

CONFLICTING INTERESTS

The role of western arms transfers in the development of Middle
Eastern regional security (1951-1992)

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ABSTRACT

The aim of this study is an effort to address a key question in' considering Middle Eastern security, that of arms transfers from the west to the Middle Eastern region.

The title "Conflicting Interests" was chosen to highlight the contribution of these transfers to Regional stability, initially in the Arab-Israeli dispute, and afterwards in the Persian Gulf. In the four historical phases I have highlighted key policy actions by Business, western governments and Arab states which characterised the developing security dilemma.

The conclusion considers the problems of export controls and revelations such as the Atlanta/BNL and Scott inquiries.

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INTRODUCTION

The Middle East region is regarded by many observers as being faced by the most intractable problems of contemporary international relations.

Cultural, Political, Religious and Resource crises have resulted in five Arab-Israeli wars this half century and an eight year war between Iran and Iraq, which is reckoned to have been the worst war of attrition since the First World War in Europe at the start of the century. The region has also in recent times played host to the first post cold war conflict, exemplifying the high-technology capabilities of the advanced states.

In the relative lulls between these conflicts the region has been simmering nearly constantly. In the first eight months of 1993, there has been a coup attempt against President Hussain of Jordan quashedⁱ Islamic fundamentalists in Egypt are promoting an escalating campaign of terrorism against the regime of President Hosni Mubarakⁱⁱ Israel invaded sovereign Lebanese territory in the pursuit of Hizbollah fightersⁱⁱⁱ whilst the United States mounted a cruise missile attack on Baghdad^{iv} in retaliation for a foiled attempt on the life of former President George Bush when visiting Kuwait City earlier in the year^v

The aim of this project is to examine the interaction of politics within the Middle East, and the effects of external actors policies, regarding the transfer of armaments, in order to better understand the factors which both influence and determine the regional security 'balance'.

In order to focus upon this more effectively, it could be suggested that by examining the action-reaction of business as a tool of a governments foreign policy, and as actors in their own right, along with the foreign policy concerns of the states themselves, can help illuminate the factors which shape security objectives in the region.

By examining these actors, and the patterns of defence supplies since the formation of the modern Middle East, with particular emphasis on the conflicts within the region, and the covert policies which have since become apparent, such as Iran-Contra in the USA, and the Arms-for-Iraq scandal in the UK, the capability to identify possible future trends should become apparent. This analysis will be divided into four phases, the pre-1973 Genesis of the modern Middle East, the 'OPEC Zenith' period of 1973-1980, the 1980-1990 'Period of Attrition', and finally the implications for Middle east regional security of the 'Western Intervention' of 1990, and the signing by the PLO and the Israeli government of the Declaration of Principles concerning Palestinian autonomy, into the future.

My conclusions will be presented in a final section, with an analysis of the clash between the conflicting interests of Regional stability versus domestic economics for the defence exporting states.

All references to the Middle East in this project relate to the geographical region identified by the IAEA^{vi} as being the area from the Libyan Arab Jamahiriya to the Islamic Republic of Iran (East-West), and from the Syrian Arab Republic to Yemen (North to South).

PHASE ONE - THE "GENESIS" OF THE MODERN MIDDLE EAST

It could be suggested that the United Nations partition plan of 1947, and the subsequent formation of the State of Israel have been the primary causation factor in the arms racing throughout the region during the past four and a half decades.

In 1947 the United Nations was in its infancy as an organisation, the USA was also establishing its role as the new hegemon, providing global leadership through its involvement in the establishment of organisations such as the IMF and World Bank, as well as practical measures such as the 'Marshall Aid' programme, providing financial assistance to the devastated

economies of Europe.

The US Government was aware of its need for resources during this period, particularly oil, and for now was content to allow the oil conglomerates to function as a tool of foreign policy towards the Persian Gulf states. This was maintained on a day-to-day level by allowing the 'sisters' as the companies were known collectively to have access through contacts to the policy-making echelons of the US Government, and in return had taxation privileges, so long as the flow of oil continued to American consumers.

For the European states, after fighting the second major debilitating conflict this century, they were attempting to disengage from their Imperial responsibilities. The United Kingdom which had administered Palestine under a League of Nations mandate decided, in the face of an escalating campaign of terrorism perpetrated by both Arab extremists and Jewish nationalists, to seek a settlement of the problem at the United Nations, and more importantly for the United Kingdom, to find a compromise allowing them to withdraw their garrison without any perceived 'loss of face'.

UN Security Council Resolution 181 sought to partition Palestine into an Arab and a Jewish state, with the city of Jerusalem - containing sites of religious significance for both Judaism and Islam, to be administered by the United Nations.

It could be suggested that the Jewish case for an independent state in the Middle East was helped greatly by the Holocaust which had occurred during World War II, which was still fresh in the minds of politicians and Western societies, manifesting in the support given to them at the UN assembly. Interestingly, it is worth noting that the US military establishment was against a Jewish state in Palestine because of the potential political repercussions which might result in an oil embargo against the Western states^{vii}

In the context of the emerging Cold War, American foreign policy followed a two-pronged approach, that of maintaining the flow of oil supplies, and protecting allies from the perceived threat of Soviet encroachment. Evidence of this can be seen within the context of three crises, the nationalisation of Iranian oil, the Suez crisis, and the 6 day war of 1967.

In all these situations, the USA was rapid to act. The Iranian President Dr. Mossadegh was deposed in a CIA/MI6 planned coup^{viii} which brought the Shah of Iran to power. The Suez Canal crisis saw American use of its economic tools to humiliate the British and French, improving their image in the region, and hastening the European withdrawal from the region.

