



Arab Defense Industry Papers News Bulletin

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About the ADIP News Bulletin

The Arab Defense Industry Papers (ADIP) is a new professional series focusing on the role of the defense industry in Algeria Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, and the United Arab Emirates. The focus of the series is on the establishment of national defense industrial bases in these countries and joint collaborative defense projects as well as defense exports. The ADIP News Bulletin complements the analytical papers by providing information about current and upcoming developments relevant for the Arab defense industrial establishment. The ADIP News Bulletin is available by subscription. ADIP and the ADIP News Bulletin are joint initiatives of Borchert Consulting & Research AG and Verocy. For more information about ADIP, see: <http://www.arabdefenseindustry.com>.

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The Big Picture

US military aid package for Israel worth \$38 billion

(13-15 Sept 2016) In its largest military aid deal ever, the US has finalized a \$38 billion package for Israel over the next 10 years. The package represents a major commitment to Israel's security in the waning months of Obama's presidency after years of fractious relations with Israel's PM Netanyahu over issues like the Iran nuclear agreement. Sources have stated that Netanyahu agreed to several concessions to cement the deal rather than gamble on winning better terms from the next president. Israel was seeking a larger deal, initially targeting \$45 billion.

The current deal entails an average of \$3.8 billion a year over the next decade to Israel, already the largest recipient of American aid, including financing for missile defense systems that defend against rockets fired by groups like Hezbollah and Hamas. A former 10-year deal entailed about \$3 billion a year, but lately Congress has added up to \$500 million a year for missile defense. Part of the deal will be additions to the Iron Dome antimissile system and the delivery by the end of this year of the first F-35 Joint Strike Fighter. Money for missile defense is included in the package, and the two sides agreed not to seek additional funds from Congress over the next decade unless both agree, such as in case of a war.

For Israel's defense industry the deal could be ambivalent. The new deal will also phase out a special provision that allowed Israel to use about a quarter of the money to buy Israeli arms, an exception once intended to strengthen the small state's defense industry. Now, with Israel a robust arms exporter competing with American firms, it will have to use the American money to buy American military systems, just as other aid recipients are required to do.

<http://nyti.ms/2cGoMQj>

U.S. Navy aircraft under threat of Iranian missiles

(14 Sept 2016) US defense officials have stated that the Iranian military threatened to shoot down two U.S. Navy "maritime patrol aircraft" flying over the Strait of Hormuz earlier this

month. The US planes ignored the warning and continued on their mission. An unnamed defense official told Defense World that the US military had wanted to test the Iranians' reactions.

Iran has stepped up its threats to the U.S. lately. The Pentagon has in recent weeks denounced a series of "unsafe and unprofessional" maritime encounters in the Gulf, including one that prompted an American ship to fire warning shots at an Iranian vessel that got too close.

<http://bit.ly/2cVWdIT>

Moscow to redeploy bombers again to Iran

(10 Sept 2016) Russian news sources have stated that Iran and Russia again are discussing the redeployment of Russian bombers to Iran's Hamadan airbase. Officially the latter is to allow Russia to resume its counter terrorism missions in Syria. In August 2016, Russian bombers already were in Iran. It will take a week because Antonov An-124 Ruslan and Ilyushin Il-76 strategic airlifters will have to make dozens of flights to prepare Hamadan to host Russian bombers, Sukhoi Su-34s and Tupolev Tu-22M3s, an official said. Sources stated that Russia will apparently have to deploy land-based power-driven aircraft beacons, radio communications sets, fuel servicing trucks, electrical ground power units, avionics control and preflight systems and other land-based equipment.

<http://bit.ly/2d1uLUZ>

Saudi Arabia "pivoting" to China and Japan

(10 Sept 2016) Saudi Deputy Crown Prince and Defense Minister Mohammed bin Salman visited Pakistan, China, and Japan on his trip to attend this year's G20 meeting in Hangzhou, China, in September 2016.

Among other things, his trip to China highlighted mutual benefits resulting from the combination of China's One Belt, One Road Initiative with Saudi Arabia's Vision 2030. Both nations signed 15 preliminary agreements covering a broad spectrum of policy areas ranging from energy and water management to science and technology. The Deputy Crown Prince also met representatives of different Chinese companies.

