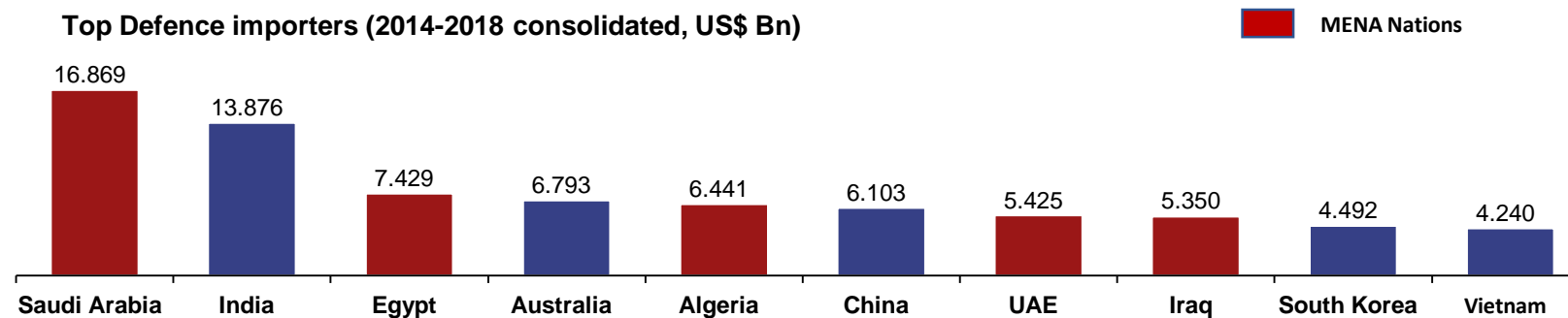
**Staff Major General Pilot / Ishaq Al Baloushi**  
**Assistant Undersecretary for Defence Industry  
and Capability Development**

A hand holding a small globe of the Earth, with a network of white lines and circular nodes overlaid on it. The background is a light blue and white grid pattern. The text is centered in a white rounded rectangle with a gold border.

# **The challenges of developing defence industry in the Middle East**

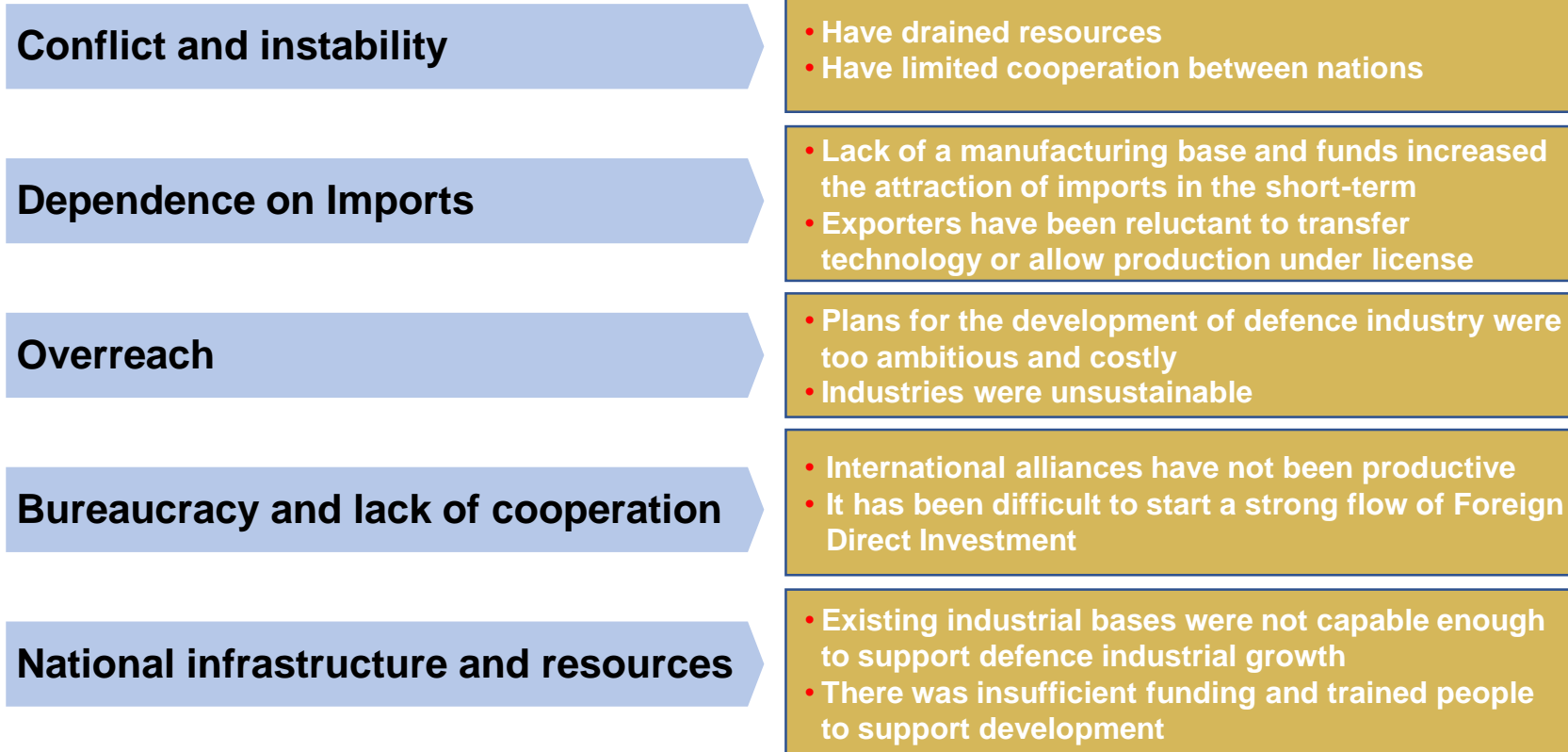
# The motivation for Middle East nations to develop defence industries