It could be suggested that the USA never had time to mobilise assistance in the 1967 conflict in the wake of a spectacular Israeli strategic success, whilst 'the British embargo lasted scant two days'^{ix} European arms transfers provided the bulk of Israeli military hardware in this phase, due to colonial ties, and entrepreneurial talent, particularly on the part of France which sold the Mirage fighter to Israel^x

The frontline Arab states, and the Gulf states were supplied with an assortment of equipment from states seeking to gain their influence regarding the oil supplies. America in this period gave grants to Israel to be supplied by the Europeans, whilst directly supplying arms to Arab states, in order to gain influence over both sides.

Jordan, formerly a British territory, had its Arab legion trained by the British, the country's monarch King Hussein was a Sandhurst graduate, suggesting therefore that British colonial ties led to a somewhat monopolistic supplier-consumer relationship in this phase.

Egypt and Syria were both military regimes. Egypt by virtue of its strategic location, and charismatic leadership was courted by both superpowers and their allies resulting in a situation of arms-racing between Israel, and the leader of the Arab world, Egypt. After the Suez debacle, and the financing of the Aswan Dam, Arms Transfer contracts led to Egypt becoming a key part of the

clients orbiting the Soviet sphere of influence^{xi} Syria's move to becoming a Soviet client was somewhat more inevitable it could be suggested, given the fact it bordered the U.S.S.R. as well as having an unstable, military government.

The 1967 conflict left the Arab states feeling betrayed, Jordan became a refugee centre for the Palestinians fleeing the conflict, Egypt initially, and then Syria began to think of taking the fight into Israel, leading to a massive influx of the latest Soviet equipment, and more importantly advisers into the front line states, Israel also did not stand still, learning the lessons of the 1967 conflict, and seeking improvements in equipment, leading to Israel's steady move towards dependency on US military hardware, in the now spiralling arms-racing between Egypt and Israel, clients in a cold war context of the U.S.S.R. and the USA.

In summary the first phase of the modern Middle Eastern defence market saw an end to colonialism, and western withdrawal from the area, whilst the states in the region were utilising ideology to receive aid from Superpowers, eager to win influence and prestige in the region, and more importantly to deny it to the other. The nature of the arms transfers was to provide the necessary equipment for war fighting, which would develop during the latter stages of phase 2, and mushroom during the third and fourth phases to follow.

PHASE ONE (1951-1972) ARMS TRANSFER INFORMATION¹

Middle East Imports	European Exports	USA Exports	Russian (U.S.S.R.) Exports
\$m 41,507	\$m 28,096	\$m 42,517	\$m 43,647
+ 0.0 %	+ 0.0 %	+ 0.0 %	+ 0.0 %

1 Details of these figures are available in appendix A.

PHASE TWO - THE "OPEC ZENITH" PERIOD (1973 – 1979)

The October 1973 war provides the key reference point for the start of the second phase in the development of both the Middle East market, and regional instability.

The fourth Arab-Israeli war saw the shattering of Israeli defence confidence in their strategic intelligence, because of the surprise achieved by the frontline Arab states in attacking across the Suez Canal.

It could be suggested that this conflict was both exacerbated and eventually limited by the Superpowers, in the context of the cold war. The U.S.S.R. resupplied its Arab clients - Syria and Egypt^{xii} whilst the USA, in response to a formal Israeli request, resupplied the hardpressed IDF^{xiii} reinforcing the perception of this war as a proxy conflict within the Superpower struggle.

Its end was decided by an eventual UN ceasefire which the belligerents tried to ignore^{xiv} but with OPEC states starting to embargo the US of its oil supplies, America reportedly threatened the cessation of military aid.

This was the start of the US/Israeli pattern of diplomatic relations, which it could be suggested has been the modus operandi since 1973. During the peace process it was suggested that;

"Defense Secretary Schlesinger privately intimated according to (Moshe) Dayan, that the US would provide Israel with some new arms, but that more would come only if diplomatic progress were achieved."^{xv}

For Egypt, the post 1973 environment was one where a limited rapprochement with Israel was necessary in order to restore full diplomatic relations with the United States, enjoying patronage and financial aid, whilst diversifying their supplies of military hardware, but this policy was to be at a significant cost in terms of the loss of Egypt's position as the natural leader and spokesman for

the Arab cause.

The 1970's saw a decline generally in Soviet arms transfers primarily, it could be suggested, because the demonstration of technologically superior American and European equipment whetted Arab appetites for Western equipment.

Following the inconclusive 1973 war, OPEC utilised its economic power to force up the price of oil. This decision was to change entirely the economic and-strategic situation for the gulf states, as well as altering the patterns of arms transfers since.

Many of these states were now recipients of massively expanded oil revenues, and this coupled with several of them becoming newly independent, or established states facing perceived threats to their security, led to them setting out to acquire, in many cases from nothing, a military capability.

It could be argued that America, having suffered a traumatic failure of policy in South-East Asia, was less than willing to pursue a high profile foreign policy in the Middle East region, seeking instead to find a way of maintaining influence for little overt cost in terms of resources or personnel.

The Nixon Doctrine^{xvi} of the 1970's aimed to bolster and support states friendly to the USA, which would act as "policemen" in their respective regions of the globe, acting as America would act, without cost to the American government. Iran under the Shah was to be the primary beneficiary of this policy in the Middle East. One author noted that;

"It was explicitly promised by President Nixon and Secretary of State Kissinger that Iran could buy any of the weapons systems that the Shah wanted, short of nuclear weapons."^{xvii}

For the arms corporations, particularly the American ones, the 1970's were to provide an explosion in growth. The Americans were especially enamoured of the Shah, whom the executives thought;

"Not only had the money to spend, but who could appreciate the finer points of the 'state of the art'."^{xviii}

This period saw Europe, the USA and the USSR competing on a massive scale for influence within the monarchies of the Middle East. Many of these far-flung kingdoms perceived to be 'backward' were now among the most resource rich states on the planet, and were now interested in spending.