Of particular interest is the fact that Huawei is the first Chinese company that has received a license to invest in Saudi Arabia's ICT sector. Furthermore the Deputy Crown Prince also met with General Chang Wanquan, China's Defense Minister. Sources familiar with the talks indicated that cooperation on building future submarines for Saudi Arabia was one of the topics discussed.

Meetings of the Saudi delegation in Tokyo, Japan, led to the official signing of seven bilateral agreements inter alia in the fields of economic cooperation and energy. On the occasion of a high-level Saudi-Japan defense ministerial meeting a bilateral defense agreement was signed and issues of mutual interest were discussed. Prior to this, sources indicated the growing interest of the Saudi Deputy Crown Prince in cooperating with Japan on naval shipbuilding.

<http://bit.ly/2cZ0Z0l>, <http://bit.ly/2d4Xkgr>

HMS Bulwark on Arabian Sea mission

(9 September 2016) UK defense sources report that UK's Royal Navy amphibious assault ship HMS Bulwark has been deployed for a major operation in the Adriatic and Arabian seas. The warship will be part of a Joint Expeditionary Force (JEF), a British task force, which will consist of forces from Denmark, Estonia, Latvia, Lithuania, the Netherlands and Norway. The ship is now embarking over 250 additional sailors, marines, soldiers and civilians, who will spend the next few months on board and will be returning to the UK in December. The UK will be deploying the Royal Navy, Royal Marines, British Army and Royal Air Force.

<http://bit.ly/2crawh9>

Qatar and Russia sign military cooperation agreement

(6 Sept 2016) Qatar's Minister of Defense Khalid bin Mohammad Al Attiyah and his Russian counterpart Sergey Shoigu have signed a military cooperation agreement on 6 September 2016, Qatari news agency QNA and Russian news agency TASS announced. Specific details of the agreement remain to be announced, but Minister Shoigu said the signing of the docu-

ment would contribute to strengthening bilateral military cooperation.

<http://tass.com/defense/898186>

Bahrain and Russia sign military cooperation agreement

(7 Sept 2016) Russia and Bahrain signed an intergovernmental agreement on military-technical cooperation, when Russian President meeting Vladimir Putin met King of Bahrain Hamad bin Isa Al Khalifa on 7 September 2016.

<http://en.trend.az/world/arab/2657348.html>

France increases military aid to Iraq

(6 Sept 2016) The French government has decided to deploy artillery forces in Iraq and preparing an aircraft carrier to increase foreign military aid to the Iraqi army campaign in order to restore Mosul. Paris stated that it would contribute to the removal of ISIS. "We decided to strengthen our support to Iraqi forces, this autumn, in order to regain control over Mosul," French Minister of Defense Jean-Yves Le Drian told military officials in Paris. French aircraft carrier Charles de Gaulle will leave to the Middle East soon.

<http://bit.ly/2cNMYUr>

Defense Industry

Caracal signs MoU with DI Optical

(8 Sept 2016) Caracal International, an Abu Dhabi-based arms manufacturing company, has signed a Memorandum of Understanding, MoU, with Dong In Optical (DI Optical) of South Korea to establish close technical cooperation between two manufacturers to provide high quality integrates weapons and optics. DI Optical's CEO Jung In and Caracal's CEO Salem Al Ameri signed the agreement during their participation at the DX Korea 2016 exhibition, which is being held in Seoul, South Korea.

<http://bit.ly/2cF4Hg1>

Katmerciler Ekipman to target Turkish military armor

(6 Sept 2016) Turkish security company Katmerciler Ekipman, holding a near-monopoly in water cannons and anti-riot vehicles in Turkey, is now entering the country's armored vehicles market. The company became a household name after that the Turkish police extensively used its TOMA anti-riot vehicles during countrywide anti-government protests in 2013. TV coverage of these vehicles had opened markets in a long list of nations ranging from Brazil to Libya. It now exports its vehicles to 49 countries. The Turkish government has ordered 30 TOMA vehicles in May 2016, and there is a plan for a tender of further 43 vehicles.