- Domestic development of military capability is a **statement of national intent or priority**
- Profitable defence industry helps national **economic diversification, the development of technology and the growth of the technical skills base**
- It facilitates the **building relationships and influence** with other nations
- Nation seek better value for money by developing **domestic industry rather than importing defence products**



The graph shows the top10 global defence importers of which 5 are from Middle East & North Africa (MENA)

# The historical limiting factors which have hindered development in the Middle East



# The inherent risks in developing domestic defence industries

## Increased financial costs

- Set-up costs are a major investment
- Domestic industry often requires preferential trading conditions
- They often require financial support or subsidies
- They often require legal and commercial support

## Reliance on the domestic market

- Domestic defence industries depend normally upon domestic spending for survival making them a compulsory cost
- Export sales alone are not sufficient to compensate

## The creation of monopolies

- Technically Inefficient
- Poor quality
- Costly
- Slow to produce
- Uncompetitive and therefore not for export

## Opportunity Costs

- Overspending on defence creates an opportunity cost elsewhere in the economy
- This can have unforeseen effects

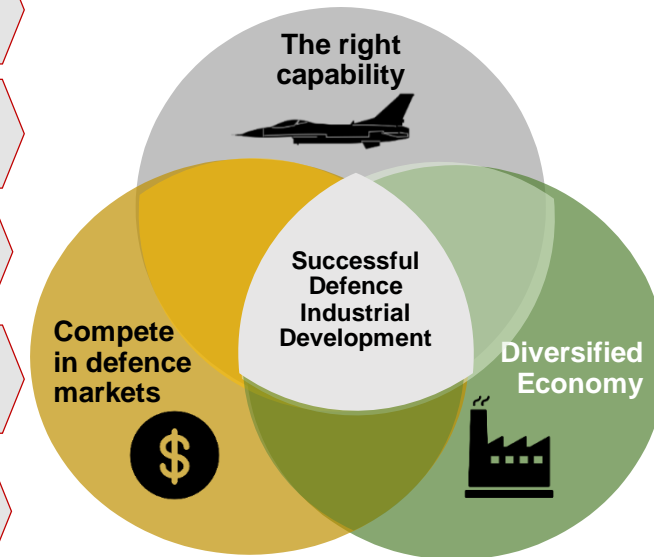
# Key success factors for defence industrial development



There are five factors which help the successful development of a defence industry