The Soviet Union signed further Treaties of Friendship maintaining its monopoly over sales to Syria and Iraq. The 1970's saw the start of the 'Arms-for-Oil' deals^{xix} where equipment, infrastructure development and training agreements were made by the states, financed for by the transfer of oil, alleviating for some states such as America and France the worst effects of the OPEC price rises. The deals then provided much needed work for the defence manufacturing sectors of recession hit western economies.

By the mid-1970's, the arms racing dynamic within the Middle East had shifted from a Egypt/Israel focus, to an Iraq/Iran race in the Persian Gulf. The reasons for this lie in Egypt's loss of position as leader of the Arab world, and Israel's steady development, with American assistance, of its own indigenous arms industries, catapulting Israeli military exports from zero in 1973 to \$1.2 Billion in 1980^{xx}

The three largest Gulf states were to pursue different procurement policies, due to unique security considerations, and the influence of external actors.

As part of the Nixon Doctrine, the US declared its intention to maintain a "Twin-Pillar" policy of supporting Iran and Saudi Arabia, in order to create two strong pro-US regimes which could maintain US interests in the region. In practise however most arms transfers went to Iran, the Shah purchasing some \$18 billion worth of arms in the period 1970-1979, compared to less than \$10 billion by Saudi Arabia^{xxi}

The procurement-policies were to an extent shaped by the problems of population distribution and absorption rates. Saudi Arabia has a much smaller population spread along the coast compared to Iran, and so favoured buying aircraft, thus creating the rationale for the Royal Saudi Air Force (RSAF). Another factor to consider in the 1970's was the extent to which Saudi Arabian infrastructure had developed. It was severely lacking for the development of military capabilities, and so much of the money spent on defence went towards the acquisition of airbases, runways, and modern communications systems and roads, all suitable for a modern economy, as well as a modern defence force. The Iranians on the other hand were populous in comparison, and had a relatively long standing military tradition, as a legacy of imperialism.

Because of this, Iran was able to absorb new armaments into its military far quicker than Saudi Arabia, but this was still not quickly enough, considering the rate at which the Shah was spending his oil revenues, which to was have serious consequences.

However the blame for such lavish procurement of modern weapon systems does not rest entirely with the consumer states. The US Senate Foreign Relations Committee hearing in 1976 was concerned with sales to Iran and Saudi Arabia. The committee ignored evidence in its conclusions which shows that Saudi Arabia followed American advice in making its procurement decisions, particularly from the USAF^{xxii}

In the wake of the US hearings, corruption scandals emerged affecting several of the key US military corporations, initially concerning lockheed's "commission" payments to secure contracts. This affected the Middle East, but had greater political repercussions in Europe and Japan. The problem with corruption, it could be suggested, is much greater in the arms trade, because of both the moral stigma already attached to the industry and secondly, the value of the contracts, and subsequent profits are so much larger, especially in the Middle East region, where because of the wealth present at the time, and the Oil induced recession at home, the stakes were so much higher, thus leading to greater temptation to use commission payments and "introduction fees" as a way of gaining influence.

By the end of the 1970's the security situation was to change dramatically once more. A revolution in Iran installed an Islamic fundamentalist regime, hostile to US and western interests leading to an overnight rearrangement of the region's politics and balance-of-power. Iraq and Iran, who 'had a long standing territorial dispute borders and particularly the strategic Shatt Al Arab waterway were steadily escalating, through artillery exchanges and border incursions, towards full scale war.

For the frontline Arab states, the security situation was relatively peaceful in comparison. The Camp David Accord saw Egypt make peace with Israel, restoring diplomatic ties with the US and accepting US arms, advisers and training. The political cost for this was the shunning of Egypt by the Arab states in the Middle East. Israel and Syria were engaged in a new arms race, arming sects within the on-going Lebanese Civil War, in attempts to gain control of the country, to use as a buffer, or as a weapon against the other.

Jordan by 1980 was isolated, having failed to participate in the Camp David agreement, becoming financially dependent on Saudi Arabia, and buying weapons from Britain and France. To summarise this second period in the development of the Middle East defence market, and the regional security dilemma, there are five points of relevance which need highlighting. Firstly, the Yom Kippur war of 1973 saw the demonstration of the technological superiority of western equipment and training, leading some states such as Iraq to begin to diversify their supplies of

arms away from reliance on the Soviet Union.

Secondly, the OPEC states realised the power of oil, using it as a weapon to punish the west, then as a means of purchasing security, and more importantly, the interest of the great-powers in the region.

Thirdly, the Middle Eastern defence consumers became more sophisticated as states now had the capability to buy the best hardware, creating a fierce competition by the companies of the west, requiring the mobilisation of the lobbying machines in democratic governments. Also in this period, the Middle East arms consumers become sophisticated in their understanding of the product, and their own requirements, as exemplified by the Shah of Iran.

Fourthly, Superpower politics facilitated the arms racing, as the Nixon Doctrine sought to create regional "policemen" capable of independent action. Fifth, states in the region, such as Israel were seeking to create their own arms industries, diminishing reliance on the west.

Lastly, it could be suggested that Egypt's downfall as spokesman of the Arabs, and the signing of Camp David effectively ended the "revisionist" attitude of the frontline states, as regarded their objective of the destruction of the state of Israel.

PHASE TWO (1973-1979) ARMS TRANSFER INFORMATION¹

Middle East Imports	European Exports	USA Exports	Russian (U.S.S.R.) Exports
\$m 73,955	\$m 27,731	\$m 52,689	\$m 53,205
+ 560 %	+ 310 %	+ 124 %	+ 383 %

1 Details of these figures are available in Appendix A.

PHASE THREE - THE PERIOD OF ATTRITION (1980-1990)

1980 signals the commencement of the third phase in the development of the Middle East defence market, and the growth of new security concerns.