Katmerciler has already launched several types of vehicles such as Khan.D and Kangal mine-resistant armored models in addition to a number of armored drillers, heavy construction machinery for military use and armored protection shields. There are plans to produce 1,500 armored personnel carriers and 500 armored weapon carriers annually at its production unit in Izmir. Recently the company also started another production line in Ankara that will produce 1,000 armored vehicles annually.

Katmerciler's founder, Ismail Katmerci, is a former lawmaker in President Recep Tayyip Erdogan's ruling Justice and Development Party. Katmerciler also has signed a MoU with U.S.-based Oshkosh in 2015 to explore joint business opportunities.

<http://bit.ly/2cZ0NhE>

IAI plans IPO

(4 Sept 2016) Israel's Government Companies Authority has stated to Bloomberg that Israel Aerospace Industries (IAI) plans to go public in 2017. IAI is planning to rise up to \$800 million in a TASE IPO, Government Companies Authority director general Ori Yogev stated. The offering of 20-25% of IAI's shares at a company value of \$3.2 billion will take place in 2017, after the completion of the recently announced streamlining process, which will see the company shed 730 jobs. The planned IPO is expected to kick-start the government's stalled privatization program. In 2014, the government approved a plan

to sell about \$4 billion of minority stakes in state-owned companies such as Israel Natural Gas Lines Company Ltd. and the ports in Ashdod and Haifa. The sale of Israel Military Industries Ltd. (IMI) has also become bogged down in bureaucracy. IAI has declined to comment.

<http://bit.ly/2d7Vlwm>

Algeria beefing up local helicopter capacity in deal with Italian Leonardo

(19 Aug 2016) Italian company Leonardo and the Algerian Ministry of Defense have signed a deal to set up a joint company for the in-country production of different types of helicopters. According to press reports, the new company will produce light and medium helicopters for personnel transport, cargo, medical evacuation, and surveillance. Analysts interpret the deal as a further sign of Algeria's ambition to strengthen local defense industrial capacities. For more see

<http://bit.ly/2ddt6rQ>

Saudi Arabia opens new institute for advanced manufacturing

(12 Aug 2016) The King Saud has opened a new Advanced Manufacturing Institute (AMI) to support the country's Vision 2030 by building up and strengthening industrial capacities in Saudi Arabia, the national news agency Arab News reported. Among others, the institute will focus on "advanced computer-aided systems capabilities and modern facilities for design, testing, manufacturing and quality assurance of products, spare parts and materials."

<http://bit.ly/2cWOZhB>

Defense Exports

UVision of Israel targets sale of Lethal Loitering Systems South Korea

(19 Sept 2016) South Korea's Firstec and Israeli UVision have joined forces to sell the company's short-range HERO-30 Lethal Loitering Systems to South Korea. The HERO 30, which is the smallest of UVision's HERO family of Smart Loitering Systems, is slated to deliver short-range

pinpoint strikes in remote locations or in populated urban areas where speed of target opportunity response and minimizing collateral damage are of prime importance.

<http://bit.ly/2dgaWsD>

Nigerian Air Force to acquire Yabhon UAV

(23 Aug 2016) The Nigerian Air Force is said to acquire Yabhon Flash-20 unmanned aerial vehicles (UAV) from UAE-based manufacturer Adcom Systems. According to Nigerian media Adcom's UAV will replace CH3- UAV acquired earlier by Nigeria from China. Chinese UAVs were armed with missiles, but news reports to not reveal of the Adcom systems will be armed as well.

<http://goo.gl/kACCh7>

Defense Modernization and Support

Iran to increase drone capabilities

(8 Sept 2016) Iran's Commander of the Islamic Revolution Guards Corps (IRGC) Aerospace Force Brigadier General Amir Ali Hajizadeh has underlined the country's strive to advance indigenous defense technologies. Among other technologies, Iran is putting special emphasis on UAV and missile technologies, Brigadier General Hajizadeh said according to state news agency IRNA.

<http://www.irna.ir/en/News/82223373/>

Sahand destroyer Iran to be armed

(6 Sept 2016) Reports have emerged that Iran has started arming its Sahand destroyer which is under construction by the Iranian Navy. Tasnim news agency has shown pictures that the Fath naval artillery has been installed on the Sahand destroyer. Fath is an Iranian built 40-millimeter automatic artillery capable of shooting down cruise missiles. The artillery has a range of 12 kilometres and fires 300 rounds a minute. According to Islamic Republic Navy Commander Rear Admiral Habibollah Sayyari the Sahand destroyer is 90% complete. Delivery is expected by March 2017. Iran indicated that

the stealth capacity of Sahand has improved by 30% compared with previous destroyers Jamaran and Damavand.