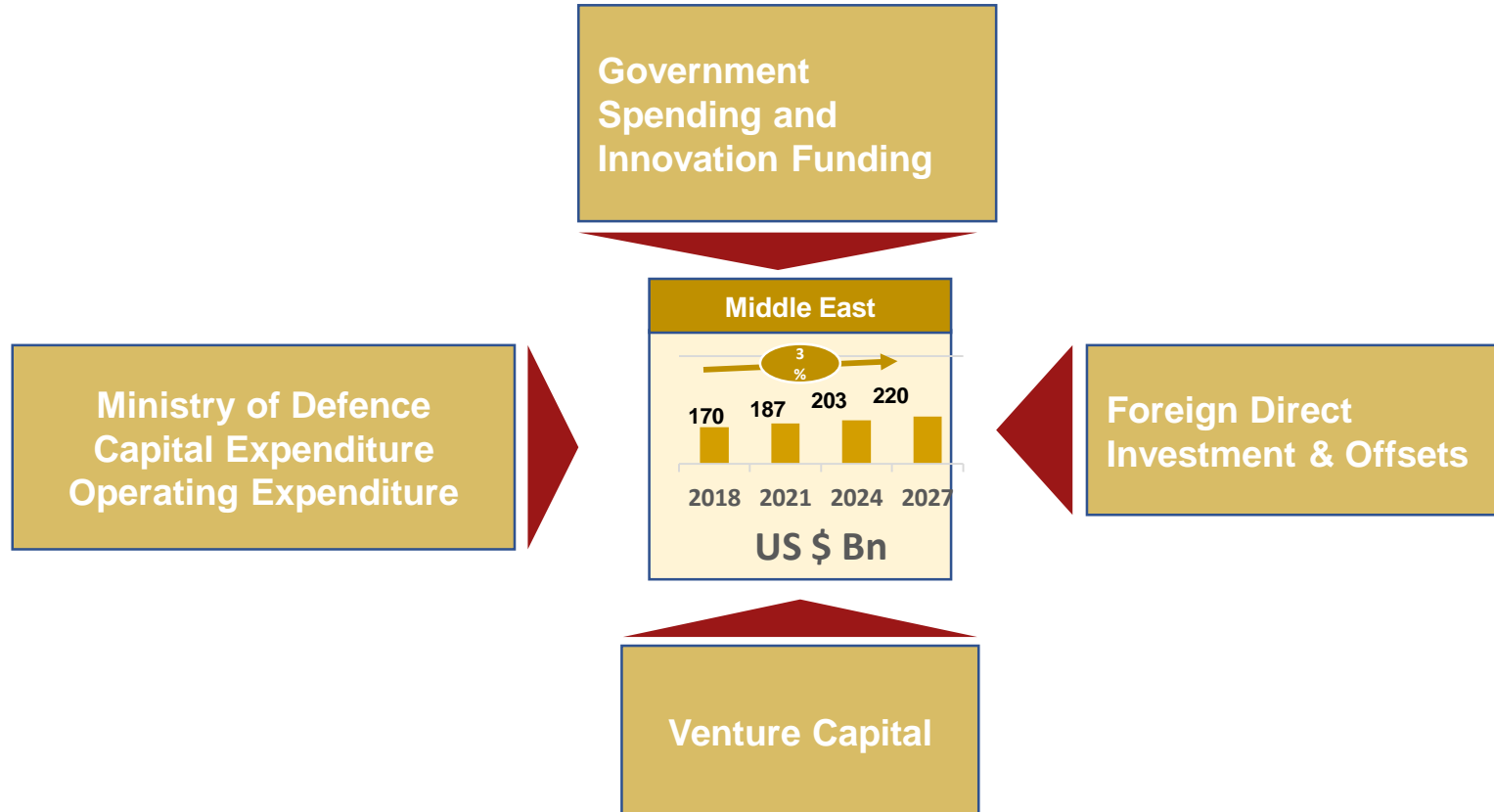
# Clear and aligned national policies

<b>Defence Policy</b>	<ul style="list-style-type: none"><li>• Defence Objectives and Tasks</li><li>• Capability Priorities &amp; Security of Supply</li><li>• Make or Buy decisions</li></ul>
<b>Economic Policy</b>	<ul style="list-style-type: none"><li>• Foreign Direct Investment rules</li><li>• Financial and other support for Start-ups and SMEs</li></ul>
<b>Industrial Policy</b>	<ul style="list-style-type: none"><li>• Industrial Development Priorities</li><li>• Export Policy</li><li>• Analysis of Value Chain and Supply Chain selection</li></ul>
<b>R&amp;D Policy</b>	<ul style="list-style-type: none"><li>• Selection of technology development priorities</li><li>• Long-term strategy for R&amp;D</li></ul>
<b>Education Policy</b>	<ul style="list-style-type: none"><li>• Selection of priority subjects for schools and Universities</li><li>• Selection of postgraduate priorities</li><li>• Align with Defence Industry requirements</li></ul>
<b>Employment Policy</b>	<ul style="list-style-type: none"><li>• Development of employment terms and conditions for defence ecosystem</li></ul>