The invasion of Afghanistan by the Soviet Union^{xxiii} was a catalyst for a new phase of Superpower competition, whilst the assassination of Egyptian President Sadat, the man who made peace with Israel at Camp David highlighted the instability present amongst the Arab peoples, due to the rise of Islamic fundamentalism^{xxiv}. The volatility of the Middle east in this new phase is highlighted further by the American Embassy siege in Tehran, humiliating the United States, and leading to an abortive attempt to rescue the hostages at "Desert One"^{xxv}. SIPRI analysts noted in an earlier Yearbook that Middle East arms transfers could not increase further unless a conflict occurred, as the newly formed armies attained their levels of equipment^{xxvi}.

The Iraq/Iran conflict which started in 1980 was to provide a rapid escalation in arms transfers to the region, and exacerbate the level of external interference in the politics of the region. Initially there was little Superpower involvement, or attempts to seriously mediate the conflict through the UN. It could be suggested that this was because of three reasons. Firstly, the U.S.S.R. had invaded Afghanistan, and so was concentrating its diplomatic efforts responding to American rhetoric, and escalating into a second cold-war. Secondly, Washington had just lost a major ally in the region and whilst investigations were taking place to establish why the USA failed to anticipate the Shah's downfall, there was little will in the capital to reenter the shifting sands of Middle East politics immediately. Finally, in the wake of the US Embassy siege, a newly elected administration headed by President-elect Ronald Reagan was preparing to take office in 1981. This meant that there was a changing of top-level policy makers at the key departments of State, the CIA and others, creating a time lag, whilst the new officials acquainted themselves with their bureaucracies, and the problems at hand.

In the early stages of the war, Iraq badly needed to ensure supplies of arms and materiel, and so resorted to using intermediaries, such as the states of Oman, to purchase Soviet equipment through Egypt (As officially Iraq was not on friendly terms with Egypt), which resulted in the Egyptian arms industry being kept at 99% capacity for the duration of the war^{xxvii} Iran on the other hand had a large stock of American equipment, purchased by the Shah, but was desperate to maintain stocks of spares, especially as Iran was subject to a strict American embargo. Thus Israel, which had done business with the Shah was to earn several contracts during the war to maintain the Iranian war machine. This was to benefit the Israeli "Siege economy", helping to balance the Israeli defence budget which accounted for one third of total government expenditure whilst prolonging a war between the two largest threats to Israeli existence^{xxviii}

To a large extent, the 1980's saw the regional security dilemma shift to the Persian Gulf, as opposed to the traditional "Arab-Israeli" standoff. Egypt was becoming increasingly dependent on US military aid and economic assistance, to a degree rendering it less vocal on the Israeli issue, participating in a joint military exercise in 1981, allowing 4,000 American troops unprecedented access to an Arab state^{xxix}

The following year Israel launched an invasion of Lebanon to hunt down and destroy PLO guerilla bases. The invasion was widely condemned internationally, and proved to be traumatic for Israeli morale, because of two factors. Initially the invasion had clearly defined parameters, but degenerated quickly into a long drawn-out operation, contrary to previous Israeli feats-of-arms, and secondly it has been argued that Minister of Defence Ariel Sharon (a hero of the 1967 and 1973 wars) failed to realise the political complexities of the situation, in spite of achieving substantial tactical victories against the Syrian armed forces stationed in Lebanon^{xxx} This experience, and its internal repercussions it could be suggested led to relatively little military involvement in the 1980's.

In the Persian Gulf, American foreign policy took an opportunist move, using the threat posed by the war to befriend the conservative Gulf monarchies bringing them under an American armed security framework. This led to the formation of the Gulf Cooperation Council (GCC), offering them armaments in return for a vague commitment to allow American forces into the area - an important Superpower goal considering the nearest base was at a leased facility in the Indian Ocean. The formation of the GCC comprising Saudi Arabia, Kuwait and the smaller states of the Arabian Peninsula, aimed to coordinate arms procurement, the mediation of border disputes, and internal security.

It could be observed that the latter role of the GCC suggests an antIranian, or more specifically an anti-Islamic fundamentalist coalition being formed around Saudi Arabia, as the Gulf monarchies were intensely worried about the prospect of fundamentalism to their conservative kingdoms. This resulted in the highly controversial sale of advanced American F-15 fighters and more importantly AWACS airborne early warning aircraft to Saudi Arabia - the linchpin of the GCC, and American foreign policy in the region, In spite of intense lobbying by the Israelis in Washington. The precedent set by this transfer is that the most highly sophisticated aircraft required US personnel to maintain them, allowing American access to Saudi Arabia, however low profile, subtly solving a security problem for Saudi Arabia and the USA, namely how to guarantee military assistance to an Islamic state extremely suspicious of foreign activities.

The sale enabled Saudi Arabia to protect the key areas of the country, namely the strategic oilfields, and refineries, whilst the American government was allowed access to all the data gleaned by the AWACS as part of the terms of the sale^{xxxi}

By the mid 1980's the Iraq/Iran war had deteriorated into a war of attrition on a scale unseen since World War I, which without military assistance to Iraq, the Iranians would have won due their larger population base. The United States had declared itself neutral, forcing European governments to follow suit, with a leaning towards Iraq, becoming more steadily involved as the Iranians took the war further into Iraq. This led to European arms sales to Iraq increasing

massively, as Iraq sought to upgrade its armed forces and strategic capabilities by acquiring a manufacturing capacity for chemical and nuclear weapons.