<http://en.trend.az/iran/politics/2657224.html>

\$495 million Saudi F-15 support contract PKL Services

(2 Sept 2016) Sources report that PKL Services has been awarded a \$495 million U.S. Air Force contract for work on the Royal Saudi Air Force's F-15 fleet, which entails maintenance, upgrade and training of the Saudi Strike Eagle S- and SA-type fighters. Estimated completion date is August 2021. The contract is 100% foreign military sales to Saudi Arabia. The 338th Specialized Contracting Squadron is the contracting activity.

<http://bit.ly/2cYZ5wB>

MRSAM test Israel-India

(19 Sept 2016) India and Israel will conduct a Medium Range Surface-to-Air missile (MRSAM) test this week, said India's Defence Research and Development Organisation (DRDO). Developed jointly with Israel Aerospace Industries (IAI), DRDO has considered to test launch at least five MRSAM at Chandipur-on-sea, a defence base off the Odisha coast. As indicated by Indian news sites, the missile guided by a radar system and on-board avionics will be fired against a pilot-less target aircraft, imitating an attacking combat aircraft. Hyderabad-based Bharat Dynamics Limited (BDL) has manufactured the missile. The 4.5-meter long ballistic missile weighs around 270 kg and can carry a payload of 60 kg. Besides missile, the system has also been equipped with a Multi-Functional Surveillance and Threat Alert Radar (MFSTAR) for detection, tracking and guidance of the missile. The range is around 70 kilometers, travelling at a speed of Mach 2. The missile can identify and destroy airborne threats like jets, missiles and rockets, including projectiles launched simultaneously.

<http://goo.gl/yxZjz2>

Defense Procurement

Egypt orders radar systems in the U.S.

(19 Sept 2016) Egypt is about to receive eight Sentinel AN/MPQ-64F1 radars and software and training together with supporting equipment and vehicles. The total cost of the possible Foreign Military Sale is \$70 million. Thales Raytheon Systems, California is the prime contractor. U.S. Congress was notified about the possible sale on 16 September 2016.

<http://bit.ly/2ddrsXm>

PGB showcases Sudan SAFAT

(18 Sept 2016) Sudan's SAFAT Aviation Group is targeting international sales of its Burkan precision-guided bomb (PGB). The Sudanese defense contractor, while exhibiting at Africa Aerospace and Defence (AAD) 2016 in South Africa, stated that the locally built Burkan is a 250 kg satellite-guided PGB with a maximum range of 80 km when launched from an altitude of 10,000 meters. The Burkan is guided by GPS, which is interesting as one would have expected Sudan to opt for Russia's GLONAS. The only client at present is the Sudanese Air Force. Main products used are license-produced design from China (e.g. the FT PGB-series) or a bespoke solution.

<http://bit.ly/2deiR6K>

DCNS delivers Gowind 2500 to Egyptian Navy

(19 Sept 2016) French company DCNS has floated the first of four Gowind 2500 corvettes at its shipyard in Lorient, France. The corvette, named Elfateh, is 335 feet long, capable of a speed of 25 knots, is expected to be delivered to the Egyptian Navy next year. Three sister ships will be built at Alexandria Shipyard in Egypt under a technology transfer agreement. The corvettes are typically armed with MBDA's Exocet MM40 anti-ship missiles and VL Mica anti-air missiles.

<http://goo.gl/G5Ew8S>

Iraqi Land Cruiser modification contract awarded

(15 Sept 2016) US based Bukkehave Inc. has been awarded a \$25.9 million U.S. Army contract modification for Toyota Land Cruiser trucks for Iraq. The total is slated to be 600 of the 4-door trucks. Main work will be done in the UAE, expected to be completed February 2017.