Alignment in national policies is essential to develop a successful defence industry

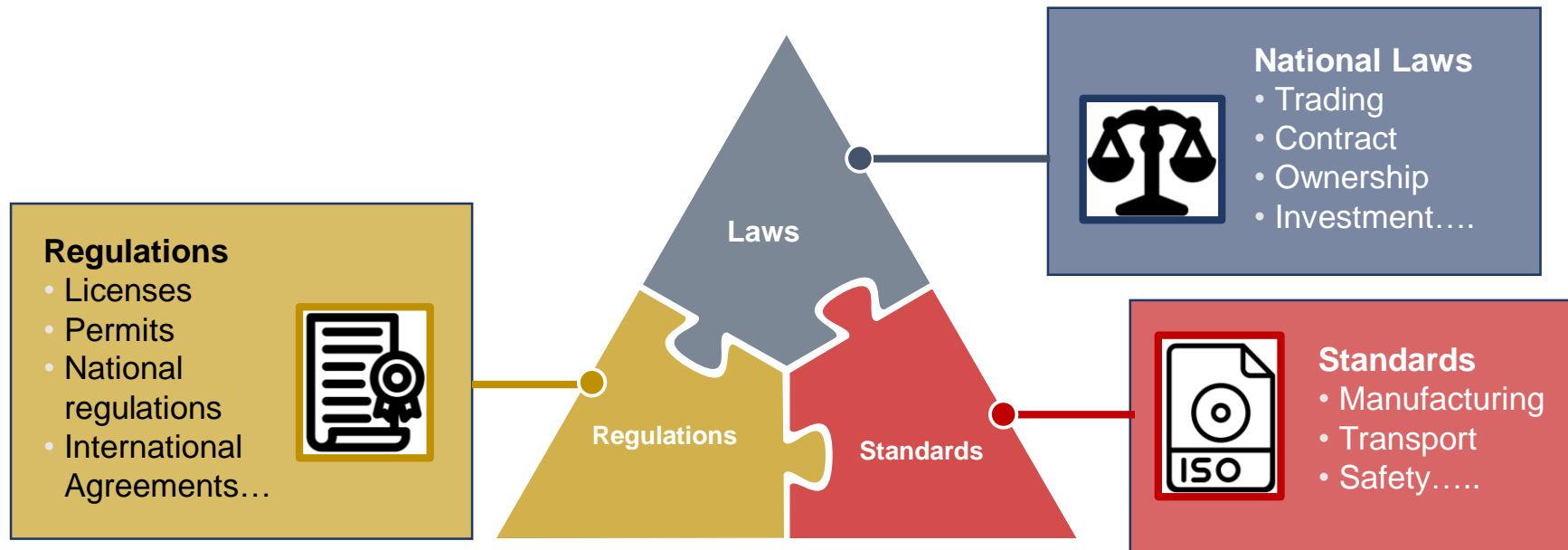
# Allocating and aligning budgets and finance



Regional defence spending is forecast to rise – nations must focus funding and investment to develop industry to meet this opportunity