The Americans used this opportunity to embargo Iran by placing it on a list of countries known for sponsoring terrorism^{xxxii} whilst a coalition of European explosive manufacturers, supplied both sides in the conflict, evading America's 'Operation Staunch'^{xxxiii}

Throughout the war, corporations relentlessly marketed arms to the belligerents, whilst making further profits based on the insecurities of the smaller Gulf monarchies. During the course of this war, both sides spent approximately \$85-\$95 Billion on armaments^{xxxiv} obtaining them both from friendly states, and surreptitiously through middle men, and front companies, such as Matrix Churchill in the U.K.^{xxxv}

In analysing this period, there are three key factors which suggest the patterns of defence supplies and external policies driving them. Firstly, states in the region were attempting to acquire chemical and nuclear capabilities, particularly for Iraq and Iran, as these presented a technological means of ensuring the guaranteed survival of their regimes, particularly for Iraq which developed rocketry to enable it later in the war to successfully attack Tehran during 'the war of the cities'. In developing these capabilities there has been much cooperation between - developing countries witnessed, as well as attempts to purchase materials covertly from the advanced western states.

Secondly, the states outside the Middle East were resorting to duplicity, by using arms transfers to the region in order to attain foreign policy objectives by methods which were constitutionally unsound domestically, such as the American scandals known as 'IranContra', and the British 'Arms-to-Iraq' policy. The former essentially involved American arms being sold to Iran (in spite of supporting Iraq) through Israel^{xxxvi} some of which were then passed onto Afghanistan, thus assisting American policy to aid the guerillas fighting the Soviet army garrisoned there^{xxxvii} The funds derived from this endeavour went into a fund for assisting American covert policies worldwide, and most publicly in assistance for the Contras in Central America^{xxxviii} Thirdly and finally, the advanced states were continuing to sell equipment after the end of hostilities, without any serious attempt to curb the spread of conventional arms to the region, creating a potential for instability which would soon manifest itself in the final phase of the development of the modern Middle Eastern defence market.

In summary this third phase saw the most devastating conflict in the region since ancient times, exacerbated by the policies of IranContra, and by corporate duplicity. This period also saw the Gulf states purchasing western arms in an attempt to counter the growing perceived threat from fundamentalism across the waters of the Gulf, exemplified by the multi-billion British contract with Saudi Arabia involving much of the British Defence Industrial Base. Iraq in the meanwhile attempted to acquire ever more sophisticated armaments, turning to specialist developing world suppliers such as Cardoen of Chile, to obtain advanced weapons embargoed by the West^{xxxix}

PHASE THREE (1980-1990) ARMS TRANSFER INFORMATION¹

Middle East Imports	European Exports	USA Exports	Russian (U.S.S.R.) Exports
\$m 127,822	\$m 224,278	\$m 73,296	\$m 112,916
+ 110 %	+ 515 %	+ 278 %	+ 135 %

1 Details of these figures are available in Appendix A.

PHASE FOUR - THE WESTERN INTERVENTION AND AN UNEASY PEACE

By July 1991 Middle Eastern analysts had once again been surprised by the changing nature of the regions politics. The reversal of Iraq's invasion of Kuwait saw the conservative Saudi Arabian monarchy playing host to several hundred thousand foreigners, afterward tolerating an American

presence deployed "somewhere in the region"^{x1}

Whilst the figures at the end of this section show how the arms transfers have collapsed elsewhere, although not at the mid-1980's high, arms transfers to the Middle East are as important, if not more important to the defence industrial bases of the western world than ever. The recession of the late 1980's coupled with the end of ideological East-West competition has proven a particularly troubled time for the defence industry. In the USA, 25% of unemployment since the economic downturn has been linked to the contraction in defence expenditure^{xii} With this domestic climate, it could be suggested that overseas exports have now an even greater priority.

The question arising from the data is why are arms transfers still significant when political rhetoric indicates moves to curb the excesses of the trade? If it could be suggested that arms transfers infer political support to the consumer in the event that they are attacked, then the post-gulf conflict sales appear logical. Sales such as the LeClerc tank to the UAE in numbers greater than their army can field appears to vindicate the assumption as it implies that France may send troops to operate them if called upon^{xiii}

Since October 1991 the permanent members of the United Nations Security Council have sought to introduce measures to monitor conventional arms sales openly, whilst tightening restrictions upon the movement of materials which are utilised in the making of weapons of mass destruction (ie. Nuclear, Biological & Chemical weapons). Talks at Paris in July and London in October resulted in an agreement to inform one another of all major arms sales to the Middle East specifically^{xiii} However, The meeting also sought to protect the rights of the five to sell conventional arms (representing the five biggest arms exporters) by reaffirming Article 51 of the UN charter, "implying that states have the right to acquire means of legitimate self-defense"^{xiv} In another development the UN has instituted a Conventional Arms Control register which it is hoped all member states will participate in, in spite of its requirements being "very voluntary", however this may prove a useful confidence building measure towards more meaningful controls being established.

Within the region, the security balance has once more begun to realign itself, since the defeat of Iraq in February 1991. It is my assertion that a new arms racing dynamic is beginning to emerge between the conservative gulf monarchies and the fundamentalist regime in Iran. After the gulf conflict, America agreed a \$21.9 Billion arms deal with Saudi Arabia, the developing world's largest arms importer. Contracts like this have caused alarm some observers who perceive this as a decision to redirect money from "butter" to pay for more guns, upsetting the delicate system of patronage which ensures the Al-Saud family's position in the country^{xiv} It could be suggested that by focusing upon an external threat, the conditions could be created which resulted in the overthrow of the Shah of Iran in the 1979 revolution.

Iran on the other hand has purchased billions of dollars worth of armaments from the former Soviet Russia and republics such as Kirgizia^{xvi} The twin fears on one hand of Islamic fundamentalism & Iranian pursuit of territorial disputes such as the strategic Abu Musa' and Tumb Islands could be sufficient cause for the Gulf Co-operation Council to arms race with an Iran nervous of the perceived Western backing of the conservative gulf states.

In the aftermath of the Gulf conflict of 1991, domestic inquiries were undertaken in America and Britain, to determine how a third world dictator could have obtained the massive arsenal with which the war was fought, and more importantly how Iraq circumvented controls on equipment used in the manufacture of weapons of massive destruction.