<http://goo.gl/RI6A90>

Russian Mil Helicopters deal 2017 Angola, Mali, Nigeria and Sudan

(15 Sept 2016) Russian sources have stated that African countries Angola, Mali, Nigeria and Sudan will be acquiring Russian Mil Mi-8/17 medium multirole and Mi-24/35 attack helicopters by 2017. Russian defense export agency Rosoboronexport stated that helicopters are the most sought military hardware in Africa. Russia already has exported helicopters in 2016 to Angola, Sudan, Uganda and Rwanda in 2014 and 2016.

<http://goo.gl/rMWtbD>

Russia to supply Jordan with cargo helicopters

(12 Sept 2016) Russian Helicopters and the King Abdullah Design and Development Bureau (KADDB) have signed a contract for the supply of four Mi-26T2 cargo helicopters. As Defence Blog reported, the contract had already been signed on 17 April 2016.

<http://bit.ly/2d8DrJE>

U.S. Congressmen oppose weapons supply to Saudi Arabia and face resistance

(12 Sept 2016) Humanitarian concerns regarding the Saudi-led military operation in Yemen create obstacles for the planned delivery of U.S. weapons to Saudi Arabia. According to news reports 64 members of the U.S. congress have asked President Obama to repeal the decision taken on 8 August 2016 to provide weapons to Riyadh. Among others the letter sent to the President cites documentation by Amnesty International regarding unlawful airstrikes by the Kingdom. Meanwhile, the proposal faces opposition from fellow congressmen. Sen. Ben Cardin, the top Democrat on the U.S. Senate Foreign Relations

Committee, will not support the resolution. "At this point, I don't think it's helpful to countermand the president," he said according to Defense News.

<http://bit.ly/2ddtFSx>, <http://goo.gl/BfeKiX>

MBDA system contract Qatar

(2 Sept 2016) Defense company MBDA reports that Qatar has signed a contract for the supply of a coastal defense system. MBDA indicated that the system would be delivered with both Exocet MM40 Block 3 and Marte ER anti-ship missiles. The systems work in autonomous mode with its own radar. In March 2016 MBDA indicated that the deal value was around QAR2.64 billion (\$725 million).

<http://bit.ly/2bVepIN>

\$7 billion Boeing fighter deal Qatar-Kuwait to be approved soon

(2 Sept 2016) Sources have stated that the United States is poised to sell \$7 billion worth of Boeing Co fighter jets to Qatar and Kuwait after years of delays. Delays are still expected, but it may start notifying U.S. lawmakers soon, four U.S.- and Gulf-based sources familiar with the matter stated. The sales had stalled amid concerns raised by Israel, Washington's closest Middle East ally, that equipment sent to Gulf Arab states would be used against it.

Delays in the process have caused frustration among U.S. defense officials and industry executives, who have warned that Washington's foot-dragging could cost them billions of dollars of business if buyers grow impatient and seek other suppliers. The Pentagon and the State Department have been considering the sale of 36 Boeing F-15 fighter jets to Qatar valued at around \$4 billion. They are also considering the sale of 28 F/A-18E/F Super Hornets, plus options for 12 more, to Kuwait in a deal valued at around \$3 billion.

<http://bit.ly/2cCUCTq>

Saudi Arabia buys Wing Loong UAV

(1 Sept 2016) China and Saudi Arabia have signed a contract for the delivery of an unspecified

number of Wing Loong UAV. Wing Loong UAVs can be armed with missiles, but it is unclear if and to what extent Saudi Arabia has selected this option.

<http://bit.ly/2bTy1AN>

Military Cooperation and Training

Russian-Egyptian Ka-52 helicopter training deal

(8 Sept 2016) A training agreement has been signed between Russia and Egypt for the Kamov Ka-52K Katran dedicated attack helicopter. The training of Egyptian pilots will take place in Russia. The agreement was finalized during the joint Russian-Egyptian Commission on Military-Technical Cooperation. Russian news sites claim that Egypt is in the process of ordering at least 16 Ka-52Ks, which would be deployed from its two Gamal Abdel Nasser-class (Mistral) landing helicopter docks (LHD). The two platforms were originally ordered by Russia, but the Ukraine crisis prompted France to abrogate the contract. Upon refunding Moscow, Paris sold the Mistrals to Egypt for almost a billion Euros. The first Mistral LHD was delivered to Egypt in June 2016. Egypt at present also is slated to have other deals with Russia, such as a major contract for MiG-29M2 (or MiG-35s). This agreement, if true, would indicate that Egypt's Ka-52 order would be entering the production pipeline soon