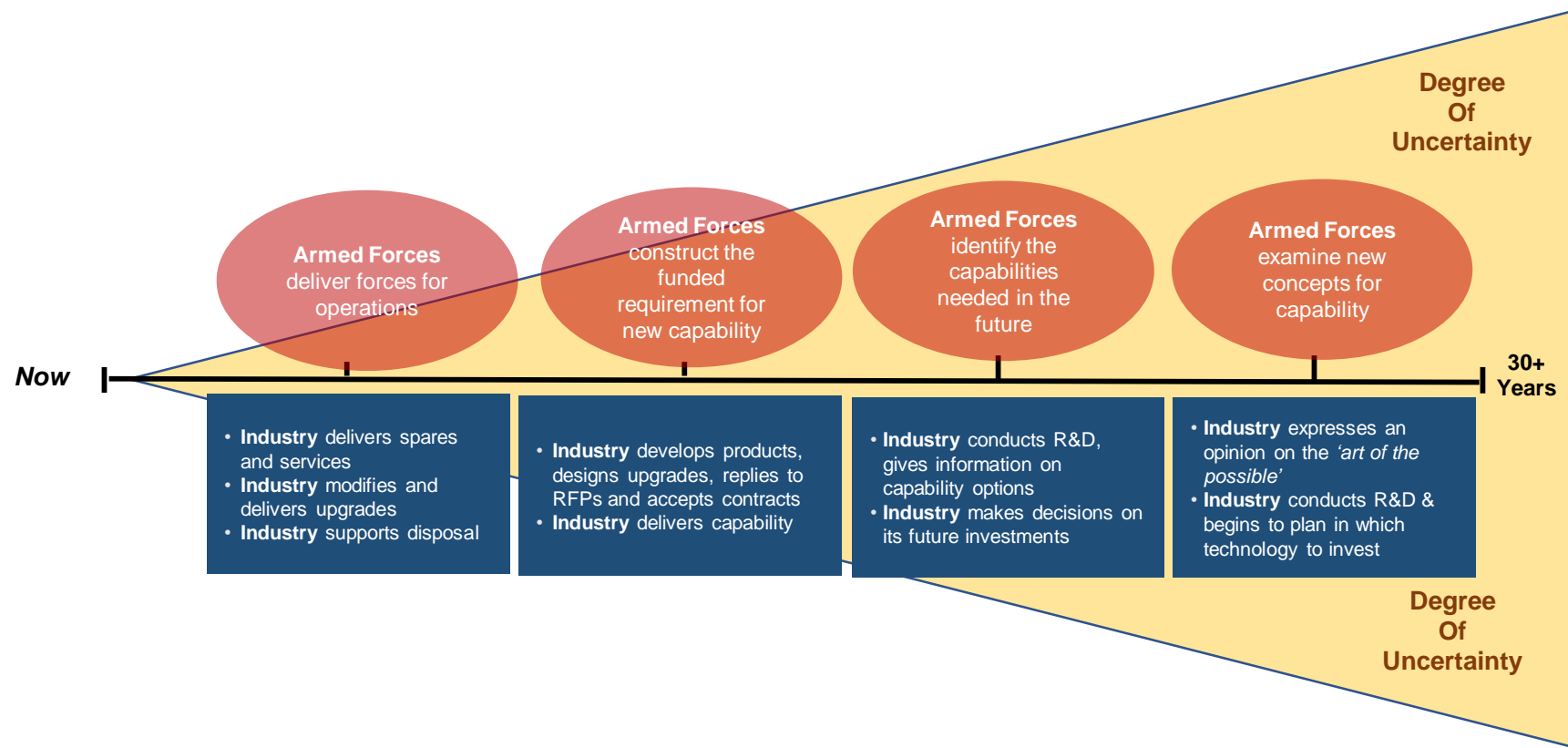


# Laws, Regulations and Standards




**Strong laws, regulations and standards set and control the environment in which successful industrial development can occur and high quality manufacture can be achieved**