The US enquiry collapsed in December 1993, one spectator noting that there were "serious doubts on whether the role of US and Italian governments in President Hussein's arms procurement network will ever be properly investigated"^{xlvii} The Scott Inquiry has continued as the only debate about the nature of governmental complicity in illegal arms sales, but this inquiry has faced considerable resistance from secretive government departments, and both political and

bureaucratic resistance, like the Atlanta/BNL Inquiry, it could be suggested that it is unlikely that a clear analysis can ever be achieved.

In summary, this final section analysing the development of the Middle East insecurity balance generated by arms transfers has shown the attempts in the wake of a war to limit the spread of weapons of mass destruction, whilst reaffirming, and protecting the capacity for the conventional trade in arms to continue.

PHASE FOUR (1991-1992) ARMS TRANSFER INFORMATION¹

Middle East Imports ²	European Exports	USA Exports	Russian (U.S.S.R.) Exports
\$m 8,852	\$m 18,393	\$m 8,373	\$m 6,830
- 62 %.	- 55 %	- 27 %	- 67 %

1 Details of these figures are available in Appendix A.

2 It is assumed that the arms embargo against Iraq has prevented any arms import to the country in this period.

CONCLUSIONS: THE CONFLICT OF INTERESTS

Throughout this analysis, it could be suggested that a central question arises with each phase in the development of the Middle East defence market.

In this conclusion it is my intention to attempt to answer the question of what prospects exist for regional stability, in terms of curbing the proliferation of conventional and strategic weaponry, when faced with the problems of external political patronage and the economic realities of the defence industry. In order to do this, the conclusion will focus on the political, business and Middle Eastern environment in turn, before presenting my final thoughts on the future of the arms transfer system in the Middle East.

International agreements and protocols such as the Australia Group, the Non-Proliferation Treaty, Missile Technology Control Regime (MTCR) and the UN arms register can be suggested as being constrained by the nature of state sovereignty in the modern international system. The political will does not exist at this time to legislate against the trade, as shown by China's infringement of MTCR, by selling missiles to Pakistan and the non-mandatory nature of the UN register of conventional arms sales^{xlviii}

As effective international regulation seems distant at present, how effective are the tools used by individual states to regulate the sale of high-technology weaponry, and goods vital to the production of weapons of mass destruction ? Most western democratic states have a system of export licensing, the EC having harmonised its guidelines In June 1992^{xlix} In this analysis, I wish to focus my examination on the systems of the UK and the USA.

In the UK, the Department of Trade & Industry (DTI) is the key public agency in regulating exports. In the DTI guide to exporters, it is implied that the burden for identifying sanction breaking states rests with the exporters who "are required to make all reasonable inquiries"^l

The DTI has also released a list of destinations which require more stringent monitoring, but although this appears to be a good system, in practise it has appeared somewhat different. In the build-up to the February War with Iraq and afterward, there were many reports of Iraq circumventing the arms embargo by shipping goods through a third-party state, in this case Jordan, rendering the measures ineffective. The Scott Inquiry (or the Arms-to-Iraq Inquiry) has also focused on the sophistication of the Iraqi procurement network, buying companies in the west, and shipping goods directly to the home state, abusing the licensing regime, as in the case of Matrix Churchill.

Finally, and this poses the greatest problem for the UK has been the non-existence of inter-agency cooperation, highlighted during the investigations after the gulf crisis. Security services, and ministers themselves did not coordinate their actions, and in the enquiry did not cooperate fully, turning the investigation into what the media dubbed "Iraq-gate" - an embarrassing political scandal.

The American system is arguably more open to abuse than the UK system just described. Its operation is similar, but with a far following agencies, which were but a few - The Department of Defense Trade Controls (The State Department), The Division of Export Licenses (Department of Commerce), The under Secretary for Security Assistance, Science and Technology (State Department), and monitoring organisations such as the U.S. Arms Control and Disarmament Agency (State Department).

These various agencies and actors have often in the past acted without consulting one another, leading to considerable confusion in which states such as Iraq could exploit to obtain sensitive technologies. However one of the key differences between the UK and USA, is the latitude available to the President as Diplomat-in-Chief to override political sensibilities. Article 38 of the Arms Export Control Act authorises the President to "control the export and import of defense articles and services and to designate which articles shall be deemed articles and defense services."^{li} This legislation can be seen as permitting the executive branch to determine who can be sold what, influenced by the lobbies of the defence corporations, and bureaucracies which can on occasion be seen as having a divergent agenda to the president.

In summary the external political environment, and the controls established to regulate the trade have been illustrated as being very easily open to abuse, especially when decision-makers wish to "turn a blind eye" to certain activities, such as the Iran-Contra scandal detailed earlier.

The Business environment in the region has also changed significantly. The end of cold war hostilities has seen Russia now only a military superpower, desperate to raise foreign currency through the sale of highly sophisticated hardware to states with the resources^{lii} This has contributed to the now shrunken defence market in the west which has far more suppliers than customers, resulting in a quest by all defence companies for lucrative overseas export contracts, in the face of the alternatives of merging, bankruptcy, or conversion - a policy which a General Dynamics Chairman regarded as "having a failure rate which is unacceptably high"^{liiii} In terms of this environment the gulf conflict of 1991 was a great boon to the corporations, receiving several contracts from the insecure gulf monarchies, helping to keep them financially sound whilst restructuring their operations. The Middle East defence market will probably continue to prosper, as states upgrade their equipment, with the West continuing to receive the greater amount of contracts due to the sophisticated nature of the Middle Eastern consumers who desire the State-of-the-art. For the regional arms manufacturers, the prospects are not so good, Israeli Military Industries (IMI) was reported in SIPRI 1993 as cutting employment by 30% so as the government can channel the money elsewhere, seeking diplomatically to ensure the state's continued existence instead. Egypt which was kept at 99% capacity during the Iraq/Iran war will also face some kind of reorganisation to cope with the smaller pie.