<http://bit.ly/2dds2o5>

F-16 training contract RJAF

(8 Sept 2016) The Royal Jordanian Air Force (RJAF) currently operates 64 F-16A/B Fighting Falcon aircraft from its Al Azraq air base. Supplied under various phases of the Peace Falcon programme, the aircraft are operated by 1, 2 and 6 squadrons. The Jordanian training is currently undertaken on an old L3 Link Simulation & Training Unit Training Device (UTD) but this is now will change. This foreign military sales contract was a sole source acquisition that was awarded by the US Air Force Life Cycle Management Center, at Wright-Patterson AFB. The Middle East has been a main target for Lockheed Martin. It is now in the

process of delivering three Full Mission Trainers to the Royal Saudi Air Force for the F-15SA Eagle. The final device is due to be ready for training in 2020 as are the two RJAF F-16 air combat training centers.

<http://bit.ly/2cIWqzp>

Iraqi militia and Houthis agree to joint training

(6 Sept 2016) Iraqi sources report that a military joint training agreement has been signed between the Houthis (Yemen) and Iraq's Popular Mobilisation Forces. The militias have reached an agreement regarding military and political cooperation particularly in the field of training and sharing experts. The Yemeni rebels will receive logistical support from the Popular Mobilisation Forces. Iran's Revolutionary Guard is said to have coordinated the arrangement. Discussion have also been held that the Houthis would get 10,000 fighters together, in the first instance, to take the place of Yemen's National Guard which was loyal to ousted President Ali Abdullah Saleh. Training by Iranian officials is going to take place in Eritrea.

<http://bit.ly/2cMVjri>

German Rheinmetall receives Urban Warfare 'Training City' contract Middle East

(2 Sept 2016) German defense company Rheinmetall reports that it has been awarded a contract to set up an urban warfare "training city" from an undisclosed customer in the MENA region. The company reports that the complete 'training city' site, which will be constructed in the customer country, will have technical features that make it the advanced training center for preparing soldiers and security personnel for urban operations. The ultramodern facility enables the troops to practice combat operations in urban terrain. In order to enable realistic training for operations in a complex urban setting, a new 'city' was constructed in the customer country precisely for this purpose, consisting of more than 150 buildings.

<http://bit.ly/2cYZeAm>

Cybersecurity and Space

New Cyber Security Center launched in UAE

(22 Aug 2016) UAE-based companies The Kernel and Smartworld have formed a strategic partnership to offer a new cyber security training center for UAE nationals. The new center will also provide cyber security services in the fields of security monitoring and cyber threat management. The Kernel is a cyber security company and Smarworld is a digital services provider.

<http://bit.ly/2b9oV3K>

Critical Infrastructure Protection and Border Security

Terrorism threats Saudi oil industry overlooked

(3 Sept 2016) Saudi oil and gas infrastructure is continuously under threat by terrorist and non-state actors while regional tensions are increasing. At the end of August 2016, a rocket originating from Yemen hit a power-relay facility in southern Saudi Arabia. Yemeni rebels have also stated that they had hit Saudi Aramco facilities, but the kingdom's state-run oil company announced that "all of its oil, gas, and refining plants were operating as normal" in the aftermath.

The Yemen campaign, led by Saudi Arabia and the UAE, could pose a risk to Saudi's oil sector. "The recent cross-border rocket attacks originating from Yemen are an ominous reminder of the dangers posed by Saudi Arabia's 18-month military intervention in Yemen," argued Helima Croft, the head of commodity strategy at RBC Capital Markets, in a note to clients.

In June 2015 RBC already stated that "the military campaign in Yemen, more assertive efforts to roll back Iranian regional influence, and more muscular counter-terrorism efforts will put further pressure on Saudi government finances as they ratchet up security spending". Saudi has increased its defense spending substantially the last years. SIPRI Data, which tracks global arms expenditures, suggest that Saudi Arabia spent 13.7% of its GDP for

defense in 2015, the country's highest level so far.

<http://read.bi/2cEn6cA>