# Transmitting demand to defence industry



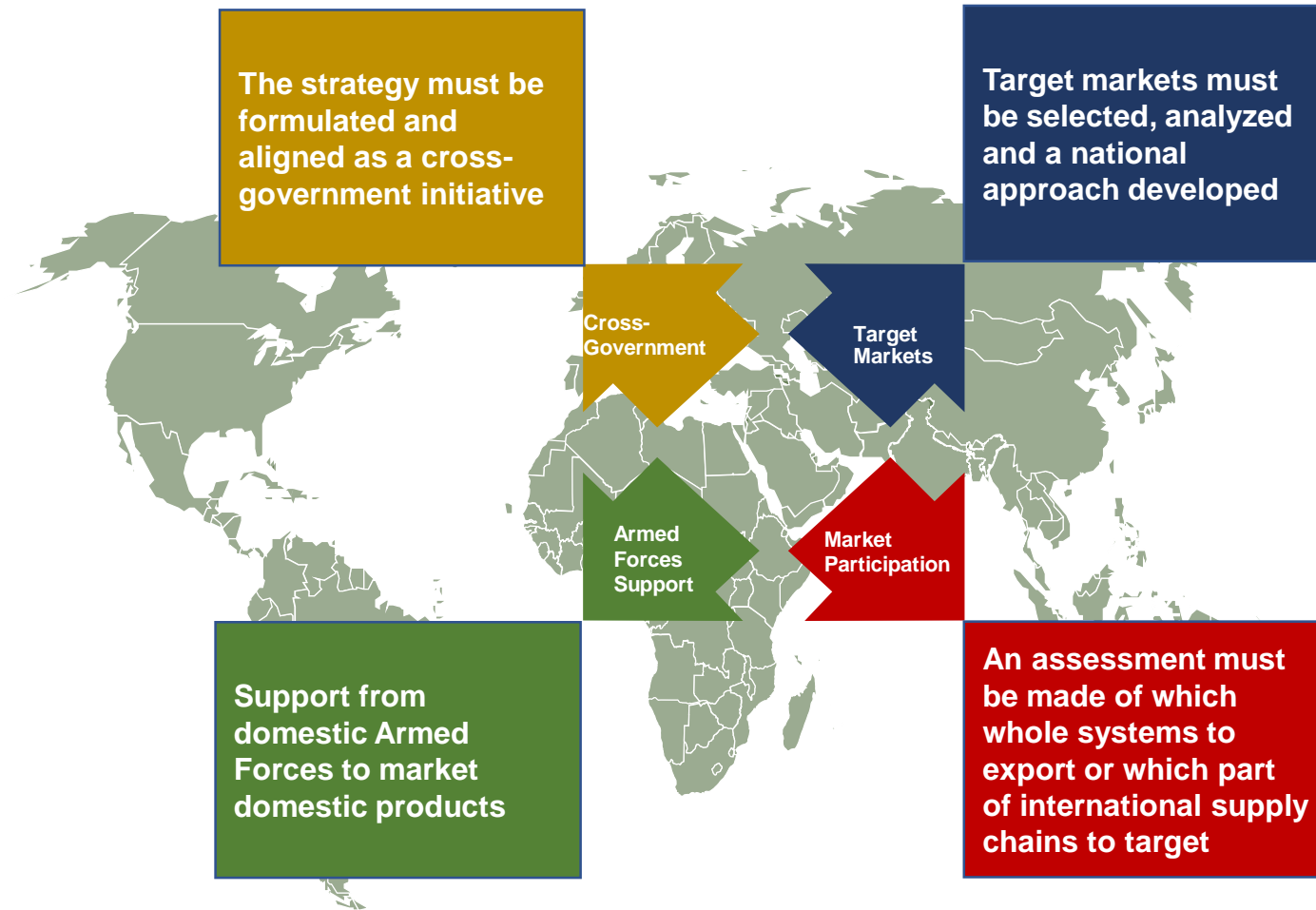
Armed Forces and Industry communicate so that early investment decision can be made

# Policy which incentivizes Strategic Partners and Allies

<b>Industrial Models</b>	 <ul style="list-style-type: none"><li>• Traditional Joint Ventures often have only short-term impact</li><li>• Other model could have longer-term advantages<ul style="list-style-type: none"><li>– Landed Companies</li><li>– Government-owned Contractor-operated</li><li>– Tapering Equity</li></ul></li></ul>
<b>Technology Transfer</b>	 <ul style="list-style-type: none"><li>• Strategic Partners must be incentivized to transfer technology</li><li>• Mutual advantage must be identified</li><li>• Good relations and cooperation with allies are essential – regulations exists, agreements will be required</li></ul>
<b>R&amp;D</b>	 <ul style="list-style-type: none"><li>• Nations should work with Strategic Partners and Allies to develop onshore companies which co-develop R&amp;D and products from an existing technological base</li></ul>
<b>Offsets</b>	 <ul style="list-style-type: none"><li>• Successful nations target offsets or use them flexibly</li><li>• Funding can be directed to R&amp;D, Start-ups and innovation projects</li><li>• OEMs welcome direction on discharging their liabilities</li></ul>