Having considered the Business environment, what of the state of the region today ? The Israel-PLO agreement which is facing many obstacles Israeli conflict where no one has "lost face", in order to allow the redirection of resources towards economic development. The Pentagon recently released a document showing its hypothetical situations for global security threats in the post-cold war, naming Iraq as the key to success has provided the region with a respite from the Arab-Israeli conflict where no one has 'lost face', in order to allow the redirection of resources towards economic development. The Pentagon recently released a document showing its hypothetical situations for global security threats in the post cold-war world, naming Iraq as the key American target in the region^{liiv} which could be suggested as being divergent from the theme of conflict existing in the modern Middle East. It could be suggested, reaffirming an earlier statement that states from Israel, through Egypt, to Saudi Arabia fear the spread of Islamic

Fundamentalism, and although an uneasy peace with Israel exists at present, the perceived Shia threat looms largely on the minds of several leaders, who are responding by purchasing arms.

A key consideration in the Middle East economic environment is the price of oil. At present oil revenues have fallen drastically, some OPEC members have tried to prevent Iraq from selling oil in order to prevent a yet further fall in their relatively scant revenues in recent years. Whilst economic reform has not yet weaned Arab reliance from oil, the price will remain a linchpin of regional economic policy in the near future.

In summary, the following points can be raised addressing the issue of whether regional stability can be maintained in the face of external politics.

Firstly, Proliferation in the Middle East will continue apace for the remainder of the decade due to both the number of suppliers, and the perceived need for security of the Gulf states particularly. If Iraq is rehabilitated internationally, then it too will provide a willing consumer for advanced systems.

Secondly as I have attempted to illustrate through this essay, individual attempts at regulation are vulnerable to circumvention, to the problems associated with the nature of the state-centric international system, institutionalised in the Self-Defence Article 51 of the UN Charter.

These conclusions ultimately require a negative answer to the problem of assuring regional stability in the face of arms transfers. However it could be asserted that the institutions exist to diffuse the situation, such as the GCC to coordinate regional development, and the international monitoring agreements made by the UN amongst others. In closing the Challenges for the remainder of the Twentieth, and the start of the Twenty-First Century will focus around two key areas. Firstly the integration of an Islamic fundamentalist regime into the regional state system, and secondly the economic development away from the oil industry.

The security of the region, and the fulfilment of these challenges will however remain dependent on three key points. Firstly, the price of Oil, affecting economic expenditure and internal political stability. Secondly, the Global economic situation, particularly in the field of enabling the defence industrial bases of the West to restructure themselves, becoming less dependent on exports. Thirdly and lastly, the importance of western political cooperation can be seen as key to preventing the export of arms and diplomacy to a rapidly changing political environment, vital to their continued level of development, diffusing one of the greatest cases of "Conflicting Interests" since the end of the Second World War whereas international agreements in the final analysis are vulnerable.

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UNITED STATES OF AMERICA

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Office of Defense Trade Controls, Bureau of Politico-Military Affairs, United, States Department of State. U.S. Arms Control & Disarmament Agency (ACDA).

APPENDICE A - SOURCES AND METHODS OF DATA COLLATION

The figures used throughout this study have been compiled from the 1986, 1990 and 1993 SIPRI Armaments & Disarmament Yearbooks, as well as from the SIPRI study of Arms Transfers to the Third World 1971-1985 (M Brzoska & T Ohlson).

All monetary values have been converted in constant US millions of dollars at the 1990 level. The figures represent transactions involving the following items - Aircraft, Armour & Artillery (excluding military jeeps, trucks and other 'soft' vehicles), Guidance & Radar systems, missiles (excluding low-tech unguided missiles), and warships, excluding small patrol craft under 100 tons displacement fielded by many Middle Eastern navies.

SIPRI themselves state that the figures were developed as a 'trend measuring device' as it could be suggested that they do not provide an accurate guide to arms transfers, and conflict with data provided by government departments such as the US ACDA figures.

It could be also suggested that the figures provided at the end of phase four are highly inaccurate, as they do not account for covert resupply of the Iraqi armed forces, or for unofficial Soviet transactions as reported in Armed Forces Journal International (December 1992).

Figures relating to USA and U.S.S.R. exports are for the developing world as a whole.

Figures for European exports include France, Italy, Germany, the UK, Switzerland, Netherlands, Czechoslovakia, Other industrialised East & West states.

Figures for the Middle East region include Bahrain, Egypt, Iraq, Iran, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates (UAE), Yemen, North Yemen and South Yemen.