Foreign Direct Investment (FDI) and partnerships are essential to successful industrial development

## Targeted and aligned export strategy

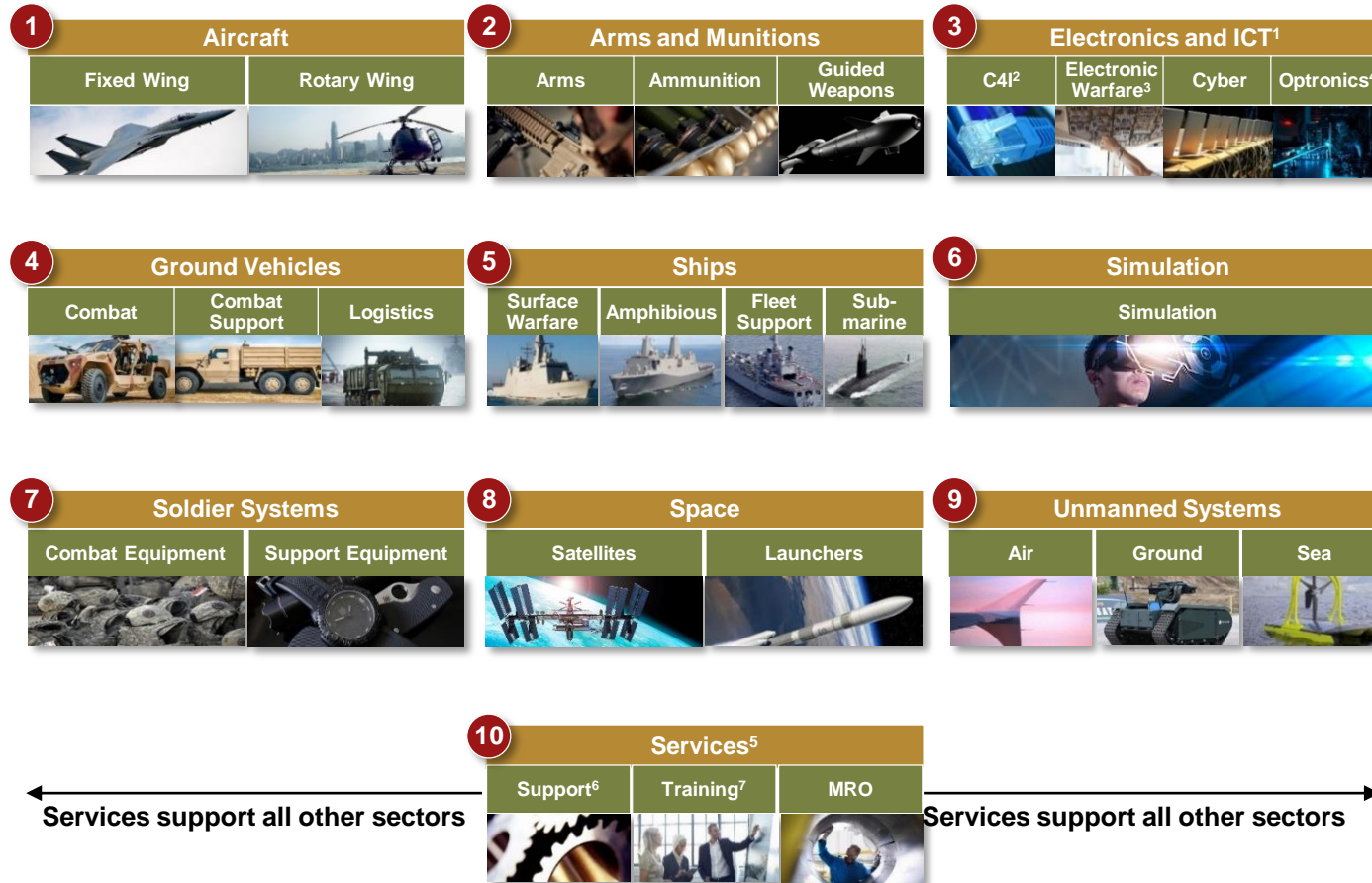


# The UAE Approach - Developing a national ecosystem of interconnected elements



The UAE has many initiatives which create an ecosystem in which defence industry can develop.

# The UAE is developing a strong in a wide range of defence industry sectors





**Thank You ...**