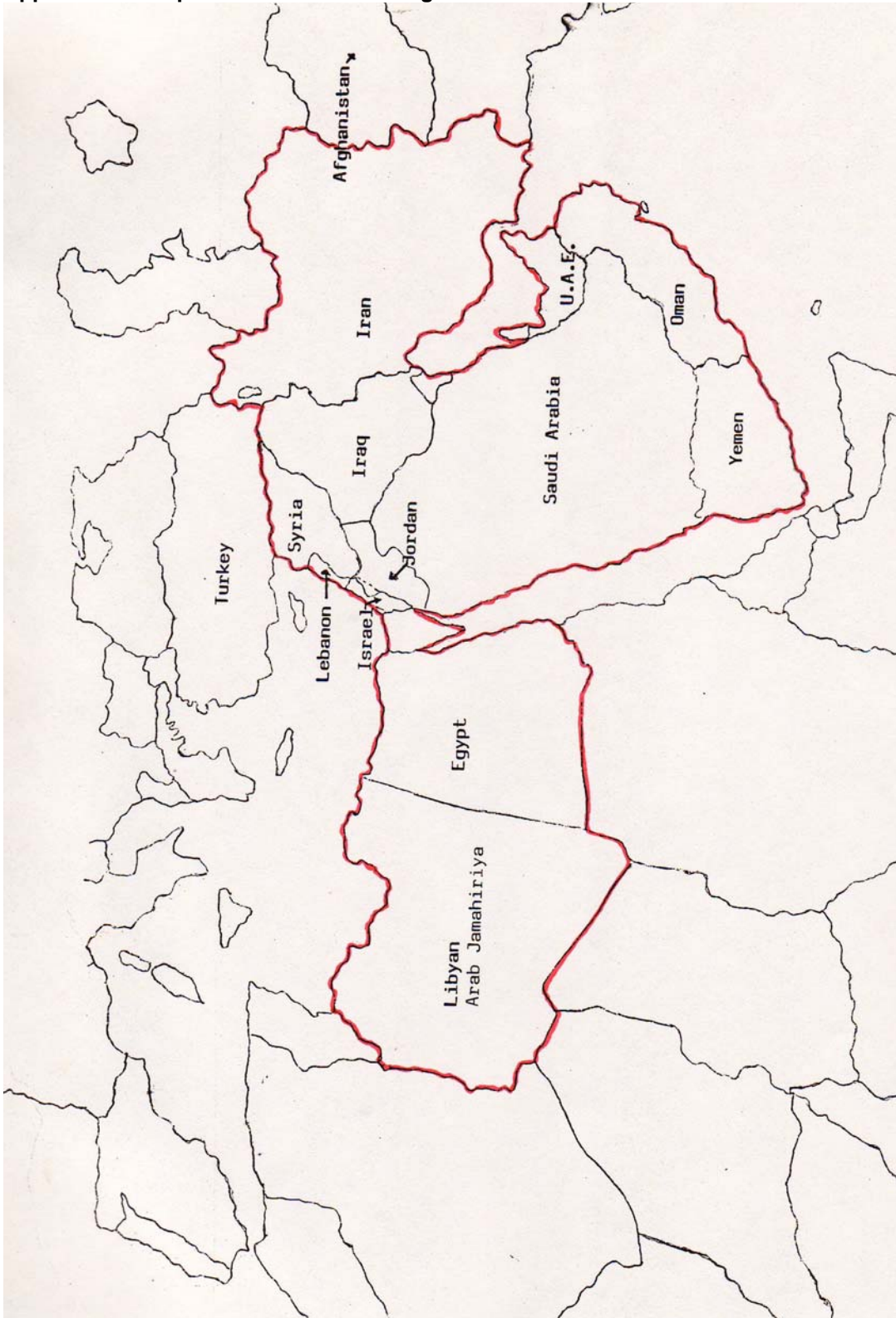
The percentage figures beneath the regional Import/Export figures attempt to show the growth of the market in arms in the Middle East. As the time periods examined in the dissertation vary, the change is a percentage figure derived by dividing the Import/Export figure for a given period, by the number of years covered, then comparing it with the figure for the previous period, thus eliminating the time distortion effects on the SIPRI data.

MIDDLE EAST REGIONAL ARMS TRANSFERS 1951 – 1992
A COMPARISON OF MIDDLE EAST ARMS IMPORTS VS. REGIONAL EXPORTS

YEAR	Middle East imports	European exports	USA exports	Russian (U.S.S.R.) exports	Total Sales
1951	109	347	1,460	111	1,918
1952	37	335	530	85	950
1953	173	802	541	392	1,735
1954	133	740	674	58	1,472
1955	436	721	1,091	169	1,981
1956	1,110	1,326	1,174	650	3,150
1957	747	1,150	1,326	749	3,225
1958	451	1,855	1,041	519	3,415
1959	575	1,328	967	364	2,659
1960	318	1,381	1,403	467	3,251
1961	314	808	1,845	1,057	3,710
1962	1,615	654	991	2,592	4,237
1963	938	656	1,113	1,170	2,939
1964	1,623	857	1,244	1,455	3,556
1965	1,243	815	1,651	1,572	4,038
1966	1617	1,009	1,752	3,011	5,772
1967	3,742	1,206	2,105	5,005	8,316
1968	4,213	1,678	2,568	4,391	8,637
1969	3,756	1,919	3,615	2,509	8,043
1970	5,673	1,571	4,117	4,765	10,453
1971	6,494	4,163	4,441	5,746	14,350
1972	6,190	2,755	6,868	6,810	16,433
1973	11,906	3,863	7,262	8,145	19,270
1974	7,838	3,560	5,195	5,486	14,241
1975	8,403	3,389	8,202	3,332	14,923
1976	8,577	3,533	8,414	5,652	17,599
1977	11,400	5,265	10,974	8,384	24,623
1978	8,817	1,410	7,944	10,475	19,829
1979	6,968	6,711	4,698	11,731	23,140
1980	10,046	5,205	6,567	10,533	22,305
1981	11,080	8,417	7,108	9,266	24,791
1982	13,908	8,052	8,256	9,017	25,325
1983	14,865	26,297	7,358	8,422	42,077
1984	14,350	27,241	5,922	9,718	42,881
1985	12,350	27,259	4,665	9,928	41,852
1986	12,489	28,272	5,710	11,973	45,955
1987	16,003	27,957	7,269	12,474	47,700
1988	9,901	24,040	5,210	11,919	41,169
1989	5,912	24,287	9,872	11,997	46,156
1990	6,918	17,251	5,359	7,669	30,279
1991	4,714	10,554	4,808	4,623	19,985
1992	4,138	7,839	3,565	2,207	13,611
Total	232,268	284,703	159,824	205,188	649,715

Figures compiled from SIPRI Armaments & Disarmament Yearbooks (Various Editions). All values are in \$US millions (1990) and are annual figures.

Appendix B - Map of the Middle East Region



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- ⁱⁱ The Daily Telegraph (09.01.93) Muslim terrorists take fight to Cairo.
- ⁱⁱⁱ The Guardian (30.07.93) Israeli troops pour north into Lebanon.